OUR ACTIVITIES IN 2005[1]

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Innovation, targeted growth, better manufacturing and sales efficiency, careful management, and stronger positions in growing markets, North America, Brazil, the Middle East, and Asia: in 2005, Nexans confirmed its place as the global leader in the cable industry and enhanced its performance in a demanding market.
The year was marked by a recovery in telecoms and a surge in energy and raw materials prices. The Group's advances demonstrate a strong ability to face challenges, deliver improved performance, and seize opportunities in key, diversified, and fundamentally profitable markets with significant potential, estimated at 100 billion dollars[2] globally in 2007.
In this highly competitive environment, reducing costs, focusing on the most promising market segments, and providing customers with innovative solutions targeted to their needs, are the critical success factors.

ADVANCES

- **Global leader**
  in subsea energy and umbilical cables, with 12 major contracts signed in 2005 for a total of 240 million euros.
- **10 plants in Asia**
  With a fourth unit in China in 2005, 3 units in Korea, and a third unit currently being developed in Vietnam.
- **15% growth target for 2005 to 2007**
  Nexans refocused on its core business. The Group divested its distribution businesses in Norway and Switzerland, as well as the majority of its winding wire activities in Europe.

(1) For the purposes of comparability, the figures given in this section have been calculated at constant metal prices, exchange rates and accounting methods.
(2) Estimates CRU, Nexans, January 2006.

RESULTS BY BUSINESS

ENERGY

67% of Group sales: +8%
85% of Group operating margin: +44%

> Strengths

Nexans holds excellent positions in the energy network markets in Europe and the North American East Coast, as well as global leadership positions in several other markets, such as shipbuilding, petrochemicals, railway equipment, and aerospace manufacturing.

> Results

Sales in the Energy business were 2,865 million euros, an organic growth rate of 8.2%. Operating margin was up 44% to 171 million euros. The infrastructure business posted a strong performance, particularly with regards to sales of high-voltage and umbilical cables. Booked orders jumped over 80% in 2005. In industrial cables, the return to profitability continues despite the slowing down of the German and French economies. In the building sector, price increases allowed the Group to enhance profitability in a buoyant market.

> Growth drivers and outlook

The energy sector has a solid outlook around the world, due to needs for network reliability, modernization, development, and interconnection. Subsea high-voltage cables will be a major growth driver as large-scale projects get underway, such as links between Morocco and Spain, Norway and the UK, and Australia and Tasmania. Energy prices are encouraging exploration deeper and further out, making the oil and gas industry one of the most dynamic in the global economy. Nexans is present in the entire value chain, from exploration and production to distribution. Energy needs and environmental regulations are also favoring alternative energies. Wind energy, which requires complex cable systems, could represent as much as 12% of global energy production by 2020. Nexans has made unquestionable technological advances in all these applications, and already offers the solutions of tomorrow, such as superconductor cables.
In the industry sector, the Group offers advanced solutions for the automobile, aerospace, automation, shipbuilding, and material handling industries.
In the building sector, Nexans is one step ahead of the expected changes in EU standards with high-performing fire-resistant cables and fire-reaction cables.

TELECOM

15% of Group sales: +11%
12% of Group operating margin: +47%

> Strengths

Nexans is extremely well-positioned in Europe, especially in cables for industry, and in the US with LAN cables. In high-growth Asian markets such as China, Korea, and Vietnam, the Group has strengthened its market presence and boosted sales. And thanks to its performing products for high-bandwidth transmission and connectivity, the Group also has a strong position in local loops, ADSL, and xDSL technologies.

> Results

Sales in the Telecom business were 630 million euros, representing an organic growth rate of 10.5%. Operating margin was 25 million euros, 47% higher than 2004. Infrastructure cables rose dramatically, driven by the success of xDSL and TriplePlay. Cables for private LAN networks also continued to do well, particularly in the US. On the other hand, sales for industrial applications suffered from the impact of weak manufacturing investments in Europe, despite good performance in some industries, such as railway and aerospace.

