Nexans

Nexans

(incorporated in France as a société anonyme)

17,500,000 Ordinary Shares

(nominal value €1 per Share)

This international offering is part of a global offering of 17,500,000 Shares, representing 70 percent of the outstanding share capital of Nexans, by Alcatel as selling shareholder, which includes a public offering in France and an international institutional offering. Alcatel will receive all of the net proceeds of the global offering.

The Underwriters specified herein are offering the Shares outside the United States in reliance on Regulation S under the United States Securities Act of 1933. In addition to the offering of the Shares outside the United States, the Underwriters, through their respective selling agents, are concurrently offering the Shares in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act.

Prior to the global offering, there has been no market inside or outside France for the Shares. The Shares have been approved for listing on the *Premier Marché* of Euronext Paris S.A. under the symbol ''NEX''.

See ''Risk Factors'' beginning on page 10 for certain factors you should consider before buying Shares.

Offering Price: €27.00 per Share

Alcatel has granted an option, exercisable by the Joint Global Coordinators on behalf of the Underwriters, to purchase, at the offering price less commissions, up to 2,625,000 additional Shares, representing up to 15 percent of the total number of Shares to be offered in the global offering, solely to cover over-allotments, if any.

The Underwriters expect the Shares to be accepted for delivery through the book-entry facilities of Euroclear France S.A., Euroclear and Clearstream, Luxembourg, against payment, on or about June 15, 2001.

Joint Global Coordinators and Joint Bookrunners

Goldman Sachs International **SG Investment Banking**

Co-Lead Managers

BNP Paribas **UBS Warburg**

Co-Managers

ABN AMRO Rothschild **Crédit Agricole Indosuez Lazard** **Natexis Capital**

Offering Circular dated June 12, 2001.

The ordinary shares, nominal value €1 per ordinary share (the "Shares"), of Nexans have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), for offer or sale as part of their distribution and, subject to certain exceptions, may not be offered or sold in the United States. The Shares are not transferable except in accordance with the restrictions described herein. See "Underwriting".

No dealer, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Offering Circular and, if given or made, such information or representations must not be relied upon as having been authorized. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitations is unlawful. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Nexans or Alcatel since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The distribution of this Offering Circular and the offering and sale of the Shares in certain jurisdictions may be restricted by law. Nexans, Alcatel and the Underwriters require persons into whose possession this Offering Circular comes to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on the offering and sale of the Shares, see "Underwriting". This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Shares in any jurisdiction in which such offer or invitation would be unlawful.

There are restrictions on the offer and sale of the Shares in the United Kingdom. All applicable provisions of the Financial Services Act of 1986 and the Public Offers of Securities Regulations 1995 with respect to anything done by any person in relation to the Shares, in, from or otherwise involving the United Kingdom must be complied with. See "Underwriting".

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PRESENTATION OF HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

As further described below, this Offering Circular contains (i) our unaudited combined pro forma financial statements for the years ended December 31, 2000, 1999 and 1998 (the ''Pro Forma Financial Statements'') and (ii) in Note 23 to the Pro Forma Financial Statements, our historical condensed combined balance sheets, income statements, cash flow statements and statements of changes in combined net assets for the three years ended December 31, 2000 and (the ''Historical Combined Financial Statements''). This Offering Circular also contains (i) certain unaudited consolidated income statement and other financial data for the three months ended March 31, 2001 and (ii) certain unaudited pro forma combined income statement and other financial data for the three months ended March 31, 2000, which are prepared on the same basis as the Pro Forma Financial Statements.

Historical Combined Financial Statements. The Historical Combined Financial Statements reflect the financial condition, results of operations and cash flows on a combined basis for the periods covered of certain reporting units at Alcatel, most but not all of which are part of our business after the Reorganization (as defined below). The Historical Combined Financial Statements are not indicative of our future performance and do not reflect what our financial condition, results of operations and cash flows would have been had we been operated as a separate entity during the periods concerned because they (i) include within their scope businesses which Alcatel has retained after the reorganization of certain of Alcatel's business segments and portions of other business segments of Alcatel into Nexans as described herein (the ''Reorganization''), and which are not part of our business and (ii) do not reflect the transactions noted under ''Pro Forma Financial Statements'' below. The Historical Combined Financial Statements have been prepared in order to serve as the basis for the preparation of the Pro Forma Financial Statements. See Note 23 to the Pro Forma Financial Statements. The Historical Combined Financial Statements have been prepared in accordance with accounting principles generally accepted in France (''French GAAP'') and have been audited by our statutory auditors. No notes to the Historical Combined Financial Statements have been prepared, as we considered it more appropriate to prepare notes to the Pro Forma Financial Statements, which, we believe, better reflect the financial condition and results of operations of our business.

Pro Forma Financial Statements. The Pro Forma Financial Statements assume that we were formed as of January 1, 1998 and include pro forma adjustments to the Historical Combined Financial Statements. The Pro Forma Financial Statements reflect:

(i) (A) the carve-out from the Historical Combined Financial Statements of certain activities that were included in the historical financial reporting of the Telecom Products division of the Cable and Components sector of Alcatel but which have been retained by Alcatel and not contributed to Nexans; these relate in particular to fiber optic cable activities of Alcatel in France, Spain and Germany and radio frequency systems activity of Alcatel in Germany;

(B) the restatement of residual restructuring reserves as of December 31, 2000 relating to the restructuring costs of facilities of Nexans but which will be paid by Alcatel, and of fixed assets and pension assets relating to certain Alcatel activities in Norway; and

(C) agreements executed by Alcatel and us with regard to certain activities in Switzerland and Brazil (see ''Our Relationship with Alcatel'');

(ii) the amount of net debt allocated to us as a result of the legal formation of Nexans, which occurred in the last quarter of 2000, (except for the acquisition of one of our operations in China the registration of the transfer of certain patents and the transfer of a minority interest in a Japanese company, which we have yet to conclude). See ''The Reorganization''. As a result of these transactions, on October 17, 2000 our nominal share capital increased to €25 million and our additional paid in capital to €1,044 million. At the conclusion of these transactions, and taking into consideration our capitalization, our combined pro forma net debt was €139 million as of September 30, 2000 (treating such transactions as if they had occurred on September 30, 2000). The adjustment to the net debt in our historical combined balance sheet in order to obtain the net debt in the unaudited pro forma balance sheets as of December 31, 1998 and 1999 is based on the cash flow generated before September 30, 2000 as well as a theoretical annual dividend of €25 million. Financial expenses have been adjusted consequently on the basis of the historical cost of the Alcatel debt increased by 50 basis points. As of December 31, 2000, our combined pro forma net debt was €76 million. As of March 31, 2001, our consolidated net debt was €191 million. As the Reorganization was substantially completed in the last quarter of 2000, our combined pro forma net assets as of December 31, 2000 were of the same amount as our net consolidated assets as of January 1, 2001; and

(iii) other financial effects of the Reorganization, including:

(A) the net decrease in Alcatel's financial statements of net assets as of December 31, 2000, 1999 and 1998 reflecting the difference between the Historical Combined Financial Statements and the transfer value, in connection with the Reorganization, of shares in companies, assets and liabilities sold or contributed by Alcatel to us; and

(B) the repurchase by Alcatel from us of €45 million of net book value (transactions have been reflected in net book value for the purpose of establishing the Pro Forma Financial Statements) of interests in subsidiaries historically held until the Reorganization by our business but which have been retained by Alcatel after the Reorganization.

The Pro Forma Financial Statements assume that all such transactions and agreements occurred or were in effect on January 1, 1998. Although the Pro Forma Financial Statements are not considered under professional standards applied in France to be audited, they are based on the Historical Combined Financial Statements and have been examined in accordance with such professional standards by our statutory auditors.

The Pro Forma Financial Statements may not be indicative of our future performance and do not purport to be indicative of what our financial position, results of operations and cash flows would have been if we had been operated as a separate entity and if such transactions and agreements had actually occurred or been in effect, as the case may be, on such dates. The Pro Forma Financial Statements have also been prepared in accordance with French GAAP.

French GAAP differs in certain respects from generally accepted accounting principles in certain other countries. For a discussion of the principal differences between French GAAP and accounting principles that are generally accepted in the United States (''U.S. GAAP'') as they relate to us, see ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Significant Differences Between French GAAP and U.S. GAAP'' and the Pro Forma Financial Statements.

Unless otherwise indicated herein, all references to our financial information refer to the Pro Forma Financial Statements. Unless otherwise indicated herein, all references to our net sales are to our net sales at unadjusted metal prices (i.e., net sales without adjustment for changes in metal prices). See ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of Copper and Aluminum Prices''.

INDUSTRY AND MARKET DATA

In this Offering Circular, we rely on and refer to information regarding the cable industry and our market share, competitive position and rankings in the market segments in which we compete. We obtained this information from our own internal estimates, materials our competitors have made publicly available and various third party sources (including industry publications such as *Wire & Cable Quarterly Industry and Market Outlook* edited by CRU International Ltd, a major independent organization performing studies in the cable and wire market). We believe that such information, sources and estimates are reliable, but we have not independently verified them and cannot guarantee their accuracy or completeness.

OTHER INFORMATION

In this Offering Circular, references to (i) ''€'' and ''euros'' are to the currency introduced at the start of the third stage of the Economic and Monetary Union (''EMU'') pursuant to the Treaty establishing the European Economic Community as amended by the Treaty on European Union, (ii) ''$'', ''U.S.$'', U.S. dollars and ''dollars'' are to United States dollars and (iii) ''FRF'' and ''French Francs'' are to French Francs. We publish our financial statements in euros. Certain amounts in this Offering Circular, including in the Pro Forma Financial Statements, have been converted from French Francs into euros at the legally fixed rate of FRF 6.55957 = €1.00. See Note 1(q) to our Pro Forma Financial Statements.

This Offering Circular refers to certain amounts in Korean Won, the currency of Korea, reported by Daesung Cable Co Ltd. (''Daesung''), which after our acquisition of a controlling interest therein in March 2001, became Nexans Korea (''Nexans Korea''). Such Korean Won figures for the years ended December 31, 2000 and 1999 have been converted to euro at the average exchange rates for such years of 1 Korean Won = €0.0007398 and 1 Korean Won = €0.0009148, respectively. In addition, we have converted certain amounts in Norwegian Kroner, the currency of Norway, into euros at an exchange rate of 1 Norwegian Kroner = €0.12577, the closing exchange rate on June 11, 2001.

For an explanation of certain terms of the cable industry used in this Offering Circular, see ''Glossary''.

References to ''metric tons'' are to a unit of measure equal to 1,000 kilograms or 2,204.59 pounds.

This Offering Circular contains various amounts and percentages which have been rounded. When those amounts and percentages are added up, they may not total.

This Offering Circular has not received the *visa* of the French *Commission des opérations de bourse* (the ''COB'') and, accordingly, this Offering Circular and the information contained herein may not be distributed to the public in France or used in connection with the offer or sale of the Shares to the public in France. For the purposes of the offering in France, we have prepared a *Prospectus définitif* in the French language which received *visa* no. 01-773 of the COB on June 12, 2001. See ''Underwriting''.

IN CONNECTION WITH THIS OFFERING, SOCIÉTÉ GÉNÉRALE AND ITS AFFILIATES, ON BEHALF OF THE UNDERWRITERS, MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SHARES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON EURONEXT PARIS S.A., IN OVER-THE-COUNTER MARKETS OR OTHERWISE. SUCH TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Offering Circular, including under headings ''Summary'', ''Risk Factors'', ''The Reorganization'', ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and ''Business'' contain ''forward-looking'' information.

The forward-looking statements include prospective financial information which was prepared for use in connection with this offering. These forward-looking statements reflect our current view of the stated event, with respect to future events and financial performance. The words ''projects'', ''believes'', ''foresees'', ''expects'', ''intends'', ''estimates'', ''anticipates'', ''plans'', ''aims'' and other similar expressions identify forward-looking statements. Such forward-looking information involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any of our future results, performance, or achievements expressed or implied by such forward-looking information. Forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. The forward-looking statements include statements concerning, among other things:

- our strategy;
- our expectations with respect to developments in the markets in which we operate;
- our ability to develop and take advantage of new technologies;
- the marketing of our products and services to new markets;
- our target operating margins and target return on capital employed;
- our future levels of dividends, capital expenditures, net debt and restructuring expenditures;
- our ability to manage our relationship with Alcatel and companies within its group, as well as potential conflicts of interest with Alcatel;
- the success of our international expansion strategy; and
- changing market conditions and other risks detailed below.

Additional factors that could cause actual results, performance or achievements to differ materially from those contemplated by these forward-looking statements include, but are not limited to, those contained in this Offering Circular under the headings noted above. Some of such factors are beyond our control. In light of these risks and uncertainties, there can be no assurance that the results and events contemplated by the forward-looking statements contained in this Offering Circular will in fact transpire. You are cautioned not to place reliance on these forward-looking statements, which speak only as of the date of this Offering Circular. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

SUMMARY

This summary highlights more detailed information and financial statements contained in this Offering Circular. This summary does not contain all of the information that you should consider before investing in the Shares. You should read this summary together with the more detailed information about us and the Shares being sold in this offering and the financial statements and notes to such financial statements appearing elsewhere in this Offering Circular. You should read the entire Offering Circular carefully, especially the risks of investing in our Shares discussed under "Risk Factors".

General Information About Us and Our Business

Overview

We are a leading designer, manufacturer and supplier of a wide range of cables, wires and related products for electrical and telecommunications applications. Since June 1996, when our predecessor merged into Alcatel, and until the Reorganization, our operations were conducted through the Electrical Wires and Energy Cables divisions of Alcatel's Energy Cables business segment, and the Telecom Products and Harnesses businesses of Alcatel's Telecom Components business segment. See "The Reorganization". Since the Reorganization, we have conducted our operations as a segment of Alcatel.

We are a French *société anonyme* and conduct our principal operations through our divisions set forth below, which include approximately 70 combined subsidiaries and a similar number of non-combined companies, some of which are companies in which we own minority interests, in Europe, North America and elsewhere.

Our business divisions include:

- **Electrical Wires:** We are one of the world's largest manufacturers of conductive wires, including wire rod and bare wires for use in the manufacture of cable, and winding wires for use in electric motors, transformers and magnetic bobbins. Our Electrical Wires division also supplies wire rods and bare wires to our Energy and Telecom divisions for use in their respective cable production. As of December 31, 2000, there were 2,672 employees and 17 manufacturing facilities in this division. Net sales (constant metal price and excluding sales to our Energy and Telecom divisions) in 2000 were €1,095 million.

- **Energy:** We are one of the world's largest manufacturers and suppliers of cables and wires in the energy field. Our Energy division includes cables for power networks, industrial applications, including automotive components, and fixed cabling for industrial, commercial and residential buildings (through our General Markets business group). As of December 31, 2000, the Energy division comprised 9,026 employees and 40 manufacturing facilities. Net sales (constant metal price) in 2000 were €2,062 million.

- **Telecom:** We provide copper cables, access components, fiber optic cables and cabling systems for private networks and data transmission special cables for the telecommunications industry generally. As of December 31, 2000, there were 4,696 employees and 20 manufacturing facilities in this division. Net sales (constant metal price) in 2000 were €876 million.

In addition, we conduct a distribution business of electrical products in Norway and Switzerland with net sales in 2000 of €327 million, less than 15 percent of which were from distribution of our own products.

Our Strengths

We believe that our competitive strengths are:

- We have leading market positions in the infrastructure, industry and building segments;
- We offer a broad range of products to such markets, including a growing number of high value-added products;
- Our management and employees are focused on the cable business, understand our markets and have strong customer relationships;
- We have rationalized our manufacturing facilities and processes;
- We conduct focused research and development operations which have contributed and are geared to product innovations; and
- We have a financial structure which we believe will support our growth strategy.

Our Strategy

Our four principal strategic focuses are:

Focus on high value-added products. We intend to increase the contribution to our net sales of high margin products such as LAN cabling systems, winding wires, special data and industrial cables, harnesses and accessories. We intend to capitalize on potential market growth in these areas, continue product innovation and leverage our existing market positions and investment programs.

Develop our telecom access networks business. We believe our telecom access networks business will be an important growth and margin business in the medium term. We expect to use our technical and industrial know-how, market understanding and customer relationships to invest in the fiber optic cable and access components business in targeted geographic markets. We expect to strengthen our strategic relationships with partners with whom we have existing relationships and to increase our marketing efforts with new clients and in new geographic markets.

Grow through selective acquisitions in the Americas and Asia. We will consider acquisitions in areas where we believe acquisitions will be an appropriate means to achieve growth in key business segments. We expect to do so particularly in the United States as an initial priority, which is the most developed telecom market, and in South America and Asia, the major markets for large infrastructure projects. In the United States, we are considering the expansion of our Energy division activities in the Industrial Applications business group and our Telecom division activities in the cabling systems, data transmission special cable and access component areas. In Asia, we expect to expand through acquisitions in key Energy division businesses. In March 2001, we acquired activities in South Korea and Vietnam through our acquisition of a controlling stake in Daesung (which thereafter became Nexans Korea).

Strengthen cost competitiveness. After having undertaken significant restructuring efforts, we aim to improve our performance in under-performing regions and products and to shorten the time frame between research and development and commercial readiness of new products. We also plan to continue to improve production flexibility for tailor-made products we develop. We expect to maintain a level of capital and research and development expenditures to upgrade our manufacturing capabilities and to improve our products and manufacturing processes. We intend to use our size in our core markets to negotiate the favorable prices for raw materials.

Our head office is located at 16, rue de Monceau, 75008 Paris, France.

The Global Offering

The Global Offering	This global offering comprises • a French public offering known as an *offre à prix ouvert* ("OPO") limited to retail investors; and • an offering to institutional investors in France and internationally outside the United States, in reliance on Regulation S under the Securities Act, and an offering in the United States to qualified institutional buyers, as defined in, and in reliance on, Rule 144A under the Securities Act.
Shares Offered	17,500,000 existing Shares, representing 70 percent of all outstanding Shares, or 20,125,000 existing Shares, representing 80.5 percent of all outstanding Shares, assuming full exercise of the over-allotment option.
French Public Offering	The French public offering represents 22.5 percent of the global offering before exercise of the over-allotment option. Shareholders of Alcatel who (i) are individuals and (ii) hold their shares either as direct shareholders on Alcatel's share register or through an account in their own names in the European Economic Area with an authorized financial institution were entitled to place a priority order for allocation of Shares under the rules of the OPO.
Over-allotment Option	Alcatel has granted Goldman Sachs International and Société Générale an option to purchase, on behalf of the Underwriters, up to 2,625,000 additional Shares, representing up to 15 percent of the global offering, solely to cover over-allotments, if any. The Underwriters may exercise this option in the 30 days following the date of the underwriting agreement. See "Underwriting".
Offering Price	€27.00 per Share.
Selling Shareholder	Alcatel is the sole selling shareholder. Following the offering, Alcatel will own: (i) 7,499,888 Shares, representing 30 percent of all outstanding Shares, assuming no exercise of the over-allotment option; and (ii) 4,874,888 Shares, representing 19.5 percent of all outstanding Shares, assuming full exercise of the over-allotment option.
Lock-up	We have agreed (subject to certain exceptions), and Alcatel has agreed, not to issue or sell, directly or indirectly, Shares or securities convertible into or exchangeable for Shares, for a period of 270 days from the date of this Offering Circular, except with the prior written consent of the Joint Global Coordinators. See "Underwriting" for a more complete description of these arrangements and the exceptions to the lock-up arrangements.
Proceeds of the Offering	We will not receive any proceeds of the offering. Alcatel will receive all the net proceeds of the offering.
Voting Rights	Each Share represents the right to cast one vote at a general meeting of shareholders. Provisions in our by-laws *(statuts)* provide that shareholders holding in excess of 8 percent but less than 66.66 percent of our outstanding Shares will not have the

	right to vote the Shares in excess of the 8 percent level. See "Description of Share Capital".
Dividend Policy	We paid a dividend of €20 million to Alcatel for the fiscal year ended December 31, 2000. Our current expectation is to pay dividends of approximately 30 percent of our consolidated net income. See "Dividend Policy".
French Withholding Tax on Dividends....................	Dividends paid to holders of Shares who are not residents of France generally will be subject to French withholding tax at a rate of 25 percent which, subject to procedures and exceptions, may be reduced under tax treaties entered into between France and certain countries. See "Dividend Policy" and "Taxation".
Avoir Fiscal	French residents are entitled to a tax credit known as the *avoir fiscal*, at present generally equal to 50 percent of any dividends paid for individuals, or either 25 percent or 15 percent of any dividends paid for shareholders that are not individuals. Shareholders qualifying for benefits under tax treaties between France and other countries, including the United States and the United Kingdom, may under certain circumstances claim payment of the *avoir fiscal* or a partial *avoir fiscal*, subject to deductions of the applicable withholding tax. See "Dividend Policy" and "Taxation".
Risk Factors	Prior to making an investment decision to purchase our Shares, you should carefully review and consider the information discussed in the "Risk Factors" section, which includes information about risks associated with us, the industry in which we operate and this offering.
Payment and Delivery.........	The Underwriters expect the Shares to be accepted for delivery through the book-entry facilities of Euroclear France S.A., Euroclear and Clearstream, Luxembourg, against payment, on or about June 15, 2001.
Listing.......................	The Shares have been approved for listing on the *Premier Marché* of Euronext Paris S.A. ("Euronext Paris") under the symbol "NEX".
Security Codes...............	The following codes have been assigned to our Shares: Sicovam Code: 4444 Common Code: 013017697 ISIN: FR0000044448

Summary Pro Forma Financial Information

The following summary pro forma financial information is derived from our Pro Forma Financial Statements included elsewhere in this Offering Circular, which present our financial position and results of operations and cash flows as if the companies and businesses comprising our company had been formed as of January 1, 1998. This information and these statements do not necessarily reflect the financial position and results of operations and cash flows as they would have been had our company actually been formed on January 1, 1998 and operated autonomously since that date. See ''Presentation of Historical and Pro Forma Financial Information'' and Note 23 to the Pro Forma Financial Statements for an explanation of how this information and these statements were prepared. Although this information and these statements are not considered under the professional standards applied in France as audited, they are based on the Historical Combined Financial Statements and have been examined in accordance with such professional standards by our statutory auditors.

The assumptions and adjustments used to prepare the Pro Forma Financial Statements are described more fully in Note 23 to the Pro Forma Financial Statements. You should read the summary information below in conjunction with the Pro Forma Financial Statements and the notes thereto. You should also read ''Presentation of Historical and Pro Forma Financial Information'' and ''Management's Discussion and Analysis of Financial Condition and Results of Operations''.

	For the year ended December 31,		
	2000	1999	1998
	(€ millions)		
Income statement data:			
Net sales (unadjusted metal price)	4,783	4,182	4,330
Net sales (at constant metal price)	4,361	4,149	4,243
Income from operations	169	138	175
Financial income (loss)	(20)	—	(2)
Restructuring costs	(30)	(60)	(104)
Other revenue (expense)	1	80	2
Income tax	(40)	(31)	5
Minority interests	5	6	4
Combined pro forma net income, group share(1)	75	121	72
Balance sheet data (at period end):			
Combined pro forma net assets(1)	1,111	1,013	889
Minority interests	49	84	76
Total assets	2,892	2,942	2,866
Total non current assets, net value	894	809	808
Other data:			
Working capital provided by operations	146	125	165
Income from operations before depreciation	301	264	311
Income from operations before depreciation as a percentage of net sales at constant metal price	6.9	6.4	7.3
Income from operations as a percentage of net sales at constant metal price	3.9	3.3	4.1

(1) On a per-Share basis, combined pro forma net assets was €44.44 as of December 31, 2000, based on 25,000,000 Shares outstanding. Combined pro forma net income, group share, on a per-Share basis was €3.0 for the year ended December 31, 2000, €4.8 for the year ended December 31, 1999 and €2.9 for the year ended December 31, 1998, in each case, based on 25,000,000 Shares outstanding.

RISK FACTORS

You should carefully consider the risks described below, which are non-exhaustive, together with all of the other information included in this Offering Circular, before deciding whether to invest in our shares.

Risks Relating to Our Operations

We Have No Operating History as an Independent Entity

Prior to this offering, we have operated as part of Alcatel. We have established independent administrative departments, notably treasury operations, financial operations (for tax matters and acquisitions), intellectual property management, and communications services and certain corporate purchasing services. We have also outsourced other administrative functions, such as insurance operations and environmental services to Alcatel on a transitional basis. See ''Our Relationship with Alcatel''. Although we expect that large parts of our operational management will not change materially after this offering, we may experience difficulties and additional costs relating to conducting our business as a stand-alone entity.

Further Restructuring of Our Business May Be Required Depending on Economic and Sector Conditions in the Cable Industry

We have instituted significant measures to restructure our operations and cut costs over the last five years, including plant closures, rationalization programs, plant specialization and investments in technology to increase efficiency. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Restructuring Measures'', and ''Business — Research and Development'' and ''— Manufacturing''. We anticipate that our future restructuring expenses will be less significant when compared to those which we incurred in the years from 1995 to 1999, in view of the restructuring measures we have already taken. However, it may be necessary to implement further restructuring measures in our business depending on economic and sector conditions. See ''Management's Discussion and Analysis of Financial Condition and Results — Trends in Cable Prices'' and ''Business — The Cable Industry''. If further substantial restructuring is required in our business and does not succeed, our financial condition and the results of operations are likely to be adversely affected.

We Lack a Strong Presence in Certain Markets, and Our Future Success Depends in Part on Our Ability to Expand Internationally

To date, a significant portion of our sales have been made in Europe, where we believe we have substantial expertise and experience and are considered a market leader. We also are in the process of broadening our product offerings as noted in this Offering Circular under the heading ''Business — Our Products''. While we also have a significant presence in certain markets, our future growth will depend in part on our ability to expand into market areas in which we do not currently have a strong presence. The key geographic markets in which we seek to expand our business are the Americas and Asia. If we are successful in increasing our international business and broadening our product offering, we may encounter new risks that we have not traditionally encountered, including:

- political and economic instability;
- difficulties relating to operating control;
- lack of local business experience;
- difficulty in enforcing intellectual property rights; and
- language and other cultural barriers.

In addition, risks associated with fluctuations between the euro, which is the reporting currency in our financial statements, and the local currencies in which we may transact business, may be encountered if we are successful in increasing our international business.

There can be no assurance that the further expansion of our operations will not have any adverse consequences for our financial condition and results of operations.

We May Experience Difficulties Integrating any Acquisitions and Pursuing Our Growth Strategy

Although Alcatel has not pursued a strategy of growing our business by acquisition over the last four years, our business strategy involves pursuing opportunities to grow our business not only internally but also externally through selective acquisitions, investments, joint ventures and strategic alliances. Our ability to implement this strategy depends, in part, on our success in making such acquisitions, investments, joint ventures and strategic alliances on satisfactory terms and successfully integrating them into our operations. Implementation of a strategy of pursuing selected external growth opportunities may impose significant strains on our management and operating systems. In addition we may finance acquisitions by the incurrence of debt, or by the issuance of equity, which might have a dilutive impact on holders of our Shares. Our failure to manage our growth, or unexpected difficulties encountered during expansion, could have a material adverse impact on our financial condition and results of operations.

Our Business Is Subject to Seasonal Variations which Generally Cause Our First Half Financial Results to Be Lower than Our Second Half Results.

Our business is subject to seasonal variations which generally result in our first half financial results being lower than our second half results. The factors which have historically caused this imbalance between first and second half results, and which we expect to continue, include principally:

- customers for many of our products place their orders relatively close in time to the use of such products in construction projects. As such projects typically involve activity in open air, such orders occur with a higher intensity during the warmer weather periods of the second and third quarters;
- customer decisions regarding investments which involve our products, particularly for major public or infrastructure projects, are frequently made in the fourth quarter at the end of an annual budget cycle; and
- our working capital needs generally increase substantially during the first half of each year as we build up our stocks of products in anticipation of customer orders. The increase in working capital needs in the first half typically leads to substantial increases in our net debt and hence financial expenses, which generally increase less or decrease during the third and fourth quarters.

See also ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent Developments''.

We Are Exposed to Risks of Product Liability Regarding Many of Our Products

Our business exposes us to the risk of product liability or allegations that our products cause harm to persons or property. Our policy is to maintain product liability insurance that we believe to be consistent with industry practice, and we have entered into a transitional arrangement to continue to participate in Alcatel's insurance program. See ''Our Relationship with Alcatel''. We cannot guarantee that our present insurance coverage is sufficient to meet any product liability claim against us, that we will in the future be able to obtain or maintain insurance on acceptable terms or at appropriate levels or that any insurance maintained will provide adequate protection against potential liabilities. A successful product liability claim against us could have a material adverse effect on our business, financial condition and results of operations. Moreover, defending ourselves against it would cause a drain on management resources and a loss of reputation and marketability, and we would incur significant legal costs.

We May Be Subject to Claims under Certain of Our Contracts with Customers

Many of our contracts with our customers, particularly with respect to the high voltage products produced by our Energy division and the submarine installation business in Norway, require us to produce and install cables of substantial individual value pursuant to specifications and schedules established by customers in turnkey construction contracts relating to major infrastructure projects. In response to competitive pressures, we have been increasingly required to introduce new technologically advanced products on increasingly short timetables, which may increase the risk of product defects and late completion. Many of our supply and/or installation contracts contain penalty clauses that are triggered in the event we are unable to meet our time and quality commitments. If any of these clauses is invoked against us our financial condition and results of operations may be adversely affected because of the magnitude of applicable penalties or other damage claims or the effect of delays on our cost structure.

We Experience Risks Relating to Our Potential Liability to Our Customers and the Liabilities of Our Suppliers to Us

We provide warranties or other product performance guarantees to many of our customers. Many of our products incorporate raw materials or component parts which we source from our suppliers, the purchase contracts for which contain warranties in our favor. Nevertheless, the warranties from our suppliers may not always be coextensive with those we give to our customers, leaving us exposed to our customers for component deficiencies.

In addition, many of our contracts for cabling systems products contain warranties in favor of our customers for the life of a product or other period of long duration. Often the warranties are conditioned on the fulfilment of specified procedures by installers. Because we have only begun to sell products subject to these warranties within approximately the last five years, it is unclear whether material claims under such warranties will arise.

Our Norwegian Distribution Subsidiary Has Been Notified that It Is the Subject, among Others, of a Competition Investigation about which We Have Limited Information

In a press release dated April 27, 2001 the Norwegian Competition Authority announced that our Norwegian subsidiary involved in the wholesale Distribution business had been reported, together with five other Norwegian wholesalers, an industry association and certain individuals, to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime. The Competition Authority claims that the wholesalers, through their participation in the industry association, violated Norwegian law by fixing gross prices and, to a certain extent, rebates and net prices during the 1990s. The relevant Norwegian laws provide for disgorgement of profits, criminal fines (but without setting maximum or minimum limits) and imprisonment for individuals. Based on the limited information that we have as to what actions may be contemplated by the Norwegian authorities, we are not able to predict with any certainty how this matter may evolve or what its impact may be on our operations or financial results. See ''Business — Legal Proceedings'' for further information.

Exchange Rate Fluctuations May Distort Competition Between Us and Our Competitors

In general, we sell domestic production on domestic markets, which we believe allows us to reduce our exposure to exchange rate fluctuations between the euro and the relevant local currency.

Nevertheless, in those export markets where our products are typically priced in dollars, a depreciation of the dollar relative to the currency in the country of manufacture (for example, the euro with respect to most European production) could adversely affect our results of operations. However, a significant portion of our expenses, including the price of non-ferrous metals, are expressed in dollars. Although we have implemented practices and procedures for metal and exchange rate hedging, no assurance can be given that exchange rate risks will not have a material adverse effect on our operating profit or cause significant fluctuations in our working capital needs.

Risks Relating to Our Formation and Our Relationship With Alcatel

Our Pro Forma Financial Statements May Not Accurately Reflect Our Performance

We have chosen to use the Pro Forma Financial Statements as our principal financial statements in this Offering Circular. We believe that the Pro Forma Financial Statements represent more closely than the Historical Combined Financial Statements the financial condition and results of operations of the portions of Alcatel's business which are included in our operations following the Reorganization. See ''Presentation of Historical and Pro Forma Financial Statements'' and ''Management's Discussion of Financial Condition and Results of Operations — The Pro Forma Financial Statements''. The Pro Forma Financial Statements have not been audited in view of the fact that they contain pro forma adjustments, but our statutory auditors have examined them. See Note 23 to the Pro Forma Financial Statements. The financial information presented in this Offering Circular may not accurately reflect what our financial condition and results of operations would have been had we been a separate, stand-alone entity since 1998 and may not be indicative of our future performance.

As a Result of this Offering, We Are No Longer Able to Rely on Benefits of Being Part of the Alcatel Group

Prior to this offering while our operations were part of Alcatel, we received the benefit of Alcatel's financial, technical and other resources. In the future we will no longer be able to rely on Alcatel for significant functions. As a consequence of the reorganization of Alcatel's cable activities and the creation of our company:

- our Telecom division will not be able to provide to our customers a full range of products in connection with network build-outs unless we significantly expand our fiber optic cable business;
- the patents relating to single mode fiber optic cables have been retained by Alcatel. With respect to these patents, we have received from Alcatel a license relating only to products manufactured, and manufacturing processes used, before January 1, 2000 in the portion of the businesses transferred to us.
- our creation as an independent entity may alter the perception by certain of our clients and customers may be reluctant to do business with us as a new entity because our brand name and reputation are not as well established;
- our Telecom division will no longer have access to Alcatel's expertise relating to the telecommunications business, and we will have to provide, directly or indirectly, for the development and marketing of our products;
- we will have less purchasing power and financing leverage with our suppliers than Alcatel because we are smaller than Alcatel. We also may not be able to obtain credit on as favorable terms as Alcatel; and
- we expect Alcatel to continue to be a major customer for some of our telecom products, and Alcatel may choose not to do business with us.

Upon the expiration of some of our transitional arrangements with Alcatel, we will also need to complete the establishment of our own administrative functions, which effort may be subject to cost overruns, delays or other inefficiencies, and incur related costs. See ''Our Relationship with Alcatel''.

Our Continuing Business Arrangements with Alcatel Expose Us to Risks, Including Potential Conflicts of Interest

After this offering we will continue to have substantial business arrangements with Alcatel which may expose us to risks, including conflicts of interest with Alcatel. See ''Our Relationship with Alcatel''. For example:

- we have an agreement with Alcatel for it to supply a substantial portion of our current optical fiber needs, representing approximately two-thirds of our projected needs for 2001, for our fiber optic cable operations in Belgium, Switzerland, Sweden, Norway, Greece and Turkey. Therefore, we will need to enter into additional supply arrangements with other fiber producers in order to meet our supply requirements. There can be no assurance that we will be able to enter into such additional supply arrangements for sufficient quantities or under conditions as favorable as existed previously, as currently there is a worldwide shortage of supply which we expect to continue.

- After this offering, we will compete with Alcatel in the market for single mode fiber optic cables and components, Alcatel having kept the major part of its single mode fiber optic cable businesses (except for single mode fiber optic cable activities which are part of our operations in Sweden, Norway, Switzerland, Belgium, Greece and Turkey). See ''The Reorganization''.

- As a result of the Reorganization, we may lose our preferred relationship with Alcatel Contracting in bidding for large public telecommunications networks.

The termination of any of these arrangements or their implementation in ways that are more favorable to Alcatel than to us may adversely affect our financial condition and results of operations.

The Reorganization May Adversely Affect Contracts Between Alcatel or Its Subsidiaries and Customers or Suppliers in Respect of Contracts that We Have Assumed or May Result in Unexpected Costs for Us

The Reorganization may affect contractual arrangements between Alcatel or its subsidiaries and customers or suppliers in respect of contracts that we have assumed, and in particular may give rise to rights of customers or suppliers to terminate or modify certain applicable agreements. We did not initiate contacts with many parties to the agreements where such issues may arise. Although we do not believe that the exercise of any of such rights is likely, there can be no assurance that such exercise will not occur and that any such exercise would materially adversely affect our financial condition and results of operations.

Although we have an agreement with Alcatel that it will pay the principal portion of the costs of Nexans in connection with the Reorganization, there can be no assurance that unforeseen or contingent costs to be borne by Nexans may not arise after the offering. Such agreement does not cover any obligation we may have to indemnify the underwriters for certain liabilities, including liabilities that may arise under the Securities Act pursuant to the underwriting agreement. See ''Underwriting''. We have also entered into an agreement with Alcatel with the objective of distributing the liabilities of certain operational risks as well as the risks and costs pertaining to the Reorganization. See ''Our Relationship with Alcatel''.

Risks Relating to Our Industry

The Cable Industry May Not Recover to the Extent or in the Timeframe Anticipated, and Demand for Cable Products Is Cyclical

As discussed elsewhere in this Offering Circular, cable producers have faced in recent years overall price and volume demand declines for their products, particularly in infrastructure markets. These declines have, to a large extent, reflected structural changes, such as the privatization of state-owned customers and deregulation, which have revealed industrial overcapacity and severe price pressure in many major product and geographic markets. As a consequence of such changes, the cable industry has undergone, and is continuing to undergo, significant transformation. See ''Business — The Cable Industry''. The extent of such transformation varies from region to region, and we believe that certain geographic markets, particularly the European market, have entered, or will enter within the next few years, a recovery phase, characterized in part by a rebalancing of production capacity with demand. There can be no assurance, however, as to the extent or eventual timing of a sustained recovery of the cable industry, either on an overall basis or with respect to any of our principal product or geographic markets. In particular, any recovery in the European market might be adversely affected should the economic slowdown observed in the United States extend to Europe.

In addition, the markets for our products are subject to cyclical changes in demand. While we believe that the scope of our geographic markets and products offerings diminishes our exposure to business cycles, such cycles have had and in the future may have a significant impact on sales prices and our business results. In particular, sales of the products of our Electrical Wires division depend generally on demand for consumer goods, home appliances and automobiles, which often diminishes in times of general economic downturn. Our Energy division products (power transmission and power distribution cables) and Telecom division products (copper and fiber optic cable) also depend on the level of investment of utilities and telecom operators. Demand for our Energy General Markets business group products and our cabling systems products is influenced by the number of construction projects being undertaken and by general economic conditions. Demand for other products is influenced by general economic conditions in specified industries, such as the oil industry.

