

# Notes to the audited Parent Company financial statements (extract)\_

In accordance with paragraph 16.1 of the French "Code de commerce", Nexans has decided to denominate its financial statements in euros.

The following notes represent the notes to the financial statements for the financial year 2000.

The balance sheet, closed at December 31, 2000, is presented after appropriation, the total assets amounting to 1,516,248,547 euros.

The Profit and Loss statement, covering the period from January 1, to December 31, 2000, presents a 27,769,690 euros net income.

The notes were elaborated on a simplified format and only present existing and significant items. All the tables and notes are denominated in euros.

## 1 MAIN SIGNIFICANT EVENTS

The highlights of the year 2000 were:

- the change of name of Atalec which became Nexans, and the relocation of its headquarters;
- the reorganization of the former Alcatel Cable sector : the Power Cable and Telecom Cable activities (excluding Fiber Optics businesses) held by Alcatel Cable France have been transferred to Nexans France; the consolidated subsidiaries of these same business segments have been sold to Nexans Participations; both Nexans Participations and Nexans France have then become subsidiaries of Nexans;
- the implementation of a centralized treasury management (including interest and exchange rates) for the whole Group, of which Nexans is the parent company.

## 2 SUMMARY OF ACCOUNTING POLICIES

The financial statements of Nexans comply with French general accounting standards, applied in accordance with the principles and the valuation methods relevant in France:

- on-going operations;
- permanent accounting policies from one period to the other;
- cut-off of the different accounting periods.

They are presented in compliance with the French general standards.

As a general rule, accounting entries are booked in compliance with the historical cost method. The most significant principles are described below:

### Investments and other shares

The gross value of investments is stated at acquisition cost excluding miscellaneous expenses. A reserve is accrued for, whenever the end-of-period fair value of the investments is lower than their historical acquisition cost. The fair value is assessed according to the value in use for Nexans, resulting from a multi-criteria valuation which may take into account the re-estimated net asset value as well as future cash flows.

### Accounts receivable

Accounts receivable are stated at their face value. A reserve may be accrued for whenever litigation or uncertainties arise.

### Accounts receivable and payable in foreign currencies

At December 31, reserves are made, in compliance with French accounting policies, to cover potential exchange rate losses on accounts payable or receivable denominated in foreign currency, whenever these accounts have not been hedged by a foreign exchange rate contract.

### Cash, financial debt and borrowings

As a result of the centralized treasury management implemented within Nexans for the whole Group:

- current accounts managed by centralized treasury and loans/borrowings with a debit balance are presented as "Cash";
- current accounts managed by centralized treasury and loans/borrowings with a credit balance are presented as "Other financial debts and borrowings".

### Tax pooling

On January 12, 1995, Nexans entered into a tax pooling agreement with Alcatel, its main shareholder, which came into effect on January 1, 1995. This agreement was entered in to meet the decision of Alcatel to opt for a tax pooling system pursuant to article 223 (and the followings) of the French "Code Général des Impôts". This agreement was valid for the remaining period of the option taken by Alcatel, that is to say December 31, 1997. This option has been renewed for a five year period expiring December 31, 2002.

Share of Nexans in the income tax as well as in the payments and contributions due by Alcatel, is equivalent during each period to the amount which would have been due by Nexans if it had been assessed separately.

### Consolidation

Nexans is the parent company of the Nexans Group, and was fully consolidated within Alcatel at December 2000.

### Off-balance sheet commitments

Forward deals:

- forward currency purchases from subsidiaries: 308,257,656 euros
- forward currency purchases from markets: 499,992,253 euros
- forward currency sales to subsidiaries: 318,978,215 euros
- forward currency sales to markets: 485,991,837 euros

### Commitments granted

Nexans granted two parent company guarantees to cover the legal obligations of some of its subsidiaries at end of year 2000.

The first one covers an order received on December 14, 2000, amounting to 13,469,935 US dollars.

The second one is a warranty on a 23,219,465 US dollars contract.

## 3 COMMENTS ON THE NET INCOME

The net income was mainly driven by the financial income, and more precisely by advances on year 2000 dividends, which were paid by:

- Nexans France: 8,999,995 euros
- Nexans Participations: 18,499,155 euros

The remaining part consists in: financial interests of 987,194 euros, related to the term deposit account where the capital cash increase was first invested before the purchase of Nexans France and Nexans Participations shares; net exchange gains; revenues from centralized treasury transactions, and operating expenses.

