

CONTINUOUS IMPROVEMENT, AND RESPONSIBILITIES: COMMON GOALS

BETTER SATISFY OUR CUSTOMERS

Nexans conducts huge efforts of R&D in all its activities, in order to maintain its technological lead, boost competitiveness, and offer products and solutions that bring increasing value to its customers.

R&D in step with customers, for faster and better innovation

Improving design quality, providing simplicity through innovation, ensuring technical compatibility, and speeding up time-to-market are permanent goals.

In line with the Group's marketing strategy, Nexans' R&D team works with Global Product Managers and Key Account Managers who know their customers' applications, manufacturing methods, needs, and the way they use the Group's products. This approach allows Nexans to enhance its offer to customers, and adapt its programs to their projects and expectations. It encourages co-development with major customers to generate innovations in step with their needs.

Nexans makes extensive use of the Internet to boost its R&D efficiency, particularly during co-development with its largest customers. Simulations and computer models reduce the need for prototypes, thereby shortening new product development times.

A global organization

Organized globally, present locally, Nexans is up-to-date with both national and international standards. The Group has fundamental research partnerships with the most renowned universities and research centers, and is a major player in international standards-setting. For example, Nexans actively participates in international meetings concerning all the businesses and sectors it is involved in.

The Nexans Research Center in Lyon and Nuremberg makes use of advances in fundamental research. Its employees work on researching and improving cable components (sheath, conductor, and insulation).

In addition, global applied research is conducted in eight Competence Centers located in Europe and North America.

They are focused on the Group's core businesses and specialized by product or technology. Research advances and best practices are shared through a Nexans intranet, which R&D managers consult regularly.

The main research areas are: polymer properties for insulation and sheath compounds, to improve cable reliability in complex or extreme environments; fire-resistant and flame-retardant properties for low- and medium-voltage cables; and weight and volume reduction for aerospace, space, and automobile applications.

At the leading edge of tomorrow's technologies

Nexans is at the leading edge of many of tomorrow's technologies; for example, in telecoms, with micro-blown optical fiber cables, high-bandwidth cables for Local Area Networks, and plastic optical fiber for Fiber-to-the-Home applications, and in energy, with subsea cables, high-temperature superconductivity, and systems for wind energy production and distribution.

As a nod to the Group's technological leadership, Nexans has been appointed to lead the European Super3C (Super Coated Conductor Cable) project, which in 2007 should introduce a second-generation of high-temperature superconductor cables, providing better performance at a lower cost.

Innovation across the board

Nexans has expanded its upstream and downstream services, and relentlessly innovates to meet its customers' needs, offer new services, and enhance its responsiveness and added value. Whether it consists of design support, ready-to-install cabling systems for boats, planes, trains, and automobiles, optimized logistics chains, inventory management, or recycling, innovation is behind all the Group's activities.

In 2005, Nexans formed a strategic partnership with the iTRACS Corporation, one of the global leaders in telecommunication infrastructure management software, to supply companies with a wide range of solutions incorporating iTRACS software, under the LANsense brand. A special entity, Nexans Intelligent Enterprise Solutions (IES), has been created for this partnership.

Key figures:

- > 1 international research center
- > 8 competence centers
- > 450 scientists, engineers and technicians
- > 420 patent families
- > 1.2% of sales invested in R&D

R&D spending (in millions of euros)

2003	2004	2005
47	47	52

Number of patents filed

2003	2004	2005
51	63	57

VALUE AND SUPPORT OUR EMPLOYEES

Develop skills, build commitment, share knowledge and best practices, and reinforce customer orientation: by helping its employees realize their potential, Nexans ensures its future growth and performance.

To drive its growth and prepare for the future, Nexans strives to develop and promote quality employees, with skills corresponding to the Group's needs and managers open to mobility.

Training: a deeper investment

Continuing education is crucial for progress. The aim: allow each employee to enrich his or her skills and performance, and mobilize personnel around shared values, goals and methods, so as to contribute to the Group's success.

One of Nexans priorities in 2005 was to increase sales training and customer orientation. To that end, the Group launched the Sales+ program, which is being progressively rolled out to all of its 650 sales men and women around the world. Sales managers from several countries were brought together in workshops to learn about sales method improvement modules. Nexans also constantly adapts its training programs to suit the needs and changes of its businesses, as identified on a country-by-country basis.