Parts of Our Industry Are Experiencing Rapid Technological Change

The most significant products marketed by us may be affected by the development of cost-effective alternatives. Fiber optic cable, the business relating to which has principally been retained by Alcatel, is increasingly used as the ''backbone'' of telecommunications networks in part because of higher data transmission capacity or ''bandwidth''. Fiber optic cable has replaced copper cable as the principal material for long distance transmission. There are currently four technologies (ADSL, CATV, microwave and fiber optic) used to provide or enhance data transmission capacity in access networks. Only one of these technologies, ADSL, is copper based, and the use of microwave technology reduces the need for cable generally. We anticipate a decline in the market for copper network products in developed countries in the long term, as fiber optic cable is increasingly being used. In developed countries, we believe that the impact of such decline in the medium term will be diminished by the need for maintenance and replacement of a large installed base and by the development of the second subscriber line for Internet services at home. In many developing countries we believe that there is a growing demand for copper telecom networks to cover voice access needs, particularly in the Middle East, Latin America and Asia. Nonetheless, there can be no assurance as to the future levels of demand for copper networks.

In addition to the risks presented by the growth of alternative technologies, we must incorporate technological advances into our product development and manufacturing processes to remain competitive. The demand for more energy-efficient products, as well as lighter and smaller products, has required us to engineer lighter and more efficient components, including wire and cable components. There is a general trend in all the markets in which we operate favoring the use of technologically improved products. It is increasingly important that we use technology to automate our operations and to improve our cost structure in connection with the entry in the medium term of many of our product markets into their respective restructuring phases. There can be no assurance that our existing technologies will not be superseded by new technologies developed by our principal competitors or that we will successfully introduce new or enhanced products and processes which will meet marketplace expectations.

Our Industry Is Highly Competitive

The manufacture and sale of cable, wire and related products is highly competitive. In recent years, our product offerings, particularly in the area of copper telecom networks, power transmission and power distribution cables have been subject to significant downward pressure on prices, principally as a consequence of overcapacity in Europe. The infrastructure markets for many of our core products are mature in Europe and competition has increased as the number of projects undertaken has diminished. There has been a general downward pressure on prices in most of the markets in which we operate. With respect to some of our product lines, some of our principal competitors may have greater financial, engineering, manufacturing and other resources than we do. We compete with at least one major competitor with respect to each of our product lines, and to remain competitive we have had to improve the efficiency and cost structure of our operations. In addition we expect to have to continue to make significant investments in engineering, research and development, marketing and customer service and support. Many of our products are made to industry specifications and may be interchangeable with our principal competitors' products. Therefore, we are subject to competition in many markets on the basis of delivery time, customer service, as well as our ability to tailor products to customer needs. It will therefore be increasingly necessary for us to improve efficiencies in our operations in order to remain competitive. Our failure to respond to the needs of our customers and potential customers in these areas may have a material adverse effect on our results of operations and financial condition.

We Are Vulnerable to Fluctuations in the Price and the Unavailability of Raw Materials for Our Operations

Copper, aluminum and plastics are the principal raw materials we use, and our business is affected by fluctuations in their prices and availability. We have to date been able to obtain sufficient supplies of such commodities at commercially reasonable prices. Although we expect this to be the case in the future, a worldwide copper shortage or supply disruptions may occur from time to time and could adversely affect our business and industry. A concentration of the suppliers of PVCs may make PVCs more difficult to obtain, which might adversely affect the business of our Energy division. In addition, since there is presently a shortage of fiber in the optical fiber market, there can be no assurance that we will be able to meet our supply needs for optical fiber on favorable terms. The inability to secure adequate raw materials at commercially reasonable prices could adversely affect our business and results of operations.

While the prices of copper and aluminum are especially volatile, we believe that our operating margins have only limited exposure to those prices because any increase in non-ferrous metal prices is generally passed through to our customers and we hedge such risks by entering into futures contracts on the London Metal Exchange (the "LME"). Also, our margins are exposed to the cost of copper in certain product lines such as the copper cables of our cabling systems business and, to a lesser extent, the products of our Energy division General Markets business group. However, we have implemented practices and procedures to limit these risks. We believe the changes in the costs of copper and aluminum do not have a significant impact on our operating margins, although they have a significant impact on our net sales, cost of sales and net debt. However, no assurance can be given that such risk to our income from operations will remain insignificant.

Nonetheless, fluctuations in the prices of copper and aluminum have a significant impact on our cash needs. Increases in the price of copper have the effect of making our working capital requirements higher. There have been substantial price variations during the last five years in the price of copper which have materially affected our level of indebtedness and our financial costs. We are also exposed to the risk that a counterparty under our futures contracts on the LME may default although we seek to do business only with counterparties presenting low credit risk.

We Are Subject to Increasingly Stringent Environmental Regulations

We are subject to numerous environmental regulations in each of the jurisdictions in which we operate, including local, national and international laws and regulations relating to the handling, transport, disposal and emission of hazardous wastes and materials. We maintain liability insurance covering certain potential environmental risks vis-à-vis third parties, but such insurance does not cover the costs of any government-mandated clean up, which are more likely to cause us to incur environmental expenses or losses. We generally do not maintain reserves for environmental remediation but have expensed our costs as incurred. Although we believe that we conduct our operations in a way that reduces environmental risks and have in place appropriate systems for identifying and managing potential liabilities, there can be no assurance that we have identified and are addressing sources of environmental risk. There can be no assurance that we will not incur environmental losses or that any losses incurred will not have a material adverse effect on our results of operations or financial condition. In addition, future changes in environmental laws or regulations may have a material adverse effect on our results of operations and financial condition.

Risks Relating to the Offering

There Is No Prior Trading Market for Our Shares

Prior to the consummation of the offering, there was no public market for our Shares. The offering price for the Shares has been determined through negotiations between Alcatel and the joint global coordinators through the evaluation of the level of interest indicated by investors. The negotiations considered a variety of factors, including valuations determined from multiples of earnings and cash flows of similarly situated companies. Because there has been no prior market valuation of the Shares, there can be no assurance that the offering price for the Shares will accurately reflect the market price for the Shares following the offering.

It Is Possible that Our Share Price Will Experience Significant Volatility

The market price of our Shares after the offering may be significantly affected by factors such as variations in our results of operations, market conditions specific to particular industries, the announcement of technological innovations, new products or product enhancements by us or our principal competitors, or changes in government regulations. In addition, the stock markets have in recent years experienced significant price fluctuations, which often have been unrelated to the operating performance of the specific companies whose stocks are traded. Market fluctuations, as well as economic conditions, may adversely affect the market price of the Shares.

Shareholders Outside France May Not Be Able to Exercise Preferential Rights

Under French law, shareholders have waivable preferential rights to subscribe on a pro rata basis for cash issuances of new shares or other securities which give rights to subscribe for new shares. See ''Description of Share Capital''. However, due to laws and regulations in their jurisdictions, our non-French shareholders may not be able to exercise their preferential rights. In particular, our U.S. shareholders may not be able to exercise their preferential rights unless a registration statement under the Securities Act is effective or an exemption from the registration requirement of the Securities Act is available. There can be no assurance that we will file a registration statement in such circumstances, or that, if filed, it will be declared effective. If a U.S. or other shareholder cannot exercise its preferential rights, its ownership interest will be diluted.

Substantial Sales of Our Shares Could Cause the Price of Our Shares to Decline

A sale of a significant number of our Shares made after this offering, or the anticipation by the market of a possible sale, could affect our Share price. Following this offering, Alcatel will retain 30 percent of our share capital, assuming no exercise by the Joint Global Coordinators of the over-allotment option. Alcatel has agreed not to offer or sell such Shares, or any shares which are exchangeable or convertible into our Shares, for 270 days from the date of this Offering Circular without the prior written consent of the Joint Global Coordinators. After the expiration of this period, or upon the granting of any such consent, Alcatel may freely sell any of our Shares that it may have retained.

DIVIDEND POLICY

We paid a dividend of €20 million to Alcatel for the fiscal year ended December 31, 2000. We cannot guarantee that we will pay dividends in the future or, if we do, what amount per Share we will distribute to our shareholders. Our expectation, however, is to pay dividends of approximately 30 percent of our net income. Shares offered will be entitled to any dividend paid with respect to the fiscal year ending December 31, 2001. Any payment of future dividends and the amounts thereof will depend upon a number of factors, including our financial performance, net income, statutory and financial requirements, general business conditions, our business plans and other factors deemed relevant by our board of directors, and will be subject to withholding tax in France. See ''Description of Share Capital'' and ''Taxation''.

CURRENCY PRESENTATION AND EXCHANGE RATES

Under the provisions of the Treaty on European Union negotiated at Maastricht in 1991 and signed by the then 12 member states of the European Union in early 1992, a European Monetary Union, known as ''EMU'', was implemented on January 1, 1999, and a single European currency, known as the euro, was introduced. The following 11 member states participate in EMU and have adopted the euro as their national currency: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, The Netherlands, Portugal and Spain. The legal rate of conversion between French francs and the euro was fixed on December 31, 1998 at €1.00 = FF6.55957, and we have translated French francs into euros at that rate.

Our shares are denominated in euros. Because any cash dividends that we could pay would be denominated in euros, exchange rate fluctuations will affect the U.S. dollar amounts that shareholders will receive on conversion of dividends from euros to dollars.

The following table shows the French franc/U.S. dollar exchange rate for 1996 through 1998 based on the noon buying rate expressed in French francs per $1.00, and the euro/U.S. dollar exchange rate for 1999, 2000 and 2001 based on the noon buying rate expressed as euros per dollar. We do not make any representations that French francs or euros could have been converted into dollars at the rates shown or at any other rate on such dates. For information regarding the effect of currency fluctuations on our results of operations, see ''Management's Discussion and Analysis of Pro Forma Financial Condition and Results of Operations''.

Year	Period End	Average Rate(1)	High	Low
Euro/U.S. dollar				
2001 (through June 11)	1.19	1.13	1.19	1.05
2000	1.07	1.09	1.21	0.97
1999	0.99	0.94	1.00	0.85
French franc/U.S. dollar				
1998	5.59	5.90	6.21	5.39
1997	6.02	5.85	6.35	5.19
1996	5.19	5.12	5.29	4.90

Most Recent 6 Months	Period End	Average Rate(2)	High	Low
Euro/U.S. dollar				
June (through June 11)	1.19	1.18	1.19	1.17
May 2001	1.18	1.14	1.18	1.12
April 2001	1.13	1.12	1.13	1.11
March 2001	1.14	1.10	1.14	1.07
February 2001	1.09	1.09	1.10	1.06
January 2001	1.07	1.07	1.09	1.05

(1) The average of the noon buying rates for French francs or euros on the last business day of each month during the relevant period.

(2) The average of the noon buying rates for euro on the business days occurring during such month or partial month.

MARKET INFORMATION

Euronext Paris

There is currently no public market for our Shares and our Shares are not currently listed for trading on any stock market. Our Shares have been approved for listing on the *Premier Marché* of Euronext Paris. Authorized financial institutions that are members of Euronext Paris trade securities listed on the *Premier Marché* of Euronext Paris. Securities listed on the *Premier Marché* are traded continuously on each business day from 9:00 A.M. to 5:25 P.M. (Paris time), with a pre-opening session from 7:15 A.M. to 9.00 A.M. and a pre-closing session from 5:25 P.M. to 5:30 P.M. during which time transactions are recorded but not executed. Any trade of a security that occurs after a stock exchange session closes is recorded on the next business day at the previous session's closing price for that security. Euronext Paris has introduced continuous electronic trading during trading hours for most actively traded securities. Euronext Paris manages and operates Euronext Paris. Euronext Paris publishes a daily official price list that includes price information on listed securities.

Euronext Paris places securities listed on the *Premier Marché* in one of two trading categories, depending on the trading volume of the securities. We expect that Euronext Paris will place our shares in the category known as *Continu,* which includes the most actively traded securities. The minimum yearly trading volume required for a security to be in *Continu* is 2,500 trades (i.e. an average of 10 trades per business day).

Euronext Paris may temporarily suspend trading in a security listed in *Continu* on the *Premier Marché* if purchase and sale orders recorded in the trading system would result in a price beyond certain thresholds, determined on the basis of a percentage of fluctuations from a reference price. The duration of the so-called reservation period and the relevant thresholds vary depending on whether the price fluctuation occurs when trading commences or during the trading session. If required by market conditions, Euronext Paris may display an indicative trading price during such reservation period. The duration of the reservation periods and fluctuation ranges may be changed from time to time by Euronext Paris.

Euronext Paris may also suspend trading of a security listed on the *Premier Marché* in certain other circumstances. In addition, in exceptional cases, the *Conseil des marchés financiers,* the organization with general authority over the French financial markets, and the *Commission des Opérations de Bourse* (''COB'') may also require Euronext Paris to suspend trading.

Since September 25, 2000, traders of securities listed on the *Premier Marché* settle their trades on a cash settlement basis on the third day following the trade. However, a Deferred Settlement Service (*Service à Règlement Différé,* or SRD) allows shareholders to benefit from certain leverage and other special features of the previous monthly settlement market (*marché à règlement mensuel*). This service is reserved for shares which are either SBF 120 Index components or have a capitalization of at least €1 billion and represent a minimum daily trading value of €1 million and which are cited on the list published by Euronext Paris. Investors can elect on the determination date (*date de liquidation*), which is the fifth trading day before the end of the month, either to settle by the last trading day of the month or to pay an additional fee and postpone the settlement decision to the determination date of the following month.

Equity securities traded on a deferred settlement basis are considered to have been transferred only after they have been registered in the purchaser's account. Under French securities regulations, any sale of a security traded on a deferred settlement basis during the month of a dividend payment date is deemed to occur after the dividend has been paid. If the sale takes place before, but during the month of, a dividend payment date, the purchaser's account is credited with an amount equal to the dividend paid and the seller's account is debited by the same amount.

On September 22, 2000, the three stock exchange organizations ParisBourse[SBF] S.A. in Paris, AEX in Amsterdam and BXS in Brussels have announced that they will merge their activities and create a new exchange organization to be named Euronext.

As part of this merger, on September 22, 2000, Euronext Paris became a wholly-owned subsidiary of a Netherlands company, Euronext N.V., the new holding company of the Euronext group. The name of ParisBourse[SBF] S.A. was changed to Euronext Paris on October 27, 2000.

Euronext intends to harmonize the listing criteria and the trading rules and to rationalize the clearing and settlement of transactions among the three existing stock exchanges. Until this program is implemented, the rules currently in force will continue to apply. However, future coordination among the different exchanges may require Euronext Paris to change some or all of the procedures and practices we have described in this Section.

Trading by Our Company in Our Own Shares

Under French law, our company may not issue shares to itself, but we may repurchase our Shares in the limited circumstances described in the section entitled ''Description of Share Capital — Repurchase of Shares''.

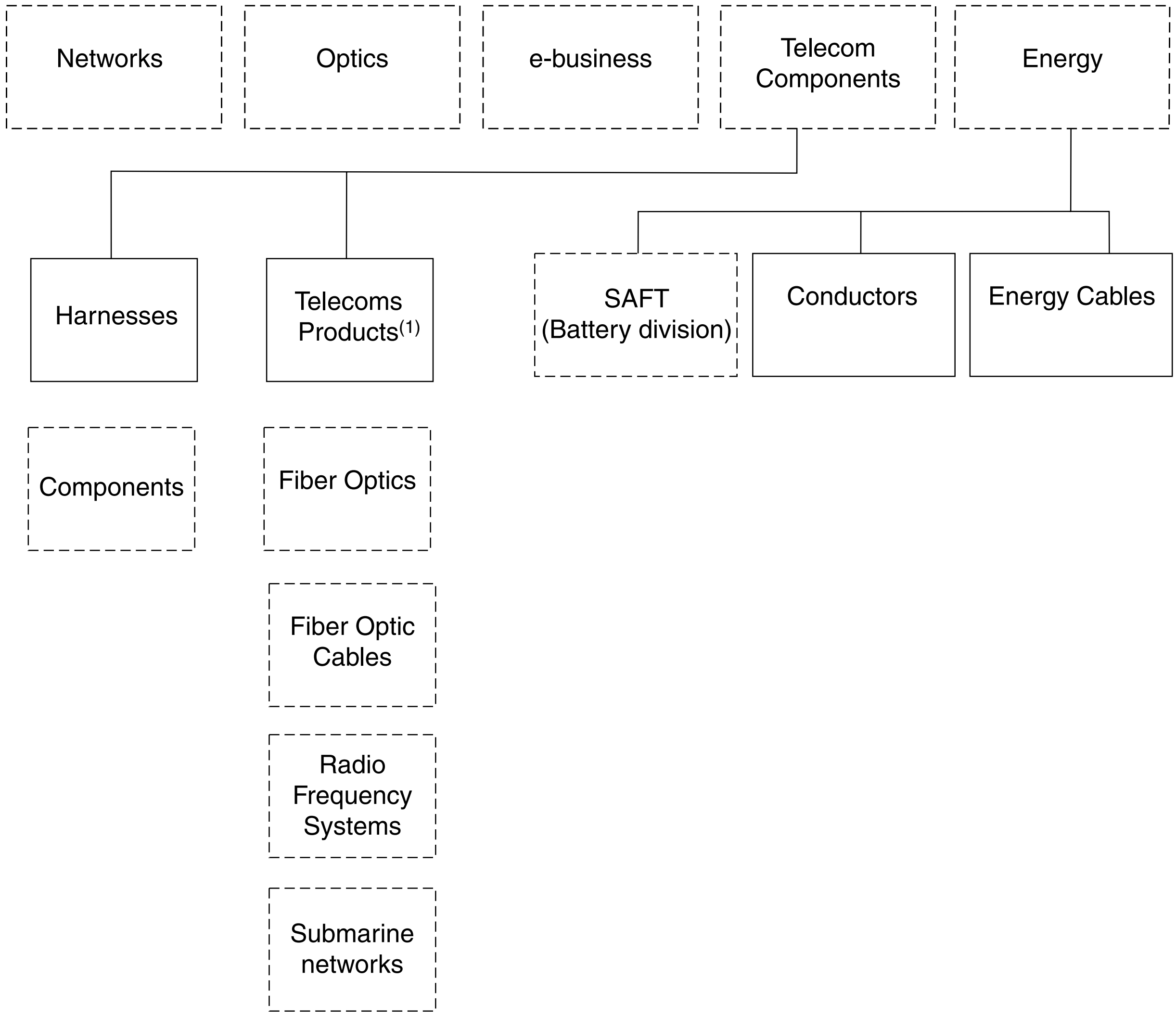
CAPITALIZATION

The following table sets out our unaudited combined pro forma capitalization as of December 31, 2000. This table should be read in conjunction with ''Management's Discussion and Analysis of Financial Condition and Results of Operations'', as well as the Pro Forma Financial Statements, including the notes thereto, included elsewhere in this Offering Circular. Our consolidated net debt as of March 31, 2001 was €191 million. We expect our consolidated net debt to increase materially in the second quarter of 2001 (by approximately 50 percent of the March 31, 2001 level) and to decrease in the second half of 2001.

	As of December 31, 2000
Combined pro forma net debt	76
Net assets:	
Net assets before cumulative translation adjustment	991
Cumulative translation adjustment	45
Net income	75
Total net assets	1,111

THE REORGANIZATION

The portions of Alcatel's two business segments which constitute our business as a result of the Reorganization are identified in the table below by solid lines. The portions of Alcatel's business which Alcatel has retained are identified by dotted lines.



(1) Includes certain fiber optic cable businesses which are part of our business.

The Reorganization has been principally effected with respect to companies in the following jurisdictions: Belgium, Brazil, Canada, China, Denmark, Spain, the United States of America, France, Germany, Ghana, Greece, Ireland, Italy, Lebanon, Morocco, Nigeria, Norway, the Netherlands, Portugal, Czech Republic, Romania, the United Kingdom, Singapore, Sweden, Switzerland and Turkey.

The Reorganization was substantially completed in the last quarter of 2000. While the businesses mentioned above have been substantially transferred to us, Alcatel has retained the single-mode fiber optic cable business with the exception of the fiber optic cable business in Sweden, Norway, Switzerland, Belgium, Greece and Turkey, certain of these forming the object of agreements between Alcatel and us. See "Our Relationship with Alcatel".

The transfer to us of our business has been effected principally as follows. The shares of companies which conducted our business prior to the Reorganization have been transferred either to us or to one of our intermediate holding companies. In some countries (the United States, France, Canada, Germany and Spain) companies that conducted parts of both our business and businesses retained by Alcatel (such as companies which conducted both the copper and fiber optic cable businesses) were divided in accordance with local law and certain assets transferred to newly formed companies whose shares were then transferred to us. In other cases, businesses which Alcatel has retained were transferred to Alcatel. Alcatel effected such transfers on the basis of estimated value in use of our company, before net debt (€139 million as of September 30, 2000), of €1,200 million. See ''Our Relationship with Alcatel''.

In France, a substantial portion of our businesses relating to telecommunications cables for private networks (mainly copper), electric cables, cabling systems, energy cables and conductors and associated accessories, were the subject of a partial assignment by Alcatel Cable France to Nexans France, initially a subsidiary of Alcatel, whose total capital was then transferred to us. This partial assignment of assets was approved at a general meeting of Nexans France on November 13, 2000 and became effective as of that date. Alcatel transferred the shares that it held in Nexans France to us on November 14, 2000.

All governmental and administrative authorizations necessary for the Reorganization have been obtained, with the exception of those for one of our operations in China. Although we believe that we will obtain such authorization in China prior to the closing of the offering, there can be no assurance that this will be the case. Other outstanding items in connection with the Reorganization include the transfer of a minority interest in a Japanese company and the registration of the transfer of certain patents.

In connection with the Reorganization, Nexans Deutschland AG (''Nexans Deutschland''), one of our subsidiary holding companies for our German business, decided to proceed at a general meeting of shareholders with a reduction of share capital of €98.6 million. Alcatel cannot receive the proceeds of this reduction until after the expiration of a period of 180 business days during which creditors may protest the transaction, which will expire in July, 2001. As part of the Reorganization in Germany, Alcatel also acquired from us subsidiaries whose businesses Alcatel has retained and made certain payments to us in connection therewith. The balance of such payments, in an amount of €98.6 million, is expected to be credited to us in connection with the capital reduction noted above. These transactions will not affect the level of our net debt. Consequently, taking into account the deferred payment for the acquisitions, the reduction in capital has not affected our net debt.

THE SELLING SHAREHOLDER

Alcatel builds telecommunications networks, which deliver integrated voice and data networking solutions to established and new carriers, as well as to enterprises and consumers worldwide. With approximately 131,600 employees and sales of approximately €31.4 billion in 2000, Alcatel operates in more than 130 countries. Alcatel currently owns all of our outstanding Shares (with the exception of certain *de minimis* shareholdings required under French laws).

OUR RELATIONSHIP WITH ALCATEL

In connection with the Reorganization and this offering, we have entered into agreements with Alcatel relating to supply, industrial and commercial relations, intellectual property and administrative services. We have described below the most significant of these agreements. We have also entered into various agreements with Alcatel in the ordinary course of our business which we have not described in this Offering Circular.

Supply Agreements

Pursuant to a non-exclusive agreement between Alcatel and us dated November 1, 2000 and for a term of three years, Alcatel has agreed to deliver to us, and we have agreed to purchase from Alcatel, single-mode and multi-mode optical fiber at a price based on prevailing market prices and adjusted annually. Alcatel has also agreed to increase the quantity of optical fiber subject to the agreement by 33.3 percent per year in exchange for our irrevocable undertaking to purchase minimum quantities of such products. In addition, Alcatel has undertaken to increase the supply of optical fiber in 2002 and 2003 following our acquisition of a controlling interest in Daesung (now Nexans Korea). We believe that this agreement will allow us to meet approximately two-thirds of our projected needs for such products for 2001. Alcatel may terminate the agreement in the case of a significant decrease in market prices, and we may terminate the agreement in the case of a significant increase in market prices.

Industrial Agreements

In Brazil, we own industrial equipment for the production of copper networks, but have contracted (subject to our control) the manufacture and marketing thereof to Alcatel Brazil. The agreement between Alcatel and us relating to these arrangements took effect on December 1, 2000 for an initial term of two years, and is renewable automatically thereafter for terms of one year. However, until 2005, we may terminate the agreement if we decide to operate the copper networks business in a different industrial site. Alcatel will be remunerated by a fee equal to three percent of the total cost of production.

In Germany, pursuant to an agreement entered into in December 2000 between Alcatel and us for a term of four years, which is automatically renewable for one year absent notification of the parties to the contrary, we have agreed to put at the sole disposal of Alcatel the total tube armoring production capacity of Nexans Deutschland Industries AG & Co. (‘‘Nexans Deutschland Industries’’) relating to OPGW. The agreement provides that Nexans Deutschland Industries will be remunerated by a margin of four percent on the cost of production of wire armoring for OPGW cables.

In Norway, Nexans Norway, which produces submarine repeaterless cables, has agreed with Alcatel, by contract dated December 4, 2000, for a term of three years terminable upon six months' notice by either party, to market its products principally through or with Alcatel Submarine Networks. This joint-marketing obligation applies worldwide outside of Norway although not to oil platforms. Alcatel has agreed to order a minimum quantity of cables under the agreement.

In Switzerland, pursuant to an agreement dated as of December 1, 2000 for a term of two years, we have agreed with Alcatel to put the optical fiber production capacity of Nexans Suisse S.A. (‘‘Nexans Suisse’’) at Alcatel's sole disposal for a fee equal to a margin of four percent on the total cost of production of fiber. We have also agreed not to use production capacity for our own business without Alcatel's prior written consent. This agreement is renewable at the sole discretion of Alcatel, which may also demand that we cease fiber production.

Commercial Agreements Relating to Fiber Optic Cables

In Switzerland, pursuant to an agreement dated December 2000, and expiring on December 31, 2002, absent agreement between Alcatel and us to renew, Alcatel has reserved the major part of the fiber optic cable production capacity of Nexans Suisse in 2001 and in 2002. Nexans Suisse has also agreed to market fiber optic cable products to Alcatel's Swiss clients, for which Alcatel will pay Nexans Suisse a margin equal to four percent on the total production cost.

We do not believe that the activities included in the industrial and commercial agreements noted above are material to our results of operations and financial condition.

Intellectual Property Rights

By an agreement dated December 1, 2000, as amended on January 1, 2001, Alcatel has granted us a non-exclusive royalty-free license (which includes a right to grant sublicenses) for the use of cable patents belonging to Alcatel following the Reorganization but necessary for the operation of our business. In addition, Alcatel has granted us a non-exclusive royalty-free license (which does not include sublicense rights) for the use of patents relating to single-mode fiber optic cable products manufactured by us and manufacturing processes used by us prior to January 1, 2001, at certain designated facilities and which are necessary to the conduct of both our business and the business of Alcatel (e.g, the single mode fiber optic cable business). We have granted a similar license to Alcatel for patents relating to its business. There is no obligation on the part of Alcatel or us to guarantee either the validity or the extent of the rights granted under the licenses, nor to protect the rights covered by the patents where these are infringed or initiated by a third party. The term of the agreement is coextensive with the underlying intellectual property rights or patents.

Agreements Relating to Administrative Services

Alcatel has undertaken, for a period of one year, renewable until the end of 2003, to continue to provide us with insurance cover and prevention/environmental services. The insurance cover includes damages/loss of business, transport, all building site risks and civil liability. The environmental services covered by the agreement include those described under ''Business — Environmental Matters''. We are obligated under the agreement to reimburse Alcatel for the insurance premiums paid, in addition to our proportion of the operating costs of the services covered by the services agreement. In addition, until autumn 2001, we will subcontract a part of our research to Alcatel's Marcoussis Research and Development Center, pending the planned opening of our new research and development center in Lyon, France.

Other

In connection with the Reorganization in Germany, Spain and Canada, we and certain of our subsidiaries have divided our businesses and transferred to Alcatel those activities that are part of Alcatel's business following the Reorganization. Conversely, in France and the United States, Alcatel and certain subsidiaries have split their businesses and transferred to us certain activities relevant to our business following the Reorganization. Each of Alcatel and we have agreed to indemnify the other for a minimum period of three years for liabilities which arise out of businesses which were a part of its business prior to the Reorganization, but have been transferred to Alcatel or us, as the case may be, pursuant to the Reorganization. In addition, Alcatel has agreed to pay for the principal costs of Nexans in connection with the Reorganization.

Alcatel has agreed to transfer to us after this offering its interests in businesses which are not material to our business (in particular, one of our operations in China and a 10 percent holding in a Japanese company).

We have agreed in an undertaking dated November 4, 2000 to assume the rights and obligations of Alcatel Deutschland GmbH (''Alcatel Deutschland''), a German subsidiary of Alcatel, prescribed in an initial control agreement, entered into on November 4, 1996 with Alcatel Kabel Beteiligungs-AG (whose name has been changed to Nexans Deutschland AG (''Nexans Deutschland'')), one of our subsidiaries. Under the terms of this initial control agreement, which terminates on December 31, 2001, Alcatel Deutschland agreed to assume Nexans Deutschland's year-end losses, if any, and to pay a minimum dividend to its minority shareholders. In return, Nexans Deutschland agreed to follow the instructions of Alcatel Deutschland. We took on the obligations formerly assumed by Alcatel Deutschland, and any instructions given by Alcatel Deutschland to Nexans Deutschland now require our prior agreement.

SELECTED PRO FORMA FINANCIAL INFORMATION

The following selected pro forma financial information is derived from our Pro Forma Financial Statements included elsewhere in this Offering Circular, which present our financial position and results of operations and cash flows as if the companies and businesses comprising our company had been formed as of January 1, 1998. This information and these statements do not necessarily reflect the financial position and results of operations and cash flows as they would have been had our company actually been formed on January 1, 1998 and operated autonomously since that date. See "Presentation of Historical and Pro Forma Financial Information" and Note 23 to the Pro Forma Financial Statements for an explanation as to how this information and these statements were prepared. Although this information and these statements are not considered under the professional standards applied in France as audited, they are based on the Historical Combined Financial Statements and have been examined in accordance with such professional standards by our statutory auditors.

The assumptions and adjustments used to prepare the pro forma financial statements are described more fully in Note 23 to the Pro Forma Financial Statements. You should read the summary information below in conjunction with the Pro Forma Financial Statements and the notes thereto. You should also read "Presentation of Historical and Pro Forma Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	For the year ended December 31,		
	2000	1999	1998
		(€ millions)	
Income statement data:			
Net sales (unadjusted metal price)	4,783	4,182	4,330
Net sales (at constant metal price)	4,361	4,149	4,243
Income from operations	169	138	175
Financial income (loss)	(20)	—	(2)
Restructuring costs	(30)	(60)	(104)
Other revenue (expense)	1	80	2
Income tax	(40)	(31)	5
Minority interests	5	6	4
Combined pro forma net income, group share(1)	75	121	72
Balance sheet data (at period end):			
Combined pro forma net assets(1)	1,111	1,013	889
Minority interests	49	84	76
Total assets	2,892	2,942	2,866
Total non-current assets, net value	894	809	808
Other data:			
Working capital provided by operations	146	125	165
Income from operations before depreciation	301	264	311
Income from operations before depreciation as a percentage of net sales at constant metal price	6.9	6.4	7.3
Income from operations as a percentage of net sales at constant metal price	3.9	3.3	4.1

(1) On a per-Share basis, combined pro forma net assets was €44.44 as of December 31, 2000, based on 25,000,000 Shares outstanding. Combined pro forma net income, group share, on a per-Share basis was €3.0 for the year ended December 31, 2000, €4.8 for the year ended December 31, 1999 and €2.9 for the year ended December 31, 1998, in each case, based on 25,000,000 Shares outstanding.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

Prior to the Reorganization, our operations were conducted through various divisions and units of Alcatel. The Reorganization, which established Nexans as a segment of Alcatel, was substantially completed in the last quarter of 2000.

The Pro Forma Financial Statements

We believe that the Pro Forma Financial Statements set forth in this Offering Circular represent more closely than the Historical Combined Financial Statements the financial condition and results of operations of the portions of Alcatel's business which are included in our operations following the Reorganization. See ''Presentation of Historical and Pro Forma Financial Statements''.

The Pro Forma Financial Statements include pro forma adjustments to the Historical Combined Financial Statements. The Pro Forma Financial Statements reflect:

(i) (A) the carve-out from the Historical Combined Financial Statements of certain activities that were included in the historical financial reporting of the Telecom Products division of the Cables and Components sector of Alcatel, but which have been retained by Alcatel and not contributed to Nexans; these relate in particular to fiber optic cable activities of Alcatel in France, Spain and Germany and radio frequency systems activity of Alcatel in Germany;

(B) the restatement of residual restructuring reserves as of December 31, 2000 relating to the restructuring cost of facilities of Nexans but which will be paid by Alcatel, and of fixed assets and pension assets relating to certain Alcatel activities in Norway; and

(C) agreements executed by Alcatel and us with regard to certain activities in Switzerland and Brazil (see ''Our Relationship with Alcatel'');

(ii) the amount of net debt allocated to us as a result of the legal formation of Nexans, which occurred in the last quarter of 2000 (except for the acquisition of one of our operations in China, the registration of the transfer of certain patents and the transfer of a minority interest in a Japanese company, which we have yet to conclude). See ''The Reorganization''. As a result of these transactions, on October 17, 2000 our nominal share capital increased to €25 million and our additional paid in capital to €1,044 million. At the conclusion of these transactions, and taking into consideration our capitalization, our combined pro forma net debt was €139 million as of September 30, 2000 (treating such transactions as if they had occurred on September 30, 2000). The adjustment to the net debt in our historical combined balance sheet in order to obtain the net debt in the unaudited pro forma balance sheets as of December 31, 1998 and 1999 is based on the cash flow generated before September 30, 2000 as well as a theoretical annual dividend of €25 million. Financial expenses have been adjusted consequently on the basis of the historical cost of the Alcatel debt increased by 50 basis points. As of December 31, 2000, our combined pro forma net debt was €76 million. On March 31, 2001, our consolidated net debt was €191 million. As the Reorganization was substantially completed in the last quarter of 2000, our combined pro forma net assets as of December 31, 2000 were of the same amount as our net consolidated assets as of January 1, 2001; and

(iii) other financial effects of the Reorganization, including:

(A) the net decrease in Alcatel's financial statements of €160 million of net assets as of December 31, 2000, 1999 and 1998 reflecting the difference between the historical value in the Historical Combined Financial Statements and the transfer value, in connection with the Reorganization, of shares in companies, assets and liabilities sold or contributed by Alcatel to us; and

(B) the repurchase by Alcatel from us of €45 million of net book value (transactions have been reflected in net book value for the purpose of establishing the Pro Forma Financial Statements) of interests in subsidiaries held until the Reorganization by our business but which have been retained by Alcatel after the Reorganization.

The Pro Forma Financial Statements assume that all such transactions and agreements occurred or were in effect on January 1, 1998. Although the Pro Forma Financial Statements are not considered under professional standards applied in France to be audited, they are based on the Historical Combined Financial Statements and have been examined in accordance with such professional standards by our statutory auditors.

The Pro Forma Financial Statements are based upon assumptions which we consider to be reasonable under the circumstances. We have not deducted from our pro forma administrative and selling expenses the historical cost of our payments to Alcatel for centralized administrative services which, subject to certain transitional arrangements, we have not incurred since January 1, 2001. While we expect to incur expenses in connection with the establishment and operation of our own administrative functions, we anticipate that such expenses will not be more than the historical cost of our payments to Alcatel. The prices we pay in the future for goods and services sold to us by Alcatel, however, may be less favorable than those that applied when we were part of Alcatel, such as, for example, the price of optical fiber. See ''Our Relationship with Alcatel''.

The Pro Forma Combined Financial Statements do not necessarily reflect our financial position, results of operations and cash flows as they would have been had we actually been formed on January 1, 1998 and operated autonomously since that date. See ''Presentation of Combined Historical and Pro Forma Financial Statements'' and Note 23 to the Pro Forma Financial Statements for an explanation of how this information was prepared, including a description of the applicable adjustments. See also ''Risk Factors — Risks Relating to Our Formation and Our Relationship with Alcatel — Our Pro Forma Financial Information May Not Accurately Reflect Our Performance''.

Restructuring Measures

We have undertaken a significant restructuring of our operations since 1995, including the closure, streamlining and consolidating of facilities with the goal of adapting our capacity to our markets and reducing our costs.

Employee departures attributable to our restructuring efforts between December 31, 1995 and December 31, 2000 were 6,145, of which approximately 3,115 employees were from our Telecom division, 2,460 employees were from our Energy division, 160 employees were from our Electrical Wires division and 410 employees were from our central services. Cumulatively, between January 1, 1995 and the date of this Offering Circular we have closed 37 facilities. See ''Business — Manufacturing''. We believe that our restructuring measures have helped maintain our gross margins despite price and volume pressure during the periods covered by the Pro Forma Financial Statements.

Our cash and non-cash expenses in connection with our restructuring measures for the years ended December 31, 2000, 1999 and 1998 were €92 million, €112 million, and €101 million, respectively. The divisional breakdown of cash and non-cash expenses for such years was as follows:

	For the year ended December 31,		
	2000	1999	1998
	(€ millions)		
Electrical Wires			
Cash	3	3	1
Non-cash	—	1	—
Energy			
Cash	53	44	52
Non-cash	12	21	19
Telecom			
Cash	23	31	24
Non-Cash	1	12	5
Total			
Cash	79	78	77
Non-Cash	13	34	24
Total	92	112	101

For the year ended December 31, 2000, €24 million of our restructuring expenses related to the Telecom division, €65 million related to the Energy division, and €3 million related to the Electrical Wires division. For the year ended December 31, 2000, our principal restructuring expenses included the following: additional costs relating to the cessation of high voltage cable activities at our plant in Calais, France; the completion of restructuring efforts commenced in 1999 (including the closing of our facilities in Reims, France and in Berlin and Stadthagan, Germany); and final workforce reductions at our facility in Charleroi, Belgium.

