

Notes to consolidated financial statements

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

The Nexans Group, which was created 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 consolidated financial statements of Nexans and its subsidiaries (the "Group") comply with the essential accounting principles described hereafter.

The 2000 and 1999 combined pro forma financial statements of the Group were drawn up on the basis of the combined financial statements (presented in Note 28), which were adjusted to reflect, retroactively, the impact of the following items on the two fiscal years:

- the harmonization of the activities sold, on a comparable basis;
- the projected financial structure of the overall Group as of December 31, 2000;
- 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 28.

The consolidated financial statements of the Group are presented since January 1, 1999, in accordance with the new principles and methodology relative to consolidated financial statements "CRC 99-02" of the "Comité de la Réglementation Comptable".

The "Comité de la Réglementation Comptable" approved the "règlement sur les passifs" (regulation on liabilities) n° CRC 00-06. This regulation is effective from January 1, 2002, with possible anticipated implementation as of January 1, 2000. Nexans did not apply this new principle to the 2001 financial statements. The Group does not anticipate a significant effect from the implementation of this regulation on its financial position at January 1, 2002.

1.a Consolidation methods (combination)

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

1.b Translation of financial statements denominated in foreign currencies

The balance sheets of foreign consolidated 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 shareholders' equity under the line item "Cumulative translation adjustments".

1.c Translation of foreign currency transactions

Foreign currency transactions are translated at the rate of 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 gains and losses are recorded in the income statement.

1.d Research and development expenses

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

- 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 reliably measured,
 - 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.

1.e Intangible assets

Goodwill is amortized using the straight-line depreciation method. Amortization periods are determined independently for each transaction, but never exceed 20 years.

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 fair value. Whenever such review indicates that fair 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 or property, plant and equipment is accounted for to reduce their carrying amount to the estimated fair value.

1.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
– Except for 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.

1.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 their value in use for the Group.

1.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 a percentage-of-completion basis.

1.i Inventories and work in progress

Inventories and work in progress 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.

1.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.

1.k Pension and retirement obligations

In accordance with the laws and practices of each country where the Group is present, 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 calculated according to local accounting standards is recorded under the caption "Other revenue (expense)" in the 1999 income statement.

Furthermore, the financial component of the periodic benefit cost (interest cost after deduction of return on plan assets) is included in the financial income rather than in the income from operations (Note 4).

1.l Reserves for restructuring

Reserves for restructuring costs are provided for when the restructuring programs have been decided and announced before approval 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.

1.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 in the tax rate are recorded in the year in 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 consolidated balance sheet when it is more likely than not that the tax benefit will be realized.

1.n Net sales

Net sales represent sales and revenues issued from the main activities of the Group net of value added taxes (VAT).

1.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.

1.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 are qualified 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.

NOTE 2 CHANGES IN THE CONSOLIDATED COMPANIES

The main changes for 2001 in the consolidated companies are as follows:

- On March 7, 2001, Nexans acquired 51.5 % of the South-Korean company Daesung Cable Co. Ltd (now renamed Nexans Korea) mainly by recapitalization (40 millions of euros). Nexans Korea and its subsidiaries Daeyoung and Vina Daesung are fully-consolidated from March 31, 2001. Davipco, Nexans Tanzania, Nanning Huasun and Speedcom, other subsidiaries of Nexans Korea, are consolidated on an equity basis.

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

- in April 28, 2000 Nexans acquired for 8 millions of euros Safi-Conel, 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 4 million dollars Optech Dai-Ichi Denko, a Portugal-based company. This company is combined from January 1, 1999.

NOTE 3 INFORMATION BY BUSINESS DIVISION AND BY GEOGRAPHICAL AREA

3.a Information by business division

The tables below relate to the following business divisions:

- 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 (low-, medium-, high-voltage and related accessories) and special cables,
- the “Telecom” division, which groups together cables for private telecommunications networks, special cables for electronic applications, junction components for telecommunication network cables, copper cables for public telecommunication 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” represents head office profits and costs not allocated to other activities and eliminations between divisions in trade receivables.

