

2006 FINANCIAL AND LEGAL INFORMATION

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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.

*Free translation from the original French version.

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 Furukawa 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*

(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

* Olex has been fully consolidated since December 31, 2006

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 (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 (TUM) 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* 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.
- 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.

* After changes in working capital requirements, capital expenditures, and dividends.

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	2004
			after IAS 32-39	
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	€0.50	€1.00
Tax credit	€0.10	–	–
Total income per share	€0.30	€0.50	€1.00
Dividends qualifying for the 50% relief (2004) and 40% relief (2005):			
– Amount per share	–	€0.50	€1.00
– 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

List of offices and positions held during financial year 2006 in all other companies	
G�rard Hauser	<ul style="list-style-type: none"> – Chairman and CEO of Nexans – Director of Alstom, Faurecia, Aplix, Ipsen
Fr�d�ric Vincent	<ul style="list-style-type: none"> – 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 Cables Contracting SAL* , Liban Cables Holding SAL* , Liban Cables Packing SAL* , Liban Cables SAL*
Gianpaolo Caccini	<ul style="list-style-type: none"> – 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	<ul style="list-style-type: none"> – Chief Operating Officer of BNP Paribas – Member of the Executive Committee of BNP Paribas – Chairman of Financiere 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. (Soci�t� Fonci�re Financiere et de Participations), Verner Investissements SAS, Erb� SA* , BNP Paribas ZAO* – Member of the Supervisory Board of Lagard�re SA – Non-voting director of Exane, Scor SA, and Safran
Jacques Garaialde	<ul style="list-style-type: none"> – Managing Director of Kohlberg Kravis Roberts & Co. Ltd. – Chairman of the PagesJaunes Groupe's Board of Directors – Chairman and CEO of M�diannuaire Holding – Director of Legrand, Tarkett SA – Member of the Executive Committee of Soci�t� d'Investissement Familiale
Patrick Puy	<ul style="list-style-type: none"> – Managing Director of Alvarez & Marsal France – Chairman and CEO of Ocean S.p.A.* – Chairman of the Boards of Directors of Br�a SA and MGB SA – CEO of Gate Gourmet France
Ervin Rosenberg	<ul style="list-style-type: none"> – Advisor to the Chairman of Compagnie Financiere Edmond de Rothschild Banque – Director of Carbone Lorraine – Member of the Supervisory Boards of Compagnie Financiere Edmond de Rothschild Banque, LCF Rothschild Financial Services, Mobility Saint Honor� – Chairman and CEO of Financiere Savoisiennne
Jean-Louis Vinciguerra	<ul style="list-style-type: none"> – 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	<ul style="list-style-type: none"> – Professor of Economics at Universit� Paris IX Dauphine – Director of Cambridge Energy Research Associates
Colette Lewiner	<ul style="list-style-type: none"> – 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 Acad�mie des Technologies
Yves Lyon-Caen	<ul style="list-style-type: none"> – Chairman of the Management Board of B�ri 21 (Holding company of B�n�teau SA) – Chairman of the Supervisory Board of B�n�teau S.A. and of Sucres & Denr�es – Director of Unibail Holding
Fran�ois Polge de Combret	<ul style="list-style-type: none"> – 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 Garaialde 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, 2007. 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.

Environmental indicators

	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 Cortailod, 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
 - Cortailod, 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.

