Prospectus dated 26 April 2007

NEXANS
€350,000,000 5.75 per cent. Notes due 2017

Issue Price: 99.266 per cent.

The €350,000,000 5.75 per cent. Notes due 2017 (the "**Notes**") of Nexans (the "**Issuer**") will be issued outside the Republic of France on 2 May 2007 (the "**Issue Date**").

The Notes will bear interest from, and including, the Issue Date to, but excluding, 2 May 2017, at the rate of 5.75 per cent. per annum payable annually in arrear on2 May in each year. The first payment of interest will be made on 2 May 2008 for the period from, and including, the Issue Date to, but excluding, 2 May 2008. Payments in respect of the Notes will be made without deduction for or on account of taxes imposed or levied by the Republic of France to the extent described under "Terms and Conditions of the Notes – Taxation".

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed in full at their principal amount on 2 May 2017. The Notes may, and in certain circumstances shall, be redeemed, in whole but not in part, at their principal amount together with accrued interest in the event that certain French taxes are imposed (See "Terms and Conditions of the Notes - Redemption and Purchase").

Noteholders (as defined in "Terms and Conditions of the Notes") will be entitled, following a Put Event to request the Issuer to redeem all or part of their Notes at their principal amount together with any accrued interest as more fully described in "Terms and Conditions of the Notes – Change of Control".

This document constitutes a prospectus (the "**Prospectus**") for the purposes of Article 5.3 of Directive 2003/71/EC (the "**Prospectus Directive**"). Application has been made to the Commission de Surveillance du Secteur Financier (the "**CSSF**") in its capacity as competent authority in Luxembourg to approve this document as a prospectus under the Luxembourg Law of 10 July 2005 on Prospectuses for Securities (the "**Luxembourg Prospectus Law**"), which implements the Prospectus Directive in Luxembourg. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market (within the meaning of Directive 93/22/EC) of the Luxembourg Stock Exchange.

The Notes will on the Issue Date be inscribed (*inscription en compte*) in the books of Euroclear France which shall credit the accounts of the Account Holders (as defined in "Terms and Conditions of the Notes - Form, Denomination and Title") including Euroclear Bank SA/N.V. ("**Euroclear**") and the depositary bank for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). The Notes have been accepted for clearance through Euroclear France, Euroclear and Clearstream, Luxembourg.

The Notes are issued in dematerialised bearer form (*au porteur*) in the denomination of €50,000 each and will at all times be represented in book entry form (*dématérialisé*) in the books of the Account Holders in compliance with article L.211-4 of the French *Code monétaire et financier*. No physical document of title will be issued in respect of the Notes.

See "Risk Factors" below for certain information relevant to an investment in the Notes.

The Notes have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are only offered outside the United States in reliance on Regulation S under the Securities Act.

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*The Issuer, having made all reasonable enquiries, confirms that this Prospectus contains or otherwise incorporates by reference all information with respect to the Issuer, the Issuer, its subsidiaries and affiliates taken as a whole (the "**Group**") and the Notes which is material in the context of the issue and offering of the Notes; such information is true and accurate in all material respects and is not misleading in any material respect. The Issuer accepts responsibility accordingly.*

This Prospectus does not constitute an offer of, or an invitation or solicitation by or on behalf of the Issuer or the Managers (as defined in "Subscription and Sale" below) to subscribe or purchase, any of the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions, including, without limitation, the United States, the United Kingdom and the Republic of France, may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Notes and distribution of this Prospectus, see "Subscription and Sale" below.

*The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and, subject to certain exceptions, may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")).*

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Managers. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

In making an investment decision regarding the Notes, prospective investors should rely on their own independent investigation and appraisal of the Issuer, its business and the terms of the offering, including the merits and risks involved. The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult its own advisers as to legal, tax, financial, credit and related aspects of an investment in the Notes. The Managers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or any of them as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Notes or their distribution.

See "Risk factors" below for certain information relevant to an investment in the Notes.

In this Prospectus, unless otherwise specified or the context requires, references to "euro", "EUR" and "€" are to the single currency of the participating member states of the European Economic and Monetary Union and references to "dollars", "USD" or "$" are to the single currency of the United States of America.

In connection with this issue, BNP Paribas (the "Stabilising Agent") or any person acting for the Stabilising Agent may over-allot Notes (provided that the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Agent (or persons acting on behalf of the Stabilising Agent) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any such stabilisation action will be carried out in accordance with applicable laws and regulations.

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PERSONS RESPONSIBLE FOR THE INFORMATION GIVEN IN THE PROSPECTUS

The Issuer accepts responsibility for the information contained (or incorporated by reference) in this Prospectus. To the best of its knowledge, having taken all reasonable care to ensure that such is the case, the information contained (or incorporated by reference) in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Nexans
16, rue de Monceau
75008 Paris
France

Duly represented by: Gérard Hauser
Chairman and Chief Executive Officer

INCORPORATION BY REFERENCE

This Prospectus shall be read and construed in conjunction with the following documents which have been filed with the Luxembourg *Commission de Surveillance du Secteur Financier* and are incorporated in, and shall form part of, this Prospectus:

(a) the Issuer's annual report for the year ended 31 December 2006 in the French language save that the statement by Mr. Gérard Hauser, Chairman and Chief Executive Officer of the Issuer on page 187 referring to the *lettre de fin de travaux* of the statutory auditors, which shall not be deemed incorporated in the Prospectus;

(b) the Issuer's annual report for the year ended 31 December 2005 save that the statement by Mr. Gérard Hauser, Chairman and Chief Executive Officer of the Issuer on page 145 referring to the *lettre de fin de travaux* of the statutory auditors, which shall not be deemed incorporated in the Prospectus; and

(c) the Issuer's auditors' report on the consolidated financial statements of the Issuer for the year ended 31 December 2005 in the French language.

save that any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Copies of the documents incorporated by reference are available without charge (i) on the website of the Luxembourg Stock Exchange (www.bourse.lu) and (ii) on request at the principal office of Issuer or of the Paying Agents (BNP Paribas Securities Services and BNP Paribas Securities Services, Luxembourg Branch) during normal business hours so long as any of the Notes is outstanding, as described in "General Information" below.

The information incorporated by reference in this Prospectus shall be read in conjunction with the cross reference list below. Any information not listed in the cross-reference list but included in the documents incorporated by reference in this Prospectus is given for information purposes only.

CROSS-REFERENCE LIST

ANNEX IX of European Regulation 809/2004/EC	
9.11.1. Historical financial information	
Audited consolidated financial statements of the Issuer for the financial year ended 31 December 2005:	
(a) consolidated balance sheet;	Pages 58-59 of the Issuer's annual report for the year ended 31 December 2005
(b) consolidated income statement;	Page 57 of the Issuer's annual report for the year ended 31 December 2005
(c) consolidated cash flow statement;	Page 60 of the Issuer's annual report for the year ended 31 December 2005
(d) accounting policies and explanatory notes.	Page 62 of the Issuer's annual report for the year ended 31 December 2005

ANNEX IX of European Regulation 809/2004/EC	
9.11.3. Auditing of historical annual financial information	
Auditors' report on the consolidated financial statements for the financial year ended 31 December 2006	Page 124 of the Issuer's annual report for the year ended 31 December 2006
Auditors' report on the consolidated financial statements for the financial year ended 31 December 2005	Auditors' report on the consolidated financial statements for the financial year ended 31 December 2005

RISK FACTORS

Prior to making an investment decision, prospective investors should consider carefully all of the information set out and incorporated by reference in this Prospectus, including in particular the following risk factors. Prospective investors should be aware that this section is not intended to be exhaustive and that the risks described herein may combine and thus modify one another. They should make their own independent evaluations of all risk factors and should also read the detailed information set out elsewhere in this Prospectus. Terms defined in "Terms and Conditions of the Notes" below shall have the same meaning in the following section.

RISK FACTORS RELATING TO THE ISSUER

Risk identification and management

In addition to regular business reviews of the subsidiaries by headquarters and monthly reporting by area managers, Nexans has implemented procedures designed to identify and manage risks. For further information in this regard, see the Chairman's report on the Board of Directors' Operations and the Company's Internal Control Procedures on pages 206 to 218 of this Prospectus.

The most important risks identified which apply to Nexans' operations and to the Group are described below.

Financial risks

Risks related to fluctuations in interest rates, exchange rates, metal prices, and counterparty credit are discussed in Note 24 to the consolidated financial statements on pages 150 to 153 of this Prospectus, and in Section 6.2 of the Board of Directors' Management Report on page 78 of this Prospectus.

Risks related to liquidity and customer credit are discussed in Sections 6.3 and 6.4 of the Board of Directors' Management Report on pages 78 to 81 of this Prospectus.

Risks related to the seasonal nature of Nexans' business

Nexans' business is subject to seasonal fluctuations. Consequently, income generated during the first six months of the year is generally lower than in the second half of the year. Historically, this difference can largely be explained by the following factors:

- a large number of Nexans' products are linked to the construction of outdoor infrastructure. Orders relating to these products therefore tend to be placed when climatic conditions are more favorable, particularly in the second and third quarters of the year;
- customers generally place major orders for delivery during the fourth quarter, at the end of the annual budget year, particularly for public works projects;
- Nexans' working capital requirements increase significantly during the first quarter of each year due to the increase in inventories needed to fulfill orders already placed or expected during the second and third quarters. The increase in working capital requirements during the first and second quarters generally leads to an increase in debt levels and thus financial expenses. During the third and fourth quarters, a decrease in Nexans' working capital requirements and debt levels is generally observed.

Risks related to contractual liability

The nature of Nexans' business exposes it to claims for product liability and claims for damage to property or third parties allegedly caused by its products. Nexans provides warranties relating to the performance of its products which may cover a considerable period of time.

In addition, warranties given to Nexans pursuant to contracts for the supply of the materials and components used in its products may be less extensive than the warranties Nexans gives to its customers, for example, in the optical fiber sector.

9 to 10% of Nexans' consolidated sales (based on constant non-ferrous metal prices) derive from contracts for the supply and installation of cables as part of turnkey infrastructure projects. These contracts relate primarily to high-voltage landbased and undersea cables. Individual contracts often have a high value and contain penalty and liability clauses in the event Nexans is unable to comply with the delivery schedule or with quality requirements (for example, technical defects requiring intervention after installation due to product non-conformity resulting from production anomalies).

If these clauses are invoked, the amount of penalties involved, the size of claims for damages or the financial impact on the project due to delays could have a significant negative impact on Nexans' financial situation and income.

The Group has put in place a stringent product quality control system to limit these risks. A large number of Nexans' units are ISO 9001 or 9002 certified, as appropriate. Overall quality is a driving force behind the continuous improvement plan that is part of the Group's Corporate Program + initiative.

Methodologies used in Program + are strictly aligned with ISO 9000-2000 certification criteria. Every month, units monitor a set of indicators used to evaluate progress made in terms of quality and customer satisfaction. Customer satisfaction surveys are also used throughout the Group.

In addition, large contracts are subjected to a systematic risk evaluation procedure.

Particular focus is placed on raising the awareness of the Group's sales teams in relation to the risks inherent in sales contracts and on the negotiation of standard contract terms, with the involvement of the Group's Legal Department.

Furthermore, Nexans currently has liability insurance coverage that it considers to be in line with industry standards, but it cannot guarantee this insurance offers sufficient coverage for all of the liability claims filed against the Group (see page 188 of this Prospectus).

Risks related to dependence on customers

Nexans' activities are spread across a variety of businesses (energy, telecommunications, electrical wires), and it has many different types of final customer (distributors, equipment manufacturers, industrial operators, public operators) in a wide range of countries. This diversity acts as a safeguard for the Group as a whole and no customer accounts for more than 3% of consolidated sales.
Nonetheless, given the level of operating income involved and the difficult market conditions, the loss of one customer, particularly in niche markets such as automobiles, shipbuilding and aerospace, which are more concentrated, could have an impact on Nexans' income. In addition, the demand for certain products is affected by the economic environment of the related business sector, such as in the oil industry for example.

Risks related to raw materials and supplies

Copper, aluminum and plastic are the main raw materials used by Nexans. Therefore, price fluctuations and the availability of products have a direct effect on the Group's business. Nexans has so far always been able to obtain adequate supplies at reasonable prices. A global copper shortage or interruptions of supplies could have an adverse effect notwithstanding that Nexans has diversified its sources of supply as much as possible in order to reduce these risks. The situation is to some extent similar for petroleum byproducts such as polyethylene, PVC and plasticizers. The inability to source raw materials at reasonable prices could therefore adversely affect Nexans' business and income.

The Group's policy is always to have at least two suppliers for any raw material or component used in manufacturing its products. There are nonetheless certain isolated cases where the Group uses a sole supplier, particularly for the materials used to make high voltage cables.

An increase in raw material, energy or transportation costs could have a significant impact on Nexans' business or income.

As part of its strategic purchasing policy to secure the supply of certain raw materials in terms of both volume and price (*i.e.*, the LME price plus a premium), Nexans – which uses around 800,000 metric tons/year of copper – signed copper cathode purchasing contracts with two suppliers extending until 2009. The annual volume purchased under these contracts is fixed in November of the preceding year, and for 2007 amounted to approximately 400,000 metric tons. The Group has also signed copper cathode purchasing contracts with other suppliers incorporating fixed annual volumes.

In addition, the Group uses around 140,000 metric tons/year of aluminum. To secure its supplies of aluminum wirerod and in view of the market for aluminum, the Group has placed firm purchase orders for amounts sufficient to cover its needs in 2007 and given firm purchase commitments for 50,000 metric tons/year for 2008 through 2012.

As these products are listed on regulated markets, the Group could sell any quantities that are purchased but not subsequently used, although it may incur a loss related to the bid/offer spread.

In addition, in view of the Group's prominent role in the undersea high-voltage and umbilical cables market, it needs a cable-laying vessel capable of performing the Group's installation contracts within the timeframes required. As there is a limited market for such vessels, in November 2006, Nexans acquired the cable laying vessel, *Bourbon Skagerrak,* from Bourbon Cable AS, a Norwegian subsidiary of the French group Bourbon. This vessel – which has been renamed Nexans Skagerrak – is one of the few in the world specially designed to transport and lay umbilical cables and high-voltage subsea cables. Before the acquisition, Nexans had operated this vessel through an exclusive long-term chartering contract.

Geopolitical risks in high-growth areas

High-growth countries are one of the Group's avenues for expansion but certain of these areas represent significant geopolitical risks. In 2006, Nexans generated between 2% and 3% of its consolidated sales (at current non-ferrous metal prices) in countries classified by Coface as having a very uncertain economic and political climate or representing a very high risk that could result in a deterioration or aggravation of payment behavior.

Risks related to the Group's competitive environment

The cable industry remains relatively fragmented both regionally and internationally, and the cable, wire and cabling system markets are highly competitive. The number and size of Nexans' competitors vary depending on the market, the geographical area and product line concerned. Consequently, the Group has several competitors in each of its businesses. Furthermore, for certain businesses and in certain regional markets, Nexans' main competitors may have a stronger position or have access to greater know-how or resources than Nexans.

In recent years, cable makers have had to contend with a global crisis in the telecommunications markets and the steady increase in trade of certain types of low value- added cable among countries in a given region. This has led a number of market players to launch restructuring programs to reduce excess production capacity. Apart from these corrective measures however, there have been no radical changes to the structure of the industry and it remains relatively fragmented both regionally and globally.

Conditions have become more favorable for the industry since 2005 and capacity is being better used. New actors are coming onto the scene encouraged by the development of new markets, especially in emerging countries.

As certain of its products (cables, wires and accessories) must comply with industry specifications and are interchangeable with the products of its main domestic and international competitors, Nexans faces stiff competition in most of its markets in terms of price, delivery time and service. In the industrial sector, OEM customers ("Original Equipment Manufacturers") are shifting away from standardized products, meaning that Nexans must be increasingly flexible and develop new solutions so as to accommodate ever more demanding specifications and functionality requirements.

The principal competitive factors in the cable industry are cost, service, product quality and availability, geographical coverage and the range of products offered.

In this environment, Nexans must constantly invest and improve its performance in order to retain any competitive advantages it may have in certain markets. In addition, the Group is continuing its efforts in R&D, logistics, and marketing in order to differentiate itself from the competition. At the same time, faced with constant downward pressure on prices, Nexans is focused on reducing costs through continuously streamlining its production processes as well as plans to boost its manufacturing performance. These restructuring measures are expected to cost approximately 30 million euros per year.

Risks related to technologies used

In order to remain competitive, Nexans must anticipate advances in technology when developing its own products and manufacturing processes. The demand for products that consume less energy, are recyclable and less polluting, and especially better value products, require the creation of innovative manufacturing processes, the use of new materials and the development of new wires and cables. Most of the markets in which Nexans has a presence tend to favor the use of highly technological products; it is therefore important that Nexans undertakes research providing it with access to the technologies necessary and valued by the market.

Moreover, despite its Research and Development efforts and the ongoing monitoring of potentially competing technologies, there is no guarantee that the technologies currently used by Nexans will not ultimately be replaced by new technologies developed by its leading competitors, or that its competitors will not allege infringement, or that Nexans will be able to successfully launch new products that respond perfectly to customer demand.

Risks related to environmental regulations

Nexans is subject to numerous laws and regulations governing the environment in each of the countries where it operates, in particular in the European Union, the United States and Canada.

These laws and regulations impose increasingly strict environmental standards, particularly in relation to atmospheric pollution, wastewater disposal, the emission, use and handling of toxic materials and waste, waste disposal methods, site cleanups and treatment. These standards expose Nexans to the possibility of liability claims being filed against it, and to significant costs (e.g. for liability with respect to current or past activities or related to assets sold).

The Group has a voluntary internal environmental management system that has been operational for several years. This system is intended to lead to the EHP label being awarded, denoting the Group's compliance with the highest environmental standards. For further information in this regard, see Section 16.1 of the Management Report on pages 89 to 94 of this Prospectus.

In France, the government department responsible for the environment has published a national directory of potentially polluted sites and launched a program to examine and clean up these sites. As a result, Nexans has started investigations or remediation activities at four of its sites.

In the United States, Nexans is subject to several federal and state environmental laws, which could make certain categories of entity defined by law liable for the full amount of cleanup costs relating to environmental pollution, even if no fault is determined and the relevant operations comply with applicable regulations. Nexans has often been cited, together with others, as potentially liable for pollution pursuant to the 1980 Comprehensive Environmental Response, Compensation and Liability Act. Nexans has been joined to these proceedings although the pollution referred to is associated with waste dumps and did not arise on its manufacturing or production sites. The potential liability of Nexans in relation to these proceedings has not adversely affected its financial position or income in the past but it cannot be guaranteed that there will be no negative effects in the future.

In general, various types of environmental claims are made against the Group in the normal course of business. Based on the amounts claimed and the status of the proceedings concerned, together with its evaluation of the risks involved and its provisioning policy, Nexans believes that there is little risk that these claims will significantly affect its financial position or income. The main environmental claim currently outstanding against the Group concerns a dispute in Duisburg, Germany, brought by the purchasers of a site and a city council relating to soil and ground water contamination. This soil contamination is long-standing and Nexans' full liability has not been established although analyses are currently underway. Nexans has, however, recorded provisions to cover any responsibility it may have for cleanup costs.

Nexans applies the following rules when recognizing provisions in relation to environmental matters. A provision is recognized when the information and documents available indicate that a future outgoing of economic resources is likely, significant and quantifiable. If these criteria are not met, any such potential outgoings of economic resources are disclosed in the notes to the consolidated financial statements where the amount concerned is material. Where such an outgoing is unlikely no provision is recognized and no disclosure is made in the notes to the financial statements. Nexans estimates environmental remediation or cleanup costs on a case-by-case basis and as accurately as possible, based on the information available.

At December 31, 2006, the amount of provisions recorded for environmental risks was 6.446 million euros. These provisions include amounts relating to the above-mentioned dispute in Duisburg, the cleanup of a waste dump on the site of its Swedish subsidiary and others costs related to current or planned soil cleanup operations after the use of products such as solvents or oil, at sites including Bramsche in Germany and Buizingen in Belgium. In addition, additional expenses may be incurred for the clean-up of sites that have been closed and are likely to be sold. However, the Company expects that these expenses will represent less than the market value of the sites in question.

Nexans believes that unprovisioned costs for the cleanup of sites that have not yet been audited should not have a significant impact on its earnings.

Nexans cannot guarantee that future events, in particular changes in legislation or the development or discovery of new facts or conditions, will not lead to additional costs that could have a significant adverse effect on its business, financial position or income.

Nexans' position on asbestos

The manufacture of Nexans products does not involve any handling of asbestos.
In the past (and particularly to comply with French army specifications), asbestos was used to a limited extent to improve the insulation of certain kinds of cables to be used for military purposes. It was also used in the manufacture of enameled ovens at two sites in France, but this activity was discontinued several decades ago.

To date, 41 people in France have been classified as suffering from an occupational disease, of which 8 have filed proceedings against their employer (TLM). In addition, some 84 employees (44 at Nexans Wires and 40 at SCCC) are subject to medical monitoring.

Management does not believe that this risk is likely to have a significant impact on the Group's financial position or earnings.

Insurance coverage

In addition to local mandatory insurance coverage and individual insurance taken out directly by the Group's various units, Nexans has had a Group insurance program in place since 2003. Companies in which Nexans has more than a 50% stake are eligible to participate in this program.
The overall coverage under this program changed little during 2006 compared to the previous year and was renewed on January 1, 2007 at similar levels, with the exception of coverage for space industry products which was, as in 2006, less than the coverage obtained through 2004.

The main types of insurance coverage under this program are as follows:

- property and casualty and business interruption,
- general civil operating and product liability,
- transportation,
- contractor's all risk insurance for land-based projects,
- aeronautic and space civil liability,
- short-term credit risk to secure accounts receivable from certain domestic and export customers, Directors' liability.

The limits on these policies are based on a historical analysis of the company's claims experience and on the advice of its brokers. They generally exceed the maximum amount of insured claims experienced by the Group in the past.

These policies are, however, subject to coverage exclusions that result in limitations on the transfer of risk.

The property and casualty and business interruption policy is subject to limitations applicable to certain units.

Certain countries or regions are currently excluded from the Group's insurance program (e.g. Nigeria) and certain geographical areas have more limited coverage for risks related to natural catastrophes, including areas with high seismic risk such as Greece, Italy, and Turkey.

The short-term credit risk policy has been rolled out country by country as part of a global, multi-year program renewed in 2006 for two years. At the end of 2006, companies in the Group's scope of consolidation that had subscribed to this policy made up 80% of Nexans consolidated sales.

With respect to civil liability resulting from aeronautic or space products, coverage for damages caused to third parties is limited to the occurrence of severe accidents or decisions to ground aircraft made by domestic or international civil aviation authorities, and excludes all other kinds of liability. It is possible that very infrequent yet highly serious claims may considerably exceed the related sales generated and significantly affect Nexans' operating income.

Finally, there is a trend among third parties, customers and suppliers, as well as in the insurance market, towards increased litigation to limit or expand the scope of contractual undertakings. The possibility of legal action being taken creates further uncertainties as to the amount of risk transferred.

With respect to political risk, the Group has no coverage for financial assets shown on the balance sheet. Risks related to acts of terrorism are covered by the insurance legally required in certain countries.

Nexans does not have any captive insurance or reinsurance subsidiaries. However, in December 2006, the Accounts and Audit Committee authorized the creation of a reinsurance subsidiary so as to better manage the Group's risk retention. This subsidiary should be operational in 2008, and will become progressively more involved in Nexans' insurance program in line with opportunities and limitations in the insurance market.

The Group relies on the expertise of a global network of insurance brokers to assist it in the control and management of the risks to which it is exposed in all the countries where it operates.

Nexans has strengthened its commitment to reducing industrial risks by putting in place a specific 3-year investment program for 2005 through 2007. This program was designed in close cooperation between the Industrial Management Department and experts from the Group's property and casualty insurer. These experts visit the industrial sites on an annual basis, making very specific recommendations on how to improve risk prevention and safety, and they monitor the implementation of these recommendations.

Applicable law and regulations

As far as the Company is aware, there are no laws or regulations specific to the cable industry that apply in addition to general industry in regulations. The Group's various sites comply with the applicable national laws and regulations relating in particular to emissions into the air, water and soil, which vary according to the country where the sites are located.

RISK FACTORS RELATING TO THE NOTES

Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of such investor's own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;
(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
(iv) understand thoroughly the terms of the Notes; and
(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the relevant risks.

Market Value of the Notes

The market value of the Notes will be affected by the creditworthiness of the Issuer and a number of additional factors, including, but not limited to, market interest and yield rates and the time remaining to the maturity date. The value of the Notes depends on a number of interrelated factors, including economic, financial and political events in France or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the Notes are traded. The price at which a Noteholder will be able to sell the Notes prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such Noteholder.

An active trading market for the Notes may not develop (liquidity risk)

There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. The Issuer is entitled to buy the Notes for its own account or for the account of others, and to issue further Notes. Such transactions may favourably or adversely affect the price development of the Notes. If additional and competing products are introduced in the markets, this may adversely affect the value of the Notes.

In addition, exercise of the Put Option, as defined and provided in Condition 8 in respect of any Notes may affect the liquidity of the Notes in respect of which such put option is not exercised. Depending on the number of Notes in respect of which the put option is exercised, any trading market in respect of any outstanding Notes may become to varying degrees less liquid.

Redemption Risk

The Notes may at the option of the Issuer, and shall in certain circumstances, be redeemed, in whole but not in part, at their principal amount together with accrued interest for certain tax reasons (see "Terms and Conditions of the Notes – Redemption and Purchase"). There can be no assurance that, at the relevant time, Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Notes.

Long-term securities

The Notes will be redeemed on 2 May 2017. The Issuer is under no obligation to redeem the Notes at any time before this date. The Noteholders have no right to call for their redemption except upon the occurrence of a Put Event as provided in Condition 8 or upon the occurrence of an Event of Default as provided in Condition 9. The Notes may, and in certain circumstances shall, be redeemed, in whole but not in part, at their principal amount together with accrued interest in the event that certain French taxes are imposed as provided in Condition 5.

Exchange rate risk

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than euro (the "**Investor's Currency**"). These include the risk that exchange rates may significantly change (including changes due to devaluation of Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. As a result, investors may receive less interest or principal than expected.

Fixed Rate

The Notes bearing interest at a fixed rate, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

No Legal and Tax Advice

A Noteholder's effective yield on the Notes may be diminished by the tax impact on that Noteholder of its investment in the Notes.

A Noteholder's actual yield on the Notes may be reduced from the stated yield by transaction costs.

Each prospective investor should consult its own advisers as to legal, tax and related aspects of an investment in the Notes.

TERMS AND CONDITIONS OF THE NOTES

The issue outside the Republic of France of the €350,000,000 5.75 per cent. Notes due 2017 (the "**Notes**") by Nexans (the "**Issuer**") has been authorised pursuant to a resolution of the Board of Directors (*Conseil d'administration*) of the Issuer dated 27 March 2007 and a decision of its Chief Operating Officer (*Directeur général délégué*) dated 25 April 2007. The Notes are issued subject to and with the benefit of a fiscal agency agreement dated 2 May 2007 (the "**Fiscal Agency Agreement**") between the Issuer, BNP Paribas Securities Services as fiscal agent and principal paying agent (the "**Fiscal Agent**", which expression shall, where the context so admits, include any successor for the time being as Fiscal Agent) and as put agent (the "**Put Agent**", which expression shall, where the context so admits, include any successor for the time being as Put Agent) and BNP Paribas Securities Services, Luxembourg Branch as paying agent (together with any additional paying agents, the "**Paying Agents**", which expression shall, where the context so admits, include the Fiscal Agent and any successors for the time being of the Paying Agents). Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the specified offices of the Paying Agents. References below to "**Conditions**" are, unless the context otherwise requires, to the numbered paragraphs below. In these Conditions, "**holder of Notes**", "**holder of any Note**" or "**Noteholder**" means the person whose name appears in the account of the relevant Account Holder as being entitled to such Notes.

1. Form, Denomination and Title

The Notes are issued in dematerialised bearer form (*au porteur*) in the denomination of €50,000 each. Title to the Notes will be evidenced in accordance with article L.211-4 of the French *Code monétaire et financier* by book entries (*inscription en compte*). No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes.

The Notes will, upon issue, be inscribed in the books of Euroclear France, which shall credit the accounts of the Account Holders. For the purpose of these Conditions, "**Account Holders**" shall mean any authorised financial intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, and includes Euroclear Bank S.A./N.V. ("**Euroclear**") and the depositary bank for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**").

Title to the Notes shall be evidenced by entries in the books of Account Holders and will pass upon, and transfer of Notes may only be effected through, registration of the transfer in such books, and only in the denomination of €50,000.

2. Status

The principal and interest in respect of the Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank and will at all times rank *pari passu* without any preference among themselves and (subject to such exceptions as are from time to time mandatory under French law) equally and rateably with any other present or future unsecured and unsubordinated obligations of the Issuer.

3. Negative Pledge

The Issuer undertakes, until all the Notes have been redeemed, not to grant any mortgage (*hypothèque*) over its present or future real property assets or interests, nor any pledge (*nantissement*), charge (*gage*), or any other security interest (*sûreté réelle*) on its present or future assets or incomes, to holders of other bonds (*obligations*) issued or guaranteed by the Issuer, which are, or are capable of being, admitted to trading on a regulated market, unless at the same time the Notes are equally and rateably secured therewith.

Such undertaking is given only in relation to security interests given for the benefit of holders of bonds (*obligations*) which are, or are capable of being, admitted to trading on a regulated market and does not affect in any way the right of the Issuer to dispose of its assets or to grant any security in respect of such assets in any other circumstance.

4. Interest

(a) Interest Payment Dates

The Notes bear interest from, and including, 2 May 2007 to but excluding 2 may 2017 at the rate of 5.75 per cent. per annum payable annually in arrear on 2 May in each year (each an "**Interest Payment Date**"). The first payment of interest will be made on 2 May 2008 for the period from, and including, the Issue Date to, but excluding, 2 May 2008.

(b) Interest Payments

Each Note will cease to bear interest from the due date for redemption, unless payment of principal is improperly withheld or refused on such date. In such event, interest on such Note shall continue to accrue at such rate until, and including, whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder and (ii) the day of receipt by or on behalf of Euroclear France of all sums due in respect of all the Notes.

Interest shall be calculated on an Actual/Actual - ICMA basis, as follows:

(i) if the Accrual Period is equal to or shorter than the Determination Period during which it falls, the Actual/Actual-ICMA basis will be the number of days in the Accrual Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(ii) if the Accrual Period is longer than one Determination Period, the Actual/Actual-ICMA basis will be the sum of:

(a) the number of days in such Accrual Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(b) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where

"**Accrual Period**" means the relevant period for which interest is to be calculated (from and including the first such day to but excluding the last); and

"**Determination Period**" means the period from, and including, the Issue Date to, but excluding, the first Interest Payment Date and each successive period from, and including, an Interest Payment Date to, but excluding, the next succeeding Interest Payment Date.

5. Redemption and Purchase

The Notes may not be redeemed otherwise than in accordance with this Condition and with Condition 8.

(a) Final Redemption

Unless previously redeemed or purchased and cancelled as provided below, the Notes will be redeemed by the Issuer at their principal amount on 2 May 2017.

(b) Redemption for Taxation Reasons

(i) If, by reason of a change in any law or regulation of the Republic of France or any political subdivision or authority therein or thereof having power to tax, or any change in the official application or interpretation of such law or regulation (including a holding by a competent court), becoming effective after the Issue Date, the Issuer would, on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts as specified in Condition 7, the Issuer may, at its sole discretion, at any time, subject to having given not more than 60 nor less than 30 days' prior notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable), redeem all, but not some only, of the Notes outstanding at their principal amount, together with all interest accrued to the date fixed for redemption, provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal or interest without withholding for French taxes.

(ii) If the Issuer would on the next payment of principal or interest in respect of the Notes be prevented by French law from making payment to the Noteholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 7, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall, subject to having given not less than seven days' prior notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable), redeem all, but not some only, of the Notes at their principal amount, together with all interest accrued to the date fixed for redemption of which notice hereunder may be given, provided that the due date for redemption shall be no earlier than the latest practicable date on which the Issuer could make payment of the full amount of principal or interest payable in respect of the Notes or, if such date has passed, as soon as practicable thereafter.

(c) Purchase

The Issuer may at any time purchase Notes in the open market or otherwise (including by way of tender or exchange offer) at any price.

(d) Cancellation

All Notes which are redeemed or purchased by the Issuer pursuant to this Condition 5 shall be immediately cancelled and may not be re-issued or resold.

6. Payments

(a) Method of Payment

Payments of principal, interest and other amounts in respect of the Notes will be made in euro, by credit or transfer to an account denominated in euro (or any other account to which euro may be credited or transferred) specified by the payee with a bank in a city in which banks use the TARGET System (as defined below). Such payments shall be made for the benefit of the Noteholders to the Account Holders and all payments made to such Account Holders in favour of Noteholders will be an effective discharge of the Issuer and the Fiscal Agent, as the case may be, in respect of such payment.

Payments of principal, interest and other amounts in respect of the Notes will be made subject to any fiscal or other laws and regulations or orders of courts of competent jurisdiction applicable thereto, but without prejudice to the provisions described in Condition 7. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(b) Payments on Business Days

If the due date for payment of any amount of principal or interest in respect of any Note is not a Business Day (as defined below), payment shall not be made of the amount due and credit or transfer instructions shall not be given in respect thereof until the next following Business Day and the relevant Noteholder shall not be entitled to any interest or other sums in respect of such postponed payment.

For the purposes of these Conditions, "**Business Day**" means any day, not being a Saturday or a Sunday, (i) on which foreign exchange markets and commercial banks are open for business in Paris and Luxembourg, (ii) on which Euroclear France, Euroclear and Clearstream, Luxembourg are operating and (iii) on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) system (the "**TARGET System**") or any successor thereto is operating.

(c) Fiscal Agent, Paying Agents and Put Agent

The name and specified offices of the initial Fiscal Agent, initial Put Agent and other initial Paying Agent are as follows:

FISCAL AGENT AND PRINCIPAL PAYING AGENT
BNP Paribas Securities Services
GCT, Immeuble Tolbiac
25 quai Panhard et Levassor
75013 Paris
France

LUXEMBOURG PAYING AGENT
BNP Paribas Securities Services, Luxembourg Branch
33, rue de Gasperich, Howald-Hesperange
L-2085 Luxembourg
Luxembourg

PUT AGENT
BNP Paribas Securities Services
GCT, Immeuble Tolbiac
25 quai Panhard et Levassor
75013 Paris
France

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Put Agent or any Paying Agent and/or appoint a substitute Fiscal Agent or Put Agent and additional or other Paying Agents or approve any change in the office through which the Fiscal Agent, the Put Agent or any Paying Agent acts, provided that, so long as any Note is outstanding, there will at all times be (i) a Fiscal Agent having a specified office in a major European city, (ii) so long as the Notes are listed on the Luxembourg Stock Exchange and the rules applicable to such stock exchange so require, at least one Paying Agent having a specified office in Luxembourg (which may be the Fiscal Agent).

Such appointment or termination shall be notified to the Noteholders in accordance with Condition 12.

7. Taxation

(a) Withholding Tax Exemption

The Notes being denominated in euro and accordingly deemed to be issued outside the Republic of France for taxation purposes, payments of interest and other revenues made by the Issuer in respect of the Notes to non-French residents benefit under present law from the exemption, provided for by Article 131 *quater* of the French *Code général des impôts* (French General Tax Code) as interpreted in the French tax authorities' regulations n° 5 I-11-98 dated 30 September 1998, from the deduction of tax at source set out under Article 125 A III of the French *Code général des impôts*. Accordingly, such payments do not give the right to any tax credit from any French source.

(b) Additional Amounts

If any French law or regulation should require that any payment of principal or interest in respect of the Notes be subject to deduction or withholding with respect to any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of the Republic of France or any political subdivision or authority therein or thereof having power to tax, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the Noteholders, after such deduction or withholding, receive the full amount provided in such Notes to be then due and payable; provided, however, that the Issuer shall not be liable to pay any such additional amounts in respect of any Note to a holder (or beneficial owner (*ayant droit*)):

(i) who is subject to such taxes, duties, assessments or other governmental charges, in respect of such Note by reason of his having some connection with the Republic of France other than the mere holding of such Note;

(ii) more than 30 days after the Relevant Date (as defined below), except to the extent that the holder thereof would have been entitled to such additional amounts on the last day of such period of 30 days;

(iii) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments or any other European Union Directive implementing the conclusion of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive;

(iv) who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union.

For the purpose of this Condition 7, "**Relevant Date**" in relation to any Note means whichever is the later of (A) the date on which the payment in respect of such Note first becomes due and payable, and (B) if the full amount of the moneys payable on such date in respect of such Note has not been received by the Fiscal Agent on or prior to such date, the date on which notice is given in accordance with Condition 12 to Noteholders that such moneys have been so received.

Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition 7.

8. Change of Control

If at any time while any Note remains outstanding there occurs a Put Event, the holder of each Note will have the option (the "Put Option") (unless, prior to the giving of the Put Event Notice (as defined below), the Issuer gives notice of its intention to redeem the Notes under Condition 5(b)) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of that Note on the Optional Redemption Date (as defined below) at the Put Amount (as defined below).

A "**Put Event**" shall be deemed to have occurred at each time (i) a Change of Control occurs and (ii) within the Change of Control Period a Rating Downgrade occurs in respect of that Change of Control or, as the case may be, potential Change of Control.

A "**Change of Control**" in respect of the Issuer shall be deemed to have occurred at each time (whether or not approved by the Issuer) that any Relevant Person(s), at any time following the Issue Date of the Notes, acquire(s) Control of the Issuer unless such Relevant Person(s) is (are) under the Control of Nexans immediately prior to such Change of Control.

"**Relevant Person**" means any person or persons acting in concert (as defined in Article L.233-10 of the French *Code de commerce*) or any person or persons acting on behalf of any such person(s).

"**Control of the Issuer**" means: the holding or acquisition, directly or indirectly, by any Relevant Person of:

(a) more than 50 per cent. of the issued ordinary share capital of the Issuer; or

(b) such number of shares in the capital of the Issuer carrying more than 50 per cent. of the total voting rights normally exercisable at an ordinary or extraordinary shareholders' general meeting of the Issuer; or

(c) a number of shares in the ordinary share capital of such entity carrying at least 40 per cent. of the voting rights exercisable in ordinary or extraordinary shareholders' general meetings of the Issuer where no other shareholder of such entity, directly or indirectly, acting alone or in concert with others, holds a number of shares carrying a percentage of the voting rights exercisable in such general meetings which is higher than the percentage of voting rights attached to the number of shares held by such Relevant Person.

"**Put Amount**" means in respect of any Note an amount equal to 101% of its principal amount together with (or, where purchased, together with an amount equal to) accrued interest to but excluding the Optional Redemption Date.

A "**Rating Downgrade**" shall be deemed to have occurred in respect of a Change of Control if:

(i) within the Change of Control Period:

(a) the investment grade credit rating (Baa3/BBB-, or equivalent, or better) assigned to the Notes by any Rating Agency is (x) either downgraded to a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) or withdrawn and (y) is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such Rating Agency; or

(b) the non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) assigned to the Notes by any Rating Agency is (x) downgraded by one or more notches (for illustration, Ba1/BB+ to Ba2/BB being one notch) or withdrawn and (y) is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or better by such Rating Agency; or

(c) the Notes have no credit rating, and no Rating Agency assigns within the Change of Control Period an investment grade credit rating to the Notes, provided that if on the Relevant Announcement Date the Notes carry a credit rating from more than one rating agency, at least one of which is investment grade, then sub-paragraph (a) will apply; and

(ii) in making the relevant decision(s) referred to (a) and (b) above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer, the Fiscal Agent or the holder of any Note, that such decision(s) resulted directly, in whole or to a significant degree, from the occurrence of the Change of Control or, as the case may be, potential Change of Control,

provided that if the rating designations employed by any Rating Agency are changed from those in force at the time of the Issue Date, the Issuer shall determine the rating designations of such Rating Agency as are most equivalent to the prior rating designations of such Rating Agency and this Condition 8 shall be read accordingly.

"**Rating Agencies**" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and/or Moody's Investor Services and/or Fitch Ratings and their respective successors or affiliates and/or any other rating agency of equivalent international standing specified from time to time by the Issuer which has a current rating of the Notes at any relevant time (each a "**Rating Agency**").

"**Change of Control Period**" means the period commencing on the Relevant Announcement Date and ending 180 days after the Change of Control, or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 180 days after the Change of Control) for rating review or, as the case may be, under consideration for rating by a rating agency, such period not to exceed 90 days after the public announcement of such consideration.

"**Relevant Announcement Date**" means the earlier of (x) the date of the first public announcement of the relevant Change of Control; and (y) the date of the first public announcement or statement by the Issuer, any actual or potential bidder or any advisor thereto relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs.

Immediately upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall, give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 12 specifying the nature of the Put Event and the procedure for exercising the Put Option contained in this Condition 8.

To exercise the Put Option to require the redemption or, as the case may be, or purchase of a Note under this Condition 8 the holder of that Note must transfer or cause to be transferred by its Account Holder its Notes to be so redeemed or purchased to the account of the Put Agent specified in the Put Event Notice for the account of the Issuer within the period of 120 days after the Put Event Notice is given (the "**Put Period**"), together with a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "**Put Option Notice**") and in which the holder may specify a Euro-denominated bank account to which payment is to be made under this Condition 8.

The Issuer shall redeem or, at the option of the Issuer, procure the purchase of the Notes in respect of which the Put Option has been validly exercised as provided above, and subject to the transfer of such

Notes to the account of the Put Agent for the account of the Issuer as described above, on the date which is the tenth Business Day following the end of the Put Period (the "**Optional Redemption Date**"). Payment in respect of any Note so transferred will be made in Euro to the holder to the Euro-denominated bank account specified in the relevant Put Option Notice on the Optional Redemption Date via the relevant Account Holder.

If 80 per cent. or more in nominal amount of the Notes then outstanding have been redeemed pursuant to this Condition 8, the Issuer may, on not less than 30 or more than 60 days' notice to the Noteholders given within 30 days after the Put Date, redeem, at its option, the remaining Notes as a whole at the Put Amount.

9. Events of Default

The Representative (as defined in Condition 11 below), acting on behalf of the *Masse* (as defined in Condition 11 below), may, upon written notice to the Issuer (copy to the Fiscal Agent) before all defaults shall have been cured, cause all, but not some only, of the Notes to become immediately due and payable, at their principal amount together with any accrued interest thereon:

- if any amount of principal of, or interest on, any Note is not paid on the due date thereof and such default is not remedied within a period of 7 days from such due date; or

- if any other obligations of the Issuer under the Notes is not complied with or performed within a period of 30 days after receipt by the Issuer of written notice of such default given by the Representative (as defined in Condition 11); or

- if the Issuer or any of its Principal Subsidiaries (as defined below) defaults in the payment of any other financial indebtedness or guarantee of financial indebtedness in a total amount at least equal to €35 million on its due date or, as the case may be, at the end of any applicable grace period, unless the Issuer challenges such default in good faith before a competent tribunal, in which case an early redemption of the Notes will be mandatory only if the tribunal has found against the Issuer and the Issuer has not complied with the judgement in accordance with its terms; or

- if any other financial indebtedness of the Issuer or any of its Principal Subsidiaries (as defined below) in an amount in excess of €35 million is declared due and payable due to a failure to pay of the Issuer or such Principal Subsidiary (including any failure to comply with financial ratios provided in the agreements relating to such indebtedness), unless the Issuer challenges such default in good faith before a competent tribunal, in which case an early redemption of the Notes will be mandatory only if the tribunal has found against the Issuer and the Issuer has not complied with the judgement in accordance with its terms; or

- in the case where the Issuer or any of its Principal Subsidiaries (as defined below) has applied to enter into a conciliation procedure (*procédure de conciliation*) or into a safeguard procedure (*procédure de sauvegarde*), or a judgment is issued for the judicial liquidation (*liquidation judiciaire*) or for the transfer of the whole of the business (*cession totale de l'entreprise*) of the Issuer, or if the Issuer is subject to any other similar measure or proceeding.

For the purposes of this provision, "Principal Subsidiary" shall mean a company in which the Issuer holds, directly or indirectly more than 50% of the share capital or voting rights and which represents more than 5% of (i) the consolidated revenues of the Issuer, or (ii) the consolidated assets of the Issuer, calculated by reference to the latest audited consolidated financial statements of the Issuer.

10. Prescription

Claims against the Issuer for the payment of principal and interest in respect of the Notes shall become prescribed 10 years (in the case of principal) and 5 years (in the case of interest) from the due date for payment thereof.

11. Representation of the Noteholders

The Noteholders will be grouped automatically for the defence of their respective common interests in a *masse* (hereinafter referred to as the "***Masse***").

The *Masse* will be governed in accordance with Article L. 228-90 of the *Code de Commerce* (French Commercial Code) (the "**Code**") by the provisions of the Code applicable to the *Masse* (with the exception of the provisions of Articles L.228-48, L.228-59, L.228-65 I 1°, L.228-71, R228-63, R228-67, R.228-68, R228-69 and R228-72 thereof) subject to the following provisions:

(a) Legal Personality

The *Masse* will be a separate legal entity, by virtue of Article L.228-46 of the Code, acting in part through a representative (the "**Representative**") and in part through a general assembly of Noteholders.

The *Masse* alone, to the exclusion of all individual Noteholders, shall exercise the common rights, actions and benefits which now or in the future may accrue with respect to the Notes.

(b) Representative

The office of Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representative:

(i) the Issuer, the members of its Board of Directors (*Conseil d'administration*), its general managers (*directeurs généraux*), its statutory auditors, its employees and their ascendants, descendants and spouses;

(ii) companies guaranteeing all or part of the obligations of the Issuer, their respective managers (*gérants*), general managers (*directeurs généraux*), members of their board of directors, executive board or supervisory board, their statutory auditors, employees and their ascendants, descendants and spouses;

(iii) companies of which the Issuer possesses at least 10 per cent. of the share capital or companies possessing at least 10 per cent. of the share capital of the Issuer; or

(iv) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing a business in whatever capacity.

The Representative shall be Eric Noyer domiciled at 10 Harewood Avenue, London NW1 6AA, United Kingdom.

The alternative representative (the "**Alternative Representative**") shall be Anne Besson-Imbert domiciled at 10 Harewood Avenue, London NW1 6AA, United Kingdom.

In the event of death, incompatibility, resignation or revocation of the Representative, such Representative will be replaced by the Alternative Representative. The Alternative Representative shall have the same powers as the Representative.

In the event of death, incompatibility, resignation or revocation of the Alternative Representative, a replacement will be elected by a meeting of the general assembly of the Noteholders.

The Representative will not be remunerated with respect to its duties.

The appointment of the Representative shall terminate automatically on the date of final redemption in full of the Notes. Such appointment shall, if applicable, be automatically extended until the final resolution of any proceedings in which the Representative may be involved and the enforcement of any judgements or settlements relating thereto.

All interested parties will have the right to obtain the names and the addresses of the Representative and Alternative Representative at the head office of the Issuer and at the offices of any of the Paying Agents.

(c) Powers of the Representative

The Representative shall, in the absence of any decision to the contrary of the general assembly of the Noteholders, have the power to take all acts of management to defend the common interests of the Noteholders.

All legal proceedings against the Noteholders or initiated by them, in order to be valid, must be brought against the Representative or by it.

The Representative may not interfere in the management of the affairs of the Issuer.

(d) General Assemblies of Noteholders

General assemblies of Noteholders may be held at any time, on convocation either by the Issuer or by the Representative. One or more Noteholders, holding together at least one-thirtieth of the outstanding principal amount of the Notes may address to the Issuer and the Representative a demand for convocation of the general assembly; if such general assembly has not been convened within two months from such demand, such Noteholders may commission one of themselves to petition the competent court in Paris to appoint an agent (*mandataire*) who will call the meeting.

Notice of the date, hour, place, agenda and quorum requirements of any meeting of a general assembly will be published as provided under Condition 12 not less than fifteen calendar days prior to the date of the general assembly.

Each Noteholder has the right to participate in general assemblies of the *Masse* in person or by proxy. Each Note carries the right to one vote.

(e) Powers of General Assemblies

A general assembly is empowered to deliberate on the fixing of the remuneration, dismissal or replacement of the Representative and the Alternative Representative and may also act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Notes, including authorising the Representative to act at law as plaintiff or defendant.

A general assembly may further deliberate on any proposal relating to the modification of the Conditions of the Notes including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, it being specified, however, that a general assembly may not increase amounts payable by Noteholders, nor authorise or accept a postponement in the maturity for the payment of interest or a modification of the terms of repayment or of the rate of interest, nor establish any unequal treatment between the Noteholders, nor decide to convert the Notes into shares.

Meetings of a general assembly may deliberate validly on first convocation only if Noteholders present or represented hold at least one fifth of the principal amount of the Notes then outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a two-thirds majority of votes cast by the Noteholders attending such meeting or represented thereat.

Decisions of the general assembly must be published in accordance with the provisions set out in Condition 12 not more than 90 calendar days from the date thereof.

(f) Information to the Noteholders

Each Noteholder or representative thereof will have the right, during the fifteen calendar day period preceding the holding of each meeting of a general assembly, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the meeting, which will be available for inspection at the principal office of the Issuer, at the offices of the Paying Agents and at any other place specified in the notice of the general assembly.

(g) Expenses

The Issuer will pay all duly evidenced and reasonable expenses incurred in the operation of the *Masse*, including expenses relating to the calling and holding of general assemblies and the expenses which arise by virtue of the remuneration of the Representative, and more generally all administrative expenses resolved upon by a general assembly of the Noteholders, it being expressly stipulated that no expenses may be imputed against interest payable on the Notes.

12. Notices

Any notice to the Noteholders will be valid if delivered to Euroclear France, Euroclear and Clearstream, Luxembourg for so long as the Notes are cleared through such clearing systems, provided that, so long as the Notes are listed on the regulated market of the Luxembourg Stock Exchange and the rules applicable to that stock exchange so require, such notice shall also be published in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading daily economic and financial newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*). If any such publication is not practicable, notice shall be validly given if published in leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

13. Further Issues and Assimilation

The Issuer may from time to time without the consent of the Noteholders issue further notes to be assimilated (*assimilables*) with the Notes as regards their financial service, provided that such further notes and the Notes shall carry rights identical in all respects (or in all respects save for the amount and date of the first payment of interest thereon) and that the terms of such further notes shall provide for such assimilation.

In the event of such an assimilation, the Noteholders and the holders of such further notes will be grouped together in a single *masse* for the defence of their common interests.

14. Governing Law and Jurisdiction

(a) Governing Law

The Notes are governed by, and shall be construed in accordance with, the laws of the Republic of France.

(b) Jurisdiction

Any legal action or proceeding against the Issuer arising out of or in connection with the Notes will be irrevocably submitted to the exclusive jurisdiction of the competent courts in the jurisdiction of the Paris *Cour d'Appel*.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used by the Issuer for its general corporate purposes.

DESCRIPTION OF THE ISSUER

GENERAL INFORMATION ON THE COMPANY

Company profile

Name and registered office:
Nexans
16, rue de Monceau, 75008 Paris, France
Telephone number: + 33 (0) 1 56 69 85 31

Legal form and governing laws

A French limited liability company (*société anonyme*) subject to all the laws governing business corporations in France, and specifically the provisions of the Commercial Code and Decree No. 67-236 of March 23, 1967 as amended by Decree No. 2006-1566 of December 11, 2006.

Trade register number

The Company is listed in the Paris Trade Register under number 393 525 852. Its APE code is 741J.

Documents available to the public

Nexans' articles of incorporation, financial statements, reports submitted to the Shareholders' Meetings by the Board of Directors and the Statutory Auditors, and all other corporate documents may be viewed at the Company's registered office according to applicable laws and regulations, and, in some cases, on Nexans' website at www.nexans.com. The internet site also contains all regulated information which must be published in accordance with articles 221-1 *et seq* of the General Regulations of the AMF.

Date of incorporation and term

The Company was incorporated on January 5, 1994, under the name Atalec (it became Nexans at the Shareholders' Meeting held on October 17, 2000), for a term of 99 years, which will expire on January 7, 2093.

Corporate purpose (summary of Article 2 of the articles of incorporation)

The Company's purposes in all countries are the design, manufacture, operation and sale of any and all equipment, materials and software for domestic, industrial, civilian, military or other applications in the field of energy, telecommunications, information technology, electronics, the aerospace industry, nuclear power, and metallurgy, and in general any and all means of production or means of power transmission and communications (cables, batteries and other components), as well as all activities relating to operations and services which are incidental to these purposes. The acquisition of shareholdings in other companies, regardless of their form, associations, French and foreign groups, regardless of their corporate purpose and activity, as well as, in general, any and all industrial, commercial and financial transactions, involving both securities and real estate, related either directly or indirectly, in whole or in part, to any of the purposes of the Company indicated in the articles of incorporation or to any similar or related purposes.

Financial year

The financial year begins on January 1 and ends on December 31.

Below is a reproduction of the Issuer's annual report for the year ended 31 December 2006 filed with the AMF on 31 March 2007 except for:

- "Risk factors" chapter which is reproduced in "Risk Factors" above;
- "General Information on the Company" chapter which is reproduced in "General Information on the Company" above;
- Statutory Auditors' special report on regulated related-party agreement and commitments for the year ended December 31, 2006;
- Statutory Auditors' report prepared in accordance with article L.225-235 of the French Commercial Code (*Code de commerce*) on the report by the Chairman of the Board of Directors of the Issuer on internal control procedures to the preparation and processing of accounting and financial information; and
- the statement by Mr. Gérard Hauser, Chairman and Chief Executive Officer regarding the information given in the Issuer in this annual report.

GLOBAL LEADER IN CABLES

21,150 employees / 9 research centers / Industrial presence in over 30 countries / Commercial activities worldwide / Sales of 4.442 billion euros at constant metal prices / Operating margin of 260 million euros / Net income, Group share of 241 million euros

With energy as the basis of its development, Nexans, the worldwide leader in the cable industry, offers an extensive range of cables and cabling systems. The Group is a global player in the infrastructure, industry and building markets. Nexans addresses a series of market segments from energy, transport and telecom networks to shipbuilding, oil and gas, nuclear, automotive, electronics, aeronautics, handling and automation.

Its products meet the most demanding requirements in terms of performance, quality, and the environment. Its services cover the entire value chain, from upstream to downstream: research, design, manufacturing, installation and maintenance.

With its technological leadership, global expertise, and local presence, Nexans operates around the world to satisfy essential needs while maintaining the highest levels of safety and performance.

Nexans is listed on the Paris stock exchange.

MESSAGE FROM THE CHAIRMAN

"Our goals are to accelerate Nexans' business growth and make the company more profitable, more resistant, and more streamlined. And our recent performance proves that we can translate these goals into tangible results."

AHEAD OF OUR STRATEGIC PLAN

Excellent 2006 results

2006 was the company's best year by far, with healthy sales growth and a sharp jump in profits. These results reflect a buoyant economic climate, especially in our energy cables business which is enjoying vibrant demand across the globe. These results are also the fruit of our aggressive, targeted growth strategy designed to boost the company's profitability and increase sales faster than the sector average. We have made Nexans a more resistant company, cut its fixed costs, made its plants more efficient, and expanded its product range. We also enlarged its footprint by expanding into the most dynamic, lucrative markets in rapidly-developing regions such as South America, *i.e.* in Brazil, and the Middle East. We increased our presence in Asia-Pacific substantially with the acquisition of Olex, the region's leading cable manufacturer. We created organizations that are closer to our customers and stepped-up our R&D spending. And perhaps most significantly, we were able to maintain margins despite the

skyrocketing prices of copper and plastics that make up over half of the manufacturing costs of our cables – by passing on those increases and continuously lowering our costs.
We achieved the goals of our 2005-2007 strategic plan one year ahead of schedule. Nexans' sales grew an average of 6.7% between 2005 and 2006, the operating margin climbed to 5.8%, and the after-tax ROCE improved substantially.

A new Strategic Plan for 2007-2009
In 2007 we will embark on a new three-year strategic plan that was approved by the Board of Directors on January 17, 2007. This new plan will allow Nexans to accelerate its business growth, and become more profitable, more resistant, and more streamlined.
Energy will be at the core of our business development, and our strategy is built around our energy infrastructure, industry, and building businesses. We will be more targeted in the telecom activity by focusing on higher value-added cables and systems. In the electrical wires and wire rods activities, we plan to shift towards manufacturing to supply only the company's own needs.
We target consolidated sales approaching 5 billion euros by 2009 (at constant metal prices), which corresponds to an average annual growth rate of 6%, excluding acquisitions and scaled-down businesses.
This sales growth will require an increasing amount of financial and human resources. We plan to invest in capacity upgrades, enrich our product range, and penetrate new markets. 500 million euros will be allocated to manufacturing capital expenditures between 2007 and 2009, of which 80% will be spent on three priority areas: energy infrastructure, industry, and buildings.
Our operating margin target for 2009 is 7.5%, with a ROCE close to 13% (at 2006 copper prices). To get there, we plan to focus on driving sales from higher-margin businesses, growing sales to the industrial markets, boosting profitability, and striving to better understand and meet our customers' needs.

A well-understood, well-received strategy
Our strategy has met with support from investors. Nexans' share price soared 142% in 2006, making it the best performers in the SBF 120. Our business outlook is very positive. There is still substantial room to progress, and our sound financial structure puts us in a position to seize promising opportunities.
Nexans operates in an industry oriented towards the future, with large, diversified, and sustainably profitable markets. We aim to make the most of this, while serving the best interests of our shareholders, employees and customers.

THE EXECUTIVE COMMITTEE AT 31 MARCH 2007

Gérard Hauser
Chairman and Chief Executive Officer

Frédéric Vincent
Chief Operating Officer

Véronique Guillot-Pelpel
Senior Corporate Vice President, Human Resources and Communications

Michel Lemaire
Executive Vice President, Asia-Pacific area

Frédéric Michelland
Chief Financial Officer

Pascal Portevin
Executive Vice President, Strategic Operations

Yvon Raak
Executive Vice President, Europe area

Bruno Thomas
Executive Vice President, Rest of the World area

Gordon Thursfield
Executive Vice President, North America area

CORPORATE GOVERNANCE

Information about Members of the Board of Directors and other corporate officers as of March 31, 2007

Gérard HAUSER
Chairman and Chief Executive Officer of Nexans
65 years old
16 rue de Monceau, 75008 Paris
Number of Nexans shares held: 55,368
Date of appointment: October 17, 2000
Date of most recent term renewal: May 15, 2006
Date of term expiration as Director: 2010 Annual Shareholders' Meeting
Date of term expiration as Chairman and CEO: 2009 Annual Shareholders' Meeting.
• Other Directorships and positions held:
Member of the Board of Directors of Alstom, Faurecia, Aplix and Ipsen
• Directorships expired in the past five years:
Member of the Board of Directors of Electro-Banque
• Expertise/Experience: Held various positions of responsibility within the Philips Group from 1965 to 1975. From 1975 to 1996, he was President and CEO, first of Pechiney World Trade, then of Pechiney Rhénalu and finally Senior Executive Vice-President of American National Can and member of the Group's Executive Committee. In 1996, he joined Alcatel Câble France and became Vice-President of the Cables and Component division of Alcatel in 1997. In 2000, he was appointed Chairman and CEO of Nexans.

