

2005 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, 2005)

The purpose of this report is to present the income and activity of the Nexans Group and its parent Company during the year ended December 31, 2005. It is based on the parent Company's financial statements and consolidated financial statements for the year ended December 31, 2005.

1 - Operations during 2005

1.1 Nexans (Group parent Company)

Nexans' shares are traded on the Eurolist (compartment B) of Euronext Paris S.A. and are included in the SBF 120 index. Ownership of its share capital, estimated by shareholder category, breaks down as follows as of March 31, 2005: institutional investors in France (33.5%), others in Europe (17.2%), USA (29.6%), treasury stock (9.5%), private investors and employees (7.8%), and unidentified (2.4%). Alcatel sold its entire 14.9% stake in Nexans' capital on March 16, 2005.

In addition to its role as the Group's holding company, Nexans also fulfils financing and centralized cash management functions for the Group.

Nexans also plays a central role in collecting intra-Group royalty payments to cover R&D costs, which it then redistributes among its subsidiaries based on their participation in R&D programs of value to the Group as a whole.

1.2 Income and activity of Nexans, its subsidiaries and controlled companies by branch

1.2.1 Income of Nexans

Income from operations for the financial year ended December 31, 2005, amounted to 10,809,247 euros, and was derived mainly from services invoiced to Group subsidiaries.

A net profit of 43,227,833 euros was recorded (compared to a loss of 12,231,435 euros the previous year). This improvement is due to the sharp increase in financial income primarily explained by the dividend paid to Nexans by its subsidiary Nexans Participations. A 249,041 euros charge was booked for taxes for the period.

Shareholders' equity totalled 1,150,780,410 euros as compared to 1,112,801,843 euros for the previous year.

1.2.2 Consolidated income of Nexans Group

1.2.2.1 Application of IFRS (International Financial Reporting Standards)

Nexans' consolidated financial statements for the financial year 2005 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union as of December 31, 2005.

Nexans' consolidated financial statements published before financial year 2005 were prepared in accordance with French accounting rules.

In accordance with the recommendations of the CESR (Committee of European Securities Regulators) dated December 30, 2003, the financial statements as of December 31, 2005 were prepared in accordance with IAS/IFRS, applicable as of the end of the financial year. Comparable financial data for financial year 2004 was restated according to IAS/IFRS, except IAS 32 and IAS 39, applicable as from January 1, 2005.

IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" were applied as from January 1, 2005, without restating the 2004 financial statements, in accordance with the option offered by IFRS 1, in view of the delay in publication of these standards.

The Group's operating performance will now be shown on a new line called "operating margin", which includes the same elements as the old line "income from operations", as was set forth in the French standards.

In accordance with IFRS 5 on "Non-current Assets Held for Sale and Discontinued Operations", the revenues and expenses related to the winding wires business in Europe that were sold or discontinued during the financial year are shown on a single line in the income statement for financial years 2004 and 2005.

On July 28, 2005, Nexans signed an agreement with the US group Superior Essex resulting in the creation of a company whose equity is held: 40% by Nexans and 60% by Superior Essex. This agreement was effective from October 21, 2005. The new entity brings together Nexans' winding wires and varnish

* Free translation from the original French version.

businesses in Europe and Superior Essex's winding wires business in England; it is controlled by Superior Essex (which now has a 59% stake). The Cormano (Italy) site is not included in the agreement. The closure of this site, decided in May 2005, was carried out in September 2005 and was accompanied by a specific redundancy program. In addition, Superior Essex, which at the beginning of the year began negotiations with Nexans for the acquisition of the stake of 80% that Nexans holds in Nexans Tianjin Magnet Wires & Cables Co Ltd, its winding wires subsidiary in China, decided against this acquisition. The sale of this stake is no longer on the agenda.

The sales and operating margin figures discussed below in this activity report take into account the application of IFRS 5 to the financial statements for the financial year and the comparative figures for 2004 have therefore been restated.

Negotiations have begun for the sale of a distribution subsidiary in Switzerland, Electro-Matériel SA, which is part of the Nexans Building business. In accordance with IFRS 5, the balance sheet entries for this component are presented on Nexans' consolidated balance sheet with the components for the businesses sold or discontinued in two entries, one for assets and one for liabilities.

1.2.2.2 Change in income

Sales for 2005 totalled 5.449 billion euros, compared to 4.732 billion euros in 2004.

At constant non-ferrous metal prices, sales totalled 4.263 billion euros compared to 4.004 billion euros in 2004. At constant non-ferrous metal prices and constant 2005 exchange rates, sales for 2005 rose by 4.5% (5.2% on a comparable scope of consolidation), as compared to 2004 sales calculated at 2005 exchange rates (4.080 billion euros).

The operating margin was 185.9 million euros, or 4.4% of sales, and net income was 108 million euros, representing a significant improvement compared to 2004 when income from operations was 133 million euros, or 3.3% of sales, and net income was 57 million euros. In an economic climate marked by sustained demand and significant increases in raw material prices, Nexans continued to grow and managed to increase its product prices and cut its operating costs, resulting in improved profitability.

After taking into account the change in fair value of financial instruments on non-ferrous metals in an amount of 33 million euros, consolidated pre-tax net income rose from 78 million euros in 2004 to 189 million euros in 2005.

Taking into account a 26 million euros tax charge and the results of discontinued businesses in the amount of -45 million euros, the Group's net income rose from 57 million euros in 2004 to 108 million euros in 2005.

Minority interests increased from 5 to 9 million euros as a result of the dual effect of the companies' improved income and the appreciation of their currencies against the euro.

1.2.3 Analysis of the Group's consolidated income (sales' figures by origin at constant copper prices)

1.2.3.1 By business

ENERGY

Energy division sales amounted to 2.865 billion euros (up 10% on 2004, and 8.2% on a comparable scope of consolidation and at constant exchange rates).

In the land-based infrastructure sector, growth was particularly strong (+12.7% at constant exchange rates, +10.6% on a comparable scope of consolidation). There was sustained demand in Europe as a result of repairs to the Swedish energy network, which suffered serious storm damage in January 2005, and strong sales in Greece. In other European countries, following a difficult start to the year in domestic markets, partially offset by growth in exports, there was significant demand in Germany, Switzerland and France and in the second half business was particularly strong at most medium-voltage cable production sites. In North America, network extension in Canada and the modernization of the low and medium-voltage networks in the United States helped to sustain sales. In Brazil, Nexans benefited from the strong market growth resulting from the extension of the network. In the high-voltage and umbilical cables market, 2005 was particularly successful for Nexans: record order levels in a fast growing market, largely boosted by investments in oil producing countries; manufacturing and laying of the first undersea 420kV XLPE insulated (cross-linked polyethylene) energy cable for the Ormen Lange (Norway) gas field; a contract for a 450kV cable for the longest undersea line in the world between Norway and the Netherlands, first undersea umbilical cable with a high-voltage cable for BP in the Gulf of Mexico; and a 137 million euros contract for the very high-voltage undersea line between Saudi Arabia and Bahrain. The projects in this field were completed under satisfactory conditions.

Sales of low-voltage cables for the building sector grew by 7.2% at constant exchange rates and on a comparable scope of consolidation. Overall, the company was able to pass on the significant rise in the price of copper in 2005 in sale prices, enabling it to considerably improve its income in this segment. Demand in the residential area remained high, except in Germany and Greece. This offset low demand in the industrial sector, which

is still weak in Europe. Volumes grew significantly in Spain, Turkey and the United States. Combined with the impact of the restructuring plans implemented in 2004, this led to improved profitability of this business. In this segment, sales in distribution improved considerably (+12.2% at constant exchange rates and on a comparable scope of consolidation).

The growth in sales in cables for industry (up +4.7% at constant exchange rates and on a comparable consolidated scope) masked very mixed results depending on the industrial applications concerned.

In marine and off-shore cables, the Group has benefited from growing demand for shipyards in Asia despite increasingly strong competition. The Group secured its leadership position in this sector, with the start-up of a plant in Shanghai in April 2005. The car harnesses sector continues to benefit from the success of the German high-end automotive industry and increased demand for truck harnesses in the United States. Nexans has successfully pursued growth in cables for the automotive industry with the reinforcement of the production lines in Morocco and the start of construction of a new production unit in Romania. The recovery in demand for cables for the oil industry, for safety, for railway rolling stock, for high-temperature industrial applications and the growth in the handling cables business compensated for weak demand in the other sectors, particularly the nuclear business. The restructurings carried out in 2004 and better positioning in the higher value-added markets resulted in the recovery of profitability in this segment.

Operating margin for the Energy division was 171 million euros in 2005 compared to 119 million in 2004. This sharp rise is largely the result of the recovery in the industrial cables and the low and medium-voltage cables for infrastructure businesses.

TELECOM

Sales in the Telecom business totalled 630 million euros (+12.3% over 2004 and +10.5% at constant exchange rates and on a comparable scope of consolidation). In a low growth market, Nexans benefited from investments in railway infrastructure and demand for high-speed LAN cables.

The public network cables business grew 15% at constant exchange rates and on a comparable scope of consolidation. The business was driven by the development of networks in Vietnam and Egypt, network maintenance made necessary by the development of ADSL in Europe, investments in long-distance copper cables for railway networks and the strong demand for ADSL components for telephone switchboards.

In the private networks sector, Nexans' sales grew in the United States for copper LAN cables due more to the movement of the product mix towards high-value added products than to a growth in volume. The market's favourable reaction to a 10 Gbit cable contributed to sales growth in the second half. In optical fiber LAN cable, the new sales policy targeting new markets and improved industrial performance contributed to the growth in sales and income. In Europe, in the absence of major building cabling projects, growth in volume was weak. Under pressure from stiff competition from Asia for the low-end market and increases in the cost of materials, and despite the actions taken to cut product costs, operating margins did not recover to the degree expected.

In industrial cables, sales of ADSL cables fell significantly due to the dual effect of a shrinking market and stiff competition. Business in the aeronautic sector was maintained at a satisfactory level.

Operating margin recovered sharply, rising from 17 million euros in 2004 to 25 million euros in 2005. This improvement is largely due to the strong growth in volumes in telecom accessories for ADSL and copper network cables.

ELECTRICAL WIRES

Sales in the Electrical Wires business in 2005 were 758 million euros, an 8.6% drop from 2004 or 7.9% at constant exchange rates on a comparable scope of consolidation. This decrease is primarily due to the negative trend in demand for wire rod and bare wire in Europe.

In the wirerod segment, business was marked by a sharp drop in demand from non-Group customers in Europe (-10.4%), particularly in Italy. In North America, after a disappointing first half, marked by competition from Brazilian and Russian imports in a stable market and the difficulty of offsetting the tonnage sold to the Lagrange (USA) winding wires plant in 2004, volumes picked up significantly in the second half, thanks to recovery of demand and the problems encountered by the competition in delivering to the market.

In the bare wire segment, sales dropped 29%. The drop in demand for automotive conductors, resulting from the relocation of customers and the drop in demand for winding wires, could not be offset by a recovery in demand for transformer wires.

As indicated in paragraph 1.2.2.1, most of the winding wires business is discussed under the heading "discontinued businesses". The remaining winding wires business of the Group is for the manufacture of winding wires primarily for transformers in Canada and China. Demand is stable in Canada. Productivity improvements and cost reductions resulted in significantly improved profitability. In China, the Tianjin unit benefited from the strong demand for transformer wires and its good position close to the local plants of Western and Japanese builders.

As a result of these difficult market conditions the operating margin of the Electrical Wires business dropped to 6 million euros compared to 7 million euros in 2004.

1.2.3.2 By geographical area

EUROPE

Europe recorded sales of 2,988 million euros in 2005, a 3.3% increase over 2004 (+4% at constant exchange rates and a comparable scope of consolidation). In a difficult economic climate marked by weak growth, efforts to modernize and rationalize industrial capacity, cost cutting, the development of new products and the growth in export sales building on the means of the other regions, were achieved and resulted in a significant improvement in profitability in most countries in the region. To sustain this recovery, Europe, which generates 70% of the Group's sales, received 71% of its investments and most of its restructuring outlays.

In the telecom network cable segment, the 17.1% increase in sales is primarily due to increased sales of copper wire for railway networks in Germany, Spain, Italy and Switzerland, of accessories for the ADSL infrastructure of telecom operators, largely in France, and to the deployment of local loops, particularly in Sweden. There was strong growth in sales of undersea optical fiber cables and special optical fiber cables in Norway. Sales of LAN cables grew 13.7% due to the increase in type 6 and 7 cables while sales of lower-category cables experienced stiff competition from products manufactured in cheap labour countries. In the electronic cable business, aeronautic sector sales were sustained by the demand from Airbus and particularly by the launch of the A380 program. There was a drop in demand in the other segments due to either technology trends (cables for automated exchanges) or to relocations (micro-cables). The restructuring efforts undertaken in France and Spain and the growth in sales of high-value added products generated a significant recovery of profitability.

Energy is still the key contributor (64% of sales, 76% of operating margin), with 4.7% operating profitability, compared to 3.9% in 2004 and an 8.7% increase in sales over 2004. The improved profitability is primarily due to the recovery of profitability for industrial cables and low-voltage cables for the building industry.

While industrial investments in Europe did not recover, the industrial restructurings carried out in 2004 and 2005 in France and Germany, the refocusing of sales efforts towards high value added products, defined as "priority segments" in the strategic plan, and the maintenance of positions in the car harnesses sector resulted in a significant improvement in the profitability of industrial cables.

The recovery of low-voltage cables for the building sector, despite a very unfavourable economic climate in Greece and the persistence of a very difficult economic climate in Germany, resulted from the sustained demand in residential cables in France, Belgium, Spain and Scandinavia and the policy of increasing prices and cutting costs.

The demand for low and medium-voltage cables for power networks was particularly strong as a result of repairs to the Swedish energy network after the storm in January 2005 and the launch of the program to bury these networks, and the investments to secure the Swiss network after the 2004 energy outage. In other countries, overall demand was stable; the growth in export sales offset the lack of a rebound in investments by local operators.

Growth in investments in high-voltage cables in oil-producing countries resulted in a significant number of orders for high-voltage land cables, high-voltage undersea cables and umbilical cables despite increasingly strong competition. Production capacity, particularly in Norway, was therefore adjusted accordingly. The production and installation of these contracts was executed under satisfactory terms.

In the electrical wires segment, the volume in the wirerod business dropped sharply (-10.9% compared to 2004), primarily due to the decline in sales on the Italian market.

The decline in the winding wires business and the relocation of major customers resulted in a 29% drop in sales for bare wire. This situation led to a considerable drop in income from these businesses and small losses.

NORTH AMERICA

In North America, Nexans recorded sales totalling 753 million euros in 2005, or a 7.7% increase compared to 2004, at constant exchange rates and on a comparable scope of consolidation.

In the Telecom sector, in a market with overall slight growth in volume (+3% in copper, stable in fiber), sales of copper LAN cables rose 16.5% as a result of a market movement towards high value-added products (category 6, 10 Gbit) and the development of products to conquer new fiber cable markets. In this context, there was stiff competition from lower-category products and it was difficult to pass on the higher material prices to the market. Despite improved industrial performance, particularly in fiber cables, income from this segment was stable. The major marketing drive undertaken in cables for aerospace and shipbuilding has resulted in a significant increase in sales (+21.5%) and improved profitability.

Sales of cables for energy networks rose 7.7%. They were sustained by the growth in demand for the updating of US networks and the effects of Hurricane Katrina and the development of infrastructure in Canada. The weak growth in sales of low-voltage cables for buildings resulted from the drop in housing starts in Canada, while US demand was strong.

For electrical wires, after a first half marked by a contraction of the market and competition from Brazilian and Russian products, demand for Nexans' electrical wires recovered sharply in the second half as a result of a bounce back of the market and production problems experienced by competitors. Despite a 5.4% increase in standard copper external sales, pressure from the competition weighed on the profitability of this business.

After the sale of the US winding wires business in 2004 and the closure of the Lagrange site, winding wires sales were concentrated in transformer wires manufactured by the Simcoe (Canada) plant. Demand remained strong and increased productivity resulted in a significant improvement in the profitability of this unit.

ASIA

In Asia, sales rose from 214 million euros in 2004 to 247 million euros in 2005, or a 15.7% increase (+6.6% at constant exchange rates and on a comparable scope of consolidation).

In Korea, sales rose 4.2% at constant exchange rates. This performance primarily involved the automotive sector, where Nexans Korea has increased its sales of cables and shipbuilding cables, in which Kukdong is a leader in Korea, China and Japan. The heavy shipyard workload in these countries sustained increased sales (+17%). The other sectors were marked by a drop in demand from Korean public operators for fiber telecom networks as well as for energy networks. Overall, this performance was not accompanied by an improvement in profitability, which was undermined by the rise in raw material prices and the weakening of the dollar against the won.

In Vietnam, despite the sharp rise in sales of copper telecom cables (+18%), overall sales dropped 4% as a result of the sharp drop in investments in public energy networks.

In China, the 23.4% growth in sales was primarily a result of sales by the shipbuilding cables plant in Shanghai, which, as scheduled, was brought into service in April 2005, and delivered its first cables to Chinese customers in June. The excellent performance of the winding wires for transformers and copper LAN cable businesses offset the sharp drop in ADSL cable sales resulting from a drop in demand and stronger competition.

REST OF THE WORLD

The Rest of the World area had strong sales growth: 275 million euros in 2005 compared to 200 million euros in 2004. This increase is due to a change in the scope of consolidation resulting from the acquisition of a controlling stake in the Liban Câbles Group in July 2004. Sales grew 11.2% at constant exchange rates and on a comparable scope of consolidation.

This performance is the result of excellent business in Morocco in copper telephone cables and power transformers. The stability of demand for energy cables related to investments in rural electrification was also a factor. This performance also resulted from Nexans Turkey's success in the domestic and export markets for building cables and the achievements of the Brazilian sales force, which managed to reposition Nexans as a major player in the Brazilian market for overhead cables, which is experiencing strong growth.

Because of its excellent positioning in the Middle Eastern cable market, and despite a depressed domestic market, Liban Câbles had an excellent performance in 2005. Its Egyptian subsidiary, ICC, also saw its domestic sales rise.

2 - Other elements of 2005 consolidated income

2.1 Restructuring

Restructuring charges were 24 million euros compared to 36 million euros in 2004, related to specific initiatives launched in 2005, particularly in Italy, Germany, France and the United Kingdom as well as the cost of initiatives launched in 2004 which, according to accounting rules, have to be booked in 2005 (Spain, Switzerland and Germany).

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

2.2 Change in fair value of financial instruments for non-ferrous metals

The change in fair value of financial instruments for non-ferrous metals was 33 million euros. This amount is a result of the application of IAS 32 and IAS 39 for the treatment of non-ferrous metals beginning on January 1, 2005.

To protect its income from fluctuations in copper prices, Nexans has always followed a policy of systematically hedging its commitments to buy and sell copper through physical purchases of copper and through futures contracts traded on the LME (London Metal Exchange), COMEX (Commodity Exchange) and SHFE (Shanghai Futures Exchange) markets. This method has proven effective and Nexans has not experienced any significant fluctuations in its operating margin due to fluctuations in copper prices.

Under IAS 39, these derivatives are qualified as a trading activity and as such are required to be recorded at their market value without marking to market of the underlying commercial transactions. The amount recorded as of December 31, 2005 is primarily related to the rise in the US dollar copper price and the recovery of the US dollar against the euro. It is temporary and if copper prices remain at current levels, this item will be recorded as an expense of the same amount on this same line in 2006.

2.3 Capital gains on the disposal of assets

This line refers essentially to the 33 million euros capital gain on the sale of shares in the Norwegian distribution company Nexans Distribusjon AS to the company Ahlsell AS.

2.4 Financial income

Financial loss was stable at 36 million euros, as in 2004. 2004 income included the reversal of a provision for financial risk in Germany an amount of 8 million euros.

In addition to this reversal of provision, financial income was marked by an improvement of -36 million euros compared to -44 million euros in 2004. The very sharp rise in the price of raw materials, particularly copper (+57% over 12 months) resulted in a significant increase in debt and financing expenses. These increases were more than offset by exchange gains on unhedged receivables.

