Consolidated financial statements 2003/2002/2001

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Consolidated income statement

at December 31, in millions of euros	Notes	2003	2002	2001
Net sales	(3)	**4,046**	**4,302**	**4,777**
Metal price effect		(123)	(206)	(310)
Net sales at constant metal price	(3)	**3,924**	**4,096**	**4,467**
Cost of sales		(3,383)	(3,571)	(3,833)
Gross profit		**541**	**525**	**634**
Administrative and selling expenses		(402)	(421)	(445)
R&d costs		(47)	(48)	(50)
Income from operations	(3)	**91**	**56**	**139**
Financial income (loss)	(4)	(31)	(31)	(33)
Restructuring costs	(18)	(41)	(90)	(36)
Other revenues (expenses)	(5)	(2)	23	3
Income before taxes		**18**	**(43)**	**73**
Income tax	(6)	8	10	(28)
Share in net income of equity affiliates		(1)	–	–
Consolidated income before amortization of goodwill		**25**	**(33)**	**45**
Amortization and depreciation of goodwill		(14)	(2)	(2)
Minority interests		(10)	(5)	(13)
Net income (Group share)		**1**	**(40)**	**30**
Earnings per share (in euros)	(7)	0.06	(1.78)	1.22
Diluted earnings per share (in euros)	(7)	0.06	(1.74)	1.22

Consolidated balance sheet

ASSET
at December 31, in millions of euros

	Notes	2003	2002	2001
Goodwill, net	(8)	23	39	38
Other intangible assets, net		4	7	6
Intangible assets, net		**27**	**45**	**44**
Property, plant and equipment	(9)	2,843	2,870	2,918
Amortization and depreciation	(9)	(2,059)	(2,071)	(1,997)
Property, plant and equipment, net		**784**	**799**	**921**
Share in net assets of equity affiliates		3	4	10
Other investments and miscellaneous, net	(10)	65	63	65
Investments and other non-current assets		**68**	**67**	**75**
TOTAL NON-CURRENT ASSETS, NET		**879**	**911**	**1,040**
Inventories and work in progress, net	(11)	**556**	**628**	**637**
Trade receivables and related accounts, net	(12)	744	761	861
Other accounts receivable, net	(13)	170	133	133
Accounts receivable, net		**914**	**894**	**994**
Marketable securities, net	(14)	102	33	87
Cash, net		1	135	190
Cash and cash equivalents		**104**	**167**	**277**
TOTAL CURRENT ASSETS		**1,574**	**1,689**	**1,908**
TOTAL ASSETS		**2,453**	**2,600**	**2,948**

LIABILITIES AND EQUITY

at December 31, in millions of euros

	Notes	2003	2002	2001
Capital stock (EUR 1 nominal value; 23,128,972 shares issued at December 31, 2003)		23	23	25
Additional paid-in capital		1,014	1,014	1,044
Retained earnings		(40)	(7)	(23)
Cumulative translation adjustments		(28)	26	53
Net income		1	(40)	30
Treasury stock		(28)	(25)	(33)
SHAREHOLDERS' EQUITY	(15)	**942**	**991**	**1,096**
MINORITY INTERESTS	(16)	**103**	**88**	**104**
Accrued pension and retirement obligations	(17)	260	253	257
Accrued contract costs and other reserves	(18)	120	143	157
TOTAL RESERVES FOR LIABILITIES AND CHARGES		**380**	**396**	**414**
TOTAL FINANCIAL DEBT	(19)	**126**	**219**	**348**
Customers' deposits and advances	(20)	51	37	48
Trade payables and related accounts		463	485	530
Other payables	(21)	387	384	408
TOTAL OTHER PAYABLES		**901**	**905**	**986**
TOTAL LIABILITIES AND EQUITY		**2,453**	**2,600**	**2,948**

Consolidated statement of cash flows

in millions of euros	2003	2002	2001
Net income	1	(40)	30
Minority interests	10	6	13
Depreciation and amortization	113	148	143
Changes in reserves for pension obligations, net	3	(3)	(2)
Changes in other reserves and deferred taxes	(36)	(1)	(11)
Net (gain) loss on disposal of non-current assets	2	(23)	(3)
Share in net income of equity affiliates (net of dividends received)	1	–	–
Other non-cash items	–	–	–
Cash flow provided by operations	**93**	**87**	**170**
Decrease (increase) in accounts receivable	17	112	204
Decrease (increase) in inventories	69	1	82
Increase (decrease) in accounts payable and accrued expenses	(15)	(60)	(163)
Changes in reserves on current assets (including accrued contract costs)	(24)	(14)	3
Net change in current assets and liabilities	**47**	**39**	**126**
Net cash provided (used) by operating activities	**140**	**126**	**296**
Proceeds from disposal of fixed assets	15	12	8
Capital expenditure	(67)	(96)	(203)
Decrease (increase) in loans	(3)	(1)	(17)
Cash expenditures for acquisition of consolidated companies, net of cash acquired, and for acquisition of unconsolidated companies*	(35)	(64)	(53)
Cash proceeds from sale of previously consolidated companies, net of cash sold, and from sale of unconsolidated companies	–	41	–
Net cash provided (used) by investing activities	**(90)**	**(108)**	**(265)**
Net cash flow after investment	**50**	**18**	**31**
Proceeds from issuance of shares	–	1	2
Dividends paid	(8)	(15)	(24)
Net cash provided (used) by financing activities	**(8)**	**(15)**	**(22)**
Net effect of currency translation differences	(13)	16	(4)
Net increase (decrease) in net debt/cash	**29**	**20**	**5**
Net (debt)/cash at beginning of year	**(52)**	**(71)**	**(76)**
Net (debt)/cash at end of year	**(23)**	**(52)**	**(71)**

**Including Treasury Stock: EUR 3 million in 2003, EUR 25 million in 2002 and EUR 33 million in 2001.*

Consolidated statement of changes in shareholders' equity

in millions of euros	Notes	*Number of shares outstanding*	Capital stock	Additional paid-in capital & retained earnings	Cumulative translation adjustments	Net income	Treasury stock	Share-holder's equity
December 31, 2001 after appropriation		***23,009,969***	**25**	**1,041**	**53**	**–**	**(33)**	**1,086**
Net change in treasury stock	(8)	*(1,916,510)*					(25)	(25)
Cancellation of treasury stock	(8)		(2)	(31)			33	–
Capital increase		*111,503*		1				1
Other				(4)				(4)
Net change in translation adjustments					(27)			(27)
Net income						(40)		(40)
December 31, 2002 before appropriation		***21,204,962***	**23**	**1,007**	**26**	**(40)**	**(25)**	**991**
Appropriation of net income	(8)			(44)		40		(4)
December 31, 2002 after appropriation		***21,204,962***	**23**	**963**	**26**	**–**	**(25)**	**987**
Change in accounting method (CRC 2002-10)	(1-a)			10				10
Net change in treasury stock	(8)	*(304,689)*					(3)	(3)
Cancellation of treasury stock	(8)							
Capital increase		*7,500*						
Other								
Net change in translation adjustments					(53)			(53)
Net income						1		1
December 31, 2003 before appropriation		***20,907,773***	**23**	**973**	**(27)**	**1**	**(28)**	**941**

Notes to consolidated financial statements

NOTE 1 Summary of accounting policies

The Nexans Group, which was created in in the fourth quarter of 2000, essentially groups together the former Alcatel energy cable, electrical wires, and distribution activities, as well as the copper telecommunication cable activities for both private and public networks and related accessories.

The consolidated financial statements of Nexans and its subsidiaries (the "Group") comply with the accounting principles applicable in France, and in particular with the accounting principles adopted by the "Comité de la Réglementation Comptable":

- CRC 99-02, as of January 1st, 1999;
- CRC 00-06 (regulation on liabilities and equity), as of January 1st, 2002;
- CRC 02-10 on assets, as of January 1st, 2003 (see (a) Change in accounting method).

They comply with the essential accounting principles described hereafter:

a) Change in accounting method

Nexans decided to implement CRC Regulation 2002-10 relating to accounting for fixed assets (component approach and impairment tests) with effect from January 1st, 2003, in advance of the required date. The effect of the change has been to lengthen the depreciation period for industrial equipment, in line with their useful economic life. The depreciation periods used previously were those applied in the Alcatel Group and did not accurately reflect the operational life of Nexans' assets which belong to a sector with a slower pace of technological change compared to that of its former parent company. Impairment tests were also carried out throughout the Group, to evaluate fair value based on business plans (using discounted future cashflows for each cash-generating unit).