Data related to the divisions applies the same accounting policies used for the company’s consolidated financial statements, as described in the notes to the financial statements. Performance of each division is measured based on income from operations.

<i>in millions of euros</i>	Electrical Wires	Energy	Telecom	Distribution	Other	Total Group
2001						
Net sales at constant metal price	1,102	2,189	836	340	–	4,467
Income from operations	15	80	30	17	(3)	139
Depreciation and amortization*	32	67	34	4	4	141
EBITDA**	47	147	64	21	1	280
Capital expenditures	41	101	40	6	14	202
Property, plant and equipment, net	214	414	222	44	27	921
Inventories and work in progress, net	162	334	101	44	(4)	637
Trade receivables and related accounts, net	142	504	164	56	(5)	861
Total assets from operations, net	518	1,252	487	144	18	2,419
Staff (<i>number of employees</i>)	2,625	9,266	4,372	831	906	18,000
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	185	354	110	28	27	704
Trade receivables and related accounts, net	179	469	198	26	133	1,005
Total assets from operations, net	572	1,155	489	91	228	2,535
Staff (<i>number of employees</i>)	2,672	9,026	4,696	904	888	18,186
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	139	335	105	51	(7)	623
Trade receivables and related accounts, net	166	549	190	55	(143)	817
Total assets from operations, net	461	1,200	437	149	(59)	2,188
Staff (<i>number of employees</i>)	2,709	9,259	4,197	962	1,246	18,373

* Property, plant and equipment excluding amortization of goodwill.

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

3.b Information by geographical area

<i>in millions of euros</i>	France	Germany	Other Europe	North America	Rest of world	Total Group
2001						
Net sales:						
– by subsidiary location	1,472	644	1,508	914	239	4,777
– by geographical market	760	597	1,977	931	512	4,777
Income from operations	24	25	63	5	22	139
Property, plant and equipment, net	207	146	271	193	104	921
Total assets from operations, net	664	334	822	379	220	2,419
Staff (<i>number of employees</i>)	5,281	3,105	5,901	1,940	1,773	18,000

<i>in millions of euros</i>	France	Germany	Other Europe	North America	Rest of world	Total Group
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	693	349	924	430	139	2,535
Staff (<i>number of employees</i>)	5,188	3,243	6,118	2,453	1,184	18,186

<i>in millions of euros</i>	France	Germany	Other Europe	North America	Rest of world	Total Group
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	603	356	773	342	114	2,188
Staff (<i>number of employees</i>)	5,421	3,618	6,023	2,225	1,086	18,373

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

NOTE 4 NET FINANCIAL INCOME (LOSS)

<i>in millions of euros</i>	2001	2000	1999
Net interest (expense) income*	(22)	(2)	6
Dividends	4	1	11
Reserves	(2)	(2)	(3)
Net exchange gain (loss)	2	(2)	3
Financial component of the pension costs	(10)	(10)	(12)
Other financial items (net)	(5)	(5)	(5)
Net financial income (loss)	(33)	(20)	-

* For combined pro forma financial statements purpose, financial expenses of 2000 and 1999 were subsequently adjusted on the basis of the historical cost of the Alcatel debt plus 50 basis points (Note 28).

NOTE 5 OTHER REVENUE (EXPENSE)

<i>in millions of euros</i>	2001	2000	1999
Net capital gains on disposal of fixed assets*	3	1	37
Other (net)**	-	-	43
Total	3	1	80

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

**Of which 32 millions of euros related to a reversal of a tax risk provision in Germany and 10 millions of euros 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**6.a Analysis of income tax charge**

<i>in millions of euros</i>	2001	2000	1999
Current income tax charge	(18)	(43)	(38)
Deferred income tax charge (credit), net	(10)	3	7
Income tax charge	(28)	(40)	(31)

6.b Effective income tax rate

The effective income tax rate can be analyzed as follows:

<i>in millions of euros</i>	2001	2000	1999
Income before taxes	73	120	158
Average income tax rate (in%)	28.2	38.8	38.7
Expected tax	(21)	(46)	(61)
Impact of:			
- Change in accrual on deferred income tax assets	(10)	(4)	17
- Tax credits	3	6	-
- Other permanent differences	-	4	13
Actual income tax charge	(28)	(40)	(31)
Effective tax rate (in%)	38.6	33.6	19.6

Expected tax is the sum of income before taxes multiplied by the local statutory rate for each subsidiary. Average income tax rate is the expected tax divided by the consolidated income before taxes.