2.5 Income from businesses sold

This account relates to income from the winding wires businesses in Europe that were either sold to Superior Essex or discontinued.

In the negotiations with Superior Essex, due to the unfavourable trend of the market, the price agreed for the transaction was based on forecasted income which was lower than anticipated as of the close of the accounts on December 31, 2004. This resulted in the recognition in 2005 of a 20 million euros impairment charge on the fixed assets of the units sold.

In addition, the production of the Cormano (Italy) plant suffered severely from the drop in demand for round winding wires related to the Italian economic crisis. The very difficult situation of this unit led the Group to close it in September 2005, incurring high restructuring costs.

This explains the high losses reported on this line.

2.6 Tax

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 for the capital gain on the sale of shares in the company Nexans Distribusjon AS, the corporate income tax charge was 26 million euros compared to 19 million euros in 2004.

2.7 Principal financial flows for the period

In 2005, Nexans generated cash flow of 196 million euros compared to 143 million euros in 2004.

It was primarily used to finance an investment program totalling 130 million euros and a 182 million euros increase in working capital requirements (this increase is consistent with the increase in business and in the price of copper and other raw materials). The Group also received 82 million euros from the sale of companies.

2.8 Balance sheet

As of December 31, 2005 the balance sheet showed:

- a change in debt (after application as of January 1 of IAS 32 and IAS 39) of 79 million euros, taking it to 374 million euros. Net debt represents gearing (net debt/total shareholders equity) of 32.3%;
- working capital requirements totalling 782 million euros, representing 14.4% of sales at current copper prices for the financial year 2005, up 1.3 points over the same ratio calculated on equivalent elements as of December 31, 2004;
- provisions for risks and expenses, including pension provisions, in an amount of 450 million euros, a level very close to that as of December 31, 2004 (472 million euros);
- a 69 million euros increase in fixed assets (up from 1,048 million euros to 1,118 million euros), due to capital expenditure being greater than the depreciation expense for the period and the impact of the sale of assets (essentially in Korea). The principal investments made during the period were in the high voltage and umbilical business in Norway and the new ship-building cable plant in China.

3 - Progress made and difficulties encountered

Progress was made in several essential areas:

- control of direct and fixed costs and improved customer service, which is of primary importance to the Group. The control of fixed costs allowed the variable margin to be maintained. In this area, the exchange of methods and best industrial practices was extended to new production sites. Particular emphasis was placed on the organization of the maintenance of means of production and on quality, on the reduction of losses of raw materials and on making the manufacturing process more reliable by developing statistical tools. This has resulted in considerable progress with respect to delivery times, a reduction in workplace accidents and better utilization of raw materials. In Europe, these actions have resulted in savings of approximately 1% of sales. In addition, logistics managers have worked on two priority areas in Europe. The first concerns transport, specifically improvement of the quality and management of information in the transport chain. By improving organization of transport, the number of carriers used has been significantly reduced and accordingly costs have been reduced. The second concerns the development of a manufacturing and marketing plan intended to improve production planning in order to reduce delivery times. In addition, strict control of fixed costs associated with reorganization and restructuring plans,

resulted in lower fixed costs than the prior year in terms of percentage of sales.

The Group's Information Systems Department, in cooperation with information technology departments in the various countries, has implemented specific actions under the strategic plan.

The cost cutting target was achieved, bringing costs down to 1.28% of sales at constant copper prices with a 2007 target of 1.2%. Over the last three years, information technology costs have been cut 23%, representing savings of more than 16 million euros, without affecting either necessary investments in infrastructure or the updating of applications. In 2005, four new solutions were implemented in China, Korea, Morocco and France in a specific business.

At year end 2005, projects were in process to support the expansion of Nexans Autoelectric's automotive business, with the implementation of SAP 4.7, an automotive solution, in four countries. The projects also involved the updating of aging solutions in Sweden and Canada, the development of new copper management and exchange rate hedging software and upgrading of the systems of companies the Group had recently acquired.

Several programs have been launched to achieve improved utilization of existing systems and thus generate greater value added at a constant cost.

In its external relations with third parties, the new applications are intended to respond to the new demands of customers, particularly with respect to interfacing with their information systems (EDI, portals, outsourced inventory management, etc.). Internally, the new applications are for copper management, logistics and detailed production planning. The putting into service of the Group's customer database allows the Group to monitor its major accounts worldwide, and to provide figures broken down by strategic plan segments. The deployment of the Group's on-line catalogue was pursued in several countries and it has been enhanced with several new functions, including dedicated customer areas.

In addition, measures were taken to strengthen the security of the information technology infrastructures by implementing specific solutions to ensure the continuity of operations. All systems are now audited annually by independent auditors, including vulnerability and intrusion tests, to determine the risk level of each country and take corrective action. Information governance has been implemented based on the CIGREF model; as part of the process, Nexans has joined this association.

- implementation of a strategic plan, the main principles of which were approved by the Board of Directors in November 2004: a steering committee was established to monitor progress on the strategic actions undertaken (Marketing, Industrial, Restructuring, Purchasing, R&D and Human Resources) and to decide whether any additional or corrective actions are required.

- focus on marketing efforts: Nexans' sales development is a key focus, particularly due to its major presence in Europe where the markets are more difficult. The Group has now given itself the means to drive its sales. The Strategic Operations Department develops overall marketing strategy based on market trends. There is a greater co-ordination among the regional marketing teams, more training and an action plan called "Sales +", all of which are starting to yield benefits.

The difficulties are primarily due to mixed European market conditions which vary from business to business and country to country. These uncertainties are compounded by the sharp increase in the price of raw materials (copper and plastics). This situation has led sales teams to exert considerable pressure on customers to protect margins on the most common low-value added products and the significant financing requirements.

4 - Research and Development

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

In 2005, Research and Development programs accounted for 53.6 million euros, or around 1.3% of sales, compared to 49.4 million euros in 2004.

Nexans' technical capabilities include 450 staff with high-performance equipment. They have been dedicated to long-term projects (understanding mechanisms, development of innovative insulation and sheathing materials) essentially managed by its Research Center (NRC). This has also resulted in engaging in short and long-term R&D projects, such as the creation and testing of new products and systems and the reduction of costs for existing products. 57 patents were registered for the various areas of activity within Nexans, reflecting the quality of its technical teams.

One of the highlights of 2005 was to stress the Marketing orientation of Nexans' R&D potential, refocusing research projects to precede and/or accompany the development of new products necessary for achieving the company's strategic plan targets: for example, in controlling the mechanisms for reactions generated in an extrusion or upon combustion of a cable.

Eight competence centers are responsible for developing Nexans' technology (the change in this number since 2004 is a result of the exclusion of winding wires from the Groups' scope of consolidation). Their excellence was recognized both:

- by being awarded the contract to develop high performance industrial products: for example, high-voltage undersea cables (115 kV, cross-linked polyethylene insulation for Thailand, or 400 kV with impregnated paper insulation for the Gulf countries)
- by the introduction of new products: for example, the Alsecure range of cables, with improved fire resistance and the new family of cables for cargo airplanes (for Airbus and Boeing).

5 - Trends

In November 2004, the Group defined its priorities over the next three years and the marketing plan to achieve them. The three priorities defined remain the company's priorities.

- long-term profitability: in a context in which the Group does approximately 70% of its business in Europe, reducing its dependence on the economic cycle is considered key to success.
- growth drivers: the development of high-value added market segments (nineteen have been identified) and geographic regions with growth potential will strengthen the Group's profitability, since a significant percentage of its portfolio is still represented by commodity products.
- development of attractiveness to customers and employees will in itself be a priority since it is a fundamental condition for the success of the other two priorities.

The economic context in which these initial priorities were defined remains generally the same, characterized by relatively moderate growth in the Europe area, growth in the North America area 2 to 3 points structurally higher than growth in the Europe area, a more competitive environment in Asia, accompanied by sharp increases in volumes and potentially very significant growth in the Rest of the World area (Brazil - Turkey - Middle East, etc.). However, two elements have become more apparent: confirmation that there are significant needs worldwide for energy cables for land and undersea infrastructure (major projects were carried out in 2005) and sharply rising costs for raw materials (copper rose 57%).

In this context, the marketing plan defined to implement the priorities was carried out under satisfactory conditions.

To achieve the first priority of long-term profitability, the Group pursued the specialization of its plants, put in place a 24 million euros restructuring programme in 2005, launched an initiative to cut purchasing costs and progressed on all the Group's R&D projects.

With respect to growth drivers, the second priority, the objectives of sales growth in high-value added businesses were largely attained and certain businesses, including high-voltage cables, umbilical cables and shipyard, were more promising than expected. The same can be said for the geographic regions, as illustrated by growth in the Rest of the World area in 2005. In that area, additional needs for energy network cables in countries such as Russia and Egypt were identified.

Finally, with respect to the third priority of developing attractiveness to customers and employees, with the help of a consulting firm, the Group developed a sales force training tool (Sales+) and pursued the deployment of "product managers" and key account managers.

The pursuit of these priorities was accompanied by a significant refocusing of the product portfolio, including:

- the signing of an agreement in December 2005 to acquire the Swiss company Confecta, specializing in railway harnesses, which became effective as of January 25, 2006 after clearance was obtained from the competition authorities and other customary formalities completed. With 20 million euros in sales, the company will contribute to the strengthening of the harnesses business.
- the signing of an agreement for the creation of a company in Vietnam in which Nexans will hold a 60% stake. The Vietnamese companies Nhat Linh Company Ltd and its subsidiary ILOA Wire & Cable Company Ltd will contribute their cable activities dedicated to energy networks, equipment cables and industrial cables which had sales of 10 million euros in 2004, in consideration for their 40% holding in the new company. This transaction is subject, inter alia, to the authorisation of the Vietnamese authorities who were consulted in late 2005.
- the sale to date of 59% of the winding wires business in Europe through a company established with Superior Essex in which Nexans holds a 40% stake.
- the sale of the distribution businesses in Norway (August 2005) for an enterprise value of 45 million euros and in Switzerland for an enterprise value of 206 million euros (January 2006); the sale proceeds will enable the Group to reinvest in its key businesses.

Considering the progress made on the marketing plan, the Group's decision to accelerate its industrial restructurings to complete the 80 million euros restructuring program that was initially planned to be carried out over two years in 2006, and assuming that the current economic climate will remain the same, particularly in developing countries and in the oil industry, the Group, in its new scope of consolidation, has raised its profitability targets for 2007 and increased the means necessary to achieve them:

2007 sales or approximately 10% growth over 2005 on a comparable scope	4,400 million euros
2007 operating margin	5.2 to 5.5%
2007 (after-tax) ROCE	8 to 8.4%
Restructuring	80 million euros (in 2006)
2006/2007 investments	300 million euros
Year-end 2007 debt	250 million euros

The Group believes that after 2007, it will be in a position to pursue improved profitability by making more limited investments and incurring annual restructuring costs in the order of 20 million euros per year.

2006 should be similar to the outlook for 2007 and if as is considered likely, raw material costs remain at the same levels, should be as follows:

- 4 to 5% growth in sales,
- improved operating profitability,
- 80 million euros in restructuring costs,
- a capital gain on the sale of the distribution business in Switzerland of approximately 150 million euros,
- investments totalling 160 million euros,
- net debt of 200 to 230 million euros.

The outlook for 2007 have been produced through an internal process developed in the 3 year strategic plan drawn up in 2004 for 2005 to 2007. The objectives contained in the plan were updated in 2005, through the following process:

- in the second half of 2005, the Strategic Operations Department defined the main marketing, industrial and research objectives to be achieved over the medium term, in coordination with the geographical zones' management (Europe - North America/Asia - Rest of the World),
- each country then determined its objectives for 2007 based on the overall group objectives defined by the Strategic Operations Department, setting out in detail how the main objectives identified will be achieved, the means required and the resulting principal financial performance indicators,

- the country plans were then reviewed by the relevant areas management in coordination with the relevant departments, and a financial consolidation thereof was produced after a global assessment and discussion with all the members of the Executive Committee,
- presentation to the Board of Directors.

This updating process was carried out in the period from May to November and the budgetary targets for the following year, which are fixed in the period from September to November, adjusted accordingly.

The Group has decided to base its reporting on the basis of the operating indicators resulting from this process, which are the aggregation of indicators which each country uses for monitoring and measurement. The indicators for Group internal reporting are sales, operating margin, return on capital employed, investments and restructuring; indicators such as net income which depend partly on factors external to the countries (interest rate, financial structure, disposal of businesses) are therefore not included.

The assumptions used to determine the outlook were as follows:

- use of a standard non-ferrous metals (copper and aluminium) price for sales (respectively, 1,500 euros/ton for copper and 1,200 euros/ton for aluminium). Variations in working capital requirements are calculated on the assumption that copper and aluminium prices will remain constant over the entire period,
- exchange rates (euro against other currencies) will remain at average 2005 levels,
- the global economic climate will be consistent with the current climate over the course of the plan, that is:
 - Europe: 1.5 to 2% growth
 - North America: 3 to 4% growth
 - Asia: 5 to 6% annual growth
 - Rest of the World: variable according to the country
- the major factors influencing cable markets (including the development of energy infrastructure markets in developed and developing countries and the growth of oil & gas markets) will continue.

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

6.1 Business risks

In addition to the market risks described in paragraph 6.2 and 6.3, the most significant risks identified and specified for the business and for the Nexans Group are as follows:

- risks related to the seasonal nature of Nexans' business;
- risks related to contracts and liabilities;
- risks related to the dependence on customers;
- risks related to the unavailability of raw materials;
- risks related to the competition;
- risks related to the technologies used;
- geopolitical risks in high-growth areas;
- risks related to environmental regulation.

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 Risks related to the fluctuation of interest rates, exchange rates and metal prices

Access to cash and management of exchange and interest rate risks are centralized by the Central Treasury and Metals Department for all the subsidiaries located in countries where local regulations allow this. A centralized system to pool the liquidity of the subsidiaries results in the optimization of liquidity, with the balances in subsidiaries' accounts denominated in the major currencies flowing through to centralized parent company accounts.

The significant subsidiaries whose access to liquidity is not centralized are located in Turkey, Lebanon, Egypt, Morocco, China, Korea and Brazil. These subsidiaries, which have their own banking relationships, are nonetheless required to follow the Group procedures with respect to choosing their banks and management of exchange and interest rate and raw materials purchases risks.

All liquidity and exchange and interest rate risk management is handled by the Group's Financing Department, which is part of the Administrative and Financing Department. The non-ferrous metals risk management policy is defined by the Central Treasury and Metals Department and implemented by the subsidiaries that buy copper and aluminum.

6.2.1 Access to liquidity

During all of 2005, access to liquidity derived primarily from the issuance of commercial paper on the French market, the proceeds of the convertible bond issue by the Group in July 2004 in the amount of 135 million euros and from sales of receivables.

After the 450 million euro syndicated loan arranged by Nexans with a group of banks was refinanced in 2004, the cost and structure terms were amended under an amendment dated October 17, 2005. Under this renegotiation, the applicable commitment fee and spread were reduced by 31% and 21%, respectively; they are still variable, according to the Group's leverage (net debt stated as a multiple of EBITDA).

In terms of structure, the amendment resulted in the extension of the syndicated loan for a term of five years from the execution of the amendment. The agreement sets forth the possibility of an extension of the maturity date to seven years.

The agreement establishing the syndicated loan includes the customary covenants (negative covenant, pari passu, cross default) and covenants with respect to the consolidated financial ratios (net debt/EBITDA < 2.5 X, and net debt excluding sales of receivables/equity including minority interests < 1). As of December 31, 2005, and as of the date of this Report, the company was in compliance with respect to these ratios.

The breach of these covenants would imply a freeze on any lines not drawn down and the accelerated maturity of any outstanding, either immediately or after a period of thirty days, depending on the nature of the covenant.

As of December 31, 2005, the Group's gross debt was 491 million euros, with 105 million euros financed by the issuance of commercial paper, short-term bank debt in the amount of 134 million euros, sales of trade receivables in the amount of 135 million euros, medium-term bank debt in the amount of 1 million euros, plus the proceeds of the convertible bond issue in an amount of 117 million euros (less the value of the option).

The rating assigned to Nexans by Standard and Poors (BBB-/negative outlook/A3) was confirmed by S&P on September 26, 2005.

Bank counterparty risk is generated by the assessment of acceptability of the banks based on their rating by the well-known agencies.

Features of the securities issued or loans taken out	Amount drawn down as of month end December 2005	Fixed or floating rate	Global amount of lines	Time to maturity of the lines drawn down	Hedged or unhedged
Bank overdrafts	43	Floating rate	121	Day to day	Unhedged
Commercial paper	105	Floating rate	500	1 month to 1 year	Unhedged
Short-term borrowings	91	Floating rate	NA	1 month to 1 year	Unhedged
Confirmed lines	0	Floating rate	450	4 years	Unhedged
Sale of receivables	135	Floating rate	135	1 year	Unhedged
Medium-term borrowings	0	Fixed rate	0	3 to 5 years	Unhedged
Convertible bond (including option)	135	Fixed rate	135	4 years	Unhedged

6.2.2 Rate risks

Nexans pays close attention to the trend of interest rates in order to implement when appropriate the appropriate hedging instruments.

Nexans' debt repayable in less than one year represents more than 72% of the gross debt; it is floating rate and pegged to the monetary indexes (EONIA, EURIBOR, LIBOR). As of December 31, 2005, Nexans had not hedged the interest rate risk on its debt.

As of December 31, 2005, in millions of euros

	Day to day to 1 year	1 to 5 years	Over 5 years
Debt	485	135	0
Investments	110	0	0
Net position before hedging	375	135	0
Off-balance sheet	0	0	0
Net position after hedging	375	135	0

The medium-term debt represented by the convertible bond carries a 3.125% per year coupon.

As of December 31, 2005, the net position to be renewed within less than one year was 375 million euros for Nexans and its subsidiaries, including the sales of receivables.

The difference in terms of interest if the rates change by 1% is thus 3.75 million euros.

6.2.3 Exchange rate risk

Nexans hedges its exchange rate risk related to foreseeable contractual trade cash flows and certain budgeted cash flows. The hedging of exchange rates can therefore result in certain open positions. In this case, the positions are limited as to amount and term. At financial year-end, Nexans did not have any significant 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 when executing forward exchange rate transactions with the Central Treasury for the centralized subsidiaries or with their local banks for the other subsidiaries.

Nexans' Central Treasury's* exchange rate risk

Amount in thousand euros as of December 31, 2005	USD	NOK	Other
Assets	233,912	125,113	14,159
Liabilities	407,508	23,072	119,061
Net position before hedging	-173,596	102,041	-104,902
Off-balance sheet position	173,596	-102,041	104,902
Net position after hedging	0	0	0

*Excluding Turkey, Lebanon, Egypt, Morocco, China, Korea and Brazil

Control of the application of exchange rate risk procedures is performed by submission to the Central Treasury for all the subsidiaries exposed to exchange rate risk of a monthly report detailing their certain and estimated cash flows for each currency and any hedging. While hedging certain cash flows eliminates the exchange rate risk, hedging estimated cash flows is imperfect by nature since the flows hedged may not be realized or may be for an amount that differs from the estimate.

A Central Treasury program to monitor the subsidiaries enables it to verify on-site at regular intervals that the procedures are properly understood and applied. Finally, internal audit systematically reviews the application of the procedures to identify and hedge exchange rate risks as part of its regular tasks at the Group's subsidiaries.

The Nexans Central Treasury exchange rate risk table includes its entire portfolio of unmatured foreign exchange forward transactions as of December 31, 2005. These transactions are executed for the account of the centralized subsidiaries, which execute all their hedging transactions internally. These subsidiaries represent 90% of the Group's 2005 sales.

Certain bids are submitted in a currency other than that in which the unit operates. The exchange rate risk related to such bids is not systematically hedged, which may generate a cost to the Group if there is any fluctuation between the submission of the bid and its acceptance by the customer.