Frédéric VINCENT
Chief Operating Officer of Nexans
52 years old
16 rue de Monceau, 75008 Paris
Number of Nexans shares held: 19 086
Number of employee mutual fund units invested in Nexans shares: 3 271
(value of one unit = value of one share) Date of appointment: May 15, 2006
• Other Directorships and positions held:
Member of the Board of Directors of Electro-Banque and Essex Nexans Europe
• Directorships expired in the past five years:
None
• Expertise/Experience: Joined Alcatel in 1986 after working for a large auditing firm from 1978 to 1985. Moved to Alcatel's Cables and Components division in 1989, and in 1994 was appointed Executive Vice President of Administration and Finance for Alcatel's subsea telecommunications business, and in 1997, of Saft, Alcatel's batteries business. He became Nexans' Chief Financial Officer in 2000, and was appointed as its Chief Operating Officer on May 15, 2006.

Gianpaolo CACCINI
Nexans Board Member
68 years old | Chairman of Assovetro, Association of Italian Glass Manufacturers
Via Caradosso No. 17, 20123 Milan, Italy
Number of Nexans shares held: 387
Date of appointment: June 15, 2001
Date of term expiration: 2007 Annual Shareholders' Meeting
• Other Directorships and positions held:
Member of the Board of Directors of Saint-Gobain, JM Huber Corporation*, Saint-Gobain Corporation*, Nybron Flooring International*
• Directorships expired in the past five years: Chief Operating Officer of Saint-Gobain, Senior Vice President of Saint-Gobain Corporation*
• Expertise/Experience: From 1973 to 1980, he worked at the Saint-Gobain Group as Vice-President Sales, then managed several divisions, units and subsidiaries including Vetrotex Italie Spa and Saint-Gobain Desjonquères SA France. From1996 to 2000, he was Vice-President, North America and Deputy CEO of the Group, and CEO, from 2000 to 2004.

Georges CHODRON de COURCEL
Nexans Board Member
56 years old | Chief Operating Officer of BNP Paribas and Member of the Executive Committee
3 rue d'Antin, 75002 Paris
Number of Nexans shares held: 229
Date of appointment: June 15, 2001
Date of term expiration: 2007 Annual Shareholders' Meeting
• Other Directorships and positions held:
Chairman of Financière BNP Paribas SAS, Compagnie d'Investissement de Paris SAS, BNP Paribas Emergis SAS, BNP Paribas (Switzerland) SA*, and BNP Paribas UK Holdings Ltd*, Member of the Board of Directors of Bouygues SA, Alstom, F.F.P. (Société Foncière, Financière, et de Participations), Verner Investissements SAS, Erbé SA*, BNP Paribas ZAO*, BNL* (Banca Nazionale del Lavoro)
Member of the Supervisory Board of Lagardère SA
Observer of Exane, Scor SA, Safran
• Directorships expired in the past five years:
Président de BNP Paribas Bank Polska*, BNP US Funding* Member of the Board of Directors of Sommer SA*, BNP Paribas Canada*, BNP Paribas Peregrine Ltd*, BNP Prime Peregrine Holdings Ltd*, and BNP Paribas Securities Corp*.
Member of the Supervisory Board of Sagem
Observer of Scor Vie
• Expertise/Experience: Joined BNP in 1972. After holding several management positions, became deputy CEO in 1993, then Managing Director in 1996. From 1999 to 2003, Member of the Executive Committee and Head of the Finance and Investment Bank of BNP-Paribas, then Managing Director since 2003.

Jacques GARAÏALDE
Nexans Board Member
50 years old | Managing Director of Kohlberg Kravis Roberts & Co. Ltd. Stirling Square, 7 Carlton Gardens, London SW1Y 5AD, UK
Number of Nexans shares held: 500
Date of appointment: June 15, 2001
Date of term expiration: 2007 Annual Shareholders' Meeting
• Other Directorships and positions held:
Chairman of the Board of Directors of PagesJaunes Group, Chairman and Chief Executive Officer of Mediannuaire Holding, Member of the Board of Directors of Legrand and Tarkett SA
Member of the Executive Committee of Société d'Investissement Familiale
• Directorships expired in the past five years: Member of the Board of Directors of Legrand France, Lumina Participation Président du Conseil de Surveillance de Solsoft, Egencia

• Expertise/Experience: After Exxon Corporation, he joined the Boston Consulting Group in 1982, were he worked successively as Consultant,Vice-President, Senior Vice-President and Vice-President Operations, Belgium and France (1995 to 2000). He was Managing Director Europe for the Carlyle Group in London from 2000 to 2003 before signing on with the Kohlberg Kravis Roberts & Co group as Managing Director.

Patrick PUY
Nexans Board Member
51 years old | Managing Director of Alvarez & Marsal France
80-82 rue Anatole France, 92300 Levallois-Perret
Number of Nexans shares held: 61
Date of appointment: June 15, 2001
Date of term expiration: 2007 Annual Shareholders' Meeting
• Other Directorships and positions held:
Chairman and Chief Executive Officer of Ocean S.p.A.*,
Chairman of the Board of Directors of Bréa SA and MGB SA, Chief Executive Officer of Gate Gourmet France,
Member of the Board of Directors of Euralcom France, Euralcom BV*
• Directorships expired in the past five years:
Chairman of Tréofan France SAS,
Chief Executive Officer of Galvex Estonia OÜ*, Member of the Board of Directors of Souvigel SA
• Expertise/Experience: Began his career at Total before moving on to Schlumberger Industries. In 1990, he joined the Legrand Group as Vice-President International Operations. Held the position of CEO from 1994 to 2000. He was Chairman and CEO of Moulinex from 2000 to 2001. He has held the post of Managing Director at Alvarez & Marsal France since 2004.

Ervin ROSENBERG
Nexans Board Member
71 years old | Advisor to the Chairman of Compagnie Financière
Edmond de Rothschild Banque
47 rue du Faubourg Saint Honoré, 75008 Paris
Number of Nexans shares held: 500
Date of appointment: June 15, 2001
Date of term expiration: 2007 Annual Shareholders' Meeting
• Other Directorships and positions held:
Member of the Board of Directors of Carbone Lorraine
Member of the Supervisory Board of Compagnie Financière Edmond de Rothschild Banque, LCF Rothschild Financial Services, Mobility Saint Honoré,
Chairman and Chief Executive Officer of Financière Savoisienne
• Directorships expired in the past five years:
Member of the Board of Directors of Thomson SA,
Member of the Supervisory Board of Ifrah Finance and Entreprise Minière et Chimique
• Expertise/Experience: He started working at BNP in 1965 where he joined the Industrial Business Division (1985). He was appointed Director of the Large Businesses Division in 1993 and was appointed successively a member of the General Management Committee of BNP and then Central Director in 1994, before being appointed honorary Deputy Managing Director in 2000. He joined Compagnie Financière Edmond de Rothschild Banque in 2000 as Advisor to the President of the Directors' Committee and a member of the Supervisory Board.

Jean-Louis VINCIGUERRA
Nexans Board Member
63 years old | Chairman of INNOFIN (financial strategy consulting firm),
23 boulevard Lannes, 75116 Paris
Number of Nexans shares held: 500
Date of appointment: June 15, 2001

Date of term expiration: 2007 Annual Shareholders' Meeting
• Other Directorships and positions held:
Financial Advisor to the Aga Khan Fund for Economic Development,
Member of the Board of Directors of Telecom Development Company of Afghanistan* and Énergie du Mali*
• Directorships expired in the past five years:
Member of the Board of Directors of Orange, Wanadoo, and Equant
• Expertise/Experience: He joined the Financial department at Pechiney in 1971 and remained 23 years in this group where he became Chief Financial Officer, Deputy Managing Director for the Packaging division and Chairman and CEO of American National Can (1994-1995). He was appointed Chairman of Compagnie Financière Barclays de Zoete Wedd, then Head of the Asia Department at Crédit Agricole Indosuez. From 1998 to 2003, he was Executive Vice-President at France Telecom. Chairman of INNOFIN since 2004.

Jean-Marie CHEVALIER
Nexans Board Member
65 years old | Professor of Economics at the University of Paris IX-Dauphine
Place du Maréchal de Lattre de Tassigny, 75116 Paris
Number of Nexans shares held: 420
Date of appointment: October 23, 2003
Date of term expiration: 2007 Annual Shareholders' Meeting
• Other Directorships and positions held:
Director of Cambridge Energy Research Associates
• Directorships expired in the past five years: None
• Expertise/Experience: Successively professor of economics at the universities of Grenoble, Paris XIII Nord, Paris IX-Dauphine (since 1991). Also professor at IEP Paris (1982-1990) and at ENA (1988-1990). He has been Consultant for various companies, banks, government agencies and international organizations. Since 1984, Consultant for the energy department at the World Bank. Vice-President at Cambridge Energy Research Associates (CERA) since 1997.

Colette LEWINER
Nexans Board Member
61 years old | Vice President, Global Leader Energy, Utilities & Chemicals and Global Marketing Leader of Cap Gemini
Cap Gemini, Tour Europlaza, La Défense 4
20, avenue André Prothin 92927 Paris La Défense Cedex
Number of Nexans shares held: 500
Date of appointment: June 3, 2004
Date of term expiration: 2008 Annual Shareholders' Meeting
• Other Directorships and positions held:
Member of the Board of Directors of La Poste and de TGS-NOPEC Geophysical Company ASA*, Member of the French National Strategic Board for Information Technology, reporting to the Prime Minister, Member of the French Technology Academy
• Directorships expired in the past five years: none
• Expertise/Experience: After several years of physics research and teaching at the university level (Maître de conférences à l'Université Paris 7) she joined Electricité de France in 1979 and set up the Development and Commercial Strategy Department in 1989. She was appointed Chief Executive Officer of SGN-Réseau Eurysis in 1992, before joining Cap Gemini in 1998 to set up the international Utilities Department. After the merger with Ernst&Young, she was made Head of the extended Energy, Utilities & Chemicals Department. In 2004, in addition to this position, she set up the Global Marketing Department of Cap Gemini which she also now manages.

Yves LYON-CAEN
Nexans Board Member
56 years old | Chairman of the Management Board of Béri 21

(Bénéteau S.A. holding company)
91 ter rue du Cherche Midi, 75006 Paris
Number of Nexans shares held: 10
Date of appointment: June 3, 2004
Date of term expiration: 2008 Annual Shareholders' Meeting
• Other Directorships and positions held:
Chairman of the Supervisory Board of Bénéteau S.A. and Sucres & Denrées, Member of the Board of Directors of Unibail Holding
• Directorships expired in the past five years:
Chief Executive Officer of Béri 21
Member of the Board of Directors of Bénéteau SA
• Expertise/Experience: After holding several management positions, primarily at the Ministry of the Economy and Finance, he was named Deputy Director of the French Primer Minister's cabinet (1988 to 1990). From 1990 to 1993, he was Chairman and CEO of Crédit National. In 1994, he joined the Air Liquide group where was made CEO of Air Liquide Santé from 1996 to 2000. He was appointed Chairman of the Supervisory Board of Sucres and Denrées in 2000 and Chairman of the Management Board of Béri 21 in 2005.

François POLGE de COMBRET
Nexans Board Member
66 years old | Senior Advisor of UBS Investment Bank
65 rue de Courcelles, 75008 Paris
Number of Nexans shares held: 500
Date of appointment: May 15, 2006
Date of term expiration: 2010 Annual Shareholders' Meeting
• Other Directorships and positions held:
Member of the Board of Directors of Renault and Bouygues Telecom, Member of the Supervisory Board of Safran
• Directorships expired in the past five years: Member of the Board of Directors of Fonds Partenaires Gestion, Institut Pasteur, and Sagem
• Expertise/Experience: He was successively honorary advisor to the Cour des Comptes, advisor for economic and industrial affairs under Valéry Giscard d'Estaing, first at the Ministry of Finance and Economics (1971-1974) then to the President of the Republic (1974-1978), during which time he was appointed Deputy General Secretary (1978-1981). He was recruited by the bank Lazard in 1982, then spent three years in New York before being appointed a partner and manager of the bank in Paris in 1985. He left the bank Lazard in 2006 to become a senior advisor at the bank UBS.

** Directorships held in foreign companies.*

Summary of the term of office expiration dates of Nexans Board Members

Year term expires	Board Member
2007	Gianpaolo Caccini Georges Chodron de Courcel Jacques Garaïalde Patrick Puy Ervin Rosenberg Jean-Louis Vinciguerra Jean-Marie Chevalier
2008	Colette Lewiner Yves Lyon-Caen**
2010	Gérard Hauser François Polge de Combret

*** Yves Lyon-Caen notified the Board of Directors Meeting on March 27, 2007 of his decision to step down from the Board in order to pursue other opportunities outside the Group. His departure will take effect at the conclusion of the Annual Shareholders' Meeting on May 10, 2007.*

Proposals submitted to the Annual Shareholders' Meeting to be held on May 10, 2007 (held upon second call)

Renewal of Directors term of office
A resolution will be presented to the Shareholders for the renewal of Gianpaolo Caccini, Jean-Marie Chevalier, Georges Chodron de Courcel, Jacques Garaïalde and Ervin Rosenberg as Directors for a 4 year term to terminate on the holding of the Shareholders' Meeting convened to consider the accounts for the financial year ending on 31st December 2010.

Election of new Directors
A resolution will also be presented to the Shareholders for the election of Jérôme Gallot, Jean-Louis Gerondeau and Nicolas de Tavernost (whose details are provided below) as Directors for a 4 year term, to terminate on the holding of the Shareholders' Meeting convened to consider the accounts for the financial year ending on 31st December 2010. Nexans does not have any significant business relationships with these nominees or with the groups of which they are also Directors. The nominees are therefore considered to be independent with regard to Nexans.

During the next Annual Shareholders' Meeting, shareholders will be asked to renew the Board Member terms of office of Gianpaolo Caccini, Georges Chodron de Courcel, Jacques Garaïalde, Ervin Rosenberg, and Jean-Marie Chevalier for another four years, and to appoint the following three Board Members for a term of four years.

Jérôme GALLOT
47 years old
Number of Nexans shares held: 200
• Expertise/Experience: After serving as the Auditor at the French "Cour des Comptes" for 3 years, he joined the Secretary General of the Inter-Ministry Committee for issues regarding the Organization for European Economic Cooperation (1989 to 1992), then the Budget Department. He was successively Cabinet Director of the Ministries of Industry, Post and Telecommunications, Foreign Trade, and Public Services, then became Deputy Finance Minister (1993 to 1997). He was appointed Director General of the Department of Competition, Consumer Affairs and Repression of Fraud within the French Ministry of the Economy, Finance, and Industry (1997 to 2003) before becoming Vice President and Member of the Executive Committee of Caisse des Dépôts and Consignations. He was appointed Chairman of CDC Entreprises in 2006.
Jérôme Gallot is also:
• Member of the Supervisory Board of CNP Assurances (since 2004), Compagnie Nationale du Rhône (CNR) (since 2003), NRJ Group (since 2006), and Schneider Electric SA (since 2006)
• Member of the Board of Directors of Icade (since 2004), Caixa Seguros (Brazilian subsidiary of CNP) (since 2005), and Plastic Omnium (since 2007).
• Observer of Oseo

Jean-Louis GERONDEAU
63 years old
• Expertise/Experience: He began his career in 1965 with the Department of International and Economic Affairs within the French Ministry of Equipment, where he worked for 5 years. He joined McKinsey in 1970, then became the Chief Executive Officer of Zodiac in 1974. He was appointed Chairman of the Zodiac Management Board in 1980.
Jean-Louis Gerondeau is also:
• Chairman of the Supervisory Board of the Institute for Industrial Development (IDI), Member of the Board of Directors of Faurecia and President of the "Groupe des Equipements Aéronautiques et de Défense" du GIFAS (GEAD).

Nicolas de TAVERNOST
56 years old
• Expertise/Experience: First of all employed by the French Ministry of International Commerce (1974) then appointed General Secretary of the French Chamber of Commerce in Zurich (1976), he joined the cabinet of the Secretary of State of Post and Telecommunications in 1977 where he was posted in 1981 to the Telecommunications Department and then to the public services Division of the Video Communications Department. He joined Lyonnaise des Eaux in 1986 as Director of the Audiovisual business. He has been Managing Director of M6 since its creation in 1987, ans was made Chairman of the M6 Group in 2000.
Nicolas de Tavernost is also:
• Director of Série Club, TF6, Paris Première, SND and the Girondins de Bordeaux football club, all of which companies are part of the M6 Group.
• Outside the M6 Group, a member of the Supervisory Board of RTL, a Director of Antena 3 (Spain) and President of the Association of European Commercial Television (ACT).

Operations of the Board of Directors
Since its listing on the stock exchange, Nexans has adopted a number of rules relating to corporate governance with a view to ensuring transparency of information with respect to both its directors and its shareholders.
The Board of Directors is currently made up of 11 members. They come from diverse backgrounds and were selected for their expertise and experience in industry, banking, or consultancy, enabling them to give informed opinions and advice in the best interests of the Company.
The Combined Shareholders' Meeting of June 3, 2004 decided to reduce the length of Directors' term of office from six years to four years, starting with terms beginning during the 2004 financial year.
No category of shareholder is represented on the Board of Directors, and no Director is elected by the employees.
Once again this year, the Board of Directors has followed the recommendations of the combined Viénot-Bouton Report of June 2003, and at its January 30, 2007 meeting reviewed the situation of each of its members with regard to the criteria governing independence defined in the Report as reflected in the Company's Internal Regulations. The latter specifies in particular that in the Group's relations with businesses and banks in which any of its directors have an interest, independence will be determined according to the level of sales made to such companies, which is fixed at 10%, or in respect of investment banks and financial share of business given to them. The aim is to determine whether these relationships are of an importance and nature such that they could affect the independence and freedom of judgement of the directors concerned.
Based on these criteria, the Board of Directors determined that Gianpaolo Caccini, Jean-Marie Chevalier, Jacques Garaïalde, Colette Lewiner, Yves Lyon-Caen, Patrick Puy, François Polge de Combret, and Jean-Louis Vinciguerra should be considered to be independent Directors.
The Board of Directors determined that the other Directors were not independent: Gérard Hauser, in view of his position as Chairman and CEO of the Company, and Georges Chodron de Courcel and Ervin Rosenbrg, owing to their positions within BNP Paribas and La Compagnie Financière Edmond de Rothschild Banque, which are two banks with whom the Group has business relationships.
Eight out of the eleven directors are therefore independent, representing more than half of the Board members, a proportion in accordance with the recommendations of the Viénot-Bouton Report.
There are no family links between the Board members, and there are no service contracts between any of the Board members and the Company or any of its subsidiaries.
No loans or guarantees have been granted or established for the benefit of a corporate officer by the Company or a company within its Group.
Proceedings have been started against Patrick Puy further to the placing in official receivership of the Moulinex-Brandt group of which he was one of the main Directors in the 10 months before it was placed in receivership. To date, Mr Puy has not been found guilty of any offenses.
To the best knowledge of the Company, during the past five years:
– no Board member has been convicted of fraud;

– no other Board member has been associated with any bankruptcy, placing into receivership, or liquidation of a company;
– no other Board member has been the subject of an incrimination or official public sanction by any statutory or regulatory authorities;

– no Board member has been prohibited by court order from serving on an administrative, executive, or supervisory body of a public company, or from participating in the management of business of a public company.

Absence of conflicts of interest
As mentioned above, some Board members serve as corporate officers and/or executives for companies that may enter into contractual agreements with Nexans for commercial and/or financial transactions (as investment advisors and/or managers). Such contracts having been negotiated and signed under normal conditions, the Company is not aware of any possible conflicts of interest between the Board members' duties towards Nexans and their private interests and/or any of their other obligations. Apart from the related-party transactions discussed on pages 203 to 205 of this Prospectus, no agreements or arrangements have been concluded with the primary shareholders, customers, suppliers, or other parties, under the terms of which a Board member has been selected.
Board members are not subject to any restrictions on the sale of their ownership interest in Nexans' capital, with the exception of any regulations governing insider trading.

Compensation of Board Members
The Board of Directors Meeting on March 27, 2007 approved the following changes to the methods for setting and paying the Directors' fees described in the Management Report Presented by the Board of Directors on pages 85 and 86 of this Prospectus:
• Each Director, including the Chairman, will receive a fixed portion of 17,500 euros;
• Each Director, including the Chairman, will receive an additional 2,000 euros for each Board meeting attended, with a maximum of 12,000 euros per Director;
• Each member of the Accounts and Audit Committee will receive 3,000 euros per Committee meeting attended, with a maximum of 12,000 euros; and
• Each member of the Appointments and Compensation Committee will receive 3,000 euros per Committee meeting attended, with a maximum of 12,000 euros.

Additional Information
Additional information regarding the Board of Directors, its various Committees, and Nexans' executives are given in the Management Report Presented by the Board of Directors on pages 82 to 88 of this Prospectus, and in the Chairman's Report on the Board of Directors' Operations and the Company's Internal Control Procedures on pages 206 to 218 of this Prospectus.

HIGHLIGHTS

Nexans has enhanced its manufacturing facilities in order to boost competitiveness and drive expansion into high-potential regions and markets, through a strategy of sustained organic growth completed by targeted acquisitions.

GROWTH

1. Acquisition of Olex in Australia, the leading cable manufacturer in the Asia-Pacific region

2. Increase in manufacturing capacity in Norway for the production of submarine and umbilical cables

3. A new joint venture in Japan to manufacture high-voltage subsea cables

4. Purchase of the C/S Nexans Skagerrak, a cable-laying vessel

5. A new joint venture in Vietnam to manufacture energy and special cables

6. Acquisition of Confecta in Switzerland, a specialist in railway cable harnesses

7. Tripled automotive cable manufacturing capacity in Romania

8. Increase in manufacturing capacity in Morocco for the production of automotive cables

9. Major increase in manufacturing capacity at the Chester plant in the US for the production of industrial and building cables

10. Doubled power cable manufacturing capacity in Brazil.

INNOVATION

11. A new application center in Nuremberg, Germany, for automation cables

12. A new application center in Lyon, France, for material handling cables

13. A partnership with Bel Stewart, an electronic components maker, to develop high-frequency connectors for active equipment manufacturers

14. Acquisition in 2007 of The Valley Group, a supplier of real-time thermal rating technology for overhead power transmission lines

HUMAN RESOURCES

- Launch of a second employee share ownership plan in 22 countries

15. Launch of an important recruitment campaign in Norway

FINANCE

16. Sale of the distribution business in Switzerland for an enterprise value of 206 million euros

- A 117 million euro equity increase following the conversion of 3.125% OCEANE convertible bonds issued in 2004

- Issue of 280 million euros of 1.50% OCEANE convertible bonds maturing in 2013

- Cancellation of all the company's treasury shares, which made up 9.4% of its share capital

17. An increase in Nexans' stake in its Korean subsidiaries, Nexans Korea and Kukdong.

KEY FIGURES[1]
STRONGER PERFORMANCE

2006 sales by activities[1]

Energy	67%	+11%
Telecom	15%	+2%
Electrical wires	18%	+3%

2006 sales by geographical market[2]

Europe	68%	+1%
North America	18%	+8%
Asia-Pacific	6%	+12%
Rest of the World	7%	+20%

Sales at current non-ferrous metals prices[3]
+37%

in millions of euros

2004	2005	2006
4,732	5,449	7,489

[1] 2004 and 2005 data are restated to account for the change relating to the recognition of non-ferrous metal inventories.

Sales at constant non-ferrous metals prices[3][4]
+4%

in millions of euros

2004	2005	2006
4,005	4,263	4,442

Sales at current non-ferrous metals prices increased by 37%, as the company was able to successfully pass the jump in copper prices through to its customers.

At constant non-ferrous metals prices, sales climbed 4.2%, or 8.2% at constant perimeter and exchange rates, given the sale of the distribution business at the start of the year. Business was particularly dynamic for power cables, where sales surged 11.3% at constant perimeter and exchange rates, fuelled by strong demand around the world.

Operating margin[3]
+40% and +140 basis points

2004	2005	2006
133	186	260
3.3%[5]	4.4%[5]	5.8%[5]

Operating margin bounded 40%, thanks to the impact of operating leverage on the company's higher sales, the rapid growth of high value-added businesses, and continued cost reductions, most notably in Europe and in the Telecom activities.

Net investments[3]
+38%

2004	2005	2006
78	120	165

The company's net investments rose 38% in 2006, increasing for the second year in a row. Half of the investments were related to manufacturing equipment maintenance, and half to development programmes, primarily in the Energy activities (infrastructure, industry, and buildings).

(1) At constant metal prices and an organic growth rate
(2) At constant metal prices and a total growth rate
(3) In millions of euros
(4) To neutralize the effects of fluctuations in non-ferrous metal prices and thus to measure the actual change in its business activity, Nexans also publishes its sales results at constant copper and aluminum prices.
(5) As a percentage of sales

Operating margin at constant metal prices[1]

2004	2005	2006
3.3%	4.4%	5.8%

(1) In %

2006 Operating margin by geographical area[1]

Europe	54%	+30%
North America	25%	+52%
Asia-Pacific	7%	+73%
Rest of the World	14%	+48%

(1) In %

Shareholders' equity[2]
+24%

2004	2005	2006
1,049	1,278	1,589

Shareholders' equity increased during the year following the appropriation of 244 million euros of net profit, and the conversion into equity of 117 million euros of Nexans' 3.125% OCEANE convertible bonds. The company's leverage (net debt-to-equity ratio) now stands at a comfortable 40%.

Net debt[2]
+69%

2004	2005	2006
295	374	633

Net debt grew by 259 million euros, primarily as a result of the surge in copper prices which led to an estimated 270 million euro increase in the company's working capital requirements. Nexans financed its acquisitions (including that of the Australian company Olex) through the sale of its distribution business and the conversion of its 3.125% OCEANE convertible bonds, thus enabling it to maintain a healthy balance sheet.

Cash flow from operations[2] [3]
+15%

2004	2005	2006
141	196	226

Cash flow from operations rose in 2006 despite the increase in net debt, thanks to the company's higher operating margin.

Net income, Group share[2]
+48%

2004	2005	2006
92	163	241

Net income for the fiscal year grew in line with operating margin. This figure includes a non-recurring gain of 150 million euros from the sale of the distribution business.

(1) In %
(2) In millions of euros
(3) Excluding restructuring costs
(4) Cash flow from operations = cash flow before cost of financial debt and taxes, - interests paid, - corporate tax, + restructurings

THE NEXANS SHARE

Nexans share price increased by 142% in 2006
The proposed dividend is up by 20%

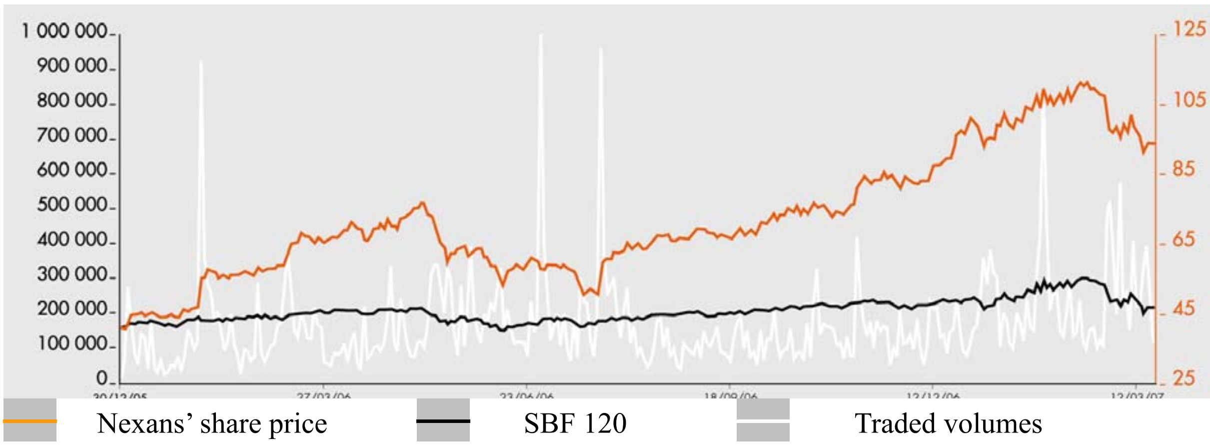
Nexans is listed on Euronext Paris
- Eurolist - Compartment A
- Deferred settlement service
- ISIN Code: FR0000044448
- Par value: 1 euro

Market capitalization
2,450.7 million euros at December 31, 2006

Average daily trading volume
153,335 shares in 2006

Indexes
- SBF 120: 0.20% of the index at March 15, 2007
- CAC Mid 100: 2.44% of the index at March 15, 2007

Nexans' share price in euros, from January 1, 2006 to March 15, 2007



Stock market data (through December 31, 2006)

Share price in euros (except ratios)	2006	2005	2004	2003	2002
Highest	97	41.44	34.60	27.09	24.30
Lowest	39.75	28.91	25.09	10.27	9.50
Year closing price	97	40.13	28.93	26.51	15.22
Change over the year	+141.7%	+38.7%	+ 9.13%	+74.2%	- 6.11%
Change in the SBF 120 over the year	+19.1%	+25.2%	+ 8.16%	+16.8%	- 32.3%
Market capitalization at December 31(1)	2,450.70	943.35	670.89	613.15	351.90
Average daily trading volume(2)	153,335	104,831	50,676	41,353	59,124
Number of issued shares at December 31	25,264,955	23,507,322	23,189,947	23,128,972	23,121,472
Share turnover(3)	0.65%	0.49%	0.29%	0.24%	0.33%

(1) In millions of euros
(2) In number of shares
(3) Daily average over the year

Net dividend[1]
+20%

2004	2005	2006[1]
0.50	1.00	1.20

(1) in euros

Earnings per share[1]
+33%

2004	2005	2006
4.39	7.73	10.25

(1) in euros

Changes in capital in 2006

Number of shares at December 31, 2005	23,507,322
Cancelled shares	- 2,221,199
New shares issued*	3,978,832
Number of shares at December 31, 2006	**25,264,955**
Stock options	1,462,775
OCEANE convertible bonds	3,794,037
Number of fully diluted shares at December 31, 2006	30,521,767
Average number of shares in 2006 used to calculate	
- Basic EPS	23,529,530
- Fully-diluted EPS	27,787,767

**Breakdown of new shares issued:*
- Conversion of Nexans 3.125% 2004 OCEANE convertible bonds: 3,534,160
- Capital increase reserved to employees: 65,797
- Stock option exercises: 378,875

Ownership structure at March 15, 2007

- Total number of shares: 25,420,405
- Total number of voting rights: 26,787,602
- Estimated number of shareholders: Approximately 50,000

	Capital
Institutional shareholders, France	24.5%
Institutional shareholders, Europe (excl. France)	37.2%
Institutional shareholders, US	25.6%
Institutional shareholders, Rest of the World	1.9%
Individual shareholders	8.4%
Employee shareholders	1.2%
Non-identified shareholders	1.2%

Shares registered in the name of the same holder for at least two years carry double voting rights.
A shareholder's voting rights are limited to 8% in the case of single voting rights and 16% in the case of double voting rights of the voting rights attached to shares present or represented when voting on resolutions at an Annual Shareholders' Meeting.

Per share data

In euros (except ratios)	2006	2005[3]	2004[3]	2003[3]	2002[3]
Net assets[(4)]	61.39	56.42	46.64	45.01	46.73
EPS[(5)]	10.25	7.73	4.39	0.06	(1.78)
Diluted EPS[(6)]	8.93	6.63	4.02	0.06	(1.78)
PER[(7)]	9.5	5.25	6.60	-	-
Net dividend[(8)]	1.20	1.00	0.50	0.20	0.20
Dividend yield[(7)]	1.2%	2.5%	1.7%	0.0%	1.3%

(1) In euros
(2) Proposed to the Annual Shareholders' Meeting on May 10, 2007 for distribution on May 15, 2007
(3) IFRS data, restated for the change relating to the recognition of non-ferrous metal inventories
(4) Shareholders' equity attributable to Group shareholders divided by the number of shares outstanding on December 31
(5) Based on the weighted average number of shares outstanding
(6) Earnings per share if all convertible securities (warrants, convertible bonds, stock options, and rights) are exchanged for common shares, which would increase the number of shares and consequently reduce net earnings per share.
(7) Based on the December 31 share price
(8) 2006 dividend proposed to the Annual Shareholders' Meeting on May 10, 2007

SHAREHOLDER INFORMATION AND SERVICES

Nexans strives to earn the loyalty of its shareholders by consistently improving its performance, so that its share price climbs and the company can continue to increase its dividend. Nexans is also concerned with good corporate governance, and provides its investors with faithful, transparent information, while putting all its efforts into keeping its commitments.

A wide range of financial information
Nexans strives to earn the trust of its shareholders, and provides regular, complete and transparent information using a variety of means for different shareholder needs.
The Group publishes an Annual Report-Reference Document, a shorter version called an Activity report, and two Shareholders' Newsletters, one in the spring and one in autumn. These documents give insight into the Group's operations, as well as a commentary on the Group's results and other important issues.
All Nexans' shareholder information is available on the Group website, www.nexans.com, with a Shareholders Corner under "Financial Information" on the home page.

Regular meetings with Nexans shareholders
The Group gave four presentations for individual shareholders during the year, at Versailles, Tours, Lyon, and Montpellier, and organized a visit to the Charleroi site in Belgium.
Furthermore, Nexans' senior executives regularly hold meetings with analysts and investors.

Securities services
Nexans' securities services are provided by Société Générale,
32 Rue du Champ de Tir,
BP 81236, 44312 Nantes Cedex 3,
Tel. +33 (0)825 820 000, Fax +33 (0)2 51 85 53 42.
Registered shares are not subject to safe custody fees, and may receive double voting rights after two years. They also allow the shareholder to receive invitations to the company's shareholder meetings and a personal mailing of information about the company. Investors wishing to purchase pure registered shares should contact their financial intermediary, who will then obtain the necessary registration documents from Société Générale.

Financial calendar

May 10, 2007	: Annual Shareholders' meeting
May 15, 2007	: Payment of the dividend
April 26, 2007	: Publication of 2007 first quarter sales
July 25, 2005	: Publication of 2007 first half sales

Individual shareholders' information meetings

March 15, 2007	: Marseille
March 22, 2007	: Cable presentation session, in Paris
April 26, 2007 (*)	: Brest
June 12, 2007 (*)	: Lille
November 19, 2007 (*)	: Bordeaux
November 29, 2007 (*)	: Strasbourg

(*) *these dates are subject to change*

Shareholders' contact

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e.mail: investor.relation@nexans.com
Our financial information is also available on the Group's website: www.nexans.com

STRATEGY AND GOALS
The new 2007-2009 strategic plan

A more profitable, resistant and focused company

Nexans reached the goals of its 2005-2007 strategic plan one year ahead of schedule, and in January presented the Board of Directors with its new plan for 2007-2009.

This new plan was developed after an in-depth review of the company's businesses, which analyzed each one in terms of its profitability and growth potential, business cycle, and competitive positioning.

Nexans has set itself four key goals for 2009:

- Increase profitability;
- Capitalize on long-term business cycles markets;
- Focus on a smaller number of businesses and market segments
- Develop more synergies between activities

Energy infrastructure, industry, and buildings: the core activities of Nexans' strategy

Nexans is a global player in infrastructure, industry, and buildings, and plans to focus its future business development on the energy sector.

The company will strengthen its position in the energy infrastructure market by offering an enhanced range of products, penetrating new, profitable regional markets, and promoting a customer-focused culture among its employees.

- **The infrastructure market** offers unprecedented prospects for expansion in every region of the world. Power networks and transportation networks are benefiting from major modernization programs in developed countries as well as a boom in emerging countries. The average annual investment in energy production, transmission, and distribution between 2001 and 2030 is predicted to be around 530 billion dollars[2].

▪ **The industry market**, which is tied closely to global economic growth, is benefiting from buoyant activity in many sectors. Nexans has selected eight priority segments on which to focus its efforts: petrochemicals, nuclear energy, railway equipment, automobiles, shipbuilding, material handling, robotics, and electronics. The company has also set up specific sales organizations and technical support teams to better penetrate and serve each of these market segments.

▪ **The building market** is being fuelled by an upbeat climate in Europe, despite a temporary slowdown in North America. In rapidly-developing countries, this market offers Nexans a base from which it can expand into other markets.

Telecom infrastructure and Local Area Networks: complementary activities and targeted business development

▪ **In telecommunications networks,** Nexans' strategy will be based on promoting high-performing, copper cable solutions for xDSL applications[3]. The company's optical fibers cable operations will be targeted towards niche markets, consistent with the small market share Nexans has in most applications. Its efforts will focus on a dedicated offer for FTTH[4] which provide high-speed internet connections.

▪ **In LAN[5] markets,** Nexans synergies are limited by the fact that this market requires a regional business strategy. Therefore, the company will use a selective approach backed by high value-added products and services.

Electrical wires and wirerods: upstream operations to supply the company

Nexans' electrical wires and wirerod operations allow it to control the quality of its supplies. However, due to the jump in copper prices, these operations now incur very high costs which have not been fully offset by the margins on sales to outside customers. Therefore Nexans has decided to gradually streamline these operations so that they eventually serve to supply only the company.

Goals for 2009[6]

In light of the growing percentage of sales of higher value-added products, the profitable revenue growth in the industry market, and the continued, successful restructuring efforts, Nexans has set four main goals to be realized by 2009 – the final year of its new strategic plan (at constant perimeter and exchange rates, and an equivalent economic climate).

▪ Consolidated revenues close to 5 billion euros at constant metal prices, which represent an average annual organic growth rate of 6% (excluding the scaled-back operations in the electrical wires and wirerod businesses)
▪ Operating margin of 7.5%
▪ Pre-tax ROCE of 13%

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(2) Estimate from the International Energy Agency (IEA)

(3) xDSL, Digital Subscriber Line – xDSL technologies allow high-speed data transfer through copper cables in a public switched telephone network.

(4) FTTH, Fiber-to-the-Home – FTTH refers to the installation and use of optical fiber from a telephone switch directly into the subscriber's home. It allows connection speeds of up to 100 Mbit/s in both directions. FTTH is used primarily in urban areas in South Korea, Japan, the US, and some large European metropolitan areas.

(5) LAN, Local Area Network – LANs are communication systems used to link PCs and peripheral devices that are located within a few kilometers of each other. The main types of cables used are coaxial cables, optical fibers, and twisted pairs.

(6) For additional information, please refer to the Board of Directors Management Report on pages 75 to 76.

▪ Positive cash flow (after capital expenditures, changes in working capital, and dividends) starting in 2008. This includes planned capital expenditures of 500 million euros over three years, 30 million euros per year of restructuring costs, and a dividend payout of 30% of earnings from continuing operations.

The company's expected sales growth will require considerable financial and human resources. Nexans plans to invest over 500 million euros in its manufacturing facilities between 2007 and 2009, of which over 400 million euros will be spent in three priority areas: energy infrastructure, industry, and buildings.

NB: for 2007, Nexans aims an increase in sales at constant metal prices of approximately 4% (taking into account the decision to reduce its exposure to the electrical wires sector), an improvement in its operating margin (the level of which is always difficult to determine at the beginning of the year), and a neutral cash flow(7) situation.

2006 RESULTS BY BUSINESS(8)

ENERGY CABLES

- **67% of Group sales (up 11.3% from 2005)**
- **90% of Group operating margin (up 47% from 2005)**

Positions

Nexans has excellent market positions in the energy networks markets in Europe and North America, and in Asia-Pacific following the 2006 Olex acquisition. The company is a global leader in shipbuilding, railway, and petrochemical cables.

2006 results

Sales in the energy business reached 2,983 million euros in 2006, representing an organic growth of 11.3%. The Olex acquisition was neutral at December 31, 2006 because Olex was consolidated into the Group on this date. The energy business' operating margin surged 47% to 233 million euros in 2006. Sales of high-voltage submarine and umbilical cables were very strong.

In the building market, price increases and buoyant demand allowed the company to improve its profitability. The residential segment remains strong in Europe, most notably in the Netherlands, Spain, Greece, and Turkey, while in North America, higher prices offset a slowdown in volumes in the second half. Industry cables continue to see profitability recover on the back of more sales to high value-added segments, such as shipbuilding and offshore platforms. Finally, sales of automotive and railway cable harnesses and cables for material handling, petrochemical, and nuclear market segments remained solid.

Trends

Nexans is a global player in cables for infrastructure, industry, and buildings, and has decided to focus its business development on energy applications.

▪ The energy infrastructure market has a solid outlook around the world, due to needs for network reliability, modernization, development, and interconnection. Submarine high-voltage cables will be a major growth driver as large-scale projects get underway. Soaring energy prices are encouraging exploration deeper and further out, while energy needs and environmental regulations are prompting investments in alternative energies, such as wind energy, which require complex cable systems. Nexans is present in the entire value chain, and has made unquestionable technological advances in all these applications.

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(7) Cash flow after changes in working capital, capital expenditure and dividends.

(8) For comparison purposes, the sales figures given in this section have been calculated at constant metal prices, perimeter, exchange rates and accounting methods.

▪ In the industry cables market, Nexans provides advanced solutions to eight priority segments: petrochemicals, nuclear energy, railway automotive, shipbuilding, material handling, robotics, and electronics.
▪ In the buildings market, Nexans is one step ahead of the expected changes in EU standards with high-performing fire-resistant cables and fire-reaction cables.

TELECOM CABLES

- **14.5% of Group sales (up 1.7% from 2005)**
- **18.6% of Group operating margin (up 104% from 2005)**

Positions

Nexans is extremely well-positioned in Europe, especially in cables for public telecom networks, and in LAN cables in the US. 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.

2006 results

Sales from the telecom business totaled 648 million euros in 2006, representing an organic growth rate of 1.7%. Operating margin leapt 104% to 48.4 million euros, thanks to a more favorable product mix and cost cutting efforts.
Sales of fiber cables were strong in Northern Europe due to expanding local loop networks, while sales to profitable niche markets such as xDSL and TriplePlay continued to climb. However, sales of cables for public networks slid in the wake of plunging demand for ADSL cables in Europe.
Sales volumes of LAN cables edged up slightly, but these products' profitability improved substantially in Europe following the company's restructuring efforts, and in North America due to a sales strategy focused on high value-added products.
In electronic cables for industry, demand remains vibrant in the aerospace and geophysics sectors.

Trends

In the telecom business, Nexans is continuing to implement a selective strategy focused on promoting high-performing solutions.
▪ The booming market for high-speed internet access has prompted operators to invest in xDSL networks able to meet growing user needs. Companies' demand for broadband shows no signs of slowing down, and the number of cable subscribers continues to multiply.
▪ Growth drivers for Nexans going forward include unbundling, co-existing and complementary copper and fiber optics networks, local network expansion, second lines in European households for internet access, and telecom infrastructure-building in developing countries. Nexans is well-positioned in all these areas. The company is a member of FTTH 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.

ELECTRICAL WIRES

- **18.1% of Group sales (up 3.1% from 2005)**
- **Negative Group operating margin**

Nexans mainly manufactures bare electrical wires, which are the base product of the cable industry. A large portion of its production is used by the company's cable manufacturing plants, which can ensure the quality of their supply.
Winding wires are used as magnetic parts in engines, household appliances, cars, etc., and are sold to mainly to parts suppliers in the automotive, railway, and aerospace sectors.
Nexans signed an agreement to sell this business in January 2007.

2006 results
Sales from the electrical wires business rose 3.1% (at constant perimeter and exchange rates) to 802 million euros.
The wirerod business saw modest growth in demand from customers in Europe combined with a sharp drop in demand from North America during the second half of the year.
In bare electrical wires, sales of commonplace products fell while sales of special products surged, mainly in the automotive sector. Winding wire sales benefited from energy infrastructure investments in Canada and China.
Operating margin from the electrical wires business decreased from 6 million euros in 2005 to a loss of 4 million euros in 2006.

Trends
Nexans plans to gradually rationalize this business so that it eventually supplies only the company, in order to reduce the company's exposure to copper prices.

OUR ACTIVITIES IN 2006(9)
GROWTH AND EXPANSION

Against a backdrop of soaring raw materials and energy prices, Nexans secured its global leadership position in the cable industry and boosted its operating and financial performance. The Group stepped-up its manufacturing improvement program, continued to grow sales aggressively in the energy sector, anchored its position in several priority market segments, and balanced its geographic footprint with the acquisitions of Olex, the leading cable manufacturer in the Asia-Pacific region, Confecta, a Swiss maker of high value-added harnesses for the railway industry, and The Valley Group in the United States (in early 2007), a provider of real-time thermal rating technology for overhead power transmission lines, as well as the creation of a joint venture in Japan with Viscas to manufacture high-voltage submarine cables.

EUROPE(10)

Jump in sales and profitability
68% of Nexans' sales and 54% of its operating margin came from Europe. Sales in the region (11.4% of which were outside France) jumped 8.5% in 2006 at constant perimeter and exchange rates, while the operating margin bounded 38%.

Sales(1)
+1.3%
at constant metal prices and exchange rates

2004(2)	2005	2006
2,909	2,983	3,021

(9) For comparison purposes, the sales figures given in this section have been calculated at constant metal prices, perimeter, exchange rate and accounting methods.
(10) Austria, the Baltic States, Belgium, Bulgaria, Croatia, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, the United Kingdom.

Operating margin[1]
+30%

2004[2]	2005	2006
81	108	140

(1) in millions of euros
(2) 2004 data are at 2005 metal prices and exchange rates

14,372 employees
Plants in 17 countries

SALES
+8.5% at constant perimeter and exchange rates

Economic climate
Low-voltage cables for the building market enjoyed robust demand across Europe, especially in France, Spain, and all the Nordic countries.
Strong demand for power cables, most notably for industry and infrastructure, largely offset sluggish sales in the Telecom network business.
Nexans also benefited from medium- and high-voltage power network expansions related to a higher level of cross-border connections between countries. Sales of submarine and umbilical cables were driven by large interconnection projects and a dynamic oil and gas market, while sales of industry cables and harnesses also picked up throughout the region.

Improved performance
Europe had a very good year 2006 in terms of sales and profits. The region benefited from a favorable economy, which fuelled both domestic and international markets, more efficient, productive manufacturing and logistics operations, and structured sales efforts, especially those targeted towards Nexans' priority segments that were chosen for their growth potential and high margins.
In January 2006, Nexans sold its distribution business in Switzerland for a gain of 149 million euros as part of its strategy to focus on its core businesses.
Necessary capacity and productivity investments were made, along with restructurings at manufacturing sites in France, Belgium and the United Kingdom. 48 million euros were provisioned in 2006 for the restructurings, and 112 million euros were spent to support the strong demand for high-voltage, medium-voltage, and umbilical cables for energy networks, as well as developments in the company's priority market segments.
2006 also saw Nexans complete a targeted acquisition with the purchase of Confecta, a leading Swiss supplier of industrial harnesses for the railway and manufacturing sectors in Europe. Confecta generated revenues of 27 million euros in 2006 and has 180 employees.

Enhanced manufacturing operations and greater capacity
Nexans carried out significant restructuring efforts in 2006. The company closed a telecommunications cable plant in Opglabbeek, Belgium, and halted catenaries production at a plant in Marseille, France. Railway harness operations at Nuremberg, Germany, were transferred to a site in Hempsdorf, Germany, owned by Confecta, a specialist in these products. The production of LAN cables at Abbey Wood, UK, was successfully transferred to Turkey due to fierce competition from Chinese imports.

Nexans also made significant investments to boost the operating performance of all its plants.
Production capacity was increased in several areas, including automotive cables in Romania, cables for the petrochemical market, and high-voltage submarine and umbilical cables in Norway; capacity at the Halden, Norway, plant will grow by over 50% in 2007.

In Japan, Nexans acquired a majority stake in a joint venture with Viscas, which will give it access to the Japanese company's high-voltage submarine cable production plant in Tokyo Bay – one of the best-equipped manufacturing facilities in the world for these types of products.
Indeed, to further serve the booming submarine cable market, Nexans made a strategic move by purchasing the cable-laying vessel C/S Nexans Skagerrak. Submarine cable installation is often included in the company's supply contracts, and there are only two ships in the world that can do this profitably while meeting technical specifications. Now that Nexans now owns rather than leases one of them, it is even-better-positioned to profit from the expected market growth.

New records in high-voltage submarine cables
In 2006, Nexans' Halden plant saw record orders from Europe, the US, Africa, the Middle East, and China. The year was once again filled with worldwide technological breakthroughs in high-voltage submarine cables.
One of Nexans' innovations was Uflex, a state-of-the-art software package that allows its engineers to accurately predict the stress and fatigue behavior of the complex umbilical cables that they design and install for oil and gas fields.

Robust sales for the building market and power distribution networks
Sales of medium-voltage cables and accessories for power distribution networks continued to climb in 2006, and Nexans made substantial logistics improvements in order to better use its full production capacity to supply several countries. For example, Sweden, which is in the process of burying its power lines following the large storm in January 2005, was supplied by Nexans manufacturing sites in Norway, France, Switzerland, Italy, and Greece. In the United Kingdom, utilities are upgrading their medium-voltage power networks ahead of the 2012 Olympic Games.
Sales of low-voltage cables for the building market rose sharply on higher volumes combined with favorable prices.

Stronger market position in special cables
Nexans' special cables, manufactured in Germany, France, Switzerland, and Sweden, had an excellent year thanks to positive momentum in many strategic segments, including oil and gas, nuclear power, material handling, robotics, automotive, shipbuilding, railway, and fire safety.
In fact, in the area of fire safety, Nexans is already prepared for the new European Commission Construction Products Directive (CPD), which will set new fire reaction and fire-resistance standards for all cables. In 2005, the company launched a new range of halogen-free cables with improved fire reaction properties, ALSECURE®, and a range of fire-resistant cables that ensure the continued operation of safety systems during emergency conditions, ALSECURE® PLUS. These new products were introduced in France, Benelux, Spain, Denmark, and Sweden. In 2006, a customized range of ALSECURE® cables was developed for and launched in the United Kingdom, which has a particularly strong yet demanding market for safety cables.

Outlook
Going forward, Nexans will be able to rely on manufacturing facilities optimized to serve the major European markets, an extensive range of products and services, and a proactive sales organization ready to seize the many opportunities offered by an enlarged Europe and export markets.
Several capacity increases are either underway or planned within the next three years to supply the surging demand, whether it be for high-voltage submarine and umbilical cables in Norway, power accessories in Germany, or special cables and harnesses in Eastern Europe. Nexans also plans to increase its production capacity for halogen-free materials and copper recycling.

NORTH AMERICA[11]

Healthy results from almost all activities

North America accounts for 18.3% of Nexans' sales and 24.6% of its operating margin. At constant perimeter and exchange rates, sales increased by 4.7% in 2006, and the operating margin improved by 48%.

Sales[1]
+4.6%

2004[2]	2005	2006
726	777	813

Operating margin[1]
+52%

2004[2]	2005	2006
31	42	64

(1) In millions of euros
(2) 2004 data are at 2005 metal prices and exchange rates

1,960 employees
Plants in 3 countries

SALES
+4.7% at constant perimeter and exchange rates

Economic climate

In 2006, Nexans benefited from a buoyant economy across North America. The power network business in Canada in particular had a solid year. However, the company's electrical wires business was hurt by a slowdown in North American demand in the second half.

The buildings business in the US also posted a weak second half, although prices remained high. Demand in the shipbuilding and aerospace market segments held up well, while that for power cables grew substantially thanks to transmission and distribution network upgrades and large interconnection projects between the United States and Canada.

In the telecom business, Nexans enjoyed healthy demand which helped drive sales of its high value-added LAN cables.

A very good year

All of Nexans' North American businesses posted solid results in 2006, except for electrical wires. In power cables, profitability increased substantially. Sales also pushed ahead in low-voltage cables for the building market, despite a dip in volumes in the second half. However, local network cables saw overall sales decline, although sales of higher value-added products climbed and helped lift profits. The LAN optical fiber cables business continued to push ahead and improve profitability through the use of new manufacturing technologies. In shipbuilding and aerospace market segments, sales leapt 12% in the face of stiff competition. Sales of high-technology cables made in Nexans' European and Asian plants exceeded 80 million euros; these products are destined primarily for the petrochemical industry, shipbuilders, power utilities, and robotics applications.

Increased production capacity

Nexans installed a new production line to manufacture aerospace cables for Airbus at its Elm City plant in North Carolina. The company will also able to offer a wider range of residential and industrial

(11) Canada, the United States, Mexico, Central America, and the Caribbean.

building cables, thanks to investments made in 2005 and 2006 at its Fergus, Canada, and Chester, US, plants.

Outlook

The outlook for the North American market remains buoyant, and Nexans plans to strengthen its position in the region. The company plans to focus on supplying cables for power networks, as energy utilities will be making sizable investments in the near future to upgrade their distribution and interconnection grids so as to comply with the 2005 Energy Act.

Sales of cables for telecom Local Area Networks should continue to climb and shift towards higher-end products offering advanced bandwidth.

In 2007, Nexans will finally reap the benefits of the capacity enhancements it undertook in 2005 and 2006 that were aimed to expand the range of residential and industrial building cables it sells in the North American market.

ASIA-PACIFIC[12]

A surge in profitability and a greater presence

Not including the Olex acquisition[13], the Asia-Pacific region accounted for 6.3% of Nexans' sales and 7% of its operating margin in 2006. At constant perimeter and exchange rates, sales in the region grew 6.3% and the operating margin grew by 62%.

Sales[1]
+7%

2004[2]	2005	2006
232	259	277

Operating margin[1]
+73%

2004[2]	2005	2006
10	11	19

(1) In millions of euros
(2) 2004 data are at 2005 metal prices and exchange rates

2,459 employees
12 plants in 5 countries

SALES
+6.3% at constant perimeter and exchange rates

Economic climate

The developing Asian economies continued to grow at a healthy pace, which translated into strong demand for cables in all markets amid fierce competition. However, Nexans could not benefit fully from this positive climate due to difficulties in offsetting the higher copper prices, particularly in China and Vietnam. In the developed countries, Australia saw continued hefty investments in telecoms, industry, buildings, and power networks.

Doubled presence in the region

Nexans' production sites in China, South Korea, Japan, and Vietnam export to other ASEAN countries, Australia, Oceania, and Eastern Russia. The Group strengthened its manufacturing and sales

(12) South-East Asia, Australia, China, South Korea, India, Japan, New Zealand, Oceania, Vietnam.
(13) Olex was consolidated on December 31, 2006

resources in the region with the purchase of Olex, the leading power cable maker in Australia and the Asia-Pacific, and a new joint venture formed in Japan with Viscas to manufacture high-voltage submarine cables (Nexans is the majority owner with a 66% stake). Through these strategic transactions, Nexans has doubled its presence in the Asia-Pacific. In addition, the Group reinforced its manufacturing operations in Vietnam by opening a third plant, jointly-owned with another company, to make low- and medium-voltage power cables, and industrial and equipment cables.

The high value-added choice

In order to face heavy price pressure, Nexans decided to focus on high value-added segments such as shipbuilding, automotive, railway, and telecommunications.

For example, in China, sales of telecom cables for Local Area Networks and special cables skyrocketed, as did sales of shipbuilding and material handling cables manufactured at Nexans' Shanghai plant that opened in 2005.

In Korea, Kukdong Electrical Wires saw robust sales growth in shipbuilding cables, an area where Nexans is a global market leader. Kukdong's other two plants manufacture power cables for buildings and medium-voltage grids, telecom cables, and cables for the booming automotive market.

Outlook

Nexans' sales in the Asia-Pacific region should continue to climb as the company focuses on high-technology, high value-added products, and leverages its enhanced manufacturing and sales resources following the Olex acquisition and capacity increase in Japan.

China, which will host the 2008 Olympic Games and 2010 World Expo in Shanghai, is accelerating its investments in all areas including energy distribution, telecommunications, and transportation. The development of high-speed trains, construction and expansion of around 100 airports, and programs in shipbuilding and civil nuclear power all offer significant opportunities for Nexans.

The Group plans to increase its production capacity in China for high value-added telecom and LAN cables, and reinforce its operations in Vietnam for both the domestic and export markets.

OTHER REGIONS[14]

Encouraging results in a rapidly-growing region

The Rest of the World region accounted for 7.4% of Nexans' sales and 14.2% of its operating margin in 2006. At constant perimeter and exchange rates, sales in the region soared 17% and the operating margin leapt 48%.

Sales[1]
+17%

2004[2]	2005	2006
213	283	331

Operating margin[1]
+32%

2004[2]	2005	2006
12	28	37

(1) In millions of euros
(2) 2004 data are at 2005 metal prices and exchange rates

2,359 employees
6 production sites in 5 countries

[14] South America, Russia, the Commonwealth of Independent States, Turkey, Morocco, Egypt, Lebanon, the Middle East, Pakistan, South Africa, Ghana, Nigeria

SALES
+17% at constant perimeter and exchange rates

Economic climate
The Rest of the World region comprises South America, Africa, the Middle East, Russia, and the Former Soviet Republics. Many countries in this region contributed to Nexans' revenue growth in 2006, including Morocco, Turkey, and Lebanon. The abundant oil and gas resources owned by countries in the Middle East and Central Asia have enabled them to accelerate their industrialization efforts and energy and communications network interconnections – large projects in which Nexans is actively involved.

Stepped-up capacity in Morocco, Turkey, and Brazil
Sales in Morocco skyrocketed, fuelled by vibrant demand for power transformers and cables for energy networks, buildings, and automotive – all areas in which Nexans has stepped-up its manufacturing capacity.
In Turkey, production multiplied following the transfer of operations from the UK and Ireland, while sales proved robust thanks to dynamic residential and export markets. The company also made capacity investments for energy cables.
Nexans continued to enrich its product offer in Brazil. The manufacture of copper power, building, and industry cables started in early 2007 and will round out the existing production of telecom and aluminum overhead power cables.

Refocused manufacturing in Lebanon and Egypt
Liban Câbles was able to grow sales and maintain excellent profitability in 2006, despite the political turmoil and war which gripped the country. Its manufacturing facilities were oriented towards producing power cables and special cables for the oil and gas industry. The same transition was made at the ICC plant in Egypt. Exports from Lebanon to the Gulf countries and Russia grew markedly and most of the Egypt plant's exports were sent to Eastern Africa. In 2006 Nexans signed an agreement with East African Cable, whose sales network extends across the entire Great Lakes area.

Outlook
Nexans has considerable potential in these countries, and has focused its operations on the most profitable sectors: energy production and distribution, oil and gas, automotive, railway, and buildings. The company enjoys sizable market share in each large region, and has made capacity investments and increased their export potential.
The outlook remains positive in South America and Russia, and is especially promising in the Middle East. The six countries of the Gulf Cooperation Council plan to establish a single market by 2008 and a single currency by 2010, and inject 700 billion dollars into their economies between 2006 and 2010[15]. These investments will be allocated among the hydrocarbon sector, infrastructure development, and real estate.
Meanwhile, Nexans' first plant in Russia for manufacturing power network cables should be up and running by the end of 2007. The company also plans to enhance its high-performing, competitive manufacturing facilities for the automotive industry in Morocco and for power, petrochemical, and halogen-free cables in Turkey.

OUR IMPROVEMENTS IN 2006
PROGRESS AND COMMITMENTS

➢ By making customers the focus of the company, so as to understand their needs and develop innovations that meet them more effectively;
➢ by helping employees develop their potential and building employee commitment;

[15] Source IMF.

- by improving the efficiency and productivity of our operations;
- by using more sound, cost-effective, and environmentally-friendly manufacturing processes; and
- by designing more durable products and recycling solutions…

…Nexans has strengthened its outlook for growth and performance.

UNDERSTAND AND SATISFY OUR CUSTOMERS

Nexans innovates continuously in order to maintain its technological leadership, become more competitive, and consistently add value for its customers. The Group has set up new R&D organizations designed to better predict and more fully satisfy its customers' needs.