For the year ended December 31, 1999, our principal restructuring expenses included the following: €34 million in Germany, mainly in connection with the closing of our facilities in Berlin (LAN cables) and Stadthagan (copper cables business); €16 million in France, mainly in connection with the closing of our facility in Salles de Gardon (copper cables business); €16 million in Belgium, mainly in connection with the downsizing of our facility in Charleroi; and €14 million in Italy, mainly in connection with the reorganization of our facility in Latina.

For the year ended December 31, 1998, our principal restructuring expenses included the following: €36 million in Switzerland, mainly in connection with the reorganization of our facilities in Breitenbach and Cortaillod; €27 million in Germany, mainly in connection with various reorganizations of our facilities; €20 million in France, mainly in connection with the closing of our facility in Salles de Gardon; and €6 million in Italy, mainly in connection with the reorganization of our facilities in Latina and Battipaglia.

Industry Trends

The cable industry is divided into three principal market segments in which we are represented: infrastructure, industry and building. See ''Business — The Cable Industry''. Each segment, and the sub-segments thereof, have distinct trends which may vary by geographic region. See ''Risk Factors — Risks Relating to Our Industry''. These different markets are also characterized by intense competition.

Since 1997, cable producers have faced overall average price declines or instability in most major geographic and product markets. Such price trends have been due not only to the overall decline in the price of copper, as described below under ''— Impact of Copper Prices'', but also to important ongoing structural changes, as described under ''Business — The Cable Industry''. The table below sets forth the average world cable prices, after deduction of metal prices (''hollow prices''), and the percentage changes for the principal categories of cable products for the years 2000, 1999 and 1998. As indicated by the table below, trends in hollow prices varied both between different time periods and among different product groups.

The table below sets forth global statistics. The price increase for external copper telecom cables in 1999 was essentially due to a price increase in the United States, while Europe experienced greater stability in price.

	For the year ended December 31,			Percentage Annual Change	
	2000	1999	1998	2000	1999
	Hollow Price (U.S.$ per metric ton of conductor)				
Low Voltage Energy	3,374	3,745	3,690	(9.9)	1.5
Copper Power	3,944	4,351	4,534	(9.4)	(4.0)
Aluminium Power	3,583	3,693	3,777	(3.0)	(2.2)
External Copper Telecom	5,597	6,295	6,165	(11.1)	(2.1)
Internal Telecom/Data	13,700	14,430	14,888	(5.1)	(3.1)
Winding Wire	1,711	1,778	1,763	(3.8)	(0.3)
Fiber Telecom (U.S.$ per thousand kilometers of fiber)	104	103	118	1.0	(13.1)

Source: CRU, April 2001

Average hollow prices for cable products in 2000 were generally lower than in 1999. In certain geographic and product segments, however, hollow cable prices remained stable or increased slightly. See ''Risk Factors — Risks Relating to Our Industry — The Cable Industry May Not Recover to the Extent and in the Timeframe Anticipated, and Demand for Cable Products is Cyclical''.

Our strategy with regard to declining prices in cables has been multifaceted. First, in response to the structural changes taking place in the cable industry, we have undertaken important restructuring measures. See ''— Restructuring Measures''. Second, we have, when appropriate, shifted a portion of our marketing and sales efforts to geographic markets where, for certain periods or types of cable products, pricing trends were more favourable. We have also sought to shift our product mix to emphasize higher value added products. For certain types of products, we have chosen to resist downward pricing pressures, with the result that sales volumes and market share for such products has declined. We have also sought, for certain products, to use our technological and product quality strengths to optimize our margins.

Impact of Copper and Aluminum Prices

The cost of copper represents a substantial portion of our net sales and our cost of sales. We are generally able to pass through a substantial portion of the cost of copper to our customers. We believe that changes in the market price for copper do not have a significant effect on our operating results, although they have a significant effect on our net sales and cost of sales. In addition, changes in the price of copper have a material impact on our working capital requirements and our net debt. See ''Risk Factors — Risks Relating to Our Industry — We Are Vulnerable to Fluctuations in the Price and Unavailability of Raw Materials for our Operations''. Our net sales and costs of sales are also affected by the market price for aluminum, but we believe such effects are less significant.

The table below sets forth for the periods indicated, (i) the total cost of copper purchases (based on the volume of copper purchased multiplied by the average market price of copper during the relevant period) and the percentage of net sales represented by such cost, (ii) the percentage change in the average market price of copper between the relevant periods and (iii) the approximate effect of such change in the price of copper on our net sales, in each case on a pro forma basis and by division.

	For the year ended December 31,				Percentage Change in Average Copper Price	Approximate Effect on Net Sales (€ millions)
	2000		1999			
	€ millions	Percentage of Net Sales	€ millions	Percentage of Net Sales		
Cost of copper purchases(1)						
Electrical wires	863	64	612	63	—	215
Energy	634	29	432	21	—	157
Telecom	81	9	69	8	—	20
Total	1,578	33%	1,113	27%	33%	392

	For the year ended December 31,				Percentage Change in Average Copper Price	Approximate Effect on Net Sales (€ millions)
	1999		1998			
	€ millions	Percentage of Net Sales	€ millions	Percentage of Net Sales		
Cost of copper purchases(1)						
Electrical wires	612	63	619	64	—	(3)
Energy	432	21	457	21	—	(2)
Telecom	69	8	65	7	—	—
Total	1,113	27%	1,141	26%	(0.5)%	(5)

(1) Based on the volume of copper purchased multiplied by the average price of copper for the relevant period. Average prices of copper for the relevant period have been converted from U.S. dollars to euro at an average of the daily London Metal Exchange rates for such period. The actual costs and effects on net sales may have been different.

In order to clarify the impact of changes in the price of metals on our net sales, the Pro Forma Financial Statements set forth, in addition to the historical level of net sales at unadjusted metal prices, (i) a ''Metal effect'' line item and (ii) a ''Net sales at constant metal price'' line item. The ''Metal effect'' line item quantifies the impact on our combined net sales of the difference between the average price of metals during the relevant period and a fixed ''standard metal'' reference price. The ''Net sales at constant metal price'' line item sets forth our net sales in relation to the standard metal reference price (€1.5 per kilogram of copper and €1.2 per kilogram of aluminum) during the relevant period. To calculate the impact of changes in the average price of metals on our net sales for one period compared to net sales for another period, you must determine the difference between the amounts of ''Metal effect'' for each of the two periods. Our cost of sales line item in the Pro Forma Financial Statements is also expressed in constant metal prices. We believe the effect of the treatment noted above is to enable our income statements for different periods to be compared despite changes in metal prices.

In the analysis below, our pro forma combined net sales are compared in terms of both their unadjusted metal prices and their differences in terms of constant metal prices. In addition, because metal costs generally account for over 60 percent of net sales in our Electrical Wires division, we also present the pro forma net sales of such division in hollow prices. In the period-to-period analysis below, our cost of sales are expressed and compared both at combined and divisional level only in constant metal prices.

For a description of our hedging activities to manage our exposure to changes in the price of metals, see ''— Other Market Risks and Management''. See also ''Risk Factors — Risks Relating to

Our Industry — We are Vulnerable to Fluctuations in the Price and the Unavailability of Raw Materials for our Operations''.

Pro Forma Results of Operations

Results by Division

For a brief discussion of our historical consolidated results for the three months ended March 31, 2001, see ''— Recent Developments''.

The table below sets forth certain financial information for each of our divisions and our Distribution business for the periods indicated:

	For the year ended December 31,		
	2000	1999	1998
		(€ millions)	
Electrical Wires			
Net sales at constant metal price(1)	1,095	945	909
Income from operations before depreciation	70	68	72
Income from operations	43	43	50
Energy			
Net sales at constant metal price(1)	2,062	2,060	2,146
Income from operations before depreciation	131	114	139
Income from operations	64	46	69
Telecom			
Net sales at constant metal price(1)	876	821	871
Income from operations before depreciation	73	62	68
Income from operations	46	36	36
Distribution			
Net sales at constant metal price(1)	327	318	314
Income from operations before depreciation	18	21	23
Income from operations	12	17	19
Other			
Net sales at constant metal price(1)	1	5	3
Income from operations before depreciation	9	(1)	9
Income from operations	4	(4)	1
Total			
Net sales (unadjusted metal price)(2)	4,783	4,182	4,330
Net sales at constant metal price(1)	4,361	4,149	4,243
Income from operations before depreciation	301	264	311
Income from operations	169	138	175

(1) Net sales expressed in terms of a fixed ''constant metal'' reference price. For copper, the fixed price is €1.5 per kilogram and for aluminum the fixed price is €1.2 per kilogram. The net sales of our Electrical Wires division exclude sales to our Energy and Telecom divisions.

(2) Net sales without adjustment for changes in metal prices.

Net Sales by Geographic Region

The table below sets forth our net sales (unadjusted metal price) by geographic region of destination for the periods indicated:

	For the year ended December 31,		
	2000	**1999**	**1998**
		(€ millions)	
France	762	690	731
Germany	584	625	721
Other Europe	1,970	1,632	1,542
North America	1,088	795	674
Rest of World	379	440	662
Total	4,783	4,182	4,330

Years Ended December 31, 2000 and 1999

Net Sales. Our pro forma combined net sales (unadjusted metal price) increased by 14.4 percent to €4,783 million for the year ended December 31, 2000, compared with €4,182 million for the year ended December 31, 1999. Of such €601 million increase, approximately €389 million was attributable to changes in the price of metals (principally copper). On a constant metal price basis, pro forma combined net sales increased by 5.1 percent to €4,361 million for the year ended December 31, 2000, compared with €4,149 million for the year ended December 31, 1999. The €212 million increase in pro forma combined net sales at constant metal price was principally attributable to improved sales in our Telecom division as well as in our Electrical Wires division and, to a lesser extent, improved sales in certain of our Energy division products. Our pro forma combined net sales for the year ended December 31, 2000 also included €19.3 million of net sales at constant metal price of Saficonel, which has been included in our results since May 1, 2000.

The increase in pro forma combined net sales for the year ended December 31, 2000 included a 10.4 percent increase in net sales (unadjusted metal price) in France, a 36.9 percent increase in net sales (unadjusted metal price) in North America, and a 6.6 percent decrease in net sales (unadjusted metal price) in Germany.

Cost of Sales. Cost of sales increased by 5.5 percent to €3,714 million for the year ended December 31, 2000 from €3,520 for the year ended December 31, 1999. Cost of sales as a percentage of net sales at constant metal price increased slightly to 85.2 percent for the year ended December 31, 2000 from 84.8 percent for the year ended December 31, 1999.

Gross Profit. Our gross profit increased by 2.9 percent to €647 million for the year ended December 31, 2000, from €629 million for the year ended December 31, 1999. However, this represented a slight decrease in our gross profit as a percentage of net sales at constant metal price to 14.8 percent for the year ended December 31, 2000 from 15.2 percent for the year ended December 31, 1999. The decrease was principally attributable to pressure on prices.

Administrative and Selling Expenses. Administrative and selling expenses were €440 million for the year ended December 31, 2000, compared with €456 million for the year ended December 31, 1999. This represented a decrease of administrative and selling expenses as a percentage of net sales at constant metal price to 10.1 percent for the year ended December 31, 2000 from 11.0 percent for the year ended December 31, 1999.

Research and Development. We spent €38 million on research and development in the year ended December 31, 2000, representing an increase of 8.6 percent over the year ended December 31, 1999. As a percentage of net sales at constant metal price, research and development expenses were 0.9 percent for the year ended December 31, 2000 and 0.8 percent for the year ended December 31, 1999.

Income from Operations before Depreciation. Income from operations before depreciation increased by 14.0 percent to €301 million for the year ended December 31, 2000 from €264 million for the year ended December 31, 1999. Income from operations before depreciation as a percentage of net sales at constant metal price was 6.9 percent for the year ended December 31, 2000 compared with 6.4 percent for the year ended December 31, 1999.

Income from Operations. Income from operations increased by 22.5 per cent. to €169 million for the year ended December 31, 2000 from €138 million for the year ended December 31, 1999. This corresponds to an operating margin (income from operations divided by pro forma net sales at constant metal price) of 3.9 percent in the year ended December 31, 2000, compared with 3.3 percent in the year ended December 31, 1999. This increase was principally attributable to an increase in income from operations of our Energy division and, to a lesser extent, our Telecom division, which is attributable in particular to our restructuring efforts and cost reductions.

Other Revenue. Other revenue decreased to €1 million for the year ended December 31, 2000, compared with €80 million in the year ended December 31, 1999. This decrease was due primarily to non-recurring items in 1999, principally the reversal of a reserve for an extinguished tax risk in Germany in 1999, capital gains on the sale of shares of Alcatel Contracting in Germany and a change in the pension evaluation method in accordance with new accounting standards.

Income Tax. Total income taxes on a pro forma basis amounted to €40 million for the year ended December 31, 2000, compared with €31 million for the year ended December 31, 1999. Our effective pro forma tax rate (income tax divided by income before taxes and minority interest) amounted to 33.6 percent in the year ended December 31, 2000, compared with 19.6 percent in the year ended December 31, 1999. The lower effective tax rate for the year ended December 31, 1999 was the result of our recognition in 1999 of deferred tax assets from prior years.

Net Income. For the reasons discussed above and in the divisional discussions below, our combined pro forma net income (group share) decreased by 38 percent to €75 million for the year ended December 31, 2000 from €121 million for the year ended December 31, 1999. Our net income expressed as a percentage of net sales (constant metal prices) decreased to 1.7 percent from 2.9 percent for the year ended December 31, 1999, reflecting principally the impact of the non-recurring income recorded in the year ended December 31, 1999 as noted above under ''Other Revenue''.

As set forth in Note 6 to the Pro Forma Financial Statements, tax losses carried forward but not yet utilized amounted to €287 million as of December 31, 2000. Taking into account the recoverability of such tax losses carried forward, €32 million has been included on our combined pro forma balance sheet as of December 31, 2000.

Selected Pro Forma Results of Operation by Division

Electrical Wires

Net Sales. The net sales at constant metal price of our Electrical Wires division increased by 15.9 percent to €1,095 million for the year ended December 31, 2000, compared with €945 million for the year ended December 31, 1999. Net sales at hollow prices increased by 9.1 percent to €384 million for the year ended December 31, 2000 from €352 million for the year ended December 31, 1999. This increase was primarily due to an increase in net sales of wire rods and an increase in net sales of winding wires, despite a slow down in the American winding wire market towards the end of the year. We also had a significant increase in net sales of varnishes. The increase in net sales of wire rods was principally due to international growth in volume, while the increase in net sales of winding wires was principally attributable to increased net sales in Europe.

Income from Operations before Depreciation. Income from operations before depreciation increased by 2.9 percent to €70 million for the year ended December 31, 2000 from €68 million for the year ended December 31, 1999.

Income from Operations. Despite the increase in net sales, income from operations remained stable during the two periods at €43 million principally due to a decrease in demand in North America for winding wires and an increase in transport and energy costs. We put in place, however, cost reduction measures to compensate for such increases in costs. Income from operations from the sale of varnishes increased for the year ended December 31, 2000.

Energy

Net Sales. The net sales at constant metal price of the Energy division remained stable at €2,062 million for the year ended December 31, 2000, compared with €2,060 million for the year ended December 31, 1999. This stability was primarily attributable to an increase in net sales of the products of our General Markets business group. The increase in net sales of the General Markets business group was attributable to volume increases in Europe and, to a lesser extent, price increases, as we reoriented our product offering towards more profitable markets, including the building markets in North America and Europe. This increase, however, was offset by declining net sales of the high voltage cable products of our Energy Networks business group. After a slow beginning in 2000, the Energy Network segment recorded an increase in orders at the end of the year. Net sales of our Industrial Applications business group products also declined slightly despite continued demand in Europe, particularly in the automobile sector.

Income from Operations before Depreciation. Income from operations before depreciation increased by 14.9 percent to €131 million for the year ended December 31, 2000 from €114 million for the year ended December 31, 1999.

Income from Operations. Income from operations increased by 39.1 percent to €64 million for the year ended December 31, 2000 from €46 million for the year ended December 31, 1999. This increase primarily resulted from the recovery of our General Markets group business in Europe (with increased volumes and prices), from a reduction of losses in our high voltage cable business in Norway and from decreased income in operations from our Industrial Applications business group and the other products of our Energy Networks business group. This increase is also due to the positive impact of our restructuring efforts (notwithstanding certain operational difficulties encountered in Germany and France).

Telecom

Net Sales. The net sales at constant metal price of the Telecom division increased by 6.7 percent to €876 million for the year ended December 31, 2000, compared with €821 million for the year ended December 31, 1999. This increase was primarily attributable to an increase in net sales of data transmission special cables, cabling systems and fiber optic cables. Increased net sales of these products were made at declining prices as a result of increased competition. Demand for cabling systems was very strong in 2000 despite a slight slow down in the United States during the second half of the year. Manufacturing problems at our operations in the United States, however, limited our ability to respond to this strong demand. Moreover, net sales of copper network cables declined in 2000.

Income from Operations before Depreciation. Income from operations before depreciation increased by 17.7 percent to €73 million for the year ended December 31, 2000 from €62 million for the year ended December 31, 1999.

Income from Operations. Income from operations increased by 27.8 percent to €46 million for the year ended December 31, 2000 from €36 million for the year ended December 31, 1999. This increase resulted primarily from increased income from operations of data transmission special cables and fiber optic cables. Our operating margins for copper networks and data transmission special cables also improved, which resulted in part from our restructuring efforts, although we experienced operational difficulties at certain of our production sites.

Distribution

Net Sales. The net sales of our Distribution business increased by €9 million to €327 million for the year ended December 31, 2000, compared with €318 million for the year ended December 31, 1999.

Income from Operations before Depreciation. Income from operations before depreciation decreased by 14.3 percent to €18 million for the year ended December 31, 2000 from €21 million for the year ended December 31, 1999.

Income from Operations. Income from operations from our Distribution business decreased to €12 million for the year ended December 31, 2000 from €17 million for the year ended December 31, 1999. Despite a slight increase in net sales, income from operations decreased principally as a result of weak distribution in Norway, and more particularly a decrease in income from operations from the distribution of telecommunication products (PABX), which we distribute as part of the normal range of cables and other electrical products.

Years Ended December 31, 1999 and 1998

Net Sales. Our pro forma combined net sales (unadjusted metal price) decreased by 3.4 percent to €4,182 million for the year ended December 31, 1999, compared with €4,330 million for the year ended December 31, 1998. Of this €148 million decrease, approximately €54 million was attributable to changes in the price of copper. Pro forma combined net sales at constant metal price decreased by 2.2 percent to €4,149 million for the year ended December 31, 1999, compared with €4,243 million for the year ended December 31, 1998. This €94 million decrease in pro forma combined net sales at constant metal price was principally due to decreased net sales of certain of our Energy division products and, to a lesser extent, products of our Telecom division. These decreases were partially offset by an increase in net sales of our Electrical Wires division.

The decrease in pro forma combined net sales in the year ended December 31, 1999 included a 13.3 percent decrease in net sales (unadjusted metal price) in Germany, reflecting decreased demand across our product areas, and an 18 percent increase in net sales (unadjusted metal price) in North America, principally in winding wires. The year ended December 31, 1999 was the first full year we included the full results of the activity purchased from Optech Dai Chi Denko (''ODD''), whereas in 1998 we included ODD's results only for three months and only included the results of ODD's U.S. operations. The net sales (unadjusted metal price) of ODD in 1999 were approximately €50 million.

Cost of Sales. Cost of sales decreased slightly by 1.5 percent to €3,520 million for the year ended December 31, 1999 from €3,575 million for the year ended December 31, 1998. Cost of sales as a percentage of net sales at constant metal price remained stable, increasing to 84.8 percent from 84.3 percent.

Gross Profit. For the reasons noted above, our gross profit decreased by 5.8 percent to €629 million for the year ended December 31, 1999 from €668 million for the year ended December 31, 1998. As a percentage of net sales at constant metal price, our gross profit decreased slightly to 15.2 percent for the year ended December 31, 1999 from 15.7 percent for the year ended December 31, 1998.

Administrative and Selling Expenses. Administrative and selling expenses were €456 million for the year ended December 31, 1999, compared to €451 million for the year ended December 31, 1998. As a percentage of net sales at constant metal price, administrative and selling expenses were

11.0 percent for the year ended December 31, 1999, compared to 10.6 percent for the year ended December 31, 1998.

Research and Development. We spent €35 million on research and development in the year ended December 31, 1999, a 16.7 percent decrease over research and development spending of €42 million for the year ended December 31, 1998. This represented a decrease of research and development expenses as a percentage of net sales at constant metal price to 0.8 percent for the year ended December 31, 1999 from 1.0 percent for the year ended December 31, 1998. This decrease was principally attributable to decreased research and development expenses in our Energy division, particularly in the high voltage cable business.

Income from Operations before Depreciation. Income from operations before depreciation decreased by 15.1 percent to €264 million for the year ended December 31, 1999 from €311 million for the year ended December 31, 1998. Income from operations before depreciation as a percentage of net sales at constant metal price decreased to 6.4 percent for the year ended December 31, 1999 from 7.3 percent for the year ended December 31, 1998.

Income from Operations. Income from operations decreased by 21.1 percent to €138 million for the year ended December 31, 1999 from €175 million for the year ended December 31, 1998. This decrease was mainly due to decreased income from operations from our Energy Networks business group and power transmission cables in particular, and to difficult market conditions in the market for winding wires in Europe.

Other Revenue. Other revenue increased to €80 million for the year ended December 31, 1999, compared with €2 million in the year ended December 31, 1998. This increase was due to non-recurring items in 1999, principally the reversal of a reserve for an extinguished tax risk in Germany in 1999, a capital gain in 1999 on the sale of shares of Alcatel Contracting Germany, a non-combined investment, and a change in the pension evaluation method in accordance with new accounting standards. See Note 1(k) to the Pro Forma Financial Statements.

Income Tax. Total income taxes on a pro forma basis amounted to €31 million for the year ended December 31, 1999, compared with a profit of €5 million in the year ended December 31, 1998. Our effective pro forma tax rate (income tax divided by income before taxes and minority interest) amounted to 19.6 percent in the year ended December 31, 1999, compared with a negative rate of (6.4) percent in the year ended December 31, 1998. This increase in our effective pro forma tax rate was due primarily to large deferred tax assets in 1998 relating to our operations in Italy and France.

Net Income. For the reasons discussed above, our combined pro forma net income (group share) increased by 68.1 percent to €121 million for the year ended December 31, 1999 from €72 million for the year ended December 31, 1998. Our net income margin increased to 2.9 percent for the year ended December 31, 1999 from 1.7 percent for the year ended December 31, 1998 as a percentage of net sales at constant metal price primarily due to the increase in ''Other Revenue'' in 1999.

Selected Pro Forma Results of Operation by Division

Electrical Wires

Net Sales. The net sales at constant metal price of the Electrical Wires division increased by 4.0 percent to €945 million for the year ended December 31, 1999, compared with €909 million for the year ended December 31, 1998. Net sales at hollow prices increased by 6.0 percent to €352 million for the year ended December 31, 1999 from €332 million for the year ended December 31, 1998. This increase was primarily due to an increase in sales of winding wires, principally attributable to the inclusion of a full year's results of ODD, which operates in the United States and Portugal. Only three months of results, and only the results of the U.S. operations, of

ODD were included in our results of operations in 1998. Net sales (unadjusted metal price) of ODD were approximately €50 million for the year ended December 31, 1999.

Income from Operations before Depreciation. Income from operations before depreciation decreased by 5.6 percent to €68 million for the year ended December 31, 1999 from €72 million for the year ended December 31, 1998.

Income from Operations. Income from operations decreased by 14.0 percent to €43 million for the year ended December 31, 1999 from €50 million for the year ended December 31, 1998. This decrease was mainly attributable to the sales of winding wires in Europe which were subject to price pressure during the period and which is generally a profitable business. The decrease was not compensated by an increase in the margins from increased volume of sales of wire rod and bare wires, for which profitability is lower.

Energy

Net Sales. The net sales at constant metal price of the Energy division decreased by 4.0 percent to €2,060 million for the year ended December 31, 1999, compared with €2,146 million for the year ended December 31, 1998. This decrease was principally attributable to a decrease in net sales of the products of our General Markets business group (mostly in Europe). The decrease was attributable to decreases in volume as we attempted to maintain our prices on some products in an environment of declining prices. In the Energy Networks business group, net sales of high voltage cables decreased, but were partially offset by an increase in net sales of power distribution cables. Net sales of power accessories products also decreased (as a result of a decrease in net sales of accessories relating to the power transmission cable business). Net sales of products of our Industrial Applications business group also decreased. The decline in net sales of power transmission cables principally reflected the European industrial climate. The European energy cable market continued to decline due to overcapacity resulting in strong pricing pressures and decreased sales volumes. In our Industrial Applications business group the decrease in volume was partially offset by a change in our product mix to favor higher-priced products.

Income from Operations before Depreciation. Income from operations before depreciation decreased by 18.0 percent to €114 million for the year ended December 31, 1999 from €139 million for the year ended December 31, 1998.

Income from Operations. Income from operations decreased by 33.3 percent to €46 million for the year ended December 31, 1999 from €69 million for the year ended December 31, 1998. This significant decrease was principally due to substantial decreases in income from operations from power transmission cables, attributable, in particular, to significant losses relating to a large submarine cable installation contract in Norway.

Telecom

Net Sales. The net sales at constant metal price of the Telecom division decreased by 5.7 percent to €821 million for the year ended December 31, 1999, compared with €871 million for the year ended December 31, 1998. This decrease was primarily due to a decrease in net sales of copper networks attributable to adverse market conditions in Europe, the sale of our CATV activities in 1998 and a decrease in net sales of fiber optic cables. The decrease in net sales of fiber optic cables in 1999 was principally attributable to exceptional sales in 1998 related to the completion in 1998 of a large contract for submarine cables in Greece. Overall, globally declining price levels were only partially offset by increasing volumes.

Income from Operations before Depreciation. Income from operations before depreciation decreased by 8.8 percent to €62 million for the year ended December 31, 1999 from €68 million for the year ended December 31, 1998.

Income from Operations. Income from operations remained stable at €36 million for the year ended December 31, 1999 as compared to the year ended December 31, 1998. The stability of the income from operations compared to the decrease in revenue is the result of a change in our product mix. A decline in income from operations from our copper networks and fiber optic cable activities was compensated by growth in other areas, principally data transmission special cables.

Distribution

Net Sales. The net sales at constant metal prices of our Distribution business were €318 million for the year ended December 31, 1999, compared with €314 million for the year ended December 31, 1998.

Income from Operations before Depreciation. Income from operations before depreciation decreased by 8.7 percent to €21 million for the year ended December 31, 1999 from €23 million for the year ended December 31, 1998.

Income from Operations. Income from operations decreased by 10.5 percent to €17 million for the year ended December 31, 1999 from €19 million for the year ended December 31, 1998.

Pro Forma Liquidity and Capital Resources

Cash Flow from Operating Activities

Cash flow from operating activities was €146 million during the year ended December 31, 2000, compared with €125 million during the year ended December 31, 1999. Cash flow from operating activities as a percentage of net sales at constant metal price was 3.3 percent for the year ended December 31, 2000, compared with 3.0 percent for the year ended December 31, 1999. The primary reasons for the €21 million increase in cash flow from operating activities were increases in income from operations of our Energy division and to a lesser extent our Telecom division.

Cash flow from operating activities was €125 million for the year ended December 31, 1999 and €165 million for the year ended December 31, 1998. Cash flow from operating activities as a percentage of net sales at constant metal price was 3.0 percent for the year ended December 31, 1999 and 3.9 percent for the year ended December 31, 1998. This decrease of €40 million was principally attributable to the slow down in our Energy Networks business group, particularly in the area of power transmission cables.

Working Capital

Our working capital needs increased by €115 million for the year ended December 31, 2000. This change is principally a function of the increase in metal (principally copper) prices between the two periods. The average monthly copper price in 2000 increased by nearly 33 percent.

Our working capital needs for the year ended December 31, 1999 decreased by €77 million, compared with a decrease of €121 million for the year ended December 31, 1998. We believe that the improvement from 1998 to 1999 is a result of our efforts undertaken to reduce our working capital employed needs and, in particular, inventories and receivables.

Cash Flow Used by Investing Activities/Capital Expenditures

We experienced an increase in cash used by investing activities during the year ended December 31, 2000 to €250 million compared with €88 million during the year ended on December 31, 1999. This increase is due mainly to the increase in capital expenditures noted below by €96 million in 2000. The increase in capital expenditures was principally due to capital expenditures relating to our Energy Networks business group's power transmission cables, winding wires and cabling systems businesses. Net cash used by investing activities increased by €17 million between 1998 and 1999, principally due to the capital expenditures noted below. The increase for the year ended December 31, 1999 was principally in the areas of power distribution cables, winding wires and data transmission cables.

Our capital expenditures for the years ended December 31, 2000, 1999 and 1998 were €239 million, €143 million and €126 million, respectively. Such expenditures over the three-year period were attributable to our divisions and our Distribution business in approximately the following percentages: Energy (34 percent), Telecom (22 percent), Electrical Wires (26 percent); and Distribution (3 percent). The remaining 15 percent of our capital expenditures related to expenditures shared among our three divisions. During these periods, most of the capital expenditures were for the purchase of new and the renewal of existing equipment.

We anticipate our capital expenditures for the years 2001 through 2003 will be approximately €500 million. The actual amount of such expenditures may differ and will depend on a number of factors, such as market conditions and the availability of financing.

Net Cash Used by Financing Activities

Net cash used by financing activities was €23 million for the year ended December 31, 2000, compared with €25 million used for each of the years ended December 31, 1999 and 1998. This included in each year the notional annual dividend reflecting the annual distribution of €25 million that we have assumed for purposes of the Pro Forma Financial Statements.

Net Debt

The legal formation of Nexans was substantially completed in the last quarter of 2000, except for the acquisition of one of our operations in China, the transfer of a minority interest in a Japanese company and the registration of the transfer of certain patents, which we have yet to conclude.

As a result of these transactions, on October 17, 2000 our share capital was increased to €25 million, and our additional paid in capital to €1,044 million. At the conclusion of such transactions our combined pro forma net debt was €139 million as of September 30, 2000. The adjustment to the net debt in our historical combined balance sheet in order to obtain the net debt in the unaudited pro forma balance sheets as of December 31, 1998 and 1999 is based on the cash flow generated before September 30, 2000 as well as on a theoretical dividend of €25 million. Financial expenses have been adjusted consequently on the basis of a historical cost of the Alcatel debt increased by 50 basis points.

On December 31, 2000, our combined pro forma net debt was €76 million. Our net debt increased substantially in the first three months of 2001. See ''— Recent Developments''.

Prior to our separation from Alcatel our net debt consisted principally of borrowings from Alcatel. We are seeking to enter into credit arrangements with third party banks to replace this debt following the offering.

Conversion to the Euro

On January 1, 1999 the euro was introduced as the common legal currency of eleven member states of the European Economic and Monetary Union, including France. We have adopted the euro as our reporting currency in the Pro Forma Financial Statements and translated all French franc amounts at the fixed exchange rate for French francs to euros. Although these statements depict the same trends as would have been shown had they been presented in French francs, they may not be directly comparable to the financial statements of other companies that have also been restated in euros. Prior to the adoption of the euro, the currencies of other countries fluctuated against the French franc, but because the euro did not exist prior to January 1, 1999, historical exchange rates for euros are not available. A comparison of our financial statements and those of other companies that had historically used a reporting currency other than the French franc that takes into account actual fluctuations in exchange rates could give a much different impression than a comparison of the Pro Forma Financial Statements and the financial statements of another company as translated into euros. Note 1(q) to the Pro Forma Financial Statements explains how the amounts in the Pro Forma Financial Statements were translated.

Management of Exposure to Currency Exchange Rate Fluctuations

In general, we sell domestic production in domestic markets, which we believe allows us to reduce our exposure to exchange rate fluctuations between the euro and the relevant local currency. Nevertheless, in those export markets where products are typically priced in dollars, a depreciation of the dollar relative to the currency in the country of manufacture (for example, the euro with respect to most European production) could adversely affect our results of operations. In 2000, our U.S. dollar denominated net sales at constant metal price were approximately 22 percent of our total net sales at constant metal price. Dollar expenses in 2000 were approximately one-third of our total expenses. In addition, a significant portion of our expenses, including the price of metals, is expressed in dollars. Of total expenses of approximately €4,500 million in 2000, U.S. dollar-denominated expenses were approximately €1,800 million. The cost of copper during 2000 was approximately €1,600 million. Although we have implemented practices and procedures for metal and exchange rate hedging, no assurance can be given that such risks will not have a material adverse effect on our operating profit or cause significant fluctuations in our capital needs.

We also are exposed to conditional foreign currency risk when we bid to supply our products in connection with large turnkey construction projects relating to infrastructure projects, particularly in the Energy division, which we have typically covered in the past through an Alcatel hedging program. Such coverage will not be available in the future, and there can be no assurance we will locate suitable alternatives. No assurance can be given that our hedging will be sufficient to eliminate such currency risk in the future and that such risk will not be costly.

In order to protect ourselves from the risk of losses under firm contracts (including agreements for the purchase and sales of metals) that could result from mismatches between the currencies in which we realise our net sales and the currencies in which we incur our expenses, we have entered into currency hedging arrangements, such as forward exchange contracts, through Alcatel's central treasury, mainly with respect to the U.S. dollar. We expect to make similar arrangements with third party banks following the offering.

We record revenues, expenses, assets and liabilities in a number of different currencies. In preparing our financial statements, we translate the value of these different revenues and expenses into the relevant domestic currency at the rate of exchange prevailing on the date of the transactions. Income statements that are included in our financial statements and not denominated in euro are translated for consolidation purposes into euro at the average exchange rate for the period. Assets and liabilities that are non-euro denominated are translated into euro at the exchange rate in effect at the end of the period. Fluctuations in the value of the euro will have an impact on the value of these revenues, expenses, assets and liabilities reflected in the division's combined financial statements. For this reason, changes in foreign currency exchange rates can have a significant impact on our financial position.

Other Market Risks and Management

General

In 1996 Alcatel decided to centralize treasury management including the management of its exposure to foreign exchange risk, currency risk, interest rate risk and credit risk. Our risk management policies since that date until the Reorganization were conducted as part of Alcatel's global policy and it is not possible to identify separate risk management transactions corresponding to our business. See Note 19 to the Pro Forma Financial Statements.

We have established a centralized treasury function which is broadly similar to that of Alcatel. The principal risks to which our business is exposed include metals risks, principally with respect to the price of copper, as described below, and foreign currency, exchange rate and interest rate risks. Our policy is not to take speculative positions.

Copper and Other Metals Risk

As set forth above under ''— Impact of Copper and Aluminum Prices'', our net sales and cost of sales are significantly affected by changes in the cost of copper. Copper accounts for approximately 90 percent of our purchases of non-ferrous metals, with aluminum accounting for most of the remaining 10 percent.

To purchase copper, we generally enter annual supply contracts, typically during November and December of the preceding year, for delivery of specified monthly amounts. The purchase price for such copper is linked to its market price on the LME on the date of delivery. The sales price of copper in our sales contracts for finished products is also generally linked to the current market price for copper on the LME at the time the sales contract is entered into. As a result, at any given time, we will have firm obligations to receive deliveries of pre-determined quantities of copper priced at the current LME market price, and be entering into firm obligations to sell copper at the same current LME market price.

We manage our exposure to changes in the price of copper generally by (i) matching, to the extent possible, our purchases and sales of copper in terms of price and quantity (''contract matching'') and (ii) to the extent that such matches are imperfect, hedging the resulting open positions through futures contracts on the LME (''futures hedging'').

These procedures take place daily through centralized risk management teams in France, Germany and North America. Outside of these countries, our other, smaller operations engage in copper price risk management on a decentralized basis following similar procedures. Positions are routinely reported to the central management office. Over-hedging and under-hedging limits are established centrally for each company. We use the same risk management approach for aluminum.

The table below sets forth our (i) net exposure as a result of mismatching between our firm purchase and sale commitments on a combined basis for copper and aluminum, (ii) our copper and aluminum futures hedging position on the LME, (iii) the current value of over-hedging or under-hedging, and (iv) the net unrealised profit (loss), taking into account both the firm commitment exposure and the LME position, at December 31, 2000 and 1999.

	As of December 31, 2000		As of December 31, 1999	
	Metric Tons	€ millions	Metric Tons	€ millions
Net firm commitment exposure, short:				
Sales value, copper	(12,465)	36	(35,529)	60
Sales value, aluminum	(1,906)	4	(5,275)	7
Total		40		67
Open LME position, long:				
Purchase cost, copper	13,350	(29)	37,825	(63)
Purchase cost, aluminum	3,800	(7)	5,575	(8)
Total		(36)		(71)
Net over (under)-hedged:				
Current value, copper	885	(7)	2,296	3
Current value, aluminum	1,894	3	300	1
Total		(4)		4
Net unrealized profit (loss)				
Copper		9		1
Aluminum		0		0
Total		9		1

The net unrealised profit or loss (corresponding to an increase in net income of €8 million for the year ending December 31, 2000 — see Note 19 to the Pro Forma Financial Statements) is booked in our financial statements in order to achieve a neutral effect on our operating results. As a result, our income statement and balance sheets include the effect in respect of metals of our unrealised contractual obligations, open LME contracts and unhedged position marked-to-market. Additionally, reserves are made for possible non-performance of third-party commitments to us.

For a description of our risks in connection with the price and unavailability for metals see "Risk Factors — Risks Relating to Our Industry — We are Vulnerable to Fluctuations in the Price and the Unavailability of Raw Materials for our Operations".

Changes in Accounting Standards

For the year ended December 31, 1999 we chose to apply new accounting standards for consolidation approved in France as set forth in greater detail at Note 1 to the Pro Forma Financial Statements. The new standards have not had, and we do not expect them to have, a material effect on our financial statements. In addition, commencing on January 1, 1999, we changed the valuation of defined pension benefit plans, as described in Note 1(k) to the Pro Forma Financial Statements to conform procedures throughout our subsidiaries. The effect of the change as of January 1, 1999 between the reserves calculated in accordance with the new methods and reserves previously calculated according to local accounting standards is recorded under "Other revenue (expense)" in our income statements.