6.2.4 Metal price risks

While copper and aluminum prices are particularly volatile, Nexans believes that its gross operating margin is not very exposed to these prices, considering the dual effect of passing along any rise in the price of non-ferrous metals to customers and the implementation of forward hedges on the regulated metals markets (LME, COMEX and SHFE). Nexans' margins are nonetheless exposed to fluctuations of copper prices for certain ranges of products such as copper cables for the cabling system business and products of the building industry. For these markets, price rises are generally passed along to sale prices, but with a time lag which generates some pressure on margins. The stiff competition in these markets may also influence the timing of passing along price rises. It should also be noted that, as with exchange rate risk, the risk of fluctuation of the price of copper and other metals is not systematically hedged at the bidding level.

However, fluctuations in copper and aluminum prices have a significant impact on financing requirements, since a rise in copper prices implies increased working capital requirements. Prices have fluctuated significantly over the last five years. In 2005, the price of copper rose from USD 3,275 to USD 4,500 from January to December, or a 37% increase. In euro terms, the increase was 57%, considering the strengthening of the dollar from the beginning to the end of the financial year. This increase generated additional financing requirements for the Group in the order of 75 million euros.

Finally, despite rigorous selection of counterparties with which it trades on the LME and prudential rules that it imposes on these counterparties, Nexans could be exposed to counterparty risk in connection with the forward contracts it executes on the LME.

6.2.5 Sensitivity analysis for 2005

Impact of a 50-basis point increase in the interest rate on the Group's annual financing expense:

Assumptions for the refinancing rate for the Group:

(3-month floating rate)

EUR: 2.80%

USD: 4.90%

Assumption for average debt:

300 million euros

80 million U.S. dollars

Impact of a 50-basis point increase in the Group's financing expense

1,500,000 euros

400,000 U.S. dollars

Impact of a 100 euro increase in the price of copper on the Group's annual financing expense:

Nexans' hedging policy limits the scope of this impact to customer prices.

Assumptions:

Average copper price in 2005: 3,400 euros per ton

Copper content of customer prices on the Group's balance sheet: 120,000 tons

EUR financing cost: 2.80% per annum

Impact on financing expense: 420,000 euros

6.3 Customer credit risks

Nexans' credit risk is diminished 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 (advances upon ordering, payments in advance, irrevocable letters of credit confirmed by banks approved by the Central Treasury). In addition to these specific markets, Nexans has developed a hedging policy for customer receivables employing a short-term credit insurance policy for sales on the local and export markets. The credit insurance program executed with a specialized international insurer - COFACE - is in place for companies representing approximately 80% of the Group's sales. By agreement with the insurer, certain customers representing a very slight risk of default over the short term are excluded from the credit insurance policy.

This hedge through COFACE provides access to a database on the credit risk associated with each client. It enables each unit to determine the risk taken on by consulting the customer outstandings against the insurance credit limits and in the event of default, to limit the impact on the cash position and income to any amount over the coverage limit and the amount of the policy deductible (generally 10% of the amount covered). Outstandings in excess of the amounts covered by the credit insurance are subject to periodic review by the Country Managers and their controllers.

in millions of euros	2005	2004	2004
		after	
		IAS 32-39	
Gross trade receivables	1,147	879	749
Provisions	(42)	(43)	(43)
Net amount	1,105	836	706

Changes in provisions show that the unpaid risks on trade receivables were stable.

7 - Significant events occurring since the end of the financial year

In line with the 2004 strategic plan guidelines, Nexans acquired 100% of the shares in the Confecta Group, specializing in the manufacture of harnesses for the railway industry and other industrial segments in January 2006. Confecta was previously owned by four individual shareholders.

Implanted in Europe, with consolidated annual sales of approximately 20 million euros and employing approximately 180 people, the Confecta Group comprises six companies: Confecta Holding, Confecta AG, Confecta Verbindungstechnik and Confecta Fiberoptic in Switzerland, Confecta GmbH in Germany and Confecta S.A.S in France.

This transaction has been approved by the German Competition Authorities.

On February 1, 2006, Nexans sold its distribution business in Switzerland (Electro-Matériel SA) to Rexel, for an enterprise value of 206 million euros. Electro-Matériel SA is a leader in the distribution of electrical products and appliances in Switzerland.

In 2005, Electro-Matériel SA had sales of 189 million euros, EBITDA (before contribution to central costs) of 21.3 million euros and an operating margin (on the same basis) of more than 18 million euros. As of December 31, 2005, it employed 383 people.

Nexans will record a capital gain in the first half of 2006 of approximately 150 million euros on the sale of Electro-Matériel SA.

8 - Proposed appropriation of income

The Annual Shareholders' Meeting will be invited to approve the appropriation of net income for the financial year representing a 43,227,833 euro profit, as follows:

Retained earnings	62,872,704 euros
Current income	43,227,833 euros
Appropriation to the legal reserve	37,835 euros
Total distributable income	106,062,702 euros

Appropriation of income

(Based on the number of shares comprising the share capital as of December 31, 2005)

1 euro per share	
Or a dividend equivalent to	23,507,322 euros
Retained income after appropriation	82,555,380 euros
Total	106,062,702 euros

The Annual Shareholders' Meeting will be invited to approve the distribution of a dividend of 1 euro per share. The total amount of the dividend payable will be 23,507,322 euros based on the number of shares comprising the share capital as of December 31, 2005.

However, this amount may be increased (implying a decrease in retained income) by a maximum total amount of 1,100,275 euros taking into account the total maximum number of 1,100,275 additional shares that may be created from January 1, 2006 through the date of the Annual Shareholder's Meeting held to approve the distribution of the dividend in the event of (i) the exercise of stock options and (ii) the subscription of new shares in a capital increase reserved to employees decided by the Board of Directors on November 23, 2005, which is to be carried out prior to the Annual Shareholders Meeting.

The Annual Shareholders' Meeting will be invited to approve the payment of such dividends on May 19, 2006.

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

Pursuant to article 243 bis of the French "Code Général des Impôts" (CGI) (General Tax Code), the total amount of dividends paid i.e. a maximum sum of 24,607,597 euros, will qualify for the 40% relief provided for in article 158, paragraphs 2 to 3 of the French "Code Général des Impôts".

The amount of dividends paid for the last three financial years, the related tax credits (financial years 2002 and 2003) and the dividends qualifying for the 50% relief (financial year 2004) were as follows:

	2002	2003	2004
Dividend per share	0.20 euro	0.20 euro	0.50 euro
Tax credit	0.10 euro	0.10 euro	-
Total income per share	0.30 euro	0.30 euro	0.50 euro
Dividends qualifying for the 50% relief:			
• Amount per share	-	-	0.50 euro
• Number of shares qualifying (all shares in the same category)	-	-	21,136,773
• Total amount	-	-	10,568,386.50 €

9 - Net income over the past five years

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

10 - Non tax-deductible expenses

No non tax-deductible expenses, as defined in paragraph 4, article 39 of the French "Code Général des Impôts" were incurred during the 2005 fiscal year.

* See page 55.

11 - Board of Directors

11.1 Term of office and positions held by members of the Board of Directors during financial year 2005

Members of the Nexans Board of Directors	List of offices and positions held during financial year 2005 in all other companies
G�rard Hauser (Chairman)	Director of Alstom, Faurecia, Aplix, Electro-Banque (through 11/18/2005), Ipsen (since 12/14/2005)
Gianpaolo Caccini	<ul style="list-style-type: none">• President of Assovetro, the Italian Association of Glass Manufacturers• Director of Saint-Gobain, JM Huber Corporation (USA), Saint-Gobain Corporation (USA)
Georges Chodron de Courcel	<ul style="list-style-type: none">• Chief Operating Officer of BNP Paribas• Member of the Executive Committee of BNP Paribas• President of Financiere BNP Paribas SAS, Compagnie d'Investissement de Paris SAS, BNP Paribas Emergis SAS, BNP Paribas (Switzerland) SA, BNP Paribas UK Holding Ltd (United Kingdom)• Director of Bouygues SA, Alstom, F.F.P. (Soci�t� Fonci�re Financiere et de Participations), Verner Investissements SAS, Erb� SA (Belgium)• Member of the Supervisory Board of Lagard�re SA• Observer of Exane, Scor SA, Scor Vie, Safran
Jacques Garaialde	<ul style="list-style-type: none">• Managing Director of Kohlberg Kravis Roberts & Co. Ltd• Director of Legrand Holding, Legrand SA, Lumina Participations
Patrick Puy	<ul style="list-style-type: none">• Managing Director of Alvarez & Marsal France• President of Treofan France SAS• Chairman and CEO of Ocean S.p.A.• CEO of Galvex Estonia O�
Ervin Rosenberg	<ul style="list-style-type: none">• Advisor to the Chairman of Compagnie Financiere Edmond de Rothschild Banque• Chairman and CEO of Financiere Savoisiennne• Director of Carbone Lorraine• Member of the Supervisory Board of Compagnie Financiere Edmond de Rothschild, LCF Rothschild Financial Services, Mobility Saint Honor�
Jean-Louis Vinciguerra	<ul style="list-style-type: none">• Financial adviser to the Aga Khan Fund for Economic Development• Chairman of INNNOFIN (a strategic financial advisory 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• 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 Board of B�ri 21 (Holding company of B�n�teau S.A.)• Chairman of the Supervisory Board of B�n�teau S.A. and of Sucres & Denr�es• Director of Unibail Holding

11.2 Directors' interests and compensation for the financial year

11.2.1 Compensation of the members of the Board of Directors

The annual amount of Directors' fees granted to Directors was set by the shareholders at the Combined Shareholders' Meeting held on June 2, 2005, for the financial year beginning January 1, 2005.

The methods for setting and paying the Directors' fees resolved upon by the Board of Directors implies a fixed portion and a variable portion based on the Directors' attendance at the Board Meetings and their participation on committees.

The methods for paying 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, with a ceiling of 10,000 euros per Director;
- each of the members of the Accounts Committee receives 3,000 euros per meeting, with 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 participation.

The members of the Board of Directors were paid Directors' fees based on their duties on the Board of Directors, the Accounts Committee and the Appointments and Compensation Committee in consideration of their attendance and participation in said committees. Thus, Georges Chodron de Courcel, Jean-Louis Vinciguerra and Yves Lyon-Caen received 34,000 euros; Gianpaolo Caccini, Patrick Puy and Ervin Rosenberg received 31,000 euros; Gérard Hauser, Jean-Marie Chevalier, Colette Lewiner and Jacques Garaialde received 25,000 euros. Thus, the total amount of Directors' fees appropriated for financial year 2005 and paid out to the members of the Board of Directors in early 2006 was 295,000 euros.

11.2.2 Compensation of the Chairman and CEO

The Chairman and CEO's total gross compensation in 2005, before tax and including benefits in kind and Directors' fees, was 1,471,836 euros (DADS basis).

The components of his compensation were determined as follows:

	2004	2005
Base salary	750,000	750,000 ⁽²⁾
Variable compensation ⁽¹⁾	695,000 ⁽²⁾	712,000
Directors' fees ⁽¹⁾	25,000 ⁽²⁾	25,000
Other benefits	28,027	1,836 ⁽²⁾

(1) Compensation for financial year N but actually paid out in financial year N+1.

(2) The sum of these amounts corresponds to the pre-tax total gross compensation (DADS basis) cited above.

For financial year 2005, the variable compensation was calculated 60% based on the quantitative targets, based on operating income, sales, operating ROCE and cash flow after restructurings. 40% of compensation was determined based on a qualitative assessment.

The Chairman and CEO is eligible for the supplementary retirement plan for members of the Group's management. The total amount of provisions funded or allocated by Nexans as of December 31, 2005 for payment of pensions, retirement pensions or other benefits for the Chairman and CEO (the only executive to which this applies) was 4.6 million euros.

The Chairman and CEO is not entitled to severance payment in the event he ceases to serve in such post. He has an employment contract with one of the principal subsidiaries of the Group executed before Nexans went public. That contract is suspended for the duration of his service as Chairman and CEO. If he ceases to serve as such for any reason whatsoever, his employment contract will once again be in force by operation of law. In the event of the cessation of the contract for any reason whatsoever, he will also be entitled to a non-complete clause providing for the payment of severance pay equal to his total gross compensation received over the last 12 months prior to the cessation of his service as Chairman of Nexans. Furthermore, in the event he is made redundant (except for gross negligence or misconduct), he will also be entitled to a severance payment equal to his total gross compensation received over the last 12 months prior to the cessation of his service as Chairman of Nexans.

12 - Information on Nexans' share ownership and voting rights

Based on information received pursuant to article L. 233-7 of the Commercial Code, the shareholders holding more than 5% of the company's share capital or voting rights as of December 31, 2005 were:

- Tweedy Browne Company LLC (USA)
- Dodge & Cox (USA)

Crossings of legal thresholds during financial year 2005 were as follows:

- Alcatel reported on March 22, 2005 that on March 16, 2005, it had dropped below the thresholds of 20% of voting rights, of 10% and of 5% of the share capital and voting rights and that it no longer holds any shares;
- FMR Corp et Fidelity International Limited (FIL), acting on behalf of the mutual funds managed by its subsidiaries, reported on May 3, 2005 that on April 29, 2005, it had dropped below the threshold of 5% of the share capital and that it held for account of the funds 470,977 shares, or 2.03% of the share capital and 1.94% of the voting rights;
- Brandes Investment Partners LP, acting on behalf of its management clients, reported on October 6 and 15, 2005 that on September 30, 2005 it had dropped below the threshold of 5% of the share capital and on October 3, 2005 it had dropped below the threshold of 5% of voting rights, and that it held for account of its management clients 1,054,846 shares, or 4.51% of the share capital and 4.97% of the voting rights.

After January 1, 2006, Tweedy Browne Company LLC, acting on behalf of a fund it manages, reported on January 12 and 20, 2006 that on January 9, 2006 it had dropped below the threshold of 5% of the share capital and on January 13, 2006 it had dropped below the threshold of 5% of voting rights, and that it held for account of such funds 1,000,000 shares, or 4.28% of the share capital and 4.71% of the voting rights.

Employees held 1.03% of the share capital (93.35% of this total via an employee mutual fund) as of December 31, 2005.

As of December 31, 2005, the share capital was 23,507,322 euros divided into 23,507,322 shares with a par value of (1) euro each. It included 197,275 stock options exercised over the period from January 1 to June 30, 2005 and 120,100 stock options exercised over the period from July 1, to December 31, 2005.

There were 99,918 shares with double voting rights and the total number of voting rights was 21,386,041. Pursuant to the articles of association, 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 presented or represented at Shareholders' Meetings when voting on resolutions at Shareholders' Meetings.

13 - Share buyback program

Pursuant to the information notice No. 05-347 registered with the AMF (French financial markets authority) on May 3, 2005, the Combined Shareholders' Meeting of June 02, 2005 authorized the Company to purchase or sell its own shares pursuant to the terms and conditions fixed by the Combined Shareholders' Meeting. No use had been made of this authorization as of December 31, 2005.

As of December 31, 2005, the company held 2,221,199 of its own shares, including shares it had acquired during previous buy-back programs, which represented 9.45% of its share capital.

14 - Report on use made of authorizations to increase share capital

Pursuant to the authorization granted by the Combined General Shareholders' Meeting of June 5, 2003, the Board of Directors decided on November 23, 2005, to grant 344,000 stock options conferring the right to subscribe new shares in the company at an exercise price of 40.13 euros, to be issued by way of increasing the share capital of the company and in order to give executive management and management with a high potential a stake in improving the Group's profitability, and to recognize the part they play, directly and indirectly, in the Group's performance.

As of December 31, 2005, 1,498,650 stock options to subscribe Nexans shares, or 6.37% of the share capital, reserved to employees, had not been exercised. Each option entitles the holder to subscribe one Nexans share.

A table of the authorizations granted by the Shareholders' Meeting relating to capital increases which are still valid is appended hereto*.

* See page 54.

15 - Management by Nexans of the social and environmental consequences of its activity

15.1 Environmental consequences of its business activity

15.1.1 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 Group's Chairman which is sent to all sites worldwide and is 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, the Group's environmental policy is the responsibility of the Industrial Department, which reports directly to the Strategic Operations Department. The Industrial 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 Department apply to Group operations worldwide, including international subsidiaries.

The performance improvement program for production sites is monitored by the Environment Committee, which brings together the Strategic Operations Department, the Industrial and Technical Department, the Purchasing Department, the Legal Department and the 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 the ISO 14001, all the Group's facilities are reviewed annually (via a questionnaire) covering 12 environmental issues and through a scoring grid. This scoring grid changes each year in accordance with regula-

tory developments and those areas which the Group wishes to improve. In 2005, the points reviewed included water recycling at the plants in order to limit consumption, waste recycling and reuse, but related also to 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, was drawn up and sent to all production sites, describing the procedures applied by Nexans Environmental Management system.

It is a reference document both for existing Environmental Management systems and for those yet to be installed in 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. They enable the situation 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 2004, 25 sites are audited each year, and if found to be well-managed environmentally, they are awarded the EHP label, "Environnement Hautement Protégé" denoting compliance with the highest environmental standards. Of the 27 sites audited in 2005, 17 were awarded this label: 4 in France, 3 in Germany, 3 in Belgium, 2 in Romania, 2 in the Czech Republic, 1 in Turkey, 1 in Sweden, 1 in the U.S.

Those sites that were not given 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 the consumption of materials (water, solvents, energy, packaging, etc.), discharges into the air and water, ground protection, the condition of storage facilities, volume of waste and recycling methods, as well as the impact of our activities in terms of noise. In addition to this highly efficient system, certain of the Group's plants are undergoing ISO 14001 certification. For example, the Jeumont site in France, Tuzla in Turkey, Kang Hua in China and the 3 Nexans Suisse sites were granted ISO 14001 certification in 2005.

15.1.2 Environmental consequences of business activity and measures taken to limit the impact

The environmental impact of Nexans' business activities, per sector, can be summarized as follows:

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 vacuum cleaners specific to each facility.

Solvent consumption is very low considering the very large quantities of cables produced (this concerns primarily marking inks, which require separate processes: small storage cabinets, fume hoods are used to clean the ink jets or wheels).

Winding wires

Due to the Group's change in the 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 very involved in the recycling of its manufacturing waste. RIPS, a Nexans subsidiary based in Calais, recycled 17,800 tons of cable waste in 2005, which was collected from most of the Group's European sites, as well as 5,100 tons of cables that were no longer useable, collected directly from Nexans' customers (that is, a total of 22,900 tons of waste recycled).

Thorough sorting of factory waste combined with the recycling of cable waste means that the majority of waste - wood, paper, card-board, ferrous materials, machine oil, batteries, special waste, etc. - is reused in some way. Specific investments were made in this regard. For example, 257,000 euros were invested in Montreal East (Canada) plant for the recover of copper waste, 36,000 euros in Charleroi (Belgium) to install new waste containers and 30,000 euros in Cortaillod (Switzerland) to buy a shredder.

Environmental indicators

The following indicators allow the monitoring of changes in environmental impact during 2005.

	2005	2004	2003
Energy consumption	1,480,800 MWh	1,850,722 MWh	1,876,470 MWh
including electricity	838,100 MWh	951,712 MWh	981,470 MWh
Waste including special waste (in tons)	91,300 t 7,400 t	98,931 t 10,790 t	101,400 t 11,100 t
Number of sites monitored	79	88	88
Water consumption	4,430,000 m ³	5,096,566 m ³	5,100,000 m ³
Solvent consumption	1,500 t	9,890 t	8,150 t
Copper consumption	809,000 t	830,000 t	760,000 t
Aluminum consumption	133,000 t	130,000 t	90,000 t

These figures, which are an estimate based on the data collected, pertain to the Group's scope of consolidation as of December 31, 2005.

Beyond the measures indicated above, it should also be noted that particular effort has been made, especially in France, to eliminate transformers with PCBs by 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; treatment of the air and gaseous emission with ventilation, aspira-

tion and treatment systems; and the gradual phase-out of single-walled underground storage tanks are also priorities.

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

Environmental expenditure

Environmental related investments are summarized in the following table:

in thousands of euros

Year 2005	Soil and water protection	Air protection and energy savings	Waste	Noise	Elimination of transformers with PCBs (in France)	Total
Amount	1,011	1,190	320	5	350	2,876

In 2004, 2.325 million euros were invested.