Recruitment: a preference for mobility

Recruitment is another of Nexans' growth drivers. In 2005, the Group recruited 200 engineers and managers, favoring young graduates able to work in an international environment.

Several young people have joined Nexans around the world, primarily through internship programs where they receive high-quality professional training. In addition, the restructurings completed in Europe and North America were accompanied by job plans that included a variety of internal and external placements.

Career management and performance evaluation: standardized procedures

Nexans launched an initiative to standardize annual performance reviews and establish a Career Committee in each country, with the goal of better managing employees' career progression and geographic mobility. All the manager positions available within the Group will soon be accessible online through a job database called Nextjob, which will compile all the jobs offered in each country.

An open and constructive labor dialogue

Through Newco, the Nexans European Work Council representing 13 countries, the Group maintains an open, constructive dialogue with labor union representatives. Newco meets twice a year; in 2005 these meetings were held in June and September. Discussions are primarily centered on the Group's strategic plan and its implications for manufacturing operations and Nexans employees.

Employees with an eye on the bottom line

Nexans uses all the relevant methods to make sure its employees are focused on value creation. Manager compensation is made up of a fixed salary plus a variable bonus tied to goals set at the start of the year; some of these goals are linked to the Group's financial performance, and the rest are individual. Sales people are also eligible for a profit-sharing scheme and a bonus tied to their entity's results.

In 2005, Nexans set up a stock option plan for some classes of managers who are not on the Executive Committee, with the aim of focusing employees on the Group's overall performance. A new international employee share purchase plan will be launched in the first half of 2006.

Total employees

2003	2004	2005
17,000	17,700*	19,600

Number of new hires

2003	2004	2005
1,150	1,350	2,300

212,000 hours of training in 2005

(internal or external, in the field of technologies, languages and management)

23.6 workplace accidents with stoppages in 2005

(per million work hours)

4.54% average absenteeism in 2005

(mainly due to sickness [63%], maternity [10%], leave without pay [11%], and accidents at or on the way to work [10%])












0.6 lost day in 2005

(per thousand work hours)

Staff distribution by gender in 2005

Men	79%
Women	21%

Average age

	Over 65	0.20%
	60-65	2.52%
	55-60	8.35%
	50-55	14.11%
	45-50	14.63%
	40-45	14.64%
	35-40	15.12%
	30-35	12.88%
	25-30	9.62%
	20-25	6.14%
	Under 20	1.79%

DESIGN BETTER, PRODUCE BETTER

Preserve the environment, reduce natural resources consumption, use non-polluting materials, facilitate product recycling: Nexans takes all these considerations into account, from the design of its products to the operation of its production sites

Optimized designs

Nexans develops its products to meet customers' needs with a minimal impact on the environment over the entire product cycle, and to facilitate disposal when materials have reached the end of their useful lives.

This includes eliminating lead stabilizers in PVC sheaths, halogens, and solvents, selecting non-polluting materials that are more easily recyclable, and designing systems in such a way that components requiring special handling can be easily removed.

In-depth research is performed to ensure the durability and resistance of its products in challenging environments, such as large depths, extreme climates, humidity, corrosion, flames, etc. Over 60 people are dedicated to researching the polymers, plastics, and composites that go into cable insulation and sheaths.

The Group also strives to use manufacturing processes that consume less energy and raw materials while still maintaining the highest levels of quality, in order to reduce scraps, satisfy customers, and build customer loyalty.

To help identify the best cable design techniques available, Nexans' product developers use EIME (Environmental Information & Management Explorer) software to compare the environmental characteristics of various options, including suppliers in the process. In addition, an Environment intranet is available which compiles all the necessary information about the Group's environmental organization and procedures, and enables sites to share best practices.

Strict environmental management

Nexans' environmental and safety policy is outlined in a Risk Management Charter signed by the Chairman. It calls for a thorough analysis of the risks related to the Group's products and manufacturing processes, as well as employee training on good environmental practices and a continuous improvement program incorporating production plant audits.

The environmental policy and its prescribed activities are steered by the Corporate Industrial Management team, which reports directly to the Strategic Operations Department. A Group Environmental Manual describes all the procedures, performance targets, emergency plans, and tools available at each site. The guidelines and objectives apply to everyone. Plants' best environmental practices are listed by theme on a dedicated intranet webpage.