The impact of this change of method on the balance sheet, as at January 1st, 2003, is presented in the table below:

	31.12.02 published (before change)	Component approach	Depreciation ("impairment")	Deferred taxation	01.01.03
Assets					
Intangible assets (including goodwill)	45		(6)		39
Property, plant and equipment	799	257	(232)		824
Other assets	1,756				1,756
TOTAL ASSETS	**2,600**	**257**	**(238)**		**2,619**
Liabilities and equity					
Shareholders' equity (Group share)	991	249	(228)	(11)	1,001
Minority interests	88	8	(10)		86
Deferred tax liabilities	70			11	81
Other liabilities	1,451				1,451
TOTAL LIABILITIES AND EQUITY	**2,600**	**257**	**(238)**		**2,619**

b) Consolidation methods

Companies over which the Group has exclusive control are fully consolidated. Other companies over which the Group has a significant influence ("equity affiliates") are accounted for under the equity method. Significant influence is generally assumed when the Group interest is over 20%. The consolidated financial statements are prepared on the basis of year-end (or interim) financial statements at December 31st. All significant intra-group transactions are eliminated.

c) Translation of financial statements denominated in foreign currencies

Excluding Turkey, the balance sheets of foreign consolidated subsidiaries are translated into euros at the year-end rate of exchange, and their income statements and cash flow statements are translated at the average annual rate of exchange. The resulting translation adjustments are included in shareholders' equity under "Cumulative translation adjustments".

Turkey is considered as a hyperinflationary country. As a result, the financial statements of Nexans Turkey (Nexans Turkiye Iletisim Endustri ve Ticaret AS) are prepared using the euro as the working currency. Nexans Turkey's financial statements have been restated in accordance with IAS 29.

d) Translation of foreign currency transactions

Foreign currency transactions are translated at the rate of exchange applicable at the transaction date. At year-end, foreign currency receivables and payables are translated at the rate of exchange prevailing at that date. The resulting exchange gains and losses are recorded in the income statement.

e) Research and development expenses

These are recorded as expenses for the year in which they are incurred, except for the following two categories:

- Recoverable amounts under the terms of contracts with customers are recorded as work in progress on long-term contracts.
- Software development costs are recorded as intangible assets, provided they comply with all the following criteria:
  - the project is clearly defined, and costs are separately identified and reliably measured;
  - the technical feasibility of the software is demonstrated;
  - the software will be sold or used in-house;
  - a potential market exists for the software, or its usefulness, in case of internal use, is demonstrated;
  - adequate resources required for completion of the project are available.

  They are then amortized as follows (making sure that the cumulative amortization amounts at each closing date are at least equal to the cumulative amounts using the straight-line amortization method):
  - in case of internal use, over their probable service lifetime;
  - in case of external use, according to prospects for sale, rental or other forms of distribution.

f) Goodwill

Goodwill is amortized using the straight-line depreciation method. Amortization periods are determined independently for each transaction and never exceed 20 years.

g) Tangible and intangible assets

Tangible and intangible assets (excluding goodwill) are valued at historical cost for the Group. As part of its early application of regulation CRC 2002-10, the Group has adopted the component approach for amortization of assets with effect from January 1st, 2003. From this date onward, depreciation is generally calculated over the following expected useful lifetime:

Industrial buildings, plant 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**

Depreciation expense is determined primarily using the straight-line method. Fixed assets acquired through capital lease arrangements or long-term rental arrangements that transfer substantially all of the benefits and risks of ownership to the Group, are capitalized.

h) Impairment tests of assets

As part of the early application of regulation CRC 2002-10 with effect from January 1st, 2003 and the new accounting method for fixed assets applied by the Group, impairment tests of assets for each cash generating unit have been implemented throughout the Group. As recommended in CRC regulations, these tests have been performed in accordance with the provisions of IAS 36:

- Cash Generating Units (CGU) chosen: product lines within each legal entity;
- Discount rate corresponding to the expected rate of return of the market for a similar investment;
- Five-year business plans;
- Terminal value beyond five years, calculated on zero growth basis.

On each balance sheet date, the Group reviews all assets to look for any indication that their value may be significantly impaired. When events or changes in the market environment indicate a risk of impairment of intangible or tangible assets, these assets are subjected to an impairment test with the aim of adjusting their carrying amount to the higher of their market value or their value in use by means of a depreciation. Value in use is calculated on the basis of future operational cash flow representing the management's best assessment of the economic conditions that will prevail during the remainder of the asset's useful life.

i) Unconsolidated investments

Investments in unconsolidated companies are stated at whichever is the lower of historical cost (excluding revaluations) and fair value (market value for investments in listed companies) and assessed investment by investment, based on their value in use for the Group.

j) Long-term contracts

Sales and revenue on long-term contracts are recognized on a percentage-of-completion basis. Provisions are established to cover all foreseeable losses at completion. Work in progress on long-term contracts include only those expenses not yet taken into account in the calculation of the revenue at completion. They are stated at production cost, excluding administrative and selling expenses and interest expense.

k) Inventories and work in progress

Inventories and work in progress are valued at whichever is the lower of production cost (including indirect production costs where applicable) and net realizable value. Production cost is primarily calculated on a weighted-average price basis. The purchase cost of copper in the inventories is valued according to the LIFO method (last in – first out) in order to better represent economic reality given variations in the price of copper.

l) Treasury stock

Treasury stock acquired as part of the share buyback program authorized by the Annual Shareholders' Meetings of Nexans is deducted from group shareholders' equity, in accordance with Notice 2002.D of the "Comité d'urgence du Conseil National de la Comptabilité".

m) Cash and cash equivalents

Cash and cash equivalents comprise receivables from the disposal of assets reaching maturity in less than three months and which are liquid and transferable, as well as cash on hand and marketable securities. These items are valued at whichever is the lower of cost and market value.

n) Pension and retirement obligations

In accordance with the laws and practices of each country where Nexans is present, the Group participates in employee benefit plans by offering early retirement benefits and gratuity.

The Group applies the preferential method laid down in regulation CRC 99-02 by accounting for pension commitments through a reserve booked in the liabilities of its consolidated balance sheet.

For defined contribution pension plans and multi-employer plans, expenses correspond to contributions made. Throughout the Group, from January 1st, 1999, pension plans offering defined benefits have been provisioned as follows:

- using the Projected Unit Credit actuarial method (with projected final salary);
- actuarial gains and losses are not immediately accounted for in income; the portion in excess of 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan assets is recognized and amortized over the expected average remaining working lives of the employees participating in the plan.

Furthermore, the financial component of the annual employee benefit cost (interest cost after deduction of expected return on plan assets) is entered under financial income (Note 4).

o) Reserves for restructuring

Reserves for restructuring costs are fully integrated in the financial year if restructuring programs have been decided and announced before the statement of account is issued. Such costs primarily relate to severance payments, early retirement, costs for notice periods not worked, retraining costs of terminated employees, closed facilities and write-off of fixed assets, inventories and other assets.

As of January 1st, 2002, the depreciation of assets recorded as part of restructuring plans is deducted from the corresponding assets. The resulting income effect is included under "Restructuring costs".

p) Deferred taxes

Deferred income tax is computed under the liability method for all timing differences arising between accounting value and tax value of assets and liabilities, as well as for tax losses available for carry-forward. However, deferred income tax assets are recorded in the consolidated balance sheet if it seems reasonably probable from the business plan of the company concerned, that the tax benefit will be realized (Note 6.c).

Deferred taxes are valued on the basis of the tax rate applicable at year end. The impact of changes in the tax rate are recorded in the year in which these changes take effect.

Provisions are made for taxes on proposed dividends to be distributed by subsidiaries. No provision is made for taxes payable on undistributed retained earnings.

q) Financial instruments

The Group uses financial instruments to manage and reduce its exposure to fluctuations in interest rates, foreign currency exchange rates and metal prices. Gains and losses on hedging contracts are accounted for in the same period as the item being hedged; otherwise, changes in the fair value of these instruments are recognized in net profit or loss of the period in which they arise (Note 23).

r) Key performance indicators

- **Net sales**

Net sales (at current metals prices) represent sales of goods and services issued from the main activities of the Group net of value added taxes (VAT).

- **Sales at constant metals prices**

To neutralize the effect of fluctuations in the purchase price of non-ferrous metals and thus measure the underlying trend in its business, the Group also presents the sales figure based on a constant price for copper and aluminum. These reference prices have been fixed at 1,500 euros per metric ton for copper and 1,200 euros per metric ton of aluminum.

The effects of variations in the purchase price of metals are passed on in the selling price.

- **Income from operations** (measures operating performance)

Income from operations includes research and development expenses (Note 1.e), pension costs (Note 1.n) and employee profit sharing. Income from operations is calculated before financial income (loss), restructuring costs, gains and losses on disposal of assets and extraordinary depreciation, in line with the practices of many of the group's competitors.

- **EBITDA** (measures ability to generate operating cashflows)

EBITDA is defined as income from operations excluding depreciation and amortization.

NOTE 2 Changes in the scope of consolidation

During the year 2003, Nexans has made the following acquisitions:

- 50.29% of the South Korean company Kukdong Electric Wire Co. Ltd, specialized in cables for shipbuilding. This company was fully consolidated as of April 1st, 2003, the date at which Nexans Group took operational control of the company. Its contribution (over 9 months) to Group net sales in 2003 amounted to 52 million euros.
- 100% of the Brazilian company Furukawa Cabos de Energia (renamed Nexans Cabos de Energia SA, then merged into Nexans Brazil SA in December 2003), a manufacturer of aluminum cables for transport networks and power distribution. This company was fully consolidated as of April 1st, 2003. Its contribution (over 9 months) to Group net sales in 2003 was 27 million euros.

Changes in the scope of consolidation for 2002 were as follows:

- Daesung Vietnam Power Cable Company (Davipco, 59.05% controlled by the Group) was fully consolidated as of January 1st, 2002, at which date the Nexans Group took operational control of the company. Prior to this, it was consolidated on an equity basis.
- on June 19th, 2002 Nexans took control of the German group Petri, a specialist in medium and low voltage accessories for power cable networks, especially in Germany and in the Czech Republic. Petri (renamed GPH GmbH) and its Czech and German subsidiaries were fully consolidated as of July 1st, 2002.
- Nexans also sold the Swiss company Agro AG, which was deconsolidated on June 1st, 2002.

NOTE 3 Information by business sector and by geographical area

a) Information by business sector

The tables below relate to the following business sectors:

- Electrical Wires – comprising wirerods, electrical wires and winding wires;
- Energy – including equipment cables, power cables for networks (low, medium, high voltage and related accessories) and special cables;
- Telecom – which groups together cables for private telecommunications networks, special cables for electronic applications, junction components for telecommunication network cables, copper cables for public telecommunication networks, and optical fiber cables for public networks;
- Distribution – made up of retail activities for distribution to installers of electrical equipment in Switzerland and Norway;
- Other – mainly comprising head office profits and costs not allocated to other activities and eliminations between sectors in trade receivables.

Data relating to the business sectors follows the same accounting policies used for the company's consolidated financial statements, as described in the notes to the financial statements. The performance of each business sector is measured based on income from operations.

2003 *in millions of euros*	Electrical Wires	Energy	Telecom	Distribution	Other	Total Group
Net sales at current metal prices	1,029	2,189	549	279	–	**4,046**
Net sales at constant metal prices	956	2,143	546	279	–	**3,924**
Income from operations	10	78	(1)	13	(9)	**91**
Depreciation and amortization*	16	52	22	4	5	**99**
EBITDA**	26	130	21	17	(4)	**190**
Capital expenditure	12	40	10	1	4	**67**
Property, plant and equipment, net	134	431	164	33	22	**784**
Inventories and work in progress, net	134	331	62	34	(5)	**556**
Trade receivables and related accounts, net	145	525	120	32	(78)	**744**
Total assets from operations, net	413	1,287	346	99	(61)	**2,084**
Staff (number of employees)	2,275	9,540	3,711	719	823	**17,068**

2002 *in millions of euros*	Electrical Wires	Energy	Telecom	Distribution	Other	Total Group
Net sales at current metal prices	1,179	2,226	585	312	–	**4,302**
Net sales at constant metal prices	1,066	2,141	577	312	–	**4,096**
Net sales at constant metal prices and 2003 exchange rates	1,029	2,089	539	298	–	**3,955**
Income from operations	12	71	(35)	16	(8)	**56**
Depreciation and amortization*	32	69	33	5	7	**146**
EBITDA**	44	140	(2)	20	(1)	**201**
Capital expenditure	17	51	11	7	10	**96**
Property, plant and equipment, net	186	401	161	40	11	**799**
Inventories and work in progress, net	178	346	69	37	(2)	**628**
Trade receivables and related accounts, net	130	496	142	41	(48)	**761**
Total assets from operations, net	494	1,244	372	118	(40)	**2,188**
Staff (number of employees)	2,448	9,262	3,840	736	853	**17,139**

2001 *in millions of euros*	Electrical Wires	Energy	Telecom	Distribution	Other	Total Group
Net sales at current metal prices	1,256	2,327	854	340	–	**4,777**
Net sales at constant metal prices	1,102	2,189	836	340	–	**4,467**
Net sales at constant metal prices and 2003 exchange rates	1,034	2,146	782	340	–	**4,302**
Income from operations	15	80	30	17	(3)	**139**
Depreciation and amortization*	32	67	34	4	4	**141**
EBITDA**	47	147	64	21	1	**280**
Capital expenditure	41	101	40	6	14	**202**
Property, plant and equipment, net	214	414	222	44	27	**921**
Inventories and work in progress, net	162	334	101	44	(4)	**637**
Trade receivables and related accounts, net	142	504	164	56	(5)	**861**
Total assets from operations, net	518	1,252	487	144	18	**2,419**
Staff (number of employees)	2,625	9,266	4,372	831	906	**18,000**

** Property, plant and equipment excluding goodwill amortization.*
*** See Note 1 (r).*

b) Information by geographical area (by subsidiary location)

2003 *in millions of euros*	France	Germany	Other Europe	North America	Asia	Rest of World	Total Group
Net sales at current metal prices	1,188	574	1,253	715	185	131	**4,046**
Net sales at constant metal prices	1,153	564	1,242	658	175	132	**3,924**
Income from operations	(8)	14	48	22	12	3	**91**
Property, plant and equipment, net	191	134	244	118	57	40	**784**
Total assets from operations, net	577	318	719	244	118	108	**2,084**
Staff (number of employees)	4,648	3,003	5,387	1,756	1,106	1,168	**17,068**

2002 *in millions of euros*	France	Germany	Other Europe	North America	Asia	Rest of World	Total Group
Net sales at current metal prices	1,324	582	1,293	850	135	118	**4,302**
Net sales at constant metal prices	1,245	560	1,268	784	125	113	**4,095**
Net sales at constant metal prices and 2003 exchange rates	1,245	560	1,235	697	107	111	**3,955**
Income from operations	(26)	20	36	19	4	3	**56**
Property, plant and equipment, net	196	140	252	124	50	37	**799**
Total assets from operations, net	650	325	760	268	94	91	**2,188**
Staff (number of employees)	4,935	3,027	5,508	1,872	902	895	**17,139**

2001 *in millions of euros*	France	Germany	Other Europe	North America	Asia	Rest of World	Total Group
Net sales at current metal prices	1,472	644	1,508	914	116	123	**4,777**
Net sales at constant metal prices	1,336	597	1,457	845	117	115	**4,467**
Net sales at constant metal prices and 2003 exchange rates	1,336	597	1,453	712	96	108	**4,302**
Income from operations	24	25	63	5	10	12	**139**
Property, plant and equipment, net	207	146	271	193	59	45	**921**
Total assets from operations, net	664	334	822	379	115	105	**2,419**
Staff (number of employees)	5,281	3,105	5,901	1,940	851	922	**18,000**

c) Sales at current metals prices by geographical market

in millions of euros	France	Germany	Other Europe	North America	Asia	Rest of World	Total Group
2003	586	500	1,690	744	242	284	**4,046**
2002	627	555	1,750	864	204	302	**4,302**
2001	760	597	1,977	931	179	333	**4,777**

NOTE 4 Net financial income (loss)

in millions of euros	2003	2002	2001
Net interest (expense) income	(10)	(12)	(22)
Dividends	1	2	4
Reserves	–	(2)	(2)
Net exchange gain (loss)	(2)	–	2
Financial component of the pension costs	(16)	(15)	(10)
Other financial items (net)	(4)	(4)	(5)
Net financial income (loss)	**(31)**	**(31)**	**(33)**

NOTE 5 Other revenue (expense)

in millions of euros	2003	2002	2001
Net capital gains on disposal of fixed assets	6	5	3
Net capital gains on disposal of consolidated investments*	–	18	–
Exceptional depreciation**	(8)	–	–
Total	**(2)**	**23**	**3**

** Including, in 2002, capital gain of 14 million euros on the disposal of Agro AG.*
*** Exceptional depreciation for the winding wires business in 2003.*

In 2003, the Group decided to consider disposal of its winding wires business. Negotiations currently under way with potential purchasers indicate that the sale would generate a capital loss of 21 million euros, which would be recorded in the December 31st, 2003 financial statements as exceptional depreciation of 8 million euros on fixed assets and 13 million euros on goodwill (see Note 8). However, the final price agreed on and the resulting impact on income may vary according to the outcome of the negotiations.

NOTE 6 Income tax

a) Analysis of income tax charge

in millions of euros	2003	2002	2001
Current income tax charge	(23)	(18)	(18)
Deferred income tax (charge) credit, net*	30	28	(10)
Income tax charge	**7**	**10**	**(28)**

** Including 35 million euros of deferred tax assets based on business plans (mainly in France and Germany).*

b) Effective income tax rate

The effective income tax rate is as follows:

in millions of euros	2003	2002	2001
Income before taxes and amortization of goodwill	**18**	**(43)**	**73**
Tax rate applicable in France (in %)	35.43	35.43	36.43
Expected tax	**(6)**	**15**	**(27)**
Impact of:			
- Difference in tax rates of foreign countries	6	1	6
- Change in unrecognized deferred income tax assets	4	(8)	(10)
- Tax credits	3	1	3
- Other permanent differences	–	1	–
Actual income tax charge	**7**	**10**	**(28)**
Effective tax rate (%)	**41.4**	**23.4**	**38.6**

Expected tax is calculated by applying the parent company's tax rate to consolidated income before tax and amortization of goodwill.

c) Deferred tax balances on the consolidated balance sheet

Deferred tax assets (liabilities) are booked as follows:

in millions of euros	2003	2002	2001
Other accounts receivable			
- current assets	61	41	28
- non-current assets	42	21	9
Total*	**103**	**62**	**37**
Other payables			
- current liabilities	(15)	(16)	(7)
- non-current liabilities**	(76)	(54)	(71)
Total*	**(91)**	**(70)**	**(78)**
Net deferred tax (liabilities) assets	**12**	**(8)**	**(41)**

** See Notes 13 and 21.*
*** As part of the legal reorganization in the United States, Alcatel and Nexans permanently adopted tax regime "338 (H) (10)" in August 2001. Consequently, the taxable value of the assets of some Nexans US subsidiaries was revised. In accordance with Group accounting policies, this change resulted in a deferred tax liability of 35 million euros being booked in the financial statements as of December 31st, 2001. As this deferred tax liability was a direct consequence of the constitution of the Group, it was allocated to goodwill (see Note 8).*

Tax assets and liabilities are split as follows:

in millions of euros	Assets			Liabilities	Net
	Gross	Write-down	Net		
Tax losses carried forward	373	(312)	61	–	61
Temporary differences	80	(38)	42	(91)	(49)
Total	**453**	**(350)**	**103**	**(91)**	**12**

Deferred tax assets on temporary differences relate primarily to non-tax deductible reserves.

Deferred tax assets on losses carried forward are recognized in companies whose business plan indicates that they will generate taxable income in the future. Deferred tax assets that were not recognized because recovery was deemed uncertain, were 350 million euros, 388 million euros and 378 million euros at December 31st, 2003, 2002 and 2001 respectively. These deferred tax assets include part of the tax losses carried forward, mentioned in Note 6.e.

d) Tax consolidation

Under the French tax-pooling regime, some French companies can offset taxable income when calculating the whole tax charge for which only the parent tax pooling company remains liable. The adoption of this agreement as of January 1st, 2002, which concerns the French companies included in the scope of consolidation, generated a tax saving of 2 million euros in 2003 (8 million euros in 2002).

Other tax consolidation rules in effect in some foreign countries generated no significant savings in 2003.

e) Tax losses carried forward

Tax losses carried forward and not yet utilized represented a potential tax saving of 373 million euros at December 31st, 2003 (389 million euros at December 31st, 2002 and 347 million euros at December 31, 2001), including 253 million euros relating to the German subsidiaries and 52 million euros relating to the French subsidiaries. Business plans drawn up in 2003 led to the recognition of a deferred tax asset totaling 35 million euros in respect of tax losses carried forward, including 10 million euros for the German subsidiaries and 20 million euros for the French subsidiaries. In these two countries, tax losses can be carried forward indefinitely. Tax losses carried forward expire as follows:

in millions of euros	2003	2002	2001
Year N+1	9	25	15
Year N+2	5	3	24
Year N+3	13	8	2
Year N+4	31	16	7
Year N+5 and thereafter	315	337	299
Total	**373**	**389**	**347**

NOTE 7 Earnings per share

At December 31st, 2003, the capital stock consisted of 23,128,972 shares. Following a share buyback program for a maximum 10% of capital stock (see Note 15.b), the weighted average number of outstanding shares for the financial year amounts to 20,956,605 and the number of outstanding shares at December 31st, 2002 amounts to 20,907,773. Net earnings per share are calculated on the basis of the weighted average number of shares issued after deduction of the weighted average number of shares owned by consolidated subsidiaries. Diluted earnings per share take into account the dilutive effect of stock options (Note 15.c). The following table presents a reconciliation of net earnings per share and diluted earnings per share:

in millions of euros	2003	2002	2001
Net income	**1**	**(40)**	**30**
Average number of shares	20,956,605	22,730,995	24,546,203
Average number of stock options	1,016,958	537,833	88,583
Average number of diluted shares	21,973,563	23,268,828	24,634,786
Net earnings per share (in euros)	**0.06**	**(1.78)**	**1.22**
Diluted earnings per share (in euros)	**0.06**	**(1.74)**	**1.22**

NOTE 8 Goodwill on consolidated subsidiaries

in millions of euros		2003			2002	2001
	Date of acquisition	Gross value	Depreciation	Net	Net	Net
Nexans Magnet Wire USA Inc*	(*)	12	(12)	–	14	18
Nexans USA Inc*	(*)	6	(1)	5	7	8
Nexans Energy USA Inc*	(*)	6	(6)	–	6	8
Nexans Kang Hua	2000	3	–	3	4	4
GPH GmbH (Petri)	2002	8	(1)	7	8	–
Kukdong Electric Wire Co. Ltd	2003	6	–	6	–	–
Nexans Brazil (after absorption of Nexans Cabos de Energia)	2003	1	–	1	–	–
TOTAL		**42**	**(20)**	**22**	**39**	**38**

** See Note 6.c.*

The early application of the provisions of regulation CRC 2002-10 with effect from January 1st, 2003, resulted in a depreciation of goodwill on consolidated subsidiaries of 6 million euros, booked against the opening shareholders' equity balance for 2003. In addition, depreciation of 13 million euros was recorded in the income statement (converted at the average exchange rate for 2003) relating to goodwill on Nexans Magnet Wire, United States, as part of an adjustment to realizable value (see Note 5).

NOTE 9 Property, plant and equipment

a) Change in property, plant and equipment, gross

in millions of euros	Gross value				
	Land	Buildings	Plant equipment and tools	Other	Total
December 31st, 2001	**60**	**633**	**1,867**	**358**	**2,918**
Acquisitions	2	9	35	50	96
Disposals	(2)	(5)	(36)	(12)	(55)
Changes in the scope of consolidation	(1)	3	8	(14)	(4)
Other movements	–	6	(3)	(88)	(85)
December 31st, 2002	**59**	**646**	**1,871**	**294**	**2,870**
Acquisitions	–	4	24	39	67
Disposals	(2)	(10)	(35)	(13)	(60)
Changes in the scope of consolidation	15	12	40	(2)	65
Other movements	(4)	(25)	(39)	(31)	(99)
December 31st, 2003	**68**	**627**	**1,861**	**287**	**2,843**

Property, plant and equipment acquired under finance leases and long-term rental arrangements account for less than 5% of total property, plant and equipment.

b) Change in accumulated depreciation of property, plant and equipment

in millions of euros	Accumulated depreciation				
	Land	Buildings	Plant equipment and tools	Other	Total
December 31st, 2001	**8**	**400**	**1,388**	**201**	**1,997**
Depreciation charge	–	23	101	20	144
Write-offs*	–	(4)	(33)	(12)	(49)
Changes in the scope of consolidation	–	(3)	(2)	(1)	(6)
Other movements	–	19	(37)	3	(15)
December 31st, 2002	**8**	**435**	**1,417**	**211**	**2,071**
Change of accounting method:					
- Component approach	–	–	(257)	–	(257)
- Impairment	–	60	166	6	232
Depreciation charge	–	17	65	15	97
Exceptional depreciation	–	–	8	–	8
Write-offs*	–	(5)	(26)	(12)	(43)
Changes in the scope of consolidation	–	(11)	(19)	(1)	(31)
Other movements	–	(7)	(5)	2	(10)
December 31st, 2003	**8**	**489**	**1,341**	**221**	**2,059**

**Accumulated depreciation of disposed fixed assets.*

The early application of regulation CRC 2002-10 with effect from January 1st, 2003, had the following effects on fixed assets:

- the component approach resulted in an increase of 257 million euros in the net value of fixed assets, which was recorded in the opening shareholders' equity balance for the 2003 financial year;
- impairment tests reduced the net value of fixed assets by 232 million euros, which was recorded in the net situation of the Group at January 1st, 2003. This depreciation was calculated following the principles outlined in notes 1(a) and 1(h) and using a discount rate of 9.5%, with the exception of Turkey where an average rate of 12.95% was applied.