6.c Deferred tax balances

Deferred tax assets (liabilities) are included in the following captions of the consolidated balance sheet:

<i>in millions of euros</i>	2001	2000	1999
Other accounts receivable			
- current assets	28	20	24
- non-current assets	9	11	11
Total*	37	31	35
Other payables			
- current liabilities	(7)	(2)	(9)
- non-current liabilities**	(71)	(37)	(36)
Total*	(78)	(39)	(45)
Net deferred tax (liabilities) assets	(41)	(8)	(10)

* See Notes 13 and 21.

** As part of the legal reorganization in the United States, Alcatel and Nexans made definitive in August 2001 the election to the tax regime "338 (H)(10)". This election resulted in a change in the taxable value of the assets of certain US subsidiaries of Nexans. To ensure compliance with Group accounting policies, a deferred tax liability was booked in the financial statements as of December 31, 2001 in the amount of 35 millions of euros. As this deferred tax liability was a direct consequence of the constitution of the Group, it was allocated to the goodwill (see Note 8).

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 assets which are not recognized because of their uncertain recovery amount to respectively: 378, 306 and 305 millions of euros at December 31 2001, 2000 and 1999. These tax assets include part of the tax losses carried forward mentioned in Note 6.d.

6.d Tax losses carried forward

Tax losses carried forward and not yet utilized represent a potential tax saving of 347 millions of euros at December 31 2001, 287 millions at December 31, 2000 and 302 millions at December 31, 1999.

Tax losses carried forward expire as follows:

<i>in millions of euros</i>	2001	2000
Year N+1	15	12
Year N+2	24	9
Year N+3	2	4
Year N+4	7	2
Year N+5 and thereafter	299	260
Total	347	287

NOTE 7 EARNINGS PER SHARE

At December 31, 2001, the capital stock consisted of 25,000,000 shares. Following a share buy back program within the limit of 10% of the capital stock (see Note 15.b), weighted average number of outstanding shares on the period amounts to 24,546,203 and the number of outstanding shares at December 31, 2001 amounts to 23,009,969.

Basic earnings per share are computed on the basis of the weighted average number of shares issued after deduction of the weighted average number of shares owned by consolidated subsidiaries. Diluted earnings per share take into account stock options having a dilutive effect.

The following table presents a reconciliation of the basic earnings per share and the diluted earnings per share:

	2001	2000	1999
Net income <i>(in millions of euros)</i>	30	75	121
Number of shares*	24,546,203	25,000,000	25,000,000
Number of stock options*	88,583	-	-
Number of diluted shares*	24,634,786	25,000,000	25,000,000
Basic earnings per share <i>(in euros)</i>	1.22	3.00	4.84
Diluted earnings per share <i>(in euros)</i>	1.22	3.00	4.84

* Weighted average number on the period.

NOTE 8 GOODWILL OF CONSOLIDATED SUBSIDIARIES, NET

<i>in millions of euros</i>	2001		
	Gross	Cumulated amortization	Net
Nexans Magnet Wire USA Inc. *	19	(1)	18
Nexans USA Inc. *	8	-	8
Nexans Energy USA Inc. *	8	(1)	8
Nexans Kanghua	5	-	4
Total	40	(2)	38

* See Note 6.c.

NOTE 9 PROPERTY, PLANT AND EQUIPMENT**9.a Change in property, plant and equipment, gross**

Gross value <i>in millions of euros</i>	Land	Buildings	Plant equipment and tools	Other	Total
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
Additions	2	17	109	74	202
Disposals	(3)	(23)	(73)	(21)	(120)
Other movements	10	26	75	(33)	78
December 31, 2001	60	633	1,867	358	2,918

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.