Close monitoring of site performance

The Group's sites are monitored through an Environmental Survey based on ISO 14001 standards and regularly updated. The survey is sent to site environment and safety managers every year, and reviews all the key elements of responsible environmental behavior, classified under 12 themes.

The site is then ranked between 1 (excellent) and 4 (immediate corrective action required) on every element, according to a scoring grid updated annually and validated by the Group's Environment Committee comprised of representatives from the Corporate Industrial, Strategic Operations, Purchasing, Legal, and Communications departments. This evaluation process allows Nexans to make an inventory of the investments made to improve environmental performance. In 2005, 79 sites participated in the continuous improvement program, and 98% were evaluated.

In-depth audits

Since 2003, Nexans has been implementing an EHP, "Environnement Hautement Protégé" (Highly Protected Environment) label program to address the specific environmental risks posed by the Group's operations. The program includes a series of environmental audits conducted by a company that specializes in this area; approximately 25 sites are audited every year.

By the end of 2005, a total of 62 sites had been audited (27 in 2005) and 33 had been awarded the EHP label (17 in 2005). The sites that were not awarded the label received a list of recommendations, and have since undertaken corrective actions. These actions are included in the plants' 3-year plans. In addition, 32 Nexans sites are ISO 14001 certified.

New investments in 2005

Soil protection, water management, and hazardous fluids management are all priorities for Nexans.

The Group is particularly focused on phasing out single-wall underground storage tanks. Retaining liquids in storage and usage zones is another area undergoing constant improvement, with secured premises and dedicated areas, and the construction of special buildings, cabinets, and holding vats.

New investments were made in wastewater treatment in 2005, and the Group's efforts also included systems to contain fire extinction water so that it does not spill over into the water network.

In 2005, investments in gas emissions and air treatment were completed at plants in France, Italy, Norway, and Korea. These included ventilation systems, filters, fume hoods, and other measures.

With regards to energy, several sites carried out reviews to identify ways to reduce energy consumption. Old fuel boilers and electrical heaters are being systematically replaced by cleaner and more energy-efficient natural gas systems. In 2005, upgrades were completed in Germany, Sweden, and Canada.

Finally, Nexans has committed to disposing of its PCB (pyralene) transformers between now and 2010. These are located mostly in France; 8 were replaced during the year.

In 2005, environmentally responsible investments (2.9 million euros) were made in:

- > soil, air, and water protection
- > energy savings
- > waste reduction
- > noise reduction
- > the elimination of PCB transformers

* *Pyralene transformers.*

> Consumption

Estimates	2003	2004	2005
Energy (GWh)	1,876	1,851	1,480
- of which electricity	981	952	838
Water (thousand m ³)	5,100	5,097	4,430
Solvents (tons)	8,150	9,890	1,500
Copper (tons)	760,000	830,000	809,000
Aluminium (tons)	90,000	130,000	133,000
Number of concerned sites (change in scope in 2005)	88	88	79

Estimates	2003	2004	2005
Waste (tons)	101,400	98,931	91,300
- of which special waste	11,100	10,790	7,400
Number of concerned sites (change in scope in 2005)	88	88	79

> The main impact of Nexans' activities

Activity	Resources used	Actions taken as of end 2005
Copper and aluminum metallurgy	<ul style="list-style-type: none"> • Natural gas for casting • Water for steam and cooling 	<ul style="list-style-type: none"> > 95% of wastewater is recycled. > Copper dust emissions have been reduced.
Copper power and telecom cable	<ul style="list-style-type: none"> • Electricity for conductor annealing • Water/oil emulsions to lubricate wire drawing • Cooling water • A limited amount of solvents used for marking inks 	<ul style="list-style-type: none"> > Used lubricants are filtered, processed, and recycled. > Emissions are purified with vacuum filters. > Cooling water is recycled. > Solvents are stored in dedicated cabinets and emissions are purified in fume hoods.
Winding wires (2 sites: Canada and China)	<ul style="list-style-type: none"> • Energy for varnish baking • Cooling water • Solvents in enameling varnish 	<ul style="list-style-type: none"> > Non-significant business since 2005. > Solvent emissions have been reduced by using dedicated equipment. > The environmental impact remains contained.