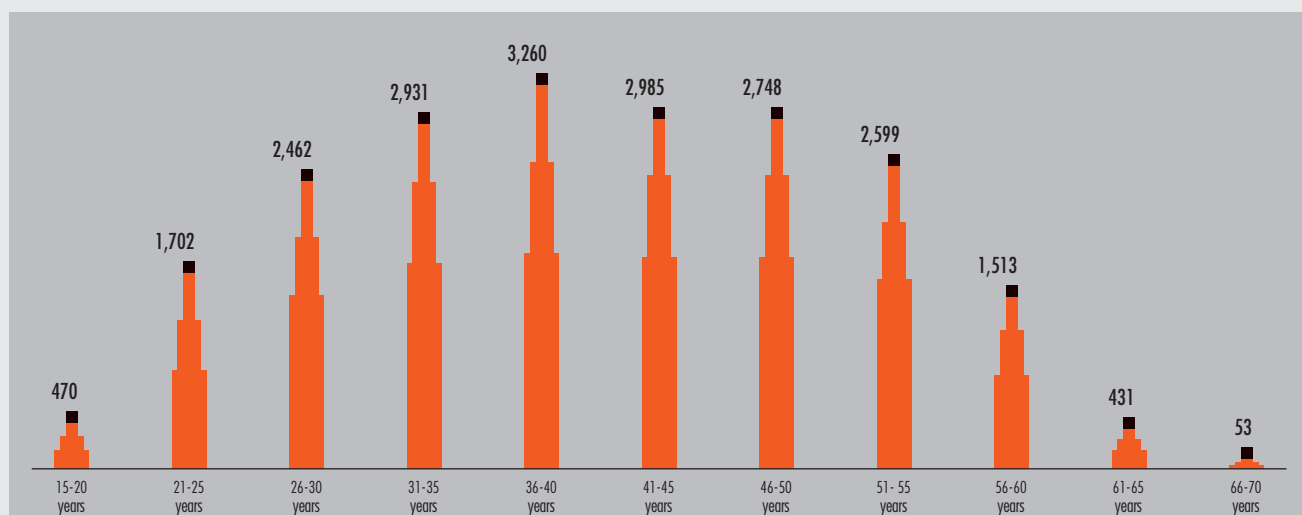
Employee gender breakdown

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

Nature of the indications	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

Resolutions submitted to the Annual Shareholders' Meeting of May 15, 2006 ⁽¹⁾	Ceiling per resolution ⁽²⁾	Blanket ceiling applicable to several resolutions ⁽²⁾	Use during 2006
Issuance of shares with preemptive subscription rights and greenshoe option (R11 and R13)	€10,000,000	€10,000,000	–
Issuance of debt securities giving access to capital without preemptive subscription rights and with a greenshoe option (R12 and R13)	€4,000,000 (shares) €350,000,000 (debt)		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
Issuance of shares to be remitted as consideration for contributions of securities of another company (R14)	Maximum amount 10% of the share capital		–
Issuance of shares by capitalization of premiums, reserves, income, or other amounts (R15)	€10,000,000		–
Employee rights issue for members of a corporate savings plan (R16)	€500,000		Issuance of 65,797 new shares on May 12, 2006 as part of the ACT 2006 program
Grant of stock options (R17)	€400,000	€400,000	Grant of 343,000 stock options by the Board of Directors on November 23, 2006
Stock awards concerning either existing shares or shares to be issued – granted to some or all of the Group's employees (R18)	€400,000		–
		Total ceiling: €20,900,000	

(1) The number "R..." 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

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Consolidated income statement under IFRS

At 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

ASSETS	Notes	2006	2005		2004	
			Restated(**)	Reported	Restated(**)	Reported
At December 31, in millions of euros						
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.

EQUITY AND LIABILITIES		Notes	2006	2005		2004	
At December 31, in millions of euros				Restated(**)	Reported	after IAS 32-39*	
				Restated(**)	Reported	Restated(**)	Reported
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	
			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

	Number of shares outstanding	Capital stock	Additional paid-in capital	Treasury stock	Consolidated retained earnings	Changes in fair value and other	Reserves	Cumulative translation adjustments	Total reserves	Net income for the year	Equity excluding minority interests	Minority interests	Total equity
in millions of euros													
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)	(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	60,975		1		1				1		1		1
- Proceeds from share issues			(1)		1				1			(34)	(34)
Other													
December 31, 2004 restated	20,968,748	23	1,014	(28)	(135)	-	(4)	(140)	(140)	92	962	71	1,033
First-time adoption of IAS 32 and 39					11	5		16	16		16	(1)	15
Reclassification of prior-year income to retained earnings					92			92	92	(92)			
Dividends paid					(10)			(10)	(10)		(10)		(12)
Available-for-sale financial assets													
Translation adjustments								73	73		73	8	81
Cash flow hedge - increase / (decrease)						(6)		(6)	(6)		(6)		(6)
Cash flow hedge - recycling to income						(5)		(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	317,375		0	5	2			2	2		2		2
- Proceeds from share issues			0										5
Other												(8)	(8)
December 31, 2005 restated	21,286,123	24	1,019	(28)	(40)	(6)	69	23	163	163	1,201	77	1,278

* 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.

Consolidated statement of changes in equity under IFRS (continuation)

in millions of euros	Number of shares outstanding	Capital stock	Additional paid-in capital	Treasury stock	Consolidated retained earnings	Changes in fair value and other	Reserves	Cumulative translation adjustments	Total reserves	Net income for the year	Equity excluding minority interests	Minority interests	Total equity
December 31, 2005 restated	21,286,123	24	1,019	(28)	(40)	(6)	69	23	163	163	1,201	77	1,278
Reclassification of prior-year income to retained earnings					163				163	(163)			
Dividends paid					(22)				(22)				
Available-for-sale financial assets													
Translation adjustments							(27)		(27)				
Cash flow hedge – increase / (decrease)						(14)			(14)				
Cash flow hedge - recycling to income						6			6				
Income and expenses recognized directly in equity						(8)			(8)				
Net income										(35)			
Total recognized income and expenses						(8)			(8)	241		3	244
Capital increases	65,797	0	2							241		(1)	205
Employee stock option plans:													
- Service cost													
- Proceeds from share issues	378,875	0	6		4				4				4
Conversion of OCEANE bonds (3.125% - 01 / 2010)													6
OCEANE equity component (1.5% - 01 / 2013)	3,534,160	3	114										117
Changes in scope of consolidation (buyout of minority interests)													34
Other		(2)	(14)	28	(2)		(6)		(8)		4	(37)	(37)
December 31, 2006	25,264,955	25	1,127	(14)	136	(14)	36	158	241	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.

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.

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).

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 reval-

uation 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
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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 straightline 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)	Eliminations Inter-segment*	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

(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

* 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.

	Electrical wires	Energy**	Telecom	Other (or not- allocated)	Eliminations Inter-segment*	Total Group
in millions of euros						
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
Quote-part dans les résultats nets	–	–	–	–	–	–
Share in net income of associates	1,162	14,157	3,473	792	–	19,584
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

	France	Germany	Other European countries	North America	Asia- Pacific	Rest of the world	Total Group
in millions of euros							
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		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

in millions of euros	2006	2005		2004	
		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	2004
		Reported	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:

	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*	
in millions of euros											
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)	
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	2004	2004
		Reported	After IAS 32-39	
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
<i>Average number of shares outstanding</i>	23,529,530	21,146,263	21,146,263	20,946,828	20,946,828
<i>Average number of OCEANE bonds</i>	3,463,868	3,552,632	3,552,632	1,650,130	1,650,130
<i>Average number of stock options</i>	794,369	712,570	712,570	567,304	567,304
<i>Average number of diluted shares</i>	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 1.1, 1.0 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:

in millions of euros	Acquisitions			Disposals		
	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				Total
	Land	Buildings	Plant, equipment and machinery	Other**	
in millions of euros					
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				
	Land	Buildings	Plant, equipment and machinery	Other**	Total
in millions of euros					
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, for 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:

Grant date	Number of options originally granted	Number of options outstanding at yearend	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 straightline 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:

in millions of euros	TOTAL	Accrued contract costs	Restructuring provisions	Other provisions	Impact on the income statement (net of incurred expenses)		
					Op. margin	Financial	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	Dec. 31, 2006	Dec. 31, 2005	Jan. 1, 2005 after IAS 32-39	Dec. 31, 2004
	Contractual interest paid	(4)	(4)	(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.

in millions of euros	Nominal amounts	Buyer / lender		
		< 1 year	1 to 5 years	> 5 years
Forward contracts	312	213	65	0
Short-term foreign exchange swaps	315	311	3	0

in millions of euros	Nominal amounts	Seller / borrower		
		< 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:

in millions of euros	2006					2005	2004
	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:

in millions of euros	Total	Payments due by maturity		
		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
Revenu			
- 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	75.00%	75.00%	

Companies by country	Principal activity	Percentage of control	Percentage of interest	Consolidation method*
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 Ltd	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%	
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 Türkiye İletişim Endüstri 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%	

Companies by country	Principal activity	Percentage of control	Percentage of interest	Consolidation method*
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.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS *

(Year ended December 31, 2006)

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 1.1 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.

* 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. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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

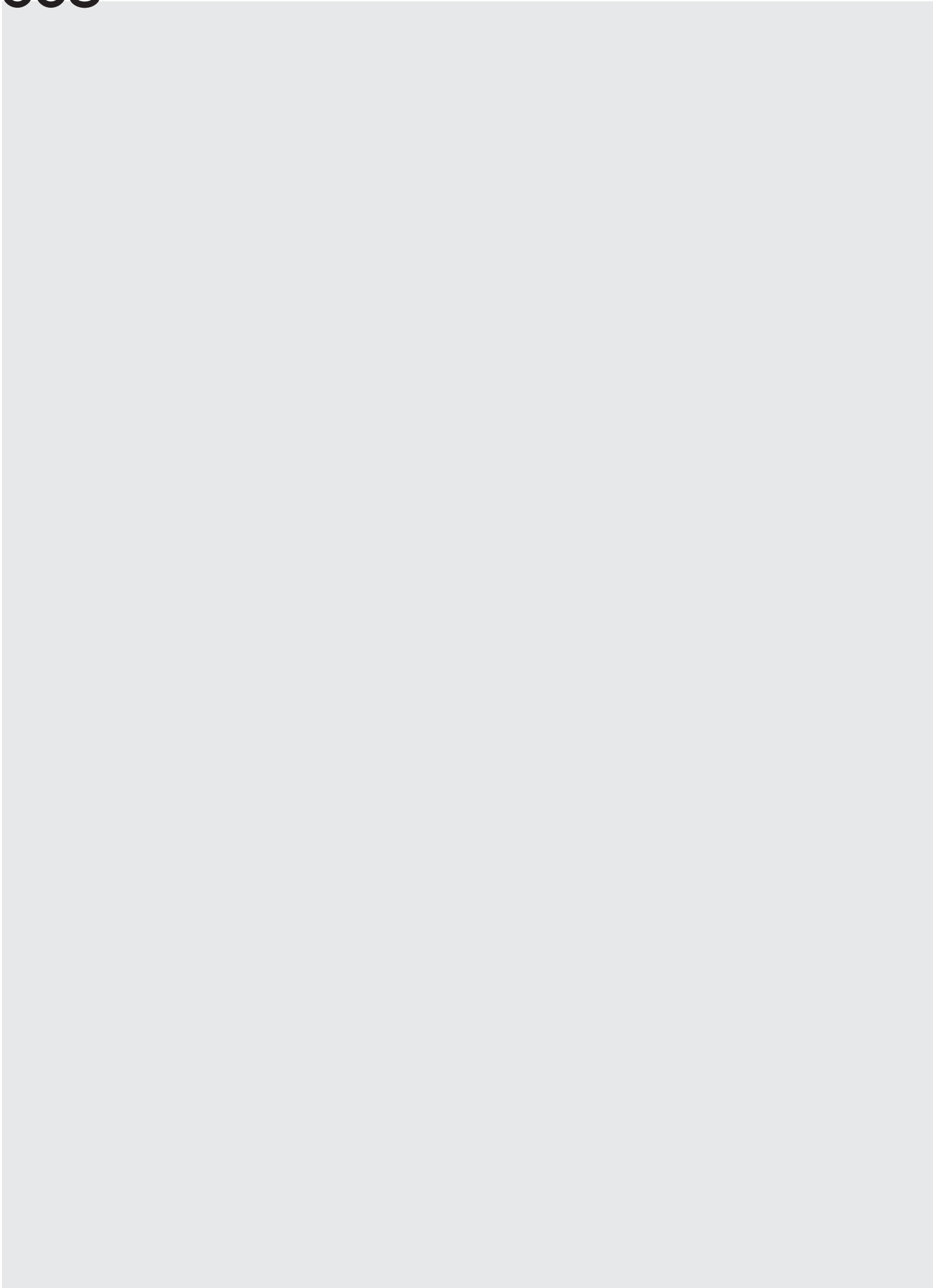
The Statutory Auditors

PricewaterhouseCoopers Audit

Salustro Reydel
Member of KPMG International

Dominique Ménard
Partner

Benoît Lebrun
Partner



PARENT COMPANY FINANCIAL STATEMENTS

YEAR 2006

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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				
Startup 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	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) (in thousands of currency units)	Dividends received (in thousands of euros)	Net value of shares held (in thousands of euros)	Net income (in thousands of currency units)
A - Subsidiaries and associates with a carrying amount in excess of 1% of Nexans' share capital				
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 won) 1,000 KRW = 0.81645 euro

(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	2006	2005
Net values		
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

Gross values in thousands of euros	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 option outstanding at the end of the period	Exercise price (in euros)	Maturity
November 16, 2001	36,650	€17.45	November 16, 2002* – November 15, 2009
January 18, 2002	–	€16.70	January 18, 2003* – January 17, 2010
March 13, 2002	–	€19.94	March 13, 2003* – March 12, 2010
April 4, 2003	359,675	€11.62	April 4, 2004* – April 3, 2011
November 16, 2004	391,500	€27.82	November 16, 2005* – November 15, 2012
November 23, 2005	331,950	€40.13	November 23, 2006* – November 22, 2013
November 23, 2006	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 option	Number of option
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 shortterm 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

Nature	Amount					Method of deferral
	at 31/12/2005	Recognize during the period	Amortize over period	Allocation issue premiums	at 31/12/2006	
in thousands of euros						
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 2012)
Issue costs of other borrowings	808	405	269	–	943	Straight-line basis over the term of the borrowings
Total	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	2006	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
Elements on related companies		
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
Total	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

27.5 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 date	
	Earliest	Lates
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.

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS*

(Year ended December 31, 2006)

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

* 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. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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RISK FACTORS

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 176 to 185 of this Reference document.

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 114 to 117 of this Reference document, and in Section 6.2 of the Board of Directors' Management Report on page 50 of this Reference document.

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 50 to 51 of this Reference document.

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 submarine 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 153 of this Reference document).

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 submarine 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 submarine 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 59 to 62 of this Reference document.

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.

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 Reference document, 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 submarine 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*

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).

* See pages 99 to 100 of this Reference document 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.

GENERAL INFORMATION ON THE COMPANY

Company profile

Name and registered office:

Nexans

16, rue de Monceau, 75008 Paris, France

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.

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 58 of this Reference document, 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 Reference document, 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	€25,264,955	25,264,955*

* 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 Reference document.

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%

The Company estimates the total number of its shareholders to be approximately 50,000.

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	20,799,422	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 58 of this Reference document, 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

Ownership of shares	Estimated situation as of March 31, 2005			Estimated situation as of February 28, 2006			Estimated situation as of March 15, 2007		
	Number of share	% 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	2,085,083	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 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 ⁽¹⁾	118,500	€11.62
10 largest subscribers	10	56,000	(April 4, 2003 plan)
			€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 37,500 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 Shareholders 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 share 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
– Employees								
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, 2003	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 23, 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

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 68 of this Reference document 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 discretion and within the framework set by the Shareholders' Meeting, to issue shares and share equivalents, and delegate the powers to do so subject to the terms and conditions prescribed by law.

Resolutions 15 to 22 ⁽¹⁾	Cap per resolution ⁽²⁾	Cap common to more than one resolution ⁽²⁾
Share issue with preferential rights (R15) and greenshoe option if oversubscribed (R17)	€10,000,000	€10,000,000
Issue of shares equivalents associated with debt securities, with no preferential subscription rights (convertible bonds, convertible and exchangeable bonds, bonds reimbursable with shares and bonds with warrants) (R16) and greenshoe option if oversubscribed (R17)	Shares = €4,000,000: (<i>< 16% of the share capital</i>) Debt securities = €500,000,000	
Share issue in payment of contribution in kind of securities (R18)	10% of the share capital	
Share issue to be paid up by capitalizing reserves, income or additional paid-in capital (R19)	€10,000,000	
Issue of shares or share equivalents reserved for members of a Group employee Savings Plan (R20) ⁽³⁾	€500,000	
Allocation of stock options (R21)	€500,000	€500,000 (<i>approximately 2% of the share capital</i>)
Employee Restricted Stock Awards of existing or newly issued shares granted free (R22)	€500,000	
		Global cap = €21,000,000

(1) The abbreviation "R..." stands for the number of the resolution submitted for approval to the Shareholders' Meeting of May 10, 2007.

(2) The maximum par value of the capital increases which could take place corresponding to the maximum number of shares which could be issued as 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)
G�rard Hauser	02/02/06	Subscription	Exercise of options	17.45	82,887
	02/02/06	Sale	Shares	51.75	245,812
	03/02/06	Subscription	Exercise of options	17.45	78,525
	03/02/06	Sale	Shares	53.90	242,550
	06/02/06	Subscription	Exercise of options	17.45	78,525
	06/02/06	Sale	Shares	53.90	242,550
	17/05/06	Purchase	Shares	67.05	20,115
	13/06/06	Purchase	Shares	51.55	10,310
	01/02/07	Subscription	Exercise of options	11.62	367,471
			Hedging	103.82	
	02/02/07	Subscription	Exercise of options	11.62	62,911
			Hedging	103.20	
	12/02/07	Subscription	Exercise of options	11.62	5,368
		Hedging	103.21		
12/02/07	Subscription	Exercise of options	27.82	347,750	
		Hedging	103.21		
Jean-Louis Vinciguerra	07/03/06	Purchase	Shares	56.20	18,827
Georges Chodron de Courcel	07/04/06	Purchase	Shares	69.35	13,870
Fran�ois Polge de Combret	30/05/06	Purchase	Shares	60.56	30,280
Gianpaolo Caccini	27/09/06	Purchase	Shares	66	9,900
Fr�d�ric Vincent	12/05/06	Subscription	FCPE unit trusts invested in Nexans shares (ACT 2006)	52.50	53,194
	19/06/06	Purchase	FCPE unit trusts invested in Nexans shares	56.79	12,254
	28/02/07	Subscription	Exercise of options	11.62	217,875
		Hedging	94.95		

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	Purchase	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

- 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.

Substitute Auditors

- 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 Reference document. 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-XIS. 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.

STATUTORY AUDITORS' SPECIAL REPORT*

on regulated, related-party agreements and commitments, year ended December 31, 2006

To the Shareholders,

In our capacity as Statutory Auditors of Nexans we hereby present our report on regulated, related-party agreements and commitments. In accordance with article L.225-40 of the French Commercial Code (Code de commerce), we have been informed of agreements and commitments that were previously authorized by your Board of Directors.

Our responsibility does not include identifying any undisclosed agreements or commitments. We are required to report to shareholders, based on the information provided, about the main features and terms and conditions of agreements and commitments disclosed to us, without commenting on their relevance or substance. Under the provisions of article 92 of the decree of March 23, 1967, it is the responsibility of shareholders to determine whether the agreements are appropriate and should be approved.

We carried out our work in accordance with the professional standards applicable in France. These standards require that we perform procedures to verify that the information given to us agrees with the underlying documents.

I. Agreements and commitments executed in 2006

Agreements entered into with BNP Paribas; Georges Chodron de Courcel serving as a Nexans Board Member and Chief Operating Officer of BNP Paribas

Financial advisory agreement

Nature and purpose

On March 29, 2006, the Nexans Board of Directors approved a financial advisory agreement with BNP Paribas to help structure and carry out the early redemption of bonds convertible into new shares and/or exchangeable for existing shares (OCEANEs) issued by Nexans in 2004. This agreement was signed on May 10, 2006.

Terms

The commission paid to BNP Paribas under this contract in respect of 2006 was 200,000 euros.

Global underwriting agreement for OCEANE convertible/exchangeable bonds issued in 2006

Nature and purpose

On June 26, 2006, the Nexans Board of Directors approved a global underwriting agreement with two financial institutions, including BNP Paribas, for the issuance of OCEANE bonds in 2006.

Terms

Under the terms of the agreement executed on June 29, 2006, Nexans undertook to issue OCEANE bonds representing a maximum nominal value of 280 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 and Société Générale Corporate & Investment Banking. The commission paid in respect of 2006 and shared between the guarantors was 4,200,000 euros.

* 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. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Second amendment to the medium-term syndicated loan agreement

Nature and purpose

On May 15, 2006, the Nexans Board of Directors approved an amendment to the medium-term syndicated loan agreement for 450 million euros signed on December 28, 2004. The amendment, required following the Group's transition to IFRS, 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.

Terms

The amendment was executed on June 30, 2006.

Third amendment to the medium-term syndicated loan agreement

Nature and purpose

On September 27, 2006, the Nexans Board of Directors approved an amendment to the medium-term syndicated loan agreement for 450 million euros signed on December 28, 2004. The amendment increased the amount available under the credit facility by 130 million euros to a total of 580 million euros.

Terms

The amendment was executed on October 30, 2006. The commission paid in respect of 2006 and shared among the lenders prorata to their contribution was 405,000 euros.

Agreement with Frédéric Vincent, Chief Operating Officer of Nexans as of May 15, 2006

Amendment to Frédéric Vincent's employment contract

Nature and purpose

On May 15, 2006, the Nexans Board of Directors approved an amendment to the employment contract between Nexans and Frédéric Vincent. The amendment was executed on the same day.

Terms

Frédéric Vincent's employment contract is suspended during his term of office as Chief Operating Officer of Nexans. If his position 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 bonuses) prior to the termination of his term as Chief Operating Officer.

II. Prior agreements and commitments remaining in force in 2006

Additionally, in accordance with the provisions of the decree of March 23, 1967, we were advised that the following agreements and commitments authorized in prior years remained in force in 2006.

Agreements entered into with BNP Paribas; Georges Chodron de Courcel serving as a Nexans Board Member and Chief Operating Officer of BNP Paribas

Amendment to the medium-term syndicated loan agreement for 450 million euros

Nature and purpose

On September 26, 2005, the Nexans Board of Directors approved an amendment to the medium-term syndicated loan agreement for 450 million euros signed on December 28, 2004. This amendment extended the term of the loan to five years from the date it was signed, with the option of a further extension to seven years, and decreased the spreads and commitment fees payable under the agreement.

Terms

The amendment was signed on October 17, 2005. The fee paid in respect of 2005 and shared among the banks prorata to their contribution was 215,000 euros. No fees were paid under this agreement in respect of 2006, except an annual administrative agent fee paid to BNP Paribas in the amount of 12,500 euros (excluding tax).

Global underwriting agreement

Nature and purpose

On July 5, 2004, the Nexans Board of Directors approved a global underwriting agreement with a bank syndicate (of which BNP Paribas is a member) in connection with the issue of bonds convertible into new shares and/or exchangeable for existing shares (OCEANEs).

Terms

Pursuant to this contract signed on July 6, 2004, Nexans undertook to issue OCEANEs, 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+XIS. The fee paid in respect of 2004 and shared among the guarantors was 2,227,000 euros. No fee was paid in respect of 2006.

Neuilly-sur-Seine and Paris La Défense, March 19, 2007

The Statutory Auditors

PricewaterhouseCoopers Audit

Dominique Ménard
Partner

Salustro Reydel
Member of KPMG International

Benoît Lebrun
Partner

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 Preparation and organization of the work of the Board of Directors of Nexans, a holding company and parent of the Group

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:

The Marketing Department

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.

The Development and Economic Intelligence Department

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.

The Industrial Management Department

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.

The Technical Management Department

The Technical Management Department manages all the Group's research and development efforts, in particular through its Excellence Centers and the Research Center.

The Information Systems Department

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.

The Purchasing Department

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 Interne (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:

- **Preparation of financial and accounting information**

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.

- **The process**

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.

- **The procedures**

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

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 Nexans on internal control procedures relating to the preparation and processing of accounting and financial information.

To the Shareholders,

In our capacity as the Statutory Auditors of Nexans, and in accordance with the provisions of article L.225-235 of the French Commercial Code, we report to you on the report prepared by the Chairman of your Company in accordance with the provisions of article L.225-37 of the French Commercial Code, for the year ended December 31, 2006.

It is for the Chairman to give an account, in his report, notably of the conditions in which the duties of the Board of Directors are prepared and organized and the internal control procedures in place within the company. It is our responsibility to report to you our observations on the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the Chairman's report;
- obtaining an understanding of the work performed to support the information given in the report.

On the basis of these procedures, we have no matters to report in connection with the information given on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the Chairman of the Board's report, prepared in accordance with article L.225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris La Défense, March 19, 2007

The Statutory Auditors

PricewaterhouseCoopers Audit

Dominique Ménard
Partner

Salustro Reydel
Member of KPMG International

Benoît Lebrun
Partner

* 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. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Paris, March 30, 2007

I certify, after having made due verification, that the information provided in this Annual report, to my knowledge, is true and that no information has been omitted which is likely to affect the reliability of this document.

I have been provided with a letter by the Statutory Auditors, PricewaterhouseCoopers Audit and Salustro Reydel in which they confirm that they have reviewed all information relating to the financial situation and the details of the accounts contained in this Annual Report, as well as on the general content.

The Statutory Auditors have issued reports on the financial information contained in this Annual Report, which are included in pages 124, 125 and 147 of this document.

These reports were issued with no reserve and include one observation concerning the change relating to the recognition of non-ferrous metal inventories.



Gérard Hauser
Chairman and CEO

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* Pursuant to Article 28 of European regulation No. 809-2004 on prospectuses, the following items are included by reference in this reference document:

- The Group's Management report, the Group's consolidated financial statements and the Statutory Auditor's report on consolidated financial statements for the financial year ended December 31, 2005, presented respectively on pages 32 to 106 of reference document No. D. 06-0232 filed with the Autorité des Marchés Financiers (Financial Market Authorities) on April 7, 2006;
- The Group's Management report, the Group's consolidated financial statements and the Statutory Auditor's report on consolidated financial statements for the financial year ended December 31, 2004, presented respectively on pages 28 to 79 of reference document No. R.05-0583 filed with the Autorité des Marchés Financiers (Financial Market Authorities) on April 28, 2005;

The information included in these two reference documents other than that cited above, as appropriate, was replaced and/or updated by the information included in this reference document.



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