As of December 31, 2005, the amount of provisions recorded for environmental risks was 6.638 million euros. In addition, there could be expenses for the clean-up of closed sites and sites likely to be sold, which expenses the Company expects to be less than the market value of the sites in question.

Environmentally-friendly products and solutions

Nexans' R&D program also serves the environment. Many of our ongoing R&D programs are for the development of safer, less polluting and more energy-efficient products. This is particularly true for the studies on the elimination of PVC stabilizers in plastic sheaths; superconductor cables that emit no electromagnetic radiation and dielectric loss. There is also extensive research currently underway into fire-resistant and flame-retardant cables, using non-halogen materials. In addition, the cables and equipment for wind turbines produced by the Group, 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, are contributing indirectly to better consideration of the environment.

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 retention of liquid pollutants in storage and operational areas. The Group is also investing specifically in wastewater treatment systems.

For example:

- in Hanoi, Vietnam (installation of a cooling tower 20,000 euros);
- in Fumay, France (phase 1 of the works to separate water networks 98,000 euros);
- in Tuzla, Turkey (increasing the cooling capacity for recycled water 25,000 euros);
- in Jeumont, France (installation of a cooling tower 200,000 euros);
- in Nuremberg, Germany (system for chemical treatment of water 20,000 euros).

Pollution from water used to extinguish fires is also a concern for Nexans and actions have been taken for its containment. For example:

- use of inflatable balloons in Calais (France) and Mönchengladbach (Germany) to seal the water networks;
- investment in Mehun to use the parking lot as a retention zone.

15.2 Social aspects

Nexans, the holding company, has on staff only the eight members of the Executive Committee, only seven of whom are employees. All are executives without a regulated workday and their compensation is not based on any hourly rate.

Nexans Group has a decentralized staff management system both in France and abroad. Each entity determines and organizes its working hours, training, salary levels, etc. in accordance with applicable prevailing laws and regulations and the conditions specific to its business activity, subject to the control of the Group's management.

Starting in 2004, the Group has centralized certain consolidated information to enable its development to be monitored. The data collected is used to establish an estimate for the entire Group. In addition to the male/female breakdown, details are collected of the number of hours spent on training (212,000 hours in 2005), the rate of absenteeism (4.54% in 2005), the incidence rate (23.6 in 2005) and the workplace accident severity rate (0.6 in 2005), as well as an age pyramid.

Changes in number of employees

Consolidated Group

2003	17,068 employees (women: 16% of total; men: 84% of total)
2004	17,662 employees (women: 17% of total; men: 83% of total)
2005	19,584 employees (women: 21% of total; men: 79% of total)

In 2005, the Group had 2,283 new hires, of whom 1,469 have an indefinite term contract. 2,015 employees left the company, of whom 1,854 had a natural severance (end of fixed-term contract, retirement, resignation). 447 terminations were recorded as part of the restructuring plans, primarily in France, Italy and Germany. These plans have accompanying measures such as internal or external reclassification, relocation aid, outplacement, training, and severance payments. As of December 31, 2005, the Group employed 1,192 temporary workers.

In 2005, Nexans added to its scope of consolidation 3,229 people, primarily through the integration of the Autoelectric business in Germany, Romania, Czech Republic and Mexico.

Meanwhile, 1,134 persons employed in the winding wires businesses in Germany, France and Portugal and the distribution business in Norway were taken out of the scope of consolidation during the financial year.

The Group's headcount decreased by 173 persons on a comparable scope of consolidation.

February 1, 2006,

The Board of Directors

Table summarizing the authorizations given to increase the share capital

(year ended December 31, 2005)

Date authorization was granted and form of authorized share issuances ⁽¹⁾	Maximum nominal amount in euros ⁽²⁾	Expiration date of the authorization	Use
June 5, 2003 Issuance of shares by the exercise of stock options granted to certain employees or Board members	900,000	April 2, 2006	Board of Directors meeting of November 16, 2004: 403,000 stock options granted Board of Directors of November 23, 2005: 344,000 stock options granted
June 2, 2005 Issuance of shares with preferential subscription right (R8)+ possible over allotment option (R10)	15,000,000	2006 AGM	-
Issuance of shares in consideration for contributions in-kind of shares of another company (R11)	Maximum amount 10% of the share capital	2006 AGM	-
Issuance of shares by capitalization of premiums, reserves, profits or others (R12)	15,000,000	2006 AGM	-
Issuance of shares reserved to members of employee savings plan (R13)	500,000	2006 AGM	Board of Directors of November 23, 2005: authorization given to the chairman and CEO to issue shares for a maximum nominal amount of €400,000

(1) The abbreviation "R" between brackets indicates the number of the Resolution proposed to the June 2, 2005 Annual Shareholders' Meeting.

(2) The maximal nominal amount of share capital increases that can be realized corresponds to the maximum number of shares that can be issued considering that the nominal share value is 1 euro.

Company's financial results for the last five financial years

Nature of the indications	2005	2004	2003	2002	2001
I - Capital at financial year end					
a) Share capital (in thousands of euros)	23,507	23,190	23,129	23,121	25,000
b) Number of shares issued	23,507,322	23,189,947	23,128,972	23,121,472	25,000,000
II - Financial year operations and results (in thousands of euros)					
a) Sales excluding taxes	10,809	10,265	8,233	5,040	6,758
b) Gross income before tax, optional and legal profit-sharing, depreciation and amortization	44,704	-8,067	8,068	31,981	60,735
c) Taxes on profits	249	169	0	0	293
d) Employee profit-sharing for the financial year	117	124	117	-	-
e) Net income after tax, optional employee profit-sharing, and depreciation and amortization	43,228	-12,231	7,770	32,318	60,105
f) Distributed income		10,568	5,865	4,180	10,000
III - Earnings per share (in euros)					
a) Net income after tax and employee profit-sharing, but before depreciation and amortization	1.90	-0.35	0.35	1.38	2.42
b) Net income after taxes, employee profit-sharing, depreciation and amortization	1.84	-0.53	0.34	1.40	2.40
c) Dividend per share	1.00	0.50	0.20	0.20	0.43
IV - Employees					
a) Average number of employees employed during the financial year (in number of employees)	7	7	7	7	7
b) Gross salaries paid during the financial year (in thousands of euros)	3,401	2,947	2,693	2,235	2,511
c) Benefits in kind paid during the financial year (in thousands of euros)	1,134	973	889	738	829

CONSOLIDATED FINANCIAL STATEMENTS

Year 2005

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Consolidated income statement under IFRS

in millions of euros	Notes	2005	2004
Net sales	(1.g) and (3)	5,449	4,732
Metal price effect		(1,186)	(727)
Net sales at constant metal price	(1.g) and (3)	4,263	4,005
Cost of sales		(3,640)	(3,449)
Gross profit		623	556
Administrative and selling expenses		(386)	(377)
R&D costs	(1.i)	(52)	(47)
Operating margin	(1.h) and (3)	186	133
Fair value change on non ferrous metal derivatives	(1.h)	33	–
Gains or losses on disposal of assets	(6)	34	8
Restructuring costs	(21.b)	(24)	(36)
Asset impairment losses and reversal for negative goodwill	(7)	(4)	7
Cost of financial debt (gross)		(26)	(19)
Income from cash and cash equivalents		7	5
Other financial expenses	(5)	(17)	(22)
Share in net income of associates	(13)	(0)	(0)
Income before taxes		189	77
Income taxes	(9.a)	(26)	(19)
Net income from continuing operations		163	58
Net income from discontinued operations	(8.b)	(46)	5
Consolidated net income		117	63
of which Group share		108	58
of which minority interests		9	5
<hr/>			
Net income from continuing operations per share (in euros)	(10)		
- basic earnings per share		7.30	2.53
- diluted earnings per share		6.36	2.33
Net income from discontinued operations (in euros)			
- basic earnings per share		(2.18)	0.24
- diluted earnings per share		(1.89)	0.22
Net income, Group share (in euros)			
- basic earnings per share		5.12	2.77
- diluted earnings per share		4.46	2.55

The notes are an integral part of the consolidated financial statements.

Consolidated balance sheet under IFRS

ASSETS	Notes	2005	2004 after IAS 32-39	2004 excluding IAS 32-39*
at December 31, in millions of euros				
Goodwill	(11)	88	80	77
Intangible assets		14	7	7
Property, plant and equipment	(12)	942	925	925
Investment in associates	(13)	18	1	1
Other investments	(14)	56	35	35
Deferred tax assets	(9.c)	76	51	66
Other non-current assets		–	–	–
NON-CURRENT ASSETS		1,194	1,100	1,112
Inventories and work in progress	(15)	563	500	500
Amounts due from customers on construction contracts		47	27	27
Trade receivables and related accounts	(16)	1,105	836	706
Current tax receivables		63	51	51
Other current financial assets	(17)	155	67	55
Cash and cash equivalents	(18)	117	121	121
CURRENT ASSETS		2,049	1,603	1,461
Assets and groups of assets held for sale	(8.a)	81	135	135
TOTAL ASSETS		3,324	2,837	2,707

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

The notes are an integral part of the consolidated financial statements.

LIABILITIES				
	Notes	2005	2004 after IAS 32-39	2004 excluding IAS 32-39*
at December 31, in millions of euros				
Capital stock		24	23	23
Additional paid-in capital		1,019	1,014	1,014
Treasury stock		(28)	(28)	(28)
Retained earnings		(40)	(152)	(168)
Net income, Group share		108	58	58
Equity - Group share		1,083	915	899
Minority interests		77	70	71
TOTAL EQUITY	(19)	1,160	986	970
Accrued pension and retirement obligations	(20)	353	363	363
Provisions	(21)	14	18	18
Convertible bonds	(22)	117	116	135
Other long-term financial debt	(22)	5	14	10
Deferred tax liabilities	(9.c)	33	32	32
Other non-current payables		–	–	–
NON-CURRENT LIABILITIES		522	543	558
Provisions	(21)	83	91	91
Other current financial debt	(22)	369	286	156
Customers' deposits and advances		18	16	16
Amounts due to customers on construction contracts		70	36	36
Trade payables and related accounts		692	505	505
Current tax payables		64	58	58
Other current financial liabilities	(23)	308	252	253
CURRENT LIABILITIES		1,603	1,243	1,115
Liabilities related to groups of assets held for sale	(8.a)	39	65	65
TOTAL LIABILITIES AND EQUITY		3,324	2,837	2,707

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

The notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows under IFRS

in millions of euros	Notes	2005	2004
Net income, Group share		108	58
Minority interests		9	5
Depreciation and amortization		101	77
Interest expense		26	19
Other restatements		(21)	(16)
Cash flow from operations before interest and taxes		223	143
Decrease (increase) in accounts receivable		(404)	(47)
Decrease (increase) in inventories		(64)	(117)
Increase (decrease) in accounts payable and accrued expenses		310	75
Other assets and liabilities		(7)	(1)
Income tax paid		(46)	(25)
Changes in depreciation on current assets and accrued contract costs		(14)	3
Net change in current assets and liabilities		(225)	(112)
Net cash from operating activities		(2)	31
Proceeds from disposals of tangible and intangible fixed assets		10	19
Capital expenditures		(130)	(97)
Decrease (increase) in loans		(10)	(0)
Cash expenditures for acquisitions of consolidated companies, net of cash acquired	(2)	(28)	(113)
Cash proceeds from sale of previously consolidated companies, net of cash sold	(2)	116	16
Net cash from investing activities		(42)	(175)
Net cash flow change after investing activities		(44)	(144)
Proceeds from / (repayment of) long-term borrowings	(22)	(9)	141
Proceeds from / (repayment of) short-term borrowings		77	43
Proceeds from issue of shares		7	1
Financial interest paid		(23)	(17)
Dividends paid		(12)	(9)
Net cash from financing activities		40	160
Net effect of currency translation differences		3	2
Impact of change in scope of discontinued activities	(8)	(3)	-
Net increase (decrease) in cash and cash equivalents		(4)	17
Cash and cash equivalents at the beginning of period		121	104
Cash and cash equivalents at the end of period		117	121

The notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity under IFRS

	Number of shares outstanding	Capital stock	Additional paid-in capital	Treasury stock	Consolidated retained earnings	Retained earnings		Net income (of which Group share)	Shareholders' Equity	Minority interests	Total Equity
						Changes in fair values and others	Cumulative translation adjustments				
January 1, 2004	20,907,773	23	1,014	(28)	(161)	-	(161)	1	849	103	952
Reclassification in retained earnings of previous financial year income					1			(1)			
Dividends paid					(6)		(6)		(6)	(3)	(9)
Financial assets available for sale											
Net change in translation adjustments						(4)	(4)		(4)		(4)
Income and expenses recognized directly in Shareholders' Equity					(4)	(4)	(4)	58	58	5	63
Net income						(4)	(4)	58	54	5	59
Total recognized income and expenses									1		1
Capital increase	60,975		1						1		1
Share-based payments			0		1		1		1		1
Others			(1)		1		1			(34)	(34)
December 31, 2004	20,968,748	23	1,014	(28)	(164)	-	(168)	58	899	71	970
First-time adoption of IAS 32 and 39					11	5	16		16	(1)	15
Reclassification in retained earnings of previous financial year income					58		58	(58)			
Dividends paid					(10)		(10)		(10)	(2)	(12)
Financial assets available for sale											
Net change in translation adjustments						73	73		73	8	81
Cash flow hedge (increase)						(6)	(6)		(6)		(6)
Cash flow hedge (recycling to net income)						(5)	(5)		(5)		(5)
Income and expenses recognized directly in Shareholders' Equity					(11)	(11)	(11)	62	62	8	70
Net income						(11)	(11)	108	108	9	117
Total recognized income and expenses								108	170	17	187
Capital increase	317,375	0	5						5		5
Share-based payments					2		2		2		2
Others									0	(8)	(8)
December 31, 2005	21,286,123	24	1,019	(28)	(103)	(6)	(40)	108	1,083	77	1,160

The notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Summary of accounting principles

a | General principles

Nexans is a company established and operating under French law, subject to all the prevailing regulations governing commercial companies in France, and specifically subject to the provisions of the Commercial Code. Nexans was established on January 7, 1994 (under the name Atalec). Its headquarters is at 16, rue de Monceau, 75008 Paris, and it is listed on the Paris stock exchange (compartment B of Euronext Paris). The consolidated financial statements are presented in euros rounded to the nearest million.

Statement of compliance with IFRS

Because Nexans is listed on the stock exchange of a country belonging to the European Union and pursuant to EC Regulation No. 1606/2002 of July 19, 2002, the consolidated financial statements of Nexans (the "Group") which are published for the year 2005 were prepared in conformity with the international accounting standards "International Financial Reporting Standards" ("IFRS") as adopted by the European Union as of December 31, 2005. The international accounting standards include IFRS (International Financial Reporting Standards), IAS (International Accounting Standards) as well as their interpretations (SIC and IFRIC). These consolidated financial statements are presented on a comparative basis with year 2004 established according to the accounting regime applicable as of December 31, 2005. They were approved by the Board of Directors Meeting held on February 1, 2006, and will not be final until approved by the General Shareholders' Meeting, which will take place on May 15, 2006.

Context of publication

Since this is the first adoption of IFRS, the rules specific to first-time adoption, as defined in IFRS 1, were applied. The options followed as of the transition date (January 1, 2004), are the following:

- Business combinations prior to the IFRS transition date were not restated,
- Cumulative translation adjustments as of the IFRS transition date were considered to be zero,
- Cumulative actuarial gains and losses on employee benefits as of the IFRS transition date were recorded in equity,
- Property, plant and equipment were not revalued at fair value,
- Only stock option plans issued after November 7, 2002 with

rights to exercise options that had not yet vested as of January 1, 2005, were recognized according to IFRS 2,

- No subsidiary, associate or joint venture of the Group has adopted IFRS at a different date than the parent company,
- The provisions of IAS 32, IAS 39 (as of January 1, 2005) and IFRS 5 (adopted early as of January 1, 2004) were all applied.

The impact of the transition to IFRS is set out in the "Impact of the transition to IFRS on the consolidated financial statements" presented at the end of this document (see note 31), as follows:

- Summary of the impact of IFRS on equity as of January 1 and December 31, 2004;
- Reconciliation of the consolidated financial statements under French accounting rules to consolidated financial statements under IFRS according to the IFRS financial statement format:
 - The balance sheet as of the IFRS transition date, i.e., January 1, 2004;
 - The balance sheet as of December 31, 2004;
 - The income statement for year 2004; and
 - The balance sheet as of the IAS 32 and IAS 39 application date, i.e., January 1, 2005.

Standards and interpretations applied

The 2004 financial data on the expected impact of the transition to IFRS were prepared applying the same IFRS standards and interpretations as those applied in the preparation of the consolidated financial statements as of December 31, 2005. The basis for preparation of these financial data described in the following notes therefore derives from:

- IFRS standards and interpretations as adopted by the European Union as of December 31, 2005;
- The options followed and exemptions used for the preparation of the first IFRS consolidated financial statements in 2005.

The Group has not opted for early adoption of the following standards and interpretations approved by the European Union, which are applicable in 2006 or 2007, as the case may be:

- IAS 1: presentation of financial statements - capital disclosures (applicable as of January 1, 2007)
- IAS 19 revised: Actuarial gains and losses, group plans and disclosures (applicable as of January 1, 2006)
- IAS 39: Fair value option (applicable as of January 1, 2006)
- IAS 39: Cash flow hedges of forecast intragroup transactions (applicable as of January 1, 2006)
- IAS 39 and IFRS 4: Financial guarantee contracts (applicable as of January 1, 2006)

- IFRS 7: Financial instruments - disclosures (applicable as of January 1, 2007)
- IFRIC 4: Determining whether an arrangement contains a lease (applicable as of January 1, 2006)
- IFRIC 5: Rights to interest arising from decommissioning, restoration and environmental rehabilitation funds (applicable as of January 1, 2006)
- IFRIC 6: Liabilities arising from participating in a specific market - waste electrical and electronic equipment (applicable as of January 1, 2006)

The Group has not applied the following standards and interpretations published by the IASB but not yet in force in the European Union:

- IAS 21: Amendment relating to net investment in a foreign operation (applicable as of January 1, 2006)
- 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 8: Scope of IFRS 2 "Share-based payment"

The Group is currently analyzing the practical consequences of these new texts and the effects of their application on the financial statements.

Basis for preparation of the consolidated financial statements

The Group's consolidated financial statements were prepared according to the historical cost principle, except for derivatives and assets available for sale, which are considered at their fair value. The carrying value of the assets and liabilities whose fair value risk is hedged are restated to take into account the fluctuations in fair value attributable to the risks hedged.

The preparation of the financial statements under IFRS requires management to exercise its judgment to make estimates and assumptions that impact on the application of the accounting methods and on the amounts of assets (amortization of goodwill, depreciation and amortization of tangible and intangible fixed assets, recognition of deferred tax assets, assessment of margins on construction contracts) and of liabilities (provisions), and revenues and expenses. The underlying estimates and assumptions are made based on past experience and other factors considered reasonable under the circumstances. They serve as the basis for any judgment required for the determination of the carrying value of assets and liabilities when these values cannot be obtained directly from other sources. Actual values may differ from estimated values.

The underlying estimates and assumptions are continually reviewed. 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.

Judgements made by management during the application of IFRS that have a significant impact on financial statements and estimates presenting a significant risk of change over the following periods are set out in note 31.

b | Consolidation methods

The financial statements include the financial statements of Nexans and its subsidiaries prepared as of 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 methods that may exist.

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

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

Other companies over which the Group has a significant influence but which are not subsidiaries or joint ventures of the Group ("equity associates") are accounted for under the equity method. Significant influence is the power to participate in the financial and operating policies of a company without holding a controlling interest; it is presumed when the Group's direct or indirect interest is over 20%. Shares in the net assets of equity associates (including the related amount of goodwill) are initially recorded on the balance sheet at cost and are subsequently increased or decreased, as appropriate, from the Group's share in equity generated after acquisition, less any impairment loss. The consolidated income statement includes the share in net income of associates.