The *Comité de la Réglementation Comptable* approved the CNC n° 00-01 recommendation on liabilities issued on April 20, 2000. This new accounting law will be effective as from January 1, 2002. However, its application is permitted as from January 1, 2000. This new accounting law has not been applied to issue the financial statements at December 31, 2000. We are evaluating the effect of the application of this new accounting principle.

Recent Developments

Three Months Ended March 31, 2001 and 2000

The table below sets forth our net sales and income from operations for the three months ended March 31, 2001 and 2000.

	For the three months ended March 31,	
	2001[(1)]	2000[(2)]
	(unaudited)	
Net sales	1,233	1,162
Net sales at constant metal price	1,119	1,075
Income from operations	34	34

(1) Consolidated net sales and income from operations for the three months ended March 31, 2001.

(2) Net sales and income from operations for the three months ended March 31, 2000 are combined pro forma figures which have been prepared on the same basis as the Pro Forma Financial Statements. Such financial information may not accurately reflect what our financial condition and results of operations would have been had we been a separate, stand-alone entity since 1998 and may not be indicative of our future performance.

The 4.1 percent increase in net sales at constant metal price is a result of increased net sales in each of our divisions. The stability of our income from operations should be considered in the context of favorable income from operations during the first three months in 2000, which were followed by less favorable income from operations during the next quarter.

Electrical Wires. The net sales at constant metal price of our Electrical Wires division increased by 7.1 percent to €302 million for the three months ended March 31, 2001, compared with €282 million for the three months ended March 31, 2000. Net sales at hollow prices increased by 6.0 percent to €106 million for the three months ended March 31, 2001, compared with €100 million for the three months ended March 31, 2000.

This increase was principally due to an increase in net sales of wire rods and winding wires, while net sales of bare wires remained stable. It was also a result of continued demand in Europe for the products of the Electrical Wires division, despite the continuing slow down in North America (winding wires and wire rods), as well as the contribution of Saficonel (€9 million for the three months ended March 31, 2001), which was not included in our results for the three months ended March 31, 2000.

Income from operations was €9.1 million for the three months ended March 31, 2001, compared with €14 million for the three months ended March 31, 2000. This significant reduction was a consequence of continuing strong price pressure on winding wires in North America and a loss of €0.4 million by Saficonel in Italy for the three months ended March 31, 2001.

Energy. The net sales at constant metal price of our Energy division increased by 1.6 percent to €512 million for the three months ended March 31, 2001, compared with €504 million for the three months ended March 31, 2000. This change is attributable to the combined effect of an increase in net sales of the products of our General Markets business group and of the products of our Industrial Applications business group, where European demand was satisfactory, notably in the automobile sector, and a reduction of net sales in our Energy Networks business group, where there was a substantial slow down in Italy. We experienced a high level of orders for energy cables during the three months ended March 31, 2000 and, therefore, an unusually high level of net sales.

Income from operations was €11.4 million for the three months ended March 31, 2001, a decrease from €12.6 million for the three months ended March 31, 2000. Improvement of the operating margins of the Energy Networks business group (including high, medium and low voltage cables) as a result of our restructuring efforts did not compensate for the effects of price pressure in our General Markets and Industrial Applications business groups principally in Germany and Switzerland. Our strategy in these areas is to deploy new products and diversify our client base.

Telecom. The net sales at constant metal price of the Telecom division increased by 4.3 percent to €219 million for the three months ended March 31, 2001, compared with €210 million for the three months ended March 31, 2000. Despite a continuing slow down in the North American market for LAN products, net sales of fiber optic cables, data transmission special cables and access components increased. Demand for copper networks, notably in the export markets from Europe, was sustained.

Income from operations increased slightly to €9.9 million for the three months ended March 31, 2001, compared with €9.1 million for the three months ended March 31, 2000. Negative results for LAN products in North America were compensated by the improvement in income from operations in the areas of copper networks (which benefited from past restructurings), fiber optic cables and data transmission special cables.

Distribution. The net sales at constant metal price of the distribution business increased by 3.9 percent to €82.3 million for the three months ended March 31, 2001, compared with €79.2 million for the three months ended March 31, 2000.

This change was accompanied by a slight increase in income from operations (€2.8 million for the three months ended March 31, 2001, compared with €2.6 million for the three months ended March 31, 2000) which is due principally to a recovery of our distribution business in Norway.

Other Trends Affecting Net Results

Our consolidated net debt as of March 31, 2001, was €191 million, reflecting principally working capital needs as a result of the seasonal character of our business. We expect our consolidated net debt to increase materially in the second quarter of 2001 (by approximately 50 percent of our net debt at March 31, 2001), including because of our distribution to Alcatel of a dividend of €20 million for the year ended December 31, 2000, which was paid during the second quarter of 2001. We expect our net debt to decrease during the second half of 2001. Approximately €30 million of our net debt relates to debt incurred in Brazil and Turkey which is currently generating significant financial expenses. The increase and composition of our net debt is expected to cause a substantial increase in our financial expenses, particularly for the first half of 2001. See ''Risk Factors — Risks Relating to Our Operations — Our business is subject to seasonal variations which generally cause our first half financial results to be lower than our second half results''.

In addition, due to competitive pressures and current market conditions, we expect to record operating losses in certain countries, including the United States and Italy, in the first half of 2001 which will reduce our consolidated operating results without a proportional decrease in our consolidated income tax charges. For the full year 2001, management believes that certain of those countries will return to positive operating results and take advantage of available tax loss carryforwards. We expect our consolidated rate of income tax for the year 2001 to be approximately 40 percent of income before tax. Overall, the imbalance between first half and second half net results caused by the seasonality of our business is expected to be particularly pronounced in 2001 as a result principally of the effect of the financial and tax charges described above. Such effect, combined with the slow down in business in the United States leads us to expect our net results for the first half of 2001 to be substantially reduced, with an improvement expected for the second half.

We have established for the year ended December 31, 2003 a target operating margin of 5.3 percent of net sales at constant metal price as compared with an operating margin of

3.9 percent for the year ended December 31, 2000, and a target Return on Capital Employed, expressed as a ratio of income from operations to capital employed, of between approximately 16 percent and 20 percent, compared with 12.6 percent for the year ended December 31, 2000.

These targets are based on a number of assumptions and are subject to changes or external or internal factors which are likely to affect the economic and competitive environment in which we operate, and other risks described more fully under the heading "Risk Factors" in this Offering Circular. Among the principal assumptions upon which our targets are based are the continuation, in accordance with our own internal estimates, of the development and the recovery of the cable industry and the development of our market share, the continuation of the strengthening of our gross margins through our restructuring efforts, the absence of significant political and economic changes in each of the countries or industrial sectors in which we conduct our business, and the absence of significant fluctuations in exchange rates. We cannot guarantee that we will meet our targets and assume no obligation to update these targets.

Other Events

Acquisition and Consolidation of Nexans Korea. In March 2001, we acquired a 51.5 percent controlling interest in Daesung (which thereafter became Nexans Korea), a South Korean manufacturer of energy and telecommunication cables, including fiber optic cables. Nexans Korea reported net sales for the twelve months ended September 30, 2000 of approximately 147 billion Korean Won (€134 million) and income from operations of approximately 3.3 billion Korean Won (€3 million), compared with net sales for the twelve months ended September 30, 1999 of approximately 118 billion Korean Won (€87 million) and income from operations of approximately 8.1 billion Korean Won (€6 million). (Daesung's financial statements for such periods were prepared in accordance with accounting principles generally accepted in South Korea).

Nexans Korea has been consolidated as of March 31, 2001 and thus is not included in our results of operations for the three months ended March 31, 2001. The consolidation has had an impact on the minority interests (increase of approximately €50 million) and on our consolidated net debt (increase of approximately €12 million).

Other. Our restructuring efforts have resulted in a net consolidated charge of €7 million and a payment of €11 million for the three months ended March 31, 2001.

Capital expenditures during the three months ended March 31, 2001 were €47 million, which we believe is in line with our estimates of capital expenditures during the years 2001 to 2003 as noted herein. The actual amount of such expenditures may differ depending on a number of factors, such as market conditions and the availability of financing.

Summary of Significant Differences Between French GAAP and U.S. GAAP

The Historical Combined Financial Statements and the Pro Forma Financial Statements have been prepared in accordance with French GAAP as described in Note 23 thereto. French GAAP differs in certain respects from U.S. GAAP. The principal differences between French GAAP and U.S. GAAP as they relate to us are discussed in further detail below.

For all differences, the specific accounting consequences and potential impact of these differences have not been determined. There can be no assurance that these are the only differences in accounting principles that would have an impact on our combined net income or net assets. There are significant differences between the presentation of the Pro Forma Financial Statements and the financial information that would be required under U.S. GAAP. As a general matter, the disclosures required in the notes to financial statements are more extensive under U.S. GAAP than under French GAAP. These differences have not been addressed.

The Pro Forma Financial Statements included herein have been prepared to comply with French practice and as such do not comply with Article 11 of Regulation S-X under the U.S. Securities Exchange Act of 1934.

Accounting for Marketable Securities

Nexans accounts for its investments at the lower of historical cost or fair value, assessed investment by investment. Under U.S. GAAP, certain investments in equity securities would have been stated at fair value. Changes in fair value related to trading securities would have been included in net income while those relating to available-for-sale securities would have been included directly in shareholders' equity.

Liability Recognition for Certain Employee Termination Benefits and Other Costs

Nexans accounts for these liabilities when restructuring programs have been finalized, approved and announced by management. Nexans would have applied EITF 94-3, SFAS 88 and SFAS 112 for U.S. GAAP purposes. Under such requirements, the conditions for recording a restructuring reserve in the balance sheet are more stringent than under Nexans' policy.

Under EITF 94-3, a provision for restructuring can only be recorded during the period when certain conditions are satisfied, including the specific identification and approval by the appropriate level of management of the operations and activities to be restructured and notification to the employees who are to be terminated. In addition, costs associated with an exit plan are recognized as restructuring provisions only if the related costs are not associated with or do not benefit continuing activities of the company. The foregoing policy would have created a timing difference between (i) the recording of provisions under French GAAP to the extent that such provisions are not accrued for U.S. GAAP purposes and (ii) restructuring charges expensed under U.S. GAAP that were accrued for French GAAP purposes in a prior period.

Pension and Post-Retirement Obligation

In accordance with the laws and practices of each country, Alcatel participated in employee benefit plans by offering early retirement benefits and special termination benefits.

For defined contribution pension plans and multi-employer plans, expenses are recorded as incurred. For defined benefit pension plans, in order to harmonize the procedure throughout Alcatel (including Nexans), liabilities and prepaid expenses have been determined from January 1, 1999 as follows:

- using the projected unit credit method (with projected final salary);
- recognising over the expected average remaining working lives of the employees participating in the plan, actuarial gains and losses in excess of more than 10 percent of the present value of the defined benefit obligation or 10 percent of the fair value of any plan assets.

The effect of the change as of January 1, 1999 between the reserves calculated in accordance with new criteria and the reserves calculated according to local accounting standards was recorded under the caption ''Other revenue (expense)'' in our income statements.

Under U.S. GAAP, the recognition of a minimum liability adjustment is required. Under French GAAP, this recognition is not required.

Under French GAAP, post retirement benefits other than pension are not accrued for.

Under U.S. GAAP, post-retirement benefits other than pension are accrued for under the SFAS No. 106, ''Employers' Accounting for Post-Retirement Benefits other than Pension''.

Income Tax

Before January 1, 1998, Nexans applied under French GAAP a conservative approach for recognition of deferred tax assets and subsequent adjustment to valuation allowance. Under U.S. GAAP the recognition would have been higher because of the more conservative approach under French GAAP.

Since January 1, 1998, Nexans's accounting policies under French GAAP have been in line with the recognition of deferred tax assets under U.S. GAAP.

Under French GAAP, tax on undistributed earnings on equity investments are not recorded. Under U.S. GAAP, this recognition is required.

Under French GAAP, no deferred tax liability has been recorded for French and foreign taxes that could result from the remittance of undistributed earnings since such earnings are permanently reinvested and it is not practicable to estimate the amount of such taxes.

Accounting for Derivative Instruments and Hedging Activities

Nexans periodically enters into forward foreign exchange contracts to hedge some of its foreign currency exposure. Nexans uses such contracts to hedge future sales denominated in non-euro currencies. Nexans also recognizes certain financial instruments on its balance sheet (for example, financial debt). Under French GAAP financial instruments are not accounted for at fair value at balance sheet.

Under U.S. GAAP, the Statement of Financial Accounting Standards No 133, ''Accounting for Derivative instruments and Hedging Activities'' (SFAS 133) establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. Such statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

Assets or Businesses Transferred from Alcatel

Under French GAAP, disposals and acquisitions of assets or businesses made by an enterprise to or from an entity ultimately controlled by the same shareholder as the enterprise are recorded at the price agreed between the parties at the time of the disposal/acquisition. Under U.S. GAAP, disposals and acquisitions of assets or businesses to or from an entity under common control are recorded at the historical carrying value of the asset or business in the books of the seller and the difference between such carrying value and the price agreed between the parties is reflected as a share capital transaction (either additional paid in capital or dividend).

BUSINESS

As used in this section, ''we'' and ''us'' refer to us along with our subsidiaries as a whole, as well as our respective predecessors which operated within Alcatel.

History and Background

Our predecessor was founded in Lyon in 1897 as *La Société Francaise des Câbles Électriques*, an affiliate of the Swiss company *Berthoud, Borel et Cie*. In 1912, the majority of the shares of *La Société Francaise des Câbles Électriques* were acquired by *La Compagnie Générale d'Electricité* (''CGE''). Shortly thereafter our predecessor changed its name to *Compagnie Générale des Câbles de Lyon (''Câbles de Lyon'')*. Thereafter it successively expanded its products and markets through a series of acquisitions and mergers. In 1982, CGE was nationalized by the French government. CGE is the former name of Alcatel. The shares of *Câbles de Lyon*, which became *Alcatel Cable*, were listed on the Euronext Paris in 1986.

Also in 1986, the activities of *Câbles de Lyon* were combined in a series of transactions with the cable operations of International Telephone and Telegraph. In 1987, CGE was privatized. From 1988 up to the Reorganization we successively expanded our operations principally through the purchase of various entities worldwide. In 1996, the shares of the entity conducting Alcatel's cable operations were delisted following our merger with Alcatel. Since then we have been part of Alcatel.

Our Company

We are a leading designer, manufacturer and supplier of a wide range of cables, wires and related products for electrical and telecommunications applications. Since June 1996, when our predecessor merged into Alcatel and until the Reorganization, our operations were conducted through the Electrical Wires and Energy Cables divisions of Alcatel's Energy Cables business segment, and the Telecom Products and Harnesses businesses of Alcatel's Telecom Components business segment. See ''The Reorganization''. Since the Reorganization, we have conducted our operations as a segment of Alcatel.

We are a French *société anonyme* and conduct our principal operations through our divisions set forth below, which include approximately 70 combined subsidiaries and a similar number of non-combined companies, some of which are companies in which we own minority interests, in Europe, North America and elsewhere.

We are a manufacturer of electrical and telecommunications cables as well as a manufacturer of upstream cable products such as wire rod and bare wires. In addition, we supply related products, accessories such as connection equipment or access components, and install and distribute cables.

Net sales at constant metal price is used as a management indicator by Nexans. In order to clarify the impact of changes in the price of metals on our net sales, our pro forma income statements set forth, in addition to the historical level of net sales, a ''Metal effect'' line item and a ''Net Sales at constant metal price'' line item. The ''Metal effect'' line item quantifies the impact on our combined net sales of the difference between the average price of metals during the relevant period and a ''standard metal'' reference price. The ''Net Sales at Constant Metal Price'' line sets forth our net sales in relation to the standard metal reference price during the relevant period.

Our business divisions include:

- **Electrical Wires:** We are one of the world's largest manufacturers of conductive wires, including wire rod and bare wires for use in the manufacture of cable, and winding wires for use in electric motors, transformers and magnetic bobbins. Our Electrical Wires division also supplies wire rods and bare wires to our Energy and Telecom divisions for use in their respective cable production. As of December 31, 2000, there were 2,672 employees and

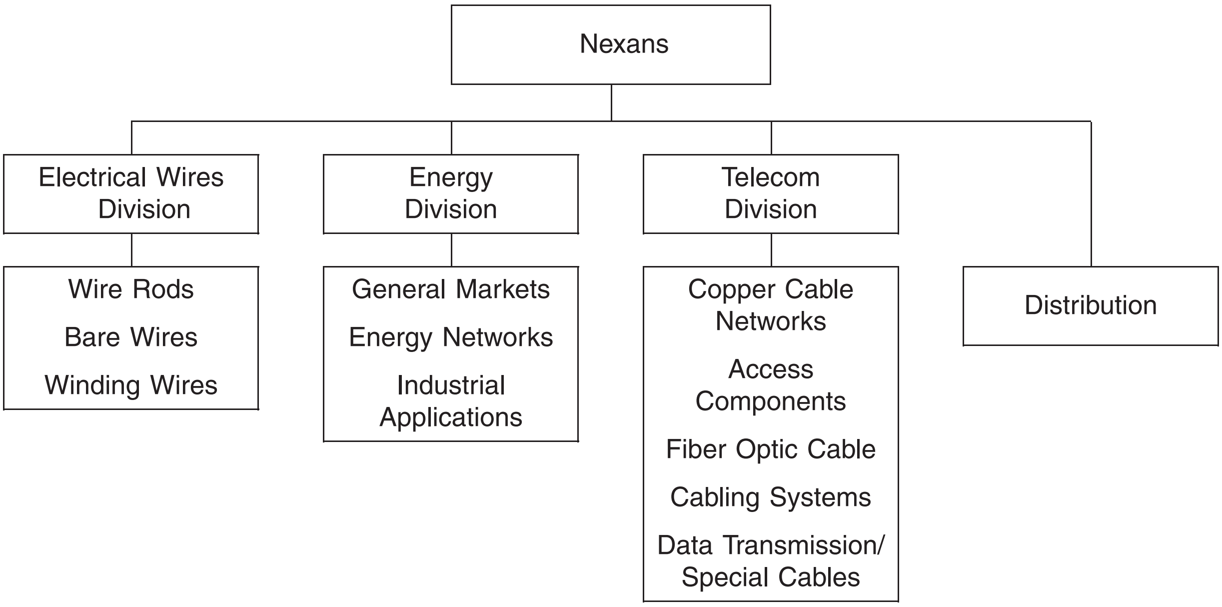
17 manufacturing facilities in this division. Net sales at constant metal price (and excluding sales to our Energy and Telecom divisions) in 2000 were €1,095 million.

- **Energy:** We are one of the world's largest manufacturers and suppliers of cables and wires in the energy field. Our Energy division includes cables for power networks, industrial applications, including automotive components, and fixed cabling for industrial, commercial and residential buildings (through our General Markets business group). As of December 31, 2000, the Energy division comprised 9,026 employees and 40 manufacturing facilities. Net sales at constant metal price were €2,062 million.

- **Telecom:** We provide copper cables, access components, fiber optic cables, cabling systems for private networks and data transmission special cables for the telecommunications industry generally. At December 31, 2000, there were 4,696 employees and 20 manufacturing facilities in this division. Net sales at constant metal price in 2000 were €876 million.

In addition, we conduct a distribution business of electrical products in Norway and Switzerland with net sales in 2000 of €327 million, less than 15 percent of which were from distribution of our own products.

The following chart sets forth the organization of our business as of the date of this Offering Circular.



Our pro forma net sales at unadjusted metal prices (column A) and at constant metal prices (column B) by division for the last three fiscal years, respectively, were as follows:

	For the year ended December 31,											
	2000				1999				1998			
	A	%	B	%	A	% (€ millions)	B	%	A	%	B	%
Electrical Wires[(1)]	1,339	28.0	1,095	25.1	971	23.2	945	22.8	962	22.2	909	21.4
Energy	2,225	46.5	2,062	47.3	2,063	49.3	2,060	49.7	2,171	50.1	2,146	50.6
Telecom	892	18.6	876	20.1	825	19.7	821	19.8	881	20.3	871	20.5
Distribution	327	6.8	327	7.5	318	7.6	318	7.7	314	7.3	314	7.4
Other	0	0.0	1	0.0	5	0.1	5	0.1	2	0.0	3	0.1
Total	4,783	100.0	4,361	100.0	4,182	100.0	4,149	100.0	4,330	100.0	4,243	100.0

(1) Our Electrical Wires division sells part of its production to our Energy and Telecom divisions. Such sales are not included in this table. In 1999 and 2000, such intercompany sales were €600 million and €650 million, respectively.

Our net sales at non-adjusted metal prices by geographic region for the fiscal years ended December 31, 2000, 1999 and 1998, respectively, were as follows:

	For the years ended December 31,					
	2000		1999 (€ millions)		1998	
		%		%		%
France	762	15.9	690	16.5	731	16.9
Germany	584	12.2	625	14.9	721	16.7
Other European Countries	1,970	41.2	1,632	39.0	1,542	35.6
North America	1,088	22.7	795	19.0	674	15.6
Rest of the World	379	7.9	440	10.5	662	15.3
Total	4,783	100.0	4,182	100.0	4,330	100.0

Our Strengths

We believe that our competitive strengths are:

- We have leading market positions in the infrastructure, industry and building segments;
- We offer a broad range of products to such markets, including a growing number of high value added products;
- Our management and employees are focused on the cable business, understand our markets and have strong customer relationships;
- We have rationalized our manufacturing facilities and processes;
- We conduct focused research and development operations which have contributed and are geared to significant product innovations; and
- We have a financial structure which we believe will support our growth strategy.

Strategy

Our four principal strategic focuses are:

Focus on high value-added products. We intend to increase the contribution to our net sales of high margin products such as LAN cabling systems, winding wires, special data and industrial cables, harnesses and accessories. We intend to capitalize on potential market growth in these areas, promote product innovation and leverage our existing market positions and investment programs. We are targeting that net sales of such products will account for between approximately 40 to 50 percent of our net sales.

Develop our telecom access networks business. We believe our telecom access networks business will be an important growth and margin business in the medium term. We expect to use our technical and industrial know-how, market understanding and customer relationships to invest in the fiber optic cable and access components business in targeted geographic markets. We expect to strengthen our strategic relationships with partners with whom we have existing relationships and to increase our marketing efforts with new clients and in new geographic markets.

Grow through selective acquisitions in the Americas and Asia. We will consider acquisitions in areas where we believe acquisitions will be an appropriate means to achieve growth in key business segments. We expect to do so particularly in the United States as an initial priority, which is the most developed telecom market, and in South America and Asia, the major markets for large infrastructure projects. In the United States, we are considering the expansion of our Energy division activities in the Industrial Applications business group and our Telecom division activities in the cabling systems, data transmission special cable and access component areas. In Asia, we expect to expand our activities through acquisitions in key Energy division businesses. In March 2001 we acquired activities in South Korea and Vietnam through our acquisition of a controlling interest in Daesung Cable Co. Ltd (which became thereafter Nexans Korea).

Strengthen cost competitiveness. After having undertaken significant restructuring efforts, we aim to improve our performance in under-performing regions and products and to shorten the time frame between research and development and commercial readiness of new products. We also plan to continue to improve production flexibility for custom-made products we develop. We expect to maintain a level of capital and research and development expenditures to upgrade our manufacturing capabilities and to improve our products and manufacturing processes. We intend to use our size in our core markets to negotiate favorable prices for raw materials.

The Cable Industry

According to CRU, the cable industry represents a global market worth approximately $74 billion in 2000. The energy market represents approximately two-thirds of the cable industry. Approximately one-third of the cable industry is dedicated to the telecom market. These figures do not include upstream wire products such as wire rod and bare wires, nor downstream services such as distribution and installation, in which we also operate.

Principal Market Segments

The cable industry may be divided into three principal market segments:

- *Infrastructure.* The infrastructure market includes electricity transmission and the telecommunications sectors. Energy cables are used principally by power utilities and railways. Telecom cables are used principally by telecom network operators, cable television operators and carriers which manage the transmission of data through new channels established in existing rights of way. These rights of way include numerous infrastructure networks that can be set up to permit telecommunication cables to pass through such as transport and distribution networks, national and local railway networks, highway networks, navigation routes and water disposal networks.
- *Industry.* Cables are used for electrical and communications applications in a wide variety of industrial and commercial products. Among these, energy cables are used principally by original equipment manufacturers (''OEMs'') in transportation products, including automobiles, ships and rolling stock, as well as in oil and gas and petrochemical applications and industrial equipment. The winding wires products of our Electrical Wires division are used by

OEMs for the production of products such as engines, pumps and domestic appliances. Telecom cables are used by telecom equipment and computer equipment manufacturers as well as in the aeronautics and medical industries.

- *Building:* Fixed industrial cables are used by installers and contractors for energy distribution, internal telecommunications and local area networks in buildings.

Our divisions serve the infrastructure, industry and building market segments of the cable industry by offering our products as indicated in the following chart.

Nexans Division	INFRASTRUCTURE	INDUSTRY	BUILDING
Electrical Wires Division		Wire Rods Bare Wires Winding Wires	
Energy Division	Energy Networks	Industrial Applications	General Markets
Telecom Division	Copper Cables Single Mode Fiber Optic Cables Access Components	Data Transmission Special Cables	Data Cables Cabling Systems (private networks)

Historical Trends and Outlook for the Medium Term

Infrastructure. Historically the national infrastructure markets of the cable industry were highly protected in view of market dominance by state-owned customers, weak competition owing to barriers to entry and significant government regulation. As a consequence, the national infrastructure markets were high margin markets for cable producers. However, that historical situation no longer characterizes the majority of the infrastructure markets where we operate. Instead, the national infrastructure markets of the cable industry are undergoing transformation generally involving one of the three following phases:

- *Deregulation.* Markets in the deregulation phase are characterized by privatization of incumbent operators, a decrease in their investment programs and the entry of new, aggressive private operators, leading to an intense pressure on product prices.

- *Consolidation.* Markets in the consolidation phase are characterized by efforts to reduce production overcapacity which results from the elimination of national monopolies. Production overcapacity is generally reduced through mergers and acquisitions of producers or withdrawal by some producers from the industry. During the consolidation phase, competition among producers is intense.

- *Recovery.* Markets in the recovery phase are characterized by a balance between supply and demand and by competitors which are fewer and more focused and specialized on particular market segments.

Whether a geographic sector of the infrastructure market segment is in a period of deregulation, consolidation or recovery can vary from region to region.

- *United States.* We believe that the infrastructure markets in the United States entered the deregulation phase approximately 20 years ago and are now in the recovery phase.
- *Europe.* We believe that the Energy infrastructure markets in Europe are currently in the consolidation phase. For example, during the past three years, three significant cable manufacturers, BICC, Siemens and ABB, have disposed of their cable operations to other producers. We expect the European market for energy infrastructure to start to enter the recovery phase within the next three years.
- *Asia.* We believe that the infrastructure markets in Asia are currently just entering the deregulation phase. Nonetheless, we believe there are opportunities in developing countries in Asia because of large infrastructure needs.

Industry. The industry market segment of the cable industry has been marked by an increased focus on customer service, an increased presence of large international OEMs, a reduction in the number of suppliers and development of custom-made products in accordance with customer specifications. We believe that OEMs will continue to expand their market presence and will decrease their supply bases and implement global sourcing policies. We believe large OEMs will increasingly demand price reductions, product innovation, superior productivity and better technical know-how and larger scale production from their suppliers.

Building. In the Energy business, the building market segment is characterized by increasing standardization of commodity products, which we believe will require suppliers to serve increasingly large and homogenous markets with more efficient production facilities. In the business of private telecommunications networks, the market is characterized by strong growth in demand for data cables for local area networks and by continued need for better performing products.

Principal Products of the Cable Industry

Principal cable and wire industry products include power cables, mainly used by utilities for the transmission and distribution of electricity and low voltage cables used in buildings or incorporated by OEMs into machinery or end-user products. Principal cable and wire industry products also include telecommunications cables used by telecommunications operators to build their networks either with fiber optic cables (long distance and municipal networks) or with copper telecom cables (for the access loops), as well as data and special transmission cables for private telecommunication networks and internal wiring for electronic devices. Winding wire is copper or aluminum wire coated with enamel, which is used to create a magnetic field.

The following tables set forth global production volumes and values for 2000, 1999 and 1998 for principal cable industry products:

	2000	1999	1998	2000	1999
	(thousands of metric tons of conductors)(1)			(% change)	
Global Production Volume					
Copper Power Cable	2,165	2,024	1,955	7.0	3.5
Aluminum Power Cable	821	791	754	3.9	4.8
Low Voltage Energy Cable	4,022	3,868	3,778	4.0	2.4
Winding Wire	2,129	1,976	1,866	7.8	5.9
Internal Telecom Cables(2)	717	674	620	6.4	8.7
External Copper Telecom	997	950	964	4.9	(1.4)
Total	10,851	10,282	9,938	5.5	3.5
	(thousands kilometers of fiber)			(% change)	
Fiber Optic Cable	94,920	67,862	47,582	39.9	42.6

(1) Cable production is commonly measured in metric tons of the metallic conductor component of cables.

(2) Internal telecom cables includes cable systems for private networks and special cables for data transmission.

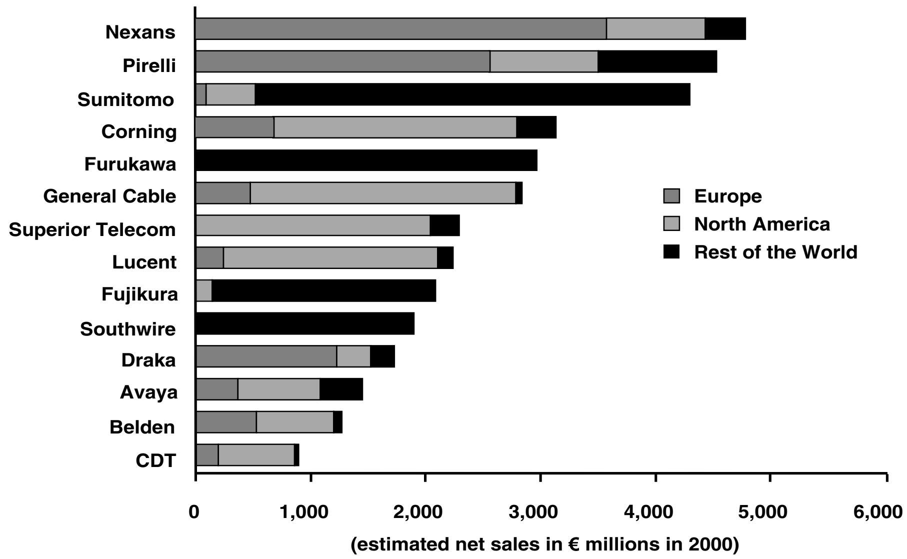
	2000	1999	1998	2000	1999
	(U.S.$ millions)			(% change)	
Global Production Value					
Copper Power Cable	12,564	11,986	12,094	4.8	(0.9)
Aluminum Power Cable	4,272	4,017	3,889	6.4	3.3
Low Voltage Energy Cable	21,044	20,565	20,184	2.3	1.9
Winding Wire	7,601	6,617	6,413	14.9	3.2
External Copper Telecom	7,430	7,472	7,534	(0.6)	(0.8)
Fiber Optic Cable	9,854	6,976	5,626	41.2	24.0
Internal Telecom Cables	11,160	10,788	10,263	3.5	5.1
Total	73,925	68,421	66,024	8.0	3.6

(Source: CRU International, April 2001)

According to CRU, the geographical breakdown of volume of sales in 2000, measured as a percentage of total global sales of the cable industry, was as follows: North America (23 percent); Asia North and East (15 percent); Europe (25 percent); and the rest of the world (37 percent). Such percentages for 1998 and 1999 roughly correspond to those of 2000.

Other significant cable industry products include upstream wire products such as wire rods, bare overhead lines and downstream products and services such as access components (including distribution frames, connectors, patchcords and subscriber access) and distribution and installation of cables for major turnkey projects.

We use internal estimates such as those set forth in the chart below for purposes of our own evaluation of our competitive position and market share. Such estimates are based on industry publications, the information our competitors make public and our own knowledge of the markets in which we operate. Although we believe our internal estimates are accurate, we cannot guarantee that they are accurate or complete.



Our Products

Electrical Wires Division

Overview. According to our own estimates for 2000 of industry revenues, our Electrical Wires division is one of the world's leading copper wire manufacturers of wire rods, bare wires and winding wires. In 2000, we produced approximately 700,000 metric tons of wire. Our products include all types of non-insulated bare wires for cable makers. A significant portion of the products manufactured by our Electrical Wires division is sold to our Energy and Telecom divisions.

Market Description. Demand for the products of our Electrical Wires division is cyclical and follows the general economic trends in the geographic and industrial markets (especially automotive and home appliances) that we serve. Potential markets for our winding wires include the automotive sector and household goods, television and pumps market segments. However, we believe the effects of cycles on our business is mitigated because we operate in a range of geographic markets which are not necessarily at corresponding points in the cycle at all times. We do not believe that changing technology significantly affects demand for the products of our Electrical Wires division. Other market characteristics include certain price erosion, low elasticity of demand and the historically adequate availability of copper cathodes.

We purchase copper from a number of suppliers of copper cathodes, the most significant of which are in Europe, North America and South America. The prices at which we sell our Electrical Wires division products each comprise a copper metal value component and a value added component. The copper metal value component is based on prices quoted daily on the London Metals Exchange or the Chicago Commodity Exchange (Comex). The Electrical Wires division has a team dedicated to negotiating the copper purchase prices and arranges for the hedging relating to metal price fluctuations. We generally isolate and negotiate the value added component of our sales price once a year.

Significant features of our Electrical Wires division include the restructuring program we have undertaken and, in the winding wire product line, the development of our New Horizontal Process

(NHP), a furnace which permits us to reduce production costs in the standard product range. In bare wires, we believe we offer the broadest product range in Europe. We believe we were the largest producer worldwide and in Europe and the fourth largest producer in North America of winding wires, the largest producer in Europe and the second largest producer globally of wire rod, and the second largest producer in Europe of bare wires, based on our estimates of producer revenues in 2000.

Wire Rod. Wire rod is the basic raw material used in the cable industry and is a worldwide standardized product with relatively little value added. Growth is mainly linked to global industrial production, and production costs are highly sensitive to energy prices. We believe that there is a current trend in the market toward upstream (copper cathodes production) and downstream (wire production) concentration favoring a single, large market participant per continent. Our largest customers are our Energy and Telecom divisions, to which we furnish approximately 50 percent of our wire rod production. The remaining part of the production is sold to cable and winding wires manufacturers who are either not integrated or only partly integrated into the continuous copper cast process or to companies specializing in the production of drawn wire, which supply cable, automobile, and home appliance manufacturers. Our strategy for this product line includes reducing costs, maximizing capacity utilization and developing our position in Europe and North America, including by capturing demand for new products. Our net sales at constant metal price of wire rod for the year ended December 31, 2000 were approximately €405 million.

Bare Wires. Bare wire products include bare or plated single wires which form the conductors, and which provide the basis of our production of, winding wires. Demand is linked to industrial growth and high competition has caused significant price pressure. Our three principal competitors in the bare wires market are Carlo Colombo in Italy, Lamitref in Belgium and Leonische in Germany. Alloys are used in niche markets such as the specialized cable and the copper alloy bare wires markets (where there are few competitors) such as catenaries, which are overhead electrical wires for trains. We have six bare wire production sites, all of which are in Europe. We have three main competitors in Europe and consider our competitive strengths to be the breadth of our product range and geographic coverage, and our industrial know-how. Our strategy for bare wires is to focus on value-added products (such as thin multi-wires and braiding wheels), consolidate our position in niche markets, rationalize our production facilities and processes and upgrade our industrial equipment. Our net sales at constant metal price of bare wires for the year ended December 31, 2000 were approximately €137 million.

Winding Wires. Winding wires are copper or aluminum wires coated with enamel and are used in coils to produce magnetic fields. The primary uses for our winding wires are in the automotive, lighting, electric motor, home appliance and power distribution markets. Ultra-thin enameled wires have formed an increasingly important part of our product offering in recent years, in response to customer demands related to miniaturization. We also have expertise in the processes of coating winding wires. We have developed a horizontal enamelling oven and improved lubricants for copper drawing in recent years, which we believe have allowed us to realize cost savings in our production processes. We are active in the market for CTC technology, which is increasingly used in the production of transformers. We believe we are the only global producer of winding wires with production facilities in Europe, North America and Asia. We believe that our geographic scope and our full range of products are our principal competitive advantages. Our strategy for winding wires also includes implementing cost controls through plant rationalization and the renewal of equipment, external growth by acquisition, notably in Europe, and expansion into Asia. Our net sales at constant metal price of winding wires for the year ended December 31, 2000 were approximately €554 million.

Competition. We believe that the key competitive factors in the Electrical Wires sector are price competitiveness, proximity to customers and adequate service capabilities. We believe that our principal global competitors in the Electrical Wires division are Phelps Dodge, Superior Essex, and Sumitomo Electric Industries. The market also includes a number of other competitors that are more focused on particular products or regions. In Europe, our principal competitors are generally specialized companies such as Elektrokoppar, a competitor which specializes in all three of our product lines. Other significant competitors include Norddeutsche Affinerie (wire rods) and Carlo Colombo (wire rods and bare wires). In North America and Asia, our principal competitors are large companies with integrated copper mining and/or refining activities, such as Phelps Dodge in North America and Sumitomo and Mitsubishi in Asia.

Energy Division

Overview. The Energy division is the largest of our divisions and, we believe, the second largest global manufacturer of energy cables, based on our estimates of producer revenues in 2000. The products and services offered by of our Energy division enable the transmission of electrical energy and signals. The Energy division is divided into three business groups: Energy Networks, General Markets, and Industrial Applications.