NOTE 10 Other investments and miscellaneous, net

in millions of euros	2003			2002	2001
	Gross value	Provision	Net value	Net value	Net value
Investments in unconsolidated subsidiaries	32	(9)	23	22	23
Loans to unconsolidated subsidiaries	42	(8)	34	34	29
Other investments	11	(2)	9	7	13
Total	**85**	**(19)**	**66**	**63**	**65**

NOTE 11 Inventories and work in progress

in millions of euros	2003	2002	2001
Raw materials and goods	169	189	170
Industrial work in progress	112	100	119
Work in progress on long-term contracts	12	25	7
Finished products	315	374	404
Gross value	**608**	**688**	**700**
Valuation allowance	**(52)**	**(60)**	**(63)**
Net value	**556**	**628**	**637**

NOTE 12 Trade receivables and related accounts

in millions of euros	2003	2002	2001
Receivables on long-term contracts	57	75	72
Other trade receivables	738	740	840
Gross value	**795**	**815**	**912**
Valuation allowance	**(51)**	**(54)**	**(51)**
Net value	**744**	**761**	**861**

NOTE 13 Other accounts receivables

in millions of euros	2003	2002	2001
Advances and progress payments	2	4	4
Prepaid taxes	27	30	39
Deferred tax assets*	103	62	37
Prepaid expenses	7	5	10
Advances made to employees	3	3	2
Other accounts	29	30	42
Gross value	**171**	**134**	**134**
Valuation allowance	**(1)**	**(1)**	**(1)**
Net value	**170**	**133**	**133**

** See Note 6(c).*

NOTE 14 Marketable securities

Marketable securities consist primarily of investments in commercial paper, bonds and other transferable securities. The market value of these securities is equal to their net book value on the balance sheet.

NOTE 15 Shareholders' equity

a) Appropriation of net income

At the Ordinary Annual Shareholders' Meeting, the payment of a dividend of 0.20 euros per share, with a tax credit of 0.10 euros per share for those shareholders entitled to benefit therefrom, or a gross dividend of 0.30 euros per share, will be proposed. The aggregate amount of dividends payable will be 4,625,794.40 euros based on capital stock comprising 23,128,972 shares at December 31st, 2003.

If Nexans still holds treasury stock at the time of the dividend payment, the amount corresponding to unpaid dividends on these shares will be allocated to retained earnings, and to the amount of additional tax not due on such undistributed dividends. However, the total amount of dividends payable could increase as a result of stock options exercised before the dividend payment date.

The Ordinary Annual Shareholders' Meeting held on June 5th, 2003, which considered the company's financial statements for the year ending December 31st, 2002, authorized the payment of a dividend of 0.20 euros per share without tax credit, paid starting June 11th, 2003.

The Ordinary Annual Shareholders' Meeting held on June 25th, 2002, which considered the company's financial statements for the year ending December 31st, 2001, authorized the payment of a dividend of 0.43 euros per share without tax credit, paid starting July 4th, 2002.

b) Treasury stock

Shares acquired at December 31st, 2001 in an amount of 33 million euros were deducted from the capital stock and additional paid-in capital. These shares were cancelled by the decision of the Board of Directors on February 12th, 2002. Pursuant to the first share buyback program authorized by the Ordinary Annual Shareholders' Meeting held on April 2nd, 2001, and decided by the Board of Directors on September 26th, 2001, Nexans held 6,774 of its own shares.

In accordance with the authorization of the Ordinary Annual Shareholders' Meeting held on June 25th, 2002 and the Notice registered by the COB under No.06-692, Nexans launched a new share buyback program pursuant to clause L.225-209 of the Code de Commerce, following the decision of the Board of Directors on June 25th, 2002.

- during 2002 Nexans purchased 1,909,736 shares at an average price of 12.88 euros per share for a total of 24.6 million euros. 1,500,000 of these shares were acquired from Alcatel, thereby reducing its stake in Nexans to 15.04%;
- during 2003, Nexans purchased 304,689 shares at an average price of 11.3 euros per share for a total of 3.5 million euros.

At December 31st, 2003, Nexans held 2,221,199 of its own shares for a total acquisition cost of 28.3 million euros. These shares were deducted from shareholders' equity at the closing date.

c) Stock options

At December 31st, 2003, there were 1,156,500 stock options reserved for employees, each giving the right to subscribe to one share, i.e. 5.0% of the capital stock. These options were granted as follows:

Board Meeting creating the plan	Number of options	Exercise price (euros)	Exercise period
November 16th, 2001	512,000	17.45	From November 15th, 2002 (vested 25% by year) to November 15th, 2009
January 18th, 2002	2,000	16.70	From January 17th, 2003 (vested 25% by year) to January 17th, 2010
March 13th, 2002	8,000	19.94	From March 12th, 2003 (vested 25% by year) to March 12th, 2010
April 4th, 2003	634,500	11.62	From April 3rd, 2004 (vested 25% by year) to April 3rd, 2011
Total	**1,156,500**		

NOTE 16 Minority interests

in millions of euros

December 31st, 2001	**104**
Minority interests in 2002 income	5
Dividends paid	(5)
Changes in the scope of consolidation*	(8)
Other changes (translation adjustment, etc.)	(8)
December 31st, 2002	**88**
Change in accounting methods (see Note 1)	(2)
Minority interests in 2003 income	10
Dividends paid	(4)
Changes in the scope of consolidation**	24
Other changes (translation adjustment, etc.)	(13)
December 31st, 2003	**103**

** In 2002, acquisition of minority interests in Nexans Magnet Wire Inc (USA), Nexans Portugal and Nexans Morocco, and full integration of Davipco (Vietnam).*

*** In 2003, acquisition of Kukdong Electric Wire Co. Ltd (shareholding 50.29%) and acquisition of minority interests in Nexans Morocco.*

NOTE 17 Pensions and retirement benefits

The Group sponsors various defined benefit pension plans. In France, all of its employees have opted to benefit from the retirement bonus scheme in addition to the national defined contribution pension plan. In other countries, pension schemes are subject to local regulations, and to the business and the historical practices of the relevant subsidiary.

From January 1st, 1999, pension plans offering defined benefits have been calculated in accordance with the accounting principle described in Note 1.n.

For pension plans offering defined benefits, which required actuarial calculations, actuaries made their estimates on a country-by-country basis and, for specific assumptions (turnover of staff, salary increases), company by company. Assumptions for 2003, 2002 and 2001 are as follows:

	2003	2002	2001
Discount rate	3.5% - 7%	3.75% - 7%	5 - 7%
Future salary increases	1 - 4.75%	1 - 5%	2 - 5%
Expected long-term return on plan assets	4.5% - 8%	4.5% - 8%	5 - 8%
Average expected remaining working life	15-25 years	15-25 years	15-27 years
Amortization period of transition obligation	15 years	15 years	15 years

in millions of euros	2003	2002	2001
CHANGE IN BENEFIT OBLIGATION			
Benefit obligation at beginning of year	**757**	**741**	**721**
Service cost	18	19	17
Interest cost	35	38	37
Contributions of plan's participants	3	3	3
Amendments	–	3	(4)
Acquisitions	–	6	6
Disposals	–	(1)	–
Curtailments and settlements	(2)	(1)	(4)
Effect of staff reductions	(4)	(2)	–
Actuarial (gains)/losses	(4)	(5)	3
Benefits paid	(45)	(43)	(46)
Other (translation adjustments)	(30)	(1)	8
Benefit obligation at end of year	**728**	**757**	**741**
CHANGE IN PLAN ASSETS			
Fair value of plan's assets at beginning of year	**385**	**427**	**469**
Actual return on plan assets	9	(41)	(41)
Employers' contribution	11	16	10
Contributions of plan's participants	3	3	3
Acquisitions	–	2	4
Disposals	–	–	–
Curtailments and settlements	–	–	(4)
Benefits paid	(23)	(21)	(24)
Other (translation adjustments)	(23)	(1)	10
Fair value of plan assets at end of year	**362**	**385**	**427**
FUNDED STATUS			
Benefit obligations net of plan asset	**366**	**372**	**314**
Unrecognized actuarial gains/(losses)	(85)	(93)	(32)
Unrecognized transition obligation	(3)	(3)	(3)
Unrecognized prior service cost	(18)	(23)	(22)
Net amount recognized, reserve/(prepaid asset)	**260**	**253**	**257**
EMPLOYEE RETIREMENT OBLIGATION COSTS FOR THE PERIOD			
Service cost	(18)	(19)	(17)
Interest cost	(36)	(38)	(37)
Expected return on plan assets	20	23	28
Amortization of transition obligation	–	–	(1)
Amortization of prior service cost	(2)	(2)	(2)
Amortization of actuarial gains/(losses)	(3)	(1)	–
Effect of curtailments and settlements	–	–	–
Effect of staff reductions	4	2	–
Net cost for the period	**(35)**	**(35)**	**(29)**

The pension funds are mostly invested in public and private bonds (about 53%) and in equity interests (about 29%).