All intragroup balances and transactions, including any corresponding intragroup earnings, are eliminated in consolidation. Intragroup losses may indicate that a depreciation of assets may be recorded (see note 1.m).

c | 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 activities for which the working currency is not the euro are translated into euros at the year-end exchange rate and the income statements and cash flow statements are translated at the average annual exchange rate. The resulting translation adjustments are included in equity under "Cumulative translation adjustments".

When a foreign activity is discontinued, any cumulative translation adjustments generated after the first-time adoption of IFRS, included on the line "Cumulative translation adjustments" for that activity, is booked to the income statement.

d | Translation of foreign currency transactions

Foreign currency transactions are translated at the exchange rate prevailing as of the transaction date. Under IAS 21 "Effects of Changes in Foreign Exchange Rates", foreign currency balance sheet components are converted at the closing rate for each cut-off date. Exchange gains and losses are recorded as financial income or losses.

Foreign exchange derivatives are considered and recognized according to the principles described in note 1.z).

e | Business combinations

Business combinations are recognized according to the purchase method. Upon the first consolidation of a subsidiary, the assets, liabilities and contingent liabilities of the company acquired are recognized at fair value in compliance with IFRS 3. The goodwill is determined as of the date of the takeover as the difference between the cost of the business combination and the share of the acquiring company in the fair value of the assets, liabilities and contingent liabilities identifiable as of the acquisition date (see note 1.i).

f | Presentation of the financial statements under IFRS

In accordance with IAS 1 "Presentation of financial statements", the consolidated balance sheet is presented broken down into current and non-current items. Assets and liabilities related to the operating cycle and those with a maturity of less than 12 months as of the closing date are classified as current; all other assets and liabilities are classified as non-current. Assets and liabilities, on the one hand, and revenue and expenses, on the other hand, are not offset except as provided by the accounting standards.

The methods of presentation are consistent from year to year.

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 fixed assets, which are almost

exclusively related to production activities, are included on the line "cost of sales".

The line "Fair value change on non ferrous metal derivatives" was created in the income statement in compliance with IAS 32 and IAS 39 as of January 1, 2005, to record the fair value changes of derivatives (forward purchases and sales of metal on organized markets, and on the LME in particular), notwithstanding the changes in fair value of the risks hedged in the underlying commercial contracts.

g | Sales

Net sales:

Net sales (at current metals prices) represent sales of goods and services deriving from the main activities of the Group net of value added taxes (VAT). In accordance with IAS 18, revenue from the sale of goods 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 valued 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 group of assets that are closely linked or interdependent in terms of conception, technology and function or purpose or use. They essentially cover the Group's high-voltage cable and umbilical cable activities. Sales and revenue on 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 costs estimated for the contract. Any loss expected upon completion is recognized immediately as a 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 presented as the amount due from customers on construction contracts (under assets) and if the balance is negative, it is presented as the amount due to customers (under liabilities).

Net sales at constant metals prices:

We note that with respect to operations, the effects of fluctuations in the purchase price of metals are passed on in the selling price.

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 (the cost of sales is restated

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.

h | Operating margin

Operating margin measures the Group's operating performance and includes gross margin, administrative and selling expenses, research and development expenses (note 1 .i), share-based payments, pension and retirement operating costs (note 1 .r) and employee profit sharing.

It is measured before fair value change on non-ferrous metals derivatives, financial income, restructuring costs, gains and losses on disposal of assets, depreciation resulting from impairment tests, income tax and impairment of goodwill, share in net income of associates and net income from discontinued activities.

i | Research and development expenses

Expenditures incurred during the research phase are recognized immediately as expenses.

Development costs are recorded as intangible assets provided they comply with all the following criteria:

- the technical and industrial feasibility of the project is demonstrated,
- Nexans intends to complete the project and to use or market the products resulting from the project,
- a potential market exists (with adequate assurance in terms of volume and price) for the production resulting from this project or its internal usefulness is demonstrated,
- the adequate resources required for completion of the project are available,
- the related costs can be reliably measured.

These expenses are amortized over the estimated useful life of the projects involved, from the date the product involved is made available.

Furthermore, research and development expenses rechargeable, under the terms of construction contracts with customers, are included in "amounts due from (or due to) customers on construction contracts".

j | Goodwill

In compliance with IFRS 3 "Business combinations", goodwill is not amortized; it is subject to an impairment test upon any indication of impairment and at least annually, during the last quarter of the year. These tests are performed by legal entity, 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 value of the assets of that entity. The impairment test methods are described in note 1 .m). When the recoverable value of the CGU or group of CGU is

lower than its carrying value, an impairment loss is booked to the income statement on the line "Asset impairment losses and reversal for negative goodwill". This impairment is primarily charged against goodwill and then any balance is charged pro rata to the carrying value of the CGU's assets. Impairment losses on goodwill cannot be reversed.

After verification of the identification and valuation process of the assets and liabilities acquired, 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.

k | Puts given to minority shareholders

In compliance with IAS 32, puts given to minority shareholders in subsidiaries are recognized on the line "financial liabilities" at their discounted value. The offsetting entry for these financial liabilities, beyond the write-off of the corresponding minority interests, is not clearly specified by the standards. While awaiting IFRIC's position, and after a position consultation, the Group opted to book in goodwill the difference between the discounted value of the exercise price of options and the amount of minority interests written down from equity. This goodwill is adjusted each year to reflect the fluctuation of the exercise price of options and the fluctuation of the minority interests. This treatment, without affecting the period's net income, best reflects the reality of the transaction, to the extent it corresponds to the treatment that would be applied if the options were exercised immediately. However, it will have to be modified if an interpretation or a standard were to question it in the future.

l | Tangible and intangible fixed assets

Tangible and intangible fixed assets are valued at cost less accumulated amortization and accumulated impairment losses. When they are acquired under a business combination, their cost is identified as their fair value.

Intangible fixed assets are essentially the costs for software acquired or developed, usually for internal use, to the extent their cost can be reliably measured and they are likely to generate future economic benefits. These fixed assets are amortized by the straight-line method over their estimated useful life (generally three years).

Tangible fixed assets are depreciated by the straight-line method based on the following expected useful lives:

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

The depreciation method and period are reviewed each year end. The residual value of fixed assets is taken into account in the depreciable amount when it is deemed significant. Replacement costs are capitalized to the extent they satisfy the criteria set forth in IAS 16.

A tangible or intangible fixed asset is derecognized when the risks and rewards of ownership of the asset are transferred or when there is no future economic benefit expected from its use or sale. Any gain or loss arising from the derecognition of an asset (difference between the net disposal proceeds and the carrying value of the asset) is included in the income statement for the year the asset is written down (on the line "Gains or losses on disposal of assets").

In compliance with the treatment recommended in IAS 23, borrowing costs are recognized as expenses during the year they are incurred.

Fixed assets acquired through lease arrangements that have the features of a financing are capitalized.

The portion of non-ferrous metal inventories, referred to as "core exposure" is included in tangible fixed assets. It corresponds to the quantities of metal owned by Nexans, i.e. not hedged by forward sale contracts to the extent that they are necessary for the proper functioning of the plants. This asset cannot be amortized.

m | Impairment tests

On each balance sheet date, the Group reviews all assets to look for any indication that their value may be 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 in order to adjust their carrying value to the higher of their fair value (net of the cost of sale) and their value in use. Value in use is calculated on the basis of future operating cash flow representing management's best assessment of the economic conditions that will prevail during the remainder of the asset's useful life.

Asset impairment tests for each cash generating unit have been implemented throughout the Group in accordance with the provisions of IAS 36, as follows:

- Cash Generating Units (CGU) chosen: product lines within each legal entity,
- Discount rate corresponding to the expected rate of return for the market for a similar investment, specific to each geographical zone, regardless of the sources of financing (see note 7)
- Five-year business plans,
- 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 on the line "Asset impairment losses and reversal for negative goodwill".

n | Inventories and work in progress

Inventories and work in progress are valued at the lower of their cost and their net realizable value. The costs incurred to bring the inventories to the place and state in which they are recognized 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.

The net realizable value is the estimated sale price during the normal course of business, less estimated completion costs and costs that must be incurred to carry out the sale.

o | 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 the companies consolidated after their entry in the scope of consolidation;
- "Reserves for changes in fair value and others", which primarily includes the changes in the market value of derivatives hedging future cash flows (see note 1.z) on the one hand, and financial assets available for sale (see note 1.v), on the other;
- The line "cumulative translation adjustments", used to record currency translation adjustments deriving from the translation of the financial statements of foreign subsidiaries;
- Minority interests.

p | Treasury stock

The acquisition cost of treasury stock is deducted from equity. Gains and losses on the sale of these shares do not contribute to the period's net income.

q | Share-based payments

Stock options are granted to management and to certain Group employees. Pursuant to IFRS 2 "Share-based payment", options are measured at their fair value as of the grant date. The Group uses the Black & Scholes mathematical model to value them. Any changes in value after the grant date do not affect the initial valuation.

The value of an option primarily depends on market data as of the grant date (price and volatility of the share, free-risk interest rate, and expected dividends) and on its expected life, which assumption is determined by the Group taking into account various parameters including tax restriction. The value of vested options is recorded in payroll expenses on a straight-line basis from the date of the grant to the end of the vesting period, with a direct offsetting entry in equity.

r | Pensions, retirement benefits and other employee benefits

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. For basic and other defined contribution pension plans, expenses correspond to contributions made. No provision is recognized, the Group having no obligations beyond the contributions paid.

For defined benefit pension and similar plans, provisions are determined as follows:

- Using the Projected Unit Credit actuarial method, according to which each service period gives rise to the recognition of a benefit right unit; each of these units is valued individually in order to obtain the final obligation. These calculations take into account assumptions with respect to mortality, staff turnover, discount and projection of future salaries;
- Actuarial gains and losses pertaining to adjustments related to experience and to the effects of changes in actuarial assumptions occurring on or after January 1, 2004 are not immediately accounted for in net income, applying the corridor method: the portion in excess of 10% of the greater of the present value of the defined benefit obligation and 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;
- When the calculation of the benefit obligation results in an asset for the Group, the amount booked for this asset cannot exceed the total net amount of the following: (i) the unrecognized

cumulative net actuarial losses and the unrecognized prior service costs and (ii) the present value of any future reimbursements under the plan or decreases in future plan contributions.

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 5).

Provisions for jubilees and other long-term employee 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 recognition and are reported on the line "Provisions".

s | 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 the discounting is significant, the provisions are determined by discounting future cash flows applying a pretax discount rate that reflects the current market assessments of the time value of money. The impact of the discounting is recognized in financial income and the effects of any rate fluctuations are recognized in the same account for which the provision was accrued.

Reserves for restructuring costs are provided when the restructuring programs have been finalized and approved by Group management and have been announced before the balance sheet closing date, resulting in a Group obligation to third parties. Such costs primarily relate to severance payments, early retirement, costs for notice periods not worked, training costs of terminated employees, and other costs linked to the shutdown of facilities. Write-offs of fixed assets, inventories and other assets directly linked to restructuring measures are also accounted for in the income statement in restructuring costs.

t | Deferred taxes

Deferred income tax is computed under the liability method for all timing differences arising between the book 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 only if it seems reasonably probable that the tax benefit will be realized, based on the business plan of the company concerned (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.

Deferred tax assets and liabilities 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.

u | Assets held for sale

Presentation on the balance sheet

Non-current assets or groups of assets held for sale, as defined by IFRS 5, are presented on a separate line on the asset side. Liabilities related to groups of assets held for sale are presented on a separate line on the liability side. Fixed assets classified as assets held for sale are no longer depreciated as of the date on which they comply with the conditions of assets held for sale.

Presentation on the income statement

A group of assets sold, held for sale or discontinued is a component of the entity if:

- It represents a major and distinct line of activity or geographical area,
- It is part of a unique and coordinated plan to separate from a major and distinct line of activity or geographical area or,
- It is a subsidiary acquired exclusively for resale.

When a group of assets sold, held for sale or discontinued is a component of the entity, its revenue and expenses are presented on a separate line of the income statement (net income from discontinued operations) including the total:

- profit or loss after tax from discontinued activities and
- profit or loss after tax resulting from the adjustment to fair value less the cost of sale, or the disposal of assets or of groups of assets held for sale constituting the discontinued activity.

When a group of assets previously presented as "held for sale", ceases to satisfy the criteria set forth in IFRS 5, each asset and liability element related thereto is reclassified in the consolidated balance sheet entries.

v | Financial assets

Financial assets are initially recorded at fair value plus transaction costs directly imputable to the acquisition.

After the initial posting to the balance sheet, the adjustment method and the accounting method depend on the classification of the financial asset:

- Cash equivalents are recorded as financial assets at fair value, with changes in fair value through profit or loss;
- Other investments are classified as financial assets available for sale. On each cut-off 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;

- For investments in unconsolidated companies for which there is no published active market price, the fair value is determined by reference to the current market price of another nearly identical instrument or calculated based on the cash flows expected from the asset. In the absence of 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 financial assets available for sale (nor can it be reversed for unlisted investment shares 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 nearly all of the risks and rewards associated with it.

w | Cash and cash equivalents

The cash and cash equivalents, whose change is explained in the consolidated statement of cash flows, include cash at banks, cash on hand, very liquid short-term investments implying virtually no risk of a change in value. This category specifically includes deposits maturing in less than 3 months from the acquisition date.

x | Financial debts

Upon initial posting to the balance sheet, financial debts are carried at their fair value less imputable transaction costs. Thereafter, the difference between the initial value of the liability and its redemption value is amortized actuarially by applying the amortized cost method at effective interest rate. The effective interest rate is the rate that permits equalizing the initial value with all the cash flows generated by the servicing of the loan.

y | Hybrid instruments - OCEANE

In compliance with IAS 32 "Financial instruments: disclosure and presentation", if a financial instrument has different components with both liability and equity features, the issuer shall account for these different components separately according to their nature.

This treatment applies to convertible bond carrying the option to convert and/or swap for new or existing shares (OCEANE), with the conversion option responding to the definition of an equity instrument.

The component classified under financial liabilities is valued 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) of a liability having similar features but not having the option of conversion or repayment in shares.

The value of the conversion option is calculated as the difference between the face value of the bond and the value of the liability component. This amount is recognized in an equity account.

The liability interest cost is calculated according to the effective interest rate method, determined based on the no option market rate.

z | Financial instruments

Foreign exchange rate risk hedging

The Group uses financial derivatives (forward currency purchase and sale contracts) to hedge the risk of fluctuation of foreign currency exchange rates. These financial derivatives are valued at fair value, calculated by reference to the prevailing forward exchange rates for contracts with similar maturity profiles.

These transactions satisfy "Cash Flow Hedge" criteria.

When these operations hedge highly probable future transactions (budgeted cash flows or firm orders) that have not yet been invoiced, and to the extent they satisfy the conditions for application of the specific cash flow hedge accounting method, the change in the fair value of the derivative comprises two elements: The so-called "effective" part of the unrealized gain or loss on the hedge instrument is recognized directly in equity, while the "ineffective" part is recognized in financial income. Any gains or losses previously recognized in equity are carried to the income statement for the period in which the hedged firm commitment impacts the net income, for example when the expected sale is recorded on the balance sheet as a foreign currency receivable.

In addition, changes in the fair value of the derivatives that do not qualify for hedge accounting are recorded directly in net income.

Hedging of risks associated with the fluctuation of 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 purchase price of non-ferrous metals (copper and aluminum). The systematic hedging of this risk, considered to be macro hedging (hedging of net positions, part of which includes estimated flows), does not qualify for hedge accounting under IAS 39. Accordingly, as of January 1, 2005, changes in the fair value of derivatives (forward purchases and sales of metal on the LME) are recorded in income, notwithstanding the changes in fair value of the risks hedged in the underlying commercial contracts. This restatement is presented on the line "Fair value change on non ferrous metal derivatives" specifically created on the consolidated income statement.

Note 2 Changes in the scope of consolidation

Changes in the scope of consolidation for 2005 were as follows:

- Nexans' winding wires business in Europe was transferred to Essex Nexans, a company created with the Superior Essex Group, in which Nexans retains a 41 % minority stake. This company has been consolidated on an equity basis since October 21, 2005. Through the sale date, income was presented in "income from discontinued activities" in compliance with IFRS5 (see note 8).
- Nexans sold its Norwegian distribution subsidiary Nexans Distribusjon on August 28, 2005, for an amount of 45 million euros, generating a net capital gain of 33 million euros. This company's contribution to 2005 sales (8 months) was 75 million euros.
- The stake in Nexans Morocco was raised from 72.6% to 73.6%.
- Nexans increased its interest in the capital in its Korean subsidiaries, Nexans Korea and Kukdong Electrical Wire, in which its stake is now 92.5% and 56%, respectively.
- Nexans now owns 100% of the Chinese company Nexans Kang Hua Cable after the purchase of the 30% stake held by minority shareholders.
- Nexans decreased its stake in the company Liban Câbles from 94% to 93% by selling shares to one of the minority shareholders.

Changes in the scope of consolidation for 2004 were as follows:

- The takeover of 94% of the Liban Câbles Group (also includes two companies in Egypt: ICC and ISCC). The company has been fully consolidated since July 2004, its contribution to Group sales in 2004 being 36 million euros.

- The purchase of the Italian company Cabloswiss, which specializes in the production and marketing of special cables, in particular for robotics. The company has been fully consolidated since September 1st, 2004, its contribution to Group sales in 2004 being 6 million euros.
- The raising of the stake in the Norwegian company Norcable from 50% to 100%. Norcable, previously consolidated on an equity basis, was fully consolidated as of January 1st, 2004.
- The incorporation of Nexans (Shanghai) Wires & Cables Co. Ltd, which has started the construction of a new plant in Shanghai, specialized in the production of special cables.
- The raising of the stake in the Belgian company Euromold from 50.1% to 100%; it had already been fully consolidated.
- As a result of two takeover bids, raising of its stakes:
 - in Nexans Korea from 51.6% to 86% (and a correlative increase in its subsidiaries in Vietnam),
 - And in Kukdong Electrical Wire from 50.3% to 53.9%.
- The disposal in September 2004 of the winding wires production activities in the United States, which represented annual sales of around 35 million euros.

Note 3 Information by business segment and by geographical area

Information by business segment is broken down as follows:

- by business, this is the basis for the financial data used by the Group, since risks and rates of return are affected primarily 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 third parties outside the Group.

Data relating to the business segments 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 segment is measured based on the operating margin.

This data is net of discontinued businesses, which are presented separately in note 8.

The tables below relate to the following business segments:

- Electrical wires - comprising wire rods, electrical wires and the winding wires production business that is not 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 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,
- Other - mainly comprising head office profits and costs not allocated to other activities and eliminations between segments in trade receivables.

a | Information by business segment

in millions of euros	Electrical wires	Energy **	Telecom	Other (or non-allocated)	Intert-business elimination *	Total Group
December 31, 2005						
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
Operating margin	6	171	25	(16)	–	186
Depreciation and amortization	10	61	20	4	–	95
Impairment losses	–	(8)	(6)	–	–	(14)
Reversals of impairment losses	3	3	2	–	–	8
EBITDA ***	15	232	45	(12)	–	280
Capital expenditures	6	102	20	1	–	129
Property, plant and equipment, net	142	581	162	58	–	942
Total segment assets ****	485	1,847	400	55	–	2,787
Total segment liabilities *****	281	639	112	48	–	1,079
Investments in associates	17	1	–	–	–	18
Share in net income of associates	–	–	–	–	–	–
Staff (number of employees)	1,162	14,157	3,473	792	–	19,584
December 31, 2004						
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
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	–	–	–	–	–	–
Staff (number of employees)	1,178	14,316	3,525	830	–	19,849

* Intert-business eliminations come for the most part from the upstream Electrical Wires business.

** Of which net sales (at current metal prices) related to construction contracts : 334 million euros in 2005 (267 million euros in 2004).

*** Operating margin excluding depreciation and amortization on tangible and intangible fixed assets.

**** Segment assets include intangible and tangible assets, inventories, receivables, advances to suppliers and other operational receivables.