## 4 FIXED ASSETS

| <i>in euros</i>                                     | Beginning<br>of the period | Revaluation | Acquisitions<br>contributions | Transfer | Disposal | End<br>of the period |
|---|----------------------------|-------------|-------------------------------|----------|----------|----------------------|
| <b>RESEARCH<br/>&amp; DEVELOPMENT<br/>COSTS</b>     |                            |             |                               |          |          |                      |
| <b>OTHER<br/>INTANGIBLE<br/>ASSETS</b>              |                            |             |                               |          |          |                      |
| Land  |                            |             |                               |          |          |                      |
| Buildings   |                            |             |                               |          |          |                      |
| Infrastructure and fixtures                         |                            |             |                               |          |          |                      |
| Equipment and tools                                 |                            |             |                               |          |          |                      |
| Advanced payments                                   |                            |             |                               |          |          |                      |
| <b>PROPERTY, PLANTS AND EQUIPMENT</b>               |                            |             |                               |          |          |                      |
| Share in net asset<br>of equity subsidiaries        |                            |             |                               |          |          |                      |
| Investments in other subsidiaries                   |                            |             | 1,048,398,695                 |          |          | 1,048,398,695        |
| Other investment shares                             |                            |             |                               |          |          |                      |
| Loans and other financial<br>assets                 |                            |             |                               |          |          |                      |
| <b>INVESTMENTS<br/>AND OTHER NON-CURRENT ASSETS</b> |                            |             | <b>1,048,398,695</b>          |          |          | <b>1,048,398,695</b> |
| <b>TOTAL</b>  |                            |             | <b>1,048,398,695</b>          |          |          | <b>1,048,398,695</b> |

**5 MATURITY OF RECEIVABLES AND PAYABLES**

| <b>RECEIVABLES</b>                             | Gross<br>amount  | Maturing<br>within a year | Maturing<br>after 1 year |
|--|------------------|---------------------------|--------------------------|
| <i>in euros</i>                                |                  |                           |                          |
| Receivables related to investment shares       |                  |                           |                          |
| Loans  |                  |                           |                          |
| Other financial assets                         |                  |                           |                          |
| Overdues                                       |                  |                           |                          |
| Other trade receivables                        |                  |                           |                          |
| Advances and loans to employees                |                  |                           |                          |
| Social Security                                |                  |                           |                          |
| Income tax                                     |                  |                           |                          |
| Value added taxation                           | 980              | 980                       |                          |
| Other taxes                                    |                  |                           |                          |
| Miscellaneous receivables                      |                  |                           |                          |
| Group and shareholders                         | 39,970           | 39,970                    |                          |
| Miscellaneous debtors                          | 3,327,860        | 3,327,860                 |                          |
| Prepaid accounts                               |                  |                           |                          |
| <b>TOTAL</b>                                   | <b>3,368,810</b> | <b>3,368,810</b>          |                          |
| Loans granted during the period                |                  |                           |                          |
| Reimbursements obtained during the period      |                  |                           |                          |
| Advances and loans granted to the shareholders |                  |                           |                          |

| <b>LIABILITIES</b><br><i>in euros</i>                         | Gross amount       | Maturing<br>within a year | Maturing within 1 year<br>but after 5 years | Maturing<br>after 5 years |
|---|--------------------|---------------------------|---|---------------------------|
| Convertible bonds   |                    |                           |   |                           |
| Other bonds   |                    |                           |   |                           |
| Borrowings originally issued<br>for a 12-month period or less | 19,841             | 19,841                    |   |                           |
| Borrowings originally issued for over a year                  |                    |                           |   |                           |
| Other financial debts and borrowings                          | 418,396,653        | 418,396,653               |   |                           |
| Trade payables and related accounts                           | 5,980              | 5,980                     |   |                           |
| Wages and salaries  |                    |                           |   |                           |
| Other social payables   |                    |                           |   |                           |
| Income tax  |                    |                           |   |                           |
| Value added tax   |                    |                           |   |                           |
| Other accrued taxes   |                    |                           |   |                           |
| Payables on fixed assets and related accounts                 |                    |                           |   |                           |
| Group and shareholders  | 955,297            | 955,297                   |   |                           |
| Other liabilities   | 63,459             | 63,459                    |   |                           |
| Accrued income  |                    |                           |   |                           |
| <b>TOTAL</b>  | <b>419,441,229</b> | <b>419,441,229</b>        |   |                           |
| Borrowings subscribed during the period                       |                    |                           |   |                           |
| Borrowings reimbursed during the period                       |                    |                           |   |                           |
| Borrowings and advances subscribed<br>to the shareholders     |                    |                           |   |                           |