Market Description. The markets for our Energy division vary by region and product line. The markets for our Energy Networks products in Europe are characterized generally by significant overcapacity, although supply and demand are more balanced in the United States. In the General Markets area, growth in Europe is linked to general economic conditions, and significant market features include the importance of low costs of production and the harmonization of product standards. The Industrial Applications markets are characterized by increasing globalization and sophistication of products.

Our industrial production facilities underwent restructuring from January 1996 through December 2000, including a reduction from 56 to 40 manufacturing facilities and the departure of approximately 2,500 employees. We have implemented a cost cutting program through improvements in design, processes, packaging, transport and purchasing policies with respect to metals and plastics. We have also developed our capabilities in the area of compounding of plastics to lower costs and expand the choice of raw materials. We have also rationalized our logistics operations and focused on higher growth and higher margin product lines, such as industrial application products. The Energy division has a large research and development staff (approximately 200 persons in 2000) and has implemented a customer satisfaction program.

Energy Networks Business Group

Product Offering. We produce power transmission cables, power distribution cables with copper or aluminum conductors and accessories through our Energy Networks business group, the largest of our business groups. Our power transmission cables include high and extra-high (60 kV to 500 kV) voltage cables for long distance power transmission in terrestrial or submarine environments and bare overhead lines. Our power distribution cables are principally medium (3 kV to 60 kV) voltage cables and low (1 kV) voltage cables for electricity distribution to consumers. In the high value-added sector, we produce umbilical cables which transport fluids and transmit data and energy for offshore oil operations. We also make accessories for low, medium and high voltage applications, including joints and terminations. Each product must be manufactured to the specifications of our customers' relevant national or regional power grids. We believe, however, that the market for bare overhead lines is, and parts of the low and medium voltage and accessories markets are becoming, commodity markets.

Low voltage cables are delivered to wholesalers, installers and the end users as well as utilities and contractors. Medium and high voltage cables are primarily purchased directly by utilities. Extra-high voltage cables typically are sold to customers on a turnkey basis, while accessories are integrated into projects by contractors. The most significant markets for our land cables include France, Germany, Italy, Greece, the Benelux and Scandinavian countries and Canada. In Belgium, we conduct a substantial part of our activities in the area of medium voltage cable accessories through Euromold, a joint venture with Thomas & Betts (which is based in the United States). Our main customers for underwater power transmission products are utilities throughout the world.

Umbilical cables are used primarily by participants in the offshore oil industry. The principal customers of our Energy Networks business group are significant operators of transport and energy distribution networks such as EDF, ENEL or Electrabel in Europe. In 2000, our three most significant customers accounted for approximately 25 percent of the total sales of this business group.

Market Description. In each region, land cables, submarine cables and accessories for our high and extra high voltage business are sold mainly to utilities. Manufacturers must generally be certified by their customers. Demand for land cables, overhead lines, submarine cables and accessories is driven by the investment policies of utilities and the number of turnkey projects. In Europe, the market is characterized by overcapacity, particularly in the high and medium voltage cable markets. We expect the reduction of the number of participants in these markets, which started with the sales of the businesses of Siemens (in Germany) and of BICC (in the United Kingdom and Italy) to Pirelli and the sale of part of ABB's business (in Norway and Sweden) to Draka, to continue. This should allow the market to complete the consolidation phase and continue to enter the recovery phase. In the United States, the restructuring of the industry was characterized by a reduction of capacity and of the number of producers, thereby permitting stronger growth and increased sales volumes. We believe that the market in Asia has not yet entered the consolidation phase.

In addition, other important market features include:

- the sensitivity of sales of umbilical cables to the fluctuation of oil prices and the need to implement products using enhanced technologies, principally in deep water applications; and
- increased competition in the markets for low voltage power cables, which is a low margin product with high distribution costs.

We believe that we are one of the three leading producers of land cables and umbilical cables in Europe, the leading producer of low voltage cables in Europe, the second largest producer in Europe of high and medium voltage cables, the leading producer globally of submarine energy cables and the second largest European producer of medium- and high-voltage accessories, based on our estimates of producer revenues in 2000. We believe that we offer the widest range of products (including a full range of high voltage cables and accessories). We believe we have significant positions in the markets for deep water applications of umbilical cables and cold shrink technology accessories in Europe.

Our principal competitors in the Energy Network business group include Pirelli and NKT in Europe, and BICC General and Southwire in North America. Our principal competitors for accessories include Tyco, T&B, and 3M, and for high voltage cables, ABB and Pirelli. Our Euromold joint venture with Thomas & Betts generally provides the Euromold joint venture with exclusive sales rights of certain joint venture products in major markets in Europe, but generally grants exclusive sales rights of such products to Thomas & Betts in North America, the Middle East and Asia. Euromold may sell products not covered by the joint venture agreement without restrictions. We believe it will be increasingly important in the Energy Networks area for us to develop and bring new technologically-advanced products to market.

Strategy. After three years of extensive restructuring, our strategy for the Energy Network area includes the following:

- We expect to participate in the development of major infrastructure export markets and expand in the United States;
- We intend to remain a major participant in turnkey projects involving submarine cables and to expand our line of umbilical products;
- We have built production capabilities in low voltage power distribution and overhead cables in Turkey and Morocco and are studying the establishment of production capabilities in Brazil; and

- We expect to expand our high voltage accessories business (including through an assembly plant in China) and consider opportunities for external growth in Asia.

In March 2001 we acquired a 51.5 percent controlling stake in Daesung, a South Korean producer principally of energy and telecom cables, including fiber optic cables. Daesung has become Nexans Korea. Nexans Korea had sales for the twelve month period ended September 30, 2000 equal to 147 billion Korean won (€134 million) on a consolidated basis. Approximately a third of its sales result from its telecommunications division and two-thirds from its energy division. Nexans Korea is ranked fourth among South Korean manufacturers of cables, and approximately 30 percent of its sales are due to exports.

Our net sales at constant metal prices of our products of the Energy Networks business group for the year ended December 31, 2000 were approximately €742 million.

General Markets Business Group

Product Offering. Our General Markets group products include low voltage cables which are used to build electrical networks in connection with the construction of commercial and residential buildings and industrial facilities. We believe we are the largest producer in Europe of electrical cables, based on our own estimates of producer revenues in 2000. Our general market products are sold either to wholesalers or specialized cable distributors, or directly to large installers. In France and Germany, our largest markets, sales to general distributors represent approximately 75 percent and 90 percent, respectively, of our total sales, while in North America specialized cable distributors represent approximately 80 percent of our total sales. Such general and specialized distributors include Sonepar, Rexel and Hagemayer in Europe and Anixter and Graybar in the United States. In 2000, the three major customers of this group accounted for approximately 23 percent of its total sales.

Market Description. Demand for our General Markets products depends on general economic conditions in the industrial and residential sectors of each country where we operate. The product offerings of our General Markets business group tend to be comparatively standard, not requiring customization. Products also tend to be produced on a local basis as they carry high distribution costs. As a result, the market, which has low barriers to entry, has a large number of producers, each of which has a significant presence in its particular geographic area. We anticipate a consolidation in North America, as well as a consolidation of markets in Europe, which have been fragmented and governed by national standards, a consolidation of producers and the emergence of more centralized and global wholesalers.

In view of high transportation costs, we believe our distribution network is a competitive advantage. Also, we seek to accurately forecast customers' needs and deliver to order through our logistics networks. We are developing e-commerce to improve our marketing, management and logistics capabilities.

We believe that our principal competitors in Europe in the General Markets area are Pirelli and Draka. There are a significant number of producers with which we compete in local geographical and in certain product markets. Competition is based on price, service, quality and logistics capabilities.

Strategy. Our strategy for the General Markets business group includes the following:

- We intend to reduce manufacturing, administrative and other operating costs and improve the flow of products through our logistics network;
- We intend to reduce the costs of materials, through, for example, compounding and recycling (of metals and plastics) and internal metallurgy;
- We intend to develop new products, particularly fire resistant and flame retardant products and products that comply with increasingly strict environmental standards (such as HFFR cables and lead-free products; and

• We intend to increase our market coverage by developing e-commerce.

Our net sales at constant metal price of the products of our General Markets business group for the year ended December 31, 2000 were approximately €813 million.

Industrial Applications Business Group

Product Offering. We produce and sell specialty cables for OEMs and for large scale engineering projects. Most of our industrial application products are low-voltage insulated cables. We sell our products primarily to OEMs that integrate our products into retail and industrial products as well as directly to end users such as shipyards, automobile manufacturers, manufacturers of consumer appliances and industrial automation manufacturers.

Market Description. Key market segments include the transport sector (marine, automotive and rolling stock applications), OEMs (consumer applications and integrators), industrial equipment manufacture, infrastructure and engineering projects (oil and gas, civil engineering, nuclear power) and other industrial applications (fire retardant and other specialty cables). Key trends across market segments include increasing volume of sales diminishing protection through the elimination of national specifications, price sensitivity of customers, permanent overcapacity in several segments. As a consequence, prices are falling in almost all key segments. Nonetheless, we believe the market segments for products of the Industrial Applications business are varied and fragmented, and that some segments represent significant growth opportunities (for example, shipboard markets). We intend to position ourselves in the global market segments with the highest value added and the highest potential growth and where innovation constitutes a feature of competitive advantage.

In addition, we believe that we have almost completed the process of rationalizing our production capacity and that we have substantial technical expertise in the Industrial Applications area. See ''Business — Manufacturing'' and ''Risk Factors — Risks Relating to Our Operations — Further Restructuring of Our Business May Be Required Depending on and Sector Considerations in the Cable Industry''.

We believe our Industrial Applications business group is among the three leading producers of such cables in Europe, based on our estimates of producer revenues for 2000. Our Industrial Applications business group competes against a variety of competitors in specialized niche markets such as Belden and Leoni (industry automation), Helkama (shipboard cables), and Pirelli and Draka (OEM consumer goods, pumps, oil and gas cables, security cables).

Strategy. Our strategy for the Industrial Applications business group includes the following:

• We intend to complete the specialization of our industrial equipment and introduce new products and services, such as integrated solutions and customer logistical support;

• We expect to grow the Industrial Applications business group in value-added product markets (such as the security, petrochemical, automation and high temperature sectors);

• We intend to seek to standardize product offerings and marketing and sales efforts in different markets; and

• We intend to improve customer service and shorten the length of time needed to bring new products to market.

Competition. We believe that our principal global competitors in the Energy division as a whole are Pirelli. These groups are present in all of our business segments. In the high voltage cables markets, we also compete globally against major Japanese cable manufacturers. As for the markets for low and medium voltage cables, on the other hand, the market is more regional, with local competitors, such as Southwire in United States and NKT and Draka in Europe, as well as a number of other companies with more concentrated geographical or product line focuses. Competition generally is driven by price and the ability to offer a full range of products.

Our net sales at constant metal price of the products of our Industrial Applications business group for the year ended December 31, 2000 were approximately €407 million. Our net sales at constant metal price of the products of our other products of our Energy division for the year ended December 31, 2000 were approximately €101 million.

Telecom Division

Overview. Our Telecom division produces copper cables, access components, cabling systems (for private networks of copper and single mode fiber optic cable) and data transmission special cables for the telecommunications and aeronautics industries and for various other industrial applications. According to our estimates of producer revenues for 2000, we believe we are the second largest producer of LAN data cables in the world, the largest producer in Europe of data transmission special cables and the largest producer in Europe and Brazil of copper network cables. Our limited fiber optic cable business consists primarily of small land cable activities produced in factories in Sweden, Switzerland, Belgium, Greece, and Turkey, and a repeaterless submarine cable business in Norway, which are not of a significant size when compared to the size of the fiber optic cable business retained by Alcatel. In addition, we believe that our access components business will, like the fiber optic cable business, act as a basis to expand our Telecom division.

Market Description. The markets for our Telecom Division are characterized by a trend towards general global growth. The market is driven by increasing demand as the number of subscribers of associated services increases. This has required an increased transmission capacity and expansion of access networks, thereby creating opportunities for us. Demand for data cables, accessories, access components, fiber optic cables and special data transmission cables has also significantly increased.

We believe the key features of our Telecom division include our strength in LAN data cables (with the recent addition of a new connector product range), our leadership position in Europe in the telecom OEM and data transmission special cables for the aeronautic special cable market and in the copper cable market and a developing access components business.

Copper Networks. We produce and market a wide variety of cables for access networks to infrastructure markets worldwide, with the exception of the United States. Outside Europe, Turkey, Egypt and Morocco are particularly active markets for us. We supply such products primarily to telecommunications operators. There are currently four technologies (ADSL, CATV, microwave and fiber optic cable) used to provide or enhance data transmission capacity in what is often referred to as the ''last mile'' of networks (or local loops, or access networks). Only one of these technologies, ADSL, is copper-based, and the use of microwave reduces the need for cable generally. We anticipate a decline in the market for copper network products in developed countries in the long term as fiber optic cable is increasingly used.

However, in developed countries, we believe that the impact of this decline will be diminished in the medium term by the need for maintenance and replacement of a large installed base and by the development of the second subscriber line for Internet services at home. In many developing countries, however, we believe that there is a growing demand for copper telecom networks to cover voice transmission access needs, particularly in the Middle East, Latin America and Asia. However, there can be no assurance as to the future levels of demand for copper networks.

Our strategic priorities in the copper networks area include, in the medium term, strengthening our leadership position in Europe through cost rationalization, further developing business with turnkey contractors, targeting export markets in developing countries, and selectively acquiring competitors in an industry undergoing restructuring.

Our net sales at constant metal price of copper networks for the year ended December 31, 2000 was approximately €183 million.

Access Components. We produce access components for both copper and fiber optic cable networks, including distribution frames, splicing closures, cross-connect cabinets and subscriber access terminals. Our primary markets are France and Switzerland, although we have begun to develop our business in North America and in selected other markets in Europe and in Asia. We anticipate growth in this business driven by increased bandwidth needs. We also believe there will be a continuing consolidation of our competitors. We are currently a small participant in the access components market but have the strategic objective of becoming a more significant provider of interconnect solutions for copper and fiber optic networks in Europe and the United States.

Our net sales at constant metal price of access components for the year ended December 31, 2000 were approximately €40 million.

Fiber Optic Cables for Public Networks. Telecommunications networks increasingly use single mode fiber optic cable in the so-called ''backbone'' of networks, such as for inter-city and national transmission. In general, the single mode fiber optic cable business of Alcatel is not included in our business following the Reorganization. Nevertheless, we have maintained limited production capacities in the market for single mode fiber optic cable in Sweden, Norway, Switzerland, Belgium, Greece and Turkey. We intend therefore to position ourselves as a medium-sized participant in the European fiber optic cable market by developing a selective geographic market presence in Europe and creating differentiated product offerings with high components contents. To achieve this goal we will need to expand our capabilities through internal investment and medium-sized acquisitions.

In addition, we manufacture underwater data cables such as oceanographic cables, cables for remote operated vehicles (''ROV'') and submarine repeaterless cables (''SRS''). The market trend for these underwater special cables is characterised by moderate growth in the medium term, which, for certain of our cables, may fluctuate depending on the price of oil. We believe we enjoy a leading position in certain markets for underwater special cables, such as ROV cables, based on our estimates of producer revenues.

Our net sales at constant metal price of fiber optic cables for the year ended December 31, 2000 was approximately €119 million.

Cabling Systems. Our cabling system products include copper and multimode fiber optic LAN cables, connectors, interconnection racks, patchcords and other components. The cables are the most costly portion of the cabling system. We sell through distributors, value-added resellers and installers, primarily in Europe and North America. The end-users typically are companies installing cabling systems in their offices. In Europe, our LAN cabling systems components have historically carried the Alcatel name, and will carry the Nexans name henceforth. In North America, where we have an arrangement with Ortronics, an American manufacturer of connectors and LAN components, to provide and market certain LAN components, the systems carry a joint brand name.

Cables are used both for vertical distribution of data (i.e., between floors of a building) and horizontal distribution of data (i.e., on a single floor of a building). Because vertical cable carries all data being transmitted from one or more floors, it typically has a higher data transmission capacity, known as ''bandwidth'', than horizontal cable. Horizontal cable constitutes the larger part of the cable used within a LAN system. At present, substantially all vertical cable being installed is multimode fiber optic cable, while substantially all horizontal cable being installed continues to be copper cable. We believe that the general industry trend is for increasing data flow rates for cabling.

We have rationalized our manufacturing base in cabling systems by closing two plants in Europe and one in North America in 1999 and by investing with an objective of improving productivity. Despite the economic slowdown observed in North America, we believe that these initiatives may enable us to benefit from growth anticipated in the medium term in this industry.

Our strategy in the area of cabling systems includes developing new connectivity products, building new sales channels in Europe, developing our Asian production base and capitalizing on our relationship with Ortronics in the United States with respect to connectivity.

Our net sales at constant metal price of cabling systems for the year ended December 31, 2000 were approximately €364 million.

Data Transmission Special Cables. Our data transmission special cable activities include the production of data and precision cables for telecommunications, OEMs, aeronautics and other high-technology specialized applications. These products are generally based on individual order specifications from customers. Key market trends in the telecommunications area in the medium term include anticipated strong growth driven by the Internet, broadband networks, new technologies and value added products, moderate growth in the aeronautics area due to increases in air traffic, and an increased number of products and their miniaturization.

We believe that we are the leading provider of telecommunications and aeronautic special cables in Europe. Our strategy for data transmission special cables includes developing market share with telecom OEMs, and seeking acquisitions to reinforce our position in the United States and to partner with connector manufacturers in the fields of telecom and microelectronic cables, and expanding in the specialized sector of underwater special cables markets.

Our net sales at constant metal price of data transmission special cables for the year ended December 31, 2000 were approximately €170 million.

Competition. We believe that our principal competitors in the Telecom sector are Avaya, CDT, Pirelli and Draka. We also compete with Tyco in the area of telecom components. The market also includes a number of other local competitors that are focused on particular products. We believe that the key competitive factors in the Telecom sector across all product lines are price, logistics and technical capacity for innovation. The ability to offer a complete range of copper cables, fiber optic cables and access components is also an important factor of success. We believe our principal competitive strengths are an increasingly rationalized production network in Europe and the United States, our positions in the cabling systems and data transmission special cable markets and our technological expertise.

Distribution

We operate distribution businesses in Switzerland and Norway which act as wholesalers and distributors for a wide range of general electronic and electrical products, including our products and those of other manufacturers. We have 23 distribution outlets in Norway and seven in Switzerland. Sales are made directly from the distribution outlets, via telephone, fax or mail or via Internet using recently created electronic catalogs. Total sales from our distribution business in 2000 were €327 million of which less than 15 percent was from sales of our products.

We are considering an opportunity to sell certain Norwegian businesses linked mainly to maintenance services of PABX which had net sales of approximately €30 million in 2000.

Manufacturing

The manufacturing of a cable may be roughly divided into four main stages:

- the drawing and the preforming of copper or aluminum bare wire in order to form wire subsets which constitute the heart of the cable and permit the successful transmission of signals;
- the insulation of wire or subsets of wire, usually by way of extruding plastic material;
- the assembling of wire or subsets of insulated wire; and
- finally, the protection of this assembly of insulated conductors, generally by way of extruding plastic material. This last stage may be completed by enclosing the cable in a metallic frame to reinforce the cable.

Over the last five years we have taken significant measures to rationalize our manufacturing processes in anticipation of the recovery phase of our infrastructure markets and of technological developments in our product lines. We believe that the measures we have taken have increased flexibility in our production processes and helped us achieve productivity gains and lower costs.

From 1995 through the date of this Offering Circular, we closed 37 manufacturing facilities, of which 31 were in Europe. Of these 37, we closed four Electrical Wire manufacturing facilities, 18 Energy division facilities, 14 Telecom division facilities and one shared facility. We have also specialized our plants and upgraded equipment with a view to minimizing idle time and scrap rates and maximizing productivity. We are in the process of modernizing our facilities for the production of high voltage cables, a process which we expect substantially to complete by the end of this year. For example, we have specialized our production sites at Charleroi, Belgium (high voltage land cables) and Halden, Norway (high voltage submarine cables). We have also specialized our facilities in Namsos, Norway (medium voltage land cables) and Grimsas, Sweden (low voltage land cables), which serve the Scandinavian markets. Most of our plants are certified to be in compliance with ISO 9001. We have also restructured the logistics network of our General Markets business group with the goal of maximizing response time and lowering the costs of delivery of products to customers.

We use various owned properties in Europe, North America, Turkey, China and North Africa, including manufacturing facilities, warehouses, distribution centers and sales office facilities. Our Energy division has 35 manufacturing facilities located in 14 countries. Our Electrical Wires division has 16 manufacturing facilities located in 8 countries. Our Telecom division has 20 manufacturing facilities located in 14 countries. In addition, five manufacturing facilities are shared among several divisions. We also have 12 logistics centers located in 12 countries and sales offices and other facilities located in most of the countries in which we do business.

The geographic breakdown of our facilities as of December 31, 2000 was as follows: Canada (5); United States (6); France (23); Norway (4); Germany (8); Netherlands and Belgium (8); Switzerland (3); Italy (4); other Europe (11); Morocco (1); and China (3).

The following table sets forth the names, locations and product ranges of our principal manufacturing facilities, in order of decreasing number of employees:

Name of Plant	Location (City/Country)	Product Range
Rheydt	Mönchengladbach (Germany)	Copper Telecom Cabling Systems Industrial Applications Bare Wires
Hannover	Hannover (Germany)	Power Distribution (Medium Voltage)
Chauny	Chauny (France)	Wire Rods Bare Wires Winding Wires
Nuremberg	Nuremberg (Germany)	Industrial Applications
Berk Tek	New Holland (PA, USA)	LAN Cables
Santander	Santander (Spain)	Copper Telecom
Cortaillod	Cortaillod (Neuchatel, Switzerland)	Fiber Optic Telecom Power Transmission (High Voltage) Power Distribution (Medium Voltage)
Lyon	Lyon (France)	Industrial Applications
Grimsas	Grimsas (Sweden)	Fiber Optic Telecom Copper Telecom General Markets Power Distribution (Medium Voltage) Industrial Applications
Latina	Latina (Italy)	Power Distribution (Medium Voltage)
Fumay	Fumay (France)	LAN Cables

We believe that our facilities are suitable for our present and intended purposes and adequate for our current level of operations, as well as for expected near-term growth. We expect to continue to rationalize our manufacturing operations, and this process may include further plant closures.

Customers and Customer Service

Our ten largest customers represented approximately 18 percent of our total sales in 2000. No single customer accounted for more than five percent of our total sales for 2000.

In general, each of our business groups is responsible for its own sales force with respect to sales in countries where we have facilities, and these sales forces are specifically trained to the local markets. For sales in other parts of the world, we have a global sales organization which constitutes the sales force for all of our businesses, except winding wires which supports its own global sales network.

For distribution of our general market products we have developed logistics centers in key countries including France, Germany, Canada, Sweden and Belgium. These centers have been strategically located to support our goal of achieving delivery of these products within 48 hours after receiving an order. The centers also handle distribution of other products of ours, primarily those which are standardized. Our customized products are typically delivered directly to customers. We also manage cable and cable component inventories for certain of our large customers on our premises.

Research and Development

We conduct research and development activities to develop new products and improve product quality and manufacturing processes. In 2000 we invested €38 million in our research and development programs. Generally, we have focused our research and development efforts in recent years on developing new products which meet increasingly strict environmental standards such as halogen-free and fire-resistant, or HFFR, cables or lead-free products, designing customized solutions and lowering the costs.

We conduct or have contracted for research and development activities at three levels. Basic research, was carried out by Alcatel for all of our divisions with specific teams dedicated to each sector, including cables. Basic research is centralized and currently focused on two principal areas: superconductors and polymers. We also enter into arrangements with external research facilities, such as universities, in respect of specific basic research projects. We have entered into an agreement with Alcatel to continue to use Alcatel's facilities and work with some of their researchers (situated in Marcoussis) through December 31, 2001. See ''Our Relationship with Alcatel''. Moreover we are creating a research center in Lyon (France) employing approximately 20 researchers who will progressively assume the responsibility of certain research performed at Alcatel's Marcoussis facility.

While we have contracted with Alcatel to perform the first level of research, we conduct the second and third levels ourselves. The second level of research and development is carried out by eight Competence Centers, which specialize in key technologies. Each Competence Center is connected to one of our product lines and works to transform the results of our basic research into marketable products. The Competence Centers are located geographically to benefit from the technological developments in key growth markets as well as work in close collaboration with each other. For example, our Halden and Calais Competence Centers (high voltage cables) and our Competence Center at Erembodegem (power cables accessories) are jointly developing cables and termination accessories.

The third level of research and development occurs on-site at the technical departments and laboratories of our production facilities where local market adaptation requirements can be assessed and production techniques modified. Research to improve existing products is also conducted at the production facilities. For example, we are developing a new copper twisted cable product, Copper Plus, which would replace traditional telephone lines in the access network, thereby facilitating ADSL and VDSL technologies.

We believe that our ability to meet the changing needs of our customers is an important element underlying competitiveness. We coordinate our research and development activities with our marketing strategy, with a view to responding more closely to customer demands.

In the Electrical Wires division, the emphasis of our research is on increasing productivity and developing new products. For example, new enameling technology in the winding wire segment is being developed which will increase manufacturing speed, and new alloys are being developed which will meet stricter environmental standards.

In the Energy division, current research and development efforts include high-temperature superconductors, processing and insulation techniques for high voltage cables, fire-resistance and advanced polymers. A significant focus of our research is on development of products intended to comply with increasingly strict environmental standards, such as HFFR cables and non-toxic cables. In the area of superconductors, we believe that we are the only company with capabilities in the full production process, from creation of raw materials to production of finished wires.

In the Telecom division, we have focused our efforts on addressing the technical aspects of increases in data transmission capacity. We have developed proprietary solution connectors which permit more data to pass through copper networks while maintaining consistent performance. Although it is undergoing refinement, one of our data communications cabling systems technologies has been adopted by the ISO IEC-JTC, which is the relevant international standardization body, as the new international standard for Generic Cabling for Customer Premises.

The table below sets forth information regarding our research and development expenses for the past three fiscal years:

	Year ended December 31,		
	2000	1999	1998
	(€ millions)		
Research and development expenses	38	35	42
As a percentage of net sales (at constant metal price)	0.9%	0.8%	1.0%

Additionally, our research and development efforts include those in connection with (i) research conducted by our central research and development labs, (ii) intellectual property rights acquired to protect research results and (iii) research funded by our customers, the European Commission and our various business partners. These amounted to €7 million in 2000.

As of December 31, 2000, we employed approximately 50 staff involved in basic level research. Approximately 200 were involved in Competence Center research and approximately 150 research and development staff were based at our production sites.

Patents, Licenses and Other Intellectual Property

We consider patent protection and management of our patent portfolio to be a critical part of our business due to our emphasis on research and development and the intense competition in our industry. We currently hold a patent portfolio of approximately 315 patent families, and have pending applications relating to an additional 193 patent families. Our patent rights are, in our judgment, adequate for the conduct of our business. We do not believe that any single patent or group of related patents is material to our business taken as a whole. With respect to certain patents relating to fiber optic cables, see ''Our Relationship with Alcatel''.

We have, in a number of cases, granted patent and know-how licenses to non-affiliated companies to manufacture products designed by us. Conversely, we have also acquired patent and know-how licenses from other companies within particular technology areas. We do not believe that any such patent or know-how licenses are material to our business taken as a whole.

Raw Materials

We are a major user of copper and also purchase aluminum and plastics for our production processes from a variety of sources. For each of the three years ended December 31, 2000, 1999 and 1998, we purchased the following volumes of copper cathodes, wire rods and bare wires: 799 thousand metric tons (2000); 742 thousand metric tons (1999); and 767 thousand metric tons (1998). We have supply arrangements with a number of suppliers of copper for our operations, principally in Europe (Spain and Poland), North America (Canada), and South America (Chile). World stocks and capacity continue to be adequate to meet market needs. We source aluminum from global suppliers principally in Europe and North America and plastics from large global suppliers generally under yearly supply contracts. The three principal non-ferrous metal suppliers are Codelco, Noxanda and HMGS and account for approximately 41 percent of our metal purchases. For plastic material, approximately 45 percent of our purchases are from Borealis, Daikin and Union Carbide-Dow.

For our supply of single mode and multi-mode optical fibers, we estimate that our contract with Alcatel will cover approximately two-thirds of our projected needs for 2001. See ''Our Relationship with Alcatel''.

In the past, we have been able to obtain sufficient raw materials to meet our supply needs. We believe that we would be able to obtain alternative suppliers for our principal raw materials in the event of the failure of existing suppliers to deliver. We attempt, to the extent feasible, to maintain diversity in our sources of supply and continue to develop and maintain alternative sources of supply of essential materials and components. In addition, we are involved, in certain cases, in developing our compounding technologies to attempt to avoid undue dependence on external sources.

Our hedging policies with respect to our exposure to price fluctuations of non-ferrous metals are set forth at ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Other Market Risks and Management — Copper and Other Metal Risks''. See also ''Risk Factors — Risks Relating to Our Industry — We are Vulnerable to Fluctuations in the Price and Unavailability of Raw Materials for our Operations''.

Employees

As of December 31, 2000, we had 18,186 employees.

The breakdown of our employees by business division as of December 31, 2000 was as follows:

Division or Business	Employees
Electrical Wires	2,672
Energy	9,026
Telecom	4,696
Distribution	904
Other	888
Total	18,186

The breakdown of our employees by operating region as of December 31, 2000 was as follows:

Region	Employees
France	5,188
Germany	3,243
Benelux	1,345
Switzerland	1,173
Norway	1,133
Rest of Europe	2,467
United States	1,539
Canada	914
Rest of the world	1,184
Total	18,186

In connection with our restructuring efforts we have reduced our headcount significantly, principally as a consequence of the closing of facilities. Headcount reductions attributable to the restructuring between December 31, 1995 and December 31, 2000 were 6,145. We expect further reductions to occur.

Membership of our employees in trade unions varies from country to country, and we have entered into various collective bargaining agreements. We renew or replace our various labor arrangements relating to continuing operations when they expire. There are no material labor agreements or other arrangements whose expiry is pending and which we do not expect to be satisfactorily renewed or replaced in a timely manner.

In France the five principal French labor unions are represented at our facilities. In 1997, Alcatel established a European Works council with relevant trade unions under EU law, and we are considering similar arrangements. We have in the past experienced strikes and work stoppages, principally in Germany and France, linked to our restructuring programs. Nonetheless, we believe that relations with our employees are generally satisfactory.

Each of our subsidiaries in France is subject to the French 35-hour work week requirement, and we have concluded agreements with our employees in accordance with French law.

Environmental Matters

We are subject to a broad range of environmental laws and regulations in each of the jurisdictions in which we operate, particularly in the EU, the United States and Canada. These laws and regulations impose increasingly stringent environmental protection standards on us regarding, among other things, air emissions, wastewater discharges, emissions, the use and handling of hazardous waste or materials, waste disposal practices and the remediation of environmental contamination. These standards expose us to the risk of substantial environmental costs and liabilities, including liabilities associated with divested assets and past activities.

Alcatel has developed a program to evaluate and ensure compliance by our operations and products with applicable environmental regulations and to monitor associated expenses. Also, in cases of material divestitures or acquisitions, environmental audits are systematically conducted to detect possible deficiencies and to attempt to minimize current and future environmental exposures. Following this offering, we have agreed to continue to pay Alcatel a fee to provide services to us relating to environmental risk management. Our agreement with Alcatel will be in force until December 31, 2001, with an option to extend for two successive one year periods thereafter. During this period we will consider implementing our own environmental management procedures. See ''Our Relationship with Alcatel''. We will keep certain of the management staff who addressed environmental issues in the cable business prior to the Reorganization.

As part of its program to evaluate our manufacturing locations worldwide in line with applicable law and international standards (such as, ISO 14,001) relating to environmental management systems, Alcatel has conducted assessments of 80 percent of our manufacturing facilities worldwide. In addition, in connection with our creation, Alcatel commissioned an independent consultant to conduct a review of our facilities in France with respect to environmental issues. Although we are involved in the remediation of contamination of certain of our sites, related properties and previously owned or operated properties, we believe that our facilities and operations are generally in compliance with environmental permits, laws and regulations, except as would not be expected to have a material adverse effect on our financial condition or results of operations.

The French *Ministère de l'aménagement du territoire et de l'environnement* has published a national inventory of potentially polluted sites and launched a national soil studies and clean-up program. Five of our sites are at various stages of study or clean-up under the program. In addition, we have undertaken a clean up of certain cadmium discharges at our facility in Marseilles, France. We believe that we are providing adequate corrective in connection with such clean-ups.

Our U.S. operations are subject to, among other things, federal and state environmental remediation laws that can impose liability upon certain statutorily defined categories of parties for the entire costs of the clean-up of a contaminated site, without regard to fault or the lawfulness of the original activity. We have regularly been named as a potentially responsible party pursuant to the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980. However, we have been so named in connection with disposal sites which are not located at our manufacturing facilities. Our designation as a potentially responsible party has not had a material adverse effect on our financial condition and results of operations. However, no assurance can be given that such a material adverse effect will not arise in the future.

We are subject to a number of environmental claims that have arisen in the ordinary course of our business, but we do not believe that such claims are likely to have a material adverse effect on our financial condition and results of operations, considering the amounts of such claims, the state of the proceedings and our evaluations as to the likelihood of success of such claims. We have become involved in a claim by the purchasers of one of our properties at Duisberg in Germany and with a local municipality over soil and groundwater contamination.

Based on information available on the date of this Offering Circular, we do not believe that material expenses are required to comply with existing law. We apply the following rules in determining whether to recognize environmental losses and accrue liabilities. We recognize a loss if available information indicates that a loss is probable, significant and reasonably estimable. If the loss is not reasonably estimable, but is reasonably possible, we disclose this contingency in the notes to our financial statements to the extent such contingency is material. If the event of loss is remote, we do not accrue the loss or disclose this possibility. We generally estimate remediation losses on a case-by-case basis and make the best estimate on the basis of the information available. Our policy is to record as an asset any anticipated recoveries from third parties (primarily, recoveries from insurance carriers) relating to environmental liability matters, which are determined to have a certainty of occurrence on the basis of the status of current discussions with such third parties. There can be no assurances that future events, such as changes in existing laws, the promulgation of new laws or the development or discovery of new facts or conditions will not cause us to incur additional costs and liabilities that could have a material adverse effect on our business, financial condition and results of operations.

Legal Proceedings

We are involved in a number of claims, principally contract disputes, that have arisen in the ordinary course of our business. We are also involved in product liability claims which arose in the ordinary course of our business, including a claim in Canada naming us and a number of other cable manufacturers in Canada with respect to property damage in connection with a fire. We do not believe, considering our reserve policy, insurance, evaluation of the likelihood of recovery and the amount of such claims, that our current or anticipated litigation risks will have a material adverse effect on our financial condition and results of operations. In addition, we are subject to claims related to environmental matters as set forth under the heading ''— Environmental Matters''.

In a press release dated April 27, 2001 the Norwegian Competition Authority announced that our Norwegian subsidiary involved in the wholesale Distribution business had been reported, together with five other Norwegian wholesalers and an industry association, to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime. The Competition Authority claims that the wholesalers, through their participation in the industry association, violated Norwegian law by fixing gross prices and, to a certain extent, rebates and net prices during the 1990s. The Competition Authority also announced in its press release that it has reported a limited number of industry individuals, although we do not know at present of any current Nexans employees who are among the individuals under investigation.

The relevant Norwegian laws provide for disgorgement of profits, criminal fines (but without setting maximum or minimum limits) and imprisonment for individuals. The Competition Authority also stated in its press release that turnover in the relevant distribution market was 25 billion Norwegian Kroner (approximately €3.14 billion) for the relevant period (indicated to be the 1990s). Our Norwegian subsidiary had turnover in the order of 6 billion Norwegian Kroner (approximately €755 million) in the relevant market during the 1990s. Although indicating that losses to consumers are likely to have been large, the Competition Authority also stated in its press release that it is difficult to estimate the amount of such losses.

At this stage of the investigation, we are not entitled to access to any documentation the authorities may be considering, although we are continuing our own internal examinations of this matter. From what we understand from the announcement of the Competition Authority and our own internal inquiries, we have not made any reserve against future liability as we believe this is not warranted under our reserve policy. Based on the limited information that we have as to what actions may be contemplated by the Norwegian authorities, we are not able to predict with any certainty how this matter may evolve or what its impact may be on our operations or financial results. We intend to contest and defend vigorously against these allegations.

Except as disclosed herein, we are not aware of any other legal or arbitration proceedings, and so far as we are aware, no such proceedings are pending or threatened by or against us, which may have, in our opinion, a material adverse effect on our financial position.

MANAGEMENT

In accordance with French corporate law governing a *société anonyme*, we are managed by a Board of Directors and by our Chairman, who has full executive authority. French corporate law as recently amended gives the Board of Directors, pursuant to the by-laws, the right to elect one person to assume the position of Chairman or Chief Executive Officer or to split the function between two different persons. Our by-laws *(statuts)* do not currently provide for such a possibility.

Board of Directors

After completion of the Offering, we will be managed by a Board of Directors consisting of four to eighteen members. In the event of a merger, this number may be increased within the limits and according to the conditions set by French law. The Board of Directors will consist of nine members after completion of the Offering.

The Board of Directors will be empowered within the limits of the French law to act with full power and in all circumstances in our name. Under French law, the Board of Directors prepares and presents our year-end accounts to the shareholders and convenes shareholders' meetings. In addition the Board of Directors reviews and monitors our economic, financial and technical strategies.

Directors will be elected by the shareholders at an ordinary general meeting of the shareholders and will serve until their respective terms expire or until they resign, die or are removed, with or without cause, by the shareholders. In accordance with our by-laws (*statuts*), each director will be elected for a term set by the ordinary general meeting of the shareholders but not exceeding six years. The age limit set for a director will be 70 years old. Vacancies on the Board of Directors may, under certain conditions, be filled by the Board of Directors, pending the next shareholders' meeting. The Board of Directors has the power to appoint or remove the Chairman and/or the Chief Executive Officer at any time.

