

# A strong medium-term growth potential

In 2001, sales in the Telecom Division, down 4.7%, were affected by a marked downturn in the private LAN cable market. Income from operations fell by 35% to 30 million euros. There was an increase in the operating margin in the infrastructure markets, in which copper confirmed its place, especially in the local loop.



“ We have had to face some major challenges in 2001, and some valuable lessons have been learned.

In a difficult year, we have been able to increase our product range while maintaining a real technological advance over our competitors. ”

*Pascal Portevin  
President, Telecom Division*

There was a sharp contrast between the two halves of 2001 for the Telecom Division. The year began on a note of healthy expansion, with telecom operators looking forward to further strong growth in all Internet-related services in view of the sustained level of spending in the IT sector. However, the summer saw a marked downturn in business followed by a dramatic fall in the fourth quarter. Nexans' performance reflects this development: in the first half of the year, the Division recorded an 8% increase in sales, while the second half was characterized by a 16% drop in sales.

## INFRASTRUCTURES: THE PROMISE OF THE LOCAL LOOP AND HIGH-SPEED DATA TRANSMISSION

Nexans experienced a healthy increase in sales in these markets (5.7%) as well as a rise in its operating margin (from 6.6% to 8.6%).

### Telecom network copper cables

ADSL (fast Internet) technology has provided a sizeable market in data transmission over the “local loop”. Copper is still the preferred medium for the new access technologies and is likely to meet 80% of consumers' requirements (for high-speed transmission and video in particular) for the



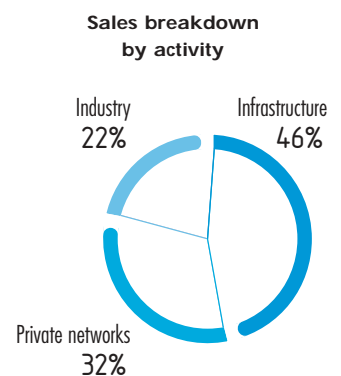
- No.1** European for telecom network copper cables\*
- No.1** European for data transmission special cables\*
- No.2** worldwide for LAN cables\*

next few years. This market was very active in 2001. Maintenance and widespread demand for second lines dedicated to Internet connections generated large numbers of orders for cables and components in the developed countries. Nexans brings unequalled know-how to these areas, incorporating innovative technologies into its global cabling solutions. Outside Europe, Egypt and Brazil were also extremely dynamic markets in 2001, and considerable growth potential exists in the medium-term for telecom network copper cables in the Middle East, Latin America and Africa.

**Telecom components**  
Nexans developed its business in North America and certain European and Asian markets in 2001. The Group showed steady growth in this sector as a result of increased demand for bandwidth. In contrast, the optical fiber market experienced a dramatic slowdown in the second half of 2001, which is likely to continue for some time yet.

► **Outlook for 2002**  
Telecommunications infrastructures in 2002 are likely to continue to suffer from lower investment on the part of debt-ridden traditional operators and the precarious situation of new operators. In this context, Nexans will be concentrating on five priorities: speed up its cost rationalization process; give priority to the local loop; choose turnkey project suppliers as preferred partners; target export markets in developing countries; finally, and above all, operate a selective purchasing policy.

### TELECOM: 19% OF THE GROUPS' ACTIVITIES



\* Nexans uses its own internal estimations to evaluate its position and its market share as compared to its competitors. These estimations are based on publications made by the cable industry, information published by its competitors and its own knowledge of the market. Nexans believes its internal estimations to be correct but however cannot guarantee their total accuracy.

**DID YOU KNOW?**

Mini-cable, maximum speed, ... Nexans has just launched a range of NCX® coaxial cables that meet the new miniaturization and high-speed requirements. This cable supports data transfer speeds of up to 155 Mbit/s!