NOTE 18 Accrued contract costs and other reserves

a) Analysis by nature

in millions of euros	2003	2002	2001
Accrued contract costs	48	65	77
Reserves for restructuring	40	41	38
Other reserves	32	37	42
Total	**120**	**143**	**157**

Changes in these reserves are as follows:

in millions of euros	TOTAL	Accrued contract costs	Reserves for restructuring	Other reserves	Income effect (net of incurred expenses)		
31/12/01	**157**	**77**	**38**	**42**	Operational	Financial	Extraordinary
Increases	115	23	90	2	(25)	–	(90)
Write-backs (used reserves)	(105)	(12)	(88)	(5)			
Write-backs (unused reserves)	(29)	(25)	–	(4)	29	–	–
Change in accounting method	–	–	–	–			
Change in consolidation scope	1	–	–	1			
Others	4	2	1	1			
31/12/02	**143**	**65**	**41**	**37**	**4**	**–**	**(90)**
Increases	68	23	42	3	(26)	–	(42)
Write-backs (used reserves)	(58)	(15)	(40)	(3)			
Write-backs (unused reserves)	(31)	(25)	(1)	(5)	30	–	1
Change in accounting method	–	–	–	–			
Change in consolidation scope	3	–	–	3			
Others	(5)	–	(2)	(3)			
31/12/03	**120**	**48**	**40**	**32**	**4**	**–**	**(41)**

Accrued contract costs relate primarily to reserves established in keeping with accounting standards as part of the Group's contractual responsibilities, and, in particular, warranties, contract losses and penalties relating to commercial contracts.
Provisions are released when the risks and obligations no longer exist or, if they have been settled for a lower amount than estimated based on the information available at the previous closing period (including reserves for expired warranties).

b) Analysis of restructuring costs

in millions of euros	2003	2002	2001
Reserves at the beginning of the year	**41**	**38**	**57**
Expenses of the period	(38)	(56)	(39)
Depreciations and write-offs of assets	(2)	(32)	(12)
New plans and adjustments to prior estimates	41	90	36
Translation adjustments and other movements	(2)	1	(4)
Reserves at the end of the year	**40**	**41**	**38**

Provisions for restructuring at December 31st, 2003 mainly concern the planned capacity reduction at Nexans France, decided at the end of 2003, which will cost around 20 million euros.
Restructuring costs incurred during 2003 relate mainly to the implementation of plans for which provisions were set aside at the end of the previous year.
The restructuring costs incurred during 2002 relate mainly to the reorganization of distribution activities in Norway and severance costs, notably in Spain (Telecom), France (Telecom and Energy), Belgium (Telecom and Energy) and Italy (Energy).
Provisions for restructuring at December 31st, 2002 mainly concern the restructuring plan for the Fumay factory in France (LAN cables and Datacom), the closure of the Mexico (Missouri), factory in the United States (winding wires) and the ongoing reorganization in Germany (winding wires and special cables).
Consequently, asset depreciations and write-offs amounted to 32 million euros.
Restructuring costs incurred during 2001 stem primarily from continued downsizing in Germany, in particular on the Hanover, Moenchengladbach and Nuremberg sites, and from the reorganization of Distribution activities in Norway, as well as severance costs in Data cable activities in the United States and Energy activities in Italy.
Provisions for restructuring booked in 2001 relate mainly to Electrical wires activities in France and Germany, Distribution activities in Norway, Data cable activities in the United States and Energy activities in Italy.

NOTE 19 Financial debts

a) Analysis by nature

in millions of euros	2003	2002
Short-term borrowings and bank overdrafts	125	218
Finance lease obligations	–	–
Accrued interest	1	1
Total	**126**	**219**

A breakdown of financial debts by date of maturity is presented in the off-balance sheet commitments table (Note 22).

b) Short-term debt

Analysis by currency and interest rate

	Weighted average rate (%)		In millions of euros	
	2003	2002	2003	2002
Euro	2.77	3.66	95	182
US dollar	1.17	3.32	8	9
Other	11.98	9.93	16	19
Total	**3.95**	**4.23**	**119**	**210**

All the Group's short-term debt is at a variable rate based on the monetary indices (Euribor or Libor).

c) Long-term debt

Analysis by currency and interest rate

	Weighted average rate (%)		In millions of euros	
	2003	2002	2003	2002
Euro	4.16	3.99	7	8
Deutsche mark	–	–	–	–
US dollar	–	–	–	–
Other	–	5.91	–	1
Total	**4.16**	**4.13**	**7**	**9**

The Group's long-term debt is at fixed interest rates.

d) Other information

At December 31st, 2003, Nexans and its subsidiaries had unused confirmed credit lines amounting to 505 million euros, including 475 million euros in respect of a syndicated loan agreement concluded in January 2003 (comprising one short-term tranche of 190 million euros and one five-year tranche of 285 million euros). Additionally, Nexans also has a bilateral credit line for a total of 30 million euros.

These short- and medium-term bilateral loan contracts and the syndicated loan agreement are subject to the traditional obligations (negative pledge, pari passu, cross default). They are also subject to commitments in terms of financial ratios (net debt/EBITDA < 2.5, and net debt/shareholders' equity including minority interests < 0.7). At December 31st, 2003, as well as at the time of preparing this present report, these ratios were well within the specified limits.

If these commitments are not respected, unused credit lines could be withdrawn within 0 to 30 days, depending on their nature, and the current credit line could be terminated.

NOTE 20 Customers' deposits and advances

in millions of euros	2003	2002	2001
Advance payments received on long term contracts	24	19	24
Other deposit advances received from customers	27	18	24
Total customers' deposits and advances	**51**	**37**	**48**

NOTE 21 Other payables

in millions of euros	2003	2002	2001
Accrued payables and others	107	129	146
Social payables	132	134	124
Accrued taxes	52	46	54
Deferred tax liabilities*	91	70	78
Dividends to be paid	–	–	–
Grants	5	5	6
Total	**387**	**384**	**408**

** See Note 6.c.*

NOTE 22 Off-balance sheet commitments

a) Comparative information

in millions of euros	2003	2002	2001
Guarantees given on contracts	290	313	257
Discounted notes receivable with recourse	–	1	3
Sales of receivables without recourse*	109	93	118
Mortgages and secured borrowings**	20	24	26
Commitments to buy or sell forward raw materials or goods	66	76	57
Guarantees and securities given (excl. contracts)	–	–	–
Commitments to purchase fixed assets	1	3	10
Other commitments	9	25	8
Total	**495**	**534**	**479**

**The transferee bank bears the risk of insolvency on the receivables sold, whilst the technical risk and the risk of commercial dispute remains with the transferor.*

***Secured borrowings given as loan guarantees.*

Guarantees given on contracts relate to performance bonds issued to clients by financial institutions, and bank guarantees given to secure advance payments received from clients. In the event that it seems likely that Nexans will be liable for such guarantees due to occurrences such as delay in delivery or litigation on the underlying contracts, the estimated risk is provisioned (see Note 18 "Accrued contract costs and other reserves"). Guarantees given on contracts relate mainly to High Voltage activities, especially in the field of umbilical cables.

b) Schedule of maturity for contractual obligations and off-balance sheet commitments

• Contractual obligations

in millions of euros	Total 2003	Due payments by maturity		
		Less than 1 year	1 to 5 years	Over 5 years
Long-term debt	7	–	7	–
Finance leases	1	–	–	1
Operating leases	44	13	28	3
Commitments to buy or sell forward raw materials or goods	66	66	–	–
Commitments to purchase fixed assets	1	1	–	–
Other long-term obligations	–	–	–	–
Total	**119**	**80**	**35**	**4**

• Other commitments

in millions of euros	Total 2003	Commitments by maturity		
		Less than 1 year	1 to 5 years	Over 5 years
Credit lines (received)	505	220	285	–
Guarantees given on contracts	290	177	88	25
Discounted notes receivable with recourse	–	–	–	–
Sales of receivables without recourse*	109	109	–	–
Mortgages and secured borrowings**	20	4	6	10
Other commitments	9	8	–	1

** The transferee bank bears the risk of insolvency on the receivables sold, whilst the technical risk and the risk of commercial dispute remains with the transferor.*
*** Secured borrowings given as loan guarantees.*

To the knowledge of the Management, this presentation does not omit any significant off-balance sheet commitments, according to the accounting standards in force.

NOTE 23 Market-related exposures

The Group has centralized treasury management to manage, in particular foreign exchange risk and interest rate risk.

a) Currency risk

Financial instruments held at December 31st, 2003 are hedges for exchange risks arising from payables or receivables, either commercial or financial. At December 31st, 2003, off-balance sheet financial instruments held to manage currency risks were as follows:

in millions of euros	Buy / lend		Sell / borrow	
	Principal amount	Fair value	Principal amount	Fair value
Forward exchange contracts	39	-2	-143	12
Short-term exchange rate swaps	153	-3	-94	2

Earliest/latest maturity dates for off-balance sheet financial instruments are:

	Maturity date	
	Earliest	Latest
Forward exchange contracts	January 2nd, 2004	February 21st, 2006
Short-term exchange rate swaps	January 2nd, 2004	December 15th, 2004

Principal amounts represent the face value of financial instruments. Principal amounts expressed in foreign currency are translated into euros at the year-end rate of exchange. Fair value is estimated based on interest rates and exchange rates prevailing at December 31st, 2003.

b) Metal price risk

The Group subscribed to futures contracts on the London Metal Exchange in order to reduce its exposure to market fluctuations on its copper and aluminum positions.
At December 31st, 2003, 2002 and 2001, the copper and aluminum net positions on futures contracts were as follows:

	2003		2002		2001	
	Tons	Millions of euros	Tons	Millions of euros	Tons	Millions of euros
Open position (long) at purchase cost	38,915	66	47,901	76	29,425	49
At market value	38,915	69	47,901	70	29,425	48
Profit/(loss)		**3**		**(6)**		**(1)**

These profits (losses) are offset by losses (profits) on firm positions, resulting in a net profit of 0.3 million euros at December 31st, 2003 (net loss of 3 million euros at December 31st, 2002, and net profit of 1 million euros at December 31st, 2001).

NOTE 24 Payroll and staff

in millions of euros and number of staff	2003	2002	2001
Wages and salaries (including social security/pension costs)	799	822	852
of which remuneration of executive officers of the Group	3.9	3.4	3.0
Employee profit sharing	–	–	1
Staff of consolidated companies at year end	17,068	17,139	18,000

NOTE 25 Related party transactions

Related party transactions mainly comprise transactions with equity affiliates and non-consolidated subsidiaries. The main items affected are as follows:

a) Income statement

in millions of euros	2003	2002
Net sales	4	4
Cost of sales	(51)	(32)
Interest expenses	–	–
Interest income	1	1

b) Balance sheet

in millions of euros	2003	2002
Trade receivables and related accounts	3	–
Other accounts receivable	–	–
Trade payables and related accounts	8	8
Other payables	–	–

NOTE 26 Contingencies

Certain claims arise in the ordinary course of business that the Group considers will not give rise to significant costs, given its policy for making provisions, availability of insurance cover, the probability of judgment being entered against Nexans and the amount of the claims.

However, five specific claims should be mentioned, for which either it has been decided not to make any provisions or in respect of which the information available does not allow any reasonable evaluation of whether or not they will have a financial impact on the group to be made or of the amounts involved. Nevertheless there is a risk that these claims may have an impact on the accounts in the future.

a) Corvettes – South Africa

Nexans supplied cables for four corvettes for the South African navy. Part of the supplies was sub-contracted to a South African manufacturer.

After installation of the cables on the first two corvettes, it was found that the cables supplied by the sub-contractor were non-compliant. All the cables already installed had to be removed and re-installed. Nexans has supplied replacement cables, but the allocation of the costs incurred, in particular the removal and re-installation costs being claimed by the customer (approximately 18 million euros), amongst Nexans, its client, the insurers and the sub-contractor, has not yet been determined. In addition to the manufacturing costs of the replacement cables, Nexans has already incurred costs of 5 million euros in relation to this matter.

b) Competition Authorities

- The proceedings initiated in Norway several years ago against Nexans Norway, relating to an alleged price-fixing agreement between distribution companies, has been resolved without any significant impact on Nexans' results.
- In France, Nexans received notification of a complaint from the Reporter of the "Conseil de la Concurrence" (French competition authority) relating to an alleged agreement between Nexans and a certification company aimed at eliminating an importer of 120 ohms cables from the French market. The facts relate to 1994 and 1995. A preliminary decision was made by the Conseil de la Concurrence on September 9th, 1998, in which they rejected CAE's request for an interlocutory judgment.
- Also 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 fraud repression), has started an investigation into contracts awarded by EDF for the supply of high voltage cables.
- In Germany, the "Bundeskartellamt" (German competition authority) has started an investigation into practices in the cable industry.

The amounts involved in the first of these matters currently ongoing (120 ohm cable market) are apparently not significant and the claim will in any case be vigorously defended by Nexans.

No official notification of a complaint has been received for the two other matters, and in such cases, Nexans has not made any provision for these cases.

However, in view of the very limited information available with respect to the last two matters, Nexans is unable to predict with any certainty how they may evolve or what their impact may be on Nexans' operations or income.

Although it is not yet possible to ascertain the impact of these claims, Nexans currently does not consider that their outcome will have a significant impact on its consolidated financial position. However, this cannot be guaranteed.

The Group is not aware of any other extraordinary facts or claims that could significantly affect its financial situation or its income.

NOTE 27 Main consolidated companies

Companies by country	Principal activities	Percentage of control	Percentage of interest	Consolidation method*
France				
Nexans**	**Holding**	**100%**	**100%**	**Consolidating**
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	97.54%	97.54%	
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%	
Tréfileries Laminoirs de la Méditerranée	Electrical wires	100%	100%	
Alsafil	Electrical wires	100%	100%	
Belgium				
Nexans Benelux	Energy	100%	100%	
Nexans Harnesses	Energy	100%	100%	
Nexans Cabling Solutions NV	Telecom	100%	100%	
Euromold NV	Energy	50.10%	50.10%	
Opticable SA NV	Telecom	75.00%	75.00%	
Germany				
Nexans Deutschland AG	Holding	100%	100%	
Nexans Deutschland Industries AG & Co KG	Energy and Telecom	100%	100%	
Lacroix & Kress GmbH	Electrical wires	100%	99.65%	
Kabelmetal Electro GmbH	Energy	99.50%	99.50%	
Nexans Superconductors GmbH	Energy	100%	99.65%	
Metrofunkkabel Union GmbH	Distribution	100%	99.65%	
Nexans Auto Electric GmbH	Energy	100%	99.65%	
GPH GmbH	Energy	100%	99.65%	
North Europe				
Nexans Nederland BV	Energy	100%	100%	
Nexans Norway A/S	Energy and Telecom	100%	100%	
Nexans Distribusjon A/S	Distribution	100%	100%	
Nexans Suisse SA	Energy and Telecom	100%	100%	
Electro-Materiel SA	Energy	100%	100%	
Hi Wire Ltd	Electrical wires	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%	
Norcable A/S	Energy	50%	50%	Equity basis

** The companies are fully consolidated except if specified.*
*** Companies listed on a stock exchange.*

Companies by country	Principal activities	Percentage of control	Percentage of interest	Consolidation method*
South Europe				
Nexans Italia SpA	Energy and Telecom	99.99%	99.99%	
Nexans Wires Italia SpA	Electrical wires	100%	100%	
Nexans Portugal Fios Esmaltados	Electrical wires	100%	100%	
Nexans Iberia SL	Telecom	100%	100%	
Nexans Hellas SA**	Energy and Telecom	71.75%	71.75%	
Nexans Turkiye Iletisim Endustri ve Ticaret AS	Energy and Telecom	100%	100%	
Americas				
Nexans Canada Inc	Energy and Telecom	100%	100%	
Nexans Brasil S/A	Energy	99.92%	99.92%	
Nexans USA Inc	Holding	100%	100%	
Nexans Magnet Wire USA Inc	Electrical wires	100%	100%	
Nexans Energy USA Inc	Energy	100%	100%	
Nexans Inc	Telecom	100%	100%	
Africa				
Nexans Maroc**	Energy	64.03%	64.03%	
Tanzania Daesung Cable Co	Energy	51%	26.30%	Equity basis
Asia				
Nexans (Shanghai) Electrical Materials Co Ltd	Telecom	100%	100%	
Nexans Tianjin Magnet Wires & Cables Co Ltd	Electrical wires	60%	60%	
Shanghai Nexans Kang Hua Cable Co Ltd	Telecom	70%	70%	
Nexans Korea Ltd**	Energy and Telecom	51.58%	51.58%	
Kukdong Electric Wire Co. Ltd**	Energy and Telecom	50.29%	50.29%	
Daeyoung Cable	Energy and Telecom	51.58%	51.58%	
Daesung Vietnam Power Cable Co	Energy	59.05%	30.46%	
Vina Daesung Cable Co	Telecom	54.80%	28.26%	
Nanning Huasun Cables Ltd Co	Telecom	36%	18.57%	Equity basis

** The companies are fully consolidated except if specified.*
*** Companies listed on a stock exchange.*

NOTE 28 Post-closing events

None

Statutory Auditors' Report

on the consolidated financial statements for the year ended December 31, 2003

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report on the consolidated financial statements includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders' meetings, we have audited the accompanying consolidated financial statements of Nexans for the year ended December 31, 2003. The consolidated financial statements have been drawn up by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 the management, as well as evaluating the overall financial statements presentation. 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 in accordance with the accounting rules and principles applicable in France. Without calling into question our above expressed opinion, we draw attention to the matter discussed in Note 1.a) to the financial statements relating to the change in accounting methods that occurred during the year, and that results from the first application, from January 1st, 2003 by anticipation, of the "Règlement CRC 2002-10" on fixed assets.

Justification of our assessments

In accordance with the requirements of article L. 225-235 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, which came into effect for the first time this year, we bring to your attention the following matters:

Change in accounting methods
As mentioned in the first part of this report, Note 1.a) to the financial statements details the change in accounting methods that occurred during the year, and that results from the first application, from January 1st, 2003 by anticipation, of the "Règlement CRC 2002-10" on fixed assets. Our works consisted in verifying the reasonableness of this change in accounting methods and of the presentation made thereof.

Financial estimates
Your company recognizes deferred tax assets in its consolidated financial statements on the basis of business plans, as described in Notes 1.p) and 6 to the financial statements. Our works consisted in assessing the data and hypotheses on which those estimates were made, in reviewing the calculation made by the company, in comparing the accounting estimates of the former years with the corresponding actual results, in verifying the consistency of those estimates with those retained in accordance with the first application, from January 1st, 2003 of the "Règlement CRC N° 2002-10", and in reviewing the acceptance process by management of those estimates. In the field of our opinion, we verified the reasonable assessment of those estimates. Our assessments on these matters were made in the context of the performance of our audit of the consolidated financial statements taken as a whole and therefore contributed to the development of the unqualified audit opinion expressed in the first part of this report.

Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the group management report. We have no matters to report with regard to its fair presentation and conformity with the consolidated financial statements.

Neuilly-sur-Seine and Paris, March 18, 2004

The Statutory Auditors

RSM Salustro
Reydel
Benoît Lebrun

Barbier Frinault et Autres
Alain Gouverneyre

2004 outlook and other information

INFORMATION ON CONSOLIDATED NET SALES OF THE 2004 FIRST QUARTER*

Consolidated sales

	At current metal prices and exchange rates		At constant metal prices and current exchange rate		At constant metal prices and exchange rates	
in millions of euros	1st quarter 2003	1st quarter 2004	1st quarter 2003	1st quarter 2004	1st quarter 2003	1st quarter 2004
Energy	503	559	491	515	477	515
Telecom	134	130	133	126	126	126
Electrical wires	267	333	248	241	244	241
Distribution & other	74	69	73	69	67	69
TOTAL	**978**	**1,091**	**945**	**951**	**914**	**951**

At constant non-ferrous metal prices and exchange rates(**), first quarter sales totaled 951 million euros, up from 914 million euros for the first quarter of 2003, representing growth of 3.9% (+1.3% at constant perimeter).

The strong growth of sales in North America and Asia, coupled with the sales reported by the recently acquired Kukdong and Furukawa companies in South Korea and Brazil, respectively, managed to offset weak markets in Europe, especially France.

A business-by-business analysis shows continued growth in energy as other businesses remained stable.

The quarter was marked by a sharp rise in the price of non-ferrous metals, especially copper, for which the average price jumped 37% compared with the first quarter of 2003 (and 25% compared with the fourth quarter of 2003). The resulting adverse impact on the group's debt is evaluated to be approximately 70 million euros. It also affects the operating profits of the building business cables activity, for which it takes longer to pass on the rising costs of raw materials in the sales prices. However, active management of pricing, combined with a metals hedging policy limit the negative impact on margins.

(*) Unaudited information.

(**) To neutralize the effect of variations in the purchase price of non-ferrous metals and thus measure its effective sales evolution, Nexans also calculates its sales using a constant price for copper and aluminum.

Consolidated sales by business sector (at constant metal prices and exchange rates)

in millions of euros	1st quarter 2003	1st quarter 2004
Energy (main activities)		
Infrastructure	184	200
Building	170	178
Industry	106	128
Telecom		
Infrastructure	49	45
Private local area networks (LAN)	45	48
Industry	32	33
Electrical wires		
Wirerod	126	127
Bare Wires	29	28
Winding wires	90	86

Consolidated sales by geographic area

	At current metal prices and exchange rates		At constant metal prices and current exchange rate		At constant metal prices and exchange rates	
in millions of euros	1st quarter 2003	1st quarter 2004	1st quarter 2003	1st quarter 2004	1st quarter 2003	1st quarter 2004
Europe	752	786	737	710	722	710
North America	174	219	160	161	148	161
Asia	30	52	27	47	23	47
Rest of the world	22	34	21	33	21	33
TOTAL	**978**	**1,091**	**945**	**951**	**914**	**951**

Outlook and objectives for 2004

In 2004, Nexans aims at a 3% increase in sales (at constant exchange rates). It expects an increased operating margin, and generation of cash will remain an important objective.

Restructuring costs should be brought to a level of 25 to 30 million euros, and 80 to 90 million euros should be dedicated to capital expenditure.

The Group continues to be interested in targeted acquisitions in order to strengthen its activities' portfolio and it focuses on a few growth vectors to build long-term profitability. Nexans aims at consolidating and increasing its attractiveness to its customers, shareholders and its employees.

CONSOLIDATED INCOME STATEMENT FOR THE 2003, 2002 AND 2001 PERIODS PRESENTED UNDER THE FRENCH INTERMEDIATE BALANCE FORMAT

in millions of euros	2003	2002	2001
Net sales	**4,046**	**4,302**	**4,777**
Gross current earnings	**195**	**209**	**293**
Net amortization charges and increase in reserves	(104)	(153)	(154)
Income from operations	**91**	**56**	**139**
Financial income	(31)	(31)	(33)
Current income before taxes	**60**	**25**	**106**
Restructuring costs	(41)	(90)	(36)
Other revenues (expenses)	(2)	23	3
Non-recurring income	**(43)**	**(67)**	**(33)**
Income tax	8	10	(28)
Amortization of goodwill	(14)	(2)	(2)
Minority interests	(10)	(5)	(13)
Net income (Group share)	**1**	**(40)**	**30**

IMPACT OF THE CHANGES IN ACCOUNTING METHODS (CRC 2002-10)

Impact on the 2003 income statement as presented in the consolidated statements, by geographic area

	2003		
	Proforma before CRC 2002-10	Impact of the changes	Published
Net sales	**4,046**	**—**	**4,046**
Income from operations (1)	**58**	**33**	**91**
Europe	32	22	54
North America	15	7	22
Asia	10	2	12
Rest of the world	1	2	3
Income before taxes	**(15)**	**33**	**18**
Income tax	9	(1)	8
Net income (Group share)	**(31)**	**32**	**1**

(1) Impact of the amortization charges on tangible fixed assets.

Impact on shareholders' equity as at January 1st, 2003 and on income from operations, by business sector

	Impact on shareholders' equity as at January 1st, 2003		Impact on 2003 Income from operations
	Component approach	Depreciation (Impairment)	
Electrical wires	64	(92)	13
Energy	137	(108)	13
Telecom	53	(37)	6
Distribution & Other	3	(1)	1
TOTAL	**257**	**(238)**	**33**