Each director will be obligated to hold at least ten of our shares.

The Board of Directors will meet as often as the interests of the company require. Board meetings are normally convened and presided over by the Chairman and Chief Executive Officer, who is elected by the Board of Directors. According to French corporate law, if the Board of Directors has not met for more than two months, at least one third of the members of the Board of Directors may request the Chairman to convene the Board of Directors on matters listed on the agenda for the meeting. A quorum consists of one-half of the members of the Board of Directors, and decisions are taken by a vote of the majority of the members present either in person or, if provided in the by-laws, by videoconference, or represented by other members of the Board of Directors. Our by-laws do not provide for such a possibility. A director cannot represent more than one other member at any particular meeting. Members of the Board represented by another member at meetings do not count for purposes of determining whether a quorum exists.

Except for Gérard Hauser, who currently serves as our Chairman, the election of our directors below by the general shareholders' meeting held on April 18, 2001 was with effect from the date of the meeting, but subject to completion of this offering.

After completion of the offering, our Board of Directors will consist of nine members. The following table sets forth the names of our directors after the offering, their respective ages and the positions with Nexans.

Name	Age	Position
Gérard Hauser	58	Chairman
Gianpaolo Caccini	62	Director
Georges Chodron de Courcel	50	Director
Bertrand Durrande	50	Director
Jacques Garaïalde	44	Director
Robert Mahler	54	Director
Patrick Puy	45	Director
Ervin Rosenberg	65	Director
Jean-Louis Vinciguerra	56	Director

Brief biographies of each of our directors are set forth below:

Gérard Hauser is currently our Chairman and Chief Executive Officer and served as President of the Alcatel Cables and Components sector from 1997, the year he joined Alcatel Cable France, until the establishment of Nexans. From 1975 to 1996, he was Chief Executive Officer of the Trading activities of Pechiney, Chief Executive Officer of Rolling Activities of Pechiney and Chief Executive Officer of American National Can (Beverage Cans). From 1965 to 1975, he held various positions at Philips.

Gianpaolo Caccini is Managing Director of the Saint-Gobain Group since 2000, having joined the Saint-Gobain Group in 1988 and having served successively as Chairman of the Board of Directors of Saint-Gobain Desjonquères SA France, Director of the Isolation and Reenforcement Branch from 1991 to 1996 and Managing Director for North America and Deputy Managing Director from 1996 to 2000. In 1973 he was Director of Sales for the Isolation Division of B.M. SpA, in 1980 Director of the *Étanchéité* division of Balzaretti Modigliani SA, in 1983 Managing Director of Vetrotex Italie Spa and in 1986 Deputy Director of Vitrotif SpA in Italy.

Georges Chodron de Courcel has been a Deputy Managing Director of the Banque Nationale de Paris (BNP Paribas) since September 1996. Mr. Chodron de Courcel is also a member of the boards of Bouygues and SCOR and a member of the Supervisory Boards of Lagardère Group and Sommer Allibert. From 1972 to 1996, Mr. Chodron de Courcel held several positions at BNP in the Financial Affairs Department.

Bertrand Durrande is Chairman of the Executive Board of Metaleurop, Vice Chairman of the Supervisory Board of Penarroya Oxide SA and Director of the Fédération des Minerais et Métaux. From 1977 to 1986, he was chief of sales and then Commercial Director of Trefimetaux of the Pechiney Group, and thereafter joined Alcatel. He was Commercial Director and a divisional director of Alcatel Cable from 1986 to 1992, Managing Director of Lackdraht Union from 1992 to 1995 and Chairman of the Electrical Wires Division of Alcatel Cable from 1996 to 1998.

Jacques Garaïalde has been Managing Director of Carlyle Europe Interest Fund, a part of the Carlyle Group, since April 2000. Prior to joining the Carlyle Group, Mr. Garaïalde was a Senior Vice President at Boston Consulting Group (BCG).

Robert Mahler is Deputy Managing Director of ALSTOM Holdings. He is also Chairman of GIMILEC, the French Electrical Equipment, and Industrial Electronics Manufacturers' Association. Mr. Mahler has been Senior Executive Vice President of ALSTOM since July 1, 1999.

Patrick Puy has been Chairman of the Board of Directors of Moulinex since the end of 2000 and *Conseiller Municipal* of Bussière-Bolly in the French region of Haute-Vienne. He was International Director, Commercial Director and Managing Director at Legrand from 1990 to 2000 and, from 1982 to 1989, Director of PSC Enerte, a subsidiary of Schlumberger and thereafter of GEC-Alsthom.

Ervin Rosenberg is Counsellor to the Chairman of the Board of Directors and a member of the advisory board of Compagnie Financière Edmond de Rothschild Bank. He is a Director of Thomson SA and member of the advisory board of Enterprise Minière et Chimique. From 1993 to 2000, Mr. Rosenberg was the Corporate Director at the *Grandes Entreprises et Institutionnels* of BNP and a member of the management board.

Jean-Louis Vinciguerra has been Executive Officer of France Telecom since September 1998. Mr. Vinciguerra was Managing Director of the Packaging Branch of Péchiney. He has held various positions in Rothschild Bank, Barclays Bank and Crédit Agricole Indosuez.

Committees of the Board of Directors

The Board of Directors may create and appoint committees in its sole discretion. We intend to create audit and compensation committees.

Executive Officers

Chairman and Vice-Chairmen

The Board of Directors appoints, from among its members, a Chairman, and, if necessary in its judgment, one or more Vice-Chairmen. The duration of their office is equal to their term as director.

Notwithstanding the length of his term, the functions of Chairman cease following the ordinary general meeting which approves the financial statements for the year in which he reaches the age of 68.

Subject to the powers attributed by French law expressly to the general meeting of shareholders, as well as the powers specially reserved to the Board of Directors and within the confines of public policy, the Chairman has full power to act in all circumstances in the name of the Company. He may assume, within his responsibility, the general management of the Company. He represents the Company in its relations with third parties.

The Board of Directors may, on the motion of the Chairman, nominate one or several corporate Vice-Chairmen, who will have the same powers as the president in their relations with third parties. With the agreement of its Chairman, the Board of Directors sets the term of the appointment and the scope of their powers. The appointment terminates, at any rate, following the ordinary general meeting which approves the annual accounts for the year in which he reaches the age of 65.

The Board of Directors, on the motion of the Chairman, or the Chairman and the Vice-Chairmen themselves, may delegate within the limits set by the legislation in force, such powers as they may judge desirable, whether to insure good management or responsibility in the Company or for any other purpose, to any person whether or not a member of the Board of Directors or whether or not a member of the Company. Such persons may act individually or be organized in committees or commissions. Such appointments may be permanent or temporary.

Our executive committee consists of Gérard Hauser, Bruno Thomas, Michel Lemaire, Yvon Raak, Pascal Portevin, François Saint-Dizier and Frédéric Vincent.

Our executive officers are:

Name	Age	Position
Gérard Hauser	58	Chief Executive Officer
Bruno Thomas	57	Director of Strategic Operations
Michel Lemaire	53	President, Electrical Wires Division
Yvon Raak	47	President, Energy Division
Pascal Portevin	41	President, Telecom Division
Frédéric Vincent	45	Chief Financial Officer
Patrick Noonan	44	General Counsel
François Saint-Dizier	53	Director, Human Resources

The following paragraphs contain brief biographies of each of our executive officers:

Michel Lemaire is currently our President, Electrical Wires Division and served as President of the Electrical Wires Division of Alcatel since 1999 until the establishment of Nexans. He was Director of Human Resources of Alcatel Telecom France from 1996 to 1998. He joined Alcatel in 1996. From 1993 to 1995, Mr. Lemaire was Executive Vice President of Human Resources and Communication for Pinault-Printemps-Redoute. From 1984 to 1993, he was Executive Vice President of Human Resources for Compagnie de Saint-Gobain. He began his career at Chase Manhattan Bank NA in 1972 and in 1975 joined the *Délégation à l'Aménagement du Territoire et à l'Action Régionale*.

Bruno Thomas has been our Director of Strategic Operations since the end of 2000. He was the President of the Energy Division of Alcatel and Nexans from 1999 to 2000 and was the Director of Industrial Strategy of the Cables and Components sector of Alcatel between 1995 and 1998. From 1992 to 1994, he was Vice President of Alcatel Cable responsible for France. Mr. Thomas joined Alcatel in 1976.

Yvon Raak is currently our President, Energy Division and served as President of the Telecommunications Division of Alcatel Cables and Components from April 1, 1999 until the establishment of Nexans. From 1996 to 1999, he was the Industrial Director and Senior Vice President, Strategy and Management, of Alstom Energy and Chairman of Alstom Energie S.A. from 1997 to 1999. From 1993 to 1996 he was Chairman and Chief Executive Officer of European Gas Turbines SA. Mr. Raak joined Alcatel in 1989.

Pascal Portevin has been our President, Telecom Division since 2000. He joined Alcatel in 1985 and was appointed Managing Director of Alcatel subsidiary CGTI in 1988, specializing in microwave link technology. He was a technical director of Alcatel North America from 1990 to 1993. He has been Managing Director of Alcatel Fiber Optics and responsible for the Fiber Optics product line of Alcatel. In 1998, he was appointed Managing Director of Fiber Optics Telecom cables activities in France for Alcatel and in 1999 was appointed Managing Director of the general markets product line.

Frédéric Vincent is currently our Chief Financial Officer and served as Financial Controls Director of the Cables and Components Sector of Alcatel from 1998 until the establishment of Nexans. He was Chief Financial Officer of SAFT (Batteries Division) from 1996 to 1998 and Chief Financial Officer of Alcatel Submarine Networks from 1994 to 1996. Mr. Vincent joined Alcatel in 1986 and Alcatel Cables in 1989, where he held various financial positions in Central Management. From 1978 to 1985 he held various positions at Arthur Andersen.

Patrick Noonan is currently our General Counsel and served as General Counsel of the Cables and Components sector of Alcatel from 1996 to 1998 and Deputy General Counsel of Alcatel from November 1998 until the establishment of Nexans. From 1991 to 1995, he was General Counsel of the Americas region for Alcatel Cable. From 1988 to 1991, he was International Counsel for Alcatel

Telecom headquarters. Prior to joining Alcatel in 1988, Mr. Noonan held various legal positions at Texas Instruments and in law firms in the United States.

François Saint-Dizier is currently our Director, Human Resources and served as Director of Human Resources of the Alcatel Cables and Components sector from 1987 until the establishment of Nexans. Until 1987, he was Director of Industrial Relations and Communication of Câbleries de Lens. He joined Alcatel in 1982. Prior to joining Alcatel, Mr. Saint-Dizier held various human resources positions at Pierre Fabre Group from 1972 to 1982.

Compensation of Directors and Executive Committee

At the Shareholders meeting held October 17, 2000 we decided to authorize directors' fees of our directors in an aggregate amount equal to €200,000 per fiscal year as of January 1, 2000.

Our directors and executive committee members as a group received aggregate compensation during the 2000 fiscal year of approximately €2.3 million as employees of Alcatel and certain of its subsidiaries.

It is anticipated that Alcatel will pay bonuses not exceeding €3 million to our senior executives and certain other employees following this offering. The majority of such bonuses may be paid to our executive officers.

Profit-sharing and Workers' Participation

Most of our French operating subsidiaries have separate profit sharing plans. For the year ended December 31, 2000, employees of our French subsidiary, Nexans France, transferred to our company pursuant to the Reorganization will participate in a profit-sharing plan and workers' participation to be calculated on the basis of the operating results of Nexans France before the Reorganization for the six months ended June 30, 2000 and of Nexans France after the Reorganization for the six months ending December 31, 2000. We are considering implementing a workers' participation and profit-sharing plans similar to those at Alcatel.

Pursuant to an extraordinary shareholders' meeting held on April 2, 2001, our Board of Directors is authorized to increase our share capital by issuing new Shares reserved to participants in our company savings plan in accordance with Article L.225-138 of the Commerce Code (formerly Article 186.3 of the 24 July 1966 Act) and Article L.443.1 and following of the Labor Code. A maximum of 750,000 Shares may be issued by decision of our Board of Directors by way of a reserved capital increase pursuant to a shareholders' authorization currently in effect for our company savings plan. Such Shares will be priced in accordance with French law. Holders of options to buy Alcatel shares acquired before the Reorganization pursuant to Alcatel's option plans and to Alcatel's investment plans who are now employees of Nexans, will maintain the rights acquired pertaining to such Alcatel option and investment plans.

Interest of Management in Certain Transactions

Since January 1, 1998, we have not entered into any material transactions with any of our directors or executive committee members or any relative or spouse (or any relative of such spouse) of any of our directors or executive committee members.

Share and Option Plans

Pursuant to an extraordinary shareholders' meeting held on April 2, 2001, our Board of Directors is authorized pursuant to Articles L.225-177 to L.225-184 of the Commerce Code (formerly Articles 208-1 to 208-8 of the 24 July 1966 Act) to grant for the benefit of some or all of our management or employees within the meaning of Article L.225-180 of the Commerce Code (formerly Article 208-4 of the 24 July 1966 Act), options allowing them to purchase Shares repurchased by us and/or options allowing them to subscribe for Shares to be issued by us pursuant to a capital increase. Options exercisable for up to 1.25 million Shares may be granted by decision of our Board of Directors pursuant to a shareholders' authorization currently in effect. Such options will be priced in accordance with French law.

DESCRIPTION OF SHARE CAPITAL

General

Our company is a *société anonyme,* a form of limited liability company, incorporated under the laws of France. Set forth below is certain information concerning our share capital together with related summary information concerning certain provisions of our by-laws *(statuts)* and applicable French law. This description of our share capital and the summary information do not purport to be complete and are qualified in their entirety by reference to the current by-laws of our company. The by-laws have been filed with and are available from the *Greffe* of the Registry of Commerce and Companies of Paris.

Share Capital

We have one class of capital stock consisting of 25,000,000 Shares, nominal value €1 per share, outstanding and fully paid. 17,500,000 Shares have been offered in connection with the offering, with an option granted by the Selling Shareholder to the Underwriters to purchase up to 2,625,000 additional Shares, representing up to 15 percent of the global offering. All of the Shares are fully paid. Upon the listing on Euronext Paris, such Shares may be held in registered or bearer form at the option of the shareholder. See ''— Form, Holding and Transfer of Shares''.

Alcatel currently owns all of our outstanding Shares (with the exception of certain *de minimis* shareholdings required by French law).

Dividends and Liquidation Rights

Subject to French law and our by-laws, dividends may be paid in each fiscal year to shareholders from net profit (after deduction for depreciation and reserves), increased or reduced, as the case may be, by any profit or loss carried forward from prior years (after deduction for any contributions to the reserve accounts pursuant to law or our by-laws).

Our company is legally required to establish and maintain a legal reserve equal to 10 percent of the aggregate nominal value of its share capital and, if necessary to maintain such legal reserve, to contribute a minimum of 5 percent of its annual net income to the legal reserve before dividend may be paid with respect to that year. The legal reserve is distributable only upon the liquidation of our company.

Our by-laws provide that shareholders may, upon recommendation of the Board of Directors, decide to allocate all or a part of our distributable profits, if any, to one or more special or general reserves, or to the retained earnings to be carried forward to the next fiscal year, or to shareholders, in the form of dividends. If we have earned distributable profits since the end of the preceding fiscal year (as shown on an interim income statement certified by our auditors), the Board of Directors has the authority, subject to French law, to distribute interim dividends up to such distributable profits without the approval of shareholders.

Under French law, dividends are generally distributed to shareholders *pro rata* according to their respective shareholdings. Dividends generally are payable to holders of Shares outstanding on the date of the shareholders' meeting approving the distribution of dividends, or, in the case of interim dividends, on the date of the Board of Directors' meeting approving the distribution of interim dividends. The actual dividend payment date is decided by the shareholders in an ordinary general meeting or by the Board of Directors in the absence of such a decision by the shareholders. The payment of the dividends must occur within nine months of the end of our fiscal year. Under French law, dividends not claimed within five years of the date of decision of payment revert to the French state.

Our by-laws provide that the ordinary general meeting may grant to each shareholder the possibility to choose to receive all or a part of his or her dividend in cash or in Shares.

In the event that our company is liquidated, our assets which remain after payment of our debts, liquidation expenses and all remaining obligations will be distributed first to repay in full the nominal value of the Shares; then the surplus, if any, will be distributed *pro rata* among the holders of Shares based on the nominal value of their holdings.

Shareholders' Meetings and Voting Rights

In accordance with French law, there are two types of shareholders' general meetings, ordinary and extraordinary. Ordinary general meetings of shareholders are required for matters such as the election of members of the Board of Directors, the dismissal of members of the Board of Directors, the appointment of statutory auditors, the approval of the annual accounts, the declaration of dividends and the issue of bonds.

Extraordinary general meetings of shareholders are required to approve such matters as amendments to our by-laws, mergers, increases or decreases in share capital (including a waiver of preferential subscription rights), the creation of new classes of shares, the issue of investment certificates or notes convertible or exchangeable into Shares, the sale or transfer of substantially all of our assets, the transformation of our company into another legal form and the liquidation of our company.

The Board of Directors is required to convene an annual general meeting of shareholders, which must be held within six months of the end of our financial year for approval of the annual accounts (unless extended by an order of the President of the Commercial Court). Other ordinary or extraordinary meetings may be convened at any time during the year by the Board of Directors or, if the Board of Directors fails to call such a meeting, by our statutory auditors, or by a court-appointed agent at the request of (i) one or several shareholders holding in aggregate at least 5 percent of our share capital, (ii) a duly authorized association of holders of Shares in registered form held for at least two years and which represent in aggregate 5 percent of the voting rights or (iii) by any interested party in cases of emergency. The notice calling such meeting must state the agenda for such meeting, and, with the exception of the removal and/or replacement of members of the Board of Directors which may be discussed at any meeting, no action may be taken at a meeting on any matter not listed on the agenda for such meeting.

French law requires that, at least 30 days before the date set for any general meeting, a preliminary notice *(avis de réunion)* must be published in the *Bulletin des Annonces légales obligatoires* (''BALO''). A preliminary notice must first be sent to the COB with an indication of the date of its publication in the BALO. The COB also recommends that a notice *(communiqué)* about the general meeting should be published in a newspaper of national circulation in France, at the latest on the date of the publication in the BALO. Within ten days of such publication, one or more shareholders holding a specified percentage of shares (determined on a basis of a formula relating to capitalization) or a duly qualified association of shareholders holding a specified percentage of voting rights may propose additional resolutions to be voted on at such meeting. At least 15 days before the date set for any general meeting on first call, and at least six days before any second call, a final notice *(avis de convocation)* must be sent by mail to all holders of registered Shares who have held such Shares for more than one month prior to the date of the notice, and notice of the meeting shall be given by publication in a journal authorized to publish legal announcements in the *département* in which we are registered as well as the BALO.

The entitlement of shareholders to attend and exercise voting rights at ordinary general meetings and extraordinary general meetings of shareholders is subject to certain conditions. A holder of registered Shares must be registered as shareholder at least five days prior to such meeting. A holder of bearer shares must obtain from the accredited financial intermediary with whom such holder has deposited its Shares a certificate indicating the number of bearer Shares owned by such bolder *(certificat d'immobilisation)*. A holder of bearer Shares may attend and exercise his or her voting rights at ordinary or extraordinary shareholders' meetings only upon presentation of such certificate provided that the certificate has been deposited by the shareholder at our principal office or at any other place specified in the notice at least five days prior to the meeting. Subject to the limitations described below, all shareholders who have properly registered or deposited their Shares have the right to participate in general meetings, either in person or by proxy or mail, or by internet provided the Board of Directors has decided such vote by internet at the time of convening the shareholders' meeting, and to vote according to the number of Shares they hold. Except as described below, each Share carries the right to one vote.

Each fully-paid Share held in registered form by the same shareholder for at least three years confers on the shareholder the right to two votes. Shares no longer confer a double voting right when converted to bearer form or transferred except in certain limited cases, such as inheritance. In the event of a capital increase by incorporation of reserves, profits or share premiums, where new Shares are issued, a double voting right may be conferred to registered shares attributed gratuitously to a shareholder and corresponding to his/her shares already benefiting from such double voting rights.

In certain circumstances, French law limits a shareholder's right to vote. In particular, (i) Shares held by our company or by an entity directly or indirectly controlled by our company are not entitled to voting rights and do not count for quorum and majority purposes, (ii) Shares held by shareholders who paid in-kind for any shares are not entitled to voting rights with respect to resolutions relating to the contribution in-kind and (iii) Shares held by interested parties are not entitled to voting rights with respect to resolutions relating to transactions in which such shareholders have an interest (see also ''— Changes in Share Capital'' below).

In addition to the above requirements of French law, our by-laws provide that any shareholder — except for the chairman of the meeting when voting on behalf of the proxies received — will not exercise more than 8 percent of voting rights attached to the Shares present or represented at a general meeting, or more than 16 percent of voting rights in the event of double voting rights attached to the Shares present or represented, whatever the total of Shares held directly or indirectly, alone or in concert with others, by such shareholder may be.

However, such limitation will not apply when an individual or an entity who, acting alone or in concert with others, acquires ownership or control of at least 66.66 percent of our share capital through a public offer of purchase or of exchange relating to the whole share capital of our company.

For ordinary general meetings, the quorum rules require holders of not less than one-quarter of the Shares with voting rights to be present or represented by proxy or to have voted by mail. If such quorum requirement is not fulfilled, such meeting must be adjourned. No quorum is required on recommencement of the adjourned meeting. For extraordinary general meetings, the quorum rules require that holders of not less than one-third of the shares with voting rights be present or represented by proxy or have voted by mail or by internet provided the Board of Directors has decided such vote by internet at the time of convening the shareholders' meeting (unless an increase in share capital is proposed through incorporation of reserves, profits or share premium, in which case the quorum and majority required are the same as for an ordinary general meeting). If such quorum requirement is not fulfilled, such meeting must be adjourned. The quorum requirement is reduced to one-quarter of the Shares with voting rights on recommencement of the adjourned meeting.

A simple majority of the voting rights of shareholders present, in person, by proxy, by mail or by internet is required to pass a resolution at an ordinary general meeting or an extraordinary general meeting deciding upon any share capital increase through incorporation of reserves, profits or share premium. At any other extraordinary general meeting, a two-thirds majority of the votes cast is required. However, a unanimous vote is required to increase the liabilities of the shareholders. Abstention from voting by those present or represented by proxy or voting by mail or by internet is deemed to be a vote against the resolution submitted to a vote.

Shareholders may vote either in person, by proxy, by mail or by internet provided the Board of Directors has decided such vote by internet at the time of convening the shareholders' meeting and provided French law provides not otherwise. Proxies will be sent to any shareholder on request. In order to be counted, such proxies must be received at our registered office or at such other address indicated on the notice convening the meeting prior to the date of the relevant general meeting. Proxies may be granted by a shareholder to his or her spouse, to another shareholder, or in the case of a corporation, to a legal representative, or by sending a proxy in blank to us without nominating any representative. In the latter case, the chairman of the meeting of shareholders will vote the Shares with respect to which such blank proxy has been given in favor of all resolutions proposed by the Board of Directors and against all others. With respect to votes by mail, we must send our shareholders a voting form and the completed form must be received by us at least three days prior to the date of the meeting.

Changes in Share Capital

Our shareholders have authorized our Board of Directors to increase our share capital by issuing up to an additional 25,000,000 Shares, or securities convertible or exchangeable into Shares, with or without preferential subscription rights, in each case, within 26 months of the general meeting of shareholders held on April 2, 2001.

Our share capital may be increased only with the approval of the shareholders entitled to vote at an extraordinary general meeting, following a recommendation of the Board of Directors. Increases in share capital may be effected by the issue of additional Shares, an increase in the nominal value of existing Shares or the creation of a new class of Shares. Additional Shares may be issued for cash or assets contributed in kind, upon either the conversion of debt securities previously issued by us, incorporation of reserves, profits or share premium or, subject to certain conditions, to satisfy our indebtedness. Share dividends may be distributed in lieu of cash dividends, as described above. French law permits different classes of shares to have different liquidation, voting and dividend rights.

Our share capital may be decreased only with the approval of the shareholders entitled to vote at an extraordinary general meeting. The share capital may be reduced either by decreasing the nominal value of the Shares or by reducing the number of outstanding Shares. The conditions under which the capital may be reduced will vary depending upon whether or not the reduction is attributable to losses incurred by our company. The number of outstanding Shares may be reduced either by an exchange of Shares or by the repurchase and cancellation by our company of its Shares. Under French Law, all of the holders of Shares in each class of share must be treated equally. If the reduction is not attributable to losses incurred by us or part of a program to repurchase our own Shares, each shareholder will be offered an opportunity to participate in such capital reduction and may decide whether or not to participate therein.

Financial Statements and Other Communications with Shareholders

In connection with any shareholders' meetings, we must provide a set of documents, including our annual report and a summary of the results of the five previous fiscal years in French GAAP to any shareholder who so requests. French corporate law also requires a special report to inform shareholders of any transactions regarding stock options.

Preferential Subscription Rights

Holders of Shares have preferential rights to subscribe for additional Shares issued by us for cash on a pro rata basis (or any equity securities of our company or other securities giving a right, directly or indirectly, to equity securities issued by our company). Shareholders may waive their preferential rights, either individually or by a vote of at least two-thirds of the shareholders present or represented or having voted at an extraordinary general meeting. Preferential subscription rights, if not previously waived, are transferable during the subscription period relating to a particular offering.

In the event that preferential rights of shareholders are waived, the shareholders' meeting has the power to require the Board of Directors to grant existing shareholders non-transferable priority rights to subscribe new Shares (or other securities) issued for a limited period.

Repurchase of Shares

Pursuant to French Law, a company may acquire its own shares (a) so as to reduce immediately its share capital under certain circumstances, with approval of the shareholders at an extraordinary general meeting or (b) after first obtaining approval from the shareholders at an ordinary general meeting, (i) so as to provide shares for distribution to employees under a profit-sharing or stock option plan or (ii) if such company is listed on a regulated market (currently the *Premier Marché,* the *Second Marché* and the *Nouveau Marché),* so as to purchase by any means up to a maximum of 10 percent of its share capital within a maximum period of 18 months, subject to the filing of a *note d'information* that has received a *visa* of the COB. The amounts to be repurchased under (b) may not, in aggregate, result in our company holding directly or indirectly, more than 10 percent of the then outstanding shares. Shares so repurchased may be cancelled, subject to a maximum cancellation of 10 percent of the outstanding capital over any 24-month period. In addition, pursuant to COB Regulation No. 90-04 (as amended), all purchases of Shares by our company are subject to certain limitations, including restrictions regarding timing, price and quantity so as not to disrupt the normal trading of the Shares. In particular, there are two periods during which we are not permitted to trade in our own securities: the 15-day period before the date on which we make our annual accounts public, and the period beginning on the date at which we become aware of information that, if disclosed, would have a significant impact on the market price of our securities and ending on the date this information is made public. French Law also requires a company to notify such purchases to the COB, prior to engaging in such transactions as well as to report on any purchase and sale thereafter. Monthly reports of any purchase, sale, transfer or cancellation must be filed by our company with the CMF, which makes such information available to the public.

At the shareholders' meeting held on April 2, 2001, and subject to the completion of the transfer of our shares in the context of this offering, the Board of Directors was authorized to purchase and sell shares, over an 18-month period until the date of the annual general shareholders' meeting approving the accounts for the fiscal year 2001. The maximum purchase price per Share will not exceed twice the Offering Price and the minimum sale price per Share will not be less than half the Offering Price. The authorization may be used for the following purpose: (i) to stabilize the Share price, (ii) to facilitate financial or external growth transactions, (iii) to optimize financial and asset management, particularly by cancelling the shares, (iv) to provide Shares to our employees or managers, (v) to provide Shares in case of reimbursement of securities exchangeable or convertible into shares, of warrants or of any other securities giving access to shares, (vi) to reduce our share capital by cancelling the Shares so repurchased and/or (vii) any other purposes permitted or that may be permitted by applicable law or regulation. Moreover, the Board of Directors was authorized to reduce the share capital by cancelling shares, up to a maximum of 10 percent per 24 month period, up to a maximum amount of €100 million.

Form, Holding and Transfer of Shares

Form of Shares

Our by-laws provide that Shares can be held either in registered or in bearer form. In accordance with French law concerning dematerialization of securities, the ownership rights of holders of the Shares are not represented by share certificates but by book entries. Equity securities, such as the Shares, may be held in either bearer or registered form, and a holder of equity securities may change from one form of holding to the other.

Holding of Shares

We maintain a share account with Euroclear France in respect of all Shares in registered form (the ''NEXANS Share Account'') which is administered by Société Générale acting on behalf of our company as our agent. Shares in registered form are inscribed in the name of each shareholder either directly, or, at the shareholder's request, through such shareholder's accredited financial intermediary *(intermédiaire financier habilité)* in separate accounts (the ''Shareholder Accounts'') maintained by Société Générale on behalf of our company. Each Shareholder Account shows the name of the holder and its shareholdings and, in the case of Shares inscribed through an accredited intermediary, shows that they are so held. Société Générale may, as a matter of course, issue confirmations as to holdings of Shares inscribed in the Shareholder Accounts to the persons in whose names the shareholdings are inscribed, but these confirmations do not constitute a document of title.

Shares in bearer form are held on the shareholder's behalf by an accredited intermediary and inscribed in an account maintained by such accredited intermediary with Euroclear France separately from the NEXANS Share Account. The accredited intermediary maintains a record of Shares through it and will issue certificates of inscription in respect thereof. Transfers of Shares held in bearer form may only be effected through accredited intermediaries. Our by-laws permit us to request Euroclear France at any time to provide us with the identity of the holders of bearer shares and with the number of Shares so held.

In addition, according to French corporate law, shares held by any non-French resident may be held on the shareholder's behalf in a collective account or in several individual accounts by an intermediary.

Requirements for Holdings Exceeding Certain Percentages

French law and our by-laws provide that any individual or entity, acting alone or in concert with others, that acquires a number of Shares representing more than 2 percent, 5 percent, 10 percent, 20 percent, 33⅓ percent, 50 percent or 66⅔ percent of our capital or voting rights, or that increases or decreases the number of Shares held by it by any such percentage, must notify our company by registered letter, within 15 calendar days of the date such threshold has been crossed, of the number of Shares it holds and the voting rights attached thereto. Such individual or entity must also notify in writing the CMF, within five Paris Stock Exchange trading days of the date such threshold has been crossed. In the event of failure to comply with such notification requirement, the Shares in excess of the relevant threshold will be deprived of voting rights for all shareholder meetings until the end of a two-year period following the date on which the owner thereof has complied with such notification requirements.

In addition, any shareholder who fails to comply with the above requirements may have all or part of its voting rights suspended for up to five years by the commercial court at the request of our chairman, any shareholder or the COB, and may be subject to criminal penalties.

In order to permit such shareholders to give the notice required by law, we are obligated to publish in the BALO not later than 15 calendar days after our annual ordinary general meeting, information with respect to the total number of outstanding voting rights as of the date of such meeting. In addition, if the number of outstanding voting rights changes by at least 5 percent between two annual ordinary general meetings, we are required to publish in the BALO, within 15 calendar days of such change, the number of outstanding voting rights.

Moreover, our by-laws provide that every shareholder who acquires ownership or control of our Shares representing more than 2 percent of our share capital or voting rights, shall ask for the registration of our Shares under registered form within five Paris Stock Exchange trading days of the acquisition of such Shares. The sending of the request for the registration of the Shares under the registered form within 15 calendar days constitutes a valid notification. Such registration has to be filed every time a multiple of the 2 percent threshold held by any shareholder is exceeded, up to the threshold of 50 percent of the share capital. Failure to comply with such provisions will result in the limitation of the voting rights attached to the Shares of our company exceeding the 2 percent threshold held by such shareholder.

French law imposes additional reporting requirements on any person or persons acting alone or in concert with others who acquire more than 10 or 20 percent of the share capital or voting rights of our company. Such an acquirer must file a report *(déclaration)* with our company, the COB and the CMF specifying its intentions for the 12-month period following acquisition of its 10 or 20 percent stake, including whether or not it intends (i) to continue its purchases, (ii) to acquire control of our company in question or (iii) to seek nomination to the Board of Directors. Such report must be filed with our company, the COB and the CMF within 15 calendar days of the date such threshold has been crossed. The report is published by the CMF. The acquirer must also publish a press release stating its intention in a financial newspaper of national circulation in France. Similar reporting requirements must be complied with if such acquirer's intentions have changed due to significant events. In case of failure to comply with such notification requirements within the prescribed period, shares exceeding the 10 or 20 percent threshold are deprived of voting rights for all shareholders' meetings until the end of a two-year period following the date on which the owner has actually complied with such notification requirements.

Under CMF regulations and subject to limited exemptions granted by the CMF, any person or persons, acting alone or in concert, acquiring shares resulting in a holding of one-third or more of the share capital or voting rights of a French listed company, must initiate a public tender offer for the balance of the share capital of such company and the other outstanding securities giving access to the share capital of such company.

Transfer of Shares

Our by-laws do not contain any restrictions relating to the transfer of Shares. Prior to any transfer of Shares held in registered form on the Paris Stock Exchange, such Shares must be converted into bearer form and credited to an account maintained by an accredited intermediary, except when the registered form is mandatory under our by-laws, the Shares being in such case written down on a management account of an accredited intermediary. Dealings in Shares are initiated by the owner giving instructions (through an agent, if appropriate) to the relevant accredited intermediary. For dealings on the *Premier Marché*, a tax assessed on the price at which the securities were traded *(impôt sur les opérations de bourse)* is payable at the rate of 0.3 percent on transactions on up to FF 1 million and at the rate of 0.15 percent thereafter. This tax is subject to a rebate of FF 150 per transaction and a maximum assessment of FF 4,000 per transaction. However, non French residents for French tax purposes are not required to pay this tax. In addition, a fee or commission is payable to the French provider of investment services, accredited intermediary or other agent involved in the transaction (whether within or outside France). No registration duty is normally payable in France, unless a transfer instrument has been executed in France.

An owner of Shares resident outside France may trade such Shares on the Paris Stock Exchange. Should such owner, or the broker or other agent through whom a sale is effected, require assistance in this connection, an accredited intermediary should be contacted. For further description of transfer restrictions, see also ''Underwriting''.

TAXATION

French Taxation

The following is a general summary of the principal French tax consequences of owning and disposing of the Shares to be sold in this offering. The statements relating to French tax laws set out below are based on the laws in force as at the date hereof, and are subject to any changes in applicable French tax laws or in any applicable double taxation conventions or treaties with France occurring after such date.

This discussion is intended only as a descriptive summary and does not purport to be a complete analysis or list of all potential tax effects of the purchase or ownership of the Shares. Because this is a general summary, prospective purchasers are advised to consult their own tax advisor with respect to the purchase, ownership and disposal of Shares in your particular situation.

Taxation on Sale or Disposal of Shares

Subject to more favorable provisions of any relevant double tax treaty, persons who are not French residents for the purpose of French taxation (as well as, under certain conditions, foreign states, international organizations and certain foreign public bodies) and who have held not more than 25 percent, directly or indirectly, of the dividend rights (''*bénéfices sociaux*'') of our company at any time during the preceding five years, are not generally subject to any French income tax or capital gains tax on any sale or disposal of Shares.

If a transfer of listed shares is evidenced by a written agreement, such share transfer agreement is, in principle, subject to registration formalities and therefore to a 1 percent registration duty assessed on the higher of the purchase price or the market value of the Shares (subject to a maximum assessment of FF20,000 per transfer), provided that, under certain circumstances, no duty is due if such written share transfer agreement is executed outside France.

Taxation of Dividends

Under French law, dividends are paid out of after-tax income.

French residents are entitled to a tax credit, known as the *avoir fiscal*, equal to one-half of the dividend paid where the beneficiary shareholder is (i) an individual or (ii) a company which own at least 5 percent of the capital of the French distributing company and meet the conditions to qualify under the French parent-subsidiary regime.

For the other shareholders, the *avoir fiscal* is generally equal to 25 percent of the dividend paid for the *avoir fiscal* used or refunded in 2001, and 15 percent of the dividend paid for the *avoir fiscal* used or refunded as of January 1, 2002. However, except in limited circumstances, if a distribution is subject to a tax known as the *précompte*, such other shareholders entitled to the *avoir fiscal* at the rate of 25 percent or 15 percent are generally entitled to an additional amount of *avoir fiscal* equal to respectively 50 percent or 70 percent of any *précompte* actually paid in cash by our company upon distribution of dividends paid out of certain profits (see below paragraph relating to the *précompte*).

Dividends paid to non-residents are normally subject to a 25 percent withholding tax and, under French law, non-residents are not eligible for the benefit of the *avoir fiscal*. Under most tax treaties entered into between France and other countries, such withholding tax may, subject to certain conditions, be reduced and give rise in such other country to a tax credit of the amount of the tax withheld or, in the case of certain tax treaties, be eliminated.

Furthermore, the following countries, French overseas territories and other territories have entered into treaties with France whereby tax residents of such countries and territories may, under certain circumstances, obtain from the French tax authorities a reduction of all or part of such withholding tax and a refund of the *avoir fiscal* (net of applicable withholding tax), or in the case of German tax residents, obtain from the German tax authorities a tax credit in an amount equal to the aggregate of the amount of the applicable *avoir fiscal* and the amount of the applicable withholding tax:

Australia	Israel	Norway
Austria	Italy	Pakistan
Belgium	Ivory Coast	Senegal
Bolivia	Japan	Singapore
Brazil	Luxembourg	South Korea
Burkina Faso	Malaysia	Spain
Cameroon	Mali	Sweden
Canada	Malta	Switzerland
Finland	Mauritius	Togo
Gabon	Mexico	Turkey
Germany	Namibia	Ukraine
Ghana	Netherlands	United Kingdom
Iceland	New Zealand	United States of America
India	Niger	Venezuela

French Overseas Territories and Other

New Caledonia
Saint-Pierre et Miquelon
Mayotte

Treaties with some of the countries and territories listed above contain specific limitations applicable to corporate entities entitled to benefit from the *avoir fiscal*, or limit the rights to the *avoir fiscal* strictly to individual residents (as opposed to corporate entities).