## July

**NEXANS CABLES 'THE WORLD'**

Nexans has installed one of the latest state-of-the-art communications network on 'The World' of ResidenSea, a new super luxurious cruise ship intended to be a floating home on the high seas. Thanks to the state-of-the-art Cat. 7 structured cabling being installed by Nexans, residents of the ship will be able to continue their normal working lives aboard the vessel with the very latest communications services—each suite will have telephone, fax, e-mail, Internet and remote LAN access.



## August

**BIG CONTRACT IN TAIWAN FOR THE SUPPLY AND INSTALLATION OF OPTICAL INTERCONNECTION SYSTEMS**

The contract, signed with Howin Technologies Corporation, covers the supply of more than 1,300 Opteostar modular optical distributors.



### ECONOMIC WEAKNESS OF BUILDING MARKETS IN 2001

Nexans cables and cabling systems in this sector are primarily aimed at the Local Area Network (LAN) markets for companies, universities, factories, hospitals, banks, etc. In 2001, Nexans' sales were down 26.4% and the previous year's income from operations (1.9%) turned into a 5.8% loss. The downturn was essentially attributable to the severe slowdown in the economy, which first occurred in the United States. In Europe, the fall in corporate IT spending also contributed to this poor performance. Nexans

nonetheless anticipates strong growth in the LAN sector in the medium term and is preparing to take advantage of this in two ways.

**Innovation**

Nexans has developed cabling solutions that provide its customers with considerable added value. The highly innovative GG45 connector was chosen by ISO as the international standard for Category 7. Nexans also invested in the development of plastic optical fibers. Lightweight and immune

to electromagnetic interference, they are a remarkable transmission medium with numerous applications.

**Continuation of its restructuring program**

Nexans finished the restructuring program undertaken in North America: thanks to harsh measures, the break-even point was lowered from 200 million dollars to 120 million dollars.

► **Outlook for 2002**

The restructuring initiative started in Europe will continue in 2002 and 2003. The Division is also set to develop new connectivity products, intensify its marketing efforts in Europe and the United States, and expand its production capacity in Asia, especially in South Korea and China. The standardization of Category 7 cables is likely to have a positive effect on business in 2002.

## September

### NEXANS CONNECTOR PROPOSAL APPROVED AS INTERNATIONAL STANDARD

The connector proposal from Nexans was confirmed and standardized by ISO IEC-JCT as the Interface for Cat. 7. Herewith the standardization experts honored the unique benefits of a backwards-compatible solution.



## November

### AN ADVANCED SEISMIC SEA BED SYSTEM

Nexans and Sercel SA have successfully performed the first field trial of a new seabed seismic system, 'Deep Sea Link', which the two companies have been co-developing together for several years. The field trial took place in a fjord in Norway at a water depth of 500 m, and several different handling exercises were conducted over a period of five days. All the tests were regarded as very successful.

### HYUNDAI AWARDS NEXANS MUD AND FIRE RESISTANT CABLE ORDER

Nexans has been awarded a contract to supply 17 km of Telecom Mud and Fire resistant cable to Hyundai Heavy Industries, in Ulsan, Korea.



## INDUSTRY: STRONG POTENTIAL FOR SPECIAL CABLES

This sector of activity combines production of data transmission and precision cables for telecom equipment, computer hardware, aeronautics, and numerous other specific applications in the high-tech field. The sector fully maintained its potential in 2001, with sales of 187 million euros, up 4.1%. Business was extremely steady in the aeronautics industry until September 2001. There again, Nexans can rely on a first-class portfolio of industrial customers, in spite of the

slowdown in the sector. Nexans occupies a strong position in the submarine data transmission special cables markets, such as oceanographic cables and cables for Remote Operated Vehicles (ROV) in particular. This positive trend is set to continue in 2002, thanks notably to projects in the oil and gas, and seismic exploration sector.

### ► Outlook for 2002

Nexans will be maintaining its innovation capability in this sector and capitalizing on the privileged relationship it enjoys with its many customers.