Interview with the Chairman

Gérard Hauser, Chairman

"2001 was a challenging year marked by a sharp deterioration in a number of Nexans' markets during the second half of the year, but we have been able to prove our resilience and our rapid reactivity."

How would you sum up the year 2001?

2001 was a very eventful year for our Group. The key event as far as I am concerned was Nexans' stock market listing on June 13.
The operation was oversubscribed over six times and was a great success. It enables us to base our growth on solid foundations: long-term shareholders who are evenly balanced geographically and spread between institutional and individual shareholders. The evolution of our share price, which has been disappointing since September –like that of most of our competitors– has suffered from the downturn in the economic cycle and the forced adjustment of our earnings targets. In my opinion, the end-of-year share price reflects neither the economic value of the company nor its growth potential.

Are you satisfied with Nexans' results in 2001?

The global economic slowdown sparked by the US recession was made worse by the events of September 11. The second half of the year was particularly difficult for our Group. Despite this context, Nexans has been able to maintain its sales at the same level as in 2000, but profit margins have been eroded and results are below our expectations. However there are a large number of positive points: the Energy Division which generates half of our total sales, had a good year, recording growth in both sales and earnings; Norway has become profitable once again, as the restructuring programs launched in previous years bear fruit. Switzerland also contributed an excellent performance. However, the problems experienced in our winding wires business, particularly in the United States, and the collapse of the telecom market both impacted our results. Faced with these situations, Nexans had to react energetically and quickly.

What measures have you taken in order to maintain the sustainable development strategy?

We focused our efforts on two priorities: reducing capital employed in order to pay out cash that our earnings were unable to generate, and reducing our costs in order to adapt our industrial set-up to this challenging environment.
The impact of the vigorous measures that we have implemented, particularly with regard to our inventory levels in the second half of the year, enabled us to reduce the amount of our net debt from 247 million euros (at June 30), to 71 million euros at year-end. Furthermore, in October, we launched a share buyback program which led

to the cancellation by the Board of Directors of almost two million shares. This program had a positive effect on our earnings per share. We also bolstered our cost-reduction plans in all of our divisions and central services and continued our efforts to improve productivity levels. Unfortunately, however, the current economic outlook means that additional measures will need to be taken. After having made substantial investments in 2000 and 2001, we are planning to reduce our budget package in 2002, and we are currently reviewing a new global restructuring plan. This may involve an additional thousand or so positions, and between 2002 and 2003, lead us to spend 120 million euros in total (including exceptional depreciation charges). Our underlying objective remains unchanged: to enhance our profitability and turn around our loss-making businesses in order to optimize the service we provide to our customers, our shareholders and, thus, our employees.

Is external growth still an option?

External growth remains an option, but it is not our only growth vector. The proposed purchase price has to be reasonable, the synergies with Nexans' business operations should be high and the transaction should not have a substantially dilutive effect on our shareholders' interests. Under these conditions, we are prepared to assess potential acquisition projects which could bolster our presence, for example in the United States, South America and Asia.

What are the major growth vectors for Nexans?

Nexans is a generalist cabling company and we reaffirm our ambition to become, in the medium term, the global player in the cabling industry, with a balanced set of activities both in professional and geographical terms.
To this end, our first task involves consolidating our leadership in the infrastructure markets – our core business. This business is driven by solid, long-term sources of growth. At the same time, we will continue our development in special cable and high value-added product markets where we can and should extract high profit margins. In all areas, our research teams play a fundamental role in designing innovative products, while constantly reducing the time period between the development phase of innovations and their market roll-out.

How does 2002 look for Nexans?

We only have limited visibility on the state of the economy in 2002 and I anticipate a difficult first half. However, we have shown ourselves to be both robust and reactive: if economic conditions allow, we will be able to generate a substantial amount of cash flow which we should use for the ultimate purpose of enhancing our profitability. Our overall confidence in these perspectives means that we can reaffirm our target of achieving a 5% operating margin and a 16-20% return on capital employed, even if the economic conditions we experienced in 2001 have forced us to postpone our target achievement dates to 2004.

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