Dividends paid to non-residents of France benefiting from the *avoir fiscal* in accordance with a tax treaty (other than German residents) will be subject, on the date of payment, to the withholding tax at the reduced rate provided for by such treaty (subject to certain filing formalities) rather than to the French withholding tax at the rate of 25 percent to be later reduced to the treaty rate; provided, however, that they establish their entitlement to such reduced rate before the date of payment of the dividend.

Amounts distributed as dividends by French companies out of profits which have not been taxed at the ordinary corporate income tax rate or which have been earned and taxed more than five years before the distribution are subject to a tax known as the *précompte*, by such companies. The *précompte* is paid by the distributing company to the French tax authorities and is generally equal to one-half of the net dividend distributed, before withholding tax. When a tax treaty in force does not provide for a refund of the *avoir fiscal* or when the non-resident investor is not entitled to such refund but is otherwise entitled to the benefits of a tax treaty, such investor may obtain from the French tax authorities a refund of such *précompte* actually paid in cash by our company, if any (net of applicable withholding tax).

Estate and Gift Tax

France imposes estate and gift tax on certain shares of a French company acquired by inheritance or gift from a non-resident of France. France has entered into estate and gift tax treaties with a number of countries pursuant to which, assuming certain conditions are met, residents of the treaty countries may be exempted from such tax or obtain a tax credit. Prospective investors in Shares should consult their own advisors concerning the applicability of French estate and gift tax to their shareholding in our company and the availability of, and the conditions for claiming exemption under, such a treaty.

Wealth Tax

In the absence of a more favorable tax treaty, the French wealth tax (*impôt de solidarité sur la fortune*) does not apply to non-French resident individual investors owning directly or indirectly less than 10 percent of our share capital.

U.S. Taxation

The following is a summary of the material U.S. federal income tax and French tax consequences of the acquisition, ownership and disposition of our Shares by a U.S. Holder (as defined below). This summary deals only with purchasers of our Shares that are U.S. Holders that will hold the Shares as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of our Shares by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not address tax considerations applicable to investors that own (directly or indirectly) 10 percent or more of our voting stock, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as banks, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that will hold our Shares as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term ''U.S. Holder'' means a beneficial owner of our Shares that is (i) a citizen or resident of the United States for U.S. federal income tax purposes, (ii) a corporation, or other entity treated as a corporation, created or organized under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

The summary assumes that we are not a passive foreign investment company (''PFIC'') for U.S. federal income tax purposes, which we believe to be the case. Our possible status as a PFIC must be determined annually and therefore may be subject to change. If we were to be a PFIC in any year, special, possibly materially adverse, consequences would result for U.S. Holders.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the ''Code''), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income and capital tax treaty between the United States and France dated August 31, 1994 currently in force (the ''Treaty'') and on the tax laws and regulations of France and on the practice of the French tax authorities all as currently in effect and all subject to change at any time, perhaps with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING OUR SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Dividends

General. Distributions, inclusive of the *avoir fiscal* or *précompte* (discussed below under ''Effect of French Withholding Taxes — *Avoir Fiscal*''), if applicable, paid on our Shares out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any French withholding tax paid by us with respect thereto, will generally be taxable to a U.S. Holder as foreign source dividend income, and will not be eligible for the dividends received deduction otherwise allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a return of capital to the extent of the U.S. Holder's basis in the Shares and thereafter as capital gain. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to dividends on our Shares.

Effect of French Withholding Taxes — Avoir Fiscal. As discussed above under ''French Taxation — Taxation of Dividends,'' in France dividends are paid out of after-tax income. Under French domestic law, dividends paid to non-residents are normally subject to a 25 percent French withholding tax and are not eligible for the benefit of the *avoir fiscal*.

Under the Treaty, the rate of French withholding tax on dividends paid to a US Holder that is not a company holding, directly or indirectly, at least 10 percent of our share capital and whose ownership of our Shares is not effectively connected with a permanent establishment or a fixed base in France is reduced to a 15 percent withholding tax. An Eligible U.S. Holder (as defined below) is also entitled to a payment equal to the *avoir fiscal*, less the 15 percent withholding tax. As noted below, this payment will not be made to an Eligible U.S. Holder until after the close of the calendar year in which the dividend was paid and only upon receipt by the French tax authorities of a claim made by the Eligible U.S. Holder for the payment in accordance with the procedures set forth below.

As used herein, the term ''an Eligible U.S. Holder'' is a U.S. Holder whose ownership of our Shares is not effectively connected with a permanent establishment or fixed base in France and who is (i) an individual or other non-corporate holder that is a resident of the United States as defined pursuant to the provisions of the Treaty, (ii) a U.S. corporation that does not own, directly or indirectly, 10 percent or more of our capital, other than a regulated investment company, (iii) a U.S. corporation that does not own, directly or indirectly, 10 percent or more of our capital, which is a regulated investment company, but only if less than 20 percent of its shares are beneficially owned by persons who are neither citizens nor residents of the United States or (iv) a partnership or trust that is treated as a resident of the United States as defined pursuant to the provisions of the Treaty, but only to the extent that its partners, beneficiaries or grantors would qualify under clause (i) or (ii) above.

In general, under the Treaty, an Eligible U.S. Holder may receive a payment of the *avoir fiscal* only if the holder (or its partners, beneficiaries or grantors, if the holder is a partnership or trust) attests that it is subject to U.S. federal income taxes on the payment of the *avoir fiscal* and the related dividend. However, certain tax-exempt ''U.S. Pension Funds'', as defined below, and certain other tax-exempt entities (including certain governmental institutions, not-for-profit organizations and individuals with respect to dividends beneficially owned by such individuals and derived from an investment retirement account) (''Other Tax-Exempt Entities'') that own, directly or indirectly, less than 10 percent of our capital, and that satisfy certain filing formalities (i) are entitled to a payment, subject to French withholding tax, equal to 30/85 of the gross *avoir fiscal* (the ''partial *avoir fiscal*'') and (ii) are eligible for the reduced withholding tax rate of 15 percent on dividends. A ''U.S. Pension Fund'' includes, *inter alia*, the exempt pension funds subject to the provisions of Section 401(a) (qualified retirement plans), Section 403(b) (tax deferred annuity contracts), Section 408 (individual retirement accounts) or Section 457 (deferred compensation plans) of the Code, established and managed in order to pay retirement benefits.

Dividends paid to an Eligible U.S. Holder will be subject to the reduced withholding tax rate of 15 percent at the time the dividend is paid if (i) such holder duly completes and provides the French tax authorities with French Treasury Form RF 1 A EU-NO. 5052 (the ''Form'') before the date of payment of the relevant dividend together with, if such Eligible U.S. Holder is not an individual, an affidavit attesting that it is the beneficial owner of all the rights attached to the full ownership of our Shares, including but not limited to dividend rights, or (ii) if completion of the Form is not possible prior to the payment of dividends, the holder duly completes and provides the French tax authorities with a simplified certificate (the ''Certificate'') stating that (a) the holder is a U.S. resident as defined pursuant to the provisions of the Treaty, (b) the holder's ownership of the Shares is not effectively connected with a permanent establishment or fixed base in France, (c) the holder owns all the rights attached to the full ownership of the Shares, including but not limited to dividend rights, (d) the holder meets all the requirements of the Treaty for obtaining the benefit of the reduced rate of withholding tax and the right to payment of the French *avoir fiscal*, and (e) the holder claims the reduced rate of withholding tax and payment of the *avoir fiscal* under the Treaty. Dividends paid to a U.S. Holder that is not an Eligible U.S. Holder or to an Eligible U.S. Holder that has not filed a completed Form or Certificate before the dividend payment date will be subject to French withholding tax at the rate of 25 percent. Such holder may claim a refund of the excess withholding tax and an Eligible U.S. Holder may claim the *avoir fiscal* by completing and providing the French tax authorities with the Form before 31 December of the year following the end of the calendar year in which the dividend is paid. U.S. Pension Funds and Other Tax-Exempt Entities are subject to the same general filing requirements as Eligible U.S. Holders except that they may have to supply additional documentation evidencing their entitlement to these benefits.

Eligible U.S. Holders, U.S. Pension Funds and Other Tax-Exempt Entities must file the Form and, when applicable, the affidavit in order to receive payment of the *avoir fiscal* or partial *avoir fiscal* (whichever is applicable). The *avoir fiscal* or partial *avoir fiscal* is generally expected to be paid to Eligible U.S. Holders, U.S. Pension Funds and Other Tax-Exempt Entities within 12 months of filing the Form, but not before 15 January following the end of the calendar year in which the related dividend is paid. Similarly, any French withholding tax refund is generally expected to be paid to U.S. Holders within 12 months of filing the Form, but not before 15 January following the end of the calendar year in which the related dividend is paid.

Précompte. Amounts distributed as dividends by French companies out of profits which have not been taxed at the ordinary corporate income tax rate or which have been earned and taxed more than five years before the distribution and which give rise to the *avoir fiscal* are subject to a *précompte*, or equalization tax, by such companies. The *précompte* is paid by the distributing company to the French tax authorities and is generally equal to one-half of the net dividend distributed.

A U.S. Holder not entitled to the (full or partial) *avoir fiscal* may generally obtain a refund from the French tax authorities of any *précompte* actually paid by us with respect to the dividends distributed. Pursuant to the Treaty, the amount of the *précompte* refunded to U.S. residents is reduced by the 15 percent withholding tax applicable to dividends. A U.S. Holder is only entitled to a refund of *précompte* actually paid in cash by us and is not entitled to a refund of the *précompte* paid by us by off-setting French and/or foreign tax credits.

A U.S. Holder entitled to the refund of the *précompte* must apply for such refund by filing a French Treasury form RF 1 B EU-NO. 5053 before the end of the calendar year following the year in which the dividend was paid. The form and its instructions are available from the U.S. Internal Revenue Services or at the *Centre des impôts des non résidents* (9 rue d'Uzès, 75094 Paris Cedex 2, France).

For U.S. federal income tax purposes, the amount of the *précompte* paid to a U.S. Holder will be included in gross income as dividend income in the year such payment is received. Such amounts will generally constitute foreign source ''passive'' or (in the case of certain holders) ''financial services'' income for foreign tax credit purposes.

US Credits. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of French taxes withheld by us with respect to a Share, and as then having paid over the withheld taxes to the French taxing authorities. As a result of this rule, the amount of dividend income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from us with respect to the payment.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for French income taxes withheld by us that are not refundable under the Treaty. For purposes of the foreign tax credit limitation, foreign source income is classified into one of several ''baskets'', and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to that income. Dividends paid on our Shares generally will constitute foreign source income in the ''passive income'' basket or, in the case of certain holders, the ''financial services income'' basket. In certain circumstances, a U.S. Holder may be unable to claim foreign tax credits (and instead may be allowed deductions) for foreign taxes imposed on a dividend if the U.S. Holder (i) has not held our Shares for at least 16 days in the 30-day period beginning 15 days before the ex dividend date, during which it is not protected from risk of loss; (ii) is obligated to make payments related to the dividends; or (iii) holds the Shares in arrangements in which the U.S. Holder expected economic profit, after non-U.S. taxes, is insubstantial. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of these French taxes and the effect of this legislation and other guidance.

Foreign Currency Dividends. Dividends paid in French francs, including the *avoir fiscal and the précompte*, before reduction for French withholding taxes, will be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the U.S. Holder, regardless of whether the French francs are converted into U.S. dollars. If dividends received in French francs are converted into U.S. dollars on the day they are received, the U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income.

A U.S. Holder will generally be required to recognize U.S. source ordinary income or loss upon the sale or disposition of French francs. Moreover, a U.S. Holder may be required to recognize foreign currency gain or loss, which will generally be U.S. source ordinary income or loss, upon the receipt of a refund of amounts, if any, withheld from a dividend in excess of the Treaty rate of 15 percent.

For purposes of determining the amount of the foreign tax credit, U.S. Holders who use the cash basis method of accounting must translate French withholding tax into U.S. dollars at the spot rate on the date the dividend is received. U.S. Holders that use the accrual basis method must translate French taxes into U.S. dollars at a rate equal to the average exchange rate for the taxable year in which the dividend is received. All U.S. Holders, however, must translate foreign currency received as a dividend into U.S. dollars at the spot rate on the date the dividend is received for purposes of determining the amount of dividend income that is included in the U.S. Holder's gross taxable income.

Sale or Other Disposition

Upon a sale or other disposition of our Shares, a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realized on the sale or other disposition and the U.S. Holder's adjusted tax basis in the Shares. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the Shares exceeds one year. Any gain or loss will generally be U.S. source, except that losses will be treated as foreign source to the extent that the U.S. Holder received dividends that were includible in the financial services income basket during the 24-month period prior to the sale. This 24-month period may be extended to cover periods in which the U.S. Holder's risk of loss is hedged.

Passive Foreign Investment Company Status

A foreign corporation will be a PFIC in any taxable year in which either (i) 75 percent or more of its gross income consists of certain specified types of ''passive'' income or (ii) the average percentage of its assets (by value) that produce or are held for the production of passive income is at least 50 percent. We do not expect that we will be a PFIC in 2001, but our possible status as a PFIC must be determined annually and therefore we might become a PFIC in future years.

If we were a PFIC in any taxable year during which a U.S. Holder owned our Shares and the U.S. Holder has not made a mark to market or qualified electing fund election, the U.S. Holder would generally be subject to special rules (regardless of whether we continued to be a PFIC) with respect to (i) any ''excess distribution'' (generally, any distributions received by the U.S. Holder on our Shares in a taxable year that are greater than 125 percent of the average annual distributions received by the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the Shares and (ii) any gain realized on the sale or other disposition of our Shares. Under these rules (a) the excess distribution or gain would be allocated ratably over the U.S. Holder's holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we are a PFIC would be taxed as ordinary income, and (c) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year. If we were a PFIC, a U.S. Holder of our Shares would generally be subject to similar rules with respect to distributions to us by, and dispositions by us of the stock of, any direct or indirect subsidiaries of ours that were also PFICs. Furthermore, a U.S. Holder who beneficially owns an interest in a PFIC is generally required to file an annual information return describing the distributions received from and any gain realized upon the disposition of a beneficial interest in the PFIC.

French Estate and Gift Taxes

Pursuant to ''The Convention Between the United States of America and the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Estates, Inheritance and Gifts'', a transfer of Shares by gift or by reason of the death of a U.S. Holder will not be subject to French gift or inheritance tax, unless (i) the donor or the transferor is domiciled in France at the time of making the gift or at the time of his or her death, or (ii) the Shares were used in, or held for use in, the conduct of a business through a permanent establishment or fixed base in France. In such a case, the French gift or inheritance tax may be credited against the U.S. gift or inheritance tax. This tax credit is limited to the amount of the U.S. gift or inheritance tax due on the Shares.

French Wealth Tax

The French wealth tax (*impôt de solidarité sur la fortune*) does not generally apply to a U.S. Holder who is a resident of the United States as defined in the provisions of the Treaty, unless the Shares form part of the business property of a permanent establishment or fixed base in France.

Information Reporting and Backup Withholding

Dividends on, and proceeds from the sale or other disposition of our Shares by a U.S. paying agent or other U.S. intermediary will be reported to the Internal Revenue Service and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of foreign or other exempt status or fails to report all dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining such an exemption.

LIMITATIONS AFFECTING SECURITY HOLDERS

Ownership of Shares by Non-French Persons

Under French law, there is currently no limitation on the right of non-French residents or non-French security holders to own, or where applicable, to vote securities of a French company, subject to generally applicable restrictions. See ''Description of Share Capital''.

A person who is not a resident of the European Union is not required to obtain an *autorisation préalable*, or prior authorization, prior to acquiring a controlling interest in a French company, with the exception of investments that affect the national interest, which will require prior authorization of the French Treasury. However, both EU and non-EU residents must file a *déclaration administrative* or administrative notice with French authorities in connection with the acquisition of a controlling interest in any French company. Under existing administrative rulings, ownership of 20 percent or more of a listed company's share capital or voting rights is regarded as a controlling interest, but a lower percentage may be held to be a controlling interest in certain circumstances (depending upon such factors as the acquiring party's intentions, its ability to elect directors or financial reliance by the French company on the acquiring party).

Exchange Controls

Under current French exchange control regulations, there are no limitations on the amount of payments that may be remitted by a French company to non-residents. Laws and regulations concerning foreign exchange controls do require, however, that all payments or transfers of funds made by a French resident to a non-resident be handled by an accredited intermediary. In France, all registered banks and substantially all credit establishments are accredited intermediaries.

UNDERWRITING

Nexans, Alcatel and the underwriters named in the table below (the ''Underwriters'') have entered into an underwriting agreement in connection with the global offering of the Shares, consisting of a French public offering (*offre à prix ouvert*) limited to retail investors and an offering to institutional investors in France and internationally. Subject to certain conditions, each Underwriter has severally agreed to cause to be purchased, or failing which to purchase, and Alcatel, as selling shareholder, has agreed to sell, the number of Shares set forth in the table below opposite the name of such Underwriter. Goldman Sachs International and Société Générale are acting as Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners (the ''Joint Global Coordinators'') in the global offering of the Shares.

Underwriter	Number of Shares
Goldman Sachs International	5,950,000
Société Générale	5,950,000
ABN AMRO Rothschild	875,000
BNP Paribas	1,750,000
Crédit Agricole Indosuez Lazard Capital Markets	875,000
Natexis Capital Marchés Primaires	350,000
UBS AG, acting through its business group UBS Warburg	1,750,000
Total	17,500,000

The purchase price per Share for the Shares offered (including any additional Shares sold pursuant to the exercise of the over-allotment option described below) will be the initial offering price set forth on the cover page of this Offering Circular (the ''Share Offering Price'') less the underwriting discount of €0.81 per Share. In addition, Alcatel may, at its discretion, pay to the Underwriters, within 30 days of the date of this Offering Circular, an additional fee of 0.25 percent of the aggregate Share Offering Price for the Shares sold in the offering, including any additional Shares sold pursuant to the exercise of the over-allotment option described below. The Underwriters propose to offer the Shares at the Share Offering Price. After the Shares are released for sale, the Underwriters may change the offering price and other selling terms.

The Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act.

Alcatel has granted the Joint Global Coordinators an option to purchase, on behalf of the Underwriters, at the Share Offering Price less the underwriting discount, up to 2,625,000 additional Shares, representing up to 15 percent of the total number of Shares to be offered in the global offering, solely to cover over-allotments, if any. The Joint Global Coordinators may exercise this option in the 30 days following the date of the underwriting agreement. To the extent the over-allotment option is exercised, each Underwriter will be obligated, subject to certain conditions, to cause to be purchased, or failing which to purchase, the same percentage of the additional Shares as that which the number listed next to the name of that Underwriter in the foregoing table bears to the total number of Shares set forth in such table.

Nexans and Alcatel have been advised by the Joint Global Coordinators, on behalf of the Underwriters, that (a) certain of the Underwriters, through their respective selling agents, propose to resell the Shares in the United States only to qualified institutional buyers in reliance on Rule 144A under the Securities Act and (b) the Underwriters propose to resell the Shares outside the United States in offshore transactions in reliance on Regulation S under the Securities Act and in accordance with applicable law. Any offer or sale of Shares in reliance on Rule 144A will be made by broker-dealers who are registered as such under the Exchange Act. Terms used above have the meanings given to them by Regulation S and Rule 144A under the Securities Act.

Each Underwriter has acknowledged and agreed that it will not offer or sell the Shares within the United States except through their respective broker-dealer affiliates, if any, to persons who they reasonably believe are qualified institutional buyers, within the meaning of Rule 144A under the Securities Act, in transactions meeting the requirements of Rule 144A.

Each Underwriter has also represented and agreed that (1) it has not offered or sold, and will not offer or sell, any Shares to any persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstance which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995; (2) it has complied with, and will comply with, all applicable provisions of the Financial Services Act 1986 of Great Britain with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom; and (3) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the sale or issuance of the Shares to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) of Great Britain or is a person to whom the document may otherwise lawfully be issued or passed on.

Buyers of Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase, in addition to the Share Offering Price.

This Offering Circular has not been submitted to the clearance procedures of the COB and accordingly may not be used in connection with the offer or sale of Shares to the public in France. For the purpose of the French public offering *(offre à prix ouvert)*, a *prospectus définitif* has been prepared and has received the visa of the COB.

As part of this offering, Alcatel is offering 22.5 percent of the Shares in the global offering to French retail investors. In the French public offering, certain existing individual shareholders of Alcatel benefited from a limited preferential allocation of Shares if they chose to subscribe.

Each Underwriter has agreed not to offer Shares in any jurisdiction except in compliance with the applicable laws and regulations of such jurisdiction.

Nexans has agreed that, for a period of 270 days from the date of this Offering Circular, it will not, without the prior written consent of Goldman Sachs International and Société Générale, offer, sell, issue, contract to sell or otherwise dispose of any Shares and any securities of Nexans that are substantially similar to the Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities, except (A) Shares sold on Euronext Paris to stabilize the Share price in accordance with applicable French law and regulations, (B) Shares issued in payment of dividends or interim payment of dividends, (C) Shares issued to employees of Nexans and its subsidiaries pursuant to employee stock purchase or option plans authorized by a shareholders' resolution taken as of the date of the underwriting agreement and described in this Offering Circular and (D) Shares issued to a seller or sellers as full or partial payment for a company or assets acquired by Nexans, provided, however, that in the event any such seller shall, immediately following payment of such Shares by Nexans, have an equity interest in Nexans greater than 10 percent of Nexans' outstanding share capital immediately following such payment, such seller shall agree that, for the remainder, if any, of the lock-up period, the terms of this lock-up shall apply to all of the Shares held by such seller.

In addition, Alcatel has agreed that, for a period of 270 days from the date of this Offering Circular, it will not, without the prior written consent of Goldman Sachs International and Société Générale, offer, sell, contract to sell or otherwise dispose of any Shares and any securities of Nexans that are substantially similar to the Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, ordinary shares of Nexans or any such substantially similar securities.

In connection with the Offering, Société Générale and/or its affiliates (on behalf of the Underwriters) may purchase and sell Shares in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by Société Générale and/or its affiliates (on behalf of the Underwriters) of a greater number of Shares than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the Shares while the offering is in progress.

Société Générale and/or its affiliates (on behalf of the Underwriters) may also impose a penalty bid. This occurs when a particular Underwriter repays to Société Générale and/or its affiliates (on behalf of the Underwriters) a portion of the underwriting discount received by it because Société Générale and/or its affiliates (on behalf of the Underwriters) have repurchased Shares sold by or for the account of such Underwriter in stabilizing or short covering transactions.

These activities may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by Société Générale and/or its affiliates (on behalf of the Underwriters) at any time. These transactions may be effected on Euronext Paris, in the over-the-counter market or otherwise.

Nexans and Alcatel have respectively agreed, as to certain matters and under certain conditions, to indemnify the Underwriters and their respective directors, officers and controlling persons against certain liabilities, including liabilities under the Securities Act. In addition, Alcatel has agreed to reimburse the Underwriters for certain of their expenses in connection with the offering.

Certain of the Underwriters have performed services for and engaged in investment and commercial banking transactions with Nexans and/or Alcatel in the ordinary course of their business.

LEGAL MATTERS

Certain legal matters will be passed upon on behalf of Nexans and Alcatel by Linklaters, counsel to Nexans and Alcatel, and on behalf of the Underwriters by Shearman & Sterling, counsel to the Underwriters.

INDEPENDENT AUDITORS

The Pro Forma Financial Statements included in this Offering Circular have been examined by Barbier Frinault & Autres and Ernst & Young Audit, independent auditors, as indicated in their reports appearing herein. The Historical Combined Financial Statements for the two years ended December 31, 1998 and 1999 have been audited by Barbier Frinault & Autres, independent auditors, as indicated in their statutory auditors' report on the Pro Forma Financial Statements appearing herein. The Historical Combined Financial Statements for the year ended December 31, 2000 have been audited by Barbier Frinault & Autres and Ernst & Young Audit, independent auditors, as indicated in their statutory auditors report on the Pro Forma Financial Statements appearing herein.

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GLOSSARY

Access components	Components connecting different parts of the access network.
ADSL	Asymmetric Digital Subscriber Line. Data communications technology which enables copper telephone cables of the access network to deliver high-speed data (up to 8 Mbit/s) to the subscriber.
Bandwidth	The measure of the range of frequencies that can be transmitted over a particular cable, interface or communication device.
Bare wire	Wire without insulation, produced from wire machines.
Cold shrink joint technology	A process based on expanded rubber sleeves that allows power cables to be coated without heating the linking zone.
Connector	Any device for making a temporary or semi-permanent electrical or optical connection between two cables or between a cable and a terminal.
CTC technology	Continuously transposed cable technology.
Deep sea cables	Telecommunications cables used for oceanographic research and environmental supervision.
Enameled wire	Copper or aluminum wire coated with enamel and generally used in coils to produce magnetic fields.
Fiber optic cable	A cable comprising one or more optical fibers.
Fiber optic communications	Information transfers via optical waves carried by fiber optics.
Harness (of cables)	A group of insulated wires cut and shaped to facilitate installation.
HFFR cable	Halogen-free, fire resistant (and/or flame retardant) cable that resists the spread of flames and reduces smoke and toxic fume emissions.
High and extra-high voltage cable	Cable for high power transmission from 60kV to 500kV.
Horizontal distribution	The use of cables to distribute data for LANs within a single floor of a building.
Isolated Conductor	Conductor with insulating covering or rubber sleeve.
ISO 14001	A standard promulgated by the International Organization for Standardization (ISO) which integrates operative clauses for controlling the impact of an organization's activities, products and services on the environment.
Joint	Component for joining two cable ends.
kV	One thousand volts.
LAN	Local Area Network. A network in which communications are limited to a moderate-sized geographic area such as a single office building, warehouse, or campus, and that does not extend across public rights-of-way. Such a system links computers together to form a network, usually with a wiring-based cabling scheme.
Land cables	Aerial cables or buried cables.

Low voltage cable	Cable, operating at voltage 1kV or less, that distributes electricity to consumers.
Machine Wire	A semi-finished conducting metal product, generally copper or aluminum which serves to produce wires.
Medium voltage cable	Cable, with capacity to carry 3kV to 60kV, that distributes electricity to consumers.
Monomode optical fiber	An optical fiber having a small core diameter designed to allow a single path (mode) of light.
Multimode optical fiber	A fiber that allows more than one path (mode) to propagate. May be either graded index or step index fiber.
Naked wire	Uninsulated electric conductor.
OEM	Original Equipment Manufacturer, or manufacturer labelling a product not manufactured by it.
OPGW	Optical Ground Wire Cable. An aerial cable combining the properties of a copper and fiber optic cable.
PABX	Private automatic branch exchange.
Patchcord	The cable and plug connecting an electrical (or optical) appliance, such as a computer, to the electrical (or optical) supply.
Polymer	A chain molecule composed of many identical chemical groups, commonly found in plastics.
Polymerization	Reaction during which a high number of small molecules (monomers) link together to form a single big molecule (polymer).
Power accessories	Components for ending or joining power cables.
Power cable	A cable used for the transport and distribution of electrical energy, mainly by utility networks.
Power distribution cable	Medium and low voltage cable for electricity distribution to consumers.
Power transmission cable	High and extra-high voltage cable used for long distance power transmission.
Spool	One or more turns of wire used to create a magnetic field or add inductance to an electrical circuit.
Superconductor	A conductor which carries electrical current without resistance, at extremely low temperatures (less than –196°C).
Switching equipment	Equipment which performs the function of establishing and releasing connections as necessary between two or more circuits, services or communications systems.
Telecom distribution cable	A cable having terminations from which subscribers may be fed.
Termination	Connection of a line (telecom or energy) to equipment (such as a terminal, switch or transformer) or a network.
Transformer	A device consisting essentially of two or more coils of insulated wire that transfers alternating-current by electromagnetic induction

	from one winding wire to another at the same frequency but usually with changed voltage and current values.
Umbilical cables	Cable products, such as seismic and offshore umbilical cables, that may allow simultaneous transmission of fluids, electricity, telecommunications, signals and data through a single link, typically used in underwater operations.
VDSL	Very High Speed Digital Subscriber Line. The VDSL can accommodate speeds of up to 60 Mbit/s and is suitable for providing services including video and multimedia on twisted copper telephone pairs and for high-speed data links for business users. This system can be used to offer services such as digital television, high speed Internet access, video on request and high quality video-conferencing.
Vertical distribution	The use of cables to distribute data for LANs between the floors of a building.
XPLE	Cross-linked Polyethylene. A plastic material used for power cable insulation.

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INDEX TO FINANCIAL STATEMENTS

STATUTORY AUDITORS' REPORT ON NEXANS' UNAUDITED COMBINED PRO FORMA FINANCIAL STATEMENTS

(Free translation from the original French report)

To the Board of Directors of Nexans (formerly Atalec),

You have requested us to examine the unaudited combined pro forma financial statements of Nexans covering the period from January 1, 1998 to December 31, 2000 as included from page F-5 to F-33 and prepared in connection with the listing of Nexans on the *Premier Marché* of Euronext Paris.

These pro forma combined financial statements are the responsibility of the Board of Directors (approbation on March 14, 2001) and have been stated in Euro currency, based on the historical combined financial statements for the three years in the period ended December 31, 2000. The historical combined financial statements for the two years in the period ended December 31, 1999 have been audited by Barbier Frinault & Autres - Arthur Andersen in accordance with the professional standards applied in France. The historical combined financial statements for the year ended December 31, 2000 have been audited by Barbier Frinault & Autres - Arthur Andersen and Ernst & Young Audit in accordance with the professional standards applied in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether those financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in those financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that our audit provides a reasonable basis for our opinion, expressed below.

Except for the fact that no notes were prepared for the historical combined financial statements for the three years in the period ended December 31, 2000, on the grounds discussed under Note 23, in our opinion, the historical combined financial statements give a true and fair view of the group's financial position and of its assets and liabilities, and of the results of the operations of the companies included in the combination.

Without calling into question the opinion expressed above, we draw your attention to the following points:

— Note 1(k) to the pro forma combined financial statements specifying the changes in valuation of the provisions for pensions and retirement obligations, from January 1, 1999,

— Note 1 to the pro forma combined financial statements specifying the accounting changes resulting from the initial application of the new rules and methods relating to consolidated financial statements in France, from January 1, 1999.

We have examined the pro forma combined financial statements of Nexans in accordance with the professional standards applied in France. Those standards require an assessment of the procedures applied to select the basis for, and to prepare, the pro forma combined financial statements, and the carrying out of procedures to enable us to assess whether such basis for preparation provides a reasonable basis for presenting the significant effects directly attributable to the pro forma transaction or event, whether the related pro forma adjustments give appropriate effect to such basis for preparation and whether the accounting policies applied in preparing the combined pro forma financial statements are consistent with the accounting policies used in the Nexans combined financial statements for the three years in the period ended December 31, 2000.

The pro forma combined financial statements are designed to reflect the effect of a given transaction or event on the historical financial information, had this transaction or event occurred at an earlier date than the date at which such transaction or event occurred or is reasonably expected to occur. They do not, however, necessarily represent the financial situation and income of operations which would have been reported had this transaction or event occurred at an earlier date than the date at which such transaction or event occurred or is reasonably expected to occur.

In our opinion, the basis of preparation used in the pro forma combined financial statements of Nexans provide a reasonable basis for presenting the effects of Nexans' creation as if Nexans had been created as of January 1, 1998.

The related pro forma adjustments give appropriate effect to such basis for preparation in the Combined Pro Forma Financial Statements and the accounting policies applied in preparing such Combined Pro Forma Financial Statements are consistent with those used to establish the historical combined financial statements of Nexans for the three years in the period ended December 31, 2000.

Neuilly-sur-Seine and Paris-La-Défense, March 15, 2001

BARBIER FRINAULT & AUTRES
ARTHUR ANDERSEN
Alain Gouverneyre

ERNST & YOUNG AUDIT
Jean-Claude Lomberget

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NEXANS
UNAUDITED COMBINED PRO FORMA FINANCIAL STATEMENTS

Combined pro forma income statements

	Notes	2000	1999	1998
		(in millions of euros)		
Net sales	(3)	4,783	4,182	4,330
Metal effect		(422)	(33)	(87)
Net sales at constant metal price	(3)	4,361	4,149	4,243
Cost of sales		(3,714)	(3,520)	(3,575)
Gross profit		647	629	668
Administrative and selling expenses		(440)	(456)	(451)
R&D costs		(38)	(35)	(42)
Income from operations	(3)	169	138	175
Financial income (loss)	(4)	(20)	—	(2)
Restructuring costs	(14)	(30)	(60)	(104)
Other revenue (expense)	(5)	1	80	2
Income before taxes		120	158	71
Income tax	(6)	(40)	(31)	5
Share in net income of equity Affiliates		—	—	—
Combined pro forma net income		80	127	76
Minority interests		5	6	4
Combined pro forma net income, group share (in euro)		75	121	72
Combined pro forma group share net income per share (in euro)(1)		3.00	4.84	2.88

(1) Calculated for the three periods on the basis of 25,000,000 outstanding shares.

NEXANS
UNAUDITED COMBINED PRO FORMA FINANCIAL STATEMENTS

Combined pro forma balance sheets as of December 31

ASSETS

	Notes	2000	1999	1998
		(in millions of euros)		
Other intangible assets, net		5	4	2
Intangible assets, net		5	4	2
Property, plant and equipment	(7)	2,758	2,686	2,596
Depreciation	(7)	(1,932)	(1,938)	(1,867)
Property, Plant and equipment, net		826	748	729
Share in net assets of equity affiliates		2	2	5
Other investments, net	(8)	61	55	72
Investments and other non-current assets, net		63	57	77
TOTAL NON CURRENT ASSETS NET VALUE		894	809	808
Inventories and work in progress, net value	(9)	704	623	623
Trade receivables and related accounts, net	(10)	1,005	817	819
Other accounts receivables, net	(11)	160	195	243
Accounts receivable, net value		1,165	1,012	1,062
Marketable securities, net value		4	6	2
Cash, net		125	492	371
Cash and cash equivalents		129	498	373
CURRENT ASSETS		1,998	2,133	2,058
TOTAL ASSETS		2,892	2,942	2,866

NEXANS
UNAUDITED COMBINED PRO FORMA FINANCIAL STATEMENTS

LIABILITIES

	Notes	2000	1999	1998
		(in millions of euros)		
Combined pro forma net assets before cumulative translation adjustments and net income		991	895	848
Cumulative translation adjustments		45	(3)	(31)
Combined pro forma net income, group share		75	121	72
COMBINED PRO FORMA NET ASSETS	(12)	1,111	1,013	889
MINORITY INTERESTS		49	84	76
Accrued pension and retirements obligations	(13)	259	263	277
Accrued contract costs and other reserves	(14)	181	257	365
TOTAL RESERVES FOR LIABILITIES AND CHARGES		440	520	642
Other borrowings		205	327	280
TOTAL FINANCIAL DEBT	(15)	205	327	280
Customers' deposits and advances	(16)	32	32	29
Trade payables and related accounts		635	532	461
Other payables	(17)	420	434	489
TOTAL OTHER PAYABLES		1,087	998	979
TOTAL LIABILITIES		2,892	2,942	2,866

Combined pro forma statements of cash flow

	2000	1999	1998
	(in millions of euros)		
Cash flow from operating activities			
Combined pro forma net income, group share	75	121	72
Minority interests	5	6	4
Adjustments to reconcile income before minority interests to net cash provided by operating activities:			
Depreciation and amortization	132	127	136
Changes in reserves for pension obligations, net	(7)	(15)	(7)
Changes in other reserves, net	(58)	(72)	(37)
Net (gain) loss on disposal of non-current assets	(1)	(37)	(2)
Share in net income of equity affiliates (net of dividends received)	—	3	—
Other	—	(8)	(1)
Working capital provided by operations	146	125	165
Net change in current assets and liabilities:			
Decrease (increase) in accounts receivables	(151)	50	79
Decrease (increase) in inventories	(71)	37	80
Increase (decrease) in accounts payable and accrued expenses	114	16	(30)
Changes in reserves on current assets (including accrued contract costs)	(7)	(26)	(8)
Net cash provided (used) by operation activities	31	202	286
Cash flow from investing activities			
Proceeds from disposal of fixed assets	21	13	46
Capital expenditures	(239)	(143)	(126)
Decrease (increase) in loans	(1)	(2)	10
Cash expenditures for acquisition of combined companies, net of cash acquired, and for acquisition of uncombined companies	(31)	(8)	(52)
Cash proceeds from sale of previously combined companies, net of cash sold, and from sale of uncombined companies	—	52	28
Net cash provided (used) by investing activities	(250)	(88)	(94)
Net cash flow after investment	(219)	114	192
Cash flow from financing activities			
Proceeds from issuance of shares	2	—	—
Dividends paid	(25)	(25)	(25)
Net cash provided (used) by financing activities	(23)	(25)	(25)
Net effect of exchange rate changes	(5)	(11)	2
Net increase (decrease) in cash and cash equivalents	(247)	78	169
(Debt net)/cash net at beginning of year	171	93	(76)
(Debt net)/cash net at end of year	(76)	171	93

NEXANS
UNAUDITED COMBINED PRO FORMA FINANCIAL STATEMENTS

Combined pro forma statements of change in net assets

	Notes	Combined pro forma net assets before cumulative translation adjustments and net income	Cumulative translation adjustments	Net income	Combined pro forma Net Assets
			(in millions of euros)		
December 31, 1997		747	44	126	917
Appropriation of net income and dividends	(12)	101		(126)	(25)
Translation adjustments			(75)		(75)
Combined Pro Forma Net income				72	72
December 31, 1998		848	(31)	72	889
Appropriation of net income and dividends	(12)	47		(72)	(25)
Translation adjustments			28		28
Combined Pro Forma Net income				121	121
December 31, 1999		895	(3)	121	1,013
Appropriation of net income and dividends	(12)	96		(121)	(25)
Translation adjustments			48		48
Combined Pro Forma Net income				75	75
December 31, 2000		991	45	75	1,111

NOTES TO UNAUDITED COMBINED PRO FORMA FINANCIAL STATEMENTS

Note 1
Summary of accounting policies

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

The combined pro forma financial statements of Nexans and its subsidiaries (the ''Group'') were drawn up on the basis of the combined financial statements (presented in Note 23), which were adjusted to reflect, retroactively, the impact of the following items on the three fiscal years:

- The harmonization of the activities sold, on a comparable basis.
- The projected financial structure of the overall group as of the date of its initial public offering
- The effects of the legal reorganization which led to the incorporation of the Group

The principles used to draw up the combined pro forma financial statements and the resulting figures are described in Note 23.