A global R&D organization…
Organized globally, present locally, Nexans is up-do-date with both national and international standards, and is a major player in international standards-setting. The Nexans Research Center (NRC), which partners with renowned universities and research institutions, makes use of advantages in fundamental research. Its employees in Lyon and Nuremberg work on researching and improving cable components (sheath, conductor, and insulation).
Nexans' applied research is conducted in eight Competence Centers focused on the Group's core businesses and specialized by product or technology. They are located in Europe and North America, with their research applied around the world, and have 15 specialized test and trial laboratories. Nexans' Technical Management Department coordinates the sharing of technological advancements across the Group, and ensures that managers meet on a regular basis.

… serving our customers
Optimizing designs, providing simplicity through innovation, enhancing products' technical performance, cutting costs, and speeding time-to-market are permanent goals. 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 automotive applications. Most of the Group's inventions are patent-protected.

Recognized technological leadership
Nexans is at the leading edge of many of tomorrow's technologies.
For example, in power cables, Nexans is a benchmark in high-temperature superconductivity, high-voltage submarine cables, umbilical cables for offshore platforms, cabling systems for wind energy production and distribution, etc. In 2006, the Group introduced a system that protects power lines against electricity robberies and a superconducting current limiter that safeguards medium-voltage power lines, so as to avoid any possible domino effect that could lead to a major outage.
In telecoms, Nexans offers systems including micro-blown optical fiber cables, high-bandwidth LAN cables, and plastic optical fiber for Fiber-to-the-Home applications.

For industrial applications, Nexans offers a series of innovative cables and cabling systems, including extremely high-temperature cables for automotives and reliable material handling solutions incorporating powerful and fast-moving trolleys, cranes, and loading systems. In 2006, Nexans developed the DuoTrack, a duplex copper/optical fiber data cable used in railway signaling. The DuoTrack is robust, cost-effective, and easy to lay along railways. As another example, Nexans developed a highly resistant cable for high-speed industrial cameras.

Innovation in step with customer needs
Nexans strives to develop solutions the value of which is recognized by customers and offers decisive advantages. The Group's new R&D organization puts customers at the core of its efforts, in order to better understand their needs, speed time-to-market for new innovations, and offer new services.

In 2006, Nexans created a team of Customer Technical Interface (CTI) technicians to serve customers in the automotive, rolling stock, material handling, and shipbuilding market segments. These technicians are familiar with all the Group's R&D resources, and visit customer sites with Global Product Managers in order to pinpoint customers' needs and develop effective solutions more quickly. CTI technicians serve as the communication interface between customers' technical teams and Nexans' R&D staff. With this approach, Nexans can enhance its proposals, adapt its R&D efforts to changes in customers' plans and requirements, and undertake joint development projects with customers to innovate in step with their needs.
Nexans also bolstered the synergies among its sales, marketing, and R&D staff by initiating special Technical Days and Global Product Manager meetings, which allow employees to discuss customers' requests and the customized solutions they developed.

Specialized application centers
Nexans is a technology partner to its customers, and relies on an in-depth understanding of their applications to provide solutions that boost performance and lower costs. Several Group's production sites have application centers that refine and test cables under actual-use conditions. Two new applications centers were built in 2006, one for automation systems in Nuremberg, Germany, and one for material handling in Lyon, France, which come in addition to one for LANs in New Holland, USA, and one for xDSL in Santander, Spain. These centers are largely open to Nexans' customers wishing to test their equipment. They speed time-to-market, enable comparative trials, and prove that Nexans' cables and cabling systems effectively meet – and often exceed – customers' expectations.

Innovation at Nexans goes beyond technology and extends into customer service as well, whether for offering design assistance, ready-to-install cables and harnesses, optimized inventory management and logistics chains, or full cable recycling platforms.

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

R&D spending
(in millions of euros)

2006	2005	2004
54.6	53.6	47

Number of patents filed

2006	2005	2003
59	57	63

MOTIVATE EMPLOYEES AND DEVELOP THEIR SKILLS[16]

Developing skills, encouraging a customer focus, building commitment, sharing knowledge and best practices, and providing the resources necessary for business growth and evolution – by building up its employees and helping them realize their potential, Nexans ensures its continued international expansion.

(16) Note: Key employee data are given on pages 94 to 99 of this Prospectus.

Predicting human resources needs

To drive its growth and prepare for the future, Nexans supports its employees by helping them develop skills in line with the company's needs and encouraging manager mobility.

Nexans' Human Resources Department sets common policies and procedures and coordinates certain issues such as manager career development, compensation policies, workplace safety, employee access to IT systems, and performance reviews.

The Group is also managing its future skills needs and career paths more effectively. It has set up a Group-level Career Management Committee and encourages country divisions to set up similar Committees. Nexans also promotes annual performance reviews for each employee.

Attracting talent and encouraging mobility

Recruitment is another of the company's growth drivers. Nexans hired 3,086 employees in 2006, preferring young graduates able to work in an international environment. It also strengthened its central marketing and finance staff and its pool of future managers through an emphasis on local recruitment. Nexans increased its presence and recruitment efforts at major engineering schools, especially in Norway and the US.

The company also favors internal promotions and employee mobility. In 2007, all available managerial positions will be accessible online through a job database centralizing the open jobs in each country.

Promoting training and facilitating knowledge transfer

Training enables each employee to improve his or her performance and build the skills needed to make the Group's strategy a success. It encourages and facilitates the sharing of best practices, and unites employees around common values, goals, and methods.

Nexans sponsored a fourth executive training program in 2006, which was led by the European School of Management (ESCP-EAP) and the Group's senior managers. Nexans also set up a management training program for supervisors and technicians in the Asia region, and continued to roll out the Sales+ program to its 650 sales men and women around the world. Finally, Nexans decided to open a Nexans University designed to promote the Nexans Way internationally, in all the main fields of management. The Group recruited a Director at the end of 2006 to spearhead this project.

Workplace health and safety: a focus on prevention

Nexans is committed to protecting its employees' health and safety, and has processes in place to make sure that all the equipment and installations at each site are completely secure. The Group has implemented programs with high standards. For example, the Denizli and Tuzla plants in Turkey obtained OHSAS 18001 certification for their safety management system. In Norway, the *HMS i Hundre* program targets zero accidents by the Nexans Norway 100th anniversary in 2015 (compared with 12.5 accidents in 2005). This program was launched through a major information campaign designed to increase employees' safety awareness in all their activities, both at work and at home. The number of accidents at Nexans Norway has already dropped 32% since 2005.

These efforts have succeeded in decreasing the number of workplace accidents across the Group by around 10% in 2006.

An open labor dialogue

Through Newco, the Nexans European Work Council representing 13 countries, the Group maintains an open dialogue with labor union representatives. Newco meets twice a year. In 2006, discussions were centered primarily on the acceleration of the company's manufacturing improvement program and its implications for employees, as well as the Group's strategic plan.

When Nexans is required to restructure its operations, it helps employees find new jobs either within or outside the company by offering training and personalized support if needed. For example, in 2006 Nexans signed an agreement with labor unions in Germany to safeguard threatened jobs by increasing the number of working hours per week and scaling back salary hikes.

An attractive compensation policy
Building employees' commitment involves implementing an attractive, coherent compensation policy, which Nexans has established in a spirit of transparency and fairness while taking into account the local conditions at each site.
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. Sales people are also eligible for a profit-sharing scheme and a bonus tied to their entity's results.
Almost all of Nexans' French subsidiaries have set up employee profit-sharing plans, and many of its international subsidiaries have similar programs depending on the regulations in effect in each country.
Finally, Nexans offered stock options to certain managers who are not on the Executive Committee, and in 2006 introduced a new, worldwide employee share ownership plan.

Total employees

2006 (1)	2005	2004 (2)
21,150	19,584	19,850

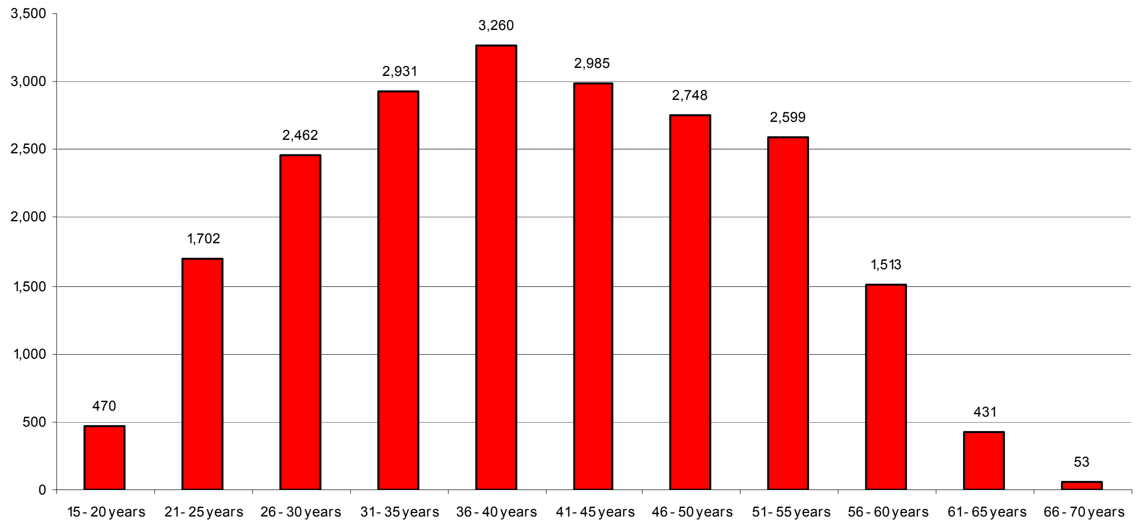
(1) Including Olex, consolidated at December 31, 2006
(2) After integration in the perimeter of consolidation of Autoelectric' subsidiaries (Germany) in application of IAS 27

Number of new hires

2006	2005	2004
3,090	2,300	1,350

Workface composition in 2006 (titre)
- Men: 74.7%
- Women: 25.3%

Employee age pyramid



213,656 hours of training in 2006
(internal or external) for 10,142 people trained

4.0 average absenteeism in 2006
(decreasing 0.6 %) compared to 2005

BOOST OUR EFFICIENCY

Nexans strives to improve the efficiency of its day-to-day operations and share the benefits with its customers, which are its partners in performance. The Group has become more responsive and more competitive, with higher-quality products, streamlined logistics, optimized purchasing processes, and enhanced manufacturing facilities.

Optimized purchasing
Purchases represent more than 80% of Nexans' sales and a huge opportunity for savings, which it plans to realize by increasing the percentage of centralized purchases.
The Group's main purchases are raw materials (e.g., copper, aluminum, and plastics), energy, components, and transportation services. In addition, Nexans has signed long-term contracts with leading global copper producers in order to secure its copper supply.

Competitive manufacturing facilities
A lot of Nexans' plants manufacture products sold around the world. The other sites are located as close as possible to the markets they serve. The Group is continuously improving its manufacturing and logistics operations in an effort to control costs and adjust to structural changes in demand. It has specialized plants in developed countries, and is building capacity in Eastern Europe, North Africa, Brazil, China, and other Asian countries to meet the booming demand in these markets and serve large, multinational customers. In Europe, Nexans accelerated its restructuring plan which allowed the Group to reduce committed capital and to cut fix costs. The full impact of these measures should be seen in 2008. At the same time, Nexans stepped-up its investment spending. Around 300 million euros will be invested at its plants in 2006 and 2007 (excluding acquisitions), in capacity increases and in productivity improvements.

Better operating performance
Nexans has undertaken continuous improvement programs in all its operations – manufacturing with Program+, logistics with ASAP (recently completed by a new program: Service+), and sales with Sales+.
The main goal of Program+ is to lower costs while increasing customer satisfaction, which requires a substantial personal effort on the part of Nexans employees. Company databases, communication networks, and seminars will enhance the sharing of best practices and innovations in key areas. Guidelines will soon be compiled so that each plant can perform a self-evaluation and prioritize its focus areas for improvement.

In 2006, plant managers from 23 countries met for two days in a conference aimed at sharing ideas for a model plant. The managers learned about new process optimization applications – including a modeling application developed by Nexans R&D to improve machine operations – designed to help plant managers meet their manufacturing challenges.

Sell more, serve better
At sites all over the world, Nexans has made its processes more reliable, become more flexible, and invested in systems that enable more efficient inventory management, lower working capital requirements, and better customer service. Nexans' sales force benefits from an array of methods for improving sales efficiency and boosting performance, taken from best practices within the Group and other companies and implemented primarily through the Sales+ program and applications. The Group also appointed country Sales Developers to help the sales force seize opportunities in priority markets more quickly and as often as they arise.

In order to provide the best service possible, from order processing to customer delivery, Nexans has appointed Supply Chain Managers who coordinate production schedules, procurement, inventory management, and shipping. They aim to help build customer loyalty by ensuring customers receive exactly what they want on the promised delivery date, a statistic measured through the On Time In Full (OTIF) performance indicator. Changes in this indicator along with customer complaints (for whatever reason) are the first things studied by Nexans' committees responsible for improving customer satisfaction.

Nexans has also appointed Key Account Managers in an effort to simplify and strengthen its relationships with its largest customers, whose needs are often diverse and span several countries. These Key Account Managers offer global solutions and coordinate the operations of sales teams and technical staff.

PROTECT THE ENVIRONMENT[17]

Nexans has stepped-up its efforts to preserve the environment, control its consumption of energy, water and materials, and facilitate product recycling. The Group works alongside its customers to provide solutions that enhance the safety of both people and their property, respect the landscape and marine life, and encourage the use of clean and renewable energy.

Optimized product design and manufacturing processes
Nexans develops 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 materials and components can be easily separated.
In-depth research is performed to ensure the durability and resistance of Nexans' products in challenging environments, such as large depths, extreme climates, corrosion, intense mechanical stress, flames, etc.
Nexans also develops manufacturing processes that are cleaner and consume less energy and raw materials, and refines its process controls so as to reduce scraps, satisfy customers, and build customer loyalty. In addition, to help identify the best production 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.

Strict environmental management
Nexans' environmental and safety policy is outlined in a Risk Management Charter, which calls for a thorough analysis of the risks related to the Group's products and manufacturing processes, a continuous improvement program incorporating production plant audits, and employee training on good environmental practices. The environmental policy is 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. 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 organized by subject matter.

In-depth audits and a demanding label
The Group's sites are monitored through an annual Environmental Survey based on ISO 14001 standards and regularly updated, and through a series of environmental audits conducted by a company that specializes in this area.
The survey reviews all the key elements of responsible environmental behavior classified under 12 themes and allows Nexans to list the investments made to improve environmental performance. Each site is 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

[17] Note: Key environmental data are given on pages 89 to 94 of this Prospectus.

comprised of representatives from the Corporate Industrial, Strategic Operations, Purchasing, Legal, Risk Management, and Human Resources and Communications departments.
Almost all of Nexans' sites participated in this continuous improvement program in 2006.
Nexans also has EHP, *Environnement Hautement Protégé* (Highly Protected Environment) label program to address the specific environmental risks posed by the Group's operations. During 2006, 27 sites were audited and 15 were awarded the EHP label: 7 in France, 2 in Switzerland, 2 in Canada, and 1 each in Germany, Spain, Brazil, and China. By the end of the year, 45 Nexans sites had the EHP label and 33 were ISO 14001 certified.

Investments in 2006

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. Liquid retention is another area undergoing constant improvement, with secured premises and dedicated areas, cabinets, and holding vats. Nexans' efforts also extended to included wastewater treatment systems and fire extinction water retention.
Many sites made investments in these various areas in 2006. These included: a system to stop emitting waste directly into surface water at the Breitenbach, Switzerland, plant (219,000 euros); a rainwater recovery program at the Hanover, Germany, plant (295,000 euros); and a new wastewater flow path at the Lens, France, plant (250,000 euros).
Many sites also invested in energy-saving initiatives such as replacing air compressors with more modern, cost-effective equipment, installing new lighting and heating systems, and replacing boilers that consumed a great deal of energy. The Lens, France, plant invested 10 million euros in a continuous caster fed by copper pellets made from cable waste from Nexans' RIPS subsidiary. Finally, the Group has committed to disposing of its pyralene (PCB) transformers by 2010, most of which are located in France; 4 were replaced in 2006.

A major player in recycling

Nexans' RIPS subsidiary is devoted entirely to recovering and recycling cable manufacturing waste and cables at their end-of-life. This site is located in the port area of Calais, France, and is ISO 9001 version 2000 and ISO 14001 certified. RIPS collects cable waste from all of Nexans' European plants and offers complete recycling solutions to customers owning discarded cables. In 2006, France Telecom signed a three-year contract with RIPS to manage the collection and recycling of its cable waste.
After the waste has been processed, aluminum and copper scraps are melted, and plastics are recycled into exterior coatings, curbs, and traffic cones. Grinding scraps are recycled into packaging products. RIPS processed 25,000 tons of cable waste in 2006, 20,600 tons of which were manufacturing waste and 4,400 tons were discarded cables.

INDICATORS

Consumption

	2006	2005	2004
Energy consumption of which electricity	1,615,000 MWh 893,200 MWh	1,480,800 MWh 838,100 MWh	1,850,722 MWh 951,712 MWh
Waste of which special waste (in tons)	97,500 t 8,600 t	91,300 t 7,400 t	98,931 t 10,790 t
Number of sites monitored	91*	79	88
Water consumption	4,452,000 cu.m	4,430,000 cu.m	5,096,566 cu.m
Solvent consumption	1,500 t	1,500 t	9,890 t
Copper consumption	841,000 t	809,000 t	830,000 t
Aluminum consumption	140,000 t	133,000 t	130,000 t

(*) This table does not include data from the three Olex sites, which were consolidated by Nexans group on December 31, 2006).

The main impact of Nexans' activities

Activity	Resources used	Actions taken as of end 2006
COPPER AND ALUMINUM METALLURGY	- Natural gas for casting - Water for steam and cooling	- 95 % wastewater is recycled - Copper dust emissions have been reduced
COPPER POWER AND TELECOM CABLES	- Electricity for conductors Annealing - Water/oil emulsions to lubricate wire drawing - Cooling water - A limited amount of solvents used for marking inks	- 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)	- Energy for varnish baking - Cooling water - Solvents in enamelling varnish	- Non-significant business since 2005 - Solvents emissions have been reduced by using dedicated equipment - The environmental impact remains contained

MANAGEMENT REPORT PRESENTED BY THE BOARD OF DIRECTORS TO THE ANNUAL SHAREHOLDERS' MEETING

(Year ended December 31, 2006)

The purpose of this report is to present an overview of the operations and results of the Nexans Group and its parent Company for the year ended December 31, 2006. It is based on the parent Company's financial statements and consolidated financial statements for the year ended December 31, 2006.

Nexans' shares are traded on the Eurolist (compartment A) of Euronext Paris S.A. and are included in the SBF 120 index. The Company's estimated ownership structure, broken down by shareholder category, was as follows at December 31, 2006: (i) institutional investors – France, 32.1%; the UK and Ireland, 24.5%; other European countries, 11.2%; USA, 21.8%; Rest of the World, 1.9%; (ii) private investors and employees, 8.3%; and (iii) unidentified shareholders, 0.2%.

1. Operations during 2006

1.1. Significant events of the year

1.1.1. Change relating to the recognition of non-ferrous metal inventories

Following the adoption of IFRSs on January 1, 2004, inventories of non-ferrous metals, referred to as "core exposure", were classified as property, plant, and equipment. These assets correspond to the quantities of non-ferrous metals needed for regular plant operations. Their volume is maintained and is continually replenished; therefore they are not hedged by futures contracts. As they were classified as property, plant, and equipment, these inventories were recorded at historical cost at January 1, 2004. They were not depreciated as their residual value is greater than their carrying amount and they have indefinite useful lives.

However, inventories of non-ferrous metals other than those used as core exposure were recognized as inventories and measured at purchase cost as calculated by the weighted average cost method.

The accounting methods applied by the Group in relation to these inventories in 2004 and 2005 is discussed on page 10 of the document entitled "Transition to IFRS Standards" included in Nexans' 2004 Annual Report.

In the 2006 consolidated financial statements, the above-mentioned materials previously classified as property, plant, and equipment have been reclassified as inventories, and are now therefore measured using the average weighted cost method. The financial statements for 2004 and 2005 have been restated using this new classification in order to facilitate year-on-year comparisons.

At the time of its transition to IFRS, Nexans classified core exposure as property, plant, and equipment with a view to neutralizing the effect of metal price fluctuations on the income statement, in line with the Group's risk management policy for metals. Nexans used the LIFO method before adopting IFRS. In view of recent market conditions, Nexans – along with the other European groups faced with the same situation – reviewed the IFRSs applicable concerning the recognition and measurement of this type of inventory. This review led to the Group's decision described above to measure all non-ferrous metals inventories using the weighted average cost method. Given the surge in non-ferrous metal prices over the past three years, this new method will better reflect the value of the inventories presented in the Group's balance sheet.

The rise in non-ferrous metal prices and the subsequent revaluation of core exposure using the weighted average cost method served to increase the working capital included in the company's non-financial assets that must be tested for impairment whenever there is evidence of a loss in value. This in turn led to higher impairment losses recognized for certain cash-generating units at December 31, 2005.

1.1.2. Acquisitions of significant equity interest in other companies

- On December 1, 2006, Nexans acquired the entire capital of the Australian group Olex for an enterprise value of 312 million euros. This acquisition, Nexans' largest to date, strengthens the Group's core business and doubles its presence in the Asia-Pacific region. Olex employs 910 people and generated 330 million euros in sales in 2006 at current metal prices, or 240 million euros at constant metal prices. Olex has three production sites, located at Tottenham and Lilydale in Australia, and New Plymouth in New Zealand. It also has a dozen sales offices spanning Australia, New Zealand, Singapore, and China. The company makes cables for power transmission and distribution (33% of its sales), specialty products, primarily for the mining industry (24%), and cables for the building, energy and telecommunications markets (43%). As the impact of this acquisition on Nexans' consolidated sales, operating margin, and net income was not material for 2006, Olex has only been consolidated by the Group since December 31 of that year.
- In the second half of 2006, Nexans and Viscas, a joint venture between Furukawa Electric Co., Ltd. and Fujikura Ltd., created the Nippon High Voltage Cable Corp. (NVC) based in Japan. Nexans owns 66% of the new company with Viscas (JV Furukowa Electric Co., Ltd et Fujikura Ltd) owning the remaining 34%. As part of this operation, Viscas contributed its existing manufacturing plant in Tokyo Bay to the new entity. NVC will manufacture high-voltage submarine power cables exclusively for its two shareholders, and will have no other operations. NVC was consolidated into the Nexans Group on December 31, 2006.
- In January 2006, Nexans acquired a 100% stake in Confecta, a European maker of cable harnesses for the railway and other industrial sectors. The company was previously owned by four private shareholders. Confecta employs approximately 180 people and generates annual consolidated sales of some 20 million euros. The group comprises six companies – Confecta Holding, Confecta AG, Confecta Verbindungstechnik and Confecta Fiberoptic in Switzerland, Confecta GmbH in Germany and Confecta SAS in France.
- Also during the year, Nexans created the Vietnam-based Nexans Lioa in which it holds a 60% stake. The remaining 40% is held by two Vietnamese companies which contributed their cable manufacturing businesses for energy networks, equipment, and industry. Nexans Lioa was consolidated into the Nexans Group in May 2006, and is currently in the operational start-up phase.
- Nexans increased its interest in its Korean subsidiaries Nexans Korea and Kukdong Electrical Wire to 99.5% and 97.9%, respectively, for a total price of 42 million euros.
- Nexans bought out certain minority shareholders in Morocco, increasing its stake from 74.6% to 83.6%, and raised its interest in China-based Nanning Huasun Cable to 100%.

1.2. Consolidated results of the Nexans Group

1.2.1. Overview

Net sales for 2006 totaled 7,489 million euros, compared with 5,449 million euros in 2005. At constant non-ferrous metal prices, the figure came to 4,442 million euros compared to 4,263 million euros in 2005. At constant non-ferrous metal prices and constant 2006 exchange rates, sales for 2006 rose by 3.3%, and based on constant exchange rates and a comparable scope of consolidation (like-for-like) the increase came to 8.2%.

Operating margin amounted to 259.8 million euros, or 5.8% of sales at constant metal prices (3.5% at current metal prices), and net income attributable to the Group stood at 241 million euros. These figures represent a significant improvement on 2005 when operating margin was 185.9 million euros, or 4.4% of sales, and attributable net income totaled 108 million euros. In a global economic climate marked by sustained demand and considerable increases in raw material prices, Nexans' sustained growth – particularly in high value-added market segments – coupled with careful cost controls helped the Group to boost overall profitability levels.

After taking into account the 149 million euros gain on the sale of the distribution business in Switzerland, consolidated income before taxes rose from 189 million euros in 2005 to 297 million euros in 2006.

After the 48 million euros tax charge and a 4 million euros net loss contributed by discontinued operations, attributable net income rose from 108 million euros in 2005 to 241 million euros in 2006.

Minority interests fell from 9 million euros to 3 million euros, primarily as a result of the minority buyouts in Nexans Korea and Kukdong Electric Wire Co. Ltd.

1.2.2. Analysis of the Group's consolidated results[18]

(sales figures by origin at constant non-ferrous metal prices)

1.2.2.1. By business

ENERGY

Energy business sales amounted to 2,983 million euros (up 4.1% on 2005, and 11.3% on a like-for-like basis).

In the land-based infrastructure sector, growth was particularly buoyant (7.1% on a like-for-like basis). Demand in Europe was fuelled by investment spending in network maintenance, which saturated the medium-voltage cable production facility. High-voltage terrestrial cables saw new international contract wins despite stiff competition, most notably in rapidly developing countries and in the Middle East. In North America, demand for low-voltage power distribution and overhead cables picked up as the effects of the 2005 Energy Bill began to be felt, while in Brazil, Nexans benefited from the government's "Luz Para Todos" initiative to expand the country's electricity network. In Lebanon, despite the tense political situation, business held firm at 2005 levels and the Group's production site was spared from the negative impacts of the conflict. Finally, Turkey had an excellent year, both in terms of financial performance as well as progress in adapting to the manufacturing equipment conversion program started in 2006.

In high-voltage submarine and umbilical cables, Nexans won major new contracts in 2006. These included a direct electrical heating system for underwater pipes for a Statoil oil field, a 296 km high-voltage submarine cable to supply electricity to the Valhall offshore oil field (in the Norwegian sector of the North Sea), a 60 km three-core AC cable for the Long Island Replacement Cable project in the US (the biggest 138 kV cable ever built), and an 80 km electricity supply cable for Delma Island in Abu Dhabi. Given the challenging environmental conditions for some of these contracts, the Group had to allocate more resources than originally planned. To serve this rapidly-growing market, Nexans made sizeable investments to expand capacity at its Halden manufacturing plant in Norway, and integrated a new production unit in Japan as part of a joint venture with Viscas. This new unit in Japan will increase the company's high-voltage submarine cable production capacity by 33%. In addition, Nexans bought the C/S Skagerrak, one of the world's most powerful cable-laying vessels, thus bolstering its submarine cable resources.

In low-voltage cables for the building sector, like-for-like sales jumped 12.6%. Overall, the dynamic market allowed the Group to offset the surge in copper prices during the year and strong demand lifted earnings considerably. In Europe, demand from the residential building sector continued to be robust

(18) Olex has been fully consolidated since December 31, 2006

(e.g., in Greece, Spain, the Netherlands, and Turkey), while in North America, a healthy business climate generated solid earnings.

In industrial cables, like-for-like sales rose by a robust 9.4%. The shipbuilding and offshore platform markets proved to be particularly contributive in 2006, thanks to the Group's leadership position backed by the Kukdong plant in Korea and the Nexans plant in Shanghai. Harnesses benefited from successful high-end products for the German car market, as well as growing demand for truck harnesses in the US. Nexans further strengthened its presence in the industrial harnesses market (railways) with the Confecta acquisition. In addition, the ramp-up of automotive cable production lines in Morocco and Romania is well on track, and contributing to the Group's expansion.

Nexans refocus on its priority segments, helped boost sales of cables for material handling, petrochemical, and nuclear applications. The Group is currently implementing a conversion program for its copper instrumentation cable production lines in Brazil, Turkey, and Lebanon, in order to increase manufacturing capacity.

Operating margin for the Energy division was 233 million euros in 2006 compared to 171 million in 2005. This sharp rise is largely the result of the recovery reported by the industrial cables business and particularly good performance in low-voltage cables for the building sector.

TELECOM

Sales in the Telecom business advanced 2.9% to 648 million euros (1.7% on a like-for-like basis). In a low growth market, Nexans' business was fueled by investments in railway infrastructure and demand for high-speed LAN cables.

Like-for-like sales for the public network cables business contracted 2.5% in 2006, hurt by plummeting demand for ADSL cables in Europe and limited telephone network investment in developing countries. In light of these factors, some of Nexans' production units converted their equipment to industrial cable manufacturing. However, demand for fiber cables remained robust in Northern Europe due to a proliferation of local loop networks.

In the private networks sector, sales edged up 1.7% on a like-for-like basis. The lack of major building cable projects in Europe put pressure on sales volumes. Nevertheless, profitability improved due to higher margins from the copper telecom businesses in Norway and Spain, as well as stronger sales of category 6 and 7 cables and cabling systems. Because market perspectives did not allow a clear visibility on the timing for a recovery in European volumes, it has been decided to close the Group's loss-making Abbey Wood site in the UK and transfer the equipment to the Tuzla plant in Turkey.

Profitability in the US improved considerably thanks to the Group's strategy of focusing on higher-end products, although sales of copper LAN cables did fall slightly. The Elm City plant is continuing to implement its manufacturing improvement plan, and has installed the latest aerospace cable production technology. Sales advanced 12% in 2006, on the back of 25% growth in the previous year.

In industrial electronic cables, a stagnant ADSL market and fierce competition from Asia led Nexans to close its Opglabbeek site and transfer some of the equipment to sites in Fumay, France, and Kanghua, China. The main growth drivers in this business were cables for the aerospace industry (despite the difficulties encountered by the Airbus A380 program) and geophysics applications.

Operating margin almost doubled in 2006 to 48 million euros, from 25 million euros in 2005, thanks to a better product mix across the Group and continued cost-cutting efforts.

ELECTRICAL WIRES

Sales in the Electrical Wires business in 2006 were 801 million euros, up 5.7% on 2005 or 3.1% on a like-for-like basis.

In the wirerod segment, there was a modest increase in demand from non-Group customers. In North America, buoyant demand in the first half of the year gave way to a sharp slowdown in the second. Sales were also impacted by the Group's decision to gradually reduce its exposure to the copper market. Furthermore, the plunge in copper prices at the end of the year prompted Nexans' customers to adopt a wait-and-see approach.

In the bare wire segment, sales contracted 6%, although performance was mixed across different countries. Germany saw robust demand for specialty products for the automotive industry, while sales tumbled in France where Nexans sells more commodity products.

In winding wires, where the products that Nexans makes are mainly for power transformers in Canada and China, sales benefited from heavy investment spending in energy networks.

As a result of these difficult market conditions the operating margin of the Electrical Wires division dropped to a negative 4 million euros compared to a positive 6 million euros in 2005. Profitability was further impacted by a non-recurring provision recorded in relation to a legal dispute.

UNALLOCATED OPERATIONS

Certain of Nexans' operations incur expenses which are labeled "unallocated" because they cannot be attributed directly to one of the Group's defined businesses or regions. These amounts are not material on a consolidated level, representing a negative operating margin impact of 18 million euros in 2006, compared with a negative 16 million euros in 2005.

1.2.2.2. By geographical area

EUROPE

Europe recorded sales of 3,021 million euros in 2006, up 1.1% on 2005, or 8.5% on a like-for-like basis. Most of Nexans' businesses in the region continued to recover, propelled by a favorable economic climate, enhanced product mix and sales efforts, manufacturing facility rationalization, and cost-cutting efforts. 68% of Nexans' sales were made in Europe, and the region received over 60% of the Group's capital expenditure and accounted for the majority of its restructuring costs.

● Sales in the European Energy business rose 1.3% in 2006, or 12.1% on a like-for-like basis. The operating margin climbed from 4.7% to 5.9%. Energy continues to be Nexans' largest business in Europe, generating 73% of its sales and 87% of its operating margin.

Sales from industrial cable harnesses jumped 18.6% in 2006, or 6.4% based on a comparable scope of consolidation, which in turn boosted the operating margin to 7.8%. This outstanding performance can be attributed to continued strong sales of high value-added products – which Nexans has identified as "priority segments" in its Strategic Plan – coupled with the impact of the Confecta acquisition in the industrial harnesses market.

Sales volumes of low-voltage cables for the building sector also rose sharply in 2006, especially in housing markets across Europe. This increase, combined with sustained cost-cutting efforts, helped push operating margins upwards.

Demand for low- and medium-voltage cables and accessories for power networks grew in Northern Europe and Italy. In addition, several projects such as the Lötschberg tunnel in Switzerland were finalized in 2006.

High-voltage cables and accessories also saw an upswing in sales thanks to sizable oil sector investments in both land and submarine cables. In order to meet this booming demand, Nexans increased production capacity at its Halden plant in Norway, and entered into agreement with Viscas to create a new company in Japan. However, profits from this business were pressured by technically complex contracts for umbilical cables.

● Sales in the European Telecom business edged up 2.2% in 2006, but held steady on a like-for-like basis. However, the operating margin grew from 2.6% of sales in 2005 to 4.7% as Nexans refocused its operations.

Sales of telecom network cables stabilized in 2006, although they slipped 1.2% on a like-for-like basis. Results were mixed in different segments. Sales of submarine optical fiber cables in Norway surged due to high business levels in the hydrocarbon sector, while a scarcity of major projects in Central Europe and a slowdown in ADSL deployment hurt sales of copper cables and accessories to telecom operators. Nexans continued to rationalize its manufacturing facilities in 2006, closing its Opglabbeek plant in Belgium and transferring part of its production to sites in France and Spain.

Sales from LAN cables rose in 2006 due to the full-year impact of the UK business acquired in 2005, as well as sustained growth in sales of category 6 and 7 cables related to stepped-up cabling systems development.

Finally, strong momentum in the aerospace and oil segments drove a 5.4% rise in sales of electronic cables.

● Sales in the European Electrical Wires business held firm at 2005 levels, although profitability improved thanks to a more targeted marketing approach and a focus on specialty products.

NORTH AMERICA

In North America, Nexans recorded sales totaling 813 million, an increase of 7.9% compared with 2005 (4.7% like-for-like).

Operating margin was up over 50% in absolute terms following an excellent 2005, as a result of favorable prices and strong positioning in strategic markets.

● In power cables, including land infrastructure and buildings, sales climbed 4.2% at constant exchange rates. Cables for industry and buildings had a solid year with higher operating margins, despite a sluggish second half. The infrastructure market proved to be highly profitable due to network maintenance and expansion requirements in North America; this was particularly true for medium-voltage cables where prices rebounded.

● In the telecom sector, like-for-like sales inched up 0.9%. Nexans decided to focus on high-end applications for LAN cables and reduce its exposure to the very competitive low-end cable market. Although overall sales volumes declined in 2006, volumes of high added-value cables (category 6 and above) were up significantly. This strategy boosted profitability substantially, helped by hedges on the business' raw materials. 2006 also saw a turnaround in the optical fiber cables business in spite of a stagnant market. In the shipbuilding and aerospace segments, Nexans continued to build sales and resist strong competition.

● Wirerods experienced a turbulent year. Sales started 2006 well only to fall off in the second half. This reflected both a retreat in the overall market (*i.e.*, a slowdown in the US economy, particularly in the construction sector) and Nexans' desire to scale back volumes in this resource-consuming business in light of the surge in copper prices.

● Winding wires benefited from a buoyant energy distribution market as transformers in North America are going through a replacement cycle. Nexans' winding wire production plant needs however to continue to improve its manufacturing performance.

ASIA-PACIFIC

In the Asia-Pacific region, sales rose from 247 million euros in 2005 to 277 million euros in 2006, up 12% on a published basis, or 6.3% like-for-like.

Operating margin grew from 4.6% in 2005 to 6.8% in 2006, thanks to Nexans' strategy of maintaining prices and quality while being more selective in its sales approach.

In Korea, like-for-like sales dipped 2.1%, although the business' profitability improved. Sales volumes of cables for shipbuilding remained robust, reflecting a healthy market that prompted Nexans to increase its capacity at the end of the year. Cables for the automotive industry benefited from a rapidly-growing domestic market. However, sales of telecom cables, power cables for the building sector, and medium-voltage cables proved disappointing as high copper prices caused operators to scale back orders.

Sales in China bounded 33% at constant exchange rates. All of Nexans' cable manufacturing businesses gained ground, including the special cables business which started operations in 2005. Most of the special cables produced in 2006 were sold to the shipbuilding industry, although sales are starting to expand into other sectors such as railways.

Vietnam reported a 23% increase in like-for-like sales. The best performers during the year were power cables, particularly bare overhead cables, whose sales helped to fuel increased export activity. In addition, Nexans and Lioa created a joint venture based in Hanoi to manufacture low- and medium-voltage power cables. This new company, which began operations in the second half of 2006, will increase Nexans' production capacity for the Vietnamese market.

REST OF THE WORLD

The Rest of the World area reported strong sales growth: 330 million euros in 2006 compared with 275 million euros in 2005, representing an increase of 20% (16.9% on a like-for-like basis).

In Turkey like-for-like sales soared 47.5%. The Denizli plant reaped the benefits of a strong market for low- and medium-voltage power cables, both in its domestic market and in the UK and Ireland, which the plant now serves. Meanwhile, the Tuzla plant, which had previously made copper telecom cables, was converted to more promising products in terms of market development such as instrumentation cables for the oil segment. The plant also began manufacturing LAN cables for Nexans' European customers at the end of 2006.

In Morocco, sales jumped 22.9% at constant exchange rates, propelled by Nexans' solid position in a dynamic energy market. Sales of cables for the building sector and electrical equipment were especially strong following the Moroccan government's initiatives to extend electricity lines into rural areas. Nexans Morocco has developed special electrical equipment tailored to this market. The Mohammedia plant was restructured in 2006 in order to help drive sales of cables for the automotive industry; a market that is continuing to perform well.

Profitability in Brazil improved despite stable sales volumes, thanks to progress in the LAN business.

Lebanon had an outstanding year, in spite of the turbulent political climate in the country since mid-2006. Like-for-like sales rose 6.2% fueled by high export levels.

Egypt suffered from falling demand for copper telecom cables. However, because demand for medium- and high-voltage power cables in Egypt is still increasing, Nexans invested heavily in 2006 with a view to improving the performance of its manufacturing equipment serving this market.

2. Other items of 2006 consolidated results

2.1. Core exposure effect

The change relating to the recognition of non-ferrous metal inventories described in Section 1.1.1 above, had an impact of 107 million euros. This amount – which corresponds to the year-on-year change in the value of the Group's core exposure as calculated by the weighted average cost method – is not included in operating margin. Changes in the value of inventories that are included in operating margin are measured based on replacement cost, in accordance with the Group's accounting policies.

2.2. Net asset impairment and negative goodwill

Net asset impairment and negative goodwill totaled 99 million euros in 2006, up considerably from 2005. This increase primarily reflects the impact of the jump in non-ferrous metal prices and subsequent revaluation of core exposure using the weighted average cost method, which served to increase the working capital included in the Group's non-financial assets that must be tested for impairment whenever there is evidence of a loss in value. This change therefore led to higher impairment losses for certain cash-generating units in 2006 relative to the previous year.

2.3. Restructuring costs

Restructuring costs came to 48 million euros compared with 24 million euros in 2005. These expenses are related primarily to the closure of three plants: one in Opglabbeek, Belgium, which employed 123 people; one in Abbey Wood, UK, which employed 93 people; and one in Marseille, France (TLM) which employed 34 people. Other, less extensive capacity reductions took place in Italy, France, Germany, and Spain.

All these plans were accompanied by labor force measures negotiated with employee representatives, intended to ease the impact on the employees involved.

2.4. Change in fair value of non-ferrous metal derivatives

Nexans uses futures contracts negotiated primarily on the London Metal Exchange (LME) to reduce its exposure to non-ferrous metal price fluctuations (copper and aluminum). However, due to the sharp volatility in non-ferrous metal prices over the past several months, the Group invested in measures that enabled in a large portion of these financial instruments to be classified as cash flow hedges as defined in IAS 39. As from November 1, 2006, when these instruments are used to hedge future transactions that are highly probable but not yet invoiced (e.g., copper cathode purchases), and they meet the requirements set forth in IAS 39 for cash flow hedge accounting, they are treated similarly to foreign currency hedges, as follows: the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity, and the ineffective portion is recognized in the line item "Change in fair value of non-ferrous metal derivatives." Gains or losses previously recognized in equity are taken to the income statement in the period during which the hedged item (e.g., copper cathode purchases) affects income.

In 2006, the income statement impact of changes in the fair value of non-ferrous metal derivatives represented a loss of 7 million euros, compared with a gain of 33 million euros in 2005.

2.5. Gains or losses on asset disposals

This item primarily concerns the 149 million euros gain generated in early 2006 on the sale of the Group's distribution business in Switzerland (Electro-Matériel SA) to Rexel.

2.6. Financial income and expenses

The Group recorded a net financial expense of 69 million euros in 2006, compared with 36 million euros in 2005. This increase primarily reflects the following:

- a 7.3 million euros increase in interest expense related to higher average debt levels and interest rates,
- a 6.4 million euros cash payment made to holders of Nexans 2004-2009 OCEANE convertible bonds upon conversion,
- an 11.6 million euros increase in the charge for the ineffective portion of the Group's foreign currency hedges.

2.7. Net loss from discontinued operations

In 2006 this item was essentially made up of impairment losses on assets of the winding wires businesses discontinued in 2005.

2.8. Income taxes

In view of the improved performance of several subsidiaries and the recognition of a deferred tax asset for subsidiaries which are still loss making (but whose outlook is positive), and the tax exemption applicable to part of the gain on the sale of the Electro-Matériel business in Switzerland, the Group's corporate income tax charge came to 48 million euros in 2006 compared with 26 million euros one year earlier.

2.9. Principal cash flows for the period

Cash flow from operations amounted to 226 million euros in 2006, compared with 196 million euros in 2005. This amount was primarily used to partially finance a 171 million euros investment program and a 235 million euros increase in working capital in line with business growth and price increases for copper and other commodities. The net impact of the Group's company acquisitions and sales in 2006 was a cash outflow of 177 million euros.

2.10. Balance sheet

At December 31, 2006 the balance sheet showed:

- A 259 million euros increase in net debt to 633 million euros. The gearing ratio (net debt/total equity) represented 39.8%.
- Working capital requirements totaling 1,465 million euros, representing 18.1% of sales at current copper prices (excluding Olex) for full-year 2006, up 0.1 points on the same ratio calculated based on equivalent items at December 31, 2005. This includes a 422 million euros impact from the change relating to the recognition of non-ferrous metal inventories (Core exposure effect).
- Provisions for contingencies and charges – including for pensions and other post-employment benefit obligations – in an amount of 469 million euros, on a par with the 450 million euros recorded one year earlier.
- A 37 million euros increase in non-current assets from 1,118 million euros to 1,155 million euros. This rise reflected the combined impact of capital expenditure outstripping the depreciation expense for the period and the reclassification of 35 million euros worth of assets as held for sale following the Group's decision to divest its Simcoe plant and Nexans Tianjin. The main capital expenditure incurred during the period related to the high voltage and umbilical cables business in Norway.

3. Progress made and difficulties encountered

Progress was made in several essential areas during the year:

- Control of fixed and direct costs – This was a main focus for the Group in 2006 as its businesses continued to expand. Efforts made to contain direct costs and improve the product mix improved the variable cost margin considerably.
- Materials consumption – Nexans cut the amount of waste generated by its cable business by 3%, and generated substantial savings through a new plastics procurement policy and a variety of materials consumption reduction efforts, most notably in the area of composites.
- Manufacturing methods and best practices – 67 engineers and technicians from 30 production sites attended training given by Nexans' Industrial Management Department on problem-solving methods and analytical applications. In addition, a workshop on the Group's extrusion know-how was added to the technical training catalogue in 2006, and was very popular among the production sites using extrusion techniques.
- Workplace safety – Thanks to the successful roll-out of Nexans' safety charter, the workplace accident rate dropped by about 10% in 2006, and absenteeism fell by 0.6 percentage points.

All of the above initiatives helped improve production site operations and reduce the number of customer complaints. Furthermore, fixed costs as a percentage of revenues declined during the year, as a result of strict cost controls associated with restructuring and reorganization plans.
In terms of Nexans' IT systems, several projects started four years ago were completed successfully in 2006, and goals were set for the next three years (2007 to 2009). As technology continues to advance rapidly, Nexans has focused on upgrading its IT systems, particularly with regards to integrated business management software. All the projects outlined in the Group's strategic plan were completed.

A roll-out of SAP software and a specific application for car harness production began in 2006, and met full satisfaction of users. SAP was also installed in order to manage continuous copper casting operations in France and Germany, because their legacy applications could no longer be used following the sale of the winding wire business. Several projects using Navision software were also initiated to support the growth of the Group's smaller units (e.g., in China, Lebanon, Romania, Ghana, Japan, and Nexans logistics in the UK).

As part of the Group's global focus on data security, several enhancements were made to its network infrastructure, and annual vulnerability tests confirmed that permanent progress has been made. Nexans also performed an internal audit using the Information Security Forum method, underscoring this aspect of the Group's risk management process. Cost cutting targets were reached one year ahead of schedule, with IT expenses amounting to 1.2% of sales at constant copper prices. The Group has reduced IT expenses by 23% over the past three years – corresponding to over 16 million euros of savings – without cutting into needed infrastructure investments or application upgrades.

Going forward, Nexans plans to maintain IT expenses at their current level and to continue to monitor spending. The Group has outlined several structuring projects, including a call for tenders to supply and manage its WAN after its contract with AT&T ends in December 2007. Nexans' WAN has recently been upgraded to include new services and telephony. Nexans also amended its SAP contracts so that the software can be used on a long-term basis under a license agreement, including software upgrades from the supplier. At the same time, the Group intends to continue its process of replacing obsolete applications, with the largest projects being in Canada and Switzerland. Several business support functions have been enhanced, and a project to improve detailed planning at the Group's plants is already underway; the software has been purchased and configured internally for rapid deployment. Finally, Nexans has reorganized its website and e-services site so that they can be used more easily by its various partners (customers, suppliers, transporters, financial firms, etc.).

The main difficulties encountered in 2006 related to the impact of significantly higher prices for raw materials, including the copper price which soared 76% year-on-year. As a result, Nexans' sales team was forced to pass on a large portion of these increases to its customers in order to protect the Group's margins on its full range of products. These elevated raw materials prices also meant considerably higher purchasing costs, which increased the business working capital requirements. Finally, the heavy demand placed on Nexans' plants strained the capacity of some manufacturing facilities and caused occasional delivery delays.

4. Research and development

Nexans spent 54.6 million euros on R&D in 2006, representing slightly more than 1.2% of consolidated sales, up from 53.6 million euros in 2005.

The Group's R&D program is designed to maintain and improve its market position by developing new products and improving the safety and quality of the production processes through increased efficiency.

Nexans' technical capabilities include some 450 staff with high-performance equipment. The Group's R&D teams work on long-term projects – such as understanding mechanisms and developing innovative insulation and sheathing materials – which are essentially managed by its Research Center (NRC), as well as short and medium-term projects, such as the creation and testing of new products and systems or the use of computer modeling to accelerate time-to-market for products that perform better or meet new specifications. Some 59 patents have been registered for the Group's various areas of activity, reflecting the quality of its technical teams.

In addition to the NRC, Nexans has eight technological competence centers, whose skills were recognized in 2006 through the approval of several new products, including:

- Fig-8 HTC/DuoTrack, a duplex copper/optical fiber cable used to automate data communications on non-electric regional railways. The cable is laid alongside the track rather than strung across towers. It is currently being used by Die Bahn, the German national railway (formerly Deutsche Bahn).
- A new-generation DSL cable selected for pilot studies by France Telecom.
- A 10 Gbit/s cable that has been approved in the USA.
- A heating cable resistant to alkaline corrosion due to cement (approved for the Scandinavian market).
- Automotive cables approved for use in temperatures between 125°C and 150°C.

5. Trends

In January 2007, Nexans presented to its Board of Directors a new Strategic Plan for 2007-2009 after achieving the targets set in its previous plan one year ahead of schedule.

While the economic climate has not changed fundamentally from the time when the priorities of the previous plan were set (*i.e.*, moderate growth in Europe, more vibrant growth in North America, and substantial potential in Asia and the Rest of the World region), the trends seen at the end of 2005 have intensified. Demand for power cables remains strong, with competition increasingly fierce at the lower end of the market, against a backdrop of extremely high raw materials prices. All these factors have required Nexans to invest an increasing amount of human and financial resources.

As a result, the Group's targets in the new Plan are to improve profitability, reduce exposure to short-term business cycles, and focus on a smaller number of businesses and market segments that offer true opportunities for synergies. The Plan was developed after an extensive review of all of Nexans' operations, including an assessment of each business' growth and profitability potential, business cycle, and competitive positioning. Following this review, the Group divided its operations into three different types of activities:

- cables and energy systems for infrastructure, industry, and buildings, which will be at the core of Nexans' strategy,
- telecom cables, a supplemental activity for which Nexans will use a more selective sales approach,

▪ electrical wires, an upstream activity for which Nexans intends to gradually rationalize operations so that it eventually serves only the Group's needs.

By the end of the 2007-2009 Strategic Plan, Nexans aims to be a global player in the infrastructure, energy, and industrial sectors with a solid position in domestic building markets.

- The infrastructure market has a very positive outlook for the coming years. The trend in this market is towards sustained, broad-based growth fuelled by new energy infrastructure being built in emerging markets, as well as maintenance and upgrades in developed markets.
- The industry market is dependent on the global economy and stands to benefit from heavy investments in petrochemicals and transport.
- The building market is buoyant in Europe, although it has experienced a temporary downturn in North America. In rapidly-developing countries, it serves as a development basis for the Group’s growth.

The Group intends to bolster its positions in these strategic sectors through:

- an enhanced product mix,
- expansion into new, profitable geographic markets,
- a stronger customer focus, achieved in part by setting up a new sales organization and a technical support department serving the industrial sector, which will be divided into eight priority market segments (shipbuilding, robotics, nuclear, oil and gas and petrochemicals, material handling, electronics, automotive, and railway).

In the telecom business, Nexans plans to use a targeted business development strategy. In relation to telecom infrastructures, this strategy will involve concentrating on promoting copper cables with superior performance for use in XDSL applications, and optical fiber cable systems for use in FTTH deployment. Nexans plans to leverage its small size and niche positioning in several of these markets. Regarding LAN applications, the Group’s ability to exploit synergies is limited by the need to implement a regional approach for selling these products. Furthermore, there is a growing risk that the copper-based portion of this market will become commoditized.

At the same time, Nexans plans to gradually scale back its operations in electrical wires and wirerods so that these businesses eventually serve only to supply the Group’s internal requirements.

This regional and business reorganization will require considerable resources, particularly in terms of capital expenditure. The Group plans to invest an estimated amount of over 500 million euros between 2007 and 2009, with the three priority areas of energy infrastructure, industry, and buildings accounting for over 80% of this total.

Nexans has set the following targets in its 2007-2009 Strategic Plan (calculated on a like-for-like basis) which it intends to achieve through a focus on high value-added products, targeted efforts towards the industrial sector, and continued restructuring initiatives (representing 30 million euros per year):

- Consolidated sales of approximately 5,000 million euros (at constant metal prices), with average annual organic growth of 6% (excluding the scaled-back operations in the electrical wires and wirerod businesses);
- Operating margin of 7.5%;
- Pre-tax ROCE of around 13%;
- Neutral cash flow(19) in 2007, and positive cash flow in 2008 and 2009.

The forward-looking information given above is based on the following assumptions:

▪ Standard copper and aluminum prices of 1,500 euros per ton and 1,200 euros per ton, respectively.
▪ A copper price of 4,400 euros per ton over the entire 2007-2009 period for ROCE and cash flow calculations.

(19) After changes in working capital requirements, capital expenditures, and dividends.

- Constant exchange rates (euro against other currencies), using the rates in effect at year-end 2006.
- The same global economic climate as seen over the past few years, with a moderate slowdown in growth in the US relative to Europe.
- An annual growth rate of approximately 3% for the global cable market between 2007 and 2009 (at constant copper prices).
- Continued growth in the infrastructure, transport, and petrochemicals markets.

6. Principal risks and uncertainties to which the Group is exposed

6.1. Business risks

In addition to the risks described in paragraph 6.2 to 6.4 below, the most significant risks identified as applicable to Nexans' operations and the Group as a whole are as follows:
- risks related to the seasonal nature of Nexans' business;
- risks related to contractual liability;
- risks related to customer dependency;
- commodity and procurement risks;
- competitive risk;
- technology-related risk
- geopolitical risks in high-growth areas;
- environmental regulatory risk.

Each year, all these risks are reported on in detail and the "Risk Factors" chapter of the Reference document prepared by Nexans is updated and filed with the French financial markets authority (AMF).

6.2. Market risks

Nexans' main market risks relate to the following:
- interest rates;
- currency exchange rates;
- metal prices;
- counterparty credit default.

All these risks are discussed in detail in Note 24 to the consolidated financial statements, along with a sensitivity analysis for 2006.

Nexans' policies for managing interest rate risk, exchange rate risk, and non-ferrous metal price risk are set and overseen by its Treasury and Non-Ferrous Metals Department, and implemented by its operating subsidiaries. Risk management for Nexans' subsidiaries is managed by the Treasury and Non-Ferrous Metals Department, whenever this practice is allowed by the legislation in the country where the subsidiary is located. Countries that do not allow such centralized risk management include Turkey, Lebanon, Egypt, Morocco, China, Korea, Vietnam, and Brazil. Subsidiaries in these countries have therefore established their own relationships with banks, but have to follow the Group's procedures for selecting banks, managing interest rate and exchange rate risk, and managing hedges on non-ferrous metals prices.

6.3. Liquidity risks

During the first half of 2006, the Group met its liquidity needs primarily through the issuance of commercial paper on the French market and the proceeds of a convertible bond issued by the Group in July 2004 in the amount of 135 million euros.

However, in June 2006 three events changed the Group's access to liquidity. First, the Group obtained and exercised the right to call the aforementioned convertible bonds early, which resulted in a 117 million euros increase in equity and a reduction in its cash needs. Second, the Group carried out a successful new convertible bond issue for 280 million euros in early July 2006, which improved its financial flexibility. Third, Standard & Poor's changed Nexans' debt rating from BBB-/negative/A3 to BB+/stable/B, which restricted the Group's access to short-term commercial paper. Therefore in the second half of 2006, Nexans covered its short-term cash needs through non-confirmed bank lines of credit and by drawing down a portion of its confirmed medium-term credit facility in order to finance the Olex acquisition at the end of November.

In order to manage its medium-term financing needs, Nexans obtained an extension of the expiry date for its confirmed medium-term credit facility as well as an increase in the syndicated loan that had previously been arranged with a group of banks. The amount available under this syndicated loan was increased from 450 million euros to 580 million euros, with no change to the loan terms. The loan has a duration of five years starting from October 2006, and is subject to the customary loan covenants (e.g., a negative pledge, *pari passu*, and cross default) and consolidated financial ratios (net debt/EBITDA < 2.95 and net debt/total equity < 1.15). Nexans was in full compliance with these ratios at December 31, 2006 and at the date that this report was prepared. A breach of any of the loan covenants would freeze any undrawn lines and accelerate the due date of any amounts outstanding, either immediately or after a period of thirty days depending upon the nature of the covenant.

At December 31, 2006, the Group's gross debt was 919 million euros. Out of this total, commercial paper represented 43 million euros bank borrowings 506 million euros, sales of trade receivables 124 million euros, and the July 2006 convertible bond issue 246 million euros. The conversion option related to these bonds is recognized in equity in the amount of 34 million euros. At the same date, the Group had 287 million euros of cash and cash equivalents in the form of demand deposits, term deposits, and short-term negotiable instruments.

The Group's 120 million euros receivables assignment program for the sales of receivables related to its main French operating subsidiaries (Nexans France, Société de Coulée Continue de Cuivre, and Société Lensoise du Cuivre), negotiated in December 2003, was used fully during most of 2006. This program was increased to 150 million euros upon renegotiation in December 2006, although the terms remained the same. Certain Nexans subsidiaries outside France also sell receivables to cover some of their working capital requirements whenever this type of financing is competitive.

Amounts in millions of euros

Securities issued or loans taken out	Amount drawn down at December 31, 2006	Fixed or floating rate	Global amount	Residual maturity of the lines drawn down	Hedged or unhedged
Bank overdrafts	34	Floating rate		Overnight	Unhedged
Commercial paper	43	Floating rate	500	1 month to 1 year	Unhedged
Short-term borrowings	135	Floating rate	500	1 month to 1 year	Unhedged
Confirmed lines	330	Floating rate	580	4.8 years	Unhedged
Sales of receivables	124	Floating rate	180	1 year	Unhedged
Medium-term borrowings	7	Fixed rate	2	3 to 5 years	Unhedged
Convertible bond	246	Fixed rate	246	6.5 years	Unhedged

6.4. Customer credit risks

Nexans' credit risk is limited by the Group-wide protection represented by the diversification of its businesses, its customers and its geographic base.

With respect to Nexans' internal practices to reduce customer credit risk, for certain major export markets the Group implements secured payment methods including down payments on orders, progress payments, and irrevocable letters of credit confirmed by banks approved by the Treasury Department. For its other markets Nexans has set up an insurance program relating to the risk of non-recovery of customer receivables through a short-term credit insurance policy for sales in local and export markets. This credit insurance policy – which has been taken out with the specialist international insurer, Coface – covers companies representing approximately 80% of the Group's sales. By agreement with the insurer, certain customers representing a very low risk of default over the short term are excluded from the credit insurance policy.

As part of its insurance coverage, Coface provides Nexans with access to a database concerning the credit risk associated with each customer. This enables each unit to manage its risk by monitoring customer outstandings against the insurance credit limits, and in the event of default, to limit the impact on its cash position and income to any amount over the coverage limit and the policy deductible (generally 10% of the insured amount). Outstandings in excess of the amounts covered by the credit insurance policy are subject to periodic review by the Country Managers and their financial controllers.

in millions of euros	**2006**	**2005**	**2004 after IAS 32-39**	**2004**
Gross trade receivables	1,313	1,147	879	749
Provisions	(41)	(42)	(43)	(43)
Net amount	1,272	1,105	836	706
Provisions as a percentage	- 3.1%	- 3.7%	- 4.9%	- 5.7%

The level of provisions in 2006 was on a par with 2005, reflecting the fact that default risk on the Group's trade receivables remained at a stable level.

7. Significant events after the balance sheet date

In late January 2007, Nexans signed two agreements to sell its winding wires businesses in Canada and China to Superior Essex in the US for a total of 32 million euros. These agreements cover the Simcoe site in Canada and Nexans' 80% majority stake in Nexans Tianjin Magnet Wires and Cables in China. These two businesses generated sales of 69 million euros in 2006 (at constant copper prices), and at the year-end, employed 154 and 176 people, respectively. The sales are subject to approval by the Chinese and Canadian regulators, as well as the approval by Tianjin's other shareholder based in China of the terms of the agreement. The sale is expected to be completed in the second quarter of 2007.

8. Parent Company business overview

Nexans serves as the Group's holding company, manages its financing, and centralizes its cash holdings. Nexans also plays a central role in collecting intra-Group royalty fees for R&D, which it then allocates among its subsidiaries according to the R&D programs they carry out which benefit the entire Group.

The parent Company's sales for the year ended December 31, 2006 totaled 13,060,753 euros, and came primarily from services billed to its subsidiaries. Net income for the year grew to 88,094,875 euros from 43,227,833 euros in 2005. This increase primarily reflects a rise in the Company's net financial income, which consisted mainly of a dividend paid to Nexans by its subsidiary, Nexans Participations.

A net tax consolidation gain of 249,485 euros was recognized during the period.

The Company's equity at end-2006 was 1,329,901,775 euros, compared with 1,150,780,410 euros at December 31, 2005.

9. Proposed appropriation of income

The Annual Shareholders' Meeting will be invited to approve the appropriation of net income for the year – totaling 88,094,875 euros – as follows:

• Retained earnings brought forward from prior years	84,400,957 euros
• 2006 net income	88,094,875 euros
• Legal reserve	175,763 euros
Total distributable income	**172,320,069 euros**

Appropriation of income:
(Based on the number of shares comprising the share capital at December 31, 2006)

- Dividend payment of 1.20 euros per share representing a total dividend of	30,317,946 euros
- Retained earnings	142,002,123 euros
Total	**172,320,069 euros**

The Annual Shareholders' Meeting will be invited to approve the payment of a dividend of 1.20 euros per share, corresponding to a total dividend payout of 30,317,946 euros based on the number of shares comprising the share capital at December 31, 2006.

However, this amount may be increased (implying a decrease in retained earnings) by a maximum total amount of 660 275 euros taking into account the 660,275 maximum additional shares that may be issued from January 1, 2007 through the date of the Annual Shareholder's Meeting held to approve the dividend payment in the event of the exercise of stock options.

The Annual Shareholders' Meeting will be invited to approve the payment of such dividends as from May 15, 2007.

In the event that Nexans still holds treasury stock at the time the dividend is paid, the amount corresponding to the dividends not paid on these shares shall be appropriated to retained earnings.

All of the Company's shares are of the same category and the total amount of dividends paid *i.e.* a maximum sum of 30,978,221 euros, will qualify for the 40% relief provided for in article 158, paragraphs 2 to 3 of the French General Tax Code (information disclosed in accordance with article 243 bis of said Code).

The amount of dividends paid for the last three years, the related tax credits (2003) and the dividends qualifying for the 50% relief (2004) and 40% relief (2005) were as follows:

	2003	**2004**	**2005**
Dividend per share	0.20 euro	0.50 euro	1.00 euro
Tax credit	0.10 euro	-	-
Total income per share	0.30 euro	0.50 euro	1.00 euro
Dividends qualifying for the 50% relief (2004) and 40% relief (2005):			
- Amount per share	-	0.50 euro	1.00 euro
- Number of shares qualifying (all shares in the same category)	-	21,136,773	21,661,745
- Total amount	-	10,568,386.50 €	21,661,745 €

10. Five-year financial summary

In accordance with article 148 of the Decree of March 23, 1967, a table detailing the Company's financial results for the last five financial years is appended to this report.

11. Non-tax deductible expenses

No non tax-deductible expenses, as defined in paragraph 4, article 39 of the French General Tax Code were incurred during 2006.

12. Board of Directors and Senior Management

On May, 15 2006, the Annual Shareholders' Meeting agreed to extend Gérard Hauser's term as a Member of the Nexans Board of Directors until the Annual Shareholders' Meeting called to approve the 2009 financial statements. The Board of Directors then confirmed Gérard Hauser's position as the Company's Chairman and CEO for a term expiring at the end of first-half 2009. In addition, as recommended by the Appointments and Compensation Committee, the Board of Directors created a new position of Chief Operating Officer and appointed Frédéric Vincent, formerly Nexans' Chief Financial Officer, in this capacity.

12.1. Directorships and other positions held in other companies by Nexans' corporate officers in 2006

Gérard Hauser	- Chairman and CEO of Nexans - Director of Alstom, Faurecia, Aplix, Ipsen
Frédéric Vincent	- Chief Operating Officer of Nexans - Director of Electro-Banque, Essex Nexans Europe - Director of Nexans USA Inc.*, Nexans Canada Inc.*, International Cables Co.*, Nexans Energy USA Inc.*, Nexans Magnet Wire Redevelopment*, Nexans Hellas Industrial SA*, Liban Câbles Contracting SAL*, Liban Câbles Holding SAL*, Liban Câbles Packing SAL*, Liban Câbles SAL*
Gianpaolo Caccini	- President of Assovetro, the Italian Association of Glass Manufacturers - Director of Saint Gobain, JM Huber Corporation*, Saint Gobain Corporation*, Nybron Flooring International*
Georges Chodron de Courcel	- Chief Operating Officer of BNP Paribas - Member of the Executive Committee of BNP Paribas - Chairman of Financière BNP Paribas SAS, Compagnie d'Investissement de Paris SAS, BNP Paribas Emergis SAS, BNP Paribas SA in Switzerland*, BNP Paribas UK Holdings Ltd.* - Director of Bouygues SA, Alstom, F.F.P. (Société Foncière Financière et de Participations), Verner Investissements SAS, Erbé SA*, BNP Paribas ZAO* - Member of the Supervisory Board of Lagardère SA - Non-voting director of Exane, Scor SA, and Safran
Jacques Garaïalde	- Managing Director of Kohlberg Kravis Roberts & Co. Ltd. - Chairman of the PagesJaunes Groupe's Board of Directors - Chairman and CEO of Médiannuaire Holding - Director of Legrand, Tarkett SA - Member of the Executive Committee of Société d'Investissement Familiale
Patrick Puy	- Managing Director of Alvarez & Marsal France - Chairman and CEO of Ocean S.p.A.* - Chairman of the Boards of Directors of Bréa SA and MGB SA - CEO of Gate Gourmet France
Ervin Rosenberg	- Advisor to the Chairman of Compagnie Financière Edmond de Rothschild Banque - Director of Carbone Lorraine - Member of the Supervisory Boards of Compagnie Financière Edmond de Rothschild Banque, LCF Rothschild Financial Services, Mobility Saint Honoré - Chairman and CEO of Financière Savoisienne
Jean-Louis Vinciguerra	- Financial Advisor to the Aga Khan Fund for Economic Development - Chairman of Innofin (a financial strategy consulting firm) - Director of Telecom Development Company of Afghanistan*, Energie du Mali*
Jean-Marie Chevalier	- Professor of Economics at Université Paris IX Dauphine - Director of Cambridge Energy Research Associates
Colette Lewiner	- Vice President, Global Leader Energy, Utilities & Chemicals, and Global Marketing Leader of Cap Gemini - Director of La Poste, TGS-NOPEC Geophysical Company ASA* - Member of the Information Technology Strategic Board reporting to the Prime Minister - Member of the Académie des Technologies
Yves Lyon-Caen	- Chairman of the Management Board of Béri 21 (Holding company of Bénéteau SA) - Chairman of the Supervisory Board of Bénéteau S.A. and of Sucres & Denrées - Director of Unibail Holding
François Polge de Combret	- Senior Advisor for UBS Investment Bank - Director of de Renault and Bouygues Telecom - Member of the Supervisory Board of Safran

* *Directorships and positions held in non-French companies*

12.2. Directors' interests and compensation paid during the year

12.2.1. Compensation paid to members of the Board of Directors

The annual amount of Directors' fees granted to Directors was set at 400,000 euros by the shareholders at the Combined Shareholders' Meeting held on May 15, 2006, for the financial year beginning January 1, 2006.

The methods for allocating the Directors' fees determined by the Board of Directors include the calculation of a fixed portion and a variable portion based on the Directors' attendance at Board Meetings and their membership of committees.

The methods for allocating the Directors' fees are as follows:
- each of the Directors, including the Chairman, receives 15,000 euros for the fixed portion;
- each of the Directors, including the Chairman, receives an additional 2,000 euros for each Board Meeting attended, subject to a ceiling of 10,000 euros per Director;
- each of the members of the Accounts and Audit Committee receives 3,000 euros per meeting, subject to a ceiling of 9,000 euros per year;
- each of the members of the Appointments and Compensation Committee receives 6,000 euros per year for his/her membership of the committees.

Based on these allocation methods, Georges Chodron de Courcel, Jean-Louis Vinciguerra and Yves Lyon-Caen received 34,000 euros; Gianpaolo Caccini and Ervin Rosenberg received 31,000 euros; Patrick Puy received 29,000 euros; Gérard Hauser, Jean-Marie Chevalier, Colette Lewiner and Jacques Garaïalde received 25,000 euros; and François Polge de Combret received 22,000 euros.

The total amount of Directors' fees allocated for 2006 and paid to the members of the Board of Directors at the end of the year was 315,000 euros.

12.2.2. Compensation paid to the Chairman and CEO

The components of the Chairman and CEO's compensation are as follows:

	Due for 2005 (in euros)	Paid in 2005 (in euros)	Due for 2006 (in euros)	Paid in 2006 (in euros)
Fixed compensation	750,000	750,000	791,670	791,670
Variable compensation	712,000	695,000	858,880	712,000
Directors' fees	25,000	25,000	25,000	50,000(1)
Other benefits	1,836	1,836	1,836	1,836
TOTAL	**1,488,836**	**1,471,836(2)**	**1,677,386**	**1,555,506(2)**

(1) Comprised of 25,000 euros paid for each of the years 2005 and 2006.
(2) Pre-tax total gross compensation (DADS basis).

In addition, on November 23, 2006 the Board of Directors decided to grant the Chairman and CEO 70,000 stock options with an exercise price of 76.09 euros per share, as indicated in the special report on stock options prepared in accordance with Article L. 225-184 of the French Commercial Code.

For 2006, 60% of the Chairman and CEO's variable compensation was based on quantitative targets, by reference to operating income, sales, operating ROCE and cash flow after restructurings, and 40% was based on qualitative personal objectives.

The Chairman and CEO is eligible for the supplementary pension plan set up for members of the Group's management.

The Chairman and CEO is not entitled to any severance payment if his term of office is terminated. He holds an employment contract with one of the principal subsidiaries of the Group which was signed before Nexans went public. This contract has been suspended for the duration of his service as Chairman and CEO but will come back into force by operation of law if he ceases to serve as such for any reason whatsoever. If the contract is terminated for any reason, he is subject to a non-compete clause that provides for the payment of an amount equal to his total gross compensation received over the 12 months prior to the cessation of his service as Chairman of Nexans. In addition, in the event of dismissal (except for gross negligence or misconduct), he will also be entitled to a severance payment equal to his total gross compensation received over the 12 months preceding the cessation of his service as Chairman of Nexans.

12.2.3. Compensation paid to the Chief Operating Officer

The components of the Chief Operating Officer's compensation are as follows:

Annual fixed compensation	460,000 euros
Fixed compensation paid for the position held since May 15, 2006*	287,505 euros
Variable compensation for 2006 (including Directors' fees from Liban Câbles SAL**)	336,996 euros
Other benefits for 2006	2,618 euros

* *Prorated from the annual fixed compensation*

** *The only compensation received from a company owned by Nexans in which Frédéric Vincent holds a Directorship or position.*

In addition, on November 23, 2006, the Board of Directors decided to grant the Chief Operating Officer 50,000 stock options with an exercise price of 76.09 euros per share, as indicated in the special report on stock options prepared in accordance with Article L. 225-184 of the French Commercial Code.

For 2006, 70% of the Chief Operating Officer's variable compensation was calculated based on quantitative targets, by reference to operating income, sales, operating ROCE and cash flow after restructurings. and 30% was based on qualitative personal objectives.

The Chief Operating Officer is eligible for the supplementary pension plan set up for members of the Group's management.

The Chief Operating Officer is not entitled to any severance payment if his term of office is terminated. He holds an employment contract with Nexans which has been suspended for the duration of his service as Chief Operating Officer but will come back into force by operation of law if he ceases to serve as such for any reason whatsoever. In the event of dismissal (except for gross negligence or misconduct), he will be entitled to contractual severance pay plus a severance payment equal to twenty-four times his most recent monthly salary (including bonus) prior to the cessation of his service as Chief Operating Officer.

12.3. Provisions

The total provisions recognized at December 31, 2006 in relation to pension plans, retirement benefits, or other benefits to be paid to the Chairman and CEO and the Chief Operating Officer amounted to 6.1 million euros.

12.4. Events that could take place in the case of a public offer

In addition to the amounts described in Sections 12.2.2 and 12.2.3 above regarding the Chairman and CEO and Chief Operating Officer, other Nexans Executive Committee members holding employment contracts will be entitled to severance pay equal to two times their total gross annual salary if dismissed for reasons other than gross negligence or misconduct. This amount will be payable in addition to the contractual severance pay for all but two members, for whom the total severance pay is fixed at two times their total net annual salary.

In the case of a public offer involving Nexans shares, members of the Nexans Executive Committee (including the Chairman and CEO and Chief Operating Officer) and Nexans employees may exercise their stock options immediately and sell the Nexans shares received from the exercise anytime during the period that the public offer is in effect.

12.5 Summary of transactions made by corporate officers and senior managers relating to the Company's securities, as required by Article L.621-18-2 of the French Monetary and Financial Code

The following table summarizes the transactions made by Nexans' corporate officers and Executive Committee members in relation to the Company's securities during 2006 and disclosed to the AMF.

Corporate officer	Date 2006	Transaction	Financial instrument	Unit price (euros)	Transaction total (euros)
Gérard Hauser	02/02	Subscription	Other	17.45	82,887
	02/02	Sale	Shares	51.75	245,812
	03/02	Subscription	Other	17.45	78,525
	03/02	Sale	Shares	53.90	242,550
	06/02	Subscription	Other	17.45	78,525
	06/02	Sale	Shares	53.90	242,550
	17/05	Acquisition	Shares	67.05	20,115
	13/06	Acquisition	Shares	51.55	10,310
Jean-Louis Vinciguerra	07/03	Acquisition	Shares	56.20	18,827
Georges Chodron de Courcel	07/04	Acquisition	Shares	69.35	13,870
François Polge de Combret	30/05	Acquisition	Shares	60.56	30,280
Gianpaolo Caccini	27/09	Acquisition	Shares	66	9,900
Frédéric Vincent	12/05	Subscription	Other	52.50	53,194
	19/06	Acquisition	Other	56.79	12,254

Executive Committee member	Date 2006	Transaction	Financial instrument	Unit price (euros)	Transaction total (euros)
Bruno Thomas	10/05	Subscription	Other	11.62	145,250
		Hedge		71.19	
	12/05	Subscription	Other	52.50	21,000
	19/06	Acquisition	Other	56.79	12,254
Michel Lemaire	12/05	Subscription	Other	52.50	19,407
	19/06	Acquisition	Other	56.79	12,254
Pascal Portevin	26/04	Subscription	Other	11.62	72,625
		Hedge		68.87	
	12/05	Subscription	Other	52.50	525
	19/06	Acquisition	Other	56.79	2,254
Véronique Guillot - Pelpel	12/05	Subscription	Other	52.50	2,446
	19/06	Acquisition	Other	56.79	12,254
Yvon Raak	12/05	Subscription	Other	52.50	21,000
	19/06	Acquisition	Other	56.79	12,254
	22/11	Subscription	Other	11.62	72,625
		Hedge		81.82	

13. Information on Nexans' share ownership and voting rights

Based on information received pursuant to article L. 233-7 of the French Commercial Code, Dodge & Cox (USA) was the only shareholder holding more than 5% of the Company's share capital or voting rights at December 31, 2006.

The following entities crossed legal disclosure thresholds in relation to the Company's share capital and voting rights during the year:

- Tweedy, Browne Company LLC, acting on behalf of a fund invested in Nexans shares, reported on January 12, 2006 that it had reduced its interest in Nexans to below 5% of the Company's share capital on January 9, 2006. On January 20, 2006, Tweedy, Browne reported that it had subsequently reduced its interest in Nexans to below 5% of the Company's voting rights on January 13, 2006. On January 20, 2006, the said fund held 1,000,000 shares, or 4.28% of the share capital and 4.71% of voting rights.
- Morgan Stanley & Co International Ltd., owned by Morgan Stanley, reported on December 6, 2006 that it had increased its interest in Nexans to above 5% of the Company's share capital and voting rights on November 29, 2006, and subsequently reduced its interest to below these thresholds on November 30, 2006. These Nexans share transactions were carried out as part of securities borrowing and lending operations. Morgan Stanley reported that at November 30, 2006, it owned 1,002,374 shares, or 3.97% of the share capital and 3.94% of the voting rights.

Morgan Stanley & Co International Ltd., owned by Morgan Stanley, reported on January 9 and 10, 2007, respectively, that it had increased its interest to above 5% of Nexans' share capital on January 8, 2007, and subsequently reduced its interest to below that threshold on January 9, 2006. Morgan Stanley reported that at January 9, 2007, it owned 607,493 shares, or 2.41% of the share capital and 2.39% of the voting rights.

Employees owned 1.3% of the Company's share capital at December 31, 2006, of which 88.5% was held through employee mutual funds.

At December 31, 2006, the Company's share capital was 25,264,955 euros divided into 25,264,955 shares with a par value of one (1) euro each. This amount includes the impact of (i) 312,825 stock options exercised between January 1 and June 30, 2006; (ii) the cancellation of 2,221,199 treasury shares on March 29, 2006; (iii) the subscription of 65,797 new shares under an employee share issue carried out on May 12, 2006; (iv) the issue of 3,534,160 new shares following the conversion of Nexans' 3.125% OCEANE convertible bonds issued on July 15, 2004 and maturing on January 1, 2010; and (v) 66,050 stock options exercised between July 1 and December 31, 2006.

At December 31, 2006, 279,240 shares carried double voting rights and the total number of voting rights was 25,544,195. Pursuant to the Company's bylaws, when voting at Shareholders' Meetings, no shareholder, whether acting on his own behalf or as proxy for another shareholder, may exercise more than 8% (or 16% for shares with double voting rights) of the voting rights attached to shares held by shareholders present or represented at the meeting concerned.

14. Share buyback program

On March 29, 2006, the Board of Directors decided to cancel all 2,221,199 treasury shares held on that date (approximately 9.4% of the Company's share capital), and to reduce the Company's share capital accordingly.

The Combined Shareholders' Meeting of May 15, 2006 authorized the Company to purchase or sell its own shares pursuant to the terms and conditions fixed by the Combined Shareholders' Meeting. As the Board did not use this authorization during the year, the Company did not hold any treasury shares at December 31, 2006.

15. Utilization of authorizations to increase the Company's share capital

At December 31, 2006, 1,462,775 employee stock options were outstanding, representing 5.79% of the share capital. Each of these options entitles the holder to subscribe for one Nexans share.

A table summarizing the outstanding authorizations granted by the Shareholders' Meeting to the Board of Directors relating to capital increases is appended hereto. This table also lists how each capital increase authorization was used during 2006.

16. Management by Nexans of the social and environmental consequences of its operations

16.1. Environmental consequences of the Group's operations

16.1.1. Nexans' policy on environmental issues

The environment and the safety of property and employees are of primary importance to Nexans. The Group's policy is outlined in the Risk Management Charter signed by the Chairman which is sent to all sites worldwide and available on the Intranet. This charter covers improvement in performance through auditing production sites as well as the assessment of risks relating to products and manufacturing processes.

Nexans' commitment to environmental protection is also reflected in its policy of training its employees in environmental best practices.

Within the Group's organization, environmental policy is the responsibility of the Industrial Management Department, which reports directly to the Strategic Operations Department. The Industrial Management Department supervises industrial strategy, investment budgets, the management of major industrial projects and databases. The Department also manages cross-organizational projects, in particular product and process development, as well as the Group's plant and machinery. In each of these areas, it ensures that conservation and environmental protection requirements are fully complied with.

The environmental rules and targets fixed by the Industrial Management Department apply to Group operations worldwide, including international subsidiaries.

The performance improvement program for production sites is monitored by the Environment Committee, which comprises member of the Strategic Operations Department, the Industrial Management and Technical Department, the Purchasing Department, the Legal Department, the Risk Management Department and the Human Resources and Communications Department.

Environmental management: measures taken to ensure applicable rules are respected

Nexans has had an internal environmental management system in place for approximately ten years. Its objective is to reduce pollution risks and control environmental costs (consumption of energy, raw materials and hazardous substances, waste disposal and recycling).

Through this system and in accordance with ISO 14001, all the Group's facilities are reviewed annually, via a questionnaire covering 12 environmental issues, and rated based on a scoring grid. This scoring grid changes each year in accordance with regulatory developments and those areas which the Group wishes to improve. In 2006, the points reviewed included water recycling at the plants in order to limit consumption, waste recycling and reuse, the identification of major environmental risks (accompanied by specific crisis management plans), and the storage of hazardous liquids.

A Group environmental manual, approved by the Executive Committee, has been drawn up and sent to all production sites, describing the procedures applied by Nexans Environmental Management system. This manual serves as a reference document both for existing Environmental Management systems and for those yet to be installed in the Group's plants. It describes the Group's organization and the role of Country Management in the implementation of the Group's Environmental Policy.

Once the questionnaires have been analyzed, recommendations are sent to the sites in the form of summaries and graphs. These enable any problems to be corrected through action plans that are tailored to the sites so as to improve their environmental management.

An objective external audit system

In 2003, the Group launched a program of environmental audits which are performed by an independent environmental audit firm. Since then, around 25 sites are audited each year, and if found to be well-managed environmentally, they are awarded the EHP label, denoting compliance with the highest environmental standards. Of the 27 sites audited in 2006, 15 were awarded this label: 7 in France, 1 in Germany, 1 in Brazil, 1 in Spain, 2 in Canada, 1 in China, and 2 in Switzerland. By the end of 2006, 45 Nexans sites had been awarded the EHP label. The sites that did not receive the EHP label were given recommendations to implement in order to achieve the required level and took the necessary corrective action. These actions are included in the plants' 3-year plans.

The environmental audit program, which is the same for all the sites audited, is a means of checking data relating to the consumption of materials (water, solvents, energy, packaging, etc.), discharges into the air and water, ground protection, the condition of storage facilities, waste volumes and recycling methods, as well as the impact of the Group's activities in terms of noise. In addition to this highly efficient system, certain of the Group's plants are undergoing ISO 14001 certification. 33 Nexans sites are already ISO 14001 certified.

16.1.2. Environmental consequences of the Group's operations and measures taken to limit their impact

The environmental impact of Nexans' operations can be summarized as follows by sector:

Copper and aluminum metallurgy

The main resources used are energy (natural gas) and water, which is used for steam and cooling. Most of the water consumed is recycled (95%).

Copper power and telecom cables

Conductor manufacturing (drawing and stranding) consumes electrical power for annealing and oily water for drawing lubrication. Wastewater is filtered, treated and recycled.

Extrusion cable manufacturing requires large quantities of water for cooling, which is recycled. Consumption thus remains low.

Air emissions are low as they are treated by filter extractors specific to each facility.

Solvent consumption is very low considering the extremely large quantities of cables produced, and pertains primarily to marking inks, which are handled in a specific way (by being stored in small storage cabinets and the use of fume hoods to clean ink jets and wheels).

Winding wires

Due to the change in the Group's scope of consolidation, the only winding wires production businesses are now in Simcoe in Canada and Tianjin in China.

This business, which is no longer significant, consumes solvents and energy for drying varnishes.

Waste recycling: a dedicated subsidiary

The Nexans Group is committed to recycling its manufacturing waste. In 2006, RIPS, a Nexans subsidiary based in Calais, recycled 20,600 tons of cable collected from most of the Group's European sites, as well as 4,400 tons of end-of-life cables collected directly from Nexans' customers, making a total of 25,000 tons of waste recycled. In addition, in order to build stronger ties with its customers from outside the Nexans' group, RIPS attended the Pollutec 2006 trade show in Lyon.

Thorough sorting of factory waste combined with the recycling of cable waste means that the majority of the Group's waste – including wood, paper, cardboard, ferrous materials, machine oil, batteries and special waste – is reused in some way. Specific investments have also been made in this regard. For example, 10 million euros were invested in the Lens plant in France for refining and wirerod manufacturing from bare copper waste – an operation that is scheduled for start-up in 2007 – and 21,000 euros have been spent in Halden (Norway) and 55,000 euros in Mohammedia (Morocco) to improve waste sorting.

Environmental indicators

The following indicators are used to monitor year-on-year changes in environmental impacts.

	2006	2005	2004
Energy consumption of which electricity	1,615,000 MWh 893,200 MWh	1,480,800 MWh 838,100 MWh	1,850,722 MWh 951,712 MWh
Waste of which special waste (in tons)	97,500 t 8,600 t	91,300 t 7,400 t	98,931 t 10,790 t
Number of sites monitored	91*	79	88
Water consumption	4,452,000 cu.m	4,430,000 cu.m	5,096,566 cu.m
Solvent consumption	1,500 t	1,500 t	9,890 t
Copper consumption	841,000 t	809,000 t	830,000 t
Aluminum consumption	140,000 t	133,000 t	130,000 t

(*) This table does not include data from the three Olex sites, which were consolidated by Nexans group on December 31, 2006).

These figures, which are an estimate based on the data collected, pertain to the Group's scope of consolidation at December 31, 2006.

In addition to the initiatives indicated above, the Group has implemented further specific measures, especially in France, to eliminate transformers with PCBs before 2010 under a multi-year plan. The replacement of oil-burning boilers with less polluting gas boilers or old heating units with units that consume less energy; air and gaseous emission treatment through ventilation, extraction and specific treatment systems; and the gradual phase-out of single-walled underground storage tanks are also priorities.

There is also specific monitoring of the storage of liquids both in dedicated storage areas and operational areas, for example oil storage methods.

Environmental expenditure

Environment-related investments are summarized in the following table:

2006 (in thousand euros)	Soil and water preservation	Air protection and energy savings	Waste reduction	Noise reduction	Elimination of transformers with PCBs (in France)
Amount	1,654	2,450	76	40	148
Total	4,368				

In 2005, environment-related investment totaled approximately 2.9 million euros.

At December 31, 2006, the amount of provisions recorded for environmental risks was 6.446 million euros. Additional expenses may be incurred for the clean-up of closed sites and sites likely to be sold, but the Company expects these amounts to be less than the market value of the sites in question.

Wastewater management and treatment

The current degradation of groundwater tables and the global water shortage problem is a priority issue in any sustainable development program. Nexans is addressing these problems by stepping up monitoring of the storage of liquid pollutants in both specific storage areas and operational areas, which has involved the following investments:

- in Breitenbach, Switzerland (eliminated waste emission directly into surface water – 219,000 euros);
- in Elouges, Belgium (built a waterproof storage area – 40,000 euros);
- in Hanover, Germany (instituted rainwater recovery systems – 295,000 euros);
- in Lens, France (reworked used water flows – 250,000 euros);
- in Vrigne, France (replaced a spray-painting booth – 182,000 euros).

The Group has also invested specifically in recycling water used for cooling. For example:

- in Autun, France (installed an air cooling tower – 40,000 euros);
- in Cortaillod, Switzerland (purchased a water cooling unit – 36,000 euros);
- in Fergus, Canada (installed a cooling tower – 146,000 euros);
- in Mehun, France (installed air cooling towers – 145,000 euros);
- in Sélestat, France (upgraded cooling towers – 18,000 euros);
- in Tuzla, Turkey (purchased a water cooling unit – 45,000 euros);
- in Vrigne aux Bois, France (purchased a water cooling unit – 49,000 euros);
- in Weyburn, Canada (improved cooling water flows – 40,000 euros).

Energy management and savings

The Group's commitment to reducing energy consumption is illustrated by the following investments:

- Air compressors were replaced with modern, more energy-efficient systems at the following sites:
  - Buizingen, Belgium - 31,000 euros
  - Cairo, Egypt - 11,000 euros
  - Charleroi, Belgium - 80,000 euros
  - Cortaillod, Switzerland - 145,000 euros
  - Denizli, Turkey - 50,000 euros
  - Erembodegem, Belgium - 14,000 euros
  - Jincheon, Korea - 125,000 euros
  - Lens, France - 75,000 euros
  - Lyon, France - 40,000 euros
  - Offida, Italy - 25,000 euros

- Lighting systems were overhauled and more energy-efficient lights were installed at the following sites:
  - Mönchengladbach, Germany - 90,000 euros
  - New Holland, United States - 153,000 euros

- Heating systems were reworked and boilers were replaced by more energy-efficient equipment at the following sites:
  - Bohain, France - 390,000 euros
  - Cortaillod, Switzerland - 33,000 euros
  - Jincheon, Korea - 76,000 euros
  - Mehun sur Yèvre, France - 290,000 euros
  - Mönchengladbach, Germany - 70,000 euros
  - Nuremberg, Germany - 70,000 euros

- The power factor was improved, and idle power reduced, at the following sites:
  - Choung Won-Kun, Korea - 62,000 euros
  - East Montreal, Canada - 98,000 euros

Environmentally-friendly products and solutions

Nexans' R&D program also serves the environment, with many of the Group's ongoing R&D projects involving the development of safer, less polluting and more energy-efficient products.
This is particularly true for research relating to the elimination of lead stabilizers in PVC sheaths; superconductor cables that eliminate electromagnetic radiation and dielectric loss (e.g., the 60-km, 138-kV cable currently being developed for the Long Island Power Authority in the US).
There is also extensive research currently underway into fire-resistant and flame-retardant cables, using non-halogen materials (for example, the Alsecure line of cables introduced in the UK in 2006).
At the same time, a number of the Group's projects indirectly contribute to environmental protection, such as the cables and equipment for wind turbines produced by the Group, cables to supply offshore oil platforms on a "Power from Shore" basis (the BP/Valhall contract), and the use of EIME (Environmental Information & Management Explorer) software that analyzes all the impacts from the design of the cables through to the end of their useful life.

16.2. Social aspects

In 2006, Nexans set new goals for its human resources policy and identified priority action items to help drive the Group's strategic plan. The Group continued to roll out its global performance indicator policy, which is designed to be used at all its manufacturing sites and sales offices in 65 countries. This method aims to give a clear vision of the Group's responsibilities towards its employees and the related demographic and regional data.

16.2.1. Group headcount, gender breakdown, personnel changes, fixed-term employment contracts, overtime, and contracted labor

16.2.1.1. Group headcount

In 2006, Nexans' headcount grew by 8%, or 3,086 additional employees, with most recruitment concentrated outside Europe as the Group focuses on expanding in rapidly-developing countries.

	Europe	North America	Asia-Pacific	Rest of the World	Total
Headcount at Dec. 31, 2006	14,372	1,961	2,459	2,358	21,150
Headcount at Dec. 31, 2005	14,274	1,835	1,270	2,205	19,584

The slight increase in headcount in Europe is the result of two offsetting trends:

- capacity increases to serve the automotive harness market in Eastern Europe and the expanding power infrastructure in areas such as Norway,
- the implementation of restructuring plans that entailed the loss of 432 jobs and manufacturing capacity reductions in Nexans' most competitive businesses, reflecting pressure from imports from low labor cost countries.

The additional staff numbers in North America are primarily due to growth in specialty products and truck harness manufacturing operations in Mexico.

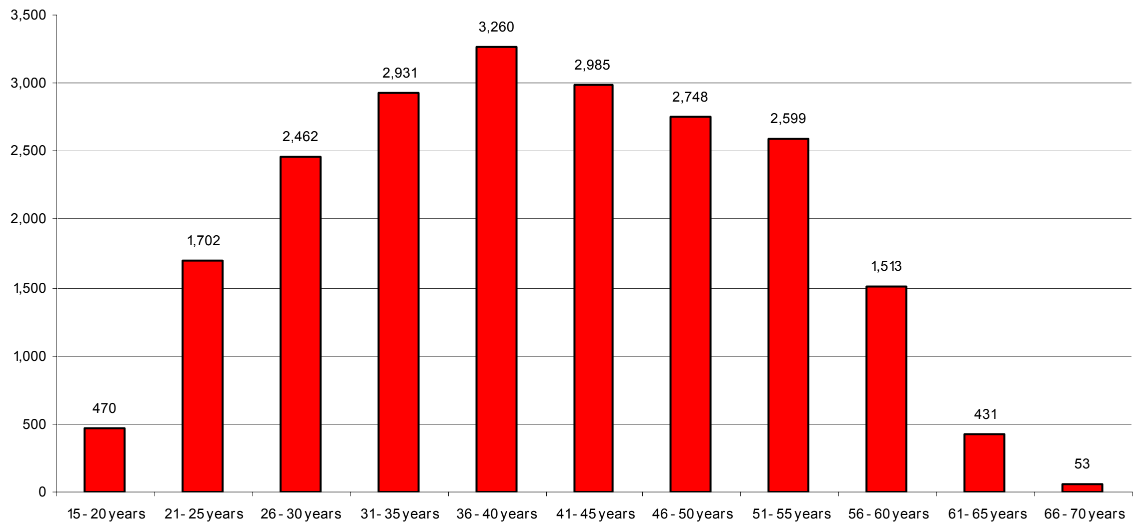
The strong rise in headcount in the Asia-Pacific area can be attributed to Nexans' acquisitions during the year; *i.e.*, Lioa in Vietnam, Nanning in China, and Olex in Australia.
Finally, in the Rest of the World area, most new employees were recruited in Turkey following the relocation of Nexans' European production sites.

Employee gender breakdown
Percentage of female employees at December 31, 2006

	Europe	North America	Asia-Pacific	Rest of the World	Total
Total	30.2	23.1	16.3	7.1	25.3
Managers	16.9	21.3	22.8	17.6	18.5
Non-managers	31.7	23.3	14.7	5.3	26.2

A gender equality oversight committee was established in France in partnership with labor union representatives.

Employee age pyramid



The age pyramid shown above masks a stark contrast between:

- An aging population in Europe, where Nexans must face the double challenge of shifting towards more high added-value products, which require an increasingly skilled workforce, and preparing to replace many employees who will soon be going into retirement. In response, Nexans is pro-actively recruiting engineers and managers, particularly by building ties with universities and major engineering colleges. The Group has also created the Nexans University, in an effort to ensure the transfer of knowledge and the relaying of best practices.

- And a young population in emerging countries, where Nexans' key priorities are employee training, strengthening its image as an attractive employer, and retaining key personnel at a time when other foreign companies are also vying for top talent.

Nexans' new human resources policy

In light of the employee demographics and job market in the countries where it operates, Nexans has implemented a new human resources policy in order to better support the Group's expansion. This policy aims to help the Group forecast its human resources needs and attract and retain top talent so as to meet its strategic goals. It contains the following four key elements:

- A Career Management Committee, which will work with country managers to oversee a specific career development program for executives, and identify and support high-potential future managers and other key personnel.

- Projections of Nexans' human resources needs, which will involve: (i) reviewing and identifying the key management skills needed to lead the Group's growth, expansion into new regions, and achievement of operating targets; and (ii) preparing for changes in Nexans' businesses and core competencies. This approach began in 2006 in the purchasing and sales departments, and will continue in 2007 in the experts, logistics, finance, and Industrial Management Departments.

- A new individual performance-based compensation policy and new conditions for employee expatriation.

- A new training policy designed to address the Group's new priorities, including the Nexans University. In 2006, the Group surveyed the needs and expectations of Nexans management regarding training and knowledge transfer. This feedback was combined to create the Nexans University, which will start in 2007. The goal is to capitalize on the skills and know-how housed within all the Group's divisions and share them across the entire organization.

Personnel changes in 2006

	Europe	North America	Asia-Pacific	Rest of the World	Total
Natural departures	(1,635)	(251)	(140)	(78)	(2,104)
Layoffs	(432)	(1)	0	(8)	(441)
New hires	2,342	378	138	224	3,086
Change in scope	(177)	0	1,191	15	1,029

The main impacts of changes in the Group's scope of consolidation come from the sale of the distribution business in Switzerland in January 2006, the creation of Nexans Lioa in Vietnam, and the integration of Nanning employees in China and Olex employees in Australia in December 2006.

In Northern Europe, Nexans is facing a tight job market at a time when its business is growing, especially in Norway for the high-voltage submarine and umbilical cables businesses. To face this challenge the Group has launched a major promotional initiative designed to boost recognition through national advertising campaigns and associations with universities.

In the Asia-Pacific region, where Nexans has set ambitious growth targets, local sites have implemented specific recruitment policies tailored to their particular job markets. For example, a new compensation policy has been adopted in China in order to attract skilled workers and account for wage inflation. The Group's Chinese companies have also developed strong partnerships with local universities.

Fixed-term contracts

The number of employees hired under fixed-term contracts stood at 2,063, or 9.8% of the total headcount, at December 31, 2006.

Overtime and contracted labor

Overtime accounted for an average of 2.9% of the total hours worked by Nexans employees in 2006, with marked differences by area: Europe, 1.1%; North America, 9.9%; Asia-Pacific, 8.1%; and Rest of the World, 3.3%. Overtime was used mainly to meet rapid workload increases resulting from customer demand.

Contract employees working at Nexans sites made up an average of 6.6% of the total headcount in full-time equivalents. They were used mostly in transport, manufacturing, maintenance, and industrial cleaning.

The use of overtime and contracted labor described above is part of the Group's deliberate human resources strategy for being able to manage changes in workload resulting from the economic climate.

16.2.1.2. Headcount reduction plans, job preservation efforts, and employee redeployment and support

Nexans continued to implement its restructuring plans throughout 2006, which primarily concerned Europe. One of the Group's key priorities during the year was to maintain sound relations between the affected plants' managers and their employee representatives. More specifically, the Group negotiated conditions for employee dismissals and redeployment assistance, such as retraining units.

Three production sites were closed in Europe in 2006 as part of these restructuring plans (in Marseilles, France, Abbey Wood, the UK, and Opglabbeek, Belgium), and a total of 487 employees were affected, of which 441 left the Group. Internal mobility was used to transfer workers to other Nexans sites as much as possible and thanks to the efforts of managers in France, the UK, and Belgium, the internal and external redeployment rate exceeded 60%. Costs incurred in 2006 related to restructurings totaled 48 million euros.

As a result of changing trends in Nexans' businesses and a shift towards high-growth regions, the Group plans to continue with its restructuring measures while maintaining its policy of open dialogue with employee representatives. Nexans expects to incur restructuring-related costs of approximately 30 million euros per year going forward.

16.2.2. Working hours, part-time employees, and absenteeism

Working hours
Full-time employees worked a weighted average of 1,915 hours in 2006, with individual country averages ranging between 1,600 hours and 2,450 hours.

Part-time employees
Part-time employees accounted for 3.4% of the total headcount (all employee categories included). Part-time employees were used the most in Sweden (8.9%), Switzerland (6.7%), and Belgium (6.5%). In France, the percentage of part-time employees was 2.3%.

Absenteeism
The average absenteeism rate across the Group was 4.0% in 2006, 0.6 percentage points lower than 2005. The specific measures implemented in order to reduce this rate at sites in several countries – including France, the US, and Germany – have started to bear fruit e.g. in France, where the absentee rate has fallen by 24% in 3 years.

16.2.3. Payroll expenses and salary increases, social security contributions, and employee profit-sharing, incentive schemes, and savings plans

Payroll expenses and salary increases
Nexans' payroll expenses in 2006 totaled 813 million euros, or 18.4% of sales at constant non-ferrous metal prices.

A figure for the average salary increase across the entire Group would not be meaningful, because different pay scales apply in each country. In France, which accounts for the largest proportion of Nexans employees (18%), salaries rose by an average of just over 2% in 2006 and the standard per employee bonus amounted to 250 euros.

The compensation paid to Nexans engineers and managers has a fixed and variable portion, with the variable portion tied to precisely-defined quantitative and qualitative targets.

Employee profit-sharing, incentive schemes and savings plan
Nexans employees receive additional compensation and benefits depending upon the country where they are based. These can be in any one of several forms, including profit-sharing schemes, incentive plans, or employee savings plans with or without employer contribution (under which the employer may match up to 50% of the employees' contributions.

2006 employee share ownership plan
In 2006, Nexans instituted an employee share ownership plan in 22 countries, following on from a similar plan launched in 2002. The aims of the 2006 plan are:

- For Nexans: to unite its employees around shared corporate goals and build a loyal, stable group of shareholders.
- For employees: to benefit from their Group's growth and have a stake in its success.

This plan was approved by the Board of Directors on November 23, 2005 and was concluded successfully on May 12, 2006. A total of 3.5 million euros was collected (triple the amount in 2002), corresponding to 65,797 new Nexans shares purchased by 1,457 employees at a preferential price of 52.50 euros, and representing a take-up rate of 9.6%. After the transaction was completed, Nexans employees owned 1.5% of the Company's share capital (compared with 0.5% in 2002).

16.2.4. Employee relations and collective agreements

Nexans managers regularly meet with local employee representatives for both formal and informal discussions, and have signed several collective agreements. In addition, in 2003 Nexans created the Nexans European Work Council (Newco) to represent employees from EU member states. Newco holds two meetings per year during which the Nexans executive management team and employee representatives can exchange viewpoints and engage in open dialogue. These meetings are highly informative and address the overall running of the Group. Newco is headed by Nexans' Chairman, and includes members of Nexans' executive management team and 16 employee representatives appointed by trade unions in accordance with the applicable provisions in each country covered by the agreement.

In Germany a special agreement has been negotiated with the trades unions to reflect that country's challenging economic climate. This agreement aims to increase the number of working hours per week in 2007 and 2008, and cap salary increases in order to preserve jobs.

In France, an agreement was signed under which Nexans will pay for supplemental personal risk insurance for its non-managerial employees, and a new compensation policy was negotiated effective from 2006.

16.2.5. Workplace health and safety

Workplace health and safety are top priorities for Nexans, and the Group closely monitors the performance of its sites and their managers. Thanks to this approach, the number of workplace accidents fell 10% in 2006, and 6 of the Group's 79 manufacturing sites were accident-free over the entire year.

Notable initiatives have been taken in several countries, for example:

- In Norway, the *HMS i Hundre* program which aims to achieve a zero accident rate by Nexans Norway's 100th anniversary in 2015 (compared with 12.5 accidents in 2005). This program was launched through a major information campaign to boost employees' safety awareness in all their activities, both at work and at home. The program has already proved successful with the number of accidents at Nexans Norway dropping 32% since 2005.

- In Turkey, the Denizli and Tuzla plants have obtained OHSAS 18001 certification regarding compliance with safety procedures. At the same time, a training program and numerous exercises have been set up to ensure that constant attention is paid to workplace safety.

16.2.6. Training

	Hours of training	No. of employees trained
EUROPE	95,919	4,145
NORTH AMERICA	29,207	1,416
ASIA-PACIFIC	52,533	1,937
REST OF THE WORLD	35,997	2,644
TOTAL	213,656	10,142

Time spent in training in 2006 was an average of 10 hours per person or 20 hours per trained employee.

16.2.7. Community initiatives

In all countries where Nexans operates, it contributes to the local community by helping finance local initiatives and sponsoring activities for the benefit of its employees and their families.

16.2.8. Sourcing policy

Nexans' businesses rely heavily on purchases of materials, equipment, supplies, and services. Consequently, carefully selecting suppliers and maintaining solid supplier relationships are a key aspect of its quality control process. The Group has adopted an ethical sourcing policy based on exacting standards to guide all its purchasing activities. For example, in order to be a Nexans certified supplier, the supplier must demonstrate compliance with all local regulations relating to the environment and social responsibility.

January 30, 2007
The Board of Directors

Five- year financial summary – Parent company

	2006	2005	2004	2003	2002
I- Capital at year-end					
a) Share capital (in thousands of euros)	25,265	23,507	23,190	23,129	23,121
b) Number of shares in issue	25,264,955	23,507,322	23,189,947	23,128,972	23,121,472
II- Results of operations (in thousands of euros)					
a) Net sales	13,061	10,809	10,265	8,233	5,040
b) Income before tax, employee profit-sharing, depreciation , amortization and provisions	134,305	44,704	(8,067)	8,068	31,981
c) Income taxes	(249)	249	169	0	0
d) Employee profit-sharing	152	117	124	117	-
e)Net income	88,095	43,228	(12,231)	7,770	32,318
f) Dividends		21,662	10,568	5,865	4,180
III- Per share data (in euros)					
a) Earnings/(loss) per share after tax and employee profit-sharing, but before depreciation, amortization and provisions	5.32	1.90	(0.35)	0.35	1.38
b) Earnings/(loss) per share	3.49	1.84	(0.53)	0.34	1.40
c) Dividend per share		1.00	0.50	0.20	0.20
IV- Employees					
a) Average number of employees	6	7	7	7	7
b) Total payroll (in thousands of euros)	3,556	3,401	2,947	2,693	2,235
c) Employee benefits (in thousands of euros)	1,185	1,134	973	889	738

Table summarizing outstanding authorizations to increase the Company's share capital and their use during 2006

<table>
<tr><th>Resolutions submitted to the Annual Shareholders' Meeting of May 15, 2006(1)</th><th>Ceiling per resolution(2)</th><th>Blanket ceiling applicable to several resolutions(2)</th><th>Use during 2006</th></tr>
<tr><td>Issuance of shares with preemptive subscription rights and greenshoe option (R11 and R13)</td><td>10,000,000 euros</td><td rowspan="3">10,000,000 euros</td><td>/</td></tr>
<tr><td>Issuance of debt securities giving access to capital without preemptive subscription rights and with a greenshoe option (R12 and R13)</td><td>4,000,000 euros (shares)

350,000,000 euros (debt)</td><td>Issuance of 3,794,037 OCEANE convertible bonds on July 7, 2006 maturing Jan. 1, 2013 with a conversion ratio of one share per bond

Total debt issuance: 279,999,930 euros</td></tr>
<tr><td>Issuance of shares to be remitted as consideration for contributions of securities of another company (R14)</td><td>Maximum amount 10% of the share capital</td><td>/</td></tr>
<tr><td>Issuance of shares by capitalization of premiums, reserves, income, or other amounts (R15)</td><td colspan="2">10,000,000 euros</td><td>/</td></tr>
<tr><td>Employee rights issue for members of a corporate savings plan (R16)</td><td colspan="2">500,000 euros</td><td>Issuance of 65,797 new shares on May 12, 2006 as part of the ACT 2006 program</td></tr>
<tr><td>Grant of stock options (R17)</td><td>400,000 euros</td><td rowspan="2">400,000 euros</td><td>Grant of 343,000 stock options by the Board of Directors on November 23, 2006</td></tr>
<tr><td>Stock awards concerning either existing shares or shares to be issued – granted to some or all of the Group's employees (R18)</td><td>400,000 euros</td><td>/</td></tr>
<tr><td></td><td></td><td>Total ceiling: 20,900,000 euros</td><td></td></tr>
</table>

(1) The number RXX corresponds to the number of the resolution submitted to the Annual Shareholders' Meeting on May 15, 2006. All these authorizations will expire at the close of the Annual Shareholders' Meeting called to approve the 2006 financial statements.

(2) The maximal nominal amount of share capital increases that can be carried out corresponds to the maximum number of shares that can be issued as the Company's shares have a par value of 1 euro.

2006 CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement under IFRS

December 31, in millions of euros	**Notes**	**2006**	**2005**		**2004**	
			Restated (**)	**Reported**	**Restated (**)**	**Reported**
Net sales	(1.h) & (3)	**7,489**	**5,449**	**5,449**	**4,732**	**4,732**
*Metal price effect **		*(3,046)*	*(1,186)*	*(1,186)*	*(727)*	*(727)*
Net sales at constant metal prices *	*(1.h) & (3)*	***4,442***	***4,263***	***4,263***	***4,005***	***4,005***
Cost of sales		(6,802)	(4,825)	(4,825)	(4,176)	(4,176)
*Cost of sales at constant metal prices **		*(3,756)*	*(3,640)*	*(3,640)*	*(3,449)*	*(3,449)*
Gross profit		**687**	**623**	**623**	**556**	**556**
Administrative and selling expenses		(372)	(386)	(386)	(377)	(377)
R&D costs	(1.k)	(55)	(52)	(52)	(47)	(47)
Operating margin *	(1.i) & (3)	**260**	**186**	**186**	**133**	**133**
Core exposure effect ***	(1.j)	107	93		43	
Net asset impairment and negative goodwill	(7)	(99)	(32)	(4)	7	7
Changes in fair value of non-ferrous metal derivatives	(1.g)	(7)	33	33	-	-
Gains or losses on asset disposals	(6)	151	34	34	8	8
Restructuring costs	(21.b)	(48)	(24)	(24)	(36)	(36)
Operating income		**363**	**290**	**225**	**156**	**113**
Cost of debt (gross)		(45)	(26)	(26)	(19)	(19)
Income from cash and cash equivalents		12	7	7	5	5
Other financial expenses	(5)	(36)	(17)	(17)	(22)	(22)
Share in net income of associates		3	(0)	(0)	(0)	(0)
Income before taxes	(9.a)	**297**	**254**	**189**	**120**	**77**
Income taxes	(9)	(48)	(36)	(26)	(28)	(19)
Net income from continuing operations		**249**	**218**	**163**	**92**	**58**
Net income/(loss) from discontinued operations	(8.b)	(4)	(46)	(46)	5	5
Consolidated net income		**244**	**172**	**117**	**97**	**63**
Attributable to equity holders of the Company		241	163	108	92	58
Attributable to minority interests		3	9	9	5	5
Net income from continuing operations per share (in euros)	(10)					
- basic earnings per share		10.44	9.90	7.30	4.15	2.53
- diluted earnings per share		9.10	8.52	6.36	3.80	2.33
Net income/(loss) from discontinued operations per share (in euros)						
- basic earnings/(loss) per share		(0.19)	(2.18)	(2.18)	0.24	0.24
- diluted earnings/(loss) per share		(0.17)	(1.89)	(1.89)	0.22	0.22
Net income per share attributable to equity holders of the Company (in euros)						
- basic earnings per share		10.25	7.73	5.12	4.39	2.77
- diluted earnings per share		8.93	6.63	4.46	4.02	2.55

** Performance indicators used to measure the Group's operational performance*

*** The 2006 financial statements were prepared following a change relating to the recognition of non-ferrous metal inventories (see Note 1.b). The impact of this change is shown in the "restated" columns for 2004 and 2005.*

**** Effect relating to the revaluation of the core exposure at the weighted average unit cost.*

Consolidated balance sheet under IFRS

At December 31, in millions of euros	Notes	2006	2005		2004 after IAS 32-39 *	
			Restated (**)	Reported	Restated (**)	Reported
ASSETS						
Goodwill	(11)	253	82	88	80	80
Intangible assets		16	14	14	7	7
Property, plant and equipment	(12)	815	778	942	788	925
Investments in associates	(13)	22	18	18	1	1
Other non-current financial assets	(14)	50	56	56	35	35
Deferred tax assets	(9.c)	100	53	76	38	51
Other non-current assets		-	-	-	-	-
NON-CURRENT ASSETS		**1,256**	**1,001**	**1,194**	**950**	**1,100**
Inventories and work in progress	(15)	1,328	874	563	713	500
Amounts due from customers on construction contracts	(17)	77	47	47	27	27
Trade receivables	(16)	1,272	1,105	1,105	836	836
Current tax receivables		86	63	63	51	51
Other current financial assets	(17)	105	155	155	67	67
Cash and cash equivalents	(18)	287	117	117	121	121
Assets and groups of assets held for sale	(8.a)	60	81	81	135	135
CURRENT ASSETS		**3,214**	**2,441**	**2,130**	**1,951**	**1,738**
TOTAL ASSETS		**4,470**	**3,442**	**3,324**	**2,900**	**2,837**

** Nexans has applied IAS 32 and IAS 39 since January 1, 2005.*

***The 2006 financial statements were prepared following the change relating to the recognition of non-ferrous metal inventories (see Note 1.b). The impact of this change is shown in the "restated" columns for 2004 and 2005.*

At December 31, in millions of euros						2004
	Notes	2006		2005	after IAS 32-39 *	
			Restated (**)	Reported	Restated (**)	Reported
EQUITY AND LIABILITIES						
Capital stock		25	24	24	23	23
Additional paid-in capital		1,127	1,019	1,019	1,014	1,014
Treasury stock		-	(28)	(28)	(28)	(28)
Reserves		158	23	(40)	(123)	(152)
Net income attributable to equity holders of the Company		241	163	108	92	58
Equity excluding minority interests		**1,551**	**1,201**	**1,083**	**978**	**915**
Minority interests		39	77	77	70	70
TOTAL EQUITY	**(19)**	**1,589**	**1,278**	**1,160**	**1,049**	**986**
Pension and other post-employment benefit obligations	(20)	336	353	353	363	363
Long-term provisions	(21)	36	14	14	18	18
Convertible bonds	(22)	247	117	117	116	116
Other long-term financial debt	(22)	7	5	5	14	14
Deferred tax liabilities	(9.c)	67	33	33	32	32
Other non-current payables	-	-	-	-	(0)	(0)
NON-CURRENT LIABILITIES		**693**	**522**	**522**	**543**	**543**
Short-term provisions	(21)	97	83	83	91	91
Short-term financial debt	(22)	665	369	369	286	286
Customers' deposits and advances		39	18	18	16	16
Amounts due to customers on construction contracts	(17)	71	70	70	36	36
Trade payables		917	692	692	505	505
Current tax payables		86	64	64	58	58
Other current financial liabilities	(23)	290	308	308	252	252
Liabilities related to groups of assets held for sale	(8.a)	22	39	39	65	65
CURRENT LIABILITIES		**2,187**	**1,642**	**1,642**	**1,308**	**1,308**
TOTAL EQUITY AND LIABILITIES		**4,470**	**3,442**	**3,324**	**2,900**	**2,837**

** Nexans has applied IAS 32 and IAS 39 since January 1, 2005.*

*** The 2006 financial statements were prepared following the change relating to the recognition of non-ferrous metal inventories (see Note 1.b). The impact of this change is shown in the "restated" columns for 2004 and 2005.*

Consolidated statement of cash flows under IFRS

in millions of euros	Notes	2006	2005		2004 after IAS 32/39	
			Restated (**)	**Reported**	**Restated (**)**	**Reported**
Net income attributable to equity holders of the Company		241	163	108	92	58
Minority interests		3	9	9	5	5
Depreciation, amortization and impairment of assets		178	129	101	77	77
Net cost of debt		45	26	26	19	19
Core exposure impact *		(107)	(93)	-	(43)	-
Other restatements ***		(70)	(11)	(21)	(7)	(16)
Cash flows from operations before net cost of debt and tax ******		**290**	**223**	**223**	**143**	**143**
Decrease (increase) in receivables		(181)	(404)	(404)	(47)	(47)
Decrease (increase) in inventories		(308)	(64)	(64)	(117)	(117)
Increase (decrease) in payables and accrued expenses		242	310	310	75	75
Other assets and liabilities		-	(7)	(7)	(1)	(1)
Income tax paid		(58)	(46)	(46)	(25)	(25)
Depreciation of current assets and accrued contract costs		12	(14)	(14)	3	3
Net change in current assets and liabilities		**(294)**	**(225)**	**(225)**	**(112)**	**(112)**
Net cash generated from/(used in) operating activities		**(3)**	**(2)**	**(2)**	**31**	**31**
Proceeds from disposals of property, plant and equipment and intangible assets		6	10	10	19	19
Capital expenditures		(171)	(130)	(130)	(97)	(97)
Decrease (increase) in loans granted		2	(10)	(10)	(0)	(0)
Purchase of consolidated entities, net of cash acquired	(2)	(365)	(28)	(28)	(113)	(113)
Proceeds from sale of consolidated entities, net of cash transferred	(2)	201	116	116	16	16
Net cash used in investing activities		**(327)**	**(42)**	**(42)**	**(175)**	**(175)**
Net change in cash and cash equivalents after investing activities		**(330)**	**(44)**	**(44)**	**(144)**	**(144)**
Proceeds from/(repayment of) long-term borrowings	(24)	276	(9)	(9)	141	141
Proceeds from/(repayment of) short-term borrowings		282	77	77	43	43
Proceeds from issuance of shares paid up in cash		8	7	7	1	1
Interest paid		(45)	(23)	(23)	(17)	(17)
Dividends paid		(23)	(12)	(12)	(9)	(9)
Net cash generated from financing activities		**497**	**40**	**40**	**160**	**160**
Net effect of currency translation differences		1	3	3	2	2
Impact of change in scope in discontinued operations	(8)	1	(3)	(3)	-	-
Net increase (decrease) in cash and cash equivalents		**170**	**(4)**	**(4)**	**17**	**17**
		-	-	-	-	-
Cash and cash equivalents at beginning of year		**117**	**121**	**121**	**104**	**104**
Cash and cash equivalents at year-end		**287**	**117**	**117**	**121**	**121**

** Impact relating to the revaluation of the core exposure at the weighted average unit cost – no cash impact (see Note 1.p).*

*** The 2006 financial statements were prepared following the change relating to the recognition of non-ferrous metal inventories (see Note 1.b). The impact of this change is shown in the "restated" columns for 2005 and 2004.*

**** Including the capital gains on the disposal of Electro-Matériel (150 million euros), offsetting of the tax charge (48 million euros), non-cash impact of the change in fair value of derivatives (16 million euros), goodwill impairment and negative goodwill (17 million euros), and cost of stock option plans (3.4 million euros).*

***** The Group also uses the "cash flow from operation" concept which is calculated after adding back in restructuring costs (40 million euros in 2006), and deducting interest and tax paid.*

Consolidated statement of changes in equity under IFRS

in millions of euros	Number of shares outstanding	Capital stock	Additional paid-in capital	Treasury stock	Reserves				Net income for the year	Equity excluding minority interests	Minority interests	Total equity
					Consolidated retained earnings	Changes in fair value and other	Cumulative translation adjustments	Total reserves				
January 1, 2004	**20,907,773**	**23**	**1,014**	**(28)**	**(161)**	**-**	**-**	**(161)**	**1**	**849**	**103**	**952**
Change relating to the recognition of non-ferrous metal inventories (core exposure effect)*					29			29		29		29
January 1, 2004 restated	**20,907,773**	**23**	**1,014**	**(28)**	**(132)**	**-**		**(132)**	**1**	**878**	**103**	**981**
Reclassification of prior-year income to retained earnings					1				(1)			
Dividends paid					(6)			(6)		(6)	(3)	(9)
Available-for-sale financial assets												
Translation adjustments							(4)	(4)		(4)		(4)
Income and expenses recognized directly in equity							(4)	(4)		(4)		(4)
Net income (prior to the change relating to the recognition of non-ferrous metal inventories - core exposure effect)*									58	58	5	63
Impact on income of change relating to the recognition of non-ferrous metal inventories - core exposure effect*									34	34		34
Total recognized income and expenses							(4)	(4)	92	88	5	93
Capital increases												
Employee stock option plans:												
- Service cost					1			1		1		1
- Proceeds from share issues	60,975		1							1		1
Other			(1)		1			1			(34)	(34)
December 31, 2004 restated	**20,968,748**	**23**	**1,014**	**(28)**	**(135)**	**-**	**(4)**	**(140)**	**92**	**962**	**71**	**1,033**

in millions of euros	Number of shares outstanding	Capital stock	Additional paid-in capital	Treasury stock	Reserves				Net income for the year	Equity excluding minority interests	Minority interests	Total equity
					Consolidated retained earnings	Changes in fair value and other	Cumulative translation adjustments	Total reserves				
First-time adoption of IAS 32 and 39					11	5		16		16	(1)	15
Reclassification of prior-year income to retained earnings					92			92	(92)			
Dividends paid					(10)			(10)		(10)	(2)	(12)
Available-for-sale financial assets												
Translation adjustments							73	73		73	8	81
Cash flow hedge – increase / (decrease)						(6)		(6)		(6)		(6)
Cash flow hedge - recycling to income						(5)		(5)		(5)		(5)
Income and expenses recognized directly in equity						(11)	73	62		62	8	70
Net income (prior to the change relating to the recognition of non-ferrous metal inventories - core exposure effect)*									108	108	9	117
Impact on income of change relating to the recognition of non-ferrous metal inventories - core exposure effect*									55	55	0	55
Total recognized income and expenses						(11)	73	62	163	225	17	242
Capital increases												
Employee stock option plans:												
- Service cost					2			2		2		2
- Proceeds from share issues	317,375	0	5							5		5
Other		0								0	(8)	(8)
December 31, 2005 restated	**21,286,123**	**24**	**1,019**	**(28)**	**(40)**	**(6)**	**69**	**23**	**163**	**1,201**	**77**	**1,278**

in millions of euros	Number of shares outstanding	Capital stock	Additional paid-in capital	Treasury stock	Reserves				Net income for the year	Equity excluding minority interests	Minority interests	Total equity
					Consolidated retained earnings	Changes in fair value and other	Cumulative translation adjustments	Total reserves				
Reclassification of prior-year income to retained earnings					163			163	(163)			
Dividends paid					(22)			(22)		(22)	(2)	(24)
Available-for-sale financial assets												
Translation adjustments							(27)			(27)	(2)	(29)
Cash flow hedge – increase / (decrease)						(14)				(14)	1	(13)
Cash flow hedge - recycling to income						6				6		6
Income and expenses recognized directly in equity						(8)	(27)	(35)		(35)	(1)	(36)
Net income									241	241	3	244
Total recognized income and expenses						(8)	(27)	(35)	241	206	(1)	205
Capital increases	65,797	0	2							2		2
Employee stock option plans:												
- Service cost					4			4		4		4
- Proceeds from share issues	378,875	0	6							6		6
Conversion of OCEANE bonds (3.125% - 01/2010)	3,534,160	3	114							117		117
OCEANE equity component (1.5% - 01/2013)					34			34		34		34
Changes in scope of consolidation (buyout of minority interests)											(37)	(37)
Other		(2)	(14)	28	(2)		(6)	(8)		4	(2)	2
December 31, 2006	**25,264,955**	**25**	**1,127**		**136**	**(14)**	**36**	**158**	**241**	**1,551**	**38**	**1,589**

** The 2006 financial statements were prepared following the change relating to the recognition of non-ferrous metal inventories (see Note 1.b). The impact of this change is shown in the "restated" rows for 2004 and 2005.*

Notes to the consolidated financial statements

Note 1 Summary of significant accounting policies

a. General principles

Nexans is a French limited liability company (société anonyme) governed by current and future law and statutes in France applicable to commercial companies and in particular the French Commercial Code. Nexans was formed on January 7, 1994 (under the name Atalec). Its headquarters are at 16, rue de Monceau, 75008 Paris, and it is listed on the Paris stock exchange (compartment A of Euronext Paris).

The consolidated financial statements are presented in euros rounded to the nearest million.

These consolidated financial statements were approved by the Board of Directors on January 30, 2007 and will become final upon approval by the General Shareholders' Meeting, which will take place on May 10, 2007.

The significant accounting policies used in the preparation of these consolidated financial statements are set out below. Except where otherwise indicated, these policies have been applied consistently to all the financial years presented.

- **Basis of preparation**

The consolidated financial statements of the Nexans Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The historical cost convention has been applied, except for derivatives and available-for-sale financial assets, which are measured at fair value. The carrying amounts of assets and liabilities whose fair value risk is hedged have been adjusted to take into account fluctuations in fair value attributable to the hedged risks.

o **Amendments to published standards effective in 2006**

- IAS 19 (amendment), Employee Benefits, whose application is mandatory for all financial periods beginning on or after January 1, 2006. The updated standard introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional requirements regarding the recognition of multi-employer plans if there is insufficient information to apply defined benefit accounting. It also adds new disclosure requirements. The Group is not currently planning to change the accounting method for the recognition of actuarial gains and losses and does not participate in any multi-employer plans; the adoption of this amendment thus only affects the format and scope of the disclosures presented in the financial statements.
- IAS 39 (amendment): cash flow hedges of forecast intra-group transactions.

o **Standards adopted early by the Group**

- IAS 1 (amendment): Presentation of Financial Statements – Capital Disclosures (applicable to financial years beginning on or after January 1, 2007).

o **Standards, amendments and interpretations effective in 2006 but not applicable to the Group**

The following standards, amendments and interpretations are mandatory from January 1, 2006 but do not apply to the Group's business activities:

- IAS 21 (amendment): Net Investment in a Foreign Operation.
- IAS 39 (amendment): The Fair Value Option.
- IAS 39 (amendment) and IFRS 4: Financial Guarantee Contracts.
- IFRS 6: Exploration for and Evaluation of Mineral Resources.
- IFRIC 4: Determining whether an Arrangement contains a Lease.
- IFRIC 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.
- IFRIC 6: Liabilities arising from Participating in a Specified Market – Waste Electrical and Electronic Equipment.

- **Existing interpretations and standards that are not yet effective and have not been adopted early by the Group**
  - IFRS 7: Financial Instruments – Disclosures (applicable to financial years beginning on or after January 1, 2007).
  - IFRIC 8: Scope of IFRS 2 "Share-based Payment" (applicable to financial years beginning on or after May 1, 2006). IFRIC 8 states that IFRS 2 applies to any transaction in which an entity receives goods or services as consideration for the issue of equity instruments of the entity as well as transactions in which an entity incurs liabilities, in respect of goods or services received, that are based on the price (or value) of the entity's shares or other equity instruments. This includes transactions in which the entity cannot specifically identify some or all of the goods received, in which case the unidentifiable goods or services must be measured at the grant date. Such is the case when the identifiable consideration received by the entity appears to be less than the fair value of the equity instruments granted or liability incurred. The Group, which will apply IFRIC 8 from January 1, 2007, does not anticipate that this standard will have any impact on its consolidated financial statements.
  - IFRIC 10: Interim Financial Reporting and impairment (applicable to financial years beginning on or after November 1, 2006). Under IFRIC 10, impairment losses recognized during an interim period in respect of goodwill or investments in either an equity instrument or a financial asset carried at cost cannot be reversed during a subsequent interim or annual period.

- **Interpretations of existing standards that are not yet effective and which do not apply to the Group's business activities**
  - IFRIC 7: Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies" (applicable to financial years beginning on or after March 1, 2006). IFRIC 7 does not apply to the Group's business activities as no Group entity has a currency of a hyperinflationary currency as its functional currency.
  - IFRIC 9: Reassessment of Embedded Derivatives (applicable to financial years beginning on or after June 1, 2006). IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from the host contract and accounted for as a derivative when the entity becomes party to the contract. Subsequent reassessment is prohibited unless there is a change to the terms of the contract that significantly modifies the cash flows that would otherwise have been required under the contract, in which case reassessment is required. IFRIC 9 does not apply to the Group's business activities as no entity has changed the terms of the contracts to which it is party.

- **Estimates**

The preparation of consolidated financial statements requires Management to exercise its judgment and make estimates and assumptions that impact the application of the accounting policies and the amounts of (i) assets (impairment of goodwill, property plant and equipment and intangible assets; recognition of deferred tax assets; valuation of margins on construction contracts), (ii) liabilities (provisions and pension obligations), and (iii) income and expenses. The estimates and underlying assumptions are based on past experience and other factors considered reasonable under the circumstances. They serve as the basis for any judgment required for determining the carrying amounts of assets and liabilities when such amounts cannot be obtained directly from other sources. Actual amounts may differ from these estimates.

The critical judgments made by Management in applying the Group's accounting policies within the consolidated financial statements are listed below, together with the key sources of estimation uncertainty. They are expanded upon in the notes pertaining to the specific items.

In 2006, Management reviewed its estimates relating to:

- The recoverable amount of certain items of property, plant and equipment (in particular following the change relating to the recognition of non-ferrous metal inventories which resulted in an increase in capital employed (see Note 1.b));
- Deferred tax assets not previously recognized relating to unused tax loss carry forwards (see Note 9);
- The recoverable amount of goodwill (see Note 11);

- The measurement of pension liabilities and other employee benefits (see Note 20);
- Provisions and contingent liabilities (see Note 28).

The impact of changes in accounting estimates is recognized over the period of the change if it only affects that period or over the period of the change and subsequent periods if they are also affected by the change.
Judgments made by Management and estimates presenting a significant risk of change over the subsequent period are presented in the relevant notes.

b. Change relating to the recognition of non-ferrous metal inventories

Following the application of IFRS from January 1, 2004, Nexans included non-ferrous metal inventories, referred to as core exposure, in property, plant and equipment. This asset represents the amounts required for the Group's plants to operate appropriately. Its volume is kept stable and its levels are constantly replenished. For this reason, it is not hedged by forward sales contracts. As an item of property, plant and equipment, it was stated at historical cost at January 1, 2004 and was not depreciated as its residual value was greater than its carrying amount and due to its indefinite useful life.
Non-ferrous metal inventories other than those representing the core exposure were recognized in inventory and measured at purchase cost using the weighted average cost method.
The accounting policy applied is described on page 10 of the document entitled Transition to IFRS, which accompanied the 2004 Annual Report.
When drawing up the 2006 consolidated financial statements, Nexans decided to reclassify as inventory the amounts previously recognized under property, plant and equipment. As a result, these amounts are now measured using the weighted average cost method. For the purposes of comparison, the 2004 and 2005 financial statements have been restated in line with this new approach.
The policy adopted at transition to IFRS of recognizing core exposure as an item of property, plant and equipment was designed to neutralize in the income statement the impact on core exposure of changes in metal prices, in line with the Group's metal risk management policy. Prior to the switch over to IFRS, the Nexans Group used the LIFO method. The change now introduced by Nexans (use of the weighted average cost method in the same way as for other inventory) stems from a review of IFRS applicable to this particular case, which other European Groups faced with the same issue have also undertaken. Given the very significant rises in non-ferrous metal prices over the past three years, the new approach will better reflect the value of inventory in the balance sheet.
Against a background of rising non-ferrous metal prices, the revaluation of the core exposure resulting from the use of the weighted average cost method gave rise to an increase in the working capital requirement included in non-monetary assets which are subject to impairment tests whenever there is an indication that they may be impaired. This led to an increase in the amount of impairment recognized in respect of certain cash generating units at December 31, 2005.
In sum, the new core exposure accounting treatment has given rise to the following restatements of consolidated equity at January 1, 2004, December 31, 2004 and 2005, as well as consolidated income for 2004 and 2005:

in millions of euros	**Reported amounts**	Core exposure revaluation	Additional impairment	Deferred tax impact	**Restated amounts**
Consolidated equity at					
January 1, 2004	952	33	-	(4)	981
December 31, 2004 (prior to IAS 32-39)	970	76	-	(13)	1,033
December 31, 2004 (after IAS 32-39)	986	76	-	(13)	1,049
December 31, 2005	1,160	169	(28)	(23)	1,278
Consolidated net income 2004:					
Attributable to equity holders of the parent company	58	43	-	(9)	92
Attributable to minority interests	5	-	-	-	5
Total	63	43	-	(9)	97
Consolidated net income 2005:					-
Attributable to equity holders of the parent company	108	93	(28)	(10)	163
Attributable to minority interests	9	0	-	(0)	9
Total	117	93	(28)	(10)	172

The other changes to the 2004 and 2005 financial statements are set out in additional tables in Notes 7, 9, 11, 12 and 15.

c. Consolidation methods

The consolidated financial statements include the financial statements of Nexans and companies controlled by Nexans prepared at each closing date. The subsidiaries' financial statements are prepared for the same period as the parent company's. Adjustments are made to harmonize any differences in accounting methods that may exist.

Subsidiaries (companies controlled by Nexans) are fully consolidated from the date the Group takes over control through the date on which control is transferred outside the Group.

Exclusive control is the direct or indirect power to govern the financial and operating policies of a company in order to benefit from its activities.

Other companies over which the Group exercises significant influence but which are not subsidiaries or joint ventures of the Group ("associates") are **accounted for under the equity method.** Significant influence is the power to participate in the financial and operating policy decisions of a company without holding a controlling interest. Significant influence is presumed to exist when the Group's direct or indirect interest is over 20%. Investments in associates (including the related amount of goodwill) are initially recorded on the balance sheet at cost and are subsequently adjusted for post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in the value of individual investments. The consolidated income statement includes the share in net income of associates for the period.

Intra-group balances and transactions, including any intra-group profits, are eliminated in consolidation. Intra-group losses are also eliminated but are considered to be an indicator that the asset may be impaired (see Note 1.o).

d. Translation of financial statements denominated in foreign currencies

The Group's financial statements are presented in euros. The balance sheets of the Group's foreign operations whose functional currency is not the euro are translated into euros at the year-end exchange

rate and income statement and cash flow statement items are translated at the average annual exchange rate. The resulting translation adjustments are included in equity under "Cumulative translation adjustments".
When a foreign operation is sold, any related translation adjustments recorded after the first-time adoption of IFRS, included in "Cumulative translation adjustments", are taken to the income statement.
Since January 1, 2006, no Group subsidiary has been located in a "hyperinflationary" economy within the meaning of IAS 29.

e. Translation of foreign currency transactions

Foreign currency transactions are translated at the exchange rate prevailing at the transaction date. In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", foreign currency monetary items are translated at the closing rate on the balance sheet date. Any related exchange gains and losses are recorded as financial income or expense.

Foreign exchange derivatives are measured and recognized according to the principles described in Note 1.cc.

f. Business combinations

Business combinations are accounted for using the purchase method. On the first-time consolidation of a subsidiary, the assets, liabilities and contingent liabilities of the acquiree are recognized at fair value in compliance with IFRS 3. Goodwill arising on the acquisition is determined at the date of the takeover as the difference between the cost of the business combination and the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date (see Note 1.l).

g. Presentation of IFRS financial statements:

In accordance with IAS 1 "Presentation of Financial Statements", consolidated balance sheet items are classified as current or non-current. Assets and liabilities related to the operating cycle and those that are expected to be recovered or settled within 12 months of the balance sheet date are classified as current, and all other assets and liabilities are classified as non-current. Assets and liabilities and income and expenses are not offset, except as provided by the applicable accounting standards.
The presentation methods have been consistently applied from one year to the next.
The consolidated income statement is presented by function (rather than by nature of expenses). Total payroll is presented in Note 4. Depreciation and amortization of non-current assets – almost exclusively related to production activities – are included in "Cost of sales".
The "Changes in fair value of non ferrous metal derivatives" line was created in the income statement in compliance with IAS 32 and IAS 39 as of January 1, 2005, to separate out fair value adjustments relating to derivatives (forward purchases and sales of metals on organized markets, and on the LME in particular) from changes in fair value of the risks hedged in the underlying commercial contracts.

h. Sales

Net sales

Net sales (at current metal prices) represent sales of goods and services deriving from the Group's main activities net of value added taxes (VAT). In accordance with IAS 18, revenue is recognized when the risks and rewards of ownership of the goods are transferred to the buyer and the amount of the revenue can be reliably measured. Sales are measured at the fair value of the consideration received or due, which takes into account the financial impact of payment deferrals when they are significant.
According to IAS 11, a construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. They essentially cover the Group's high-voltage cable and umbilical cable activities. Sales and revenue from construction contracts are recognized on a percentage-of-completion basis. The percentage of completion is determined based on technical milestones defined in the contract or on the costs incurred compared to total estimated costs for the contract. When it is probable that total costs will exceed total contract revenue, the expected loss is

recognized immediately in cost of sales. Work in progress on construction contracts is stated at production cost, excluding administrative and selling expenses and interest expense. Changes in provisions for penalties are charged to sales. For each construction contract, the amount of costs incurred plus profits recognized is compared to the sum of losses recognized and intermediate billings. If the balance obtained is positive, it is included in assets under “Amounts due from customers on construction contracts” and if it is negative it is recorded under “Amounts due to customers on construction contracts” in liabilities.

Net sales at constant metal prices (and cost of sales at constant metal prices)

On an operating level, the effects of fluctuations in the purchase price of metals are passed on in the selling price.

To neutralize the effect of fluctuations of non-ferrous metal prices and thus measure the underlying trend in its business, the Group presents the sales figure based on a constant price for copper and aluminum (the cost of sales figure is adjusted in the same way). These reference prices have been fixed at 1,500 euros per metric ton for copper and 1,200 euros per metric ton for aluminum.

i. Operating margin

Operating margin measures the Group's operating performance and includes gross profit, administrative and selling expenses, research and development costs (see Note 1.k), share-based payments, pension operating costs (see Note 1.u) and employee profit sharing.

It is measured before the impact of the core exposure (see below), changes in fair value of non-ferrous metal derivatives, financial income and expense, restructuring costs, gains and losses on asset disposals, net asset impairment and negative goodwill, income tax as well as share in net income of associates and net income from discontinued operations.

j. Core exposure impact

The core exposure impact relates to the change, during the period, in the value of the core exposure calculated on the basis of the weighted average cost. As this impact results from the change described in Note 1.b. it is excluded from operating margin, in line with the Group’s business model (see Note 24.c).

k. Research and development costs

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Development costs are recognized as an intangible asset provided the following can be demonstrated:

• The technical and industrial feasibility of the project;
• Nexans’ intention to complete the project and to use or market the ensuing products;
• The existence of a potential market (with adequate assurance in terms of volume and price) for the output of the product resulting from the project, or the product’s internal usefulness;
• The availability of adequate resources required to complete the project;
• The ability to reliably measure the related costs.

These costs are amortized over the estimated useful life of the project concerned, from the date the related product is made available.

Research and development costs to be rebilled to customers under the terms of construction contracts are included in "Amounts due from (or due to) customers on construction contracts".

l. Goodwill

In compliance with IFRS 3 “Business combinations”, goodwill is not amortized; instead it is tested at least annually for impairment – in the last quarter of the year – and whenever there is an indication that it may be impaired. These tests are performed by legal entity, by determining the sum of the recoverable amounts for each of the Cash Generating Units (CGU) comprising the entity and performing a global comparison to the total carrying amount of the assets of that entity. The impairment test methods are described in Note 1.o). When the recoverable amount of the CGU or group of CGUs is lower than its carrying amount, an impairment loss is recorded in the income statement under “Net asset impairment and negative goodwill”. This impairment is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit

pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses on goodwill cannot be reversed.
After verifying the identification process of the assets and liabilities acquired and their valuation, any negative goodwill is immediately booked in the income statement.
Any acquisition of an additional stake in a company that is already controlled results in the recognition of goodwill for the difference between the price paid and the amount of the minority interest acquired.

m. Put options given to minority shareholders

In compliance with IAS 32, put options given to minority shareholders in subsidiaries are recognized as financial liabilities at their discounted value. The offsetting entry for these financial liabilities, beyond the derecognition of the corresponding minority interests, is not clearly specified in the applicable standards. Pending IFRIC guidance, and based on current standard market practice, the Group opted to record in goodwill the difference between the discounted value of the exercise price of the options and the amount of minority interests removed from equity. This goodwill is adjusted each year to reflect the change in the exercise price of the options and the change in minority interests. This treatment, which has no impact on net income for the period, best reflects the reality of the transaction, to the extent that it corresponds to the treatment that would be applied if the options were exercised immediately. However, if any interpretations or standards are issued that do not permit such treatment it will have to be modified accordingly.

n. Property plant and equipment and intangible assets (excluding goodwill)

Property plant and equipment and intangible assets are stated at cost less any accumulated amortization and any accumulated impairment losses. When they are acquired under a business combination, their cost is identified as their fair value.
Intangible assets primarily correspond to the costs for acquired or developed software, usually intended for internal use, to the extent that their cost can be reliably measured and they are likely to generate future economic benefits. These assets are amortized by the straight-line method over their estimated useful lives (generally three years).
Property plant and equipment is depreciated by the straight-line method based on the following expected useful lives:

Industrial buildings and equipment:	
– Buildings for industrial use	20 years
– Infrastructure and fixtures	10-20 years
– Equipment and machinery	
- Heavy mechanical components	30 years
- Medium mechanical components	20 years
- Light mechanical components	10 years
- Electrical and electronic components	10 years
– Small equipment and tools	3 years
Buildings for administrative and commercial use	**20-40 years**

The depreciation method and periods are reviewed each year-end. The residual value of the assets is taken into account in the depreciable amount when it is deemed significant. Replacement costs are capitalized to the extent that they satisfy the criteria in IAS 16.
Property plant and equipment and intangible assets are derecognized when the risks and rewards of ownership of the asset are transferred or when there is no future economic benefit expected from the asset's use or sale. Any gain or loss arising from the derecognition of an asset (difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement for the year the asset is derecognized (on the line "Gains or losses on asset disposals").
In compliance with the treatment recommended in IAS 23, borrowing costs are recognized as expenses during the period they are incurred.
Assets acquired through lease arrangements that have the features of a financing are capitalized. Leases under which a significant portion of the risks and benefits of ownership is retained by the

lessor are classified as operating leases. Payments made under operating leases (net of benefits received from the lessor) are expensed on a straight-line basis over the term of the lease.

o. Impairment tests

At each balance sheet date, the Group assesses where there is an indication that an asset may be impaired. When events or changes in the market environment indicate a risk of impairment of property plant and equipment or intangible assets, these assets are tested for impairment. An impairment loss is recognized where necessary for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is calculated on the basis of future operating cash flow representing Management's best estimate of the economic conditions that will prevail during the remainder of the asset's useful life. The assumptions are made on the basis of past experience and external factors, such as discount rates and non-ferrous metal future prices.

The Group carries out impairment tests on each cash generating unit in accordance with IAS 36, as follows:

• Cash Generating Units (CGU) chosen: product lines within each legal entity;

• Discount rate corresponding to the expected market rate of return for a similar investment, specific to each geographical zone, regardless of the sources of financing (see Note 7);

• Five-year business plans;

• The impact of changes in non-ferrous metal prices on future operating cash flows, determined on the basis of 5-year metal futures prices, and assuming that the current hedging policy will be continued;

• Extrapolation of cash flows beyond 5 years based on a growth rate of 2%.

Impairment losses (net of reversals) are recorded in the income statement under "Net asset impairment and negative goodwill".

p. Inventories and work in progress

Inventories and work in progress are stated at the lower of cost and net realizable value. The costs incurred in bringing the inventories to their present location and conditions can be analyzed as follows:

• Raw materials: purchase cost according to the Weighted Average Cost (WAC) method;

• Finished goods and work in progress: cost of materials and direct labor and share of indirect production costs according to the Weighted Average Cost (WAC) method.

The net realizable value is the estimated sale price in the ordinary course of business, less estimated completion costs and the costs necessary to carry out the sale. In compliance with the benchmark method in IAS 23, inventories do not include borrowing costs, which are expensed in the period they are incurred.

Inventories include core exposure, which represents the amounts required for the Group's plants to operate appropriately. Its volume is kept stable and its levels are constantly replenished. Changes to this component of inventory are shown in a separate line of the income statement (see Note 1.j above) and are included as a component of cash flow from operating activities in the cash flow statement.

q. Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured using the cost method. Interest free short-term operating receivables are recognized at the amount of the original invoice as discounting has no material impact.

A provision for the impairment of trade receivables is recorded whenever there is an objective indication that the Group will not be able to collect the full amounts due under the conditions originally provided for at the time of the transaction. The following are indicators of impairment of a receivable: (i) the debtor facing major financial difficulties, (ii) the probability that the debtor will undergo bankruptcy or a financial restructuring, and (iii) a payment default. The amount of the provision represents the difference between the carrying amount of the asset and the estimated value of future cash flows, discounted at the initial effective interest rate. The carrying amount of the asset is written down and the amount of the loss is recognized in the income statement under "Administrative and selling expenses". Where a receivable is irrecoverable, it is derecognized and offset by the reversal of the provision for the impairment of receivables. When a previously derecognized receivable is recovered the amount is credited to "Administrative and selling expenses" in the income statement.

r. Equity

In addition to the capital stock and additional paid-in capital of the parent company, consolidated equity includes the following:

• "Consolidated retained earnings", including the Group's share in the retained earnings of its consolidated companies since the first-time consolidation date;

• "Changes in fair value and other", which primarily includes (i) the changes in market value of derivatives designated as hedges of future cash flows (see note 1.cc), and (ii) available-for-sale financial assets (see Note 1.y);

• "Cumulative translation adjustments", used to record currency translation adjustments deriving from the translation of the financial statements of foreign subsidiaries (as from January 1, 2004 – the Group's first-time adoption of IFRS);

• Minority interests.

It is Group policy to account for transactions with minority interests in the same manner as transactions with unrelated third parties. Disposals to minority interests give rise to the realization of gains and losses that the Group recognizes in the income statement. The acquisition of shares from minority interests gives rise to goodwill for the difference between the price paid and the interest acquired corresponding to the carrying amount of the net assets.

The additional costs directly attributable to the issue of new shares or options are recognized in equity as a deduction from the proceeds of the issue, net of tax.

Dividend payouts to the Group's shareholders are recognized as a debt in the Group's financial statements during the period in which the dividends are approved by the Group's shareholders.

s. Treasury stock

The acquisition cost of treasury shares is deducted from equity. Gains and losses on the sale of these shares do not contribute to the period's net income.

t. Share-based payments

Stock options are granted to managers and certain Group employees. In accordance with IFRS 2 "Share-based Payment", options are measured at fair value at the grant date, using the Black & Scholes option pricing model. Any changes in value after the grant date do not affect the recognized amounts.

The value of an option primarily depends on market data at the grant date (price and volatility of the share, risk-free interest rate and expected dividends) and on its expected life – an assumption that is determined by the Group taking into account various parameters including minimum holding periods prescribed by law. The value of granted options is recorded in payroll expenses on a straight-line basis from the grant date to the end of the vesting period, with a direct offsetting entry in equity.

u. Pensions, statutory retirement bonuses and other employee benefits

In accordance with the laws and practices of each country where Nexans is present, the Group provides pensions, early retirement benefits and statutory retirement bonuses. For basic and other defined contribution pension plans, expenses correspond to contributions made. No provision is recognized, as the Group has no obligation beyond the contributions paid.

For defined benefit pension and similar plans, provisions are determined as follows:

• Using the Projected Unit Credit method, which sees each service period as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. These calculations take into account assumptions with respect to mortality, staff turnover, discounting and projection of future salaries.

• Actuarial gains and losses – corresponding to experience adjustments and the effects of changes in actuarial assumptions – occurring since January 1, 2004 are not immediately recognized in the income statement, in application of the corridor method. Under this method, actuarial gains and losses that exceed 10% of the greater of the plan defined benefit obligation and the fair value of corresponding plan assets are amortized over the expected average remaining working lives of the participating employees.
• When the calculation of the benefit obligation results in an asset for the Group, the recognized amount cannot exceed the total net amount of the following: (i) unrecognized cumulative net actuarial losses and unrecognized past service costs and (ii) the present value of available refunds and reductions in future contributions to the plan.

The financial component of the annual pension expense (interest cost after deduction of expected return on plan assets) is included in financial expense (see Note 5).

Provisions for jubilees and other long-term benefits paid during the employees' service are valued based on actuarial calculations comparable to the calculations for pension benefits, without any possibility of deferring the related actuarial gains and losses. They are included in the balance sheet under "Provisions".

v. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) resulting from a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.
If the effect of discounting is material, the provisions are determined by discounting expected future cash flows applying a pretax discount rate that reflects current market assessments of the time value of money. The discounting impact is recognized in financial income and expense and the effects of any rate fluctuations are recognized in the same account for which the provision was accrued.

A provision is set aside to fully cover restructuring costs when it relates to an obligation by the Group to another party resulting from a Management or Board decision, communicated before the balance sheet date to those affected by it. Such costs primarily relate to severance payments, early retirement, costs for unworked notice periods, training costs of employees whose employment contracts have been terminated, and other costs linked to the shutdown of facilities. Asset retirements and impairment of inventories and other assets directly linked to restructuring measures are also recorded under restructuring costs in the income statement.

w. Deferred tax

Deferred taxes are computed under the liability method for all temporary differences arising between the book carrying amount and tax basis of assets and liabilities, as well as for tax losses available for carryforward. However, deferred income tax assets are recorded in the consolidated balance sheet only if it seems reasonably probable that the tax benefit will be realized, based on the business plan of the company concerned (see Note 9).
All amounts resulting from changes to the tax rate are recorded in equity or in net income in the year in which the tax rate change is decided, based on the initial recognition method for the corresponding deferred taxes
Deferred taxes related to likely distributions of dividends of subsidiaries and affiliates are recognized.
Deferred tax assets and liabilities are offset if the entity is legally entitled to offset current tax assets and liabilities and if the deferred tax assets and liabilities relate to taxes levied by the same taxation authority.

x. Assets held for sale

Presentation in the balance sheet

Non-current assets or groups of assets held for sale, as defined by IFRS 5, are presented under assets on a separate line. Liabilities related to groups of assets held for sale are shown on the liabilities side, also on a separate line. Non-current assets classified as assets held for sale cease to be depreciated from the date on which they fulfill the classification criteria for assets held for sale.

Presentation in the income statement
A group of assets sold, held for sale or whose operations have been discontinued is a component of the entity if:
• It represents a separate major line of business or geographical area of operations,
• It is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
• It is a subsidiary acquired exclusively for resale.

Where a group of assets sold, held for sale or whose operations have been discontinued is a component of the entity, its income and expenses are presented on a separate line of the income statement (net income from discontinued operations) comprising the total of:
• The post-tax profit or loss of discontinued operations, and
• The post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the asset or groups of assets held for sale constituting the discontinued operation.

When a group of assets previously presented as "held for sale" ceases to satisfy the criteria in IFRS 5, each related asset and liability component is reclassified in the consolidated balance sheet.

y. Financial assets
Financial assets are initially recorded at fair value plus transaction costs directly attributable to the acquisition.
At subsequent reporting dates measurement and recognition depend on the classification of the financial asset concerned:
• Cash equivalents are recorded at amortized cost.
• Other investments are classified as available-for-sale financial assets. At each balance sheet date, the fair value of investments quoted in an active financial market is determined by reference to the published market price. Changes in fair value are recorded in equity on a separate line and are included in income upon disposal of the asset.
• For investments in non-consolidated entities for which there is no published active market price, the fair value is determined by reference to the current market value of another substantially identical instrument or calculated based on the cash flows expected from the asset. If there is no reliable valuation method, assets are carried at cost.
• Loans and receivables are recorded at amortized cost by applying the effective interest rate.

For the last three categories, if there is an objective indication of impairment of the financial asset (particularly a significant or lasting decrease in the value of the asset), an impairment loss is recorded. This impairment loss cannot be reversed in net income in the case of equity instruments classified as available-for-sale financial assets (nor can it be reversed for unlisted investments recorded at cost).

A financial asset is derecognized when the Group does not expect further financial flows from it and transfers to a third party substantially all of the related risks and rewards.

z. Cash and cash equivalents
Cash and cash equivalents – whose changes are shown in the consolidated statement of cash flows – comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

aa. Financial liabilities
Financial liabilities are initially recorded at fair value less attributable transaction costs. If the liability is issued at a premium or discount, the premium or discount is amortized over the life of the liability using the effective interest method. The effective interest method calculates the interest rate that is

necessary to discount the stream of principal and interest cash flows to the initial amount of the liability.

bb. Hybrid instruments – OCEANE bonds

In compliance with IAS 32 “Financial Instruments: Presentation”, if a financial instrument has both a liability and an equity component, the issuer shall account for these components separately according to their nature.
This treatment applies to OCEANE bonds convertible into new shares and/or exchangeable for existing shares, with the conversion option meeting the definition of an equity instrument.
The liability component is measured on the issue date on the basis of contractual future cash flows discounted applying the market rate (taking into account the issuer’s credit risk) for a similar instrument but which is not convertible/redeemable into shares.
The value of the conversion option is calculated as the difference between the issue price of the bonds and the value of the liability component. This amount is recognized in an equity account.
Following initial measurement of the liability and equity components, the liability component is measured at amortized cost.
The interest expense relating to the liability is calculated using the effective interest method, determined based on the prevailing market rate for non-convertible bonds.

cc. Financial instruments

Foreign currency hedges

The Group uses derivatives (forward purchases and sales of foreign currencies) to hedge the risk of fluctuations in foreign currency exchange rates. These instruments are measured at fair value, calculated by reference to the prevailing forward exchange rates for contracts with similar maturity profiles.
When these operations hedge highly probable future transactions (forecast cash flows or firm orders) that have not yet been invoiced, and to the extent that they satisfy the conditions for cash flow hedge accounting, the change in the fair value of the derivative comprises two elements: the “effective” portion of the unrealized gain or loss on the hedge, which is recognized directly in equity, and the “ineffective” portion, which is recognized in financial income. Any gains or losses previously recognized in equity are taken to the income statement in the period in which the hedged firm commitment impacts income, for example when the forecast sale is recorded on the balance sheet as a foreign currency receivable.
Changes in the fair value of derivatives that do not qualify for hedge accounting are recorded directly in the income statement.

Hedging of risks associated with fluctuations in non-ferrous metal prices

The Group uses forward purchase and sale contracts executed primarily on the London Metal Exchange (LME) in order to reduce its exposure to fluctuations in the prices of non-ferrous metals (copper and aluminum).

The increased volatility in non-ferrous metal prices over the past few months has led the Group to implement measures in order that a significant portion of these derivatives being classified as cash flow hedges, within the meaning of IAS 39. Consequently, since November 1, 2006, where these instruments hedge highly probable future transactions (copper cathode purchases) that have not yet been invoiced, and to the extent that they satisfy the criteria for applying cash flow hedge accounting, they are accounted for in a similar manner to the foreign currency instruments described above: the "effective" portion of the unrealized gain or loss on the hedging instrument is recognized directly in equity, and the "ineffective" portion is recognized in “Changes in fair value of non-ferrous metal derivatives”. The gains or losses previously recognized in equity are taken to the income statement in the period in which the hedged item (*i.e.* the purchase of the copper cathodes) affects income.

Changes in fair value of derivatives that do not qualify for hedge accounting are recognized directly in income or loss for the period.

Note 2 Changes in the scope of consolidation

The main changes in the scope of consolidation in 2006 were as follows:

- On December 1, 2006, Nexans acquired 100% of the Australian group Olex, the cable industry leader in Australasia, for 515 million Australian dollars (around 310 million euros). Olex's sales for 2006 amounted to around 330 million euros at current copper prices, generating an operating margin of approximately 13%. Olex has only been consolidated since December 31, 2006, as the company's impact on the Group's sales, operating margin and net income for the year was not material.
- During the second half of 2006, Nexans founded a Japanese subsidiary, Nippon High Voltage Cable Corp. (NVC), of which it owns 66%, the remaining 34% being held by Viscas (JV Furukawa Electric Co., Ltd. and Fujikura Ltd), which transferred its existing factory in Tokyo Bay to NVC. NVC has been consolidated since December 31, 2006. It will be dedicated to producing high-voltage undersea cables exclusively for its two shareholders and will not carry out any other commercial activities.
- Nexans increased its interests in its Korean subsidiaries, Nexans Korea and Kukdong Electrical Wire to 99.5% and 97.9% respectively.
- On February 1, 2006, Nexans disposed of its Swiss distribution business (Electro-Matériel SA) for 206 million euros, generating a capital gain of 149 million euros. In 2005, Electro-Matériel SA generated sales of 189 million euros, EBITDA (before contribution to head office costs) of 21.3 million euros and an operating margin (on the same basis) in excess of 18 million euros. In terms of sales and operating margin it contributed 16 million euros and 1 million euros, respectively, in January 2006.
- In January 2006, Nexans acquired 100% of the Confecta Group, one of the leading International specialists in high value-added harnesses for the rail industry. Consolidated from January 2006, the Confecta Group generated sales of 27 million euros in 2006 and operating margin of close to 1 million euros.
- In Vietnam, Nexans founded Nexans Lioa in which it holds a 60% stake, the remaining 40% being held by two Vietnamese companies, which contributed in the form of an asset transfer of their manufacturing activities for the power cable, equipment cable and industrial cable markets. This new entity, consolidated from May 2006, is in the process of starting up.

The main changes in the scope of consolidation for 2005 were as follows:

- Nexans' winding wires business in Europe was transferred to Essex Nexans, a company founded together with the Superior Essex Group, in which Nexans retained a 41% minority stake (reduced to 40% in early 2006). Essex Nexans was accounted using the equity method from October 21, 2005. Income up to the transfer was recorded as income from discontinued operations in line with IFRS 5 (see Note 8).
- Nexans sold its Norwegian distribution subsidiary Nexans Distribusjon on August 28, 2005, for 45 million euros, generating a net capital gain of 33 million euros. This company contributed 75 million euros to 2005 sales (8 months).

The main changes in the scope of consolidation in 2004 were as follows:

- Takeover of the Liban Câbles Group (including its Egyptian subsidiary, ICC), fully consolidated since July 2004;
- Purchase of the Italian company Cabloswiss, fully consolidated since September 1, 2004;
- Disposal in September 2004 of the Group's winding wires production activities in the United States.

Note 3 Information by business segment and by geographical area

Information by business segment is broken down as follows:

- By business – the Group's primary reporting format – as risks and rates of return are mainly affected by the differences among the products offered;
- And by geographical area.

Generally speaking, transfer prices among the various businesses are identical to those prevailing for transactions with parties outside the Group.

Data relating to the business segments is based on the same accounting policies as those used for the consolidated financial statements, as described in the notes to the financial statements. Figures for 2006 were prepared subsequent to the change relating to the recognition of non-ferrous metal inventories (see Note 1.b). 2005 figures have been restated to reflect the impact of this change, whereas 2004 data is presented as previously reported.

The performance of each business segment is measured based on operating margin.

This data does not include discontinued operations, which are presented separately in Note 8.

The tables below relate to the following business segments:

- Electrical wires - comprising wirerods, electrical wires and the winding wires production business that is not in the process of being sold.
- Energy - including equipment cables (comprising the cables themselves and two distribution companies in Switzerland and Norway, through the disposal date for the latter) power cables for energy networks (low, medium, high voltage and related accessories) and special cables.
- Telecom - which groups cables for private telecommunications networks, special cables for electronic applications, junction components for telecommunication network cables, and copper and optical fiber cables for public telecommunication networks.
- Other - mainly comprising head office profits and costs not allocated to operations and inter-segment eliminations of trade receivables.

a) Information by business segment

in millions of euros	Electrical wires	Energy **	Telecom	Other (or not-allocated)	Inter-segment eliminations *	Total Group
December 31, 2006(1)						
Net sales at current metal prices	3,438	4,298	781	9	(1,038)	7,489
Net sales at constant metal prices	1,133	2,983	648	9	(331)	4,442
Operating margin	(4)	233	48	(18)	-	260
Depreciation and amortization	(10)	(62)	(19)	(4)	-	(95)
Impairment losses	(54)	(61)	(9)	(4)	-	(128)
Reversals of impairment losses	-	19	8	-	-	27
EBITDA ***	6	296	67	(14)	-	355
Restructuring costs	(5)	(19)	(24)	(1)	-	(48)
Capital expenditures	14	137	17	4	-	171
Property, plant and equipment, net	23	628	143	20	-	815
Total segment assets ****	662	2,448	396	41	-	3,547
Total segment liabilities *****	416	732	100	50		1,298
Investments in associates	22	-	-		-	22
Share in net income of associates	3	-	-		-	3
Number of employees	1,140	15,952	3,276	782	-	21,150
December 31, 2005 restated (see Note 1.b)						
Net sales at current metal prices	1,991	3,342	677	10	(573)	5,449
Net sales at constant metal prices	1,056	2,865	630	10	(298)	4,263
Net sales at constant metal prices and 2006 exchange rates	1,076	2,883	631	10	(298)	4,301
Operating margin	6	171	25	(16)	-	186
Depreciation and amortization	(10)	(61)	(20)	(4)	-	(95)
Impairment losses	(0)	(14)	(22)	(18)	-	(55)
Reversals of impairment losses	4	15	3	-	-	21
EBITDA ***	15	232	45	(12)	-	280
Restructuring costs	(4)	(12)	(6)	(3)	-	(24)
Capital expenditures	6	102	20	1	-	129
Property, plant and equipment, net	96	498	146	38	-	778
Total segment assets ****	562	1,936	398	36	-	2,933
Total segment liabilities *****	281	639	112	48		1,079
Investments in associates	17	1	-		-	18
Share in net income of associates	-	-	-		-	-
Number of employees	1,162	14,157	3,473	792	-	19,584

(1) Of which Olex at December 31, 2006						
Property, plant and equipment, net		68				68
Total segment assets ****		181				181
Total segment liabilities *****		27				27
Number of employees		929				929

in millions of euros	Electrical wires	Energy **	Telecom	Other (or not-allocated)	Inter-segment eliminations *	Total Group
December 31, 2004 reported						
Net sales at current metal prices	1,669	2,874	588	11	(409)	4,732
Net sales at constant metal prices	1,094	2,604	561	11	(265)	4,005
Net sales at constant metal prices and 2005 exchange rates	1,126	2,653	566	11	(276)	4,080
Operating margin	7	118	17	(10)	-	133
Depreciation and amortization	(23)	(57)	(19)	(4)	-	(103)
Impairment losses	-	-	-	-	-	-
Reversals of impairment losses	2	-	-	-	-	2
EBITDA ***	29	175	36	(6)	-	236
Restructuring costs	(6)	(20)	(10)	-	-	(36)
Capital expenditures	4	68	18	6	-	96
Property, plant and equipment, net	149	563	159	54	-	925
Total segment assets ****	328	1,479	343	44	-	2,196
Total segment liabilities *****	121	539	97	44	-	801
Investments in associates	-	1	-	-	-	1
Share in net income of associates	-	-	-	-	-	-
Number of employees	1,178	14,316	3,525	830	-	19,849

** Inter-segment eliminations mostly stem from the upstream Electrical Wires business.*

*** Of which net sales (at current metal prices) related to construction contracts: 394 million euros in 2006, 334 million euros in 2005 and 267 million euros in 2004.*

**** Operating margin excluding depreciation and amortization of property plant and equipment and intangible assets.*

***** Segment assets include property, plant and equipment and intangible assets, inventories, receivables, advances to suppliers and other operating receivables.*

****** Segment liabilities include trade payables, customers' deposits and advances, accrued contract costs and other operating liabilities.*

b) **Information by geographical area**

in millions of euros

	France	Germany	Other European countries	North America	Asia-Pacific	Rest of the world	Total Group
December 31, 2006							
Net sales at current metal prices (before inter-segment eliminations)	3,112	911	2,175	1,745	435	519	-
Inter-segment sales at current metal prices	(937)	(59)	(354)	(2)	(6)	(50)	-
Net sales at current metal prices	2,175	852	1,821	1,743	429	469	7,489
Net sales at constant metal prices	1,037	582	1,402	813	277	331	4,442
Operating margin	33	33	72	63	19	39	260
Capital expenditures	30	18	64	24	6	30	171
Property, plant and equipment, net	158	105	235	88	139	91	815
Total segment assets *	1,180	396	962	305	395	309	3,547
Number of employees	3,858	2,707	7,807	1,960	2,459	2,359	21,150
December 31, 2005 restated (see Note 1.b)							
Net sales at current metal prices (before inter-segment eliminations)	2,065	692	1,846	1,153	302	348	-
Inter-segment sales at current metal prices	(592)	(43)	(293)	(1)	(3)	(26)	-
Net sales at current metal prices	1,473	649	1,553	1,152	299	322	5,449
Net sales at constant metal prices	1,024	553	1,412	753	247	275	4,263
Net sales at constant metal prices and 2006 exchange rates	1,024	553	1,406	777	259	283	4,301
Operating margin	6	27	73	41	11	28	186
Capital expenditures	18	22	52	12	14	12	129
Property, plant and equipment, net	165	121	213	125	86	68	778
Total segment assets *	874	363	860	365	220	250	2,933
Number of employees	3,823	2,685	7,766	1,835	1,270	2,205	19,584
December 31, 2004 reported							
Net sales at current metal prices (before inter-segment eliminations)	1,844	617	1,609	956	243	239	-
Inter-segment sales at current metal prices	(489)	(32)	(235)	-	(3)	(18)	-
Net sales at current metal prices	1,356	585	1,374	956	240	221	4,732
Net sales at constant metal prices	1,072	531	1,291	697	214	200	4,005
Net sales at constant metal prices and 2005 exchange rates	1,072	531	1,306	726	232	213	4,080
Operating margin	0	13	68	31	10	12	133
Capital expenditures	24	15	28	7	15	7	96
Property, plant and equipment, net	245	155	262	136	64	63	925
Total segment assets *	568	301	753	247	146	181	2,196
Number of employees	4,066	2,794	7,927	1,802	1,166	2,094	19,849

** Segment assets include property, plant and equipment and intangible assets, inventories, receivables, advances to suppliers and other operating receivables.*

c) Net sales at current metal prices by geographical market

in millions of euros	France	Germany	Other European countries	North America	Asia-Pacific	Rest of the world	Total Group
2006	987	852	2,512	1,729	512	896	7,489
2005	740	616	1,957	1,127	407	601	5,449
2004	619	554	1,809	950	350	450	4,732

Note 4 Payroll, staff and staff training entitlement

		2006	**2005**	**2004**
Wages and salaries (including payroll taxes)	*(in millions of euros)*	813	800	775
Staff of consolidated companies at year end	*(in number of employees)*	21,150	19,584	19,879
Staff training entitlement *	*(in hours)*	209,085	149,318	85,770

** Aggregate number of training hours accumulated by staff (French companies only) at December 31. Costs incurred in relation to this training entitlement are recognized as expenses for the period and no related provision is recorded.*

Note 5 Other financial expenses

in millions of euros	**2006**	**2005**	**2004**
Dividends received from non-consolidated companies	1	1	2
Provisions	1	(0)	4
Net exchange gain (loss)	(18)	4	(6)
Discounting impact on employee benefit obligations	(33)	(36)	(35)
Expected return on employee benefit plan assets	18	19	18
Other	(5)	(5)	(5)
Other financial expenses	**(36)**	**(17)**	**(22)**

Note 6 Gains or losses on asset disposals

in millions of euros	**2006**	**2005**	**2004**
Net gains on disposal of non-current assets	1	0	8
Net gains on disposal of investments*	149	33	-
Other	1	1	-
Gains or losses on asset disposals	**151**	**34**	**8**

** In 2006, disposal of Electro-Matériel (Switzerland) (see Note 2)*
In 2005, disposal of Nexans Distribusjon (Norway)

Note 7 Net asset impairment and negative goodwill

in millions of euros	**2006**	**2005**		**2004**	
		Restated	Reported	Restated	Reported
Impairment losses – non-current assets	(109)	(49)	(14)	-	-
Reversals of impairment losses – non-current assets	27	21	8	-	-
Impairment losses – goodwill	(19)	(6)	-	-	-
Negative goodwill recognized in the income statement	2	2	2	7	7
Net asset impairment and negative goodwill	**(99)**	**(32)**	**(4)**	**7**	**7**

As described in Note 1.b, the revaluation of core exposure resulting from the use of the weighted average cost method gave rise to an increase in the working capital requirement included in non-monetary assets which are subject to impairment tests whenever there is an indication that they may be impaired. This led to an increase in the amount of impairment recognized in respect of certain cash generating units at December 31, 2005.

Impairment losses recorded in 2005 related primarily to the special cables for electronic applications business in Belgium, the industrial cable business in Switzerland and Belgium, the private network cable business in the United Kingdom and the telecom infrastructure cable business in Spain. Reversals of impairment losses related to the general market business in France, the telecom infrastructure cable business in Morocco and the metallurgy business in China.

In the restated 2005 financial statements, additional impairment losses were recognized in respect of the special cables for electronic applications business in France and Brazil, the special cables business in Germany and Switzerland and certain support assets in Germany. The Group also recognized goodwill impairment in relation to Nexans Inc and Nexans Brazil (see Note 11).

The 109 million euros in impairment losses for 2006 primarily relate to the Group's upstream businesses (wirerods, electrical wires and the remainder of the winding wires business in Canada and China) where capital employed was particularly impacted by the rise in raw material prices. They also concern the energy infrastructure cable businesses in Germany, Italy, Greece, Egypt and South Korea. These changes led to the recognition of impairment losses of 19 million euros relating to the goodwill of Liban Câbles, ICC (Egypt), Nexans Tianjin and Nexans Inc. Conversely, the turnaround in the industrial cables business in Switzerland and Germany, the special cables for electronic applications business in France and Turkey and the building cables business in the United States enabled the Group to reverse 27 million euros worth of impairment losses.

The main assumptions applied by geographical area when preparing the business plans in connection with impairment testing were as follows:

	Discount rate (before tax) applied to future flows	Discount rate (after tax) applied to future flows	Perpetuity growth rate
2006			
Europe	10.6%	8.0%	2%
North America	11.9%	9.0%	2%
China	11.9%	10.0%	2%
Korea	10.2%	8.0%	2%
Egypt	14.4%	12.0%	2%
Brazil	15.2%	11.0%	2%
Turkey	16.7%	12.0%	2%
Lebanon	17.8%	15.5%	2%
2005			
Europe	10.2%	7.7%	2%
North America	10.2%	7.7%	2%
China	10.5%	8.8%	2%
Korea	11.4%	8.9%	2%
Egypt	11.1%	9.2%	2%
Brazil	17.6%	12.8%	2%
Turkey	20.7%	14.8%	2%
Lebanon	18.5%	16.1%	2%

Note 8 Discontinued operations and assets held for sale

At December 31, 2006 negotiations were underway to dispose of the Group's remaining winding wires businesses in Canada and China (see Note 30). In accordance with IFRS 5, the balance sheet items relating to this component were reclassified in Nexans' consolidated balance sheet at December 31, 2006, along with those operations that have been divested or discontinued (*i.e.* the remaining assets and liabilities of the Italian winding wires business closed at end 2005) and are now shown on two lines – "Assets and groups of assets held for sale" on the assets side and "Liabilities related to groups of assets held for sale" on the liabilities side. However, as the above transaction does not comply with the separate presentation rules for the income statement prescribed in IFRS 5, the income for these two entities is included line by line in the Group's income statement under continuing operations.

At December 31, 2005 the above-described balance sheet headings also included the assets and liabilities of Electro-Matriel, which was disposed of on February 1, 2006 (see Note 2). At December 31, 2004, it included the assets and liabilities of the European winding wires business ("European business").

In the income statement, the European winding wires businesses that were divested ("European business") or discontinued ("Italian business") during 2005 are shown on a single line called "Net income/(loss) from discontinued operations", and the 2004 comparative data was restated accordingly.

a) Balance sheet

At December 31, in millions of euros	**2006**	**2005**	**2004**
Property, plant and equipment and intangible assets	25	29	43
Inventories and work in progress, net	6	21	41
Trade receivables and other assets	29	31	51
Assets from discontinued operations	**60**	**81**	**135**
Other assets held for sale		-	-
Total assets and groups of assets held for sale	**60**	**81**	**135**
Accrued pension and retirement obligations	0	-	7
Provisions	0	1	5
Financial debt	7	1	8
Trade payables	10	11	27
Other liabilities	5	26	18
Liabilities related to groups of assets held for sale	**22**	**39**	**65**

b) Income statement for discontinued operations

The income statement for discontinued operations for 2004, 2005 and 2006 is as follows:

in millions of euros		**2006**	**2005**	**2004**
Net sales	*(after adding back sales to the discontinued businesses)*		146	169
Net sales at constant metal prices			131	156
Operating margin			(2)	5
Restructuring costs, impairment, change in fair value of non-ferrous metal derivatives		(5)	(37)	(0)
Cost of debt			(1)	(0)
Income before taxes		(5)	(40)	4
Income taxes			(0)	0
Post-tax profit or loss of discontinued operations		(5)	(40)	5
Post-tax gain or loss from disposal of discontinued operations			(6)	-
Net income		(5)	(46)	5

c) Change in cash flows of discontinued operations

in millions of euros	**2006**	**2005**	**2004**
Cash flows from operations (1)	(5)	(9)	11
Net change in current assets and liabilities (2)	5	19	(11)
Net cash used in investing activities (3)	-	(3)	-
Net cash used in financing activities (4)	-	(7)	-
Impact of change in scope of discontinued operations (5)	(1)	3	
Increase / (decrease) in cash from discontinued operations (1)+(2)+(3)+(4)+(5)	**(1)**	**3**	**-**

Note 9 Income tax

a) Analysis of income tax charge

	2006	2005		2004	
in millions of euros		**Restated**	**Reported**	**Restated**	**Reported**
Current income tax charge	(58)	(46)	(46)	(25)	(25)
Deferred income tax (charge) benefit, net *	10	10	20	(2)	7
Income tax charge	**(48)**	**(36)**	**(26)**	**(28)**	**(19)**

** Including deferred tax assets on tax loss carryforwards recognized based on cash flow projections (mainly in France and Germany): 5 million euros at December 31, 2006, 19 million euros at December 31, 2005 and 15 million euros at December 31, 2004.*

b) Effective income tax rate

The effective income tax rate is as follows:

in millions of euros	**2006**	**2005 Reported**	**2004 Reported**
Income before taxes	**297**	**189**	**77**
Standard tax rate applicable in France (in %)	34.43%	34.43%	34.43%
Theoretical tax (charge)/benefit	**(102)**	**(65)**	**(26)**
Impact of:			
- Differences in tax rates of foreign countries	3	8	5
- Net recognition of deferred tax assets for tax losses	(2)	20	(2)
- Tax credits	1	1	3
- Non-taxable capital gains and losses	50	9	-
- Other permanent differences	2	1	2
Actual income tax (charge)/benefit	**(48)**	**(26)**	**(19)**
Effective tax rate	16.31%	13.78%	24.59%

The theoretical tax charge is calculated by applying the parent company's tax rate to consolidated income before tax.

c) Deferred taxes recorded in the balance sheet

Deferred taxes are presented by type of temporary difference in the following table:

in millions of euros	**Dec. 31, 2004**	**Dec. 31, 2004 after IAS 32-39**	Impact of change related to core exposure *	**Dec. 31, 2004 after IAS 32-39 restated ***	Impact on the income statement	Impact on the income statement of change related to core exposure*	Translation adjustments	Business combinations	Other	**Dec. 31, 2005 restated ***
Property, plant and equipment and intangible assets	**31**	31	-	**31**	1	-	0	(1)	-	**31**
Inventories	**17**	17	(17)	**-**	11	(7)	1	(1)	(4)	**0**
Provisions	**(38)**	(38)		**(38)**	(7)	-	(0)	-	0	**(45)**
Other temporary differences	**(10)**	(12)	(7)	**(19)**	8	(18)	(0)	(1)	16	**(14)**
Tax losses carried forward	**417**	417	-	**417**	10	25	(1)	-	(5)	**447**
Deferred tax assets (gross) and deferred tax liabilities	**417**	**415**	**(24)**	**391**	**23**	**(0)**	**(0)**	**(3)**	**7**	**419**
Unrecognized deferred tax assets	**(382)**	(396)	11	**(385)**	(3)	(10)	0	-	-	**(399)**
Net deferred taxes	**35**	**19**	**(13)**	**6**	**20**	**(10)**	**(0)**	**(3)**	**7**	**20**
Of which recognized deferred tax assets	**66**	51	-	**38**	-	-	-	-	-	**53**
Of which deferred tax liabilities	**(32)**	(32)	-	**(32)**	-	-	-	-	-	**(33)**

** See Note 1.b*

in millions of euros	Dec. 31, 2005 restated *	Impact on the income statement	Translation adjustments	Business combinations	Other	Dec. 31, 2006
Property, plant and equipment and intangible assets	**31**	7	-	3	12	**52**
Inventories	**0**	0	-	(0)	(0)	**0**
Provisions	**(45)**	2	-	0	8	**(34)**
Other temporary differences	**(14)**	52	-	2	(12)	**27**
Tax losses carried forward	**447**	(107)	-	1	(21)	**320**
Deferred tax assets (gross) and deferred tax liabilities	**419**	**(47)**	**-**	**6**	**(13)**	**365**
Unrecognized deferred tax assets	**(399)**	56	-	(0)	11	**(332)**
Net deferred taxes	**20**	**9**	**-**	**6**	**(2)**	**33**
Of which recognized deferred tax assets	**53**	-	-	-	-	**100**
Of which deferred tax liabilities	**(33)**	-	-	-	-	**(67)**

** See Note 1.b*

Deferred tax assets on tax loss carryforwards are recognized for companies whose business plan indicates that they will generate taxable income in the future against which the loss carryforwards will be deductible. Deferred tax assets that were not recognized because recovery was deemed uncertain amounted to 332 million euros, 399 million euros and 382 million euros at December 31, 2006, 2005 and 2004, respectively. These deferred tax assets primarily include the tax loss carryforwards described in Note d) below.

d) Tax loss carryforwards

Tax losses carried forward and not yet utilized represented a potential tax saving of 320 million euros at December 31, 2006 (422 million euros and 417 million euros at December 31, 2005 and 2004, respectively), including 205 million euros relating to the Group's German subsidiaries (279 million euros and 269 million euros at December 31, 2005 and 2004, respectively) and 55 million euros relating to French subsidiaries (76 million euros and 81 million euros at December 31, 2005 and 2004, respectively). The business plans updated during the course of 2006 resulted in an increase in deferred tax assets recognized in respect of tax loss carryforwards from 47 million euros to 52 million euros, including 23 million euros for the German subsidiaries (16 million euros at end 2005 and 2004) and 25 million euros for the French subsidiaries (20 million euros in the restated 2005 financial statements, and 14 million euros at end 2004). In these two countries, tax losses can be carried forward indefinitely.

Tax loss carryforwards expire as follows:

in millions of euros	**2006**	**2005 Reported**	**2004 after IAS 32-39**	**2004**
Year y+1	13	30	17	17
Year y+2 to y+4	32	52	64	64
Year y+5 and subsequent years	275	340	336	336
Total	**320**	**422**	**417**	**417**
Of which recognized deferred tax assets on losses carried forward	52	53	35	50

Note 10 Earnings per share

Basic earnings per share are calculated on the basis of the weighted average number of shares outstanding, after deducting the weighted average number of shares held by consolidated companies. Diluted earnings per share take into account share equivalents that have a dilutive effect. Net income is adjusted for after-tax interest expense relating to convertible or exchangeable bonds. The dilutive impact of stock subscription and/or purchase options is calculated using the treasury stock method, which assumes that the proceeds received at the time of exercise or purchase will be used first and foremost to purchase shares at market price. The dilutive effects of OCEANE bonds that are convertible into new shares and/or exchangeable for existing shares are calculated assuming that the bonds will be systematically converted or exchanged for shares (the "if converted method").

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

	2006	**2005**		**2004**	
		Restated	Reported	Restated	Reported
Net income (in millions of euros)	**241**	**163**	**108**	**92**	**58**
Impact on interest expense (OCEANE bonds)	**7**	**5**	**5**	**1**	**1**
Adjusted net income (in millions of euros)	**248**	**168**	**113**	**93**	**59**
Average number of shares outstanding	23,529,530	21,146,263	21,146,263	20,946,828	20,946,828
Average number of OCEANE bonds	3,463,868	3,552,632	3,552,632	1,650,130	1,650,130
Average number of stock options	794,369	712,570	712,570	567,304	567,304
Average number of diluted shares	27,787,767	25,411,465	25,411,465	23,164,262	23,164,262
Net income from continuing operations per share (in euros)					
- basic earnings per share	10.44	9.90	7.30	4.15	2.53
- diluted earnings per share	9.09	8.52	6.36	3.80	2.33
Net income from discontinued operations (in euros)					
- basic earnings per share	(0.19)	(2.18)	(2.18)	0.24	0.24
- diluted earnings per share	(0.16)	(1.89)	(1.89)	0.22	0.22
Net income per share attributable to equity holders of the Company					
- basic earnings per share	10.25	7.73	5.12	4.39	2.77
- diluted earnings per share	8.93	6.63	4.46	4.02	2.55

Note 11 Goodwill

	Gross	Impairment losses	Carrying amount
January 1, 2004	**23**	**-**	**23**
Business combinations	57	-	57
Disposals	-	-	-
Impairment losses	-	-	-
Translation adjustments	(4)	-	(4)
Other movements *	1	-	1
December 31, 2004	**77**	**-**	**77**
First-time adoption of IAS 32 and 39 **	3	-	3
Change related to core exposure ***	0	(6)	(6)
Business combinations	0	-	0
Disposals	-	-	-
Impairment losses	-	-	-
Translation adjustments	10	-	10
Other movements *	(2)	-	(2)
December 31, 2005 restated * **	**88**	**(6)**	**82**
Business combinations	191	-	191
Disposals	-	-	-
Impairment losses	-	(19)	(19)
Translation adjustments	(5)	2	(3)
Other movements *	2	-	2
December 31, 2006	**276**	**(23)**	**253**

** of which classification as assets and groups of assets held for sale (IFRS 5).*
*** put options granted to minority shareholders in the Liban Câbles Group (see Note 19.e)*
**** see Note 1.b*

During 2006, additional goodwill recorded in the financial statements arose from the following transactions (see Note 2):
- The December 1, 2006 acquisition of the Australian group Olex – Australasia's cable industry leader – for around 310 million euros; goodwill amounted to 184 million euros but may need to be adjusted in the 12 months following the acquisition;
- The takeover of the Confecta Group in January 2006, generating goodwill of 8 million euros.

Other changes mainly stem from translation adjustments.

During 2005, apart from the impact of translation adjustments, the main change in goodwill was due to the inclusion of the put option granted to minority shareholders in the Liban Câbles Group in connection with the first-time adoption of IAS 32 and IAS 39.

During 2004, additional recognized goodwill related to the takeover of the Liban Câbles Group, the purchase of the Italian company Cabloswiss and the Group's purchase of an additional interest in the Belgian company Euromold.

Goodwill is tested for impairment at least once a year and whenever there is an indication that it may be impaired, using the methods and assumptions described in Notes 1.l, 1.o and 7.

During 2006, the increase in capital employed as a result of the rise in non-ferrous metal prices resulted in the recognition of 19 million euros in goodwill impairment losses, mainly relating to Liban Câbles.

In the restated 2005 financial statements, additional goodwill impairment losses were recognized in relation to Nexans Inc and Nexans Brazil (see Note 7).

Information on acquisitions and disposals carried out during 2006, 2005 and 2004:

	Acquisitions			Disposals		
in millions of euros	**2006**	**2005**	**2004**	**2006**	**2005**	**2004**
Acquisition / sale price	393	2	47	201	84	-
Including portion paid / received in cash and cash equivalents	393	2	47	201	84	-
Purchase price excluding the purchase of minority interests	347					
Assets						
Non-current assets	86	1	18	27	30	-
Inventories	71	2	13	20	39	-
Receivables	56	5	15	25	116	-
Cash and cash equivalents	18	0	4	4	2	-
Other assets	6	0	2	-	-	-
Liabilities						
Provisions	15	1	2	0	14	-
Financial debt	20	2	29	(16)	37	-
Other liabilities	38	3	16	33	81	-
Net assets acquired / disposed of (including minority interests)	163	3	4	57	54	0
Minority interest in net assets acquired	(11)	0	(3)			
Net attributable assets at the balance sheet date	**152**	**3**	**1**			

Note 12 Property, plant and equipment

a) Change in property, plant and equipment, gross

	Gross value				
in millions of euros	Land	Buildings	Plant, equipment and machinery	Other	Total
January 1, 2004 reported	**69**	**636**	**1,870**	**440**	**3,016**
Reclassification of core exposure as inventory **				(145)	**(145)**
January 1, 2004 restated	**69**	**636**	**1,870**	**296**	**2,871**
Acquisitions	0	12	36	51	99
Disposals	(8)	(24)	(64)	(14)	(110)
Business combinations	3	4	17	0	24
Translation adjustments	1	1	(6)	(1)	(5)
Other movements *	(2)	(13)	(164)	(85)	(264)
December 31, 2004 reported	**62**	**616**	**1,689**	**392**	**2,759**
Reclassification of core exposure as inventory **				(137)	**(137)**
December 31, 2004 restated **	**62**	**616**	**1,689**	**255**	**2,622**
Acquisitions	0	6	51	68	125
Disposals	(0)	(2)	(47)	(16)	(65)
Business combinations	0	(5)	1	(2)	(6)
Translation adjustments	4	17	61	13	94
Other movements *	(11)	(46)	27	(51)	(82)
December 31, 2005 reported	**55**	**585**	**1,781**	**404**	**2,825**
Reclassification of core exposure as inventory **				(142)	**(142)**
December 31, 2005 restated **	**55**	**585**	**1,781**	**262**	**2,683**
Acquisitions	1	11	40	114	166
Disposals	(1)	(5)	(53)	(11)	(71)
Business combinations	3	21	125	6	155
Translation adjustments	(1)	(9)	(33)	(5)	(50)
Other movements *	(0)	4	(30)	(53)	(79)
December 31, 2006	**56**	**607**	**1,830**	**312**	**2,804**

** including classification as assets and groups of assets held for sale (IFRS 5).*

*** see Note 1.b*

Property, plant and equipment acquired under finance leases and long-term leases account for less than 1% of total property, plant and equipment.

b) Change in depreciation and impairment of property, plant and equipment

	Depreciation and impairment				
in millions of euros	**Land**	**Buildings**	**Plant, equipment and machinery**	**Other ****	**Total**
January 1, 2004	**8**	**429**	**1,407**	**215**	**2,059**
Depreciation charge	0	18	63	12	93
Impairment losses	-	-	-	-	-
Reversals of impairment losses	-	-	(2)	-	(2)
Write-offs	(0)	(21)	(23)	(12)	(56)
Business combinations	-	-	-	-	-
Translation adjustments	(0)	1	(2)	(0)	(2)
Other movements *	1	1	(228)	(33)	(258)
December 31, 2004	**9**	**429**	**1,215**	**181**	**1,834**
Depreciation charge	0	19	70	10	99
Impairment losses	-	7	7	-	14
Reversal of impairment losses	(0)	(0)	(7)	-	(7)
Write-offs	(0)	(0)	(35)	(8)	(43)
Business combinations	(0)	(3)	(2)	(2)	(7)
Translation adjustments	0	8	36	4	48
Other movements *	(0)	(44)	(6)	(5)	(55)
December 31, 2005 reported	**9**	**415**	**1,278**	**180**	**1,883**
Change relating to recognition on non ferrous metal inventory (core exposure) **			**22**		**22**
December 31, 2005 restated	**9**	**415**	**1,300**	**180**	**1,905**
Depreciation charge	0	17	66	8	91
Impairment losses **	-	-	106	-	106
Reversals of impairment losses **	-	-	(23)	-	(23)
Write-offs	(0)	(4)	(36)	(9)	(49)
Business combinations	-	5	59	1	65
Translation adjustments	0	(6)	(24)	(3)	(33)
Other movements *	(0)	(9)	(93)	30	(72)
December 31, 2006	**8**	**419**	**1,354**	**208**	**1,989**

** including classification as assets and groups of assets held for sale (IFRS 5).*

*** see Note 1.b and Note 7*

c) Other information

Firm commitments to purchase property, plant and equipment amounted to 20 million euros at December 31, 2006 (10 million euros and 4 million euros at December 31, 2005 and 2004, respectively).

Note 13 Investments in associates – summary financial data

a) Equity value

in millions of euros	*Percentage of ownership*	**2006**	**2005**	**2004**
Essex Nexans	40%	22	17	-
Other		-	1	1
Total		**22**	**18**	**1**

The Essex Nexans shares gave rise to a commitment to sell, exercisable at a price close to the equity value from October 21, 2006.

b) Financial elements related to associates

Condensed balance sheet

in millions of euros	**2006**	**2005**	**2004**
Property, plant and equipment	20	31	2
Working capital requirement	68	61	2
Other	(4)	(7)	0
Total capital employed	**85**	**85**	**4**
Net financial debt	30	40	(0)
Equity	55	45	4
Total financing	**85**	**85**	**4**

Condensed income statement

in millions of euros	**2006**	**2005**	**2004**
Sales at current metal prices	509	45	5
Operating margin	14	(0)	(0)
Net income	9	(1)	(0)

** These elements include the estimated accounts of Essex Nexans at December 31, 2006 (the final accounts were not available at the date Nexans financial statements were approved by the Board of Directors). For 2005, the condensed income statement covers the period from October 21 to December 31, 2005 (see Note 8).*

Note 14 Other non-current financial assets

in millions of euros	**2006**	**2005**	**2004**
Long-term loans and receivables	25	16	2
Available-for-sale securities	16	22	16
Other	9	17	17
Total	**50**	**56**	**35**

Loans and receivables include a subordinated loan to the company Essex Nexans Lacroix & Kress for an amount of 11.3 million euros, bearing interest at 8.97%. The loan was granted in 2005 as part of the sale of Nexans' winding wires business to the company Superior Essex.

The maturity schedule for these financial assets is presented below:

in millions of euros	2006			
	Carrying amount	**< 1 year**	**1 to 5 years**	**> 5 years**
Long-term loans and receivables	25	13	12	-
Available-for-sale securities	16	16	0	-
Other	9	4	5	-
Total	**50**	**33**	**17**	**-**

The fair value of these financial assets is identical to their carrying amount.

Note 15 Inventories and work in progress

in millions of euros	**2006**	**2005**		**2004**	
		Restated *	**Reported**	**Restated ***	**Reported**
Raw materials and supplies	793	371	228	275	178
Industrial work in progress	186	180	125	129	91
Finished products	349	324	210	309	231
Net value	**1,328**	**874**	**563**	**713**	**500**

** See Note 1.b*

Note 16 Trade receivables

Certain receivables were sold to a bank for an amount of 124 million euros at December 31, 2006 (135 million euros and 130 million euros at December 31, 2005 and 2004, respectively). However, the terms of this sale do not qualify for derecognition according to the provisions of IAS 39. At December 31, 2004, these receivables were removed from assets as IAS 32 and 39 were not applied until January 1, 2005.

in millions of euros	**2006**	**2005**	**2004 after IAS 32-39**	**2004**
Gross value	1,313	1,147	879	749
Depreciation	(41)	(42)	(43)	(43)
Net value	**1,272**	**1,105**	**836**	**706**

Note 17 Other current financial assets

in millions of euros	**2006**	**2005**	**2004 after IAS 32-39**	**2004**
Advances and progress payments	10	7	6	6
Prepaid expenses	9	2	2	2
Derivative instruments	27	47	15	-
Other operating receivables	28	64	32	32
Other non-operating receivables	26	14	5	5
Other	6	23	9	11
Gross value	**106**	**156**	**68**	**56**
Depreciation	**(1)**	**(1)**	**(1)**	**(1)**
Net value	**105**	**155**	**67**	**55**

The line "Other current financial assets" includes other current receivables; derivative instruments correspond to foreign exchange derivatives and non-ferrous metals forward contracts whose fair value represents an unrealized gain (see Note 25).
The fair value of the items recorded at amortized cost is identical to their carrying amount.

Note 18 Cash and cash equivalents

in millions of euros	**2006**	**2005**	**2004 after IAS 32-39**	**2004**
Cash on hand	287	12	22	22
Commercial paper	-	105	99	99
Certificates of deposit	-	-	-	-
Total cash and cash equivalents	**287**	**117**	**121**	**121**

In addition to cash on hand, the line "cash and cash equivalents" consists primarily of commercial paper. The amortized cost of these securities is equal to their carrying amount.

Note 19 Equity

a) Composition of capital stock

Nexans' capital stock comprises 25,264,955 fully paid-up shares (23,507,322 shares at December 31, 2005), with a par value of 1 euro each, of which 279,240 shares carry double voting rights, bringing the number of voting rights to 25,544,195.

b) Dividends

At the Ordinary Annual Shareholders' Meeting, shareholders will be invited to approve the payment of a 1.20 euro dividend per share. If approved, the aggregate amount of dividends payable would be 30,317,946 euros based on capital stock comprising 25,264,955 shares at December 31, 2006.
In the event that Nexans holds treasury stock at the time the dividend is paid out, the amount corresponding to unpaid dividends on these shares shall be appropriated to retained earnings. The total amount of the dividend could be increased in order to reflect the number of additional shares that may be issued between January 1, 2007 and the date of the Annual Shareholders' Meeting, following, fro instance, the exercise of stock options.
The Ordinary Annual Shareholders' Meeting held on May 15, 2006 to approve the financial statements for the year ended December 31, 2005 authorized the payment of a dividend of 1 euro per share, which was paid on May 19, 2006.
The Ordinary Annual Shareholders' Meeting held on June 2, 2005 to approve the financial statements for the year ended December 31, 2004 authorized the payment of a dividend of 0.50 euro per share paid out on June 7, 2005.

c) Treasury stock

Following the cancellation of all the 2,221,199 treasury shares held at December 31, 2005, Nexans no longer held any of its shares at December 31, 2006. As these shares were deducted from equity at the previous balance sheet date, their cancellation had no impact on income or on total equity.

d) Stock options

At December 31, 2006, there were 1,462,775 stock options outstanding, each entitling the holder to subscribe to one share, *i.e.* 5.8% of the capital stock (1,498,650 options at December 31, 2005, entitling subscription of 6.4% of the capital stock). These options can be analyzed as follows:

Features of the plan:

Grant date	Number of options originally granted	Number of options outstanding at year-end	Exercise price (in euros)	Exercise period
November 16, 2001	531,500	36,650	17.45	From November 16, 2002 (vested at 25% per year) to November 15, 2009
January 18, 2002	5,000	-	16.70	From January 18, 2003 (vested at 25% per year) to January 17, 2010
March 13, 2002	8,000	-	19.94	From March 13, 2003 (vested at 25% per year) to March 12, 2010
April 4, 2003	644,500	359,675	11.62	From April 4, 2004 (vested at 25% per year) to April 3, 2011
November 16, 2004	403,000	391,500	27.82	From November 16, 2005 (vested at 25% per year) to November 15, 2012
November 23, 2005	344,000	331,950	40.13	From November 23, 2006 (vested at 25% per year) to November 22, 2013
November 23, 2006	343,000	343,000	76.09	From November 23, 2007 (vested at 25% per year) to November 22, 2014
Total	**2,279,000**	**1,462,775**		

Changes in the number of options outstanding

	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	**1,498,650**	**23.29**
Options granted during the year	343,000	76.09
Options cancelled during the year	-	-
Options exercised during the year	(378,875)	15.52
Options expired during the year	-	-
Options outstanding at the year-end	**1,462,775**	**37.69**
Including options exercisable at the year-end	508,150	22.25

Valuation of options

The assumptions applied to value the options impacting income for the period are as follows:

Grant date	Nov. 23, 2006	Nov. 23, 2005	Nov. 16, 2004	April 4, 2003
Share price upon grant (in euros)	76.09	40.13	27.82	11.62
Average estimated life of the options	5.75 years	5 years	5 years	5 years
Volatility (in %)	30.00%	33.00%	35.00%	35.00%
Risk-free interest rate (%)	3.70%	3.04%	3.44%	3.54%
Dividend rate (%)	1.50%	1.50%	1.60%	2.00%
Fair value of the option (in euros)	22.79	11.75	8.65	3.49

Options granted prior to November 7, 2002 and which had not vested at January 1, 2005 were not valued and remain unrecognized. The first tranche of the plan dated April 4, 2003 does not fall within the scope of IFRS 2, since the rights were fully vested prior to January 1, 2005.
The estimated life of options is determined specifically taking into account tax law applicable to option beneficiaries. The volatility considered was determined by reference to the historic volatility of Nexans' share over the last 3 years. The options vest by tranche one quarter at a time over four years from the grant date.
The fair value of the options is recorded as a payroll expense on a straight-line basis from the grant date to the end of the vesting period, with a direct offsetting entry in shareholders equity. For 2006, a 3.4 million euros expense was recognized on the IFRS income statement (2.4 million euros in 2005 and 0.8 million euros in 2004).

e) Put options granted to minority shareholders

Nexans' commitment to buy the shares of minority shareholders in the Liban Câbles group (representing 7% of the capital stock) is considered as a financial liability under IAS 32. This put is recognized under debt in the amount of 4 million euros, the offsetting entry being the minority interest line in the amount of 1 million euros. The 3 million euro balance is recognized as goodwill. This was partially impaired at December 31, 2006 (see Note 7).

f) Equity component of the OCEANE bonds

Under IAS 32, the portion of the OCEANE bonds issued in July 2006 that corresponds to the value of the option is included in equity for an amount of 34 million euros.

Note 20 Pensions and other post-employment benefit obligations

There are a large number of retirement schemes in place within the Group. In France, each Group employee is eligible for the statutory retirement scheme and statutory retirement bonus paid by the employer. In other countries, retirement schemes are subject to local legislation, and to the business and historical practices of the subsidiary concerned.
Actuarial assumptions are applied to defined benefit schemes, with basic assumptions applied to each country and specific assumptions applied on an individual company basis, such as staff turnover rate and estimated future increases in salary. The assumptions used for 2006, 2005 and 2004 are set out in the table below, with the average weighted rates split out by geographical area.

	Discount rate	Estimated future increase in salary	Expected long-term return on plan assets
2006			
France	4.50%	2.50%	4.50%
Germany	4.50%	2.25%	4.58%
Other European countries	3.51%	2.38%	4.25%
North America	5.11%	4.15%	7.00%
Asia-Pacific	4.85%	5.56%	5.06%
2005			
France	4.25%	2.50%	4.50%
Germany	4.25%	2.13%	4.75%
Other European countries	3.40%	2.33%	4.02%
North America	5.16%	4.00%	7.00%
Asia-Pacific	4.97%	3.97%	3.75%
2004			
France	4.75%	2.25%	5.25%
Germany	4.75%	2.25%	4.75%
Other European countries	3.92%	2.47%	4.61%
North America	5.96%	4.00%	7.00%
Asia-Pacific	4.97%	3.36%	2.50%

The discount rates applied were determined by reference to market yields on high-quality corporate bonds. In those countries where there is no deep market in such bonds, the market yields on government bonds were used. The term of the corporate bonds or government bonds is consistent with the term of the relevant retirement scheme.

The expected long-term return on plan assets was estimated by reference to the composition of the portfolio and the maturity of the assets.

The related annual expense and provisions can be analyzed as follows:

in millions of euros		**2006**	**2005**	**2004**
Retirement costs for the period				
Service cost		(17)	(20)	(18)
Interest cost		(32)	(35)	(36)
Expected return on plan assets		18	19	18
Past service cost		(2)	(1)	(0)
Amortization of actuarial gains and losses		(1)	0	-
Effect of curtailments and settlements		0	0	-
Supplementary retirement benefits		1	(1)	-
Impact of asset ceiling		-	-	-
Net cost for the period		**(32)**	**(38)**	**(36)**
Of which:	Operating costs	(18)	(21)	(18)
	Financial costs	(14)	(17)	(18)

Valuation of benefit obligation			
Present value of benefit obligation at January 1	**863**	**822**	**772**
Service cost	17	20	18
Interest cost	32	35	36
Employee contributions	2	4	7
Amendments	1	1	-
Acquisitions and disposals (change in scope)	(79)	(19)	-
Curtailments and settlements	(5)	(1)	-
Benefits paid	(46)	(54)	(51)
Actuarial (gains)/losses	12	36	37
Other (translation adjustments)	(23)	19	3
Present value of benefit obligations at December 31	**775**	**863**	**822**

Plan assets			
Fair value of plan assets at January 1	**464**	**423**	**401**
Expected return on plan assets	18	19	18
Actuarial gains/(losses)	4	21	2
Employer contributions	23	23	19
Employee contributions	2	4	7
Acquisitions and disposals (change in scope)	(79)	(12)	-
Settlements	(4)	0	0
Benefits paid	(22)	(27)	(26)
Other (translation adjustments)	(19)	14	3
Fair value of plan assets at December 31	**387**	**464**	**423**

(to be continued)

in millions of euros	**2006**	**2005**	**2004**
Funded status			
Present value of benefit obligations that are wholly or partially funded	(444)	(501)	(464)
Fair value of plan assets	387	464	423
Funded status of benefit obligations	**(57)**	**(37)**	**(41)**
Present value of unfunded benefit obligations	(331)	(362)	(358)
Benefit obligations net of plan assets	**(388)**	**(399)**	**(399)**
Unrecognized actuarial (gains)/losses	51	45	29
Unrecognized past service cost	1	1	1
Unrecognized surplus (due to limit on assets)	-	-	-
Net provision recognized	**(336)**	**(353)**	**(370)**

Change in provisions			
Net provision recognized at January 1	**353**	**370**	**372**
Expense/(income) recognized in the income statement	32	38	36
Utilization	(47)	(50)	(43)
Other impacts (translation adjustments, acquisitions / disposals, etc.)	(2)	(5)	5
Net provision recognized at December 31 *	**336**	**353**	**370**
** of which amount related to discontinued operations*	*0*	-	*7*

Actuarial gains and losses generated on the benefit obligation can be analyzed as follows:

in millions of euros	**2006**
Analysis of actuarial gains and losses on the benefit obligation	
(Gains)/losses generated over the period	**12**
(Gains)/losses on plan amendments	**0**
Discount rate	2
Salary increase	3
Mortality	(0)
Staff turnover	(1)
Other	1
Total (gains)/losses from changes in assumptions	**6**
(Gains)/losses from experience adjustments	9
Other	(3)

The plan assets portfolio breaks down as follows:

	2006		**2005**		**2004**	
	in millions of euros	%	in millions of euros	%	in millions of euros	%
Equities	135	*35%*	142	*31%*	127	*30%*
Bonds and other fixed income	191	*49%*	220	*47%*	209	*49%*
Real estate	30	*8%*	42	*9%*	36	*8%*
Cash	16	*4%*	26	*6%*	27	*6%*
Other	14	*4%*	35	*7%*	24	*6%*
Fair value of plan assets at December 31	**387**	*100%*	**464**	*100%*	**423**	*100%*

Other retirement schemes for which the Group's employees are eligible correspond to defined contribution plans for which the Group has no obligations beyond the payment of the contributions, which are expensed as incurred. The amount of contributions paid for these plans in 2006 was 6 million euros, on a par with the previous year.

Note 21 Provisions

a) Analysis by nature

in millions of euros	**2006**	**2005**	**2004**
Accrued contract costs	57	48	51
Restructuring provisions	44	30	38
Other provisions	32	19	19
Total	**133**	**97**	**108**
Of which short-term	97	83	91
Of which long-term	36	14	18

Changes in these provisions were as follows:

					Impact on the income statement (net of incurred expenses)		
in millions of euros	**TOTAL**	Accrued contract costs	Restructuring provisions	Other provi-sions	Op. margin	Finan-cial	Other
January 1, 2004	**123**	**43**	**40**	**40**			
Additions	64	26	36	3	(28)	-	(36)
Reversals (provisions used)	(44)	(6)	(34)	(3)			
Reversals (surplus provisions)	(28)	(10)	(0)	(18)	28	-	0
Business combinations	0	-	-	0			
Other (1)	(7)	(1)	(3)	(3)			
December 31, 2004	**108**	**51**	**38**	**19**	**0**	**-**	**(36)**
Additions	52	20	27	5	(25)	-	(27)
Reversals (provisions used)	(38)	(5)	(31)	(2)			
Reversals (surplus provisions)	(24)	(16)	(3)	(4)	21	-	3
Business combinations	(3)	(1)	-	(2)			
Other (1)	1	(1)	(1)	3			
December 31, 2005	**97**	**48**	**30**	**19**	**(4)**	**-**	**(24)**
Additions	88	33	51	5	(37)	-	(51)
Reversals (provisions used)	(51)	(8)	(40)	(2)			
Reversals (surplus provisions)	(25)	(19)	(3)	(3)	23	-	3
Business combinations	15	1	-	13			
Other (1)	9	2	5	2			
December 31, 2006	**133**	**57**	**44**	**32**	**(15)**	**-**	**(48)**

(1) including classification as liabilities related to groups of assets held for sale (IFRS 5)

Accrued contract costs relate primarily to provisions set up by the Group as part of the Group's contractual responsibilities, and in particular warranties, contract losses and penalties relating to commercial contracts (see Note 28 on contingent liabilities and disputes).
Surplus provisions are reversed when the risks no longer exist or if they have been settled for a lower amount than the estimate based on information available at the prior balance sheet date (including provisions for expired warranties).

b) Analysis of restructuring costs

Restructuring costs incurred largely concern the closure of 3 plants affecting 123 employees at the Opglabbeek site (Belgium), 93 employees at the Abbey Wood site (United Kingdom) and 34 employees at the TLM site in Marseille. Other smaller plans were implemented to cut capacity in particular in Italy, France, Germany and Spain.
During 2005, restructuring costs for which provisions were accrued primarily related to staff reductions in Germany, France, the United Kingdom, Italy and Spain.
Restructuring costs in 2004 mainly concerned staff reductions in Germany, Italy, Spain, France and the United States.

Note 22 Net financial debt

a) Analysis by nature

in millions of euros	**Dec. 31, 2006**	**Dec. 31, 2005**	**Jan.1, 2005 After IAS 32-39**	**Dec. 31, 2004**
OCEANE convertible bonds	247	117	116	135
Other borrowings	7	5	14	10
Short-term bank loans and overdrafts	665	369	286	156
Gross financial debt	**919**	**491**	**416**	**301**
Cash and cash equivalents	287	117	121	121
(Cash)/Net financial debt	**632**	**374**	**295**	**180**

b) Change in net debt

in millions of euros	**2006**	**2005**	**2004**
Net (debt)/cash at beginning of the year	**(374)**	**(180)**	**(23)**
Impact of IAS 32-39		(115)	-
Net increase (decrease) in total cash	**(263)**	**(80)**	**(166)**
Impact of discontinued operations (IFRS 5)	5	1	9
Net (debt)/cash at year-end	**(632)**	**(374)**	**(180)**

c) OCEANE bonds

On June 16, 2006, Nexans redeemed in advance the OCEANE convertible/exchangeable bonds issued in July 2004. Substantially all of the OCEANE bondholders exercised their option to receive shares, at a ratio of one Nexans share per OCEANE bond. A total of 3,534,160 OCEANE bonds were therefore converted into shares, with the remaining 18,472 being redeemed at their nominal value of 38 euros.
The conversion of the OCEANE bonds resulted in a 110 million euro reduction in consolidated debt (taking into account the 1.8 euro adjustment payment made per bond to OCEANE bondholders) and a 117 million euro increase in consolidated equity.
On July 7, 2006, Nexans carried out another OCEANE bond issue for an aggregate nominal amount of 280 million euros. The debt comprises 3,794,037 bonds, each with a nominal value of 73.8 euros, bearing interest of 1.5% and redeemable at a price of 85.76 euros on January 1, 2013. In accordance with IAS 32, the portion of the OCEANE bonds relating to the value of the option is included in equity, in the amount of 34 million euros.

Balance sheet

in millions of euros	Dec. 31, 2006	Dec. 31, 2005	Jan. 1, 2005 After IAS 32-39	Dec. 31, 2004
Equity component (reserves) *	**34**	**18**	**18**	**-**
Convertible bond (liability component) *	247	117	116	135
Accrued interest	7	4	2	2
Financial liability	**254**	**121**	**118**	**137**

Income statement

in millions of euros	2006 **	2005	2004 after IAS 32-39	2004
Contractual interest paid	(4)	(4)	(2)	(2)
Additional interest calculated at rate excluding the option *	(7)	(4)	(2)	-
Total financial expense	**(11)**	**(8)**	**(4)**	**(2)**

** See Note 1.bb*
*** Of which costs relating to the OCEANE bonds issued in 2004 and redeemed in June 2006: 2 million euros in interest paid and 2 million euros in additional interest calculated at a rate excluding the option.*

d) Analysis by currency and interest rate

Long-term debt

	Weighted average EIR* (%)			in millions of euros		
	2006	**2005**	**2004 ****	**2006**	**2005**	**2004 ****
Euro (OCEANE bonds)	6.23	6.56	3.13	247	116	135
Euro (excluding OCEANE bonds)	5.28	4.51	4.30	7	4	6
US dollar	-	5.35	4.50	-	2	4
Other	-	-	15.30	-	0	1
Total	**6.20**	**6.46**	**3.27**	**254**	**122**	**145**

** Effective interest rate*
*** Prior to the application of IAS 32-39 at January 1, 2005*

Short-term debt

	Weighted average EIR* (%)			in millions of euros		
	2006	**2005**	**2004**	**2006**	**2005**	**2004**
Euro	3.89	2.60	2.64	578	320	123
US dollar **	5.91	5.28	3.58	28	7	9
Other	5.78	5.92	9.48	59	42	25
Total	**4.14**	**3.03**	**3.77**	**665**	**369**	**156**

** Effective interest rate*
*** The U.S. dollar debt concerns subsidiaries located at the Middle East and Asia.*

The Group's medium and long-term debt is at fixed interest rates.
All of the Group’s short-term debt is at a variable rate based on monetary indices (see Note 24a).

e) Other information

At December 31, 2006, Nexans and its subsidiaries had 580 million euros in confirmed credit lines, expiring in 5 years (from October 2006). These lines – of which 330 million euros had been drawn down at December 31, 2006 – may be renewed for up to one year.

The syndicated loan agreement is subject to standard covenants (negative pledge, pari-passu, cross default) and financial ratio covenants (net debt/EBITDA < 2.95, and net debt/equity including minority interests < 1.15). At December 31, 2006, and at the date the Board of Directors approved the financial statements, these ratios were well within the specified limits.
If these covenants are not complied with, the undrawn portion of the lines would become unavailable and any borrowing authorizations given would be revoked, either immediately or after 30 days depending on the nature of the covenant.

f) Fair value of gross debt

The Group's fixed-rate debt primarily comprises the liability component of the OCEANE bonds, whose fair value at December 31, 2006 was 247 million euros for a carrying amount of 246 million euros.

g) Collateral granted

Collateral granted by the Group to secure borrowings amounted to 11 million euros at December 31, 2006 (15 million euros at December 31, 2005 and 26 million euros at December 31, 2004).

Note 23 Other current financial liabilities

in millions of euros	**2006**	**2005**	**2004 after IAS 32-39**	**2004**
Derivative instruments	12	9	4	-
Other operating liabilities	214	235	204	204
Other non-operating liabilities	58	59	39	44
Other	6	5	5	5
Total	**290**	**308**	**252**	**253**

"Other current financial liabilities" includes other operating and non-operating liabilities; derivative instruments correspond to foreign exchange derivatives and non-ferrous metals forward contracts whose fair value represents an unrealized loss (see Note 25).
The fair value of these financial liabilities is identical to their carrying amount.

Note 24 Financial risks

The Group Treasury and Metals Department centralizes foreign exchange and interest rate risk management as well as cash management for subsidiaries located in countries where regulations so permit. A centralized cash management system which pools subsidiaries' liquid resources optimizes the use of these resources as subsidiaries' credit balances in the main currencies are transferred to the parent company's central cash pooling accounts.
The key subsidiaries that do not have access to the centralized cash management system are located in Turkey, Lebanon, Egypt, Morocco, China, South Korea, Vietnam and Brazil. These subsidiaries, which have their own banking relationships, are nevertheless subject to Group procedures in respect of their choice of banks as well as the management of foreign exchange and interest rate risks and the hedging of their non-ferrous metal risks.
The Group's Financing Department, which is part of the Finance Department, is responsible for all issues relating to the management of liquidity, foreign exchange and interest rate risks. The non-ferrous metal risk management policy is defined and controlled by the Group Treasury and Metals Department and implemented by the subsidiaries buying copper and aluminum.

a) Interest rate risk

Nexans pays close attention to the trend of interest rates in order to set up – where appropriate – suitable hedging instruments.
At December 31, 2006, Nexans did not have any interest rate hedges.

In millions of euros	**Overnight to 1 year**	**1 to 5 years**	**> 5 years**
Financial assets	288	-	-
Financial liabilities	677	2	247
Net position before hedging	(389)	(2)	(247)
Hedging (off-balance sheet)	-	-	-
Net position after hedging	(389)	(2)	(247)

The Group's short-term debt is variable rate based on monetary indices (EONIA, Euribor or Libor). The Group's medium and long-term debt is fixed rate and largely comprises OCEANE bonds.
At December 31, 2006, the net amount scheduled for refinancing in under a year was 389 million euros for Nexans and its subsidiaries including the sale of receivables. If interest rates were to vary by 1% the interest expense would therefore vary by 3.9 million euros over a year.

b) Foreign exchange risk

Nexans hedges its exchange rate risk related to foreseeable contractual trade cash flows and certain budgeted cash flows. The foreign exchange transactions arising from this hedging may result in certain positions being kept open. Where this happens, these positions are limited in terms of the amounts and periods involved. At the balance sheet date, Nexans had no material unhedged foreign exchange positions.
Exchange rate risk is identified at the level of the Group's operating subsidiaries. The treasurers of the subsidiaries hedge the risk by executing forward exchange rate transactions, with Group Treasury for the centralized subsidiaries, or with their local banks for the other subsidiaries. The table below, which shows the foreign exchange risk of Nexans' Central Treasury, includes all forward currency transactions that had not expired at December 31, 2006. These transactions are carried out on behalf of the centralized subsidiaries that do all of their hedging internally. These subsidiaries accounted for 87% of Group sales in 2006.

In millions of euros	**USD**	**NOK**	**Other**
Assets	401	424	101
Liabilities	505	134	509
Net position before hedging	(104)	290	(407)
Hedging (off-balance sheet)	104	(290)	407
Net position after hedging	-	-	-

Excluding Turkey, Lebanon, Egypt, Morocco, China, South Korea, Vietnam and Brazil

Application of the foreign exchange risk procedures is controlled through monthly updates sent to Central Treasury by all subsidiaries exposed to this risk, reporting in detail on their definite and estimated flows for each currency and the hedging in place. While the hedging of risks relating to definite flows eliminates foreign exchange risk, the hedging of risks relating to estimated flows is by its nature imperfect because the hedged flow may not arise or may differ from the estimated amount.
A program of controls by Central Treasury in the subsidiaries enables regular checks to be carried out to ensure that the procedures have been properly understood and implemented. Lastly, during its visits to the Group's subsidiaries, internal audit systematically reviews the application of the procedures relating to the identification and hedging of foreign exchange risks.
Some bids are made in currencies other than that in which the entity operates. The foreign exchange risk relating to these bids is not systematically hedged, which can give rise to a cost for the Group should there be a change between the time the bid is made and its acceptance by the customer.

c) Metal price risk

Although copper and aluminum prices are particularly volatile, Nexans believes that its operating margin is only slightly exposed to these changes in prices, due to the dual effect of passing on any rise in non-ferrous metal prices to customers and the implementation of forward hedges on the regulated metals markets.

To offset the risks stemming from the volatility of non-ferrous metal prices (copper and aluminum), Nexans firstly passes on the metal prices on the day of the order in its pricing and secondly carries out an actual hedge at the same price or via hedges on the LME: with regard to this twin mechanism, Nexans does not make any income of a speculative nature on metals, which is what the operating margin measures, a sign of the cash flow neutrality of this hedging mechanism.

In order for the mechanism to work properly, the units must thus have a permanent metal inventory – its own inventory referred to as core exposure. This core exposure represents the minimum amounts that are necessary for the production units to operate appropriately and is not intended to be sold off. As a result, it is not hedged. The decision to reclassify this non-current asset recognized at historic cost in inventory and recognize it at its weighted average cost (see Note 1.b) means that the value of the core exposure will now be exposed to fluctuations in copper and aluminum prices. This accounting and non-cash impact is recorded below operating margin. The net impact on operating income will be limited given the presence of the “natural” hedging mechanism via impairment, in line with the mechanism described in Note 1.b.

Nexans’ margins may be exposed to changes in copper prices in some product lines, such as copper cables for cabling systems and building market products. In these markets, any increases are generally passed on in the selling price, but with a time lag that can place a certain amount of pressure on margins. The keen competition in these markets can also affect the timescale within which the increase is passed on. As with foreign exchange risk, the risk of fluctuations in copper and other metal prices is not systematically hedged when making bids.

However, fluctuations in copper and aluminum prices have a significant impact in terms of financing needs, since a rise in copper prices implies an increase in working capital requirement. Prices have fluctuated significantly over the past five years. In 2006, copper prices increased very sharply over the first few months of the year, rising from USD 4,537 at the start of January to USD 8,788, a historic high, on May 12, representing an increase of over 93% in less than five months. In the second half of the year, copper prices fell, ending the year at USD 6,290, representing an increase of some 39% over the full year. In euro terms, the rise was limited to 25% over the year when account is taken of the fall in the dollar against the euro between the start and end of the year, but from January to May the increase in euro terms nevertheless amounted to 78%.

This increase generated an additional financing need of some 270 million euros for the Group.

Finally, despite its stringent criteria for selecting partners with which it works on the LME, and the prudential rules to which these partners are subject, Nexans may be exposed to counterparty risk in the context of forward contracts entered into on the LME.

d) Sensitivity analysis for 2006

Impact of a 50 basis point rise in interest rates (excluding spread) on the Group’s annual financial expenses:

	Rate assumptions (3 month variable)	Average debt assumption as to (in millions of currency of euros)	Impact of a 50 basis point delta on the Group’s financial expenses (in millions of euros)
Euro	3.77%	500	2.5
US dollar	4.90%	140	0.7

Impact of a 100 euro rise in copper prices on the Group's annual financial expenses:	
Average copper price in 2006 (in euros per metric ton)	5,335
Copper content of trade receivables in the Group's balance sheet (in metric tons):	120,000
Financing cost in euros (annual interest rate)	3.80%
Impact on financial expenses (in millions of euros)	0.5

Nexans' hedging policy limits this impact to trade receivables.

e) Credit risk

Counterparty financial risk stems from foreign exchange hedges entered into and hedging transactions in the metal markets.

Foreign exchange derivatives

For all centralized subsidiaries, foreign exchange transactions are carried out with the Central Treasury and Metals Department, which in turn hedges its positions with banks. In order to keep counterparty risk as low as possible, Nexans only authorizes such transactions with banks that have medium to long-term ratings in excess or equal to Standard and Poor's AA– and Moody's Aa3. For subsidiaries that are not centralized, the same criteria apply but exceptions may be made for subsidiaries located in countries with ratings under the specified threshold. In this case, the subsidiaries must carry out transactions involving a counterparty risk with agencies or subsidiaries of banking groups whose parent company satisfies the above risk criteria.

At December 31, 2006, all unexpired currency forward transactions handled by the Central Treasury and Metals Department represented a notional amount of 592 million euros on the buy side and 1,122 million euros on the sell side.
Of the 592 million euro unexpired buy side transactions, 524 million will expire in under a year and the remaining 68 million between one and five years. Of the 1,122 million euro unexpired sell side transactions, 897 million will expire in under a year and the remaining 225 million between one and five years. There are no buy or sell side transactions that expire in over five years.

	Nominal	**Buyer / lender**		
In millions of euros	**amounts**	**< 1 year**	**1 to 5 years**	**> 5 years**
Forward contracts	312	213	65	0
Short-term foreign exchange swaps	315	311	3	0

	Nominal	**Seller / borrower**		
in millions of euros	**amounts**	**< 1 year**	**1 to 5 years**	**> 5 years**
Forward contracts	(391)	(369)	(165)	0
Short-term foreign exchange swaps	(621)	(528)	(60)	0

Metal derivatives

Non-ferrous metal hedging transactions give rise to a counterparty risk when they are carried out on the commodity exchanges. Nexans is active on the LME, COMEX and to a small extent on SHFE and trades in these organized markets to hedge its copper, aluminum and lead risks. Substantially all of the transactions are standard buy and sell trades.
85% of copper contracts expire in under a year, 13% between one and two years and 2% in over two years. 84% of aluminum contracts are for less than one year and all lead contracts expire in under a year.
At December 31, 2006, the Group had long positions in these metals corresponding to 32,259 metric tons of copper, 4,725 metric tons of aluminum and 8,575 metric tons of lead. Their sale on the market would generate income of 9.1 million euros for copper, 0.3 million euros for aluminum and 2.6 million euros for lead.

Note 25 Derivative instruments

a) Fair value

The fair value of derivative instruments used by the Group to hedge foreign exchange rate risk and the risk associated with fluctuations in non-ferrous metal prices is presented in the following table:

in millions of euros	**Dec. 31, 2006**	**Dec. 31, 2005**	**Jan. 1, 2005 After IAS 32-39**
Assets			
Foreign exchange derivatives – Hedging	6	0	6
Metal derivatives – Hedging	8	-	-
Foreign exchange derivatives - Trading	1	2	-
Metal derivatives - Trading	12	44	9
Sub-total assets	**27**	**47**	**15**
Liabilities			
Foreign exchange derivatives – Hedging	3	8	2
Metal derivatives – Hedging	8	-	-
Foreign exchange derivatives - Trading	2	1	2
Metal derivatives - Trading	0	0	-
Sub-total liabilities	**13**	**9**	**4**

These amounts have been included in "Other current financial assets" and "Other current financial liabilities" on the consolidated balance sheet since January 1, 2005.
Derivatives primarily comprise forward purchases and sales.
Substantially the entire amount included in the cash flow hedging reserves at December 31, 2006 will be recognized in income in 2007. The portion of these reserves recycled to income in 2006 represented revenue of 6 million euros.

b) Notional amount

The notional amount of the Group's derivatives contracts breaks down by currency as follows:

	2006					2005	2004
in millions of euros	**USD**	**NOK**	**EUR**	**Other**	**Total**	**Total**	**Total**
Assets							
Foreign exchange derivatives – Cash flow hedge	219	152	-	77	448	253	247
Metal derivatives – Cash flow hedge	12	-	138	-	151		-
Foreign exchange derivatives - Trading	144	0	-	0	144	120	1
Metal derivatives - Trading	56	0	16	13	85	259	-
Sub-total assets	**431**	**152**	**154**	**89**	**827**	**632**	**249**
Liabilities							
Foreign exchange derivatives – Cash flow hedge	337	77	-	667	1,081	502	427
Metal derivatives – Cash flow hedge	19	-	6	-	24	-	-
Foreign exchange derivatives - Trading	8	0	-	33	41	48	-
Metal derivatives - Trading	10	0	0	39	49	10	-
Sub-total liabilities	**374**	**77**	**6**	**739**	**1,196**	**560**	**427**

Note 26 Operating leases

Future minimum payments under non-cancelable leases are as follows:

	Total	**Payments due by maturity**		
in millions of euros		Less than 1 year	1 to 5 years	Over 5 years
At December 31, 2006	**51**	16	33	2
At December 31, 2005	**53**	27	26	-
At December 31, 2004	**52**	16	29	7

Note 27 Related party transactions

Related party transactions are primarily related to trade or financial transactions carried out with associates, non-consolidated companies and Management (whose total compensation is presented in table c below).

The main items affected are as follows:

a) Income statement

in millions of euros	2006	2005	2004
Revenues			
- Non-consolidated subsidiaries	16	13	19
- Joint ventures	0	0	0
- Associates	0	0	0
Cost of sales			
- Non-consolidated subsidiaries	(4)	(4)	(3)
- Joint ventures	0	0	0
- Associates	0	0	0

b) Balance sheet

in millions of euros	2006	2005	2004
Assets:			
- Non-consolidated subsidiaries	5	4	5
- Joint ventures	0	0	0
- Associates	0	0	1
Debt/(financial receivables):			
- Non-consolidated subsidiaries	(0)	(7)	(8)
- Joint ventures	0	0	0
- Associates	(11)	(11)	0
Other liabilities:			
- Non-consolidated subsidiaries	4	1	2
- Joint ventures	0	0	0
- Associates	0	0	0

c) Management compensation
(Nexans' Directors and members of the Executive Committee)

in millions of euros	2006	2005	2004
Compensation as Chairman of the Board	1.1	0.8	0.8
Directors' fees	0.3	0.3	0.3
Compensation under labor contract	2.4	2.3	2.2
Bonuses, voluntary and mandatory profit sharing	2.4	2.4	1.9
Benefits in kind	0.0	0.0	0.0
Stock options	1.1	1.5	0.4
Termination benefits	0.0	2.4	-
Accruals for pension obligations	2.2	2.1	2.4
Total compensation	**9.5**	**11.8**	**8.0**

Note 28 Contingent liabilities and disputes

There are a certain number of contingencies and disputes arising from the Group's business that Management believes will not have a material impact on the Group's income beyond the related provisions recorded, given the Group's insurance coverage, and based on an assessment of the probability of judgment being entered against Nexans and the amount of the claims.

Disputes giving rise to the recording of provisions
The most significant ongoing disputes that have given rise to the recording of provisions relate to corvettes for South Africa. Nexans supplied cables for corvettes for the South African navy. Part of the

supplies were subcontracted to a South African manufacturer. After installation of the cables on the first two corvettes, it was found that the cables supplied by the subcontractor were noncompliant. All the cables already installed were removed and replaced. Total damages claimed by the client now amount to approximately 36 million euros, which has been contested by Nexans. The allocation of damages amongst Nexans and the parties involved (in particular the clients, the insurers and the subcontractor) has not yet been determined. In addition to the 5 million euro charge already recorded for this case in the 2003 financial statements, and in view of the general uncertainty as to the liability of each party, Nexans considered it was prudent and reasonable to increase the provision in its financial statements for the year ended December 31, 2004, and this remains unchanged.

Contingent liabilities relating to disputes and proceedings

The following disputes and other contingencies have not given rise to provisions, because the recognition criteria were not satisfied.

- A claim filed in Norway in March 2005 against Nexans Norway by one of its competitors – Kvaerner – alleging infringement of a patent involving umbilical cables. Kvaerner is seeking NOK 310 million (around 39 million euros) in damages. Nexans is contesting the application of the patent to its products and manufacturing processes and has itself launched proceedings in Norway and the Netherlands to invalidate Kvaerner's patent.
- Certain proceedings launched by the competition authorities. In France, the Direction Nationale des Enquêtes (National Investigation Agency) of the Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes (Department of competition, consumer affairs and anti-fraud) started investigations in 2003 and in 2006 into contracts awarded by EDF for the supply of high-voltage cables, and the electrical cables sector.

No official notification of complaint has yet been received in these two matters and no provision has been recorded by the Group. However, in view of the limited information available regarding this investigation, Nexans is unable to predict how they may evolve or what impact they may have on its results or operations.

In addition, the Bundeskartellamt (German Federal Antitrust Authority) informed Nexans that an investigation it had opened in 2003 regarding practices in the cable industry in Germany had been discontinued.

- An issue relating to the cables manufactured by one of the Group's European subsidiaries and sold to a harness manufacturer. This manufacturer sold them to another equipment manufacturer, which in turn sold them to a European vehicle manufacturer. The subsidiary was not informed of the specifications required by the end customer. The end customer used the cables together with switches notably for use in wipers and a certain number of cables broke. The subsidiary considers that the cables sold met the specifications agreed with its customer, the harness manufacturer. At this stage, the Company has very little information on any problems noted in vehicles on the road or their causes. Its direct client has formally indicated to the subsidiary that it reserves the right to call upon it to join as a third party should it be called upon by its own customer, the equipment manufacturer, without having at the same time set out what the subsidiary's grounds for liability would be. No legal proceedings have yet been taken. The vehicle manufacturer nevertheless undertook a recall that could affect around 350,000 switches installed to replace the faulty parts.

Although it is not yet possible to ascertain the impact of these contingencies and disputes, Nexans currently does not consider that they will have a material impact on its consolidated financial position. It is, however, not in a position to guarantee this.

To the best of the Company's knowledge, there are no other Government, court or arbitration proceedings that Management considers may have a material impact on the Group's financial position or profitability.

Contingent liabilities relating to contractual guarantees

Group companies have made commitments to banks and other third parties, in particular financial institutions, who have issued guarantees or performance bonds in favor of customers and guarantees to secure advances received from customers (330 million euros, 346 million euros and 259 million euros at December 31, 2006, 2005 and 2004 respectively). Generally speaking, Group companies give customers guarantees relating to the quality of the products sold, as well as sellers' warranties given to purchasers of businesses that are sold, without taking out bank guarantees or bonds. In the event that it seems likely that Nexans will be liable for such guarantees, due to issues such as delivery delays or disputes arising from the performance of a contract, the estimated risk is provided for (see Note 21).

Note 29 Main consolidated companies

Companies by country	Principal activity	Percentage of control	Percentage of interest	Consolidation method *
France				
Nexans **	Holding	100%	100%	Consolidating company
Nexans Participations	Holding	100%	100%	
Nexans France	Energy and Telecom	100%	100%	
Nexans Interface	Telecom	100%	100%	
Eurocable	Energy	100%	100%	
G.I.R.M.	Copper trading	100%	100%	
Société Lensoise de Cuivre	Electrical wires	100%	100%	
Société de Coulée Continue du Cuivre	Electrical wires	100%	100%	
Nexans Wires	Electrical wires	100%	100%	
Rips	Energy	100%	100%	
Alsafil	Electrical wires	100%	100%	
Essex Nexans	Electrical wires	40%	40%	Equity method
Belgium				
Nexans Benelux	Energy	100%	100%	
Nexans Harnesses	Energy	100%	100%	
Nexans Network Solutions NV	Energy and Telecom	100%	100%	
Opticable SA NV	Telecom	75%	75%	
Germany				
Nexans Deutschland GmbH	Holding	100%	100%	
Nexans Deutschland Industries GmbH & Co KG	Energy and Telecom	100%	100%	
Lacroix & Kress GmbH	Electrical wires	100%	100%	
Kabelmetal Electro GmbH	Energy	100%	100%	
Nexans Superconductors GmbH	Energy	100%	100%	
Metrofunkkabel Union GmbH	Distribution	100%	100%	
Nexans Auto Electric GmbH	Energy	100%	100%	
GPH GmbH	Energy	100%	100%	
North Europe				
Nexans Nederland BV	Energy	100%	100%	
Nexans Norway A/S	Energy and Telecom	100%	100%	
Nexans Suisse SA	Energy and Telecom	100%	100%	
Tri Wire Ltd	Electrical wires	100%	100%	
Kelverdeck Ltds	Energy	100%	100%	
Nexans UK Ltd	Energy and Telecom	100%	100%	
Nexans Ireland Ltd	Energy	100%	100%	
Nexans IKO Sweden AB	Energy and Telecom	100%	100%	
Nexans Jydsk Denmark	Energy and Telecom	100%	100%	
Axjo Kabel AG	Energy	100%	100%	
Matema AB	Energy	100%	100%	

Companies by country	Principal activity	Percentage of control	Percentage of interest	Consolidation method *
South Europe				
Nexans Italia SpA	Energy and Telecom	99.99%	99.99%	
Nexans Wires Italia SpA	Electrical wires	100%	100%	
Cabloswiss	Energy	100%	100%	
Nexans Iberia SL	Energy and Telecom	100%	100%	
Nexans Hellas SA**	Energy and Telecom	71.75%	71.75%	
Nexans Turkiye Iletisim Endustri ve Ticaret AS	Energy and Telecom	100%	100%	
East Europe				
Nexans Romania	Energy	100%	100%	
Nexans CIS Russia	Energy	100%	100%	
Americas				
Nexans Canada Inc	Energy and Telecom	100%	100%	
Nexans Brasil S/A	Energy and Telecom	99.95%	99.95%	
Nexans USA Inc	Holding	100%	100%	
Nexans Energy USA Inc	Energy	100%	100%	
Nexans Inc	Telecom	100%	100%	
Africa and Middle East				
Liban Câbles SAL	Energy and Telecom	93%	93%	
International Cables Company Ltd	Energy and Telecom	98%	91.02%	
Nexans Maroc**	Energy	83.59%	83.59%	
Sirmel	Distribution	81.00%	67.71%	
Asia-Pacific				
Nexans (Shanghai) Electrical Materials Co Ltd	Telecom	100%	100%	
Nexans Tianjin Magnet Wires & Cables Co Ltd	Electrical wires	80%	80%	
Shanghai Nexans Kang Hua Cable Co Ltd	Telecom	100%	100%	
Nexans Shanghai Wire & Cables Co Ltd	Energy	100%	100%	
Nexans Korea Ltd**	Energy and Telecom	99.51%	99.51%	
Kukdong Electric Wire Co. Ltd**	Energy and Telecom	97.90%	97.90%	
Daeyoung Cable	Energy and Telecom	99.51%	99.51%	
Nexans Vietnam Power Cable Co	Energy	59.05%	58.76%	
Vina Daesung Cable Co	Telecom	54.80%	54.53%	
Nanning Huasun Cables Ltd Co	Telecom	100%	99.51%	
Nexans Shanghai Investment Serv. Co. Ltd.	Energy and Telecom	100%	100%	
Nippon High Voltage Cable Corporation	Energy	66%	66%	
Olex Australia Pty Ltd	Energy and Telecom	100%	100%	
Olex New Zealand Ltd	Energy and Telecom	100%	100%	

** The companies are fully consolidated, unless otherwise specified.*

*** Companies listed on a stock exchange.*

Note 30 Events after the balance sheet date

In January 2007, Nexans signed two agreements with the US Group Superior Essex to dispose of its winding wires businesses in Canada and China for 32 million euros. These agreements relate to the Simcoe site in Canada and Nexans' 80% majority interest in Nexans Tianjin Magnet Wires and Cables in China.

At December 31, 2006, these businesses employed 154 people in Canada (Simcoe) and 176 in China (Tianjin). In 2006, they generated sales of 69 million euros at constant copper prices.

These agreements are subject to the approval of the Chinese and Canadian authorities, as well as the agreement of the Chinese joint shareholder in Tianjin. The transaction should be completed in the second quarter of 2007.

NEXANS

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Year ended December 31, 2006)

PricewaterhouseCoopers Audit

63, rue de Villiers
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STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Year ended December 31, 2006)

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Nexans
16, rue de Monceau
75008 Paris

To the Shareholders,

Following our appointment as Statutory Auditors by your General Meetings, we have audited the accompanying consolidated financial statements of Nexans for the year ended December 31, 2006.
These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the consolidated financial statements
We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies for the year then ended, in accordance with IFRS as adopted by the European Union.
Without qualifying our opinion expressed above, we draw your attention to Section b, "Change relating to the recognition of non-ferrous metal inventories" of Note 1, "Summary of significant accounting policies" to the consolidated financial statements, which describes the Company's change in accounting for core exposure and its impact on consolidated equity and net income.

2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring your attention to the following matters:

Change relating to the recognition of non-ferrous metal inventories

As part of our assessment of the Company's accounting methods, we verified that this change is justified.

Impairment of assets

During the last quarter of each year, your Company tests goodwill for impairment and also performs a review to determine if there is any indication that non-current assets may be impaired, as described in Section o, "Impairment tests" of Note 1, "Summary of significant accounting policies" to the consolidated financial statements. We have reviewed the methods used to carry out these impairment tests as well as the corresponding cash flow forecasts and assumptions, and we verified that Notes 1.o and 11 to the consolidated financial statements provide appropriate information.

Deferred tax assets

Your Company recognizes deferred tax assets in its consolidated balance sheet on the basis of business plans, as described in Section w, "Deferred tax," of Note 1, "Summary of significant accounting policies" and Note 9, "Income tax" to the consolidated financial statements. We assessed the information and assumptions upon which those estimates were based, reviewed the calculations made by the Company and compared the accounting estimates for previous periods with actual figures to ensure that the estimates were consistent with those for the previous period and with those used to test for asset impairment. As part of our assessment, we ensured that those estimates were reasonable.

The assessments were made in the context of our audit of the consolidated financial statements taken as a whole and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

In accordance with professional standards applicable in France, we have also verified the information provided in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, March 19, 2007

The Statutory Auditors

PricewaterhouseCoopers Audit

Salustro Reydel
Member of KPMG International

Dominique Ménard
Partner

Benoît Lebrun
Partner

Nexans
Financial Statements
as of December 31, 2006

Meeting of the Board of Directors of January 30, 2007

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BALANCE SHEET - ASSETS

(in thousands of euros)

	Gross amount	Amort. & Depr.	Dec. 31, 2006	Dec. 31, 2005
Issued, uncalled capital				
INTANGIBLE ASSETS				
Start-up costs				
Research and development costs				
Concessions, patents and similar rights				
Goodwill				
Other intangible assets				
Advances and payments on account				
PROPERTY, PLANT AND EQUIPMENT				
Land				
Buildings				
Machinery and equipment				
Other items of property, plant and equipment	6	-	6	6
Non-current assets in progress				
Advances and payments on account				
FINANCIAL ASSETS				
Investments in associates – equity method				
Other equity interests	1,104,622	(45,181)	1,059,441	1,104,621
Loans to subsidiaries	304,107	-	304,107	160,003
Other long-term securities				
Other loans	13,114	-	13,114	16,697
Other financial assets	-	-	-	28,219
FIXED ASSETS	**1,421,849**	**(45,181)**	**1,376,668**	**1,309,546**
INVENTORIES AND WORK IN PROGRESS				
Raw materials and supplies				
Work in progress – Production				
Work in progress – Services				
Semi-finished and finished goods				
Goods held for resale				
Prepayments to suppliers				
RECEIVABLES				
Trade receivables	9,283	-	9,283	9,853
Other receivables (of which €37,286 thousand in current accounts of subsidiaries at over 3 months)	46,870	-	46,870	111,498
Issued capital called but unpaid				
MISCELLANEOUS				
Marketable securities	99,043	-	99,043	-
Cash at bank and in hand	655,153	-	655,153	211,752
ACCRUALS				
Prepaid expenses	107	-	107	134
CURRENT ASSETS	**810,455**	**-**	**810,455**	**333,237**
Deferred charges	4,543	-	4,543	2,297
Bond redemption premiums	41,950	-	41,950	-
Unrealized foreign exchange losses				
TOTAL ASSETS	**2,278,798**	**(45,181)**	**2,233,617**	**1,645,080**

BALANCE SHEET – EQUITY AND LIABILITIES

(in thousands of euros)

	Dec. 31, 2006	Dec. 31, 2005
Share capital (of which €25,265 thousand paid up)	25,265	23,507
Additional paid-in capital	1,129,790	1,018,860
Revaluation reserve		
Legal reserve	2,351	2,313
Statutory or contractual reserves		
Regulated reserves (including reserve for price fluctuations)		
Other reserves		
Retained earnings	84,401	62,873
Net income for the year	**88,095**	**43,228**
Investment grants		
Regulated provisions		
TOTAL EQUITY	**1,329,902**	**1,150,780**
Non-voting loan stock		
Conditional advances		
OTHER EQUITY	**-**	**-**
Provisions for contingencies		
Provisions for charges	-	2,435
PROVISIONS FOR CONTINGENCIES AND CHARGES	**-**	**2,435**
DEBT		
Convertible bonds	327,408	139,219
Other bonds		
Bank borrowings	343,891	25,520
Other borrowings	196,811	301,331
Customer prepayments		
OPERATING LIABILITIES		
Trade payables	7,637	6,407
Accrued taxes and payroll costs	26,030	18,415
MISCELLANEOUS LIABILITIES		
Due to suppliers of non-current assets		
Other liabilities	1,938	973
ACCRUALS		
Deferred income		
TOTAL LIABILITIES	**903,715**	**491,864**
Unrealized foreign exchange gains		
TOTAL EQUITY AND LIABILITIES	**2,233,617**	**1,645,080**

INCOME STATEMENT

In thousands of euros	*France*	*Exportation*	***2006***	***2005***
Sales of goods held for resale			-	
Sales of manufactured products			-	
Sales of services	10,800	2,261	13,061	10,809
NET SALES	**10,800**	**2,261**	**13,061**	**10,809**
Changes in inventories of finished goods and work-in-progress,				
Own work capitalized				
Operating grants				
Reversals of depreciation, amortization and provisions, expense transfers			4,605	1,009
Other revenues			-	10
TOTAL OPERATING REVENUES			**17,666**	**11,829**
Purchases of goods for resale (including customs duties)				
Change in inventories (goods for resale)				
Purchases of raw materials and supplies (including customs duties)				
Change in inventories (raw materials and supplies)				
Other purchases and external charges			16,887	12,651
Taxes other than on income			1,491	1,255
Wages and salaries			5,697	5,353
Payroll charges			1,636	1,577
DEPRECIATION, AMORTIZATION AND PROVISIONS				
Depreciation and amortization			1,025	574
Provisions for impairment in value of non-current assets				
Provisions for impairment in value of current assets				
Provisions for contingencies and charges				
Other expenses			315	295
TOTAL OPERATING EXPENSES			**27,051**	**21,706**
OPERATING LOSS			**(9,385)**	**(9,877)**

In thousands of euros	*France*	*Exportation*	***2006***	***2005***
JOINT VENTURES				
Share in income or losses – Non-managed joint ventures				
Share in losses or income – Managed joint ventures				
FINANCIAL INCOME				
Dividend income			135,416	48,613
Income from other capitalized securities and receivables			1,028	-
Other interest income			40,285	20,624
Provision reversals and expense transfers			873	1,900
Foreign exchange gains			111,508	75,256
Net gains on disposals of marketable securities			257	46
TOTAL FINANCIAL INCOME			**289,367**	**146,439**
Amortization and provisions – Financial assets			48 591	
Interest paid			29,607	15,662
Foreign exchange losses			114,375	74,870
Net losses on disposals of marketable securities				
TOTAL FINANCIAL EXPENSES			**192,573**	**90,533**
NET FINANCIAL INCOME			**96,794**	**55,906**
INCOME FROM ORDINARY ACTIVITIES BEFORE TAX			**87,409**	**46,029**
Non-recurring income from revenue transactions				
Non-recurring income from capital transactions				
Provision reversals and expense transfers			2,435	
TOTAL NON-RECURRING INCOME			**2,435**	**-**
Non-recurring expenses on revenue transactions			1,847	-
Non-recurring expenses on capital transactions				
Exceptional additions to depreciation, amortization and provisions				2 435
TOTAL NON-RECURRING EXPENSES			**1,847**	**2,435**
NET NON-RECURRING INCOME/(EXPENSE)			**588**	**(2,435)**
Employee profit-sharing			152	117
Income tax			(249)	249
TOTAL REVENUES			**309,467**	**158,268**
TOTAL EXPENSES			**221,373**	**115,040**
NET INCOME			**88,095**	**43,228**

Subsidiaries and associates at December 31, 2006

Name	-Share capital	- Percentage ownership	- Gross value of shares held	- Sales
Headquarters	**-Total equity (excl. share capital)**	**-Dividends received**	**- Net value of shares held**	**- Net income**
A-Subsidiaries and associates with a carrying amount in excess of 1% of Nexans' share capital	**in thousands of currency units**	**in thousands of euros**	**in thousands of euros**	**in thousands of currency units**
1) SUBSIDIARIES (over 50%-owned)				
NEXANS FRANCE	70,000	100,00%	237,400	1,266,083
Paris - France (SIREN registration number 428 593 230)	81,532	2,400	192,219	33,240
NEXANS PARTICIPATIONS	233,975	100,00%	848,001	-
Paris - France (SIREN registration number 314 613 431)	651,045	132,585	848,001	246,330
2) ASSOCIATES (10%-50% owned)				
NEXANS KOREA	17,707,074 (1)	35,53% (2)	16,940	201,987,986 (1)
Chungcheongbuk – South Korea	90,368,693	368	16,940	4,698,628
B-Aggregate data of investments with a carrying amount of less than 1%				
French subsidiaries (over 50%-owned)				
Foreign subsidiaries (over 50%-owned)				
French associates (10%-50% owned)				
Foreign associates (10%-50% owned)				
Other investments			2,281	
(1) Amount in thousands of KRW (Korean wons)		1,000 KRW = 0.81645 euros		

(2) The ownership percentage of Nexans Korea is determined after deducting treasury shares representing 3.28% of the company's capital.

NOTES TO THE FINANCIAL STATEMENTS

The notes below relate to the balance sheet at December 31, 2006, prior to the appropriation of income, as well as to the income statement for the year then ended.

The financial year ran for 12 months from January 1 to December 31, 2006. The balance sheet total was 2,233,617,000 euros and net income amounted to 88,095,000 euros.

The following tables are in euro thousands, rounded to the nearest thousand. As a result, the totals in the various tables may contain minor differences.

Note 1: Significant events

The following significant events took place during 2006:

- The conversion of convertible bonds issued in July 2004 which resulted in the issue of 3,534,160 new shares, each with a par value of 1 euro, with an aggregate issue premium of 129,190,000 euros (see Note 12).

- A further issue, on July 7, 2006, of OCEANE bonds convertible and/or exchangeable for new or existing shares for an aggregate nominal value of 280 million euros. The debt comprises 3,794,037 bonds, each with a nominal value of 73.80 euros, bearing interest at 1.50% and redeemable at a price of 85.7556 euros on January 1, 2013.

- An employee share issue approved by the Board of Directors on November 23, 2005 which resulted in the issue of 65,797 new shares.

- The issue of 378,875 new shares on the exercise of stock options.

- The cancellation – following the decision of the Board of Directors on March 29, 2006 – of all the 2,221,199 treasury shares recorded in the balance sheet at December 31, 2005.

- The impairment of investments in subsidiaries and associates in the amount of 45,181,000 euros.

- The receipt of dividends from subsidiaries (135,416,000 euros), primarily from Nexans Participations (132,585,000 euros).

- The syndicated credit facility was adjusted in October 2006. It was raised from 450 million euros to 580 million euros, and its expiry date was extended to October 17, 2011.

Note 2: Summary of significant accounting policies

The balance sheet at December 31, 2006 and the income statement for the year then ended have been prepared on a going concern basis in accordance with the principles of prudence and segregation of accounting periods. Accounting policies have been applied consistently from one year to the next.

Accounting entries are based on the historical cost method.

2.1. Subsidiaries and associates, loans and other long-term securities

The gross value of these items is stated at their acquisition cost (excluding incidental expenses) or at their transfer value. A provision for impairment in value is booked when the carrying value exceeds the fair value.

Fair value is determined on the basis of value in use, which is calculated using the multi-criteria approach that takes into account revalued net assets as well as yield.

Treasury shares purchased as part of a share buyback program, as authorized by the General Shareholders' Meeting, are recorded in "Other financial assets", as there is no intention of use specified by the Board of Directors.

2.2. Marketable securities

Marketable securities are stated at the lower of cost or market value. A provision is recorded when their carrying value exceeds their fair value.

2.3. Receivables

Receivables are stated at nominal value. A provision for impairment losses is recorded when it is doubtful that the receivable will be collected.

2.4. Foreign currency receivables and payables

In accordance with the principle of prudence, a provision is recorded to cover any unrealized foreign exchange losses relating to the year-end conversion into euros of foreign currency receivables and payables not covered by a guarantee or a currency hedge. Unrealized gains have no impact on the income statement.

2.5. Cash at bank and in hand, borrowings and other debt

Within the framework of Nexans Group centralized Treasury management:

- Loans and centralized Treasury current accounts in debit relating to Nexans' direct subsidiaries are included in "Loans to subsidiaries".
- Centralized Treasury current accounts at over 3 months relating to Nexans' indirect subsidiaries are included in "Other receivables".
- Very short-term loans and centralized Treasury current accounts in debit (under 3 months) relating to Nexans' indirect subsidiaries are included in "Cash at bank and in hand".
- Borrowings and centralized Treasury current accounts in credit are included in "Other borrowings".

At the year-end, assets and liabilities denominated in foreign currencies that have not been hedged are converted at the year-end exchange rate. Any ensuing foreign exchange gains and losses are recorded as financial income or expense.

2.6. Regulated provisions

The Company records all the provisions authorized under tax legislation. The provisions are reversed in the legally prescribed manner and timeframes.

2.7. Provisions for contingencies and charges

Provisions are recognized when Nexans has a present obligation (legal or constructive) resulting from a past event, where it is likely that an outflow of resources embodying economic benefits will be necessary to settle the obligation and where the amount of the obligation can be reliably measured.

2.8. Bonds with a redemption premium

Bonds with redemption premiums are recognized as a liability in the balance sheet at their gross value, including the premium.

The redemption premium is recognized as an asset and is amortized pro rata to the term of the bond.

Notes to the balance sheet

Note 3: Intangible assets

No intangible assets were recorded in the balance sheet at December 31, 2006.

Note 4: Property, plant and equipment

At December 31, 2006, property, plant and equipment comprised non-depreciable miscellaneous fixtures in the amount of 6,000 euros.

Note 5: Non-current financial assets

(in thousands of euros)	Investments in associates & other equity interests	Other loans	Loans to subsidiaries	Other non-current financial assets	Total
GROSS VALUE					
At December 31, 2005	1,104,621	17,570	160,003	28,219	1,310,413
Acquisitions-increases	1	-	304,107	-	304,108
Disposals-reductions	-	(4,456)	(160,003)	(28,219)	(192,678)
At December 31, 2006	**1,104,622**	**13,114**	**304,107**	**-**	**1,421,843**
PROVISIONS					
At December 31, 2005	-	(873)	-	-	(873)
Increases	(45,181)	-	-	-	(45,181)
Reversals	-	873	-	-	873
At December 31, 2006	**(45,181)**	**-**	**-**	**-**	**(45,181)**
NET NON-CURRENT FINANCIAL ASSETS					
At December 31, 2005	1,104,621	16,697	160,003	28,219	1,309,540
At December 31, 2006	**1,059,441**	**13,114**	**304,107**	**-**	**1,376,662**

5.1. Investments in associates & other equity interests

Other equity interests mainly relate to the following companies:

- Nexans France: 10,000,000 shares with a gross value of 237,400,000 euros, impaired in 2006 by 45,181,000 euros.
- Nexans Participations: 15,598,246 shares with a value of 848,001,000 euros.
- Nexans Korea: 12,169,830 shares with a value of 16,940,000 euros.
- Kukdong electric Wire Co: 131,080 shares with a value of 2,281,000 euros.

5.2. Other loans

This item concerns the following:

- A loan to Nexans Australia in the amount of 1,814,000 euros. In 2006, the provision previously recorded for impairment in value of this loan was reversed.
- A subordinated loan to Essex Nexans Lacroix and Kress in the amount of 11,300,000 euros, bearing interest at 8.975%.

5.3. Loans to subsidiaries

This line comprises short-term loans to direct subsidiaries, granted to:

- Nexans Participations for 138,920,000 euros (including 119,000 euros in accrued interest).
- Nexans France for 165,187,000 euros (including 87,000 euros in accrued interest).

5.4. Other net non-current financial assets

Following the cancellation of all the 2,221,199 treasury shares held at December 31, 2005, Nexans no longer held any treasury shares at December 31, 2006.

Note 6: Operating receivables

(in thousands of euros)		
Net values	**2006**	**2005**
Prepayments to suppliers	-	-
Trade receivables	9,283	9,853
Other receivables:	-	-
- Prepaid payroll taxes	15	2
- Income taxes	3,380	3,719
- Prepaid and recoverable VAT	1,249	1,058
- Group and associates: tax consolidation	3,226	3,244
- Group and associates: other current accounts*	37,286	102,850
- Other debtors	1,714	626
Sub-total Other receivables	46,870	111,498
TOTAL	**56,153**	**121,350**
**Other current accounts correspond to central treasury current accounts with indirect subsidiaries whose expiry date is beyond three months.*		

Note 7: Receivables by maturity

(in thousands of euros)			
Gross values	**Gross amount**	**Due within one year**	**Due beyond one year**
FIXED ASSETS			
Loans to subsidiaries	304,107	304,107	
Other loans	13,114	1,814	11,300
TOTAL	**317,221**	**305,921**	**11,300**
CURRENT ASSETS			
Trade receivables	9,283	9,283	
Other receivables	46,870	46,126	744
TOTAL	**56,153**	**55,409**	**744**

Note 8: Breakdown of share capital

At December 31, 2006, the Company's share capital was comprised of 25,264,955 shares, each with a par value of 1 euro, all of the same class, fully paid up and enjoying the same rights. There are no founder's shares or other rights of participation in profits.

Note 9: Equity

9.1 Movements during the year

(in thousands of euros)	**Share capital**	**Additional paid-in capital**	**Legal reserve**	**Other reserves**	**Retained earnings**	**Net income for the year**	**Total**
At Dec. 31, 2005 before appropriation of net income	23,507	1,018,860	2,313	-	62,873	43,228	1,150,780
Appropriation of 2005 net income	-	-	38	-	43,190	(43,228)	-
Other movements (1)	1,758	110,931			(21,662)	-	91,027
2006 net income	-	-	-	-	-	88,095	88,095
At Dec. 31, 2006 before appropriation of net income	25,265	1,129,790	2,351	-	84,401	88,095	1,329,902

(1) Other movements can be analyzed as follows:

- The conversion of the Company's OCEANE bonds resulted in the issue of 3,534,160 new shares, each with a par value of 1 euro. The additional paid-in capital relating to this share issue amounted to 129,190,000 euros, following the deduction of bond issue costs not amortized at the date of conversion.
- The cancellation of 2,221,199 treasury shares, worth a total of 28,219,000 euros, resulted in a share capital reduction of 2,221,000 euros; the difference between the purchase price and the par value of the cancelled shares was allocated to the additional paid-in capital in an amount of 25,998,000 euros.
- The exercise of stock options resulted in a share capital increase via the issue of 378,875 new shares with an additional paid-in capital of 5,500,000 euros.
- The employee share issue resulted in the issue of 65,797 new shares; and the related additional paid-in capital amounted to 2,239,000 euros net of expenses.
- Nexans paid 21,662,000 euros in dividends.

9.2 Dividend payment

At the next Annual General Meeting, shareholders will be invited to approve the payment of a dividend of 1.20 euros per share, representing a total of 30,317,946 euros based on the 25,264,955 shares outstanding at December 31, 2006.

The total amount of the dividend may be increased to take account of any additional shares issued for instance on the exercise of stock options between January 1, 2007 and the date of the Annual General Meeting called to approve the dividend payment.

Note 10: Stock options

Following the exercise of 764,625 options and the cancellation of 51,500 options, at December 31, 2006 there were 1,462,775 outstanding stock options held by employees, representing 5.79% of the Company's share capital.

Date of grant	Number of options outstanding at the end of the period	Exercise price (in euros)	Maturity
Nov 16, 01	36,650	17.45	November 16, 2002 *– November 15, 2009
Jan 18, 02	-	16.7	January 18, 2003* – January 17, 2010
Mar 13, 02	-	19.94	March 13, 2003* – March 12, 2010
Apr 4, 03	359,675	11.62	April 4, 2004* - April 3, 2011
Nov 16, 04	391,500	27.82	November 16, 2005 * - November 15, 2012
Nov 23, 05	331,950	40.13	November 23, 2006 *- November 22, 2013
Nov 23, 06	343,000	76.09	November 23, 2007 *- November 22, 2014
TOTAL	**1,462,775**		

** Based on a vesting rate of 25% per year.*

Change in number of outstanding options	Number of options
Options outstanding at the start of the period	**1,498,650**
Options granted during the period	343,000
Options cancelled during the period	-
Options exercised during the period	(378,875)
Options expiring during the period	-
Options outstanding at the end of the period	**1,462,775**
Of which exercisable at the end of the period	508,150

Note 11: Provisions

(in thousands of euros)	At Dec. 31, 2005	Increase	Decrease	At Dec. 31, 2006
Regulated provisions	-	-	-	-
Provisions for contingencies and charges				
Provisions for restructuring costs	2,435	-	2,435	-

In 2005, a provision for restructuring costs was recorded as part of the reorganization of Nexans central services.

In 2006, 1,846,000 euros of this provision was used and the balance was fully reversed as it was no longer required.

Note 12: Borrowings

in thousands of euros

	Bonds	Overdrafts and short-term bank loans	Current accounts (Centralized treasury)	Other borrowings	Investment-related payables	Total
At December 31, 2005	139,219	25,520	195,021	105,000	1,309	466,069
New borrowings	327,408	318,371		43,000	6,028	694,807
Repayments, reductions	(139,219)		(47,238)	(105,000)	(1,309)	(292,766)
At December 31, 2006	**327,408**	**343,891**	**147,783**	**43,000**	**6,028**	**868,110**

In the first half of 2006, the Company's liquidity requirements were primarily met through the issue of commercial paper in the French market and the proceeds of the July 2004 135 million euros bond issue. In June 2006, 3,534,160 of these bonds were converted into shares and the remaining 18,472 bonds were redeemed (see Note 9).

In July 2006, Nexans carried out a new convertible bond issue for 280 million euros, comprised of 3,794,037 bonds, each with a nominal value of 73.80 euros, bearing interest of 1.50%. The redemption premium on these bonds amounts to 11.9556 euros per bond.
The bonds may be converted into new shares or exchanged for existing shares at any time up to the seventh business day prior to the redemption date, namely in principle, December 23, 2012, on the basis of one Nexans share per bond.
In the second half, Nexans also had recourse to unconfirmed credit lines and partially drew down its medium-term confirmed credit facility. At December 31, 2006, Nexans had confirmed medium-term credit lines of 580 million euros, 330 million euros of which had been drawn down.
These credit lines are subject to the customary loan covenants (negative surety, pari-passu and cross default) and to covenants in respect of financial ratios (consolidated net debt/EBITDA < 2.95, and consolidated net debt/total equity < 1.15). Nexans was in full compliance with these ratios both at December 31, 2006, and at the date the Board of Directors approved the financial statements.

A breach of any of these covenants would freeze any undrawn lines and bring forward the due date of any amounts outstanding, either immediately or after a period of thirty days depending on the nature of the covenant.

Outstanding commercial paper amounted to 43 million euros at December 31, 2006.

Note 13: Operating liabilities

(in thousands of euros)	**2006**	**2005**
Customer deposits and advances	-	-
Trade payables	**7,637**	**6,407**
Accrued taxes and payroll costs:		
- Employee-related payables and accrued payroll costs	4,272	3,950
- Accrued taxes	1,585	1,660
- Tax consolidation suspense account	16,740	11,269
- Group companies: tax consolidation	3,433	1,536
Sub-total	**26,030**	**18,415**
Miscellaneous liabilities		
- Due to suppliers of non-current assets	-	-
- Accrued expenses	227	366
- Other payables	1,711	607
Sub-total	**1,938**	**973**
TOTAL	**35,605**	**25,795**

Note 14: Liabilities by maturity

(in thousands of euros)	**Gross amount**	**Due within 1 year**	**Due between 1 and 5 years**	**Due beyond 5 years**
Convertible bonds	327,408	2,048	-	325,360
Bank borrowings	343,891	343,891	-	-
Other borrowings	196,811	196,811	-	-
Trade payables	7,637	7,637	-	-
Accrued taxes and payroll costs	26,030	26,030	-	-
Due to suppliers of non-current assets	-	-	-	-
Other liabilities	1,938	1,938	-	-
TOTAL	**903,715**	**578,355**	**-**	**325,360**

Note 15: Prepaid expenses and deferred income

in thousands of euros

	2006		**2005**	
	Expenses	**Income**	**Expenses**	**Income**
Financial	67	-	96	-
Other	40	-	39	-
TOTAL	**107**	-	**134**	-

Note 16: Deferred charges – Bond redemption premiums

16.1. Deferred charges

in thousands of euros	Amount					Method of deferral
	At 12/31/2005	Recognize during the period	Amortize over period	Allocation to issue premiums	At 12/31/200	
Deferred charges Purchase costs of non-current						
Bond issue costs	1,490	4,200	755	1,335	3,600	Straight-line basis over 7 years (2006 to
Issue costs of other borrowings	808	405	269		943	Straight-line basis over the term of the borrowings
	2,297	4,605	1,025	1,335	4,543	

Deferred charges recognized in 2006 relate to:

- The amendment to Nexans' syndicated loan agreement (405,000 euros), deferred in equal amounts over 6 years;

- A bond issue (4,200,000 euros); these costs are being amortized at a rate of 600,000 euros per annum, in equal amounts over the term of the bonds.

When the Company's 2004 bonds were converted into shares in 2006, the unamortized bond issue costs were deducted from the issue premium.

16.2. Bond redemption premiums

Bond redemption premiums recorded in the balance sheet relate to the issue on July 7, 2006 of 3,794,037 OCEANE convertible/exchangeable bonds (see Note 12).

This amount is being amortized on a straight-line basis over the term of the bonds and the related expense for 2006 amounted to 3,410,000 euros.

Note 17: Accrued expenses & income

(in thousands of euros)	**2 006**	**2005**
Accrued expenses relating to:		
- Interest on bonds	2,048	4,219
- Bank borrowings	-	-
- Other borrowings	1,231	36
- Accrued payables	6,621	6,402
- Investment-related payables	-	-
- Group and associates	56	125
- Employee-related liabilities	2,896	2,663
- Payroll taxes	935	878
- Other taxes	1,281	1,347
- Other liabilities	1,638	973
Accrued income relating to:		
- Loans to subsidiaries	207	176
- Interest on loans	28	65
- Deposits with financial institutions	53	71
- Trade receivables	7,627	7,854
- Prepaid and recoverable taxes	968	927
- Group and associates – interest on current accounts at over 3 months	550	1,046
- Group and associates – interest on other current accounts	1,831	219
- Other receivables	1,333	466

Note 18: Translation adjustments

N/A

Note 19: Items relating to several balance sheet lines

N/A

Notes to the income statement

Note 20: Net sales

Nexans' 2006 net sales came to 13,061,000 euros, and primarily related to the invoicing of services provided to its subsidiaries.

Note 21: Income from ordinary activities before tax

(in thousands of euros)	**2006**	**2005**
Sales of services	13,061	10,809
Other revenues	-	10
Operating expense transfers	4,605	1,009
Operating expenses excluding depreciation and amortization	(26,026)	(21,131)
Depreciation and amortization	(1,025)	(574)
Dividend income	135,416	48,613
Other net financial income	9,096	5,393
Net additions to/reversals of financial provisions	(47,718)	1,900
TOTAL	**87,409**	**46,029**

Note 22: Non-recurring items

Net non-recurring income recorded in 2006 primarily related to the reversal of the unused portion of the previously recognized restructuring provision (see Note 11).

Note 23: Income tax

(in thousands of euros)	**Income from ordinary activities**	**Non-recurring income and employee profit-sharing**	**TOTAL**
PRE-TAX INCOME	**87,409**	**436**	**87,845**
Income tax:			
. At standard rate	-	-	-
. At reduced rate	-	-	-
- Benefit/(charge) from tax consolidation	-	249	249
NET INCOME	**87,409**	**686**	**88,095**

At December 31, 2006, Nexans had available tax loss carry forwards of 18,138,000 euros, following the allocation of taxable income of 2,833,000 euros during the year.

*
* * *

In late 2001, Nexans signed a tax consolidation agreement with its French subsidiaries in which it directly or indirectly holds an interest of more than 95%. This agreement, which became effective on January 1, 2002, was signed pursuant to the option made by Nexans to adopt a French tax consolidation group in accordance with article 223 A *et seq.* of the French General Tax Code.

The option is renewable every five years and the latest expiry date was December 31, 2006. For every taxation period, the contribution of each subsidiary to the corporate income tax payable on the consolidated net income of the tax group corresponds to the corporate income tax and other contributions for which each subsidiary would have been liable if it had been taxed on a stand-

alone basis.
As part of the tax consolidation agreement under which Nexans SA is liable for the global tax charge, a tax loss carry forward was generated for the 2006 financial year, which represents an unrecognized tax asset of 50,677,000 euros.
No non tax-deductible expenses, as defined in Article 39-4 of the French General Tax Code, were incurred during 2006.

Miscellaneous information

Note 24: Consolidation – Related companies

Nexans publishes consolidated financial statements. Related party transactions primarily concern subsidiaries and associates.

The main balance sheet and income statement items affected are as follows:

(in thousands of euros)	**2006**	**2005**
BALANCE SHEET ITEMS		
Assets		
Other equity interests	1,059,441	1,104,621
Loans to subsidiaries	304,107	160,003
Other loans	13,114	16,697
Advances and payments on account	-	-
Trade receivables	9,283	9,853
Other receivables, net (1)	3,226	3,244
Central Treasury current accounts at over 3 months	37,286	102,850
Cash at bank and in hand	604,806	203,304
Liabilities		
Trade payables	6,334	5,262
Other borrowings	153,811	196,330
Other liabilities (2)	3,433	1,536
INCOME STATEMENT ITEMS		
Financial expenses	9,056	3,607
Dividend income	135,416	48,613
Other financial income	38,919	19,483

(1) Other receivables largely relate to current accounts of tax-consolidated companies
(2) Other liabilities largely relate to current accounts of tax-consolidated companies

Note 25: Employee numbers (annual average)

(number of employees)	**2006**	**2005**
Managerial employees	6	7
Other white-collar workers	-	-
Blue-collar workers	-	-
TOTAL	**6**	**7**

Note 26: Management compensation

In 2006, the total pre-tax amount of gross compensation, benefits and directors' fees paid to the Chairman and CEO and, from May 15, 2006, the date of his appointment, to the Chief Operating Officer was 1,850,000 euros (based on Annual Social Security Return).

The various components of their compensation were as follows:

	2006	2005
Basic salary (2)	1,079	750
Variable compensation (1)(2)	1,196	712
Directors' fees (2)	50 (3)	25
Other benefits (2)	28	2
	2,353	1,491

(1) Compensation paid in 2006 for 2005 and in 2005 for 2004.
(2) The sum of these amounts corresponds to the total gross pre-tax compensation (based on Annual Social Security Return) indicated above.
(3)Including 25,000 euros paid in respect of 2005 and 25,000 euros in respect of 2006.

Nexans' directors received:
- 295,000 euros in directors' fees in respect of 2005.
- 315,000 euros in directors' fees in respect of 2006.

Note 27: Off-balance sheet commitments

27.1 Reciprocal commitments (in thousands of euros)
(see Note 28)

27.2 Commitments given
- The Company has granted parent company guarantees covering the contractual obligations of certain subsidiaries, amounting to 1,479,682,000 euros at December 31, 2006.
- As part of its centralized Treasury management process, Nexans has approved loans to its subsidiaries in an amount of 58,067,000 euros which had not been paid out at December 31, 2006.

27.3 Commitments received
Unused credit facility: 250,000,000 euros

27.4 Property lease commitments
N/A

27.4 Other commitments
The bond issued in July 2006 carries a redemption premium worth a total of 45,360,000 euros.

Note 28: Market risks

The Group has established a centralized treasury management system for its subsidiaries which is used to manage foreign exchange and interest rate risks.

The financial instruments held by Nexans at December 31, 2006 were used to hedge foreign exchange risks stemming from commercial and/or financial payables and receivables.

At December 31, 2006, the off-balance sheet financial instruments held to hedge foreign exchange risks broke down as follows:

Third parties	Buyer positions (fair value)	Seller positions (fair value)	Buyer / seller currency positions (fair value)	Total position (fair value)
Banks	(6,014)	7,273	695	1,955
Subsidiaries	(8,383)	5,996	(773)	(3,160)
Total	(14,397)	13,269	(78)	(1,205)

The earliest/latest expiry dates for off-balance sheet financial instruments are:

	Expiry dates	
	Earliest	Latest
Forwards	Jan 2, 2007	Nov 18, 2009
Short-term currency swaps	Jan 2, 2007	May 20, 2009

The nominal amounts represent the notional amounts of the instruments. Nominal amounts denominated in foreign currencies were translated into euros at the spot rate on December 31, 2006. Market values were determined based on the interest rates and exchange rates prevailing at December 31, 2006.

NEXANS

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

(Year ended December 31, 2006)

PricewaterhouseCoopers Audit	**Salustro Reydel**
	Member of KPMG International
63, rue de Villiers	1, cours Valmy
92200 Neuilly-sur-Seine	92923 Paris La Défense Cedex

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63, rue de Villiers
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STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

(Year ended December 31, 2006)

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.
This report, together with the statutory auditors' report addressing financial and accounting information in the President's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Nexans
16, rue de Monceau
75008 Paris

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meetings, we hereby report to you, for the year ended December 31, 2006, on:

- the audit of the accompanying financial statements of Nexans,
- the justification of our assessments,
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the assets, liabilities, financial position and results of the Company for the year then ended, in accordance with the accounting rules and principles applicable in France.

2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring your attention to the following matters:

Your Company records a provision for impairment of its investments and loans granted to subsidiaries when their carrying amount, estimated on the basis of their value in use, is lower than their gross value, as described in Note 2.1 to the financial statements.
Our work consisted of assessing the data and assumptions on which those estimates were based, reviewing the calculations made by the Company, and reviewing the management's process for approving those estimates.
As part of our assessment, we also ensured that those estimates were reasonable.
The assessments were made in the context of our audit of the financial statements taken as a whole and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.
We have no matters to report regarding:

- the fair presentation and the consistency with the financial statements of the information provided in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.
- the fair presentation of the information provided in the management report in respect of remuneration granted to company officers and any other commitments made in their favor in connection with, or subsequent to, their appointment, termination or change in function.

In accordance with the law, we have verified that the management report contains the appropriate disclosures as regards the identity of the principal shareholders.

Neuilly-sur-Seine and Paris La Défense, March 19, 2007

The Statutory Auditors

PricewaterhouseCoopers Audit	**Salustro Reydel** **Member of KPMG International**
Dominique Ménard Partner	Benoît Lebrun Partner

OTHER LEGAL INFORMATION

Disputes

A certain number of contingencies and disputes exist in relation to the Group's business but in view of the provisions already recognized and the insurance coverage in place, as well as the likelihood of judgment being entered against Nexans and the amount of the claims concerned, Management believes that they will not have a significant impact on the Group's earnings.

The most significant ongoing dispute for which provisions have been recorded relates to cables supplied by Nexans for corvettes for the South African navy. The supply of certain of these cables was subcontracted to a South African manufacturer. After installation of the cables on the first two corvettes, it was found that the cables supplied by the subcontractor were non-compliant. All the cables already installed were then removed and replaced. The customer is claiming damages of approximately 36 million euros, which Nexans is contesting. The allocation of liability between Nexans and the parties involved – including the customer, the insurers and the subcontractor – has not yet been determined.

In view of the general uncertainty as to the liability of each party, in its 2004 financial statements Nexans considered it to be prudent and reasonable to increase the €5 million euro provision already set aside at December 31, 2003. At December 31, 2006 this provision was maintained in the Group's financial statements. Based on the information available to date and the position of the insurer, the 11 million euro provision currently recorded will probably prove to be unnecessary.

No provision has been recognized for the following additional contingences and disputes because the circumstances do not meet the recognition criteria:

A claim filed in Norway in March 2005 against Nexans Norway by one of its competitors – Kvaerner – alleging infringement of a patent involving umbilical cables. Kvaerner is claiming NOK 310 million (*i.e.*, approximately 39 million euros) in damages. Nexans believes that the patent is not applicable to its products and manufacturing processes, and has itself started proceedings in Norway and the Netherlands to invalidate Kvaerner's patent.

Proceeding launched by the competition authorities. In France, the Direction Nationale des Enquêtes (National Investigation Agency) of the Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes (Department of Competition, Consumer Affairs and Repression of Fraud) started investigations in 2003 and 2006 into contracts awarded by EDF for the supply of high-voltage cables, and into the electric cables sector. Nexans received a statement of complaints following the 2003 investigation, but no indication was given of the fines which could be applied for the alleged wrongdoings. Nexans intends to vigorously contest these complaints.

In Germany, the investigation started in 2003 by the Bundeskartellamt (German Competition Authority) into practices in the cable industry has been officially discontinued.

A dispute that arose in 2006 concerning cables made by one of Nexans' European subsidiaries and sold to a cable harness maker, which then sold them to an automobile equipment manufacturer supplying a European vehicle manufacturer (the "end customer"). Nexans' subsidiary was not informed of the end customer's technical specifications. The end customer used Nexans' cables along with switches in its windshield-wipers systems, and some of the cables apparently broke. The subsidiary asserts that the cables were sold according to the specifications given by its customer, the harness maker. At this stage, Nexans has very limited information regarding the problems observed in cars that have been sold, or their causes. Nexans' direct customer has notified the subsidiary that it reserves the right to join the subsidiary as a third party to the case if a claim is made against it by its customer, the automobile equipment manufacturer, but has not specified on what basis Nexans' subsidiary could be held liable. No legal action has been taken to date, although the vehicle manufacturer has launched a recall that could involve changing faulty parts in approximately 350,000 switches.

Although it is not yet possible to ascertain the impact of these contingencies and disputes, Nexans currently does not believe that they will have a significant impact on its consolidated financial position, but it is unable to guarantee this.

The Group is not aware of any other government, legal, or arbitration proceedings that Management considers may have a significant impact on the Group's financial position or profitability.

Trend information/significant change in the Group's financial or trading position

In addition to the seasonal nature of the Group's business, its considerable sensitivity to fluctuations in non-ferrous metals prices, the signature in late January 2007 of two agreements relating to the sale of its winding wires business in Canada and China to the US-based group Superior Essex, the way in which pending procedures may evolve and a price adjustment currently being valued payable by Nexans in relation to the acquisition of Olex due to an increase in its net assets, Nexans is not aware of any significant change in the Group's financial or trading position that has occurred since December 31, 2006. The price adjustment that will be payable in respect of Olex will not exceed 10% of the enterprise value of this company.

Material contracts

In the two years immediately preceding the publication of this Prospectus, Nexans entered into two agreements that are outside its normal course of business.

First, in 2005, Nexans executed a major transaction with Superior Essex. Nexans executed an agreement with Superior Essex in order to create a European joint venture to combine the two Groups' winding wires and varnish businesses in Europe and in England, respectively. Superior Essex holds a 60% stake in this joint venture, called Essex Nexans, while Nexans holds a 40% stake. The joint venture was partially financed – in an amount of 11.3 million euros – through a promissory note due in September 2010 issued by Essex Nexans in favor of Nexans. In addition to this 40% stake, Nexans also received a cash payment of approximately 35 million euros as consideration for the assets transferred.

The agreement included an earn-out clause providing that a price supplement would be due to Nexans from Superior Essex if Essex Nexans' 2006 EBITDA exceeded a certain pre-defined level. Because this level was exceeded during the year, Nexans is expecting to receive this price supplement from Superior Essex.

Superior Essex and Nexans also signed a shareholder agreement according to which Nexans has a put option entitling it to require Superior Essex to buy its entire stake in Essex Nexans at a price equal to the net value of its contribution plus 40% of (i) Essex Nexans' accrued net sales (adjusted for certain items as stipulated in the shareholder agreement), and (ii) all post-closing contributions to capital less post-closing distributions. This put option is only exercisable if Essex Nexans' adjusted EBITDA (as defined in the shareholder agreement) exceeds 14,000,000 euros in 2008, 2009 or 2010.

The price due in the event the option is exercised will be payable in cash or in Superior Essex shares, or in a combination thereof, at Superior Essex's option. Superior Essex has a call option on all of Nexans' shares in Essex Nexans which may be exercised at any time as from October 21, 2006. The price due in the event that this call option is exercised will be payable in cash. From June 30, 2011, both shareholders may freely dispose of their shares to a third party of their choice, subject to a right of first refusal by the other shareholder.

In addition, Essex Nexans has executed agreements with Nexans' subsidiaries for the supply of wirerods and wires. Under the wirerod contract, Essex Nexans committed to buying a monthly volume of wirerods at a fixed conversion price, which is adjusted annually, plus the cost of copper. According to the provisions of this agreement, Nexans is the exclusive supplier of wirerod in France and the exclusive supplier of a substantial portion of Essex Nexans' requirements in Germany.

Under the wire contract, Essex Nexans committed to buying a substantial portion of wire requirements from Nexans' subsidiaries at a fixed conversion price, which is adjusted annually, plus the cost of copper. According to the provisions of these agreements, Nexans is the exclusive supplier of wire for all Essex Nexans' requirements in France and Germany and 30% of its requirements in Portugal.

These agreements expire on December 31, 2008, and are renewed automatically each year, unless either of the parties terminate them, giving twelve months' notice.

Second, Nexans signed an agreement with Viscas Corporation in Japan in order to form a joint venture for manufacturing high-voltage cables. Cables made by the new company, named Nippon High-Voltage Cable Corporation, or NVC, will be sold only to its direct or indirect shareholders. NVC will not sell to other parties nor carry out any other commercial activities.

NVC is 66%-owned by Nexans Participations and 34% by Viscas. NVC purchased the equipment and machines necessary for its operations from Viscas, and is leasing its plant from Viscas.

Neither party may sell its shares in NVC without prior approval from the other party.

However, under certain circumstances, Viscas will be entitled, or even required, to sell all its NVC shares to Nexans at a price corresponding to the shares' percentage of NVC's net asset value. These circumstances include a refusal by Viscas to provide additional financing to NVC in a cumulative amount exceeding 3,420 million yen; failure to comply with an essential clause of the agreement; and expiration of the agreement.

Nexans is not aware of any other contract (other than the contracts entered into in the normal course of business) executed by any member of the Group that include provisions imposing upon any member of the Group a significant obligation or commitment for the entire Group.

Relations with Alcatel

Prior to Nexans' stock-exchange listing in June 2001, Nexans and its subsidiaries formed part of the Alcatel group. On March 16, 2005, Alcatel sold its remaining stake in Nexans' capital.

In addition to the industrial and trade relations now existing between the two groups (non-material as a percentage of Nexans' total business), two items are particularly noteworthy:

Following the incorporation of the Nexans Group, under an agreement dated December 1, 2000, Alcatel granted Nexans a non-exclusive, royalty-free license, with the possibility of granting sub-licenses, to use the patents on the cables related to Alcatel's business which were required for Nexans to operate its business. Under this agreement, Alcatel also granted Nexans a non-exclusive, royalty-free license, without the possibility of granting sub-licenses, to use monomode optical fiber patents related only to manufactured products and manufacturing processes used by Nexans prior to January 1, 2001 at certain of its designated sites remaining within Nexans' scope of consolidation but pertaining to Alcatel's business. Conversely, Nexans granted Alcatel similar rights to Nexans patents. The parties are not responsible for either guaranteeing the validity or the extent of the rights granted under license, or for protecting the rights covered by the patents in the event of violation or infringement by a third party. This agreement was executed for a term equivalent to the term of the protection of the rights covered by the agreement.

In the context of the incorporation of the Nexans Group, Nexans and certain of its subsidiaries in Germany, Spain, and Canada, decided to spin-off and subsequently transfer to Alcatel businesses related to Alcatel's activities. Conversely, in France and the United States, Alcatel and certain subsidiaries spun off then transferred to Nexans certain businesses related to Nexans' activities. Alcatel and Nexans then agreed to hold each other harmless from any liabilities arising at their subsidiaries in connection with any business they no longer own. Certain of these obligations expired before 2006 while others remained in force during the year.

Capital expenditure

Nexans' gross capital expenditure over the last three years was as follows: 96 million euros in 2004, 129 million euros in 2005, and 171 million euros in 2006. These amounts broke down as follows:

By business segment: Energy (80%), Telecom (10%), Electrical wires (8%) and Other (2%),

By geographical area: Europe (66%), North America (14%), Asia-Pacific (3%), Rest of the World (17%).

2006 was marked by a significant increase in capital spending related to major projects started in 2005:

In Europe, investments were focused primarily on growing business in the priority segments outlined in the company's strategic plan. These investments included capacity increases for high-voltage cable manufacturing, as well as enhanced production and technical facilities in the automotive sector. Nexans also pursued its efforts to cut costs and boost manufacturing productivity, particularly to meet the robust demand for medium-voltage cables.

In North America, investments were made to complete the capacity expansion project for US building cables. Nexans also continued to update the technology of its aeronautical cable manufacturing equipment, and increase its capacity for high-end LAN cable production.

In Asia, investments centered around the LAN production capacity increase in China and making further progress on the 2005 automobile cable project in Korea.

In the Rest of the World, the automobile cable development project continued in Morocco while power cable production capacity was increased at the Lorena site in Brazil. Substantial investments were also made in Egypt, to improve manufacturing efficiency, and at the Tuzla plant in Turkey, to shift production towards LAN cables and instrumentation cables for the oil sector.

In order to support its expansion into high-growth markets, Nexans formed a joint venture (in which it has a 66% stake) to acquire a new plant in Japan for producing high-voltage subsea cables.

Furthermore, the Group's regional and business reorganization will require considerable resources, particularly in terms of capital expenditure. These investments are expected to exceed 500 million euros over the 2007-2009 period, with over 80% allocated to the three priority segments of energy infrastructure, buildings, and industry.

Property, plant, and equipment[20]

The Group's plants and facilities are located in 65 countries around the world, and they represent a wide range of sizes and types of business. None of the Group's items of property, plant and equipment individually represent a material amount for the Group as a whole (*i.e.*, worth an amount exceeding 5% of the Group's total gross property, plant, and equipment).

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(20) See pages 137 to 138 of this Prospectus for further information.

SHAREHOLDERS' RIGHTS AND OBLIGATIONS

Shareholders' Meetings (Article 20 of the articles of incorporation)

Shareholders' Meetings are convened and vote in accordance with the provisions set forth by law. When the required quorum is present, the Shareholders' Meeting represents all the shareholders.
Its resolutions are binding on all, including absent or dissenting shareholders.

If the Board of Directors so resolves, any shareholder may vote at the Meeting using remote transmission methods (Internet) provided they can provide proof of identity, in accordance with the terms and methods set forth by law.

At its March 27, 2007 meeting, the Board of Directors requested that a Shareholders' Meeting to be held on May 10, 2007 (on second call) approve an amendment to Article 20 of the Company's articles of incorporation, entitled "Shareholders' Meetings," that would take into account the new regulations related to methods of participating in Shareholders' Meetings as set forth in decree n° 2006-1566 of December 11, 2006, which amends decree n° 67-236 of March 23, 1967, relating to commercial companies. The new decree has removed the obligation for bearer shareholders to obtain a declaration from an authorized financial intermediary where their share account is maintained attesting that their shares have been blocked from being traded for a one day period prior to the Shareholders' Meeting. A new provision has been introduced into French law with effect from January 1, 2007, relating to the "registration date" which applies irrespective of whether or not the articles of incorporation have been amended. Accordingly the following paragraph will be added to the articles of incorporation:

"The right to participate in, to a postal vote or to be represented at Shareholders' Meetings is subject to compliance with the following conditions:

– the shares of owners of shares held in registered form must be registered in the name of the registered owner in the share accounts held by the Company or by the financial intermediary appointed by the Company;

– the owners of bearer shares must have obtained a participation declaration in accordance with applicable law".

The Board of Directors will also request the Shareholders' Meeting to approve an addition to Article 20 of the Company's articles of incorporation providing that for postal votes of shareholders to be valid, they must be received at the latest one business day before the Meeting is held (by 15H00 Paris time at the latest), save where applicable law permits a shorter time period, as well as to approve a further amendment to Article 20 to introduce the new electronic signature authorised by the decree of December 11, 2006, for those shareholders authorized by the Board of Directors to send their proxy, or vote, by remote transmission methods (Internet).

Form of shares and legal disclosure thresholds (Article 7 of the articles of incorporation)

Shares are registered until they are fully paid up.

Fully paid-up shares may be held in either registered or bearer form, at the shareholder's discretion. In addition to the legal obligation of a shareholder to inform the Company when its holdings exceed certain fractions of the Company's share capital, any individual or legal entity and/or any existing shareholder that acquires a number of shares in the Company equal to or greater than 2% of the share capital or voting rights must notify the Company of the total number of shares held within a period of fifteen days from the time the threshold is crossed; this notification shall be by registered letter with return receipt requested.

The same disclosure formalities must be carried out each time a multiple of 2% is reached.

To determine the requisite thresholds, all shares held indirectly shall be taken into account as well as all the forms of shareholding covered by articles L.233-7 *et seq.* of the French Commercial Code.

In each notification filed as set forth above, the person making the notification must certify that all shares held or deemed to be held pursuant to the foregoing paragraph, have been included. He or she must also provide notification of the acquisition date(s).

In the event of non-compliance with the foregoing provisions and subject to applicable law, the shareholder shall forfeit the voting rights corresponding to any shares which exceed the thresholds and which should have been disclosed.

Any shareholder whose stake in the share capital falls below any of the above-mentioned thresholds must also notify the Company within fifteen days, in the same manner as described above.

Ownership of shares is evidenced by an entry in the shareholder's name in the share register held by the issuer or by an accredited intermediary. Transfers of registered shares will be made by transfer from account to account. All share registrations, payments and transfers shall be made in accordance with applicable law. Unless exempted by applicable law, the Company may require that the signatures on disclosures, transaction or payment orders be certified in accordance with prevailing law and regulations.

The Company may, in accordance with prevailing laws and regulations, require that information relating to its shareholders or to holders of securities which confer immediate or future voting rights be communicated to it by any authorized intermediary or organization, including their identity, the number of securities they hold, and any restrictions on the securities held.

Voting rights (Article 21 of the articles of incorporation)

Subject to applicable law and the Company's articles of incorporation, each Shareholders' Meeting attendee shall have a number of votes equal to the number of shares that he or she holds or represents. Voting rights are exercisable by the beneficial owner at all Ordinary, Extraordinary and Special General Shareholders' Meetings.

Double voting rights (Article 21 of the articles of incorporation)

Double voting rights are attached to all fully paid-up shares that have been registered in the name of the same holder for at least two years.

Any registered shares that are converted to bearer shares or whose ownership is transferred automatically lose their double voting rights. However, registered shares will not lose their double voting rights, and the above-mentioned two-year qualifying period shall continue to run, following the transfer from one registered shareholder to another as part of a transfer of shares included in the estate of a deceased shareholder, or in connection with the settlement of the marital estate or an *inter vivos* donation to a spouse or relative in the direct line of succession.

Limitations on voting rights (Article 21 of the articles of incorporation)

Regardless of the number of shares held directly and/or indirectly, when voting on resolutions at Shareholders' Meetings either in person or by proxy a shareholder with single voting rights may not exercise a number of voting rights representing more than 8% of the voting rights of all shareholders present or represented at the meeting concerned. If a shareholder is also entitled to double voting rights either when voting in person or by proxy, this limit may be exceeded taking into account only the additional voting rights, but the total voting rights exercised may not represent more than 16% of the voting rights of all shareholders present or represented. To determine this limitation, all shares held indirectly shall be taken into account, as well as all the forms of shareholding covered by articles L.233-7 *et seq.* of the Commercial Code.

The limitation determined in the foregoing paragraph shall not apply to the Chairman of the Meeting when voting pursuant to proxies received, in accordance with the legal obligations contained in article L.225-106 of the Commercial Code.

At its March 27, 2007 meeting, the Board of Directors requested that the next Shareholders' Meeting to be held approve an amendment to Article 21 of the Company's articles of incorporation, relating to voting rights, to take into account the new regulations related to the exercise of voting rights as set forth in law n° 2006-387 of March 31, 2006 in the event of takeover bids;

It is therefore proposed that the current text which reads " The limitation determined in the foregoing paragraph shall no longer apply when an individual or a legal entity acting alone or in concert holds at least 66.66% of the total number of shares in the Company, as a result of a takeover bid by way of purchase or exchange of shares for all the Company's shares. The Board of Directors shall place on record that this limitation no longer applies when the results of the takeover procedure are published" by the new regulations resulting from the law of March 31, 2006: "The restrictions contained in the 4th paragraph of this article are suspended on the holding of the first Shareholders' Meeting following the finalization of the takeover bid, if the person making the bid, whether acting alone or in concert, holds at least 66.66% of the total number of shares or voting rights in the Company".

Appropriation of income (Article 23 of the articles of incorporation)

The difference between revenue and expenses for the financial year, after provisions, constitutes the net income or loss for the financial year as recorded on the income statement. 5% of the net income, less any losses brought forward from prior years is transferred to the legal reserve until such time as the legal reserve represents one tenth of the share capital. Further transfers are made on the same basis if the legal reserve falls to below one-tenth of share capital, whatever the reason.

Income available for distribution consists of net income for the year, less any losses brought forward from prior years and any transfer made to the legal reserve as explained above. On the recommendation of the Board of Directors, the Shareholders' Meeting may appropriate all or part of said income to retained earnings or to general or special reserves, or decide to distribute all or part of the amount to shareholders in the form of a dividend.

In addition, the Shareholders' Meeting may resolve to distribute amounts taken from discretionary reserves either to create or supplement a dividend or as an exceptional dividend. In this case, the resolution shall indicate specifically the reserve account from which the distributions are made. However, dividends will first be paid out of distributable income for the financial year.

The Shareholders' Meeting may offer shareholders the option of receiving all or part of the final dividend or any interim dividend in the form of shares instead of cash.

In the event of interim dividends, the Shareholders' Meeting or the Board of Directors shall determine the date on which the dividend is to be paid.

INFORMATION ON THE COMPANY'S CAPITAL AND VOTING RIGHTS

In application of Article L.233-8 II of the Commercial Code and Article 223-16 of the General Regulations of the AMF, each month Nexans publishes on its website (www.nexans.com) and reports to the AMF the total number of voting rights and shares comprising the Company's share capital if they have changed from the last figures published.

Share capital

As indicated in the Board of Directors' Management Report, on page 141 of this Prospectus, at December 31, 2006, the share capital was 25,264,955 euros represented by 25,264,955 shares with a par value of 1 euro each.

An additional 155,450 new shares were issued between January 1 and March 15, 2007 on the exercise of stock options, thereby bringing the number of shares outstanding at March 15, 2007 to 25,420,405. At the date of filing this Prospectus, the Board of Directors had not formally amended the Company's articles of incorporation in relation to this issue.

Number of voting rights

At March 15, 2007, there were 1,367,197 shares with double voting rights and the total number of voting rights was therefore 26,787,602.

Changes in Nexans' share capital over the last five years

Date	Transaction	Number of Shares issued/ cancelled	Par value of the shares	Par value of capital increase/ reduction	Total amount of share capital	Total amount of shares
December 12, 2003	Capital increase related to the exercise of stock options	1,500	1 €	1,500 €	23,122,972 €	23,122,972
January 30, 2004	Capital increase related to the exercise of stock options	15,500	1 €	15,500 €	23,138,472 €	23,138,472
July 20, 2004	Capital increase related to the exercise of stock options	34,475	1 €	34,475 €	23,172,947 €	23,172,947
February 2, 2005	Capital increase related to the exercise of stock options	17,000	1 €	17,000 €	23,189,947 €	23,189,947
July 20, 2005	Capital increase related to the exercise of stock options	197,275	1 €	197,275 €	23,387,222 €	23,387,222
February 1, 2006	Capital increase related to the exercise of stock options	120,100	1 €	120,100 €	23,507,322 €	23,507,322
March 29, 2006	Capital reduction by cancelling treasury shares	2,221,199	1 €	2,221,199 €	21,286,123 €	21,286,123
May 12, 2006	Employee share issue	65,797	1 €	65,797 €	21,351,920 €	21,351,920
June 26, 2006	Capital increase related to the exercise of stock options and conversion of OCEANE bonds	312,825 3,534,160	1 €	3,846,985 €	25,198,905 €	25,198,905
January 30, 2007	Capital increase related to the exercise of stock options	66,050	1 €	66,050 €	23,264,955 €	23,264,955*

** This amount does not include new shares issued since January 1, 2007, on the exercise of stock options, as the Board of Directors had not formally amended the relevant articles of incorporation at the publication date of this Prospectus.*

Ownership structure

The information presented below is dated March 15, 2007, and is to the best of the Company's knowledge based on the TPI (identifiable bearer share survey) at December 31, 2006 and disclosures made to the AMF (the French financial markets authority).
The main shareholders at March 15, 2007 were the following:

- Institutional investors (France) 24.5%
- Institutional investors (United States) 25.6%
- Institutional investors (UK and Ireland) 28.4%
- Other European institutional investors 8.8%
- Institutional investors (rest of world) 1.9%
- Individuals and employees 9.6%
- Unidentified 1.2%

Total **100%**

At March 15, 2007, Board members held 0.2% of the Company's share capital and voting rights and employee shareholders accounted for 1.2% (of which 89.15% is held through an employee mutual fund (FCPE).

Estimated breakdown of share capital and voting rights at March 15, 2007

	Share capital		Voting rights(1)	
	Number of shares	Percentage	Number of voting rights	Percentage
Dodge & Cox(2)	1,866,440	7.3%	3,032,880	11.3%
Other institutional investors	20,799,058	81.9%	20,799,471	77.6%
Employees	315,428	1.2%	500,364	1.9%
Other individual investors	2,144,058	8.4%	2,159,830	8.1%
Unidentified shareholders	295,057	1.2%	295,057	1.1%
Total	**25,420,405**	**100.0%**	**26,787,602**	**100.0%**

(1) Shares registered in the name of the same holder for at least two years carry double voting rights. A shareholder's voting rights are limited to 8% (in the case of single voting rights) and 16% (in the case of double voting rights) of the voting rights attached to shares held by shareholders present or represented when voting on resolutions at a Shareholders' Meeting.
(2) Figures based on declarations of crossing of legal thresholds made to the AMF on March 6, 2007

In addition to the legal disclosure thresholds crossed as already described in the Board of Directors' Management Report on page 88 of this Prospectus, Dodge & Cox made a declaration to the AMF on March 6, 2007 that it had crossed the legal threshold of 10% of voting rights of the Company on February 28, 2007, increasing the number of shares it holds to 1,866,440 shares representing 3,032,880 voting rights, or 7.35% of the share capital and 11.33% of the voting rights.

To the best of the Company's knowledge, no shareholder other than those cited in the above table holds more than 5% of the share capital or voting rights.

Nexans is not aware of the existence of any individual or legal entity that, directly or indirectly, acting alone or in concert, exercises control over Nexans' share capital nor of any agreement that if implemented could subsequently trigger a change in the Company's control.

Changes in Nexans' ownership structure over the last three years

	Estimated situation as of March 31, 2005			Estimated situation as of February 28, 2006			Estimated situation as of March 15, 2007		
Ownership of shares	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
Other institutional investors	18,736,049	80.3	88.8	18,449,781	77.9	85.5	22,665,862	89.2	89.0
Employees	226,631	1.0	1.1	257,607	1.1	1.6	315,428	1.2	1.9
Members of the Board of Directors	47,044	0.2	0.2	7,153	NS	NS	58,975	0.23	0.22
Other individual investors	1,549,297	6.6	7.3	1,669,521	7.0	7.8	2,086,083	8.2	7.8
Treasury stock	2,221,199	9.5	-	2,221,199	9.4	-	0	0	0
Unidentified	548,727	2.4	2.6	1,088,261	4.6	5.1	295,057	1.2	1.1

Share equivalents: OCEANE bonds

On July 15, 2004, Nexans carried out a public issue of 3,552,632 OCEANE bonds convertible into new shares and/or exchangeable for existing shares, for a total value of approximately 135 million euros. The prospectus for this issue was approved by the AMF on July 6, 2004 under no. 04 652. A total of 3,534,160 of these OCEANE bonds were converted into new shares, based on Nexans' decision – as approved by the OCEANE bondholders meeting of May 15, 2006 – to proceed on June 16, 2006 with the early redemption of all the outstanding 3.125% July 15, 2004 to January 1, 2010 OCEANE bonds.

On July 7, 2006, Nexans carried out a public issue of 3,794,037 OCEANE bonds with a face value per bond of 73.80 euros, representing a total value of approximately 280 million euros. The prospectus for this issue was approved by the AMF on June 29, 2006 under no. 06-242. The term of the bonds is 6 years and 178 days. Unless the Company exercises its early redemption option, the bonds will be redeemed in full on January 1, 2013 at a price of 85.7556 per bond, representing 116% of the total face value. The bonds carry interest at 1.50% per annum payable in arrears on January 1 each year and their gross yield-to-maturity is 3.75% (if they are not converted and/or exchanged for shares and if they are not redeemed in advance). The option to convert or exchange the bonds can be exercised by the OCEANE bondholders from July 7, 2006 until the 7th business day preceding the scheduled or early redemption date at the rate of one share per bond (subject to any adjustments required by law). At March 15, 2007, all the 1.50% July 7, 2006 to January 1, 2013 OCEANE bonds were outstanding.

Share equivalents: Stock options

Pursuant to the authorization granted by the Shareholders' Meeting of May 15, 2006, the Board of Directors resolved to grant stock options under two new plans in 2006 and 2007, to allow executives and other managers whose performance has contributed significantly to the Group's development to share in the Group's increased profitability. Therefore, on November 23, 2006, 343,000 options were allocated at a unit exercise price of 76.09 euros, and on February 15, 2007, 29,000 options were

allocated at a unit exercise price of 100.94 euros. These options give their holders the right to subscribe for new Company shares to be issued in connection with a capital increase.
At March 15, 2007, 1,331,200 options to subscribe for Nexans shares, representing 5.24 % of the share capital, were outstanding. Each option entitles the holder to subscribe for one Nexans share.

Stock Options Allocation Policy

In 2004, the Board of Directors drew up an alternating policy for allocating stock options, by means of which the plan for one year covered the members of the Executive Committee and certain senior managers, and the plan for the following year covered a different group of employees, particularly high-potential managers. Each plan represented approximately 1 to 2% of the share capital.

Following a recommendation by the Appointments and Compensation Committee, in 2006 the Board of Directors decided to abandon this alternating policy for future years and combine these two groups of people when allocations were made.

Breakdown by category of beneficiary of stock options granted during financial year 2006

	Grant date	Number of grantees	Number of options granted[1]	Exercise price	Maturity
Corporate officers					
- Gérard Hauser	11/23/2006	2	70,000	76.09 €	11/22/2014
- Frédéric Vincent	11/23/2006		50,000	76.09 €	11/22/2014
Group employees					
10 largest grantees	11/23/2006	12[2]	166,000	76.09 €	11/22/2014

(1) One quarter of the total stock options granted vests at the end of each successive 12-month period from the grant date; options may only be exercised on or after November 23, 2007.
(2) Employees involved on an equal basis.

Breakdown by category of subscriber of shares issued during 2006 upon exercise of stock options

	Number of subscribers	Number of shares issued	Exercise price
Corporate officers	1	13,750	17.45 €
Gérard Hauser			*(November 16, 2001 plan)*
Group employees	12[2]	118,500	11.62 €
10 largest subscribers			*(April 4, 2003 plan)*
	10	56,000	17.45 €
			(November 16,2001 plan)

(1) Employees involved on an equal basis.

Since January 1, 2007, the Chairman and Chief Executive Officer has also subscribed 37,000 shares at a price of 11.62 € per share further to the exercise of stock options granted on April 4, 2003, and 12,500 shares at a price of 27.82 € per share further to the exercise of stock options granted on November 16, 2004. The Chief Operating Officer subscribed 18,750 shares at a price of 11.62 € per share further to the exercise of stock options granted on April 4, 2003.

Record of stock options granted

	Plan No. 1			Plan No. 2	Plan No. 3	Plan No. 4	Plan No. 5	Plan No. 6
Date of shareholders meeting	**Combined General Shareholders Meeting of April 2, 2001**			**Combined General Sharehold-ers Meeting of June 25, 2002**	**Combined General Shareholders Meeting of June 5, 2003**		**Combined General Shareholders Meeting of May 15, 2006**	
Grant date	November 16, 2001	January 18, 2002	March 13, 2002	April 4, 2003	November 16, 2004	November 23, 2005	November 23, 2006	February 15, 2007
Total number of shares to be issued on exercise of options, of which shares to be issued to the benefit of:	531,500	5,000	8,000	644,500	403,000	344,000	343,000	29,000
- Corporate officers	55,000	0	0	50,000	125,000	0	120,000	0
- Emplyees 10 largest grantees	181,000	5,000	8,000	204,000	209,000	91,000	166,000	29,000
Start date of exercise period	November 16, 2002	January 18, 2003	March 13, 2004	April 4, 2004	November 16, 2005	November 23, 2006	November 23, 2007	February 15, 2009
Expiry date	November 15, 2009	January 17, 2010	March 12, 2010	April 3, 2011	November 15, 2012	November 22, 2013	November 223, 2014	February 14, 2015
Exercise price	17.45 €	16.70 €	19.94 €	11.62 €	27.82 €	40.13 €	76.09 €	100.94 €
Exercise terms	One quarter each year			One quarter each year	One quarter each year	One quarter each year	One quarter each year	50% on February 15, 2009; 25% each year thereafter
Total number of shares subscribed (as of 03/15/2007)	482,750	2,000	8,000	364,375	40,500	22,550	-	-
Total number of options cancelled (as of 03/15/2007)	21,250	3,000	0	27,250	0	5,125	0	0
Total number of outstanding options (as of 03/15/2007)	27,500	0	0	252,875	362,500	316,325	343,000	29,000

New authorizations to be given to the Board of Directors to issue shares and share equivalents

Attached to the Management Report of the Board of Directors on page 66 of this Prospectus is the summary table of the current authorizations in effect granted to the Board of Directors by the Extraordinary General Shareholders' Meeting to increase the share capital, and the use of such authorizations during 2006.

As all these authorizations expire at the next Shareholders' Meeting, the Board of Directors intends to seek their renewal by submitting to the Shareholders' Meeting to be held on May 10, 2007 (on second call) several resolutions to grant authorizations to the Board of Directors to issue, with or without preferential subscription rights, shares and share equivalents. The Board of Directors will recommend that shareholders once again limit the effective period of these authorizations to one year (*i.e.* until the end of the Shareholders' Meeting to be called to approve the 2007 financial statements, except for the authorization to be given in the twentieth resolution which will expire on the Shareholders' Meeting to be called to approve the 2008 financial statements).

The full text of the proposed resolutions as well as the report by the Board of Directors presenting them is available on the Nexans website at www.nexans.com.
The table below provides a summary of the conditions and limits contained in the resolutions to be submitted to the Shareholders' Meeting on May 10, 2007, to allow the Board of Directors, at its sole discretion and within the framework set by the Shareholders' Meeting, to issue shares and share equivalents, with the option of delegating this authorization subject to the terms and conditions prescribed by law.

<table>
<tr><th>Resolutions 15 to 22(1)</th><th>Caps per resolution(2)</th><th>Caps common to more than one resolution(2)</th></tr>
<tr><td>Share issue with preferential rights (R15) and greenshoe option if successful (R17)</td><td>€ 10,000,000</td><td rowspan="3">€ 10,000,000</td></tr>
<tr><td>Issue of shares equivalent of debt securities, with no preferential subscription rights (OC bonds, OCEANE bonds, ORA equity notes and OBSA bonds with warrantsà (R16) and greenshoe option if successful (R17)</td><td>Shares = € 4,000,000:
(< 16% of the share capital)
Debt securities =
€ 500,000,000</td></tr>
<tr><td>Share issue in payment of remitted securities (R18)</td><td>10% of the share capital</td></tr>
<tr><td>Share issue to be paid up by capitalizing reserves, income or additional paid-in capital (R19)</td><td colspan="2">€ 10,000,000</td></tr>
<tr><td>Issue of shares or share equivalents reserved for members of a Corporate Savings Plan (R20)</td><td colspan="2">€ 500,000</td></tr>
<tr><td>Allocation of stock options (R21)</td><td>€ 500,000</td><td rowspan="2">€ 500,000
(approximately 2% of the share capital)</td></tr>
<tr><td>Awards of existing or newly issued shares granted free (R22)</td><td>€ 500,000</td></tr>
<tr><td colspan="2">*(1) The abbreviation "R…" stands for the number of the resolution submitted for approval to the Shareholders' Meeting of May 10, 2007.*</td><td>**Global cap =
€ 21,000,000**</td></tr>
</table>

(2) The maximum par value of the capital increases which could take place corresponds to the maximum number of shares which could be issued in the operation where the par value of one Company share is equal to one euro.
(3) All authorizations will be valid until the end of the Shareholders' Meeting to be called to approve the 2007 financial statements, except this one which will expire on the Shareholders' Meeting to be called to approve the 2008 financial statements.

Transactions on the Company's shares made by the officers of the Company as defined by article L.621-18-2 of the Monetary and Financial Code

All transactions on the Company's shares which have been disclosed to the AMF by the officers of the Company in the period from January 1, 2006 to March 15, 2007 are described in the following table:

Officers	**Date**	**Type of transaction**	**Description of financial instrument**	**Price** (in euros)	**Total amount** (in euros)
Gérard Hauser	02/02/06 02/02/06 02/03/06 02/03/06 02/06/06 02/06/06 05/17/06 06/13/06	Subscription Sale Subscription Sale Subscription Sale Purchase Purchase	Exercise of options Shares Exercise of options Shares Exercise of options Shares Shares Shares	17.45 51.75 17.45 53.90 17.45 53.90 67.05 51.55	82,887 245,812 78,525 242,550 78,525 242,550 20,115 10,310
	02/01/07	Subscription Hedging	Exercise of options	11.62 103.82	367,471
	02/02/07	Subscription Hedging	Exercise of options	11.62 103.20	62,911
	02/12/07	Subscription Hedging	Exercise of options	11.62 103.21	5,368
	02/12/07	Subscription Hedging	Exercise of options	27.82 103.21	347,750
Jean-Louis Vinciguerra	03/07/06	Purchase	Shares	56.20	18,827
Georges Chodron de Courcel	04/07/06	Purchase	Shares	69.35	13,870
François Polge de Combret	05/30/06	Purchase	Shares	60.56	30,280
Gianpaolo Caccini	09/27/06	Purchase	Shares	66	9,900
Frédéric Vincent	05/12/06 06/19/06 02/28/07	Subscription Purchase Subscription Hedging	FCPE unit trusts invested in Nexans shares (ACT 2006) FCPE unit trusts invested in Nexans shares Exercise of options	52.50 56.79 11.62 94.95	53,194 12,254 217,875

Members of the Executive Committee	**Date**	**Type of transaction**	**Description of financial instrument**	**Price** (in euros)	**Total amount** (in euros)
Bruno Thomas	05/10/06	Subscription Hedging	Exercise of options	11.62 71.19	145,250
	05/12/06	Subscription	FCPE unit trusts invested in Nexans shares (ACT 2006)	52.50	21,000
	06/19/06	Purchase	FCPE unit trusts invested in Nexans shares	56.79	12,254
Michel Lemaire	05/12/06	Subscription	FCPE unit trusts invested in Nexans shares (ACT 2006)	52.50	19,407
	06/19/06	Purchase	FCPE unit trusts invested in Nexans shares	56.79	12,254
	02/02/07	Subscription Hedging	Exercise of options	11.62 87.29	72,625
	02/02/07	Hedging of 6,250 options exercisable at €11.62		87.29	
	02/02/07	Subscription Hedging	Exercise of options	27.82 82.16	278,200
Pascal Portevin	04/26/06	Subscription Hedging	Exercise of options	11.62 68.87	72,625
	05/12/06	Subscription	FCPE unit trusts invested in Nexans shares (ACT 2006)	52.50	525
	06/19/06	Purchase	FCPE unit trusts invested in Nexans shares	56.79	2,254
Véronique Guillot-Pelpel	05/12/06	Subscription	FCPE unit trusts invested in Nexans shares (ACT 2006)	52.50	2,446
	06/19/06	Purchase	FCPE unit trusts invested in Nexans shares	56.79	12,254
Yvon Raak	05/12/06	Subscription	FCPE unit trusts invested in Nexans shares (ACT 2006)	52.50	21,000
	06/19/06	Subscription	FCPE unit trusts invested in Nexans shares	56.79	12,254
	11/22/06	Subscription Hedging	Exercise of options	11.62 81.82	72,625
	02/05/07	Sale	Shares	103.60	105,983
Party related to Yvon Raak	02/05/07	Sale	Shares	102.60	112,860
Party related to Yvon Raak	02/05/07	Sale	Shares	102.50	112,750

AUDITORS OF NEXANS

Statutory Auditors	Substitute Auditors
• Salustro Reydel, member of KPMG International (Compagnie Régionale des Commissaires aux comptes de Paris) 1, Cours Valmy, 92923 Paris-La Défense cedex, represented by Benoît Lebrun Appointed on June 5, 2003. Term expires at the 2009 General Shareholders' Meeting. • PricewaterhouseCoopers Audit (Compagnie Régionale des Commissaires aux comptes de Paris) 63 rue de Villiers, 92200 Neuilly-sur-Seine, represented by Dominique Ménard. Appointed on May 15, 2006. Term expires at the 2012 General Shareholders' Meeting.	• François Chevreux 1, Cours Valmy, 92923 Paris-La Défense cedex Appointed on June 5, 2003. Term expires at the 2009 General Shareholders' Meeting. • Étienne Boris 63 rue de Villiers, 92200 Neuilly-sur-Seine Appointed on May 15, 2006. Term expires at the 2012 General Shareholders' Meeting. Barbier Frinault & Autres (Ernst & Young) has audited the historical financial information related to fiscal 2004 and 2005 incorporated by reference in this Prospectus. The terms of office of Barbier Frinault & Autres (Ernst & Young) and the Substitute Auditor Pascal Macioce expired at the end of the General Shareholders' Meeting of May 15, 2006, and were not renewed.

Fees paid by Nexans to the Auditors

	2006				2005			
	Salustro Reydel (KPMG International)		(PricewaterhouseCoopers Audit)		Salustro Reydel (KPMG International)		Barbier Frinault & Autres	
	€ '000s	%	€ '000s	%	€ '000s	%	€ '000s	%
1 – Audit services								
Statutory and contractual audits	944	92%	1,495	76%	1,012	93%	1,596	67%
Other audit-related	43	4%	397	20%	82	8%	164	7%
Sub-total	987	97%	1,892	96%	1,094	100%	1,760	74%
2 - Other services								
Tax advice	18	2%	76	4%	–	–	608	26%
IT consulting	–	–	–	–	–	–	–	–
Other	16	2%	–	–	–	–	–	–
Sub-total	34	3%	76	4%	–	0%	608	26%
Total	1,021	100%	1,968	100%	1,094	100%	2,368	100%

REGULATED AGREEMENTS
(Year ended December 31, 2006)

The following is a summary of the related-party agreements governed by article L.225-38 of the French Commercial Code that were executed or remained in force in 2006

1. Prior agreements remaining in force in 2006

Corporate Officer involved: Georges Chodron de Courcel, Nexans Board Member and Chief Operating Officer of BNP Paribas

- Global underwriting agreement for OCEANE bonds issued in 2004

As part of the issue of Nexans' 3.125% July 15, 2004 / January 1, 2010 OCEANE bonds (bonds convertible into new shares and/or exchangeable for existing shares), a global underwriting agreement authorized by the Board of Directors on July 5, 2004, was executed on July 6, 2004 with a bank syndicate (including BNP Paribas). Pursuant to this contract, Nexans undertook to issue OCEANE bonds representing a maximum nominal value of 135 million euros, and the bank syndicate undertook to place the bonds or subscribe the bonds themselves on the basis of certain representations and warranties given by Nexans and in exchange for a payment by Nexans.

The guarantors are BNP Paribas, Goldman Sachs International, and Lazard-IXIS. The fee paid for 2004 and shared among the guarantors was 2,227,000 euros.

- Syndicated loan agreement of December 28, 2004 and the first amendment thereto

The Board of Directors resolved on November 16, 2004 to authorize a syndicated loan, and a syndicated loan agreement was executed on December 28, 2004. This "€450,000,000 multi-currency revolving facility agreement" was executed by Nexans (as borrower) and 14 credit institutions including BNP Paribas (as swingline lender). BNP Paribas was also appointed as the syndicate agent. The fee paid for 2004 and shared among the banks prorata to their participation was 780,400 euros. BNP Paribas also receives an annual agency fee of 12,500 euros before tax.

An amendment to the cost and structure of the agreement was authorized by the Board of Directors on September 26, 2005, and executed on October 17, 2005. Under this amendment, the term of the loan agreement was extended to 5 years from the date the amendment was executed, with the possibility of extending it to 7 years; and the spreads and commitment fees payable under the agreement were decreased. The fee paid for 2005 and shared among the banks prorata to their contribution was 215,000 euros.

2. Agreements executed in 2006

2.1 Corporate Officer involved: Georges Chodron de Courcel, Nexans Board Member and Chief Operating Officer of BNP Paribas

- Financial advisory agreement

On May 10, 2006, Nexans signed an exclusive financial advisory agreement with BNP Paribas to help structure and carry out the early call of Nexans' 3.125% July 15, 2004 / January 1, 2010 OCEANE bonds. This agreement had been approved by the Nexans Board of Directors on March 29, 2006. The fee paid to BNP Paribas under this contract for 2006 was 200,000 euros.

- Global underwriting agreement for OCEANE bonds issued in 2006

A global underwriting agreement for the issue of Nexans' 1.50% July 7, 2006 / January 1, 2013 OCEANE bonds was approved by the Nexans Board of Directors on June 26, 2006 and executed on June 29, 2006. Under this agreement, made with BNP Paribas and Société Générale Corporate and Investment Banking, Nexans undertook to issue OCEANE bonds representing a maximum nominal amount of 280 million euros and the guarantors undertook to place the bonds or subscribe the bonds themselves, on the basis of certain representations and warranties given by Nexans and in exchange for a payment by Nexans. The fee paid for 2006 and shared among the guarantors was 4,200,000 euros.

- Second amendment to the syndicated loan agreement of December 28, 2004

A second amendment to the syndicated loan agreement was required following the Group's transition to IFRS. This amendment, approved by the Nexans Board of Directors on May 15, 2006 and executed on June 30, 2006, changed the covenant's financial ratios and how they are calculated, and clarified Nexans' reporting obligations to the lenders. The amendment also modified the commission fee schedule.

- Third amendment to the syndicated loan agreement of December 28, 2004

A third amendment to the syndicated loan agreement, approved by the Nexans Board of Directors on September 27, 2006 and executed on October 30, 2006, increased the amount available under the credit facility by 130 million euros to a total of 580 million euros. The fee paid for 2006 and shared among the banks prorata to their contribution was 405,000 euros.

2.2 Corporate Officer involved: Frédéric Vincent, Nexans Chief Operating Officer since May 15, 2006

- Amendment to Frédéric Vincent's employment contract

On May 15, 2006, the Nexans Board of Directors approved and executed an amendment to Frédéric Vincent's employment contract in order to ensure that his protection conditions are maintained during his term of office as Chief Operating Officer. This contract is suspended during his term of office but if his position as Chief Operating Officer is terminated for any reason whatsoever, the employment contract will come back into force by operation of law. In addition, if he is dismissed for reasons other than gross negligence or misconduct, he will be entitled to the contractual severance pay plus an additional amount equal to twenty-four times his most recent monthly salary (including bonus) prior to the termination of his term as Chief Operating Officer.

CHAIRMAN'S REPORT ON THE BOARD OF DIRECTORS' OPERATIONS AND THE COMPANY'S INTERNAL CONTROL PROCEDURES

(Year ended December 31, 2006)

In accordance with article L.225-37 of the Commercial Code, Gérard Hauser, Chairman and CEO of Nexans, a holding company and parent of the Group, issues this report on the manner in which the work of the Board is prepared and organized, as well as the internal control procedures implemented by the Company and any restrictions placed on the powers of the CEO by the Board of Directors. The report also discusses the rules established by the Board of Directors for setting the compensation and benefits paid to Nexans corporate officers.

This report concerns the parent company and all Group companies included in the scope of consolidation.

1. <u>Preparation and organization of the work of the Board of Directors of Nexans, a holding company and parent of the Group</u>

1.1. Organization of the work of the Board of Directors

The Board of Directors met eight times in 2006 and more than two-thirds of its members were present at each of its meetings.

The Chairman and CEO notifies the members of the Board at least one week before each meeting.

Several days before the meeting, the Directors are provided with a file covering the major agenda items to be discussed and examined.

The Board of Directors is kept informed of the business trends, financial condition and indebtedness position of the Company and the Group. It approves the parent Company and consolidated financial statements and Management projections, and reviews the budget. It resolves on matters affecting the strategy and running of the Company.

All these issues were addressed by the Board during 2006. In particular, the Board renewed Gérard Hauser's term as Chairman and CEO until the end of the first half of 2009. In addition, with the agreement of the Appointments and Compensation Committee, it created a Chief Operating Officer position and appointed Frédéric Vincent in this capacity. The Board of Directors also decided to carry out several financial transactions, including the cancellation of treasury shares, a share issue for Nexans employees, an early call of OCEANE convertible bonds, and a new issue of OCEANE convertible bonds.

Presentations are made on a regular basis to the Board of Directors by functional department or area managers to familiarize the Directors with Nexans' core businesses and provide a clearer picture of the Group's internal operations. In the first half of 2006, Board Members visited the Nexans France site in Lyon, where the Nexans Research Center and the Building business sales force are located. During this visit, they were given a detailed presentation of the site's operations and strategy.

Pursuant to its internal rules, the Board was also consulted throughout 2006 on various planned acquisitions and significant divestitures; it was kept constantly informed of the progress on these projects. The most significant of these in 2006 was the Olex acquisition in Australia for approximately 310 million euros.

The rules established by the Board of Directors for setting the compensation and benefits paid to Nexans' corporate officers are described in the Board of Directors' Management Report. In 2006, the Board set the variable portion of the Chairman and CEO's compensation for 2005, and the procedure by which it will be calculated for 2006 and 2007. The Board also adopted a new stock option plan, and outlined the procedure by which the variable compensation for the Chief Operating Officer will be calculated for 2007.

1.2. Corporate governance: internal rules for the Board of Directors and Director's Charter

In 2003, Nexans formally adopted the internal rules for the Board of Directors and a Director's Charter.

Nexans complies with and applies the corporate governance principles originating from the Bouton and Viénot-Bouton reports.

The internal rules and the Director's Charter are given to each new member of the Board when they take office.

The internal rules set forth the areas of authority of the Board of Directors, how it operates and the ethical principles to be followed.

In accordance with the Bouton report, the internal rules determine which capital expenditure or significant restructuring plans, such as mergers, acquisitions, divestitures, or proposed financing projects will require the prior approval of the Board of Directors, based on their nature and the amounts involved. The internal rules also define the roles of the various Committees created by the Board and the criteria for Director independence.

The Director's Charter sets forth the rights and obligations of Board Members, including the obligation to disclose transactions carried out in relation to Nexans' securities, and to comply with mandatory lock-out periods on any such transactions.

1.3. Appraisal of the Board of Directors

An annual procedure to appraise the Board of Directors with regard to how it works was implemented in 2003 to check that material issues are properly reported, dealt with and discussed at its meetings. This appraisal procedure – which until 2006 was conducted on the basis of a detailed questionnaire sent to each Director – has revealed a high level of satisfaction with the Board's operations as well as some opportunities for improvement.

In 2006, a formal appraisal procedure was performed by Spencer Stuart, which issued the following statement in its report:
"We held individual meetings with each Board Member, according to a guide developed in conjunction with the Company. The Board Members unanimously rated the Board's organization and operations as extremely satisfactory, due to the quality of the documents provided, the open discussions at meetings during which Board Members are free to act and speak independently, and an effective, shared decision-making process. Board Members also expressed their unanimous confidence in the company's Executive Committee. Nevertheless, some improvements could be made in terms of the allocation of work among the Board and its Committees. We would also suggest that Board Members have more opportunities to meet the broader management team."

1.4. Committees formed by the Board of Directors

- *The Accounts and Audit Committee*

In 2006, the Board of Directors changed the name of the Accounts Committee to the Accounts and Audit Committee.

Composition and role of the Accounts and Audit Committee

The Accounts and Audit Committee comprises three members – Messrs. Georges Chodron de Courcel, Yves Lyon-Caen, and Jean-Louis Vinciguerra, who chairs the Committee. All three were chosen for their financial and accounting expertise.

The responsibilities of the Accounts and Audit Committee include:

- examining the draft accounts to be submitted to the Board, checking the methods used to prepare them and ensuring that the accounting principles and methods used are both relevant and consistent,

- examining the Group's scope of consolidation,

- ensuring that the Committee is made aware of the internal procedures for identifying off-balance sheet commitments and risks, and checking that such procedures are sufficient to ensure the reliability of the information resulting from them,
- monitoring sensitive issues,
- examining the work of Internal Audit, giving its opinion and reviewing the main conclusions of the audits conducted,
- participating in the Auditors selection process and giving its opinion to the Board of Directors on their appointment or replacement,
- defining the rules for using the Auditor networks for assignments other than auditing, in accordance with applicable regulations,
- carrying out any specific reviews it deems necessary, after having informed the Chairman and CEO, and, as appropriate, contacting key executive managers of the Company, and reporting back to the Board.

In the course of its work, the Accounts and Audit Committee may request to meet with any member of the Finance Department and the Statutory Auditors, including without the presence of the Group's Management.

During 2006, the Accounts and Audit Committee met on five occasions in the presence of the Chief Operating Officer, Chief Financial Officer, Senior Corporate Vice President, Management Control and Consolidation, Internal Audit Director and Statutory Auditors. It reviewed Nexans' consolidated financial statements, paying special attention to the effects of the transition to IFRS, and examined the provisions for ongoing litigation. It heard a progress report on the status of the current internal audit plan as well as the audit plan for 2006-2007, and approved the Company's proposals concerning the management of copper hedges. The Accounts and Audit Committee also recommended replacing the current Statutory Auditors, Barbier Frinault & Autres (Ernst & Young), whose term was due to expire, by PricewaterhouseCoopers Audit, and approved the creation of a reinsurance captive for the Group. Finally, the Committee carefully reviewed the change relating to the recognition of non-ferrous metal inventories and recommended that it be approved by the Board of Directors.

- *The Appointments and Compensation Committee*

Composition and role of the Appointments and Compensation Committee

The Appointments and Compensation Committee comprises three members: Messrs. Gianpaolo Caccini, François Polge de Combret, who was appointed on May 15, 2006 and Ervin Rosenberg, who chairs the Committee.

The responsibilities of the Appointments and Compensation Committee include:

- examining and making suggestions regarding the assessment of Directors' independence, prior to a final decision made by the Board of Directors,

- proposing to the Board new Directors and officers to be co-opted or proposed at the Annual Shareholders' Meeting,

- proposing to the Board criteria for determining the fixed and variable portions of corporate officers' compensation in line with the Group's annual performance, executives' performance appraisals, the Group's medium-term strategy and market practices,

- helping define the Group's policy relating to stock option plans (frequency, individuals concerned, total amount), which it proposes to the Board of Directors, and gives the Board its opinion on plan proposals drawn up by Management.

The Appointments and Compensation Committee met three times during 2006. It set the variable portion of the Chairman and CEO's compensation for 2005, and the procedure by which it will be calculated for 2006 and 2007. It also resolved on changes to the Group's organizational structure, and supported the Chairman and CEO's proposal to appoint Frédéric Vincent as the Chief Operating Officer. The Committee set the procedure for calculating the variable portion of the Chief Operating Officer's compensation for 2007, and approved a new stock option plan and the list of option beneficiaries.

1.5. Restrictions that may be placed on the powers of the Chairman and CEO

The Board of Directors has decided not to separate the positions of Chairman of the Board of Directors and CEO. Other than the applicable legal restrictions and those relating to transactions or decisions that require the prior approval of the Board of Directors as defined in the internal rules – such as mergers, acquisitions, or financing proposals – neither the Board of Directors, nor the Company's bylaws have placed any restrictions on the powers of the Chairman and CEO.

2. Internal control procedures

2.1. Nexans' internal control objectives

Nexans' internal control procedures consist of implementing a set of rules throughout the Group with a view to obtaining reasonable assurance that all transactions comply with applicable laws and regulations and are consistent with the values, policies and objectives defined by the Group.

Nexans takes a pragmatic approach to internal control. Its internal control procedures take into account the specific aspects of its business and are geared to the risks identified with its activities. Nexans has designed its internal control procedures in line with the management of its potential risks.

All Nexans Group procedures, whether or not they relate to financial information, have been established centrally at the level of the parent Company. They are then implemented in each country and at each entity, and periodic reports are sent to the functional department in charge, which monitors and controls the procedures.

2.2. General organization and description of the internal control procedures implemented

2.2.1. Parties involved and structures in place: organization of the Group in 2006

In 2006 the Nexans Group was organized as follows:

Countries are responsible for operating income. Their performance continues to be monitored by market and by product under a full monthly financial reporting procedure.

The countries are grouped into **four areas** – Europe, North America, Asia-Pacific, and the Rest of the World – which are responsible for managing, coordinating and supervising both operations and the implementation of the Group's strategy in accordance with the regulations in effect in each country.

Each area is led by a Regional Manager assisted by a financial control team.

The Group has an **Executive Committee**, which consists of the Chairman and CEO and the following seven members:

- The Chief Operating Officer, who is also the Executive Vice President for North America,
- The Executive Vice Presidents in charge of the other three areas,
- The Senior Corporate Vice President, Strategic Operations,
- The Chief Financial Officer,
- The Senior Corporate Vice President for Human Resources and Communications.

The role of the Executive Committee is to define and manage Group strategy, allocate the necessary resources to implement it, set objectives for the entities that comprise the Group, and monitor the achievement of such objectives.

The **Board of Directors** assists with implementing the Group's internal controls, primarily through the Committees and Committee reports described above.

The Group-level functional departments are also involved in internal control.

The Strategic Operations Department is responsible for the strategic development of the entire Group. It includes:

- **<u>The Marketing Department</u>**

The Marketing Department's mission is to:
- develop an in-depth knowledge of Nexans' various markets, businesses and products,
- define Nexans' position in each of its market segments,
- formulate product and market strategies in collaboration with the countries and areas,
- establish development priorities and plans,
- propose Nexans' strategic plan.

To achieve this, the Marketing Department relies on a central marketing team and product managers in the countries. It also relies on the existing financial reporting system.

- **<u>The Development and Economic Intelligence Department</u>**

The Development and Economic Intelligence Department's mission is to:
- monitor the Group's competition;
- participate in developing the Group's acquisition strategy; and
- contribute to creating and implementing the Group's strategic plans.

- **<u>The Industrial Management Department</u>**

The Industrial Management Department assists the areas in industrial matters and oversees the area and country-level Industrial Management Departments, which are responsible for the performance of Nexans' manufacturing plants.

The Industrial Management Department covers the following areas:

✓ Supporting the area and country-level Industrial Management Departments
- assisting Nexans' areas, activities, countries and units in improving their industrial performance,
- helping Nexans' areas, activities, countries and units to determine and carry out industrial projects,
- reviewing capital expenditures and approving capital expenditure requests,
- conducting industrial inspections,
- promoting and monitoring the production plants involved in continuous improvement programs (3-year plans, Program +, Best Practices, etc.),
- defining, collecting and publishing key performance indicators; communicating internal benchmarks and recommendations.

✓ Risk and environment
- defining and promoting Nexans' rules concerning environmental regulations (recycling of cables, disposal or recycling of manufacturing waste, etc),
- managing the EHP label ("Environnement Hautement Protégé"), denoting compliance with the highest environmental standards, awarded to Nexans' manufacturing sites,
- in coordination with the Risk Management Department, ensuring contacts are maintained between insurers and Nexans' plants for manufacturing-related risks.

✓ Definition and management of Nexans' industrial strategy
- drawing up and proposing optimal industrial solutions consistent with Nexans' markets,
- promoting and proposing improvements in Nexans' industrial performance (location of factories, manufacturing processes, etc.),
- contributing to Nexans' strategic plan as well as updating and monitoring the plan,
- proposing or supervising rationalization plans.

The Industrial Management Department is also very involved in managing Nexans' industrial equipment, managing and monitoring capital expenditures, supervising industrial projects, and assessing new manufacturing tools and processes.

- **<u>The Technical Management Department</u>**

The Technical Management Department manages all the Group's research and development efforts, in particular through its Excellence Centers and the Research Center.

- **<u>The Information Systems Department</u>**

The Information Systems Department develops the Group's IT systems policy and oversees its implementation. In addition, due to the importance of information systems as a factor in Nexans' competitiveness, a Group-level Steering Committee has been formed within the Information Systems Department to assist the Executive Committee when deciding on budgetary priorities and Group Information System strategy.

- **<u>The Purchasing Department</u>**

The mission of the Purchasing Department is to define and oversee the implementation of the Group's procedures for the purchase of goods and services in order to rationalize cost, quality, timeframes and technology.

In addition, all bids in excess of 25 million euros are subject to a review of the applicable contract terms (commercial, legal, financial and technical). This review is performed by the **Group Bid Review Committee**. This Committee is chaired by the Chief Operating Officer, and is comprised of the Executive Vice President for the area involved, Chief Financial Officer, Head of the Treasury and Non-Ferrous Metals Department, Corporate Counsel, Head of the Risk Management Department, Regional Management Controller, and operating managers appointed by the Executive Vice President for the area involved.
European bids for amounts between 5 and 25 million euros (which comprise the vast majority of bids) are also reviewed by this committee (without the Chief Operating Officer).

Any potential business or company acquisitions or sales, or possible strategic alliances or partnerships, are reviewed by Nexans' **Merger and Acquisitions Committee**. This Committee is chaired by the Chief Operating Officer, and its other members are the Chief Financial Officer, Corporate Counsel, Head of the Financial Operations Department, Head of the M&A Department, Executive Vice President of Strategic Operations and the Executive Vice Presidents of the areas concerned.

An **Environmental Committee** oversees programs aimed at continuously improving the environmental performance of Nexans' production sites. This Committee is made up of representatives from the Strategic Operations, Industrial Management, Technical, Purchasing, Legal, Risk Management, Human Resources, and Communications Departments.

2.2.2. Changes to the Group's organizational structure effective from February 1, 2007

a) Executive Committee

The Chief Operating Officer is now responsible for overseeing operations in the Europe, North America, Asia-Pacific, and Rest of World areas. A new Executive Vice President for North America has been appointed to join the Executive Committee.

b) Strategic Operations Department

A specific organization for each of the industry, infrastructure, and building markets has been created within the Strategic Operations Department, in order to better coordinate Nexans' product lines. This replaces the Marketing Department.

c) Areas

An Area Sales Manager has been appointed for each area, who reports directly to the Area Executive Vice President. The Area Sales Manager is responsible for sales within his or her area, except for sales of domestic products made locally, as well as inter-area sales. The Area Sales Manager works with the Infrastructure and Building Market Managers to develop a marketing strategy, and provides the Industry Market Manager with information needed to develop a marketing strategy for the relevant segments.

d) Management Council

A Management Council has been created in order to more closely involve the Group's entities in its overall management This Council is led jointly by the Chief Operating Officer, Executive Vice President of Strategic Operations, and Executive Vice President of Europe. It meets at least once per quarter to review the most pressing issues related to implementing the Group's strategy. Other people that may take part in this Council include members of Nexans' Executive Committee (apart from the Chairman and CEO), Area Sales Managers, the Industry Market Manager, and certain Country Managers.

2.2.3. Parties involved and structures dedicated to internal control

a) The Accounts and Audit Committee

As a result of the above-mentioned powers conferred upon it by the Board of Directors and the internal rules, the Accounts and Audit Committee plays a key role in implementing internal control processes, exercising such control and monitoring the procedures in place.
Each year, the internal audit plan is submitted to the Accounts and Audit Committee for approval, and the main conclusions from the previous year are also presented to the Committee.

b) The Internal Audit Department

The Internal Audit Department was created on January 1, 2002, and in July 2005 was one of the first internal audit departments to be certified by the Institut Français de l'Audit et du Contrôle Internes (the French Audit and Internal Control Institute) (IFACI). This certification was renewed by the IFACI in July 2006 after a follow-up audit. Although organizationally it reports to the Finance Department, functionally the Internal Audit Department reports directly to the Chairman and CEO. Its work is approved and monitored by the Accounts and Audit Committee.

The Internal Audit Department helps the Group to attain its objectives by systematically and methodically assessing the suitability of management processes in terms of risks, control, and corporate governance, monitoring these processes and making recommendations to strengthen them.

The Group has also set up an audit charter – approved by the Accounts and Audit Committee in 2005 – which sets out the responsibilities of the Internal Audit Department.

The ongoing responsibilities of the Internal Audit Department, covering financial and administrative as well as operational matters, are as follows:
- identify, analyze and measure risks,
- ensure that internal control mechanisms are in place and functioning, and ensure compliance with internal control procedures,
- conduct internal financial audits,
- conduct operational audits in cooperation with the departments concerned,
- propose corrective actions and methods of implementation,
- identify and promote best practices.

To achieve these goals, the Internal Audit Department conducts audits to verify that the measures that have been implemented are appropriate and are effective for the Group's potential risks.

A risk mapping process was launched in 2002, carried out jointly by the Internal Audit Department and an external consulting firm. The aim of this process was to identify risks and areas of risk including all risks identified by management as well as their concerns with respect to controls, and to evaluate their impact on the Nexans Group's financial condition and earnings.

The risk map is updated every year, focusing in particular on controlling and monitoring issues identified as sensitive, as well as following up on recommendations made in the context of internal audits.

Risks were identified through interviews with Executive Committee members, the Managers of Corporate Functions, Product Line Managers and Country Managers.

Risks were evaluated according to the frequency with which they are likely to occur and the gravity of the consequences that may result from the occurrence of the risk. The level of risk was evaluated and rated before and after application of existing internal control procedures

An audit plan was drawn up on the basis of the risk map, covering a broad spectrum of issues, including:
- Cash management and exchange rate risks,
- Non-ferrous metal hedging risk,
- Purchasing process,
- Inventories process,
- Sales process,
- Management of major turnkey projects,
- Legal, insurance, safety and environmental issues,
- Information systems,
- Human resources.

The Executive and Accounts and Audit Committees review and update this audit plan annually.

After each audit is conducted, the Internal Audit Department issues a report that contains recommendations which are subject to a formal monitoring procedure. Each report is sent to the Chairman and CEO, the Chief Operating Officer, the Chief Financial Officer, the appropriate member(s) of the Executive Committee, the Head of the Risk Management Department and the entity audited and relevant functional managers.

In addition, an annual report on the work carried out by the Internal Audit Department is submitted to the Board of Directors, the Accounts and Audit Committee and the Executive Committee.

During financial year 2006, compliance audits were conducted in certain subsidiaries in France and abroad. Specific audits were also conducted, particularly in regard to managing copper price and exchange rate risk in the Treasury and Non-Ferrous Metals Department, capital expenditures and monitoring restructuring expenses.

c) The Risk Management Department

The Risk Management Department reports to the Corporate Counsel, who in turn reports to the Chief Operating Officer. It is charged with monitoring insurance coverage as well as risk management in general.

The Risk Management Department’s responsibilities are as follows:

- propose a strategy for managing operating, commercial, industrial and financial risks by seeking the optimum balance between insurance cover, prevention and other measures, and the acceptance of certain risks,

- take out insurance providing the optimum coverage/cost ratio,

- implement and manage the global insurance program,

- manage the network of brokers and other external consultants,

- set up and coordinate a network of internal insurance specialists within each unit of the Nexans Group,

- propose and monitor the introduction of measures other than insurance for risk prevention and management purposes.

In view of the broad scope of these responsibilities close cooperation is required with the functional departments at the corporate level, operations management at the area level, and the legal entities, in order to define and implement financially viable solutions in line with the directives defined at the Group level.

The Risk Management Department also works closely with the Internal Audit Department.

d) The Disclosure Committee

This Committee, established in October 2003, comprises the Chief Operating Officer, the Chief Financial Officer, the Head of the Management Control and Consolidation Department, the Corporate Counsel, the Head of Corporate/Capital markets law, the Internal Audit Director, the Risk Manager, and three Area Controllers.

The Committee's objective is to identify all risks of any nature to which the subsidiaries are exposed, assess their materiality, their due representation in the financial statements and their disclosure in the various external reports.

Its responsibilities include the following:

- identify and assess any material non-financial information,
- design a survey to be sent to the subsidiaries to identify risks,
- evaluate the methods implemented to submit information to the parent Company,
- compile significant information,
- identify and define issues that merit investigation by the internal audit team in order to assess or improve the reliability of the procedures in place and the information submitted to the parent Company.

2.2.4. Specific aspects of internal control procedures relating to financial and accounting information

a) Main players involved and coordination between them

The Corporate Finance Department, which includes six functional departments:

- The Management Control Department,
- The Consolidation Department,
- The Treasury and Non-Ferrous Metals Department,
- The Internal Audit Department,
- The Tax Department,
- The Financial Operations Department (which includes the M&A Department and the Financial Communications Department).

All these departments report to the Chief Financial Officer, who in turn reports to the Chief Operating Officer.

In addition, the Finance departments in each country report to both the Country Manager and functionally to the Corporate Finance Department.

This structure ensures coordinated, consistent processing of financial information.

b) Key information concerning procedures related to financial and accounting information

Financial and accounting information is generated in consolidated form as follows:

- **<u>Preparation of financial and accounting information</u>**

All information is obtained from the accounting systems of the legal entities, whose accounts are kept according to local accounting principles and then restated in accordance with the accounting principles and methods applied by Nexans to prepare the consolidated financial statements. French GAAP were applied by Nexans through December 31, 2004, and IFRS have been applied since 2005, pursuant to EC regulation 1606/2002 (the 2004 financial statements have been restated according to IAS/IFRS to facilitate year-on-year comparisons).

The breakdown by business segment and product line is based on the legal entities' financial statements. These statements are prepared according to standard accounting principles defined in numerous procedures. In particular, to ensure the consistency of the information produced, Nexans has an accounting manual which is used by all Group units and defines each line in the operating income statement analyzed by function for the unit as a whole and for their product lines.

- **<u>The process</u>**

In the final quarter of each year, a budget is prepared by the units for each product line. The budget is discussed by the Local and Area Management and is submitted to Nexans' executive management team for final approval. The Group's budget is submitted to the Board of Directors. It is then included in a monthly report.

Each month, the units prepare a report broken down by product line, the results of which are analyzed by Management as part of the business review. The figures are compared with the budget and with the previous year's results. The consolidated results by area and by product line are analyzed by Nexans' executive management team at an Area meeting.

A consolidated accounts closing procedure is carried out on a quarterly basis, with a specific procedure applicable at the year-end. This specific year-end procedure involves Balance Sheet Committee meetings which are attended by Country managers and where key decisions are made relating to the year-end accounts closing.

Off-balance sheet commitments are reviewed by the Consolidation Department based on information provided by the units, the Treasury and Non-Ferrous Metals Department and the Legal Department.

- **<u>The procedures</u>**

Over seventy procedures relating to financial and accounting information, and more generally the areas within the responsibility of the Finance Department, are currently applicable within the Nexans Group.

In addition to the accounting and financial rules implemented by the Group, these procedures also deal with sensitive issues or risk factors identified that are specific to Nexans' business and could have an impact on its assets or earnings. This is the case, for example, with the management of risks associated with exchange rates, interest rates and the fluctuation of non-ferrous metal prices that are monitored by the Treasury and Non-Ferrous Metals Department, which reports regularly to the Corporate Finance Department.

The Internal Audit Department performs controls to ensure that internal control procedures are working properly and that they are complied with.

c) Rules specific to the management of risks related to non-ferrous metals

In view of the importance of non-ferrous metals (copper, aluminum) to Nexans' various business lines and the risks associated with price fluctuations, Nexans has implemented a specific procedure for managing non-ferrous metals, led since January 2004 by a team reporting to the Group Financing Department.

The basic rules are as follows:

- the principle is the systematic hedging of risks relating to metal prices and structure as soon as the risk arises,
- this principle is applied by each legal entity for which position limits are set. These limits are reviewed regularly based on the development of each unit's business. Monitoring adherence to the limits is part of Internal Audit's responsibilities,
- this principle is reflected in the consolidated financial statements by the recording of outstanding commitments.

Non-ferrous metal price risks are identified by the Group's operating subsidiaries. They are hedged through the physical purchase and sale of metal inventory or transactions on commodities exchanges such as the London Metal Exchange (LME) or the New York Commodities Exchange (COMEX). Commodities exchange transactions are managed by the Financing Department apart from those carried out on the Shanghai Metal Exchange (SHFE) which are organized by the Group's Chinese subsidiaries.

Trading on these markets is executed through first-rate brokers whose financial soundness is reviewed regularly to minimize counterparty risks.

d) Centralized Cash Management

Nexans has implemented a centralized system for its principal subsidiaries to manage cash flow, which is organized around the following:

- international cash pooling,
- centralized bank commitments,
- centralized foreign exchange risk management.

2.2.5. Information on other internal control procedures

There are approximately sixty such internal control procedures within the Group covering areas such as:

- ethics – the Group has established a code of ethics entitled "Nexans Business Ethics and Conduct," which specifies certain principles and rules of conduct,
- human resources – a procedure relating to personal safety in at-risk geographic areas has been implemented,
- communications,
- purchasing,
- information systems,
- quality,
- intellectual property,
- insurance,
- legal issues,

- industrial and environmental issues: a charter has been drawn up relating to the management of industrial risks covering the protection of property, accident prevention, personal safety, security and environmental protection. The purposes of this charter are to:

- identify and quantify the risks to which Nexans is exposed,
- define priorities and recommend prevention and control measures to reduce the frequency and magnitude of such risks,
- organize Nexans' insurance program accordingly,
- organize crisis management plans.

The implementation of the above is managed by the Industrial Management Department in liaison with the Finance Department, the Risk Management Department, and the Legal Department for insurance matters, with extensive interaction between the corporate departments and designated managers at various levels of the organization.
Nexans' policies and procedures regarding the environment are described in the Board of Directors' Management Report.

January 30, 2007

Gérard Hauser
Chairman and CEO

RECENT DEVELOPMENTS

Below is a reproduction of the Issuer's press release issued on 17 April 2007.

Financial information for 2007 first quarter

Nexans achieves a remarkable performance with organic growth of 15% of its cable businesses[21] (excluding electrical wires)

Paris, April 17, 2007 - Nexans today announced its 2007 first quarter sales of **1,805** million euros (at actual non-ferrous metal prices[22]). At constant non-ferrous metal prices[23], sales were **1,194** million euros, reflecting organic growth of 6%. Excluding the electrical wires business where the reduction in activity has been programmed by the Group, growth was **15.1%**.

This strong organic growth of sales was accompanied by a notable increase in operating margin compared with the first quarter of 2006.

Nexans net financial debt at March 31, 2007 remained stable compared to that recorded at December 31, 2006 (633 million euros).

Consolidated sales by business sector

Sales figures are now presented according to the classification adopted in the new 2007-2009 strategic plan published in January.

(in millions of euros)	Q_1 06		Q_1 07	% Variation
	At constant metal prices	At constant metal prices and exchange rates	At constant metal prices and exchange rates	Organic growth
Energy infrastructures	309	303	371	+ 11.4 %
Industry	195	193	255	+ 17.3 %
Building	247	243	288	+ 16.7 %
Telecom Infrastructures	54	53	65	+ 21.8 %
Private Network (LAN)	64	60	71	+ 17.6 %
Other	2	2	1	
Total: Cable businesses	**871**	**854**	**1,051**	**+15.1%**
Electrical wires	224	214	143	- 32.9 %
Total Group	**1,095**	**1,068**	**1,194**	**+ 6.0 %**

- **Energy infrastructures: high level of activity**
  Demand for energy infrastructure cables remained very strong. Sales grew over 11% on the basis of comparable data during the first quarter. This growth was seen mainly in sales of accessories and high voltage cables.

21 Cables and associated products (accessories), excluding electrical wires.

22 At actual metal prices, first quarter 2006 sales were 1,659 million euros (see Appendix).

23 To neutralize the effect of variations in the purchase price of non-ferrous metals and thus measure the underlying sales trend, Nexans also calculates its sales using a constant price for copper and aluminum.

- **Industry: strong development of priority sectors**
  Up 17.3% on the basis of comparable data, sales of special cables for large industrial equipment manufacturers accelerated worldwide, with particularly vigorous growth in the Shipbuilding and Oil & Gas sectors.

- **Building: strong organic growth and high margins**
  Sales in the building sector in the first quarter of 2007 continued at the same pace as in the second half of 2006 with organic growth of 17%. Profit margins continued to improve with sales volumes substantially the same in Europe as in the last quarter of 2006, and were slightly better in North America in the stated period.

- **Telecom infrastructures: acceleration of sales**
  Telecom sales increased by approximately 22% on the basis of comparable data during the first quarter of 2007, as a result of positive developments in the niche markets for optical fiber cables as well as increasing sales in the telecommunications copper cable industry, in particular in Asia and originating from Spain.

- **Private Network (LAN): further increase in sales**
  LAN cable activities recorded growth of 17.6%, following the same trends observed during the last quarter of 2006 (in terms of price and volumes).

- **Electrical wires**
  Since the Group has refocused on its internal requirements, sales of electrical wires have decreased by 33%. Operating margin has nevertheless improved as a result of commercial measures taken in respect of external sales and cost reduction measures.

Sales by geographical area

(in millions of euros)	**Q_1 06**		**Q_1 07**
	At constant metal prices	At constant metal prices and exchange rates	At constant metal prices and exchange rates
Europe	629	627	727
North America	112	10 3	106
Asia-Pacific	57	54	133
Rest of the World	73	70	85
Total: Cable businesses	**871**	**854**	**1,051**
Electrical wires (all areas)	224	214	143
Total Group	**1,095**	**1,068**	**1,194**

Sales rose in all geographical areas.

The acquisition of Olex was finalized in December 2006 and resulted in strong growth in the Asia-Pacific area (+145%) following the integration of Olex. Excluding Olex, the Asia-Pacific area recorded organic growth for cables businesses of 13.7%.

During the first quarter of 2007, sales in the cable businesses in North America only grew by 3.1%, due to the temporary closure of a production site dedicated to energy networks, which is currently starting up again.

On the basis of comparable data, cable business sales increased by 16.6% in Europe and by 22.1% in the Rest of the World area.

Nexans takes this opportunity to update its communication regarding significant outstanding litigation in Appendix 2 attached hereto.

Financial calendar
May 10, 2007: Annual Shareholders' Meeting
May 15, 2007: Payment of dividend
June 7, 2007: Individual shareholders' information meeting in Clermont-Ferrand[24]
June 19, 2007: Individual shareholders' information meeting in Lille[25]
July 25, 2007: Publication of 2007 first-half sales and results

About Nexans
With energy as the basis of its development, Nexans, the worldwide leader in the cable industry, offers an extensive range of cables and cabling systems. The Group is a global player in the infrastructure, industry and building markets. Nexans addresses a series of market segments from energy, transport and telecom networks to shipbuilding, oil and gas, nuclear, automotive, electronics, aeronautics, handling and automation.
With an industrial presence in more than 30 countries and commercial activities worldwide, Nexans employs 21,000 people and had sales in 2006 of 7.5 billion euros. Nexans is listed on the Paris stock exchange, compartment A of the Eurolist of Euronext. More information on http://www.nexans.com/

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Appendix
1. Consolidated sales by business sector and geographical area at current metal prices
2. Update on certain significant litigation

[24] Provisional date.
[25] Provisional date.

Appendix 1

Consolidated sales by business sector at current metal prices

(in millions of euros)	At current metal prices	
	Q_1 06	Q_1 07
Energy infrastructure	372	469
Industry	239	326
Building	369	451
Telecom Infrastructures	64	82
Private Network (LAN)	70	84
Other	2	1
Total: Cable businesses	**1,116**	**1,413**
Electrical wires	543	392
Total Group	**1,659**	**1,805**

Consolidated sales by geographical area at current metal prices

(in millions of euros)	At current metal prices	
	Q_1 06	Q_1 07
Europe	803	950
North America	143	142
Asia-Pacific	76	194
Rest of the World	94	127
Total: Cable businesses	**1,116**	**1,413**
Electrical wires (all areas)	543	392
Total Group	**1,659**	**1,805**

Appendix 2

Update on certain significant litigation
(in relation to the annual report submitted March 28, 2007)

Disputes

1. The most significant ongoing dispute for which provisions have been recorded relates to cables supplied by Nexans for corvettes for the South African navy. The supply of certain of these cables was subcontracted to a South African manufacturer. After installation of the cables on the first two corvettes, it was found that the cables supplied by the subcontractor were non-compliant. All the cables already installed were then removed and replaced. The customer has claimed damages of approximately 36 million euros, which Nexans is contesting. The allocation of liability between Nexans and the parties involved – including the customer, the insurers and the subcontractor – has not yet been determined.
In view of the general uncertainty as to the liability of each party, Nexans considered it to be prudent and reasonable in its 2004 financial statements to increase the 5 million euro provision already set aside at December 31, 2003. At December 31, 2006 this provision was maintained in

the Group's financial statements. Based on the information available and the position of the insurer, the 11 million euro provision currently recorded in the accounts will probably prove to be unnecessary.

2. In the proceedings started by the competition authorities in France, the *Direction Nationale des Enquêtes* (National Investigation Agency) of the *Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes* (Department of Competition, Consumer Affairs and Repression of Fraud) started investigations in both 2003 and 2006, into certain contracts awarded by EDF for the supply of high voltage cables, and the market for electric cables respectively. Nexans received a statement of complaint from the French Competition Council ("*Conseil de la Concurrence*") further to the 2003 investigation, but no indication was given of the fines which may be applied for the alleged wrongdoings. Following receipt of the statement, Nexans France has agreed with the executive case officer of the French Competition Council on a settlement procedure. No provision has been recorded for this case as the circumstances do not meet the required recognition criteria. In light of the specific circumstances of the case, Nexans believes the outcome of this procedure will not have a significant impact on the Group's net financial situation. Finally, the statement of complaint confirms that the 2006 investigation has been closed.

SUBSCRIPTION AND SALE

Pursuant to a *contrat de prise ferme* dated 25 April 2007 (the "**Subscription Agreement**"), BNP Paribas, Société Générale and UBS Limited (the "**Managers**") have agreed with the Issuer, subject to satisfaction of certain conditions, to jointly and severally subscribe and pay for the Notes at a price equal to 99.266 per cent. of their principal amount less the commissions agreed between the Issuer and the Managers. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

General Restrictions

The present Prospectus does not constitute an offer of, or an invitation or solicitation by or on behalf of the Issuer or the Managers to subscribe or purchase, any of the Notes. It may not be used by anyone for the purpose of an offer or a solicitation in a country or jurisdiction in which such offer or solicitation would not be authorised. It may not be communicated to persons to which such offer or solicitation may not legally be made.

No action has been, or will be, taken in any country or jurisdiction that would permit a public offering of the Notes, or the distribution of any offering material relating to the Notes (including the Prospectus), in any country or jurisdiction where action for that purpose is required. The Notes may not be offered, delivered or sold and no offering material relating to the Notes (including the Prospectus) may be distributed in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

France

This Prospectus has not been submitted to the clearance procedures of the *Autorité des marchés financiers* and non has it been approved by the competent authority of another state that is a contracting party to the European Economic Area and notified to the *Autorité des marchés financiers.*

The Issuer and each Manager has represented and agreed that it has not offered or sold, and will not offer or sell directly or indirectly, any Notes to the public in the Republic of France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France this Prospectus or any other offering material relating to the Notes, except to qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 to D.411-3, D.734-1, D.744-1, D. 754-1 and D.764-1 of the French *Code monétaire et financier*.

Investors should be informed that the direct or indirect resale to the public in France of any Notes acquired by those investors to whom offers and sales of the Notes in the Republic of France may be made as defined as described above may be made only as provided by Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French *Code monétaire et financier* and applicable regulations thereunder.

United States

The Notes have not been and will not be registered under the US Securities Act of 1933 as amended (the "**Securities Act**"). The Notes may not be offered or sold within the United States or to, or for account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by the Regulation S under the Securities Act (the "**Regulation S**").

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation of or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by the Regulation S.

The Notes are being offered and sold only outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom except to persons who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (ii) high net worth entities and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21 (1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Italy

No prospectus has been nor will be published in Italy in connection with the offering of the Notes and such offering has not been cleared by the Italian Securities Exchange Commission (*Commissione Nazionale per le Società e la Borsa*, the "**CONSOB**") pursuant to Italian securities legislation and, accordingly, the Notes may not, and will not, be offered, sold or delivered, directly or indirectly, and copies of this Prospectus or any other document relating to the Notes may not, and will not, be distributed in Italy and each Manager has represented and agreed not to effect any offering, marketing, solicitation or selling activity in Italy except (a) to professional investors (*operatori qualificati*) as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of July 1, 1998 as amended (the "**Regulation No. 11522**") or (b) in any other circumstances which are exempted from the rules on investment solicitation pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 as amended (the "**Finance Law**") and its implementing Consob regulations, including Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended (the "**Issuer Regulation**").

Each Manager has also represented and agreed that any such offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in Italy must and will be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations, and, in particular will be (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Finance Law, the Legislative Decree No. 385 of September 1, 1993, as amended (the "**Banking Consolidated Act**") and any other applicable laws and regulations; and (ii) conducted in accordance with any relevant limitations or procedural requirements which the Bank of Italy or the CONSOB may impose upon the offer or sale of the securities.

Any investor purchasing the Notes in the offering is solely responsible for ensuring that any offer or resale of the Notes it purchased in the offering occurs in compliance with applicable Italian laws and regulations.

The Notes and the information contained therein are intended only for the use of its recipient and, unless in circumstances which are exempted from the rules on investment solicitation pursuant to Article 100 of the Finance Law and Article 33, first paragraph, of the Issuer Regulation, is not to be distributed, for any reason, to any third party resident or located in Italy. No person resident or located in Italy may rely on this document or its content.

Insofar as the requirements above are based on laws that are superseded at any time pursuant to the implementation of the Prospectus Directive in Italy, such requirements shall be replaced by the applicable requirements under the relevant implementing measures of the Prospectus Directive in Italy.

GENERAL INFORMATION

1. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange. The total expenses related to the admission to trading are estimated at €7,950.

2. Application has been made to the *Commission de Surveillance du Secteur Financier*, which is the competent authority in Luxembourg for the purposes of Directive 2003/71/EC, for its approval of this Prospectus.

3. The Notes have been accepted for clearance through Clearstream, Luxembourg (42, avenue JF Kennedy, 1855 Luxembourg, Luxembourg) and Euroclear (boulevard du Roi Albert II, 1210 Bruxelles, Belgique) with the Common Code 029907293 and Euroclear France (155, rue Réaumur, 75081 Paris Cedex 02 France). The International Securities Identification Number (ISIN) for the Notes is FR0010465427.

4. The issue of the Notes has been authorised pursuant to a resolution of the Board of Directors (*Conseil d'administration*) of the Issuer dated 27 March 2007 and a decision of its Chief Operating Officer (*Directeur général délégué*) dated 25 April 2007.

5. The Issuer has obtained all necessary consents, approvals and authorisations in the Republic of France in connection with the issue of, and performance of the Issuer's obligations under, the Notes.

6. The yield of the Notes is 5.849 per cent.

7. As far as the Issuer is aware, no person involved in the issue of the Notes has an interest material, including any conflicting interest, to the issue.

8. Save as disclosed in this Prospectus, there has been no significant change in the financial or trading position of the Issuer or the Group since 31 December 2006.

9. Save as disclosed in this Prospectus, there has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2006.

10. Except as disclosed in this Prospectus on pages 188-189 and 222-223, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period of 12 months prior to the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

11. Except as disclosed in this Prospectus on pages 189-190, there are no material contracts (other than those entered into in the ordinary course of the Issuer's business) which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes being issued.

12. For so long as any of the Notes are outstanding, copies of the following documents may be obtained free of charge during normal business hours at the specified office of the Issuer and each Paying Agent (both in Luxembourg and Paris):

    a. this Prospectus (including any documents incorporated by reference);
    b. the Fiscal Agency Agreement (for inspection only);
    c. the most recently published annual audited consolidated accounts of the Issuer; and
    d. the *Statuts* of the Issuer.

The Prospectus and all documents incorporated by reference are also available on the website of the Luxembourg Stock Exchange (www.bourse.lu).

13. Salustro Reydel, member of KPMG International, and PricewaterhouseCoopers Audit have audited and rendered unqualified audit report dated 19 March 2007 on the consolidated financial statements of the Issuer prepared in accordance with IFRS as of and for the year ended 31 December 2006.

Salustro Reydel, member of KPMG International, and Barbier Frinault & Autres – Ernst & Young have audited and rendered unqualified audit report dated 31 March 2006 on the consolidated financial statements of the Issuer prepared in accordance with IFRS as of and for the year ended 31 December 2005.

Barbier Frinault & Autres – Ernst & Young have been replaced by PricewaterhouseCoopers Audit as from 15 May 2006.

Salustro Reydel, member of KPMG International, Barbier Frinault & Autres – Ernst & Young and PricewaterhouseCoopers Audit are registered as *Commissaires aux Comptes* (members of the *Compagnie Nationale des Commissaires aux Comptes*).

14. On 3 June 2003, the European Council of Economic and Finance Ministers adopted the Directive 2003/48/EC regarding the taxation of savings income in the form of interest payments (the "**Directive**"). The Directive requires Member States as from 1 July 2005 to provide to the tax authorities of the other relevant Member State, *inter alia*, details of payments of interest and other similar income within the meaning of the Directive made by a paying agent within its jurisdiction to (or under certain circumstances for the benefit of) an individual resident in another Member State (the “**Disclosure of Information Method**”).

However, Belgium, Luxembourg and Austria, instead of using the Disclosure of Information Method, impose a withholding system for a transitional period unless the beneficiary of interest payment elects for the Disclosure of Information Method or for the tax certificate procedure, as applicable. The rate of such withholding tax equals 15% during the first three years of the transitional period, 20% during the subsequent three years and 35 % until the end of the transitional period.

Such transitional period will end at the close of the first full fiscal year following the later of (i) the date of entry into force of an agreement between the European Community, following a unanimous decision of the European Council, and the last of Switzerland, Liechtenstein, San Marino, Monaco and Andorra, providing for the exchange of information upon request as defined in the OECD Model Agreement on Exchange of Information on Tax Matters released on 18 April 2002 (the “**OECD Model Agreement**”) with respect to interest payments within the meaning of the Savings Directive, in addition to the simultaneous application by those same countries of a withholding tax on such payments at the rate applicable for the corresponding periods mentioned above and (ii) the date on which the European Council unanimously agrees that the United States of America is committed to exchange of information upon request as defined in the OECD Model Agreement with respect to interest payments within the meaning of the Savings Directive.

A number of non-EU countries and dependent or associated territories have agreed to adopt similar measures (transitional withholding or exchange of information) with effect since 1 July 2005.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Each Noteholder shall be responsible for supplying, in a timely manner, any information as may be required by the latter in order for it to comply with the identification and reporting obligations imposed on it by the European Council Directive 2003/48/EC or any European Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive.

The Directive has been implemented in French law by Article 242 *ter* of the French *Code Général des Impôts* and Articles 49 I *ter* to 49 I *sexies* of the Schedule III to the French *Code Général des Impôts*. Article 242 *ter* of the French *Code Général des Impôts*, imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another Member State, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to that beneficial owner.

The Directive has been implemented in Luxembourg law by Act of 21 June 2005.

ISSUER

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