***** Segment liabilities include trade payables, customers' deposits and advances, accrued contract costs and other operational liabilities.

b | Information by geographical area

in millions of euros	France	Germany	Other Europe	North America	Asia	Rest of the World	Total Group
December 31, 2005							
Net sales at current metal prices (before inter-segment eliminations)	2,065	692	1,846	1,153	302	348	–
Inter-segment sales	(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	1,411	753	247	275	4,263
Operating margin	6	27	73	41	11	28	186
Capital expenditures	18	22	52	12	14	12	129
Property, plant and equipment, net	223	159	243	158	77	81	942
Total segment assets*	796	356	833	339	211	254	2,787
Staff (number of employees)	3,823	2,685	7,766	1,835	1,270	2,205	19,584
December 31, 2004							
Net sales at current metal prices (before inter-segment eliminations)	1,844	617	1,609	956	243	239	–
Inter-segment sales	(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
Staff (number of employees)	4,066	2,794	7,927	1,802	1,166	2,094	19,849

* Segment assets include intangible and tangible assets, inventories, receivables, advances to suppliers and other operational receivables.

c | Net sales at current metal prices by geographical market

in millions of euros	France	Germany	Other Europe	North America	Asia	Rest of the World	Total Group
Year 2005	740	616	1,957	1,127	407	601	5,449
Year 2004	619	554	1,809	950	350	450	4,732

Note 4 Payroll, staff and staff training rights

		2005	2004
Wages and salaries (including social security/pension costs)	(in millions of euros)	800	775
Staff of consolidated companies at year end	(in number of employees)	19,584	19,849
Staff training rights *	(in hours)	149,318	85,770

* Cumulated number of training hours acquired by staff (French companies only) at December 31. Expenses incurred for these training rights are recognized as current expenses and no provisions accounted for.

Note 5 Other financial expenses

in millions of euros	2005	2004
Dividends received from non-consolidated companies	1	2
Provisions	–	4
Net exchange gain (loss)	4	(6)
Effect of discounting on employee benefit obligations	(36)	(35)
Expected return on financial assets on employee benefit obligations	19	18
Other	(5)	(5)
Other financial expenses	(17)	(22)

Note 6 Gains or losses on disposal of assets

in millions of euros	2005	2004
Net capital gains on disposal of fixed assets	–	8
Net capital gains on disposal of consolidated investments *	33	–
Other	1	–
Gains or losses on disposal of assets	34	8

* Disposal of Nexans Distribusjon Norway (see note 2).

Note 7 Asset impairment losses and reversal for negative goodwill

in millions of euros	2005	2004
Impairment losses on fixed assets	(14)	–
Reversal of impairment losses on fixed assets	8	–
Impairment losses on goodwill	–	–
Negative goodwill recognized in net income	2	7
Asset impairment losses and reversal for negative goodwill	(4)	7

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.

Reversal of impairment losses related to the general market business in France, the telecom infrastructure cable business in Morocco and the metallurgy business in China.

The main assumptions made to develop the business plans with respect to impairment tests were as follows:

	Discount rate (before tax) applied to future flows	Discount rate (after tax) applied to future flows	Infinite growth rate
Europe and 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

On July 28, 2005, Nexans signed an agreement with the U.S. group Superior Essex resulting in the creation of a company whose equity is held as follows: 40 % by Nexans and 60 % by Superior Essex. This agreement took effect on October 21, 2005. The new entity brings together the Nexans' winding wires and varnish businesses in Europe and Superior Essex's winding wires business in England; it is controlled by Superior Essex (which now has a 59 % stake). The Cormano (Italy) site was not included in the agreement. The closing of this site, decided upon in May 2005, was carried out in autumn 2005 and was accompanied by a specific social plan.

In addition, Superior Essex, which at yearend 2004 began negotiations with Nexans for the acquisition of the stake of 80 % that Nexans holds in Nexans Tianjin Magnet Wires & Cables Co Ltd, its winding wires subsidiary in China, renounced that acquisition. With the disposal of this stake no longer on the agenda, it no longer satisfies the criteria set forth in IFRS 5 (the balance sheet and income statement for the 2004 period presented in note 31 were therefore restated).

In compliance with IFRS 5 on fixed assets held for sale and discontinued operations, the winding wires business that was sold ("European business") or discontinued ("Italian business") during the period are shown on a single line on the income statement for year 2005 and the 2004 comparative data were restated accordingly. On the consolidated balance sheet as of December 31, 2004, the assets and liabilities related to the "European business" are shown, respectively, on the asset line "Assets and groups of assets held for sale" and on the liability line "Liabilities related to groups of assets held for sale".

As of December 31, 2005, negotiations have begun for the sale of a distribution subsidiary in Switzerland, Elektromateriel, (see note 30) which is part of the Nexans general market business. In compliance with IFRS 5, the balance sheet entries for this component are reclassified on Nexans' consolidated balance sheet as of December 31, 2005 with the components for the businesses sold or discontinued on two lines, one for assets and one for liabilities. Since this transaction does not satisfy the criteria for separate presentation on the income statement as defined by IFRS 5, Elektromateriel's net income is included line by line on the Group's income statement under continuing activities.

a | Balance sheet

as of December 31, in millions of euros	2005	2004
Tangible and intangible fixed assets	29	43
Inventories and work in progress, net	21	41
Trade receivables and other assets	31	51
Assets from discontinued operations	81	135
Other assets held for sale	–	–
Total assets and groups of assets held for sale	81	135
Accrued pension and retirement obligations	–	7
Provisions	1	5
Financial debt	1	8
Trade payables and related accounts	11	27
Other liabilities	26	18
Liabilities related to groups of assets held for sale	39	65

b | Income statement for discontinued operations

The income statement for discontinued operations for years 2004 and 2005 is as follows:

in millions of euros	Year 2005	Year 2004
Net sales (after adding back sales to the discontinued businesses)	146	169
Net sales at constant metal price	131	156
Operating margin	(2)	5
Restructuring costs, impairment, change in fair value of financial instruments on non-ferrous metals	(37)	–
Cost of financial debt	(1)	–
Income before taxes	(40)	4
Income taxes	–	–
Income after tax from discontinued operations or held for sale	(40)	5
Post-tax gain or loss from disposal of discontinued operations	(6)	–
Net income	(46)	5

c | Change in cash flows of discontinued operations

in millions of euros	Year 2005	Year 2004
Cash flow from operations (1)	(9)	11
Net change in current assets and liabilities (2)	19	(11)
Net cash from investing activities (3)	(3)	–
Net cash from financing activities (4)	(7)	–
Impact of change in scope of discontinued activities (5)	3	
Increase / (decrease) in cash from discontinued operations (1)+(2)+(3)+(4)+(5)	3	–

Note 9 Income tax

a | Analysis of income tax charge

in millions of euros	2005	2004
Current income tax charge	(46)	(25)
Deferred income tax (charge) credit, net*	20	7
Income tax charge	(26)	(19)

* Including deferred tax assets on losses carried forward activated based on cash flow projections (mainly in France and Germany): 19 million euros as of December 31, 2005 and 15 million euros as of December 31, 2004.

b | Effective income tax rate

The effective income tax rate is as follows:

in millions of euros	2005	2004
Income before taxes	189	78
Tax rate applicable in France (%)	34.43%	34.43%
Expected tax (charge) / gain	(65)	(27)
Impact of:		
– difference in tax rates of foreign countries	8	5
– net recognition of deferred tax assets for tax losses	20	(2)
– tax credits	1	3
– non-taxable capital gains and losses	9	–
– other permanent differences	10	2
Actual income tax gain (charge)	(26)	(19)
Effective tax rate	13.78%	24.35%

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

c | Deferred tax shown on the consolidated balance sheet

Deferred tax is presented by type of timing differences in the following table:

in millions of euros	December 2004	December 2004 after IAS 32-39	Impact on net income	Impact on equity	Currency translation adjustments	Business combinations	Other	December 2005
Tangible and intangible fixed assets	31	31	1	–	0	(1)	–	30
Inventories	17	17	11	–	1	(1)	(4)	24
Provisions	(38)	(38)	(7)	–	(0)	–	0	(45)
Other timing differences	(10)	(12)	8	–	(0)	(1)	16	11
Tax losses carried forward	417	417	10	–	(1)	–	(5)	422
Deferred tax assets (gross) and deferred tax liabilities	416	415	23	–	(0)	(3)	7	442
Unrecognized deferred tax assets	(382)	(396)	(3)	–	0	–	–	(399)
Net deferred tax assets	34	19	20	–	(0)	(3)	7	43
of which recognized deferred tax assets	66	51						76
of which deferred tax liabilities	(32)	(32)						(33)

Deferred tax assets on losses carried forward are recognized for 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 399 and 382 million euros at December 31, 2005 and 2004, respectively. These deferred tax assets include primarily the tax losses carried forward, mentioned in Note d below.

d | Tax losses carried forward

Tax losses carried forward and not yet utilized represented a potential tax saving of 422 million euros at December 31, 2005 (417 million euros at December 31, 2004), including 279 million euros relating to the German subsidiaries (269 million euros at December 31, 2004) and 76 millions relating to the French subsidiaries (81 million euros at December 31, 2004). The business plans updated during the course of 2005 resulted in the deferred tax asset recognized in respect of tax losses carried forward being increased from 35 to 53 million euros, including 16 million euros for the German subsidiaries (unchanged from the prior year) and 14 to 25 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	2005	2004 after IAS 32-39	2004
Year N+1	30	17	17
Year N+2 to N+4	52	64	64
Year N+5 and following years	340	336	336
Total	422	417	417
Of which recognized deferred tax assets on losses carried forward	53	35	50

Note 10 Earnings per share

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 share equivalents having a dilutive effect. Net income is adjusted for after-tax interest expense relating to convertible or redeemable bonds. The dilutive effects of stock option or stock purchase plans are calculated using the "treasury stock method", which provides that proceeds to be received from exercise or purchase are assumed to be applied first to purchase shares at market price. The dilutive effects of bonds that are convertible and/or redeemable for shares (OCEANE) are calculated on the assumption that the bonds will be systematically converted or redeemed for shares (the "if converted method").

The following table presents a reconciliation of net earnings per share and diluted earnings per share:

	2005	2004
Net income (in millions of euros)	108	58
Impact on interest expense (OCEANE)	5	1
Net income corrected (in millions of euros)	113	59
Average number of shares	21,146,263	20,946,828
Average number of convertible bonds (OCEANE)	3,552,632	1,650,130
Average number of stock options	712,570	567,304
Average number of diluted shares	25,411,465	23,164,262
Net income from continuing operations per share (in euros)		
– basic earnings per share	7.30	2.53
– diluted earnings per share	6.36	2.33
Net income from discontinued operations (in euros)		
– basic earnings per share	(2.18)	0.24
– diluted earnings per share	(1.89)	0.22
Net income, Group share (in euros)		
– basic earnings per share	5.12	2.77
– diluted earnings per share	4.46	2.55

Note 11 Goodwill

	Gross	Impairment losses	Book value
January 1, 2004	23	–	23
Business combinations	57	–	57
Disposals	–	–	–
Impairment losses	–	–	–
Currency translation adjustments	(4)	–	(4)
Other movements ⁽¹⁾	1	–	1
December 31, 2004	77	–	77
1 st adoption of IAS 32 and 39 ⁽²⁾	3	–	3
Business combinations	–	–	–
Disposals	–	–	–
Impairment losses	–	–	–
Currency translation adjustments	10	–	10
Other movements ⁽¹⁾	(1)	–	(1)
December 31, 2005	88	–	88

(1) of which classification as assets and groups of assets held for sale (IFRS 5)

(2) puts granted to minority shareholders of the Liban Câbles group (see note 19.e)

In addition to the impact of the first adoption of IAS 32 and IAS 39, the principal changes recorded during the year are related to currency translation adjustments.

In 2004, new goodwill recorded corresponds to the takeover of the Liban Câbles group, the purchase of the Italian company Cabloswiss and the increase in the stake in the Belgian company Euromold (see note 2).

Any goodwill is subject to an impairment test upon any indication of impairment and at least annually applying the methods and assumptions described in notes 1.j, 1.m and 7. No goodwill was impaired in 2004 or 2005. The value in use of the company Liban Câbles calculated on the basis of estimated future operating cash flows is 51 million euros for net assets of 47 million euros (including goodwill of 34 million euros as of December 31, 2005).

Information on acquisitions and disposals carried out during 2005 and 2004:

in millions of euros	Acquisitions		Disposals	
	2005	2004	2005	2004
Acquisition / sale price	2	47	84	
Including portion paid / received in cash and cash equivalents	2	47	84	–
Assets				
Fixed assets	1	18	30	–
Inventories	2	13	39	–
Receivables	5	15	116	–
Cash and cash equivalents	–	4	2	
Other assets	–	2	–	–
Liabilities				
Provisions	1	2	14	–
Financial debt	2	29	37	–
Other liabilities	3	16	81	
Net assets acquired / disposed of	3	4	54	

Note 12 Property, plant and equipment

a | Change in property, plant and equipment, gross

in millions of euros	Gross value				Total
	Land	Buildings	Plant equipment and tools	Other ⁽²⁾	
January 1, 2004	69	636	1,870	440	3,016
Acquisitions	–	12	36	51	99
Disposals	(8)	(24)	(64)	(14)	(110)
Business combinations	3	4	17	–	24
Currency translation adjustments	1	1	(6)	(1)	(5)
Other movements ⁽¹⁾	(2)	(13)	(164)	(85)	(264)
December 31, 2004	62	616	1,689	392	2,759
Acquisitions	–	6	51	68	125
Disposals	–	(2)	(47)	(16)	(65)
Business combinations	–	(5)	1	(2)	(6)
Currency translation adjustments	4	17	61	13	94
Other movements ⁽¹⁾	(11)	(46)	27	(51)	(82)
December 31, 2005	55	585	1,781	404	2,825

(1) including classification as assets and groups of assets held for sale (IFRS 5).

(2) including core exposure inventory of non-ferrous metal (see note 1.n).

Property, plant and equipment acquired under finance leases and long-term rental arrangements account for less than 1% of total property, plant and equipment.

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

in millions of euros	Accumulated depreciation				Total
	Land	Buildings	Plant equipment and tools	Other	
January 1, 2004	8	429	1,407	215	2,059
Depreciation charge	–	18	63	12	93
Impairment losses	–	–	–	–	–
Reversals of impairment losses	–	–	(2)	–	(2)
Write-offs	–	(21)	(23)	(12)	(56)
Business combinations	–	–	–	–	–
Currency translation adjustments	–	1	(2)	–	(2)
Other movements ⁽¹⁾	1	1	(228)	(33)	(258)
December 31, 2004	9	429	1,215	181	1,834
Depreciation charge	–	19	70	10	99
Impairment losses	–	7	7	–	14
Reversals of impairment losses	–	–	(7)	–	(7)
Write-offs	–	–	(35)	(8)	(43)
Business combinations	–	(3)	(2)	(2)	(7)
Currency translation adjustments	–	8	36	4	48
Other movements ⁽¹⁾	–	(44)	(6)	(5)	(55)
December 31, 2005	9	415	1,278	180	1,883

(1) including classification as assets and groups of assets held for sale (IFRS 5).

c | Other information

Firm commitments to purchase property, plant and equipment amounted to 10 million euros as of December 31, 2005 (4 million euros as of December 31, 2004).

Note 13 Investments in associates - Summary financial data

a | Equity value

in millions of euros	Percentage of ownership	2005	2004
Essex Nexans	41%	17	–
Other		1	1
Total		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	2005*	2004
Property, plant and equipment	31	2
Working capital	61	2
Other	(7)	–
Total capital employed	85	4
Net financial debt	40	–
Equity	45	4
Total financing	85	4

Condensed income statement

in millions of euros	2005*	2004
Sales at current metal price	45	5
Operating margin	–	–
Net income	(1)	–

* These elements include the estimated accounts of the company Essex Nexans as of December 31, 2005 (the final accounts were not available as of the date Nexans' financial statements were approved by the Board of Directors); the condensed income statement covers the period from October 21 to December 31, 2005 (see note 8).

Note 14 Other investments (non-current)

in millions of euros	2005	2004
Long-term loans and receivables	16	2
Assets available for sale	22	16
Other	17	17
Total	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 million euros	Carrying value	2005		
		< 1 year	1 to 5 years	> 5 years
Long-term loans and receivables	16	4	12	–
Assets available for sale	22	22	–	–
Other	17	10	7	–
Total	56	37	19	–

The fair value of these financial assets is identical to their carrying value.

Note 15 Inventories and work in progress

in millions of euros	2005	2004
Raw materials and goods	228	178
Industrial work in progress	125	91
Finished products	210	231
Net value	563	500

Note 16 Trade receivables and related accounts

in millions of euros	2005	2004	2004
		after IAS 32-39	
Gross value	1,147	879	749
Depreciation	(42)	(43)	(43)
Net value	1,105	836	706

Certain receivables were sold to a bank for an amount of 135 million euros as of December 31, 2005 (130 million euros as of January 1, 2005). However, the terms of this sale do not qualify them for write-down according to the provisions of IAS 39. As of December 31, 2004, these receivables were written off from assets since IAS 32 and IAS 39 were not applied until January 1, 2005.

Note 17 Other current financial assets

in millions of euros	2005	2004	2004
		after IAS 32-39	
Advances and progress payments	7	6	6
Prepaid expenses	2	2	2
Derivative instruments	47	15	-
Other operational receivables	64	32	32
Other non-operational receivables	14	5	5
Other	23	9	11
Gross value	156	68	56
Depreciation	(1)	(1)	(1)
Net value	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 elements recorded at amortized cost is identical to their carrying value.

Note 18 Cash and cash equivalents

in millions of euros	2005	2004	2004
		after IAS 32-39	
Cash on hand	12	22	22
Commercial paper	105	99	99
Certificates of deposit	–	–	–
Total cash and cash equivalents	117	121	121

In addition to cash on hand, the line "cash and cash equivalents" consists primarily of commercial paper. The market value of these securities is equal to their net book value on the balance sheet.

Note 19 Equity

a | Composition of capital stock

Nexans' capital stock comprises 23,507,322 fully paid in shares (23,189,947 shares as of December 31, 2004), with a nominal value of 1 euro each, of which 99,918 shares carry double voting rights, bringing the number of voting rights to 21,380,041, taking into account the treasury stock held.

b | Distribution

At the Ordinary Annual Shareholders' Meeting, the payment of a dividend of 1 euro per share will be proposed. The aggregate amount of dividends payable will be 23,507,322 euros based on capital stock comprising 23,507,322 shares as of December 31, 2005.

In the event that Nexans still 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. However, the total amount of dividends payable could increase taking into account the number of additional shares that may be created from January 1, 2006 through the date of the Annual Shareholder's Meeting called to approve the distribution of the dividend in the event of the exercise of stock options on the one hand and, on the other hand, the subscription of new shares in the capital increase restricted to the employees resolved upon by the Board of Directors on November 23, 2005, which is to be carried out prior to such Annual Shareholders Meeting.

The Ordinary Annual Shareholders' Meeting held on June 2, 2005, which considered the Company's financial statements for the year ending December 31, 2004, authorized the payment of a dividend of 0.50 euros per share paid out as of June 7, 2005.