The combined pro forma financial statements of the Group are presented since January 1, 1999, in accordance with the ''New principles and methodology relative to consolidated financial statements'' Regulation 99-02 approved by decree dated June 22, 1999 of the ''Comité de la Réglementation Comptable''. The effect of this change in accounting principles for the previous years is considered as not significant.

The ''Comité de la Réglementation Comptable'' approved the CNC n°00-01 recommendation on liabilities issued on April 20, 2000. This new accounting law will be effective as from January 1, 2002. However, its application is permitted as from January 1, 2000. This new accounting law has not been applied to issue the financial statements at December 31, 2000. The effect of the application of this new accounting principle is being evaluated by the Group.

The combined financial statements of the Group comply with the essential accounting principles described hereafter.

a) Combination methods

Companies over which the Group has control are fully combined. Companies over which the Group has a significant influence (''equity affiliates'') are accounted for using the equity method. Significant influence is generally assumed when the Group interest is between 20% and 50%.

The combined financial statements are prepared on the basis of year-end (or interim) financial statements at December 31.

All significant intra-group transactions are eliminated.

b) Translation of financial statements denominated in foreign currencies

The balance sheets of non-French combined subsidiaries are translated into euros at the year-end rate of exchange, and their income statements and cash flow statements are translated at the average annual rate of exchange. The resulting translation adjustments are included in net assets' under the line item ''Cumulative Translation adjustments''.

c) Translation of foreign currency transactions

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

d) Research and development expenses

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

- Certain software development costs which are included in intangible assets, when they strictly comply with the following criteria.
  - — the project is clearly defined, and costs are separately identified and measured reliably,
  - — the technical feasibility of the software is demonstrated,
  - — the software will be sold or used in-house,
  - — a potential market exists for the software, or its usefulness, in case of internal use, is demonstrated, and,
  - — adequate resources required for completion of the project are available.

In that case, software development costs are amortized as follows:

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

The amortization corresponds to the highest of either the cumulative amounts using straight-line amortization or the cumulative amounts based on the above mentioned criteria.

- Recoverable amounts disbursed under the terms of contracts with customers, which are included in work in progress on long-term contracts.

e) Intangible assets

Whenever events or changes in market indicate a risk of impairment of intangible assets and property, plant and equipment, a detailed review is carried out in order to determine whether the carrying amount of such assets remains lower than their forecast undiscounted operating cash flows.

Whenever such review indicates that such value is lower than carrying amount, the Group further considers the effects of possible business strategies, such as restructuring plans of involved companies, on its future cash flows.

If necessary, an exceptional amortization of these intangible assets and plant, property and equipment is accounted for to reduce their carrying amount to the value measured by discounted forecasted operating cash flow or market value if any.

f) Property, plant and equipment

Property, plant and equipment are valued at historical cost for the Group (excluding any revaluation). Depreciation is generally calculated over the following useful lives:

Industrial buildings, plant and equipment:	
Buildings for industrial use	20 years
Infrastructure and fixtures	10-20 years
Equipment and tools	5-10 years
Small equipment and tools	3 years
Buildings for administrative and commercial use	20-40 years

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

g) Investments

Investments are stated at the lower of historical cost (excluding revaluations) or fair value (market value for investments in listed companies), assessed investment by investment, taking into consideration the diversity of the activities they represent.

h) Long-term contracts

Work in progress on long-term contracts is stated at production cost, excluding administrative and selling expenses and interest expense. Provisions are established to cover all foreseeable losses at completion. Sales and contract revenue are recognized on percentage-of-completion basis.

i) Inventories and work in progress

Inventories are valued at the lower of cost (including indirect production costs where applicable) or net realizable value. Cost is primarily calculated on a weighted-average price basis.

The cost of the copper in the inventories is valued according to the LIFO method (last in - first out) in order to better represent economic reality given the variations in the price of copper.

j) Cash and cash equivalents

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

k) Pension and retirement obligations

In accordance with the laws and practices of each country, the Group participates in employee benefit plans by offering early retirement benefits and special termination benefits.

For defined contribution pension plans and multi-employer plans, expenses are recorded as incurred. For defined benefit pension plans, in order to harmonize the procedure throughout the Group, liabilities and prepaid expenses are determined from January 1, 1999 as follows:

- using the Projected Unit Credit Method (with projected final salary);
- recognizing, over the expected average remaining working lives of the employees participating in the plan, actuarial gains and losses in excess of more than 10% of the present value of the defined benefit obligation or 10% of the fair value of any plant assets.

The effect of the change as of January 1, 1999 between the reserves calculated in accordance with the new accounting method and the reserves previously calculated according to local accounting standards is recorded under the caption "other revenue (expense)".

l) Reserves for restructuring

Reserves for restructuring costs are provided for when the restructuring programs have been finalized and approved by Group management and have been announced before approvals of the financial statements. Such costs primarily relate to severance payments, early retirement of employees, costs for notice periods not worked and retraining costs of terminated employees, shut down facilities and write-off of fixed assets, inventories and other assets.

m) Deferred taxation

Deferred income taxes are computed under the liability method for all timing differences arising between taxable income and accounting income, including reversal of entries recorded in individual accounts of subsidiaries solely for tax purposes. All amounts resulting from changes to the tax rate are recorded in the year which the tax rate change has been decided.

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

Deferred income tax assets are recorded in the combined balance sheet when it is more likely than not that the tax benefit will be realized.

n) Net sales

Net sales represent sales and revenues net of value added taxes (VAT).

o) Income from operations

Income from operations includes research and development expenses (Note 1(d)), pension costs (Note 1(k)) and employee profit sharing. Income from operations is calculated before financial income (loss) and complies with practices of many of the company's competitors.

p) Financial instruments

The Group uses financial instruments to manage and reduce its exposure to fluctuations in interest rates, foreign currency exchange rates and metal prices. When these contracts qualify as hedges, gains and losses on such contracts are accounted for in the same period as the item being hedged; otherwise, changes in the market value of these instruments are recognized in the period of change.

q) Introduction of the euro

The combined pro forma financial statements prior to January 1, 1999 were denominated in French francs and have been converted into euros using the fixed exchange rate applicable since January 1, 1999 (EURO 1 = FF 6.55957). Since January 1, 1999 financial statements are denominated in euros.

Note 2
Change in the combined companies

The main changes for 2000 in the combined companies are as follows:

- In April 28, 2000 Nexans acquired for EURO 8 million Saficonel, an Italy-based company. This company is combined from May 1st 2000.

The main changes for 1999 in the combined companies are as follows:

- In December 21, 1998 Nexans acquired for USD 4 million Optech Dai-Ichi Denko, a Portugal based company. This company is combined from January 1, 1999.

The main changes for 1998 in the combined companies are as follow:

- In October 9, 1998 Nexans acquired for USD 26 million Optech Dai-Ichi Denko, an U.S. and Canada based company. This company is combined from October 9, 1998.

Note 3
Information by business division and by geographical area

a) Information by business division

The tables below break down information for the following business division:

— the ''Electrical Wire'' division, made up of wire rods, electrical wires and enameled wire,

— the ''Energy'' division, which includes equipment cables, power cables for networks and special cables,

— the ''Telecom'' division, containing cables for private telecommunications networks, special cables for electronics applications, junction components for telecommunications network cables, copper cables for public telecommunications networks, and optical fiber cables for public networks,

— the ''Distribution'' division, made up of retail activities for distribution to installers of electrical equipment (equipment and network cables).

— ''Other'' includes the net impact of the various head offices and trade receivables interdivisionals' elimination.

The reporting segment follows the same accounting policies used for the company's consolidated financial statements and described in the summary of significant accounting policies. Profit and loss used for each reportable segment is measured using the ''income from operations''.

	Electrical Wires	Energy	Telecom	Distribution	Other	Total Group
			(in millions of euros)			
2000						
Net sales at constant metal price	1,095	2,062	876	327	1	4,361
Income from operations	43	64	46	12	4	169
Depreciation and amortization	27	67	27	6	5	132
EBITDA*	70	131	73	18	9	301
Capital expenditures	71	80	64	4	20	239
Property, plant and equipment, net	208	332	181	37	68	826
Inventories and work in progress, net value	185	354	110	28	27	704
Trade receivables and related accounts, net value	179	469	198	26	133	1,005
Total assets from operations; net value	572	1,155	489	91	228	2,535
Staff	2,672	9,026	4,696	904	888	18,186

	Electrical Wires	Energy	Telecom	Distribution	Other	Total Group
			(in millions of euros)			
1999						
Net sales at constant metal price	945	2,060	821	318	5	4,149
Income from operations	43	46	36	17	(4)	138
Depreciation and amortization	25	68	26	4	3	126
EBITDA*	68	114	62	21	(1)	264
Capital expenditures	36	45	25	4	34	144
Property, plant and equipment, net	156	316	142	43	91	748
Inventories and work in progress, net value	139	335	105	51	(7)	623
Trade receivables and related accounts, net value	166	549	190	55	(143)	817
Total assets from operations; net value	461	1,200	437	149	(59)	2,188
Staff	2,709	9,259	4,197	962	1,246	18,373
1998						
Net sales at constant metal price	909	2,146	871	314	3	4,243
Income from operations	50	69	36	19	1	175
Depreciation and amortization	22	70	32	4	8	136
EBITDA*	72	139	68	23	9	311
Capital expenditures	28	46	28	4	22	128
Property, plant and equipment, net	130	360	140	44	55	729
Inventories and work in progress, net value	121	373	105	42	(18)	623
Trade receivables and related accounts, net value	116	602	192	49	(141)	819
Total assets from operations; net value	367	1,335	437	135	(104)	2,170
Staff	2,633	10,176	4,780	906	1,050	19,545

* EBITDA is defined as income from operations, excluding depreciation and amortization.

b) Information by geographical area

	France	Germany	Other Europe	North America	Rest of World	Total Group
		(in millions of euros and number of staff)				
2000						
Net sales:						
by subsidiary location	1,461	645	1,456	1,064	157	4,783
by geographical market	762	584	1,970	1,088	379	4,783
Income from operations	46	23	41	36	23	169
Property, plant and equipment, net	174	144	250	195	63	826
Total assets from operations, net value	693	349	924	430	139	2,535
Staff	5,188	3,243	6,118	2,453	1,184	18,186
1999						
Net sales:						
by subsidiary location	1,253	647	1,360	777	145	4,182
by geographical market	690	625	1,632	795	440	4,182
Income from operations	59	1	27	40	11	138
Property, plant and equipment, net	148	163	232	152	53	748
Total assets from operations, net value	603	356	773	342	114	2,188
Staff	5,421	3,618	6,023	2,225	1,086	18,373

	France	Germany	Other Europe	North America	Rest of World	Total Group
		(in millions of euros and number of staff)				
1998						
Net sales:						
by subsidiary location	1,380	716	1,427	676	131	4,330
by geographical market	731	721	1,542	674	662	4,330
Income from operations	96	(2)	38	35	8	175
Property, plant and equipment, net	144	194	228	120	43	729
Total assets from operations, net value	616	389	794	273	98	2,170
Staff	5,659	4,274	6,281	2,275	1,056	19,545

Note: the above information is analyzed by subsidiary location, except for net sales which are also analyzed by geographical market

Note 4
Financial income (loss)

	2000	1999	1998
	(in millions of euros)		
Net interest (expense) income*	(2)	6	(3)
Dividends**	1	11	20
Reserve for depreciation of investments	(2)	(3)	—
Net exchange gain (loss)	(2)	3	—
Financial component of the pension costs	(10)	(12)	(14)
Other financial items (net)	(5)	(5)	(5)
Net financial income (loss)	(20)	—	(2)

* The net debt of Nexans as of December 31, 2000 amounts to EURO 76 millions (see Note 23). Financial expenses were subsequently adjusted on the basis of the historical cost of Alcatel plus 50 basis point.

** received from uncombined companies

Note 5
Other revenue (expense)

	2000	1999	1998
	(in millions of euros)		
Net capital gains on disposal of fixed assets*	1	37	2
Other (net)**	—	43	—
Total	1	80	2

* Of which EURO 31 millions related to the transfer of Alcatel Contracting Germany shares in 1999.

** Of which EURO 32 millions related to a reversal of a tax risk provision in Germany and EURO 10 millions resulting from the change in the pension evaluation method linked to the adoption of the new accounting principles (Note 1(k)).

Note 6
Income tax

a) Analysis of income tax charge

	2000	1999	1998
	(in millions of euros)		
Current income tax charge	43	38	46
Deferred income tax charge (credit), net	(3)	(7)	(51)
Income tax	40	31	(5)

b) Effective income tax rate

The effective income tax rate can be analyzed as follows:

	2000	1999	1998
	(in millions of euros and in %)		
Income before taxes and share in net income of equity affiliates	120	158	71
Average income tax rate	38.8	38.7	43.2
Expected tax	46	61	30
Impact of:			
Change in accrual on deferred income tax assets	4	(17)	(13)
Tax credits	(6)	—	(11)
other permanent differences	(4)	(13)	(11)
Actual income tax charge	40	31	(5)
Effective tax rate	33.6	19.6	(6.4)

Average income tax rate is the sum of income before taxes multiplied by the local statutory rate for each subsidiary, divided by combined income before taxes.

c) Deferred tax balances

Deferred tax (liabilities) assets are included in the following captions of the combined Balance Sheet:

	2000	1999	1998
	(in millions of euros)		
Other accounts receivable			
current assets	20	24	37
non-current assets	11	11	26
Total*	31	35	63
Other payables			
current liabilities	(2)	(9)	(24)
non-current liabilities	(37)	(36)	(51)
Total*	(39)	(45)	(75)
Net deferred tax (liabilities) assets	(8)	(10)	(12)

* See Notes 11 and 17

Non-current deferred tax assets primarily relate to accrued pension and retirement obligations and other non-tax deductible reserves.

Current deferred tax assets are recognized in companies which plan to incur a tax charge in the future.

The deferred taxes which are not recognized because of their doubtful recovery amount to respectively 306, 305 and 323 million of euros at December 31 2000, 1999 and 1998.

d) Tax losses carried forward

Tax losses carried forward and not yet utilized represent a potential tax saving of EURO 287 million at December 31 2000 (EURO 302 million at December 31 1999, EURO 350 million at December 31 1998 and EURO 359 million at December 31 1997).

Tax loss carried forward expire as follows:

Year	Amount (in millions of euros)
2001	12
2002	9
2003	4
2004	2
2005 and thereafter	260
Total	287

Note 7
Property, plant and equipment

a) Change in property plant and equipment, gross

	Gross value				
	Land	Buildings	Plant equipment and tools	Other	Total
	(in millions of euros)				
December 31 1997	74	609	1,741	270	2,694
Additions	1	14	61	52	128
Disposals	(9)	(66)	(81)	(28)	(184)
Other movements	(1)	(2)	(38)	(1)	(42)
December 31 1998	65	555	1,683	293	2,596
Additions	1	21	60	62	144
Disposals	(2)	(10)	(75)	(16)	(103)
Other movements	2	25	51	(29)	49
December 31 1999	66	591	1,719	310	2,686
Additions	—	19	101	119	239
Disposals	(14)	(14)	(78)	(17)	(123)
Other movements	(1)	17	14	(74)	(44)
December 31 2000	51	613	1,756	338	2,758

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

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

	Accumulated depreciation				
	Land	Buildings	Plant equipment and tools	Other	Total
	(in millions of euros)				
December 31 1997	4	403	1,280	190	1,877
Depreciation charge		29	86	21	136
Write-backs*		(38)	(70)	(26)	(134)
Other movements	1	7	(31)	12	(11)
December 31 1998	5	400	1,265	197	1,867
Depreciation charge		27	81	18	126
Write-backs*		(9)	(63)	(15)	(87)
Other movements	4	16	18	(6)	32
December 31 1999	9	434	1,301	194	1,938
Depreciation charge		27	90	15	132
Write-backs*	(4)	(14)	(70)	(15)	(103)
Other movements	5	(43)	(6)	9	(35)
December 31 2000	11	404	1,315	203	1,932

* Write-backs represent the accumulated depreciation of fixed assets disposed of.

c) Leases and rental

Future rentals under capital leases at December 31, 2000:

Maturity date	Amount
	(in millions of euros)
2001	0.7
2002	0.3
2003	0.3
2004	0.2
2005 and thereafter	—
Capital lease obligations	1.5
Interest	—
Total future rentals	1.5

Rental expenses for operating leases over the last three years:

	2000	1999	1998
	(in millions of euros)		
Minimum rentals	13.5	29.4	22.5
Contingent rentals	—	0.5	2.4
Sublease rentals	(1.0)	(2.0)	(1.4)
Total	12.5	27.9	23.5

Note 8
Other investments, net

	2000			1999	1998
	At cost	Provision	Net value	Net value	Net value
	(in millions of euros)				
Investments in:					
listed securities	—	—	—	—	—
unlisted securities	32	(11)	21	21	26
Total	32	(11)	21	21	26
Other investments	46	(6)	40	34	46
Total	78	(17)	61	55	72

Note 9
Inventories and work in progress

	2000	1999	1998
	(in millions of euros)		
Raw materials and goods	201	182	180
Industrial work in progress	141	159	159
Work in progress on long-term contracts	11	8	25
Finished products	415	345	337
Gross value	768	694	701
Valuation allowance	(64)	(71)	(78)
Net value	704	623	623

Note 10
Trade receivables and related accounts

	2000	1999	1998
	(in millions of euros)		
Receivables on long term contracts	83	69	106
Other trade receivables	967	802	763
Gross value	1,050	871	869
Valuation allowance	(45)	(54)	(50)
Net value	1,005	817	819

Note 11
Other accounts receivables

	2000	1999	1998
	(in millions of euros)		
Advances and progress payments	7	75	72
Prepaid taxes	45	48	51
Deferred taxes*	31	35	63
Prepaid expenses	6	4	3
Advances made to employees	7	4	3
Other accounts	65	29	51
Gross value	161	195	243
Valuation allowance	(1)	—	—
Net value	160	195	243

* See Note 6(c).

Note 12
Combined pro forma net assets

So as to reflect the autonomous functioning of the group, historical recapitalizations and dividends were neutralized. A notional dividend payment amounting to EURO 25 million per year was taken into accounts.

Note 13
Pensions and post-retirement benefits

The Group sponsors various defined benefit pension plans. In France, all Groups employees elect to benefit from the retirement indemnity scheme. In other countries, the employee groups covered and the type of retirement plan depend on local regulation practices.

For defined benefit pension plans in order to harmonize the procedure throughout the Group, liabilities and prepaid expenses are determined since January 1, 1999 in accordance with the new accounting principle described in Note 1(k).

The discrepancy on January 1, 1999 between the reserves calculated in accordance with the new accounting principle and the reserves calculated according to the local accounting rules is shown in the income statement in 1999 under the caption "other revenue (expense)" (EURO 10 million; see Note 5).

For defined benefit plans, entailing an actuarial valuation, general assumptions have been determined by actuaries on a country by country basis and, for specific assumptions (turnover, salary increases), company by company. The assumptions for 2000, 1999, and 1998 are as follows:

	2000	1999	1998
Discount rate	5-7%	4-7%	5-8%
Future salary increases	1-8%	1-8%	2-7%
Expected long-term return rate on assets	5-8%	5-8%	5-9%
Average residual active life	15-27 years	15-27 years	15-27 years
Amortization period of transition obligation	15 years	15 years	15 years

	Pension benefits	
	2000	1999
	(in millions of euros)	
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	703	659
Service cost	17	15
Interest cost	37	39
Plan participants' contributions	3	3
Amendments	20	7
Acquisitions	1	—
Disposals	—	—
Curtailments	(2)	—
Settlements	(1)	(7)
Special termination benefits	—	2
Actuarial loss/gain	(37)	16
Benefits paid	(41)	(52)
Reclassifications	5	—
Other (foreign currency translation)	16	21
Benefit obligation at end of year	721	703
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	412	370
Actual return on plan assets	41	41
Employers' contribution	13	15
Plan participants' contributions	3	3
Acquisitions	—	—
Disposals	—	—
Curtailments	—	—
Settlements	1	(4)
Special termination benefits	—	—
Benefits paid	(20)	(33)
Other (foreign currency translation)	19	20
Fair value of plan assets at end of year	469	412
Funded status	(252)	(291)
Unrecognized actuarial loss/gain	(38)	14
Unrecognized transition obligation	4	5
Unrecognized prior service cost	27	9
NET AMOUNT RECOGNIZED	(259)	(263)

Components of net periodic cost:

	2000	1999
	(in millions of euros)	
Service cost	17	15
Interest cost	37	39
Expected return on plan assets	(28)	(28)
Amortization of transition obligation	1	1
Amortization of prior service cost	2	1
Amortization of recognized actuarial gain/loss	—	6
Effect of curtailments	—	2
Effect of settlements	—	—
Special termination benefit	—	2
Amortization of unrecognized items	—	—
Net periodic benefit cost	29	38

The pension funds are mostly invested in public and private bonds (about 50%), equity interests (about 30%), and short-term investment securities.

Note 14
Accrued contract costs and other reserves

a) Analysis by type

	2000	1999	1998
	(in millions of euros)		
Accrued contract costs	72	82	108
Reserves for restructuring	57	115	162
Other reserves	52	60	95
Total	181	257	365

Accrued contract costs relate primarily to warranties granted to customers, cost of completed billed contracts, contract losses and penalties relating to commercial contracts.

b) Analysis of reserves for restructuring

	2000	1999	1998
	(in millions of euros)		
Opening balance	115	162	156
Expensed during year	(92)	(112)	(101)
New plans and adjustments to previous estimates	30	60	104
Effect of acquisition (disposal) of combined subsidiaries	4	3	4
Currency translation adjustments and others	—	2	(1)
Closing balance	57	115	162

A plan aimed at adapting the level of workforce and rationalizing manufacturing facilities and distribution activities of the Telecom and Cables sectors was set up in 1995 for the three year period 1996/1998 and mainly concerned the subsidiaries in France, Germany, Spain, Italy and Belgium. This plan was completed in 1999.

The main activities concerned by the new 1998 plans are as follows: the closing of the Hochelaga site in Canada, Stadthagen and Berlin in Germany, the resizing of high-voltage site in Halden, Norway as well as the Cossonay site in Switzerland.

For 1999, restructuring costs mainly relate to the closing of Salles and Reims sites in France, and of the Hamburg and Stadthagen sites in Germany.

In 2000, besides the continuation of the closing of the Hambourg and Stadthagen sites in Germany, the restructuring costs mainly relate to some rationalization in the Energy division of the Calais and Lens site in France, Charleroi in Belgium, Latina in Italy and Cortaillod in Switzerland.

The main activities concerned by accrued for restructuring costs in 2000 are the high-voltage activity in Switzerland and the energy activity in Italy.

Note 15
Financial debt

For pro forma combined financial statements purpose, the theoretical debt as of January 1st 1998 was reconstructed retroactively, taking into account the cash flows generated by the operational activities and a notional dividend payment amounting to EURO 25 million.

a) Analysis by type

	2000 (in millions of euros)
Short-term borrowings and bank overdrafts	203
Capital lease obligations	—
Accrued interest	2
Total	205

b) Analysis by maturity date

	2000 (in millions of euros)
Short-term financial debt	193
2002	3
2003	2
2004	2
2005	2
2006 and thereafter	3
Long-term financial debt*	12
Total	205

* See note 1(p).

c) Long term debt

Analysis by currency and interest rate:

	2000	
	Weight average rate	In millions of euros
Euro	4.50%	7
French franc	4.15%	2
Deutsche mark	6.50%	2
U.S. dollar	—	—
Pound sterling	—	—
Other	—	—
Total	4.81%	12

d) Short term debt

Analysis by currency and interest rate:

	2000	
	Weight average rate	In millions of euros
Euro	5.54%	90
French franc	4.32%	5
Deutsche mark	6.50%	2
U.S. dollar	5.20%	56
Pound sterling	6.57%	3
Other	12.29%	37
Total	6.75%	193

Note 16
Customers' deposit and advances

	2000	1999	1998
	(in millions of euros)		
Advance payments received on long term contracts	21	20	11
Other deposit advances received from customers	11	13	18
Total customers' deposits and advances	32	33	29

Note 17
Other payables

Analysis is as follows, after appropriation:

	2000	1999	1998
	(in millions of euros)		
Accrued payable and other	168	148	175
Social payables	140	150	122
Accrued taxes	67	83	106
Deferred taxes *	39	45	75
Dividends to be paid	—	—	—
Government grants	6	8	11
Total	420	434	489

* See Note 6(c).

Note 18
Commitments and contingencies

	2000	1999	1998
	(in millions of euros)		
Guarantees given on contracts and others	279	284	342
Discounted notes receivables	3	8	15
Secured borrowings	33	33	—
Commitments to buy or sell forward raw materials or goods	53	42	53
Commitments to purchase fixed assets	33	43	27
Total	401	410	437

Guarantees given on long-term contracts consist of performance bonds issued to customers and bank guarantees given to secure advance payments received from customers. In the event that, due to occurrences, such as delay in delivery or litigation related to failure in performance on the underlying contracts, it becomes likely that Nexans will become liable for such guarantees, the estimated risk is reserved for on the combined balance sheet under the line item ''Accrued contract costs and other reserves'', see Note 14.

Note 19
Market-related exposures

In 1996, Alcatel's group has decided to centralize treasury management in order to minimize the Group's exposure to market risks: foreign exchange risk, interest rate risk and credit risk. These risk management policies are conducted as part of Alcatel global policy and it's not possible to identify precisely risk management transaction corresponding to the operating combined perimeter of the Group.

Metal price risk

The Group enters into futures contracts on the London Metal Exchange in order to reduce its exposure to market fluctuations on its copper and aluminum firm position.

At December 31 2000, 1999 and 1998, the copper and aluminum net position on futures contracts were as follows:

	December 31 2000		December 31 1999		December 31 1998	
	Tons	Millions of euros	Tons	Millions of euros	Tons	Millions of euros
Open position (long) at purchase cost	17,150	36	43,400	70	80,150	112
At market value	17,150	32	43,400	79	80,150	98
Profit (loss)		(4)		9		(14)

These unrealized profit (loss) are substantially offset by unrealized loss (profit) on the firm position, resulting in an net profit of EURO 8 million at December 31, 2000 (net unrealized profit of EURO 1 million at December 31 1999; net unrealized profit of EURO 1 million at December 31 1998).

Note 20
Payroll and staff

	2000	1999	1998
	(in millions of euros and number of staff)		
Wages and salaries (including social security/pension costs)	831	899	933
Of which remuneration of executive officers of the Group	2.3	1.9	1.5
Employee profit sharing	4	9	7
Staff of combined companies at year end	18,186	18,373	19,545

Note 21
Contingencies

As part of its normal activities, Nexans is liable of various requests principally related to environmental matters and contract disputes. Nexans is also involved in products liability claims, including a claim in its early stages by a manufacturing facility in Canada naming Nexans and other cable manufacturers in Canada with respect to property damage in connection with a fire. Considering Nexans reserve policy, insurance, evaluation of the likelihood of recovery and the effect of such claims, Nexans does not consider that theses current or anticipated litigations will have a material adverse effect on it financial condition and results of operations.

Note 22
Main combined companies*

Company	Country	% control	% interest	Combination method
Nexans SA	France	100.0	100.0	Global
Nexans France	France			
Nexans Benelux	Belgium	99.6	99.6	
Nexans Suisse	Switzerland			
Nexans Canada Inc.	Canada			
Nexans Italia Spa	Italy			
Nexans Wires	France			
Nexans Deutschland Industries AG & Co	Germany	99.72	99.42	
Nexans USA Inc	United States			
Nexans Holding Norway A/S	Norway			
Nexans Maroc(1)	Morocco	56.52	56.52	
Lacroix & Kress GmbH	Germany	100.0	99.42	
Société de Coulée Continue de Cuivre	France			

(1) Company publicly traded.

* Percentage of control and interest equal 100% except if specified.

Note 23
Principles of drawing-up the pro forma accounts

The pro forma Combined Financial Statements do not necessarily reflect Nexans financial position, results of operations and cash flows as they would have been had NEXANS been formed on January 1st, 1998 and operated autonomously before December 31, 2000. Moreover, these financial statements may not reflect what will be the Group's financial position, results and net cash position in the future.

The pro forma Combined Financial Statements were established on the basis of Alcatel's accounting principles and consistent with the assumptions considered as reasonable by NEXANS management. These financial statements are mainly based on the relevant historical financial information extracted from Alcatel's consolidated financial statements for the concerned fiscal years, and include all the significant restatements considered as necessary. The main assumptions used for the established pro forma combined financial statements are described below.

No notes to the historical combined financial statements have been prepared, as it has been considered more appropriated to prepare notes to the pro forma combined financial statements which better reflect the future structure of NEXANS business.

(a) The new operating scope

The operating scope of the Group differs from the legal and historical scope. Indeed, the operating carving out of the activities resulted in some cases in the legal separation through partial business transfers, in other cases in the signing of an operator/user Alcatel/Nexans contract. It concerns mainly the following activities:

— Optical fiber and optical fiber cable activities in France, Spain and Germany;

— Radio Frequency System (RFS) activity in Germany;

— Taking into account of the effects of the signing of an operator/user contract in Switzerland and in Brazil in order to reflect respectively the manufacture of fibers by means of preform molding for Alcatel and the manufacture of copper telecommunications cables by Alcatel for Nexans;

— Alcatel STK's real estate assets and pension fund assets, held by the Alcatel group; and

— Restatement of the remaining restructuring reserves at December 31, 2000 related to Nexans sites but which will be paid by Alcatel.

(b) The new financial structure of the group

For pro forma combined financial statements purpose, the theoretical debt as of January 1st 1998 was reconstructed retroactively, taking into account:

— Cash flows generated by the operating activities, and

— Notional dividend of EURO 25 million.

The financial costs were consequently adjusted on the basis of historical costs of Alcatel debt plus 50 basis point.

(c) Effect of the legal reorganization in order to constitute the group

The transfer of securities in order to constitute the new group was carried out on the basis of the value in use estimated by Alcatel at EURO 1,200 million excluding debts. The purpose of this adjustment is to conform to such value.

On the reverse side, interests in subsidiaries historically held by the Group business as of June 30, 2000 are considered as sold as of January 1, 1998 on the basis of EURO 45 million which represents their historical value as of June 30, 2000.

The effects of these adjustments are detailed in the following tables:

2000

Condensed income statements	Combined	Operating carving out (a)	Financial Structure (b)	Reorganiz-ation (c)	Pro forma
	(in millions of euros)				
Net sales	5,348	(565)			4,783
Gross profit	756	(109)			647
Income from operations	230	(61)			169
Financial income (loss)	(20)				(20)
Restructuring costs	(30)				(30)
Other revenue (expense)	103		(102)		1
Net income before income tax and amortization of goodwill	283	(61)	(102)		120
Income tax	(32)		(8)		(40)
Amortization of goodwill	(14)			14	—
Minority interests	5				5
Net income, group share	232	(61)	(110)	14	75

Condensed balance sheet	Combined	Operating carving out (a)	Financial Structure (b)	Reorganiz-ation (c)	Pro forma
	(in millions of euros)				
Intangible assets, net	165			(160)	5
Property, plant and equipment, net	826				826
Investments and other non-current assets net	63				63
Total non-current assets, net value	1,054			(160)	894
Inventories and work in progress, net value	704				704
Receivables, net value	1,165				1,165
Cash and cash equivalents	129				129
Total current assets	1,998				1,998
Total assets	3,052			(160)	2,892
Combined net assets	1,271			(160)	1,111
Minority interests	49				49
Reserve for liabilities and charges	440				440
Financial debt	205				205
Other liabilities	1,087				1,087
Total liabilities	3,052			(160)	2,892

NOTES TO UNAUDITED COMBINED PRO FORMA FINANCIAL STATEMENTS — (Continued)

Condensed statement of cash flows	Combined	Operating carving out (a)	Financial Structure (b)	Reorganization (c)	Pro forma
		(in millions of euros)			
Working capital provided by operations	133		13		146
Net cash provided (used) by operations activities	22		9		31
Net cash provided (used) by investing activities	(1,908)		(198)	1,856	(250)
Cash flow from financing activities	1,836	69	(27)	(1,901)	(23)
Net effect of exchange rate changes	(5)				(5)
Net increase (decrease) in cash and cash equivalents	(55)	69	(216)	(45)	(247)
(Debt net)/cash net, at beginning of year	(21)	(69)	216	45	171
(Debt net)/cash net, at end of year	(76)				(76)

1999

Condensed income statements	Combined	Operating carving out (a)	Financial Structure (b)	Reorganization (c)	Pro forma
		(in millions of euros)			
Net sales	4,505	(323)			4,182
Gross profit	730	(101)			629
Income from operations	181	(43)			138
Financial income (loss)	(31)		31		—
Restructuring costs	(60)				(60)
Other revenue (expense)	80				80
Net income before income tax and amortization of goodwill	170	(43)	31		158
Income tax	(25)		(6)		(31)
Amortization of goodwill	(22)			22	—
Minority interests	6				6
Net income, group share	117	(43)	25	22	121

Condensed balance sheet	Combined	Operating carving out (a)	Financial Structure (b)	Reorganiz-ation (c)	Pro forma
		(in millions of euros)			
Intangible assets, net	148			(144)	4
Property, plant and equipment, net	895	(147)			748
Investments and other non-current assets net	102			(45)	57
Total non-current assets, net value	1,145	(147)		(189)	809
Inventories and work in progress, net value	683	(60)			623
Receivables, net value	1,098	(86)			1,012
Cash and cash equivalents	498				498
Total current assets	2,279	(146)			2,133
Total assets	3,424	(293)		(189)	2,942
Combined net assets	1,222	(278)	213	(144)	1,013
Minority interests	84				84
Reserve for liabilities and charges	536	(16)			520
Financial debt	518	67	(213)	(45)	327
Other liabilities	1,064	(66)			998
Total liabilities	3,424	(293)	—	(189)	2,942

Condensed statement of cash flows	Combined	Operating carving out (a)	Financial Structure (b)	Reorganiz-ation (c)	Pro forma
		(in millions of euros)			
Working capital provided by operations	169	(69)	25		125
Net cash provided (used) by operations activities	247	(70)	25		202
Net cash provided (used) by investing activities	(113)	31		(6)	(88)
Cash flow from financing activities	35	22	(82)		(25)
Net effect of exchange rate changes	(10)			(1)	(11)
Net increase (decrease) in cash and cash equivalents	159	(17)	(57)	(7)	78
(Debt net)/cash net, at beginning of year	(180)	(52)	260	65	93
(Debt net)/cash net, at end of year	(21)	(69)	202	59	171

1998

Condensed balance sheet	Combined	Operating carving out (a)	Financial Structure (b)	Reorganiz-ation (c)	Pro forma
		(in millions of euros)			
Net sales	4,643	(313)			4,330
Gross profit	767	(99)			668
Income from operations	214	(39)			175
Financial income (loss)	(34)		32		(2)
Restructuring costs	(104)				(104)
Other revenue (expense)	2				2
Net income before income tax and amortization of goodwill	78	(39)	32		71
Income tax	11		(6)		5
Amortization of goodwill	(24)			24	—
Minority interests	4				4
Net income, group share	61	(39)	26	24	72

Condensed balance sheet	Combined	Operating carving out (a)	Financial Structure (b)	Reorganiz-ation (c)	Pro forma
		(in millions of euros)			
Intangible assets, net	161			(159)	2
Property, plant and equipment, net	862	(133)			729
Investments and other non-current assets net	122			(45)	77
Total non-current assets, net value	1,145	(133)		(204)	808
Inventories and work in progress, net value	677	(54)			623
Receivables, net value	1,138	(76)			1,062
Cash and cash equivalents	373				373
Total current assets	2,188	(130)			2,058
Total assets	3,333	(263)		(204)	2,866
Combined net assets	1,029	(257)	276	(159)	889
Minority interests	76				76
Reserve for liabilities and charges	650	(8)			642
Financial debt	552	49	(276)	(45)	280
Other liabilities	1,026	(47)			979
Total liabilities	3,333	(263)	—	(204)	2,866

Condensed statement of cash flows	Combined	Operating carving out (a)	Financial Structure (b)	Reorganiz-ation (c)	Pro forma
		(in millions of euros)			
Working capital provided by operations	195	(56)	26		165
Net cash provided (used) by operations activities	342	(82)	26		286
Net cash provided (used) by investing activities	(88)	13		(19)	(94)
Cash flow from financing activities	68	—	(93)		(25)
Net effect of exchange rate changes	1				1
Net increase (decrease) in cash and cash equivalents	323	(69)	(67)	(19)	168
(Debt net)/cash net, at beginning of year	(503)	18	327	82	(76)
(Debt net)/cash net, at end of year	(180)	(51)	260	64	93

Combined statements of change in net assets	Combined net assets	Pro forma adjustment	Combined pro forma net assets
		(in millions of euros)	
December 31, 1997	957	(40)	917
Appropriation of net income and dividend	(107)	82	(25)
Translation adjustments	(75)	—	(75)
Net income	61	11	72
Other	193	(193)	
December 31, 1998	1,029	(140)	889
Appropriation of net income and dividend	(67)	42	(25)
Translation adjustments	28	—	28
Net income	117	4	121
Other	115	(115)	
December 31, 1999	1,222	(209)	1,013
Appropriation of net income and dividend	(54)	29	(25)
Translation adjustments	52	(5)	47
Net income	232	(157)	75
Other	(181)	181	—
December 31, 2000	1,271	(160)	1,111

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