9.b Change in accumulated depreciation of property, plant and equipment

Accumulated depreciation <i>in millions of euros</i>	Land	Buildings	Plant equipment and tools	Other	Total
December 31, 1998	5	400	1,265	197	1,867
Depreciation charge	-	27	81	18	126
Write-offs*	-	(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-offs*	(4)	(14)	(70)	(15)	(103)
Other movements	5	(43)	(6)	9	(35)
December 31, 2000	11	404	1,315	203	1,932
Depreciation charge	-	28	93	19	140
Write-offs*	(1)	(22)	(71)	(20)	(114)
Other movements	(2)	(10)	51	(1)	39
December 31, 2001	8	400	1,388	201	1,997

* Accumulated depreciation of fixed assets disposed of.

NOTE 10 OTHER INVESTMENTS AND MISCELLANEOUS, NET*in millions of euros*

	2001			2000	1999
	At cost	Provision	Net value	Net value	Net value
Investments in non consolidated subsidiaries	33	(10)	23	21	21
Loans to non consolidated subsidiaries	34	(5)	29	14	17
Other investments	16	(3)	13	26	17
Total	83	(18)	65	61	55

NOTE 11 INVENTORIES AND WORK IN PROGRESS*in millions of euros*

	2001	2000	1999
Raw materials and goods	170	201	182
Industrial work in progress	119	141	159
Work in progress on long-term contracts	7	11	8
Finished products	404	415	345
Gross value	700	768	694
Valuation allowance	(63)	(64)	(71)
Net value	637	704	623

NOTE 13 OTHER ACCOUNTS RECEIVABLES*in millions of euros*

	2001	2000	1999
Advances and progress payments	4	7	75
Prepaid taxes	39	45	48
Deferred taxes*	37	31	35
Prepaid expenses	10	6	4
Advances made to employees	2	7	4
Other accounts	42	65	29
Gross value	134	161	195
Valuation allowance	(1)	(1)	-
Net value	133	160	195

* See note 6.c.

NOTE 12 TRADE RECEIVABLES AND RELATED ACCOUNTS*in millions of euros*

	2001	2000	1999
Receivables on long-term contracts	72	83	69
Other trade receivables	840	967	802
Gross value	912	1,050	871
Valuation allowance	(51)	(45)	(54)
Net value	861	1,005	817

NOTE 14 MARKETABLE SECURITIES

Marketable securities primarily consist of investments in commercial paper, bonds and other transferable securities.

The market value of these securities, which equals to their net book value, amounts to 87 millions of euros at December 31, 2001 (3,7 millions of euros at December 31, 2000 and 6 millions of euros at December 31, 1999).

NOTE 15 SHAREHOLDERS' EQUITY**15.a Appropriation of the net income**

The Board of Directors has decided to propose to the Annual Shareholders' Meeting a dividend of 0.43 euro per share on the 23.1 million shares existing on June 25, 2002, all of which give the right to receive a dividend. The aggregate distribution of dividends shall be 9.9 millions of euros.

The Annual Shareholders' Meeting of April 2, 2001, which examined the company accounts for the financial year ending December 31, 2000, authorized the distribution of a dividend of 20 millions of euros to Alcatel, the sole shareholder at this date.

So as to reflect the autonomous functioning of the Group, historical recapitalizations and dividends were neutralized. A notional dividend payment amounting to 25 millions of euros per year was taken into account.

15.b Treasury stock

Nexans has set up a share buy back program authorized by the Shareholders' Ordinary Annual General Meeting held on April 2, 2001, in order to optimize return on equity and to carry out transactions to improve earnings per share. The purchase concerns a maximum of 10% of the capital stock over a period of up to eighteen months from the last Shareholders' General Meeting.

As part of this program, 1,990,031 shares had been purchased as of December 31, 2001, for a total of 33 millions of euros. The acquisition cost of these shares is deducted from consolidated retained earnings.

15.c Stock options

At December 31, 2001, 531,500 options or 2,13% of the capital stock, reserved for employees, had not been exercised.

- Board Meeting creating the plan November 16, 2001
- Number of options 531,500
- Exercise price 17.45 €
- Exercise period From November 16, 2002
(vested 25% by year) to November 16, 2009

NOTE 16 MINORITY INTERESTS

in millions of euros

December 31, 1998	76
Minority interests in 1999 income	6
Other changes	2
December 31, 1999	84
Minority interests in 2000 income	5
Other changes	(40)
December 31, 2000	49
Minority interests in 2001 income	13
Other changes	42
December 31, 2001	104

In 2001, other changes mainly correspond to the net effect of the acquisition of Nexans Daesung and its subsidiaries.

In 2000, other changes mainly correspond to the net effect of the acquisition of the minority interests in Nexans Norway.

NOTE 17 PENSIONS AND POST-RETIREMENT BENEFITS

The Group sponsors various defined benefit pension plans. In France, all Group's 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 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 local accounting standards is shown in the income statement in 1999 under the caption "other revenue (expense)" (10 millions of euros; 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 2001, 2000, and 1999 are as follows:

	2001	2000	1999
Discount rate	5.7 %	5.7 %	4.7 %
Future salary increases	2.5%	1.8%	1.8%
Expected long-term return on assets	5.8%	5.8%	5.8%
Average residual active life	15-27 years	15-27 years	15-27 years
Amortization period of transition obligation	15 years	15 years	15 years

<i>in millions of euros</i>	2001	2000	1999
CHANGE IN BENEFIT OBLIGATION			
Benefit obligation at beginning of year	721	703	659
Service cost	17	17	15
Interest cost	37	37	39
Plan participants' contributions	3	3	3
Amendments	(4)	20	7
Acquisitions	6	1	-
Disposals	-	-	-
Curtailments	(4)	(2)	-
Settlements	-	(1)	(7)
Special termination benefits	-	-	2
Actuarial loss/gain	3	(37)	16
Benefits paid	(46)	(41)	(52)
Reclassifications	-	5	-
Other (foreign currency translation)	8	16	21
Benefit obligation at end of year	741	721	703
CHANGE IN PLAN ASSETS			
Fair value of plan assets at beginning of year	469	412	370
Actual return on plan assets	(41)	41	41
Employers' contribution	10	13	15
Plan participants' contributions	3	3	3
Acquisitions	4	-	-
Disposals	-	-	-
Curtailments	(4)	-	-
Settlements	-	1	(4)
Special termination benefits	-	-	-
Benefits paid	(24)	(20)	(33)
Other (foreign currency translation)	10	19	20
Fair value of plan assets at end of year	427	469	412

<i>in millions of euros</i>	2001	2000	1999
FUNDED STATUS			
Benefit obligation net of plan asset	314	252	291
Unrecognized actuarial loss/gain	(32)	38	(14)
Unrecognized transition obligation	(3)	(4)	(5)
Unrecognized prior service cost	(22)	(27)	(9)
Net amount recognized	257	259	263
COMPONENTS OF NET PERIODIC COST			
Service cost	(17)	(17)	(15)
Interest cost	(37)	(37)	(39)
Expected return on plan assets	28	28	28
Amortization of transition obligation	(1)	(1)	(1)
Amortization of prior service cost	(2)	(2)	(1)
Amortization of recognized actuarial gain/loss	-	-	(6)
Effect of curtailments	-	-	(2)
Effect of settlements	-	-	-
Special termination benefits	-	-	(2)
Amortization of unrecognized items	-	-	-
Net periodic benefit cost	(29)	(29)	(38)

The pension funds are mostly invested in public and private bonds (about 50%) and in equity interests (about 30%).

NOTE 18 ACCRUED CONTRACT COSTS AND OTHER RESERVES

18.a Analysis by nature

<i>in millions of euros</i>	2001	2000	1999
Accrued contract costs	77	72	82
Reserves for restructuring	38	57	115
Other reserves	42	52	60
Total	157	181	257

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

18.b Analysis of restructuring costs

<i>in millions of euros</i>	2001	2000	1999
Reserves at the beginning of the year	57	115	162
Expenses of the period	(51)	(92)	(112)
New plans and adjustments to prior estimates	36	30	60
Translation adjustments and other movements	(4)	4	5
Reserves at the end of the year	38	57	115

The restructuring costs incurred during 2001 mainly relate to the continuing rationalization in Germany, in particular in Hanover, Moenchengladbach and Nuremberg sites, as well as the reorganization of distribution activities in Norway, severance costs in data cable activities in the United States and energy activities in Italy.

The allowance for restructuring reserves booked in 2001 mainly relates to distribution activities in Norway, Electrical wires activities in France and Germany, Data cable activities in the United States and Energy activities in Italy.

In 2000, besides the continuation of the closing of the Hamburg and Stadthagen sites in Germany, the restructuring costs mainly relate to some rationalization in the Energy Division of the Calais and Lens sites 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.

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.

19.c Short-term debt

Analysis by currency and interest rate

	Weighted average rate (%)		In millions of euros	
	2001	2000	2001	2000
Euro	3.78	5.54	295	90
French franc	-	4.32	-	5
Deutsche mark	-	6.50	-	2
US dollar	6.21	5.20	18	56
Pound sterling	-	6.57	-	3
Italian lira	6.25	-	3	-
Other	9.06	12.29	20	37
Total	4.24	6.75	336	193

NOTE 19 FINANCIAL DEBTS

19.a Analysis by nature

<i>in millions of euros</i>	2001	2000
Short-term borrowings and bank overdrafts	345	203
Capital lease obligations	1	-
Accrued interest	2	2
Total	348	205

19.b Analysis by maturity date

<i>in millions of euros</i>	2001	2000
Short-term financial debt	336	193
Year N+2	3	3
Year N+3	2	2
Year N+4	1	2
Year N+5	2	2
Year N+6 and thereafter	4	3
Long-term financial debt*	12	12
Total	348	205

* See note 1.p.

19.d Long-term debt

Analysis by currency and interest rate:

	Weighted average rate (%)		In millions of euros	
	2001	2000	2001	2000
Euro	3.83	4.50	8	7
French franc	-	4.15	-	2
Deutsche mark	6.87	6.50	2	2
US dollar	-	-	-	-
Pound sterling	-	-	-	-
Other	6.29	-	2	1
Total	4.39	4.81	12	12

19.e Other information

At December 31, 2001, Nexans and its subsidiaries have unused confirmed credit lines amounting to 510 millions of euros. If used, these credit lines would bear a 27 basis points spread over the floating reference rate. Besides, these credit lines are subject to several obligations, mainly in terms of financial ratios. In case of non compliance, these credit lines should become unavailable from 0 to 30 days, according to their nature.

19.f Pro forma debt

For pro forma combined financial statements purpose, the theoretical debt at January 1, 1999 was reconstructed retroactively, taking into account the cash flows generated by the operational activities and a notional dividend payment amounting to 25 millions of euros (see Note 28).

NOTE 20 CUSTOMERS' DEPOSIT AND ADVANCES

<i>in millions of euros</i>	2001	2000	1999
Advance payments received on long-term contracts	24	21	20
Other deposit advances received from customers	24	11	13
Total customers' deposits and advances	48	32	33

NOTE 21 OTHER PAYABLES

<i>in millions of euros</i>	2001	2000	1999
Accrued payables and others	146	168	148
Social payables	124	140	150
Accrued taxes	54	67	83
Deferred taxes*	78	39	45
Dividends to be paid	-	-	-
Grants	6	6	8
Total	408	420	434

* See note 6.c.

NOTE 22 OFF-BALANCE SHEET COMMITMENTS

<i>in millions of euros</i>	2001	2000	1999
Guarantees given contracts and others	265	279	284
Discounted notes receivable	3	3	8
Secured borrowings	26	33	33
Commitments to buy or sell forward raw materials or goods	57	53	42
Commitments to purchase fixed assets	10	33	43
Total	361	401	410

The guarantees given on 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 the occurrences such as delay in delivery or litigation on the underlying contracts, it becomes likely that Nexans will become liable for such guarantees, the estimated risk is reserved for (see Note 18 "Accrued contract costs and other reserves").

NOTE 23 MARKET-RELATED EXPOSURES

The Group decided to centralize treasury management in order to minimize its exposure to market risks: foreign exchange risk, interest rate risk and credit risk.

23.a Currency risk

Financial instruments held at December 31, 2001 are hedges for exchange risks arising from payables or receivables, either commercial or financial. At December 31, 2001, off-balance sheet financial instruments, held to manage currency risk are as follows:

in millions of euros	Buy/lend		Sell/borrow	
	Principal amount	Fair value	Principal amount	Fair value
Forward exchange contracts	111	(2)	73	-
Short-term exchange rate swaps	135	(1)	22	-

Earliest/latest maturity dates for each type of instrument are as follows:

	Maturity date	
	Earliest	Latest
Forward exchange contracts	January 2002	February 2004
Short-term exchange rate swaps	January 2002	December 2002

Principal amounts represent the face value of financial instruments. Principal amounts expressed in foreign currency are translated into euros at the year-end rate of exchange. Fair value given are indicative of the interest rates and exchange rates prevailing as at December 31, 2001.

23.b 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, 2001, 2000 and 1999, the copper and aluminum net position on futures contracts were as follows:

	2001		2000		1999	
	Tons	Millions of euros	Tons	Millions of euros	Tons	Millions of euros
Open position (long) at purchase cost	29,425	49	17,150	36	43,400	70
At market value	29,425	48	17,150	32	43,400	79
Profit/(loss)		(1)		(4)		9

These unrealized profit (loss) are substantially offset by unrealized loss (profit) on the firm position, resulting in a net profit of 1 million of euros at December 31, 2001 (net unrealized profit of 8 millions of euros at December 31, 2000; net unrealized profit of 1 million of euros at December 31, 1999).

NOTE 24 PAYROLL AND STAFF

<i>in millions of euros and number of staff</i>	2001	2000	1999
Wages and salaries (including social security/ pension costs)	852	831	899
<i>Of which remuneration of executive officers of the Group</i>	3	2	2
Employee profit sharing	1	4	9
Staff of consolidated companies at year end	18,000	18,186	18,373

NOTE 25 RELATED PARTY TRANSACTIONS

Related party transactions relate to equity affiliates, unconsolidated subsidiaries and shareholders of Nexans, the parent company. Transactions are recorded primarily in the following accounts:

25.a Income statement

<i>in millions of euros</i>	2001
Net sales	88
Cost of sales	63
Interest expenses	5
Interest income	5

25.b Balance sheet

<i>in millions of euros</i>	2001
Trade receivables and related accounts	25
Other accounts receivable	-
Trade payables and related accounts	14
Other payables	-

NOTE 26 CONTINGENCIES

Apart from certain claims which arise in the ordinary course of business that, it is anticipated, should not represent a significant cost for the Group, there are other claims, details of which are given below, in respect of which it has been decided that it is not necessary to set up a reserve. Nevertheless, the risk that these claims may have an impact on the accounts at some time in the future cannot be totally excluded.

26.a Nexans Norway

In a press release dated April 27, 2001, the Norwegian Competition Authority announced that a Norwegian subsidiary of Nexans, involved in the wholesale Distribution business, had been reported together with five other Norwegian wholesalers and an industry association to the 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 the Norwegian law by fixing gross prices and, to a certain extent, rebates and net prices during the 1990s. The Competition Authority also stated in its press release that turnover in the relevant distribution market was 25 billion Norwegian Kroner (approximately 3,1 billion euros) for the relevant period (the 1990s). The Norwegian subsidiary of Nexans had turnover of about 6 billion Norwegian Kroner (approximately 750 millions of euros) in the relevant market during the 1990s. The Competition Authority indicated that losses suffered by consumers were significant but admitted that it was difficult to calculate precisely the amount of such losses.

At this stage of the investigation, and in compliance with Group procedures, Nexans has not accrued for any cost. However, in view of the limited information available, Nexans is unable to predict with any certainty how this matter may evolve or what its impact may be on Nexans' operations or financial results.

26.b Nexans Canada

A producer brought a claim to the Canadian courts naming Nexans and other cable manufacturers, claiming damages following a fire. The claim against Nexans Canada was dropped during the first half of 2001. Later, Nexans Canada was assigned by one of the cables retailer, himself assigned by the producer, with the purpose of a potential participation in case of the responsibility of the retailer is recognized.

Although it is not possible at this stage to determine the consequences of these claims, Nexans does not consider that they will have a significant impact on its consolidated financial situation. The Group is not aware of any other event or litigation having recently affected or likely to have a significant effect on its business, its financial status, its income or the Group's assets.

NOTE 27 MAIN CONSOLIDATED COMPANIES*

Company	Country	% of control	% of interest	Consolidation method
Nexans **	France	100.0	100.0	Global
Nexans France	France			
Nexans Wires	France			
Société de Coulée Continue du Cuivre	France			
Société Lensoise du Cuivre SA	France			
Nexans Deutschland Industries AG & Co	Germany	100.0	99.6	
Lacroix & Kress GmbH	Germany	100.0	99.6	
Nexans Benelux	Belgium	99.6	99.6	
Nexans Holding Norway A/S	Norway			
Nexans IKO Sweden A/B	Sweden			
Nexans Suisse SA	Switzerland			
Nexans Italia Spa	Italy			
Nexans Iberia SL	Spain			
Nexans USA Inc.	United States			
Nexans Canada Inc.	Canada			
Nexans Maroc**	Morocco	56.8	56.8	
Nexans Hellas SA**	Greece	71.7	71.7	
Nexans Korea Ltd**	Korea	51.5	51.5	

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

** Company publicly traded.

NOTE 28 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, if Nexans had been formed on January 1, 1999 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 necessary 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 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 appropriate to prepare notes to the pro forma combined financial statements, which better reflect the future structure of Nexans business.

28.a The new operating scope

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

- optical fiber and optical fiber cable activities in France, Spain and Germany;
- Radio Frequency System activity in Germany;
- taking into account 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;
- restatement of the remaining restructuring reserves at December 31, 2000 related to Nexans sites and which will be paid by Alcatel.

28.b The new financial structure of the Group

For pro forma combined financial statements purpose, the theoretical debt as of January 1, 1999 was reconstructed retroactively, taking into account:

- cash flows generated by the operating activities;
- notional dividend of 25 millions of euros.

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

28.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 1,200 millions of euros excluding debt. The purpose of this adjustment is to conform to this value.

On the other hand, interests in subsidiaries historically held by the Group business as of June 30, 2000 are considered as sold as of January 1, 1999 on the basis of 45 millions of euros which represents their historical value as of June 30, 2000.

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

<i>in millions of euros</i>	Combined	Operating carving out (a)	Financial structure (b)	Reorganization (c)	Pro forma
2000					
CONDENSED INCOME STATEMENTS					
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					
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 debts	205	–	–	–	205
Other liabilities	1,087	–	–	–	1,087
Total liabilities	3,052	–	–	(160)	2,892
CONDENSED STATEMENT OF CASH FLOWS					
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)

<i>in millions of euros</i>	Combined	Operating carving out (a)	Financial structure (b)	Reorganization (c)	Pro forma
1999					
CONDENSED INCOME STATEMENTS					
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					
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					
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

<i>in millions of euros</i>	Combined net assets	Pro forma adjustment	Combined pro forma net assets
COMBINED STATEMENTS OF CHANGE IN NET ASSETS			
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