The Ordinary Annual Shareholders' Meeting held on June 3, 2004, which considered the Company's financial statements for the year ending December 31, 2003, authorized the payment of a dividend of 0.20 euros per share without tax credit, paid out as of June 7, 2004.

c | Treasury stock

As of December 31, 2005, like as of December 31, 2004 and as of January 1, 2004, Nexans held 2,221,199 of its own shares, for a total acquisition cost of 28.3 million euros, which shares were deducted from equity at the closing date.

d | Stock options

As of December 31, 2005, there were 1,498,650 stock options outstanding, each entitling the holder to subscribe to one share, i.e. 6.4% of the capital stock (1,478,275 options as of December 31, 2004, also entitling subscription of 6.4 % of the capital stock). These options are distributed as follows:

Features of the plans

Grant date	Number of options originally granted	Number of options outstanding at yearend	Exercise price (in euros)	Exercise period
November 16, 2001	531,500	205,000	17.45	From November 16, 2002 (vested at 25% per year) to November 15, 2009
January 18, 2002	5,000	2,000	16.70	From January 18, 2003 (vested at 25% per year) to January 17, 2010
March 13, 2002	8,000	5,750	19.94	From March 13, 2003 (vested at 25% per year) to March 12, 2010
April 04, 2003	644,500	544,650	11.62	From April 4, 2004 (vested at 25% per year) to April 3, 2011
November 16, 2004	403,000	397,250	27.82	From November 16, 2005 (vested at 25% per year) to November 15, 2012
November 23, 2005	344,000	344,000	40.13	From November 23, 2006 (vested at 25% per year) to November 22, 2013
Total	1,936,000	1,498,650		

Changes in the number of options outstanding

	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	1,478,275	17.93
Options granted during the year	344,000	40.13
Options cancelled during the year	(6,250)	13.25
Options exercised during the year	(317,375)	16.76
Options matured during the year	–	–
Options outstanding at the end of the year	1,498,650	23.29
including options exercisable at the end of the year	545,650	16.70

Valuation of options

The assumptions applied to value the options impacting the period's net income are as follows:

Grant date	April 4, 2003	Nov. 16, 2004	Nov. 23, 2005
Share price upon grant (in euros)	11.62	27.82	40.13
Average estimated life of the options	5 years	5 years	5 years
Volatility (%)	35.00%	35.00%	33.00%
No-risk interest rate (%)	3.54%	3.44%	3.04%
Dividend rate (%)	2.00%	1.60%	1.50%
Fair value of the option (in euros)	3.49	8.65	11.75

We note that options granted prior to November 07, 2002 and which had not vested as of January 1, 2005 were not valued and remain unrecognized. This was the case for the first tranche of the plan dated April 04, 2003, which 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 Nexens' share over the last 3 years. They vest by tranche one quarter at a time over four years from the grant date.

The fair value of the options is recorded as a payroll expense on a straight-line basis from the grant date to the end of the vesting period, with a direct offsetting entry in shareholders equity. Therefore, for year 2005, a 2.4 million euros expense was recognized on the IFRS income statement (0.8 million euros in 2004).

e | Puts granted to minority shareholders

Nexens' commitment to buy the shares of the minority shareholders of the group Liban Câbles (7% of the capital stock) is considered as a financial debt under IAS 32. This put is recognized under financial 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 in goodwill.

f | Equity component of the OCEANE

Under IAS 32, the part of the convertible bond (OCEANE) pertaining to the value of the option, is shown on the equity line for an amount of 18 million euros since the OCEANE was issued on July 6, 2004.

Note 20 Pensions and retirement benefits

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

For pension plans offering defined benefits, that 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 2005 and 2004 are as follows:

The rates break down as follows by geographical area (weighted average rates):

	Discount rate	Future salary increase	Expected long-term return on plan assets
2005			
France	4.25%	2.50%	4.50%
Germany	4.25%	2.13%	4.75%
Other Europe	3.40%	2.33%	4.02%
North America	5.16%	4.00%	7.00%
Asia	4.97%	3.97%	3.75%
2004			
France	4.75%	2.25%	5.25%
Germany	4.75%	2.25%	4.75%
Other Europe	3.92%	2.47%	4.61%
North America	5.96%	4.00%	7.00%
Asia	4.97%	3.36%	2.50%

The discount rates applied were obtained by reference to the rate of return on bonds issued by first-rate companies, or, if not available, on bonds issued by the government, with an equivalent maturity for the plans valued.

The expected long-term return rates on plan assets were estimated by reference to the composition of the portfolio and the maturity of the assets.

in millions of euros	2005	2004
Employee benefits costs of the period		
Service cost	(20)	(18)
Interest cost	(35)	(36)
Expected return on plan assets	19	18
Prior service cost	(1)	(0)
Amortization of actuarial gains/(losses)	–	–
Effect of curtailments and settlements	–	–
Supplementary retirement benefits	(1)	–
Net cost for the period	(38)	(36)
of which: Operating costs	(21)	(18)
Financial costs	(17)	(18)
Valuation of benefit obligation		
Present value of benefit obligation at the beginning of the year	822	772
Service cost	20	18
Interest cost	35	36
Contributions of plan's participants	4	7
Amendments	1	–
Business combinations	(19)	–
Curtailments and settlements	(1)	–
Benefits paid	(54)	(51)
Actuarial (gains)/losses	36	37
Other (translation adjustments)	19	3
Present value of benefit obligation at yearend	863	822
Plan assets		
Fair value of plan assets at the beginning of the year	423	401
Expected return on plan assets	19	18
Actuarial gains/(losses)	21	2
Employer contributions	23	19
Employee contributions	4	7
Business combinations	(12)	–
Settlements	–	–
Benefits paid	(27)	(26)
Other (translation adjustments)	14	3
Fair value of plan assets at yearend	464	423
Funded status		
Present value of benefit obligations that are wholly or partly funded	(501)	(464)
Fair value of plan assets	464	423
Funded status of benefit obligations	(37)	(41)
Present value of unfunded benefit obligations	(362)	(358)
Benefit obligations net of plan asset	(399)	(399)
Unrecognized actuarial gains/(losses)	45	29
Unrecognized prior service cost	1	1
Unrecognized surplus (due to limit on assets)	(0)	–
Net (Liabilities)/Assets recognized	(353)	(370)
Changes in provisions		
Net Liabilities/(Assets) recognized at the beginning of the year	370	372
Expense/(Income) recognized in net income	38	36
Utilization	(50)	(43)
Other impacts (translation adjustments, acquisitions/disposals, etc.)	(5)	5
Net Liabilities/(Assets) recognized at yearend *	353	370
* of which amount related to discontinued operations	–	7

The breakdown of the plan assets portfolio is as follows:

	2005		2004	
	in millions of euros	%	in millions of euros	%
Equity securities	142	31%	127	30%
Bonds and other fixed income	220	47%	209	49%
Real estate	42	9%	36	8%
Cash	26	6%	27	6%
Other	35	7%	24	6%
Fair value of plan assets at December 31	464	100%	423	100%

Other retirement plans 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 current expenses. The amount of contributions paid for these plans in 2005 was 6 million euros.

Note 21 Provisions

a | Analysis by nature

in millions of euros	2005	2004
Accrued contract costs	48	51
Provisions for restructuring	30	38
Other provisions	19	19
Total	97	108
Of which current	83	91
Of which non-current	14	18

Changes in these provisions were as follows:

	TOTAL	Accrued contract costs	Provisions for restructuring	Other provisions	Income effect (net of incurred expenses)		
in millions of euros					Op. Margin	Financial	Other
01/01/2004	123	43	40	40			
Increases	64	26	36	3	(28)	-	(36)
Write-backs (provisions used)	(44)	(6)	(34)	(3)			
Write-backs (unused provisions)	(28)	(10)	-	(18)	28	-	-
Business combinations	-	-	-	-			
Other ⁽¹⁾	(7)	(1)	(3)	(3)			
12/31/2004	108	51	38	19	-	-	(36)
Increases	52	20	27	5	(25)	-	(27)
Write-backs (provisions used)	(38)	(5)	(31)	(2)			
Write-backs (unused provisions)	(24)	(16)	(3)	(4)	21	-	3
Business combinations	(3)	(1)	-	(2)			
Other ⁽¹⁾	1	(1)	(1)	3			
12/31/2005	97	48	30	19	(4)	-	(24)

(1) including classification as liabilities related to groups of assets held for sale (IFRS 5).

Accrued contract costs relate primarily to provisions established 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 disputes and contingencies).

Unused provisions are reversed when the risks 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 provisions for expired warranties).

b | Analysis of restructuring costs

in millions of euros	2005	2004
Provisions at the beginning of the year	38	40
Expenses for the period	(31)	(33)
Depreciation and write-offs of assets	(3)	(2)
New plans and adjustments to prior estimates	24	36
Translation adjustments and other movements	3	(3)
Provisions at end of the year	30	38

During year 2005, restructuring costs for which provisions were accrued for primarily relate to staff reductions in Germany, France, the United Kingdom, Italy and Spain.

Restructuring costs in 2004 primarily relate to staff reductions in Germany, Italy, Spain, France and the United States.

Note 22 Net financial debt

a | Analysis by nature

in millions of euros	12/31/2005	01/01/2005 After IAS 32-39	12/31/2004
Convertible bond loan (OCEANE)	117	116	135
Other borrowings	5	14	10
Short-term bank overdrafts	365	283	153
Accrued interest	4	3	3
Gross financial debt	491	416	301
Cash and cash equivalents	117	121	121
(Cash and cash equivalents)/Net financial debt	374	295	180

b | Change in net debt

in millions of euros	Year 2005	Year 2004
Net (debt)/cash at beginning of the year	(180)	(23)
Impact of IAS 32-39	(115)	–
Net increase (decrease) in net debt/cash	(80)	(166)
Impact of discontinued activities (IFRS 5)	1	9
Net (debt)/cash at end of the year	(374)	(180)

c | OCEANE

On July 6, 2004 Nexans launched a convertible bond issue carrying the option to convert and/or swap for new or existing shares (OCEANE) for the nominal value of 135 million euros; the transaction was completed on July 15. The loan is comprised of 3,552,632 million bonds, each with a nominal value of 38 euros, bearing interest at 3.125% and repayable at par on January 1, 2010.

This loan was split as of January 1, 2005, date of the first application of IAS 32 and 39, into a financial debt component and an equity component (corresponding to the value of the option); the liability interest cost is calculated on the basis of an effective interest rate determined based on the market rate excluding the option.

Balance sheet

in millions of euros	12/31/2005	01/01/2005 After IAS 32-39	12/31/2004
Equity component (reserves)	18	18	–
Convertible bond loan (debt component)	117	116	135
Interest accrued on the loan	4	2	2
Financial Debt	121	118	137

Income statement

in millions of euros	Year 2005	Year 2004 After IAS 32-39	Year 2004
Contractual financial interest (paid)	(4)	(2)	(2)
Supplementary financial interest calculated at rate excluding the option	(4)	(2)	–
Total financial expense	(8)	(4)	(2)

d | Analysis by currency and interest rate

Non-current financial debt

	Weighted average EIR* (%)		In millions of euros	
	2005	2004	2005	2004
Euro (OCEANE)	3.13	3.13	116	135
Euro (excluding OCEANE)	4.51	4.30	4	6
US dollar	5.35	4.50	2	4
Other	–	15.30	–	1
Total	3.19	3.27	122	145

* Effective interest rate.

Current financial debt

	Weighted average EIR* (%)		In millions of euros	
	2005	2004	2005	2004
Euro	2.60	2.64	320	123
US dollar**	5.28	3.58	7	9
Other	5.92	9.48	42	25
Total	3.03	3.77	369	156

* Effective interest rate.

** The U.S. dollar debt concerns subsidiaries located in the Middle East and in Asia.

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

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

e | Other information

At December 31, 2005, Nexans and its subsidiaries had unused confirmed five-year credit lines amounting to 450 million euros (from yearend 2004), with the possibility of an extension of the maturity date for up to seven years.

The syndicated loan agreement is subject to the traditional obligations (negative pledge, pari-passu, cross default) and to covenants in terms of financial ratios (net debt/EBITDA <2.5, and net debt/equity including minority interests <1). As of December 31, 2005, and as of the date the Board of Directors approved the financial statements, 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.

f | Fair value of the gross financial liabilities

The Group's fixed-rate debt primarily comprises the liability component of the OCEANE, which fair value as of December 31, 2005 was 119 million euros for a carrying value of 117 million euros.

g | Secured borrowings granted

Pledges given by the Group to secure bonds were 15 million euros as of December 31, 2005 (26 million euros as of December 31, 2004).

Note 23 Other current financial liabilities

in millions of euros	2005	2005	2004
		After IAS 32-39	
Derivative instruments	9	4	–
Other operational liabilities	235	204	204
Other non-operational liabilities	59	39	44
Other	5	5	5
Total	308	252	253

The line "Other current financial liabilities" includes other operational and non-operational 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 value.

Note 24 Market risks

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

The Group also uses forward contracts executed primarily on the London Metal Exchange (LME) in order to reduce its exposure to market fluctuations on its copper and aluminum positions.

a | Rate risk

Nexans pays close attention to the trend of interest rates in order to implement, as the case may be, the appropriate hedging instruments.

As of December 31, 2005, Nexans did not use any instrument to hedge interest rate risk.

Nexans' debt repayable in less than one year represents more than 72% of the gross debt; it is at a revisable rate and based on monetary indices (see note 22).

b | Currency risk

Nexans hedges its exchange rate risk related to foreseeable contractual trade cash flows and certain budgeted cash flows.

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 the Central Treasury for the centralized subsidiaries or with their local banks for the other subsidiaries.

The fair values and notional amounts of derivative instruments intended to hedge exchange rate risk are presented in note 25.

c | Metal price risk

While copper and aluminum prices are particularly volatile, Nexans believes that its gross operating margin is lightly exposed to these prices, considering the dual effect of passing along any rise in the price of non-ferrous metals to customers and the implementation of forward hedges (see note 25) on the regulated metals markets (LME, COMEX and SHFE). Nexans' margins are nonetheless exposed to fluctuations of copper prices for certain product lines such as copper cables for the cabling system business and products of the Building industry. For these markets, price rises are generally passed along to sale prices, but with a time lag which generates some pressure on margins. The stiff competition in these markets may also influence the timing of passing along price rises.

However, fluctuations in copper and aluminum prices have a significant impact on the financial debt, since a rise in copper prices implies an increase in working capital.

Note 25 Derivative instruments

a | Fair value

The value of derivative instruments used by the Group to hedge foreign exchange rate risk and the risk associated with the fluctuation of non-ferrous metal prices is presented in the following table:

in millions of euros	12/31/2005	01/01/2005 After IAS 32:39
Assets		
Foreign exchange derivatives - Hedging	–	6
Foreign exchange derivatives - Trading	2	–
Metal derivatives - Trading	44	9
Sub-total assets	47	15
Liabilities		
Foreign exchange derivatives - Hedging	8	2
Foreign exchange derivatives - Trading	1	2
Metal derivatives - Trading	–	–
Sub-total liabilities	9	4

These amounts are included on the lines "Other current financial assets" and "Other current financial liabilities" on the consolidated balance sheet since January 1, 2005.

b | Notional amount

The notional amount of the derivatives contracts is split by currency as follows:

in millions of euros	USD	NOK	2005 EUR	Other	Total	2004 Total
Assets						
Foreign exchange derivatives - Cash flow hedge	114	125	–	14	253	247
Foreign exchange derivatives - Trading	120	–	–	1	120	1
Metal derivatives - Trading	156	–	91	12	259	134
Sub-total assets	390	125	91	26	632	383
Liabilities						
Foreign exchange derivatives - Cash flow hedge	370	23	–	108	502	427
Foreign exchange derivatives - Trading	37	–	–	11	48	–
Metal derivatives - Trading	7	–	–	4	10	59
Sub-total liabilities	414	23	–	123	560	486

Note 26 Operating lease

Rental expenses due on non-cancellable leases are as follows:

in millions of euros	Total	Payments due by maturity		
		less than 1 year	1 to 5 years	Over 5 years
as of December 31, 2005	53	27	26	–
as of December 31, 2004	52	16	29	7

Note 27 Related party transactions

Related party transactions are primarily related to trade or financial transactions executed with associates, non-consolidated companies and Management (whose total compensation is presented in a specific table (see c)).

The main items affected are as follows:

a | Income statement

in millions of euros	2005	2004
Revenues		
- Non-consolidated subsidiaries	13	19
- Joint ventures	-	-
- Associates	-	-
Cost of sales		
- Non-consolidated subsidiaries	(4)	(3)
- Joint ventures	-	-
- Associates	-	-

b | Balance sheet

in millions of euros	2005	2004
Assets		
- Non-consolidated subsidiaries	4	5
- Joint ventures	-	-
- Associates	-	1
Financial debt / (financial receivables)		
- Non-consolidated subsidiaries	(7)	(8)
- Joint ventures	-	-
- Associates	(11)	-
Other liabilities		
- Non-consolidated subsidiaries	1	2
- Joint ventures	-	-
- Associates	-	-

c | Management compensation

(Nexans' Directors and members of the Executive Committee)

in millions of euros	2005	2004
Compensation as Chairman of the Board	0.8	0.8
Directors' fees	0.3	0.3
Compensation under labor contract	2.3	2.2
Bonuses, voluntary and mandatory profit sharing	2.4	1.9
Benefits in kind	–	–
Stock options	1.5	0.4
Termination benefits	2.4	–
Accruals for pension obligations	2.1	2.4
Total compensation	11.8	8.0

Note 28 Contingencies

There are a certain number of disputes arising from the Group's business that Management believes will not have a significant impact on the Group's income beyond the provisions funded, given the availability of insurance coverage, the probability of judgment being entered against Nexans and the amount of the claims.

Contingencies giving rise to the funding of provisions

The most significant ongoing disputes that have given rise to the funding 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 non-compliant. All the cables already installed were removed and replaced. Damages claimed by the client now amount to approximately 36 million euros, which amount is 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 contingency on its financial statements as of December 31, 2003, 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 on its December 31, 2004 financial statements.

Contingencies in connection with disputes, proceedings and contractual guarantees

There are three cases for which either it has been decided not to make any provisions or in respect of which the information

available does not allow any evaluation to be made with respect to the probability of claims actually being made or of the amounts involved. Nevertheless there is a risk that these claims may have a significant impact on the accounts in the future.

In Norway, the company Kvaerner, a competitor, filed a suit in March 2005 against Nexans Norway based on an alleged infringement of a patent involving umbilical cables. It is claiming 310 million NOK (i.e., approximately 39 million euros) for damages and interest. At this stage, Nexans believes that this claim is baseless and it therefore intends to defend itself vigorously.

Two other proceedings involving the competition authorities should be mentioned:

- 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 an investigation in 2003 into contracts awarded by EDF for the supply of high-voltage cables.
- In Germany, the Bundeskartellamt (German Competition Authority) also started an investigation in 2003 into practices in the cable industry.

No official notification of a complaint has been received for these two matters and no provision has been recorded by the Group. However, in view of the very limited information available relating to these matters, Nexans is unable to predict how they may evolve or what their impact may be on Nexans' income or operations.

Although it is not yet possible to ascertain the impact of these claims, Nexans currently does not consider that they will have a significant impact on its consolidated financial position. However, it is unable to guarantee this.

In addition, Group companies have made commitments to banks and other third parties, particularly financial institutions. These institutions have issued guarantees or performance bonds in favor of customers and guarantees to secure advances received from customers (346 and 259 million euros, respectively, as of December 31, 2005 and 2004). Generally speaking, Group companies give guarantees to customers with respect to the quality of the

products sold, as well as guarantees with respect to liabilities given to acquirers of businesses 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 occurrences such as delay in delivery or litigation on the underlying contracts, the estimated risk is provisioned (see note 21).

Note 29 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	97.96%	97.96%	
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%	
Essex Nexans	Electrical wires	41%	41%	Equity basis
Belgium				
Nexans Benelux	Energy	100%	100%	
Nexans Harnesses	Energy	100%	100%	
Nexans Cabling Solutions NV	Telecom	100%	100%	
Euromold NV	Energy	100%	100%	
Opticable SA NV	Telecom	75.00%	75.00%	
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%	
Metrofunkabel 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%	

Companies by country	Principal activities	Percentage of control	Percentage of interest	Consolidation method*
Electro-Materiel SA	Distribution	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%	
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 Magnet Wire USA Inc	Electrical wires	100%	100%	
Nexans Energy USA Inc	Energy	100%	100%	
Nexans Inc	Telecom	100%	100%	
Africa & Middle-East				
Liban Câbles SAL	Energy and Telecom	93%	93%	
International Cables Company Ltd	Energy and Telecom	95%	88,35%	
Nexans Maroc**	Energy	73.63%	73.63%	
Sirmel	Distribution	80.00%	58.90%	
Asia				
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	92.52%	92.52%	
Kukdong Electric Wire Co. Ltd**	Energy and Telecom	55.99%	55.99%	
Daeyoung Cable	Energy and Telecom	92.52%	92.52%	
Daesung Vietnam Power Cable Co	Energy	59.05%	54.63%	
Vina Daesung Cable Co	Telecom	54.80%	50.70%	
Nanning Huasun Cables Ltd Co	Telecom	36%	33.31%	Equity basis
Shanghai Investment Serv. Co. Ltd.	Energy and Telecom	100%	100%	

* The companies are fully consolidated except if specified.