## 6 RELATED PARTY ACCOUNTS

| <i>in euros</i>                      | Non consolidated subsidiaries,<br>& Group shareholders | Affiliates    |
|--------------------------------------|--|---------------|
| <b>FIXED ASSETS</b>                  |  |               |
| Investments                          |  | 1,048,398,695 |
| <b>CURRENT ASSETS</b>                |  |               |
| Other accounts receivable            | 39,970   |               |
| Cash and cash equivalent             | 452,069,907  |               |
| <b>LIABILITIES</b>                   |  |               |
| Other financial debts and borrowings | 300,366,938  | 118,029,715   |
| Other liabilities                    | 955,296  |               |

## 7 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

*in euros*

| <b>Balance at December 31, 1999</b>       |                 | <b>Opening Balance</b> |
|---|-----------------|------------------------|
| Shareholders' equity before appropriation |                 | 36,362                 |
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| <b>Changes of the period</b>              | <b>Decrease</b> | <b>Increase</b>        |
| Capital stock variations                  |                 | 24,961,888             |
| Additional paid-in capital variations     |                 | 1,044,039,360          |
| Reserves and retained earnings variations |                 | 18                     |
| Other variations                          |                 | 27,769,690             |
| <b>TOTAL CHANGES</b>                      |                 | <b>1,096,770,955</b>   |
| <b>Balance at December 31, 2000</b>       |                 | <b>Closing Balance</b> |
| Shareholders' equity before appropriation |                 | 1,096,807,317          |

## 8 SUMMARY OF LAST FIVE-YEAR INCOME

*in euros*

|  | 12/31/2000 | 12/31/1999 | 12/31/1998 | 12/31/1997 | 12/31/1996 |
|--|------------|------------|------------|------------|------------|
| Closing date   | 12/31/2000 | 12/31/1999 | 12/31/1998 | 12/31/1997 | 12/31/1996 |
| Period (month)   | 12         | 12         | 12         | 12         | 12         |
| <b>CAPITAL STOCK AT YEAR-END</b>   |            |            |            |            |            |
| Capital stock  | 25,000,000 | 38,112     | 38,112     | 38,112     | 38,112     |
| Number of ordinary shares  | 25,000,000 | 2,500      | 2,500      | 2,500      | 2,500      |
| <b>Maximum number of shares to issue</b>   |            |            |            |            |            |
| <b>INCOME</b>  |            |            |            |            |            |
| Income before tax, depreciation, amortization and provisions                         | 28,726,511 |            |            |            |            |
| Income tax   | 956,821    | (53)       | (225)      | (1,584)    | (346)      |
| Net income   | 27,769,690 | (53)       | (225)      | (1,584)    | (346)      |
| <b>EARNING PER SHARE</b>   |            |            |            |            |            |
| Income after tax, profit sharing but before depreciation amortization and provisions | 1          | (0)        | (0)        | (1)        | (0)        |
| Income after tax, profit sharing depreciation amortization and provisions            | 1          | (0)        | (0)        | (1)        | (0)        |
| <b>EMPLOYEE</b>  |            |            |            |            |            |
| Social security and employee benefits  |            |            |            |            |            |

## 9 LIST OF SUBSIDIARIES AND INVESTMENTS

| Denomination<br>Head Office         | Capital stock/<br>Shareholders'<br>equity | % interest /<br>Received<br>divid. | Investment<br>gross value /<br>Investment<br>net value | Loans &<br>advances /<br>Deposits | Revenue /<br>Income |
|-------------------------------------|---|------------------------------------|--|-----------------------------------|---------------------|
| <b>SUBSIDIARIES (more than 50%)</b> |   |                                    |  |                                   |                     |
| NEXANS FRANCE                       | 160,000,000                               | 99.99%                             | 237,400,000  |                                   | 490,415,349         |
|                                     | 227,888,200                               | 8,999,995                          | 237,400,000  |                                   | 15,269,624          |
| NEXANS PARTICIPATIONS               | 223,781,250                               | 99.99%                             | 810,998,695  |                                   |                     |
|                                     | 812,287,816                               | 18,499,155                         | 810,998,695  |                                   | 18,758,495          |
| <b>INVESTMENTS (10% to 50%)</b>     |   |                                    |  |                                   |                     |
| <b>OTHER SHARES</b>                 |   |                                    |  |                                   |                     |