> Growth drivers and outlook

Positive momentum in the broadband market is prompting operators to invest in xDSL infrastructure, in order to meet growing consumer demand. In addition, bandwidth demand for enterprise communications also shows no signs of slowing down; in the US, 80% of employees have a broadband connection. The number of cable subscribers is forecast to rise from almost 51 million in 2005 to over 74 million in 2008, a 45% increase. Growth drivers in this sector include: the "race for the last mile" (unbundling), coexisting and complementary copper and optical fiber networks, LAN expansions, second lines dedicated to internet access (in Europe), and telecom infrastructure building in developing countries. Nexans is well-positioned in all these areas. The Group is a member of the FTTH (Fiber-to-the-Home) Council Europe, an association promoting the deployment of high-speed optical fiber networks throughout Europe, and has already developed a complete set of cables, connectors, and cords in anticipation of future industry standards. The data transmission and special cable markets remain strong in the building sector, industry, and transportation.

ELECTRICAL WIRES

18% of Group sales: -8%
3% of Group operating margin: -14%

> Strengths

As the leader in Europe and second worldwide in wirerod manufacturing, Nexans has a complete line of conductors and a global market reach. The Group has secured its copper supply, while its metal casting plants in France and Canada provide a competitive advantage as well as control over the quality and processing of Nexans' raw materials.

> Results

Sales in the Electrical Wires business were 758 million euros, down 7.9% from 2004, largely due to declines in European demand for bare wires and wirerods. In July, Nexans sold its winding wires activities in Europe, and over the summer, closed its round wire manufacturing facility in Cormano, Italy. However the Group held on to its operations in Canada, where the profitability of transformer winding wires is on the increase, and in China, where the Tianjin site is reporting strong demand. Operating margin for the Electrical Wires activity in 2004 was 6 million euros, versus 7 million euros in 2004.

> Growth drivers and outlook

Electrical wires are the base product of the cable industry. Wirerod sales are highly correlated to the industrial activity, which remains varied throughout different countries and geographical areas. However, orders from other Group plants using electrical wires in the manufacturing of their own cables should sustain demand in these businesses.

RESULTS BY GEOGRAPHICAL AREA

EUROPE*:
Sharp profitability gains

In 2005, Europe represented 70% of Nexans' sales and 71% of its investments. Operating margin in the region was up 31%.

> Economic climate

Nexans benefited from the expansion of high- and medium-voltage energy networks stemming from more and more cross-border connections in Europe. Major interconnection projects and the booming oil and gas sector led to a pick-up in demand for subsea and umbilical cables.
Low-voltage cables for the building sector also performed well, particularly in France, Spain, and Norway. The telecom industry confirmed its recovery, with copper and optical fiber sales on the rebound largely due to developments in ADSL, subscriber access equipment and large urban networks. Special cables for industrial applications posted only a fair performance, as corporate investment remains stagnant. However, many of the Group's priority markets are experiencing firm growth, such as railway signaling and renovation, automobile and aerospace cable harnesses, and material handling cables.

> Activities and results

Profitability in Europe was boosted by growth in high value-added products and restructured, modernized manufacturing and logistics facilities in most countries. Cost-cutting, new product launches, a focus on growing markets, and higher exports all contributed to the Group's performance.
As part of its goal to focus on core activities, Nexans sold its European winding wires and Norwegian distribution businesses in 2005, and its Swiss distribution business in January 2006.

Robust performance in key markets

In France, the consolidation of metallurgy operations at Noyelles and modernization investments in Lyon and Mehun helped drive the Group's performance. The Mehun site, dedicated to special "project" cables (nuclear, oil and gas), now has a complete, integrated, flexible facility. Its target is to increase sales by 45% between 2005 and 2007.
The logistics processes geared towards just-in-time production and flow between countries have been enhanced, and the dynamic Autun warehouse, tied to the leading cable manufacturing plant in Europe for building applications, plays a central role by ensuring maximum flexibility.

Nexans has also doubled its logistics capacity in the UK by building a new platform, to both improve service quality and support the expansion of its offer.

In Spain, sales for telecom, railway signaling, and building continued to increase.
The successful integration of Cabloswiss, an Italian special industrial cable manufacturer acquired at the end of 2004, was finalized with an exchange of best practices, which benefited several of the Group's plants.
In 2006, Nexans acquired the Swiss company Confecta, a specialist in highly-profitable industrial cable harnesses, particularly for the railway industry.

Profitable market segments in Germany

Although businesses in the construction and industry sectors suffered from a gloomy economic climate, other markets confirmed their potential. For example, in automobile harnesses, Nexans has become the leading supplier to the BMW engines division. The labor-intensive systems required by this customer are produced at the Group's sites in Romania and the Czech Republic, then delivered ready-to-install to BMW's plants in Germany.

** Austria, Belgium, Bulgaria, Croatia, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Norway, Spain, the Baltic States, the Netherlands, Poland, Portugal, the Czech Republic, Romania, the United Kingdom, Serbia, Slovakia ,Slovenia, Sweden, and Switzerland.*

The Nuremberg site also posted solid results in automation and material handling, two markets that require increasingly sophisticated cables, as well as the high-temperature cables market.

The Machines plant in Hanover reached a global partnership agreement with the Austrian company Cincinatti Extrusion for the sale of high-performance production lines for composite tubes used to carry gas or water, a rapidly growing sector.

A record year in Norway

The high value-added Energy business in Norway is the global leader in turnkey solutions for subsea high-voltage cables and umbilical systems. Proprietary technologies are used to optimize the design, installation, and protection of high-performing cables at large depths. 2005 was marked by several technological breakthroughs in this field, as well as additional production capacity at the Halden site, which registered record orders from Europe, the US, Africa, and the Middle East.
To support the boom in this market, Nexans signed a 3-year, exclusive agreement with Bourbon Cable AS to operate their new-generation Bourbon Skagerrak cable vessel. This vessel was specially designed to transport and lay high-voltage and umbilical cables, with a 7,000 ton capacity winding platform and a state-of-the-art dynamic positioning system.
Sales of subsea optical fiber cables and special cables also climbed significantly, as well as low-voltage cables for the building sector throughout Scandinavia.
Demand was strong for low- and medium-voltage cables in Sweden in the aftermath of the January 2005 storm, as the country launched a program to bury its energy grid underground.

ALSECURE®: high value-added innovation

The EC Construction Products Directive (CPD) has set new fire-reaction and fire-resistant standards for all cables. In 2005, Nexans, an expert in this area, launched a new range of European fire safety cables, ALSECURE®.
These cables can be used in any type of building, most notably public buildings, and are designed to enhance safety and reduce the risks related to equipment and construction damage.
This new range of cables includes two major categories: ALSECURE® fire-reaction cables, with sheaths made from halogen-free materials that generate very little corrosive gas and smoke, thereby making intervention easier for fire fighters; and ALSECURE® PLUS fire-resistant cables, which ensure the continued operation of safety systems during emergency conditions.
In France, ALSECURE® PLUS cables have been on the market since May 2005, and ALSECURE® cables since September 2005. These products will be progressively launched out in Belgium, Spain, Italy, Norway, the UK, and Turkey.

Nexans also launched a new generation of LANmark snap-in connectors, the LANmark EVO. These connectors are designed to save time for cable installers, given that cable termination times have recently had a dramatic impact on installation costs. Nexans' LANmark EVO can shorten termination times by as much as 20% relative to competing products. The connectors come with a new Universal Comfort Tool to speed cable termination, and facilitate changes if an error is found in the cabling diagram.

> Outlook

Backed by manufacturing facilities targeted to the major European markets, a complete range of products, and an aggressive sales organization, Nexans is well-positioned to seize the opportunities present in both an enlarged Europe as well as export markets.

NORTH AMERICA*:

A growing business and strong earnings growth

In 2005, North America represented 18% of Nexans' sales and 23% of its operating margin. Sales in the region were up 7.7% at constant scope and exchange rates, and operating margin jumped 32%.

> Economic climate

Nexans reaped the benefits of a positive economic environment. In Canada, energy infrastructure cables continued to generate solid results, although exports of electrical wires were hurt by the US dollar/Canadian dollar parity.

In the US, despite the surging oil prices that put pressure on the automobile industry in particular, growth remained robust in both the industry and building sectors. Sales of energy cables were bolstered by grid renovations and rebuilding efforts in the wake of hurricane Katrina. In the telecoms sector, the Group benefited from a shift in the LAN cable market towards higher value-added products.

> Activities and results

Nexans recorded excellent sales and earnings in both the US and Canada. After the restructuring efforts and the sale of the loss-making US winding wire business in 2004, all the North American activities have returned to profitability, and operating margins are on the rise. The Group is actively moving ahead with its continuous improvement program in manufacturing, to control costs and enhance quality.

Confirmed positive momentum in all markets

Sales of cables for energy networks rose by 8%, driven by infrastructure expansion in Canada, where Nexans has a leadership position, and by grid renovations in the US.

Sales of low-voltage cables for building applications jumped in the US, while telecom cable sales were lifted by higher volumes of high value-added LAN cables. The optical fiber cable business also gained ground, and experienced a significant turnaround in its performance.

The major marketing efforts undertaken in the aerospace and shipbuilding industries resulted in a 25% sales increase, as well as better profitability.

The Group's sales force remains focused on promoting products made in European and Asian plants, with successes in several sectors such as specialty cables for the oil industry, shipbuilding, and automation. In only one year, these cross-over sales have doubled to over 100 million euros.

In Mexico, Central America, and the Caribbean, sales have edged up noticeably.

Additional production capacity

To support the growth in the Canadian and North-eastern US markets, especially in special industrial and equipment cables, Nexans made a large investment in low-voltage cable production capacity. Output at the Chester plant is planned to double between now and the end of 2006.

> Outlook

The telecoms sector should continue its positive trend, and the outlook for energy infrastructure is very solid. In addition, soaring oil prices are encouraging the use of hydroelectricity, and leading to grid interconnections among States and between the US and Canada.

In the US, the Energy Bill passed last summer should trigger major urban network renovation projects, and accelerate transportation and production capacity increases. Against this backdrop, Nexans remains open to any possible acquisition that would enable it to secure its market position.

** Canada, Central America, Caribbean, Mexico, and the United States.*

ASIA*:

Solid positioning and additional production capacity

In 2005, Asia represented 6% of Nexans' sales, versus 4% two years ago. Sales in the region were up 6.6% and operating margin rose 10%.

> Economic climate

In an extremely competitive environment, Asia surged ahead, driven by powerful momentum in China and growth in shipbuilding and oil drilling platforms in Korea. The Vietnamese economy is as strong as ever, and growth in India presents new opportunities. In the developed countries, Japan confirmed its recovery while Australia is keeping pace with investments in telecommunications, industry, and energy infrastructure.

> Activities and results

Nexans once again experienced strong growth in Asia, by favoring advanced technology, high value-added products such as special cables and products that conform to international standards. The group's sites in China, Korea, and Vietnam are well-located for exporting to the ASEAN countries, Japan, Australia, Oceania, and Eastern Russia; the primary goal now is their development.

Strength in China

The Kang Hua plant in Shanghai, specialized in telecom applications and a leader in ASDL cables, benefited from soaring telecommunications infrastructure sales due to the rapid spread of mobile telephones, with an estimated 400 million subscribers at the end of 2005.

In 2005, Nexans took the next leap by opening a second facility in Shanghai, called Nexans Shanghai Wires & Cables Co., that is dedicated to special cables, particularly for shipbuilding and material handling applications. This 17.5 million euro investment will round out the Group's offer in promising markets, and has gotten off to an encouraging start.

Expansion in Korea and Australia

Nexans' Korean subsidiary, Kukdong Electrical Wires, is the global leader in shipbuilding cables, an industry where Northern Asia comprises 60% of the worldwide market. Kukdong maintained robust growth despite fierce competition, and held its positions in export markets, most notably to Japan. Nexans' two other Korean sites manufacture cables for energy, telecoms, and automobiles, businesses on the rise with a market share on the order of 25%.

In Australia, the sales force successfully responded to higher demand for telecom and energy infrastructure cables, by sourcing primarily from the Group's plants in China and Korea.

A third site in Vietnam

Demand in South-east Asia is covered by a large sales team based in Singapore, using production from Nexans' facilities in Vietnam. Construction is underway on a third site in this country, which will focus mainly on energy cables.

> Outlook

Nexans' relentless growth in Asia should continue, and by the 2008-2010 timeframe, approximately 10% of the Group's consolidated sales are expected to come from this area. This is especially true given the conditions in China and the Group's performance in Korea.

In fact, China, who will host the Olympic Games in 2008 and the World Expo in Shanghai in 2010, is already the largest telecoms market in the world in terms of the number of subscribers, and the third largest ship builder. Between now and 2007, cable demand in this country should grow by around 20%, due to developments in energy, telecommunications, and transportation infrastructure. China plans to order 700 high-speed trains before 2020.

** Australia, China, India, Japan, Korea, New Zealand, Oceania, South-east Asia, Vietnam.*

REST OF THE WORLD*:

Robust growth and profitability improvements

The Rest of the World area doubled its sales in 2 years, and represented 6.5% of consolidated sales in 2005. Compared with 2004, sales were up 29% and the operating margin more than doubled.

> Economic climate

The Rest of the World area includes South America, Africa, the Middle East, Russia, and the former Soviet Socialist Republics. All these countries contributed to the strong sales and growth earnings, driven by energy network expansions. Their rich oil resources have allowed these countries to speed industrialization and energy and communication network interconnections, large projects in which Nexans is actively involved.

> Activities and results

Sales growth exceeded 11% at constant scope and copper prices, and profitability improved with a 56% rise in operating margin. Several plant conversions completed during the year, and the successful integration of Liban Câbles and its Egyptian subsidiary ICC, contributed to this performance.

Diversified and enhanced production capacity

In Turkey, the telecom cable manufacturing plant was transformed to produce industrial and special cables. The competitiveness of Nexans' two facilities in the country, and the quality of their services, boosted exports to the UK, Middle East, Azerbaijan, Iranian Kurdistan, and Nigeria.

Liban Câbles recorded higher export energy cable sales to its neighboring countries, and with its ICC subsidiary in Egypt, whose telecom business continues to do well, this acquisition brought into Nexans two well-performing sites, an excellent logistics operation, and a deeper understanding of the region. The Group also plans to open a logistics center in Saudi Arabia or the United Arab Emirates to better serve its customers in the Persian Gulf.

Morocco saw solid business activity in energy cables and power transformers. Growth in automobile cables continued, and exports to Western Africa increased. Sales in Ghana and Nigeria are also trending positively.

In Brazil, the Group successfully repositioned itself in the rapidly growing overhead cables market, with large investments at the Lorena site. A unit dedicated to energy and special industrial cables will be operational in spring 2006, thereby rounding out the existing telecom and energy network cable production.

A site in Russia in 2006

Nexans was the first foreign cable supplier in Russia, and will soon open a manufacturing site in the country. The Russian market is moving ahead in full force at an annual growth rate of over 7%. The new site will be in the Yaroslavl region, some 200 km away from Moscow, and will focus on energy and telecommunications cables. It will employ 200 people; the start-up is planned for 2007. The initial investment is an estimated 25 million euros. This facility will bring the Group closer to its customers, with high value-added products and customized services

> Outlook

The Rest of the World area holds excellent potential for Nexans, who has successfully refocused around more profitable markets: energy production and transmission, oil and gas, automobile, railway, and building. The Group has considerable market share in each region, and with plans to broaden its scope, it will strengthen exports to countries sharing the same culture.

The outlook is promising for South America and Russia, while huge opportunities lie in the Middle East, with 270 million habitants and 22 States invited to form an integrated economic zone. The population in this region could double between now and 2023, and the rapid industrialization of the Gulf States will open the floodgates of their cable demand.

** CIS, Egypt, Ghana, Lebanon, the Middle East, Morocco, Nigeria, Pakistan, Tanzania, Russia, South Africa, South America, and Turkey.*