Nexans

2005 Half Year Results

July 21, 2005

**Gérard Hauser**

# Safe Harbor

This presentation contains forward-looking statements relating to the Group's expectations for future financial performance, including sales and profitability, as well as an estimation of the impact that the IAS / IFRS accounting standards will have on its results.

Forward looking statements

The forward looking statements contained in this presentation are dependent on known and unknown risks, expectations and assumptions, uncertainties and other factors which may cause the Group's actual results, performance and objectives to be materially different from those indicated by the forward looking statements.

These forward looking statements depend amongst others on the following assumptions and risks : (1) an increase in demand as a result of a marked improvement in the world economy; (2) recovery of the building and winding wire markets; (3) the possibility to pass on to final customers increases in the costs of raw materials, energy and transport; (4) telecom operators returning to normal levels of infrastructure spending, particularly in the Group's export countries; (5) the management of risks associated with sales in turnkey projects; (6) the effect of metal price and currency fluctuations being neutral; (7) the Company being able to reduce its cost base through realization of restructuring actions in the anticipated time frame; (8) the Company being able to achieve productivity improvements; and (9) the Company successfully integrating acquisitions.

Impact of new accounting standards

The financial information for the year 2004 and first semester 2005 on the expected financial impact of the transition to IFRS was prepared by applying the IFRS standards and interpretations that the Nexans Group considers it will have to apply when preparing the comparative consolidated financial statements as of 31 December 2005. The basis for preparing the financial information set out in the following presentation is thus:

- IFRS standards and interpretations that are of mandatory application as of 31 December 2005 as they are known at this date;
- Those options and exemptions which the Group has applied and which in all likelihood it will use in the preparation of its first IFRS consolidated financial statements in 2005.

Given these facts, it is possible that the audited opening balance sheet may not be the opening balance sheet as of 1 January 2004 on the basis of which the consolidated financial statements for the 2005 financial year will actually be prepared and that the IFRS incomes for the year 2004, and for the first semesters 2004 and 2005, as well as the balance sheet as of 31 December 2004 and as of 30 June 2005 presented below will be changed in the course of the second half of the 2005 financial year.

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# HY1 2005
# Marked increase in profitability

**Sales (IFRS 5) = *2,016 M€***
**+ 3 % current consolidation scope**
**+ 1.3 % organic**

**Growth concentrated in cable business (+ 4.2 % ) with high margins**

**Electrical wires down (- 10%)**

**Op. Margin = 72 M€**
**+ 36 %**

**Return on sales = 3.6 % versus 2.7 % at HY1 04**

**Operating leverage boosted**

**BUSINESS MIX REORGANIZATION**

**Divestiture of Winding Wires in Europe : final signature imminent**

**Distribution Norway: Sale agreement signed on July 19**

**New investments planned (Russia, Asia)**

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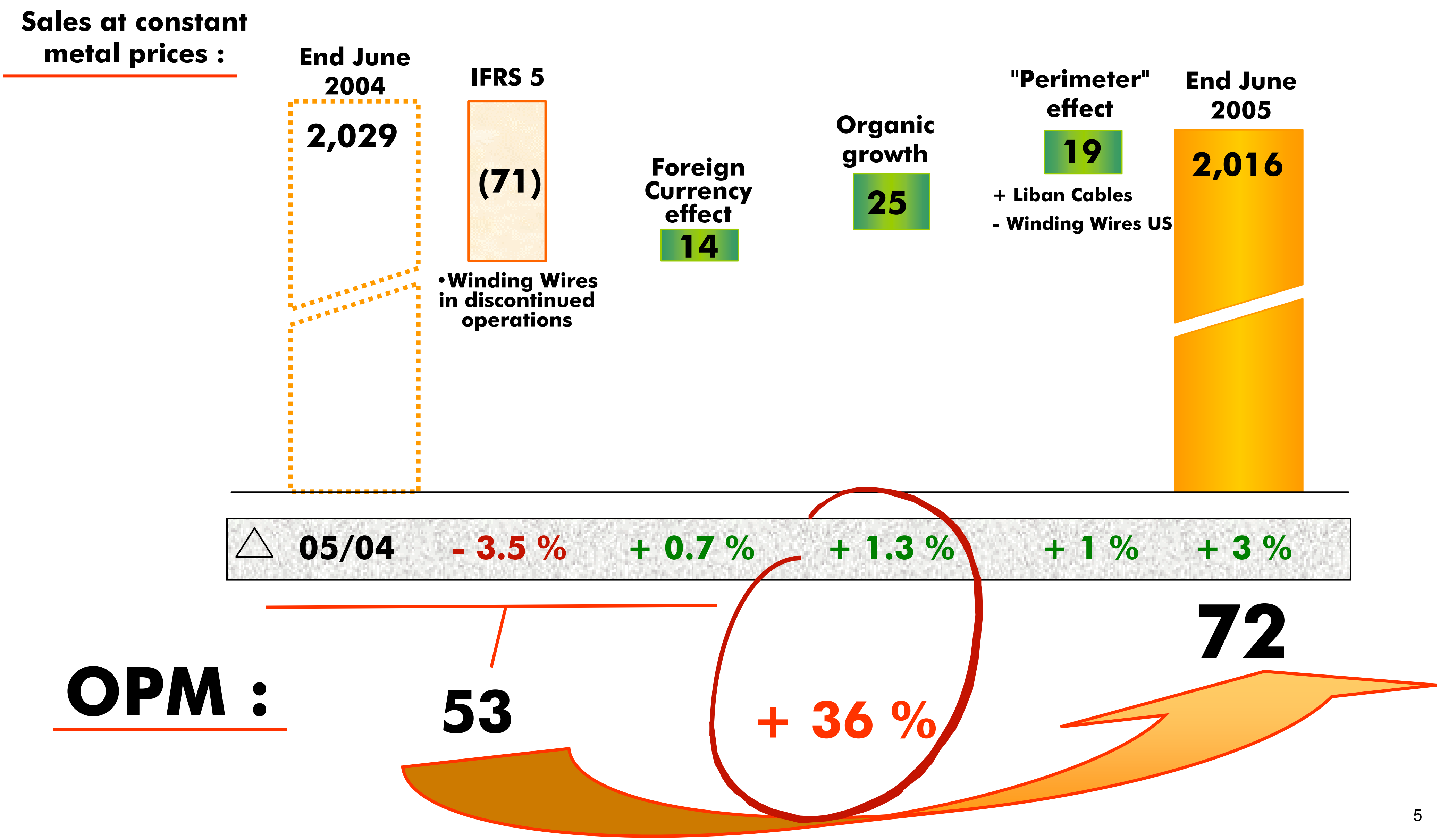
# Key Figures

| (in Million €) | HY1 04 | HY1 05 |
|---|---|---|
| Sales at current metal prices | 2,307 | 2,465 |
| Sales at constant metal prices | 1,959 | 2,016 |
| Sales at constant metal prices and exchange rates | 1,973 | 2,016 |
| EBITDA | 99 | 121 |
| EBITDA margin | 5 % | 6 % |
| **Operating margin** | **53** | **72** |
| Operating margin rate | 2.7 % | 3.6 % |
| **Net income (group share)** | **35** | **16** |
| **Operating Cash Flow (*)** | **61** | **72** |

(*) Cash flow provided by operations not including restructuring expenses

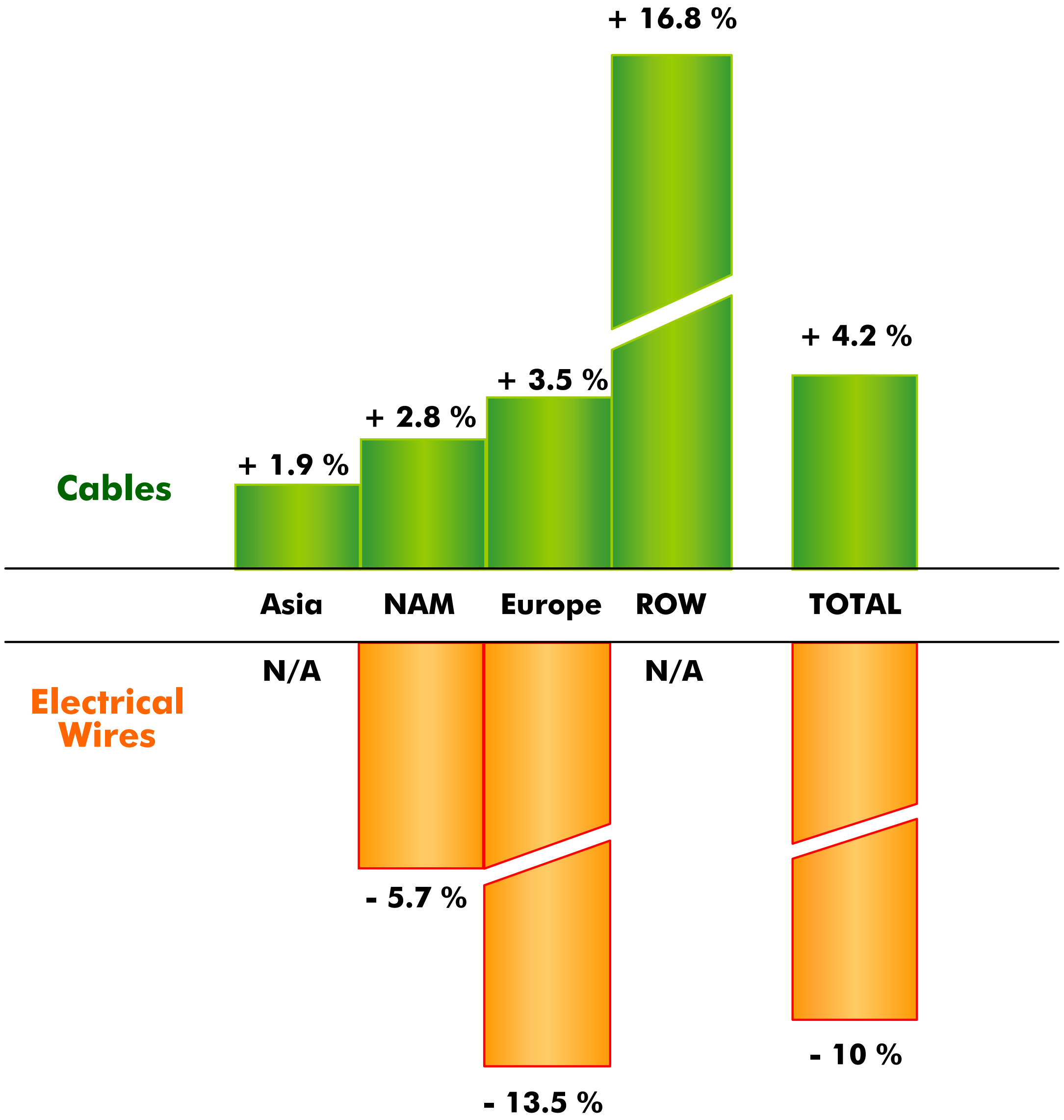
# 2005 First Half Year Sales
## More profitable growth

(in Million €)



# 2005 First Half Year
## Growth driven by "Cables"

**Organic annual growth (HY1 05 / HY1 04)**




- **Cable growth : + 4.2 %**
  - High value added products with lower copper content

➔ High impact on margin

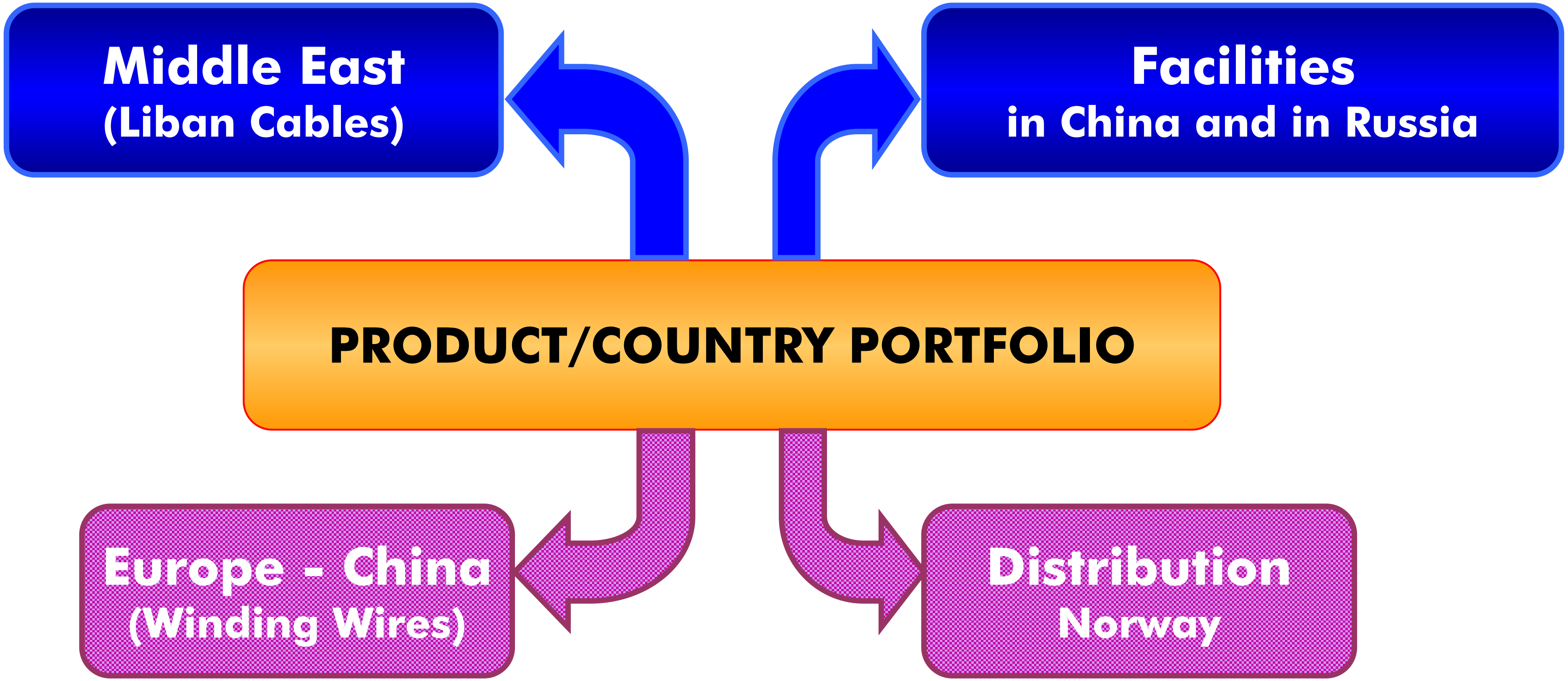
**OPM : + 23 M€**
**(mainly organic)**

- **Electrical wires down**
  - Low value added products with higher copper content

➔ Low impact on margin

**OPM : - 2 M€**

# Business mix



# Divestiture of Winding Wires

- **Announced**
  - Includes the bulk of the activity in Europe and the shareholding in Nexans Tianjin in China (80%)
  - Creation of a Joint-Venture with majority-owned by Superior Essex (removal from consolidation scope)
  - Reduction of the debt by 40 to 50 M€ (8 M€ China – 32 / 42 M€ Europe)
- **Achieved**
  - Agreement on the European perimeter (imminent signature)
  - Joint-Venture held 60 % by Superior Essex and 40 % by Nexans
  - Selling price of 35 M€ (Europe only)
- **Impacts**
  - Application of IFRS 5 (single line presentation)
  - Impact on net income of – 19 M€  recorded in "discontinued operations"
  - Still to complete : Nexans Tianjin

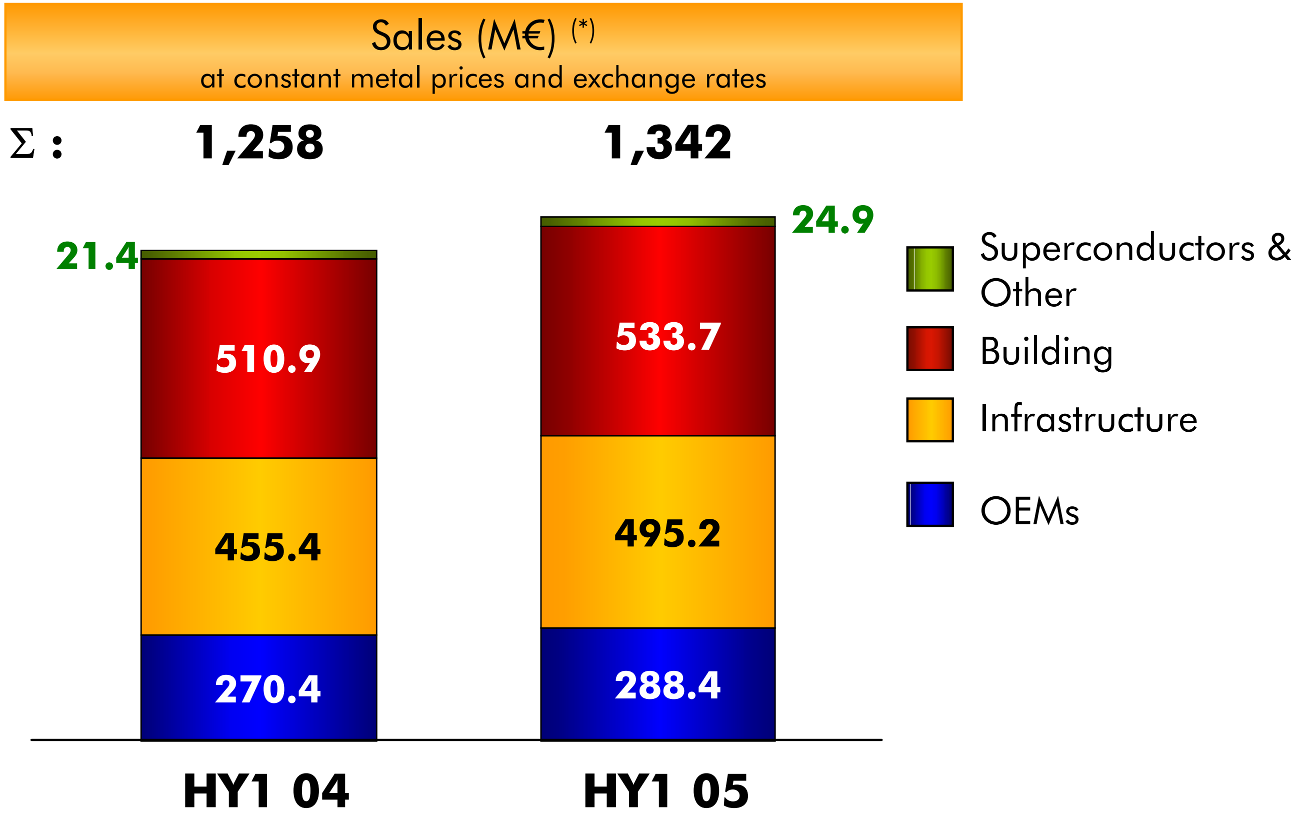
# Divestiture of the "Distribution" business in Norway

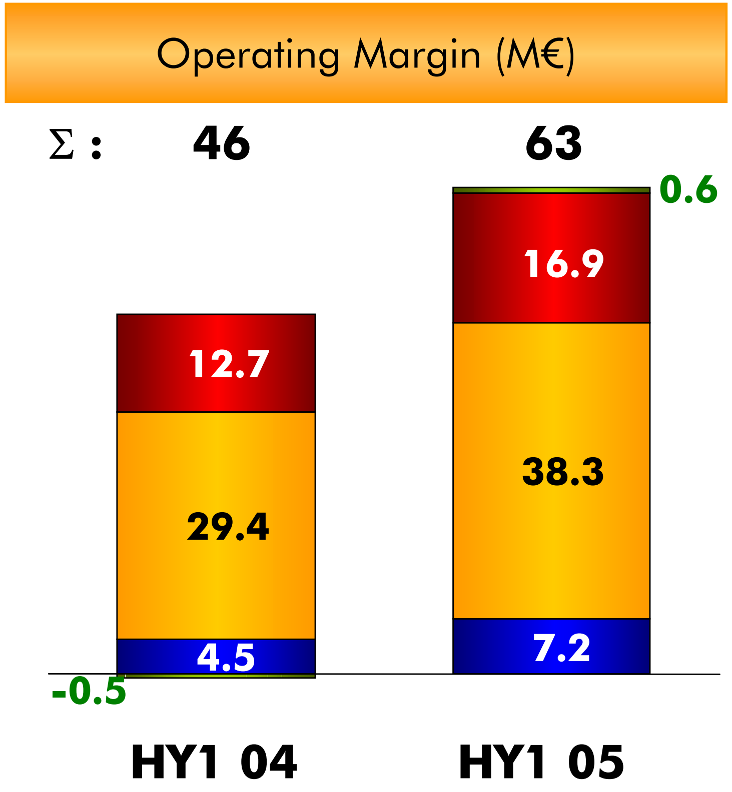
- Nexans Distribution (Norway) sold to Ahlsell
- Signed on July 19, 2005
- "Closing" planned on September 2005
- Sales : 118 M€ in 2004
- Headcount : 290
- Selling price : 45 M€
- Capital gain : approximately 34 M€ to be booked in HY2 05

# Strong improvement in profitability

| (in Million €) Sales at constant metal prices and exchange rates | HY1 04 | | | HY1 05 | | |
|---|---|---|---|---|---|---|
| | **Sales** | **OPM** | **%** | **Sales** | **OPM** | **%** |
| Energy | 1,258 | 46 | 3.7 % | 1,342 | 63 | 4.7 % |
| Telecom | 273 | 4 | 1.5 % | 292 | 10 | 3.4 % |
| Electrical wires | 437 | 5 | 1 % | 377 | 3 | 0.7 % |
| Other | 5 | (2) | - | 5 | (4) | - |
| **Total** | **1,973** | **53** | **2.7 %** | **2,016** | **72** | **3.6 %** |

# Energy



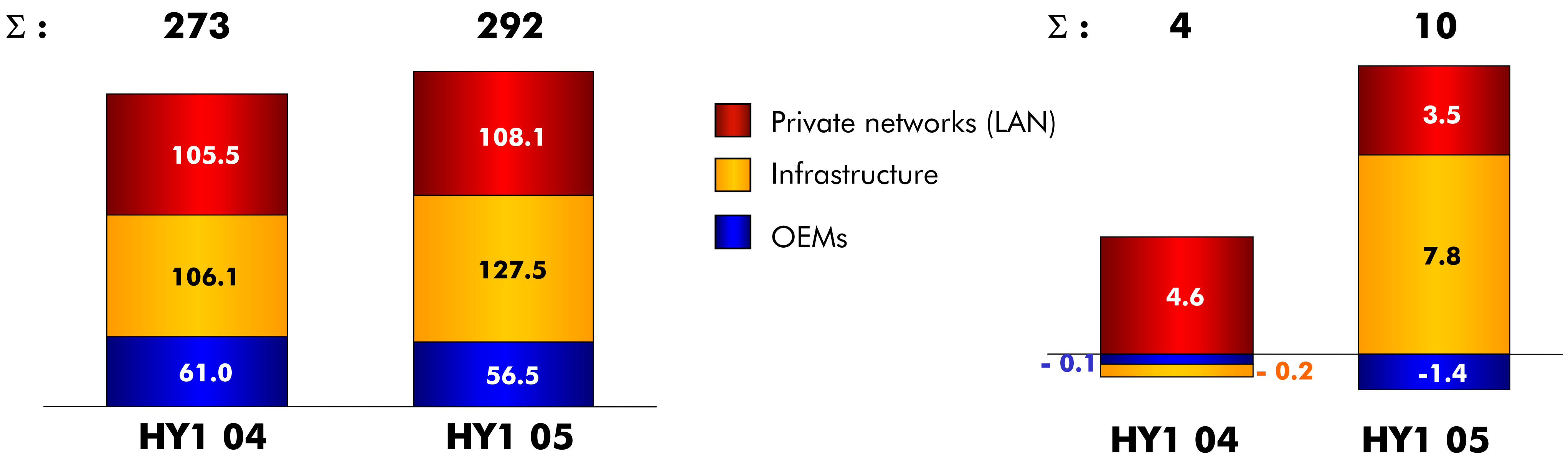

- OEMs : Further recovery in industry in a flat European context
- Building : Healthy market in a context of rising prices
- Infrastructure : Markets doing well

(*) *Annual change in sales = + 4.5 % at constant consolidation scope*

Telecom

Sales(M€) (*)
at constant metal prices and exchange rates

Operating Margin (M€)



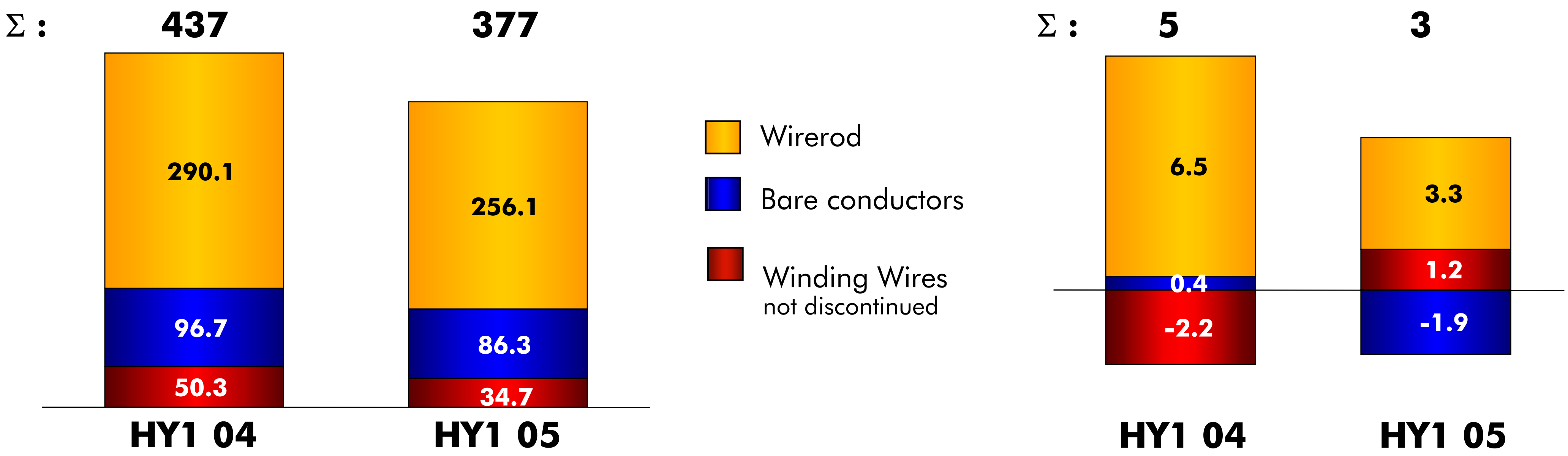

- Infrastructure : Good performance driven by XDSL / Triple Play applications
- Private networks : Steady in Europe but slightly less favorable mix in the United States
- OEMs : Weak European industrial context despite an acceleration in the aerospace sector

(*) *Annual change in sales = 3.3 % at constant consolidation scope*

# Electrical Wires

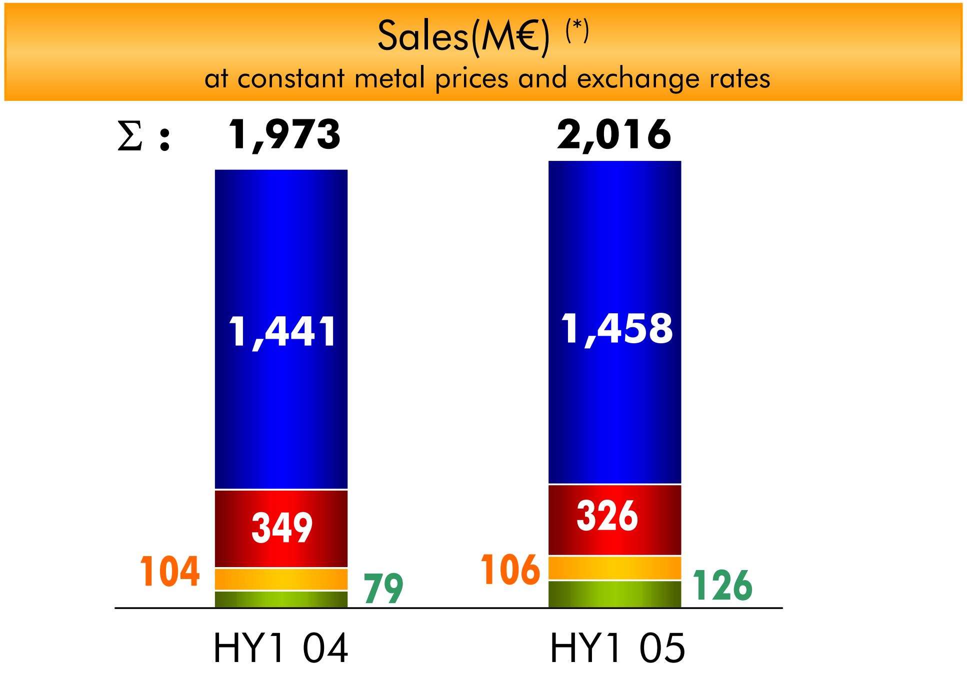
Sales(M€) (*)
at constant metal prices and exchange rates

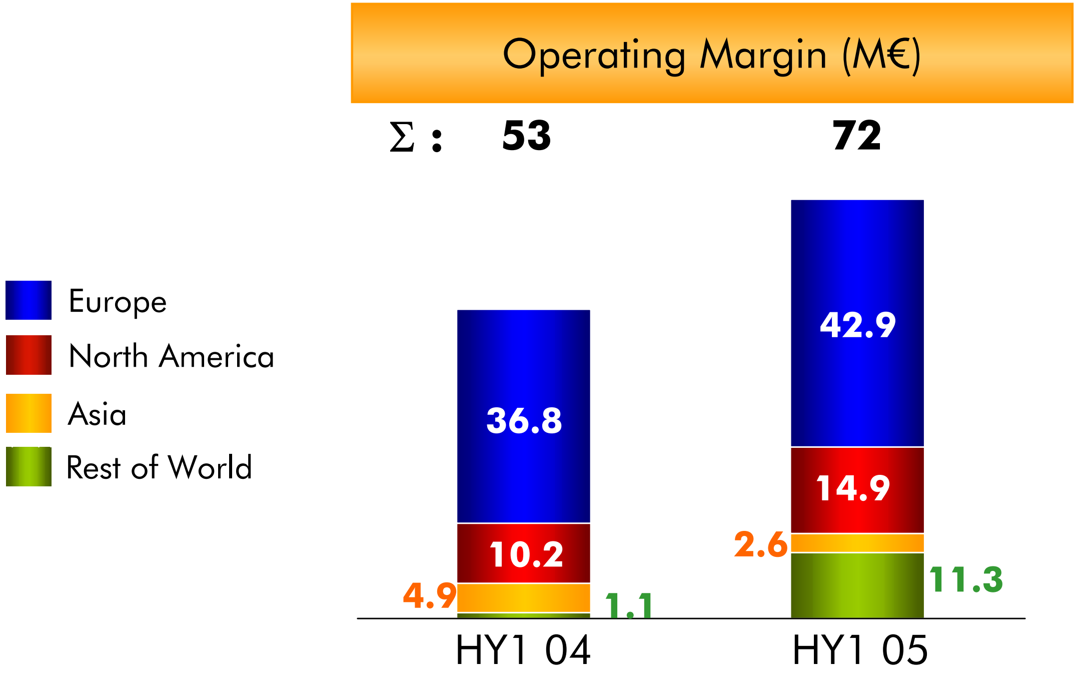
Operating Margin (M€)




- Wirerod and bare conductors
  - Competitiveness impacted by the change in the CAD/USD exchange rate
  - End of a captive outlet after the disposal in 2004 of the Winding Wire business in the US
  - European volumes down mainly external
- Winding Wires not discontinued (basically Canada)
  - Improved profitability

# Geographical Areas
## Marked progress




- **Europe :**
  - Products with higher value added and significantly restructured production facilities
- **North America :**
  - Very high basis effect (HY1 2004 = + 13%) explaining slower but still very profitable growth
- **Asia :**
  - Stronger competition and Chinese activity in launch phase
- **Rest of World :**
  - Strong growth in energy networks (Brazil, Turkey, Morocco)
  - Successful integration of Middle East acquisitions

# Financial Results

**Frédéric Vincent**

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# First reporting under IFRS

**Main effects**

- **Sales : "Removal" (IFRS 5) of winding wires business**
- **Copper positions marked to market**

Very little impact on income

- **Booking of discounted receivables in financial debt**
- **Reclassification of core exposure as fixed assets**

Reclassification with no impact on income or shareholders' equity

- **Restatement of pension plans and booking of actuarial differences**
- **Other**

Net impact on shareholders' equity = 67 M€

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# Profit & Loss Account

| (in Million €) | HY1 2004(*) | | 2004 (*) | | HY1 2005 | |
|---|---|---|---|---|---|---|
| Sales at constant metal | 1,959 | | 4,034 | | 2,016 | |
| Margin on variable costs | 493 | 25.1 % | 1,021 | 25.3 % | 527 | 26.1 % |
| Indirect costs | (394) | | (800) | | (406) | |
| EBITDA(**) | 99 | 5 % | 221 | 5.5 % | 121 | 6 % |
| Depreciation | (46) | | (90) | | (49) | |
| **Operating margin** | **53** | | **131** | | **72** | |
| *Operating margin rate (%)* | *2.7 %* | | *3.3 %* | | *3.6 %* | |
| Income from metal trading | - | | - | | 0 | |
| Financial charge | (8) | | (35) | | (16) | |
| Restructuring | (11) | | (36) | | (7) | |
| Other revenue | 10 | | 16 | | 1 | |
| Income before tax | 44 | | 76 | | 50 | |
| Income tax | (10) | | (19) | | (12) | |
| **Net income from operations** | **34** | | **57** | | **38** | |
| Net income from discontinued operations | 4 | | 6 | | (19) | |
| Minority interests | (3) | | (5) | | (3) | |
| **Net income (group share)** | **35** | | **58** | | **16** | |

(*) Excluding IAS 32 and 39 implemented as of January 1st, 2005 (**) Operating margin before depreciation

# Spotlight on discontinued operations

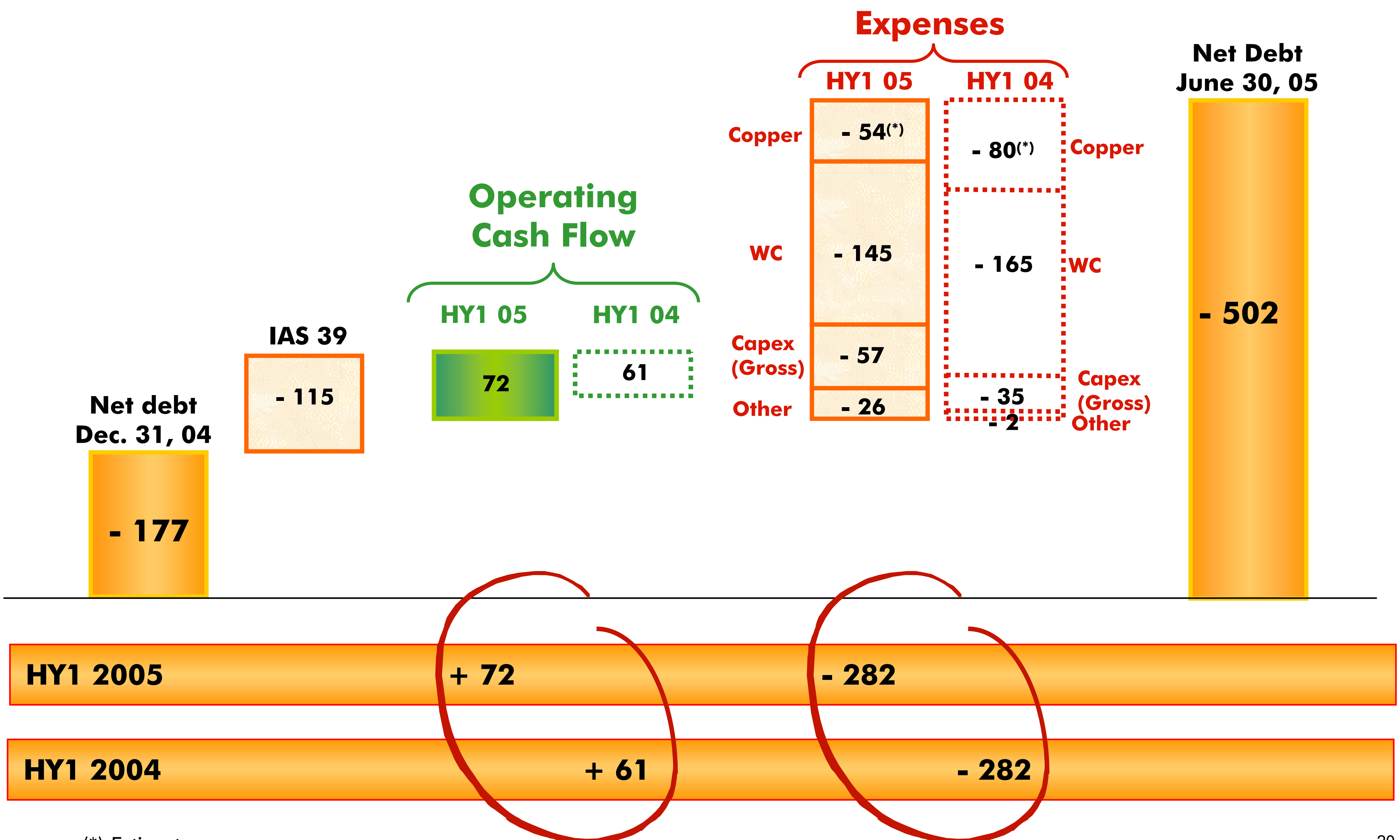
| (in Million €) | HY1 2005 |
| --- | --- |
| Sales at constant metal | 120 |
| Inter-company sales | (48) |
| **Net sales** | **72** |
| | |
| Operating Margin | 2 |
| "Impairment" / Restructuring | (21) |
| **Net income from discontinued operations** | **(19)** |
| | |
| Headcount | 1,032 |
| Capital employed (M€) | 57 |

# Cash flow statement

| (in Million €) | HY1 2004 Proforma | HY1 2005 IFRS |
|---|---|---|
| Net income (incl. Minority interests) | 37 | 19 |
| Net income from discontinued operations | | 19 |
| Depreciation and Amortization | 46 | 47 |
| Other non-cash items | (22) | (13) |
| **Operating Cash Flow (*)** | **61** | **72** |
| Capital expenditure (net of disposals of 17 M€ in 04 et 6 M€ in 05) | (18) | (51) |
| Change in Working Capital | (245) | (199) |
| Cash impact of acquisitions | (4) | (7) |
| Restructuring cashed-out | (13) | (19) |
| Dividend paid | (9) | (10) |
| Other | 6 | 4 |
| **Net (increase)/decrease in Debt** | **(222)** | **(210)** |
| IAS 32 and 39 FTA (of which 130 M€ sales of receivables) | n/a | (115) |
| **Change in Balance Sheet Debt (increase)** | | **(325)** |

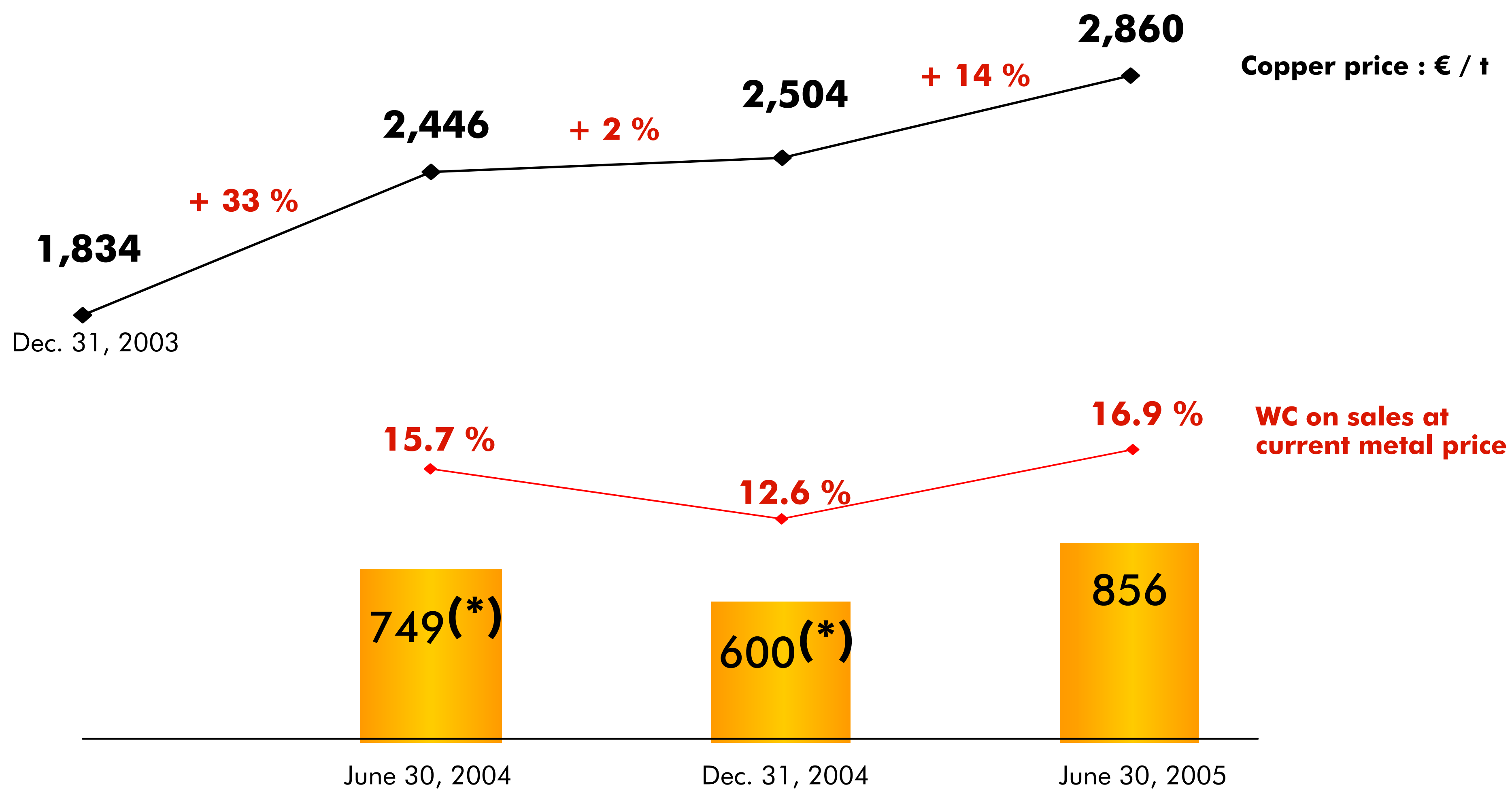
(*) Cash flow provided by operations not including restructuring expenses

# Change in debt (current and non-current)




(*) Estimate

# Working Capital




**(*) Estimate after applying the IFRS standards**

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# Summary Balance Sheet

| (in Million €) | Dec. 31, 04 | June 30, 05 |
|---|---|---|
| Long-term fixed assets | 1,050 | 1,069 |
| Deferred tax assets | 66 | 63 |
| **Non-current assets** | **1,116** | **1,132** |
| Working Capital | 470 | 856 |
| Assets (net) held for sale | 71 | 57 |
| **Total to finance** | **1,657** | **2,045** |
| Net Debt | | |
| Current | 31 | 370 |
| Non-current | 146 | 132 |
| Reserves | | |
| Current | 132 | 105 |
| Non-current | 346 | 359 |
| Deferred tax liabilities | 32 | 29 |
| Shareholders' equity and Minority interests | 970 | 1,050 |
| **Total financing** | **1,657** | **2,045** |

# 2005 Perspectives

- Organic growth between 1.5 % and 2 %
- Operating margin rate between 3.8 % and 4.1 %
- Restructuring ≤ 40 M€
- Capex ≤ 140 M€
- Income from divestiture (Winding Wires & Distribution) ≅ 80 M€
- Net debt of around 320 M€ after divestiture

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