** Companies listed on a stock exchange.

Note 30 Post-closing events

On February 1, 2006 Nexans sold its distribution business in Switzerland (Electro-Matériel SA) to Rexel, for an enterprise value of 206 million euros. Electro-Matériel SA is a leader in the distribution of electrical products and appliances in Switzerland. In 2005, Electro-Matériel SA had sales of 189 million euros, EBITDA (before contribution to central costs) of 21.3 million euros and an operating margin (on the same basis) of more than 18 million euros. As of December 31, 2005, it employed 383 people. By selling Electro-Matériel, Nexans will record a capital gain in the first half of 2006 of approximately 150 million euros.

In January 2006, Nexans acquired 100% of the shares in the Confecta Group, one of the main international specialists in high added value cable harnesses for the railway industry. The Confecta group was previously been held by four individual shareholders. Established in Europe, with consolidated annual sales of approximately 20 million euros and employing approximately 180 people, the Confecta Group comprises six companies: Confecta Holding, Confecta AG, Confecta Verbindungstechnik and Confecta Fiberoptic in Switzerland, Confecta GmbH in Germany and Confecta S.A.S in France. This transaction was approved by the German Competition Authorities on January 23, 2006.

Nexans has signed of an agreement for the setting up of a joint venture in Vietnam, to be controlled 60% by Nexans. The Vietnamese Nhat Linh Company Ltd and its subsidiary LIOA Wire & Cable will own 40% of this joint venture to which they will contribute their cable activities (approximately 10 million euros of sales) dedicated to energy networks, equipment cables and industrial cables. The deal is subject to the authorization of the Vietnamese authorities consulted in late 2005.

Note 31 Impact of the transition to IFRS on the consolidated financial statements

The impact of the transition to IFRS is presented below:

- Reminder of options for first-time adoption
- Description of the impacts of the first-time adoption as of January 1, 2005 under IAS 32 and IAS 39 on Financial instruments
- Summary of the impact of IFRS on equity as of January 1 and December 31, 2004;
- Reconciliation, in the IFRS format of the financial statements, between the consolidated financial statements under French GAAP and the consolidated financial statements under IFRS:

- The balance sheet as of the IFRS transition date, i.e., January 1, 2004;
- The balance sheet as of December 31, 2004;
- The income statement for the 2004 financial year.

The differences with respect to the adoption of IFRS as of January 1, 2004 were discussed in a full note accompanying the Group's 2004 Annual Report.

The IFRS transition financial statements presented in this note have been restated to take into account the end of the negotiations related to the sale of Nexans' winding wires business in China to Superior Essex. This resulted in no longer being able to present separately this business on the balance sheet and income statement (see note 8).

a | First-time application options

IFRS 1 "First-time adoption of International Financial Reporting Standards" allows first-time adopter to, in certain cases, depart from the retroactive nature of applying IFRS. The Group examined all available treatments and opted for the following:

Business combinations

Pursuant to IFRS 1, the Group did not review the calculations of goodwill performed upon acquisitions prior to January 1, 2004 (for reference, the Group has applied the purchase method to all takeovers since its 2001 listing).

Translation differences

The Group elected to make use of the option in IFRS 1 allowing for the reclassification in reserves, of translation differences as of December 31, 2003, arising from the translation into euros of the accounts of foreign subsidiaries.

Fixed assets held for sale and discontinued operations

The provisions of IFRS 5 were adopted by anticipation as of January 1, 2004.

Property, plant and equipment

Upon first-time adoption of IAS 16, property, plant and equipment were not revalued at fair value.

Employee benefits

In compliance with IFRS 1, the Group opted to record in equity the deferred actuarial gains and losses on its balance sheet as of December 31, 2003.

For actuarial gains and losses arising after January 1, 2004, the Group will continue to apply the "corridor" method.

Share-based payments

Only stock option plans issued after November 7, 2002 with rights to exercise options that had not yet vested as of January 1, 2005, were booked according to IFRS 2.

Financial instruments

IAS 32 "Financial instruments: disclosure and presentation" and IAS 39 "Financial instruments: recognition and measurement" were applied as of January 1, 2005, without restating the 2004 financial statements, in compliance with the option offered by IFRS 1, in view of the delay in publication of these standards.

b | Adoption as of January 1, 2005 under IAS 32 and IAS 39 on Financial instruments

Nexans opted not to adopt IAS 32 "Financial instruments: disclosure and presentation" and IAS 39 "Financial instruments: recognition and measurement" until January 1, 2005, without restating the financial statements for the 2004 financial year.

The main consequences of the application of these two standards based on the principles applied by the Group are as follows:

- Hedging of non-ferrous metals (mainly copper and aluminum): the systematic hedging of this risk, considered to be macro hedging (hedging of net positions, part of which includes estimated flows), does not qualify for hedge accounting under IAS 39. Accordingly, as of January 1, 2005, changes in the fair value of derivatives (forward purchases and sales of metal on the LME) are recorded in income, notwithstanding the changes in fair value of the risks hedged in the underlying commercial contracts. This restatement is presented on the line "Fair value change on non-ferrous metal derivatives" specifically created on the consolidated income statement.
- Hedging transactions undertaken to limit the Group's exposure to fluctuations in currency rates:
 - on commercial contracts are recorded using the cash flow hedge method;
 - on tenders and on non-ferrous metals forward contracts in foreign currency are recorded as trading transactions.
- The 135 million euro convertible bond loan (OCEANE) issued in July 2004 was split as of January 1, 2005 into a financial debt component (117 million euros) and an equity component (18 million euros), corresponding to the value of the option. The interest cost recorded is calculated based on a market interest rate excluding the option.
- Sales of receivables carried out as of January 1, 2005 were once again included in the balance sheet, which resulted in a 130 million euro increase in the Group's financial debt and trade receivables.

- Nexans' commitment to buy the shares of the minority shareholders of the group Liban Câbles (7% of the capital stock) is considered as a financial debt under IAS 32. The restatement of this put resulted in the recognition of a financial debt in the amount of 4 million euros as of January 1, 2005, the offsetting entry being the minority interest line. The 3 million euro balance is recognized in goodwill.

c | Changes in the presentation of the consolidated financial statements

IAS 1 "Presentation of the financial statements" and IAS 7 "Cash flow statement" gave rise to modifications to the presentation of the consolidated financial statements.

Presentation of the consolidated balance sheet

The distinction as per IAS 1 between current and non-current items in the balance sheet under IFRS does not correspond to the presentation under French GAAP based on the nature and/or liquidity of assets and liabilities. The balance sheet presentation was thus altered as a result. Assets and liabilities associated with the operating cycle and those with a maturity of less than 12 months as of the closing date are classified as current; all other assets and liabilities are classified as non-current. The application of IAS 1 also results in including minority interests in equity, while the breakdown of the Group's share and minority interests is still specified.

Presentation of the consolidated income statement

Under IAS 1, profit from operating activities includes extraordinary and non-recurring items such as gains or losses on asset disposals (gain of 9 million euros in 2004) and restructuring costs (36 million euros in 2004).

The Group's operating performance will now be measured using a new aggregate called "Operating Margin", which includes the same items as the old "Income from operations", as it existed under French GAAP.

The impacts of IAS 1 on the presentation of the income statement are shown in the form of footnotes in the French GAAP - IFRS income statement reconciliation statement (note g | below).

Presentation of the consolidated cash flow statement

IAS 7 "Cash flow statements" is intended to analyze the change in the net cash position, whereas the Group previously analyzed the change in net debt, considered to be more representative of the Group's financial condition. The change in net debt will thus continue to be presented in parallel.

Most of the IFRS restatements do not have any impact on the Group's cash flows (adjustments to record fair value changes of assets and liabilities, with no cash impact).

d | Summary of the impact on consolidated equity

A reconciliation of equity (Group share) and net income (Group share) as published under French GAAP and equity (Group share) and net income (Group share) adjusted for the impact of the application of IFRS as of January 1, 2004 and as of January 1, 2005 (for IAS 32 and IAS 39) is presented below:

in millions of euros	Equity as of 1/01/2004	Net income	Other (dividends, etc.)	Cumulative translation adjustments	Equity as of 31/12/2004	Equity as of 1/01/2005
Equity - Group share published under French GAAP	934	57	(5)	(4)	982	982
Pension and other employee benefits (IAS 19)	(115)	-		(1)	(116)	(116)
Scope of consolidation (IAS 27)	3	-		1	4	4
Amortization of goodwill (IFRS 3)	-	3			3	3
Inventories (IAS 2)	1	(2)			(1)	(1)
Share-based payments (IFRS 2)	-	(1)			(1)	(1)
Other restatements	-	-			-	-
First-time adoption of IAS 32 and 39						
OCEANE					-	19
Put option					-	(1)
Other (foreign exchange hedging, trading metals, etc.)					-	13
Total restatements before income tax and minority interests	(111)	-	-	-	(111)	(80)
Tax effect of above IFRS restatements	27	1			28	13
Minority interests	-	-			-	(1)
IFRS Equity - Group share	850	58	(5)	(4)	899	916

e | Reconciliation of consolidated balance sheet as of January 1, 2004 (date of the transition to IFRS)

in millions of euros	01/01/2004 (French GAAP) in IFRS format	IAS 19 Employee benefits	IAS 27 Scope of consolidation	IFRS 3 Business combinations	IAS 11 Construction contracts	IAS 2 Inven- tories	IFRS 2 Share- based payments	IAS 12 Income taxes	Other	01/01/2004 (IFRS)
Goodwill	23								0,0	23
Intangible assets	4								(0)	4
Property, plant and equipment	784		0			151			0	956
Investment in associates	3		21						0	3
Other investments	65		(23)						0	42
Deferred tax assets	103	11				(0)		(53)	0	61
Other non-current assets	0								0	0
NON-CURRENT ASSETS	982	11	(2)	0	0	151	0	(53)	0	1,089
Inventories and work in progress	556		0		(8)	(143)			(0)	405
Amounts due from customers on construction contracts	0				19				0	19
Trade receivables and related accounts	744		0		(16)				0	728
Other current financial assets	67		1		(0)				0	68
Cash and cash equivalents	104		(0)						0	104
CURRENT ASSETS	1,471	0	1	0	(5)	(143)	0	0	0	1,325
Assets and groups of assets held for sale	0								0	0
TOTAL ASSETS	2,453	11	(1)	0	(5)	8	0	(53)	0	2,413
Capital stock	23								0	23
Additional paid-in capital	1,014								0	1,014
Treasury stock	(28)								0	(28)
Retained earnings	(48)	(88)	3			1	(0)		(28)	(160)
Cumulative translation adjustments	(28)		0						28	(0)
Net income, Group share	1								0	1
Equity - Group share	934	(88)	3	0	0	1	0	0	0	850
Minority interests	103								(0)	103
TOTAL EQUITY	1,037	(88)	3	0	0	1	0	0	(0)	953
Accrued pension and retirement obligations	260	115							(2)	372
Provisions	13								(0)	13
Convertible bonds	0								0	0
Other long-term financial debt	9								0	9
Deferred tax liabilities	91	(16)				(0)		(53)	(0)	22
Other non-current payables	0								0	0
NON-CURRENT LIABILITIES	373	99	0	0	0	(0)	0	(53)	(2)	417
Provisions	115		(0)		(5)				(0)	110
Other current financial debt	117								(0)	117
Customers' deposits and advances	51				(26)				(0)	25
Amounts due to customers on construction contracts	0		(6)		37				0	37
Trade payables and related accounts	463				(12)	0			2	447
Other current financial liabilities	296		2		1	7			1	307
CURRENT LIABILITIES	1,043	0	(4)	0	(5)	7	0	0	3	1,044
Liabilities related to groups of assets held for sale	0								0	0
TOTAL LIABILITIES AND EQUITY	2,453	11	(1)	0	(5)	8	0	(53)	0	2,413

f | Reconciliation of consolidated balance sheet as of December 31, 2004 and as of January 1, 2005

	31/12/2004 (French GAAP) in IFRS format	IAS 19 Employee benefits	IAS 27 Scope of consolidation	IFRS 3 Business combinations	IAS 11 Construction contracts	IAS 2 Inven- tories	IFRS 2 Share- based payments	IAS 12 Income taxes	IFRS 5 Discontinued operations	Other	31/12/2004 (IFRS, before IAS 32-39)	IAS 32-39 Financial instruments	1/01/2005 (after IAS 32-39)
Goodwill	74			3					0	(0)	77	3	80
Intangible assets	8								(0)	(0)	7		7
Property, plant and equipment	796	0	23	0	0	149	0	0	(43)	0	925		925
Investment in associates	1		(23)						(0)	0	1		1
Other investments	59	11				1		(59)	(0)	0	35		35
Deferred tax assets	114								(1)	(1)	66	(15)	51
Other non-current assets	0								0	0	0		0
NON-CURRENT ASSETS	1,052	11	(0)	3	0	150	0	(59)	(43)	(1)	1,112	(12)	1,100
Inventories and work in progress	678		(0)		(10)	(127)		0	(41)	(0)	500		500
Amounts due from customers	0				27				0	0	27		27
on construction contracts					(23)				(62)	0	706	130	836
Trade receivables and related accounts	791		0						0	0	51		51
Current tax receivables	51				(2)	(7)			11	(2)	55	12	67
Other current financial assets	54		1						(0)	(0)	121		121
Cash and cash equivalents	121		0	0	(8)	(134)	0	0	(92)	(2)	1,461	142	1,603
CURRENT ASSETS	1,696	0	1	0	(8)	(134)	0	0	(92)	(2)	1,461	142	1,603
Assets and groups of assets held for sale	0		0						135	0	135		135
TOTAL ASSETS	2,748	11	1	3	(8)	16	0	(59)	0	(3)	2,707	130	2,837
Capital stock	23								0	0	23		23
Additional paid-in capital	1,014								0	0	1,014		1,014
Treasury stock	(28)								0	0	(28)		(28)
Retained earnings	(52)	(88)	3			1	1		(29)	(29)	(164)	17	(147)
Cumulative translation adjustments	(32)	(1)	1						28	28	(4)		(4)
Net income, Group share	57	(0)	0	3		(1)	(1)		0	0	58		58
Equity - Group share	982	(89)	4	3	0	(0)	0	0	0	(1)	899	17	916
Minority interests	71								0	0	71	(1)	70
TOTAL EQUITY	1,053	(89)	4	3	0	(0)	0	0	0	(1)	970	16	986
Accrued pension and retirement obligations	253	117	0						(7)	(0)	363		363
Provisions	21								(3)	(3)	18		18
Convertible bonds	135								0	0	135	(19)	116
Other long-term financial debt	11	(17)	0	0				(59)	(1)	(0)	10	4	14
Deferred tax liabilities	108		0						0	(0)	32		32
Other non-current payables	0		0						(0)	0	(0)		(0)
NON-CURRENT LIABILITIES	528	100	0	0	0	0	0	(59)	(8)	(3)	558	(15)	543
Provisions	99		(0)		(4)				(4)	1	91		91
Other current financial debt	164				(30)				(7)	(0)	156	130	286
Customers' deposits and advances	46								0	0	16		16
Amounts due to customers on construction contracts	0				36				0	0	36		36
Trade payables and related accounts	549		(6)		(10)				(27)	0	505		505
Current tax payables	58		0						0	0	58		58
Other current financial liabilities	251		3		1	16			(18)	(1)	253	(1)	252
CURRENT LIABILITIES	1,167	0	(3)	0	(8)	16	0	0	(57)	1	1,115	129	1,243
Liabilities related to groups of assets held for sale	0		0						65	0	65		65
TOTAL LIABILITIES AND EQUITY	2,748	11	1	3	(8)	16	0	(59)	0	(3)	2,707	130	2,837

g | Reconciliation of the income statement for the financial year 2004

	Notes	2004 (French GAAP in IFRS format)	IAS 19 Employee benefits	IAS 27 Scope of consolidation	IFRS 3 Business combinations	IAS 11 Construction contracts	IAS 2 Inv- tories	IFRS 2 Share-based payments	IAS 12 Income tax	IFRS 5 Discontinued operations	2004 (IFRS)
in millions of euros											
Net sales		4,900		1		0				(169)	4,732
Metal price effect		(740)		0						13	(727)
Net sales at constant metal price		4,159		1		0	0	0	0	(156)	4,005
Cost of sales		(3,584)	0	4	0	(0)	(2)	0	0	132	(3,449)
Gross profit		576	2	5	0	0	(2)	0	0	(24)	556
Administrative and selling expenses		(394)	3	(2)				(1)		17	(377)
R&D costs		(47)	0	(2)						2	(47)
Operating margin	A	135	5	1	0	0	(2)	(1)	0	(5)	133
Fair value change on non-ferrous metal derivatives	E	0	0	0						0	0
Gains or losses on disposal of assets	B	9	0	0						(0)	8
Restructuring costs		(36)	0	0						0	(36)
Asset impairment losses and reversal for negative goodwill	C	4			3					0	7
Cost of financial debt (gross)	D	(19)		0						0	(19)
Income from cash and cash equivalents	D	6		(1)						(0)	5
Other financial expenses	D	(17)	(5)	0						0	(22)
Share in net income of associates		(0)		0						0	(0)
Income before taxes	F	82	(0)	0	3	0	(2)	(1)	0	(4)	77
Income taxes		(20)	0	(0)			1			(0)	(19)
Net income from continuing operations	G	62	(0)	0	3	0	(1)	(1)	0	(5)	58
Net income from discontinued operations	G	0	0	0	0	0	0	0	0	5	5
Consolidated net income		62	(0)	0	3	0	(1)	(1)	0	0	63
Of which Group share		57	(0)	0	3	0	(1)	(1)	0	0	58
Of which minority interests		5		0						0	5
Net income from continuing operations per share (in euros)											
– Basic earnings per share		2.71									2.53
– Diluted earnings per share		2.51									2.33
Net income from discontinued operations (in euros)											
– Basic earnings per share		–									0.24
– Diluted earnings per share		–									0.22
Net income, Group share (in euros)											
– Basic earnings per share		2.71									2.77
– Diluted earnings per share		2.51									2.55

Reclassifications done between the income statement published under French GAAP and the IFRS format:

A) "Income from operations" is relabeled "Operating margin".

B) This line was previously labeled "Other revenue (expense)".

C) This line includes asset impairment losses (IAS 36), including impairment of goodwill (formerly presented under income after tax) net of reversal for negative goodwill in income.

D) The "Financial income" is now split in 3 items: "cost of financial debt (gross)", "income from cash and cash equivalents" and "other financial expenses".

E) Addition of a line "Fair value change on non ferrous metal derivatives", which will be used from 2005 for the purposes of IAS 32 and IAS 39 to record the marked-to-market of non-ferrous metal hedging instruments.

F) This sum now includes the impact of goodwill and the share in net income of associates.

G) "Net income from continuing operations" corresponds to consolidated net income before inclusion of expenses and income relating to discontinued operations, which are presented in a separate line pursuant to IFRS 5.

STATUTORY AUDITORS' REPORT *

On the consolidated financial statements for the period ended December 31, 2005

To the Shareholders,

In accordance with our appointment by your General Meetings, we have audited the accompanying consolidated financial statements of Nexans for the period ended December 31, 2005. 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. For the first time, these statements were prepared in compliance with IFRS, as adopted by the European Union. For purposes of comparison, they include data on financial year 2004 restated according to IFRS except for IAS 32 and IAS 39 which, pursuant to the option offered by IFRS 1, were not adopted by the company until January 1, 2005.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with the auditing standards generally accepted 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 persons and entities included in the consolidation in accordance with IFRS as adopted by the European Union.

2. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we draw to your attention the following matters:

Impairment of assets

During the last quarter of each period, your Company performs an impairment test on goodwill and also performs a review to determine if there is any indication of an impairment of non-current assets, as described in note 1 m) to the financial statements. We have reviewed how these impairment tests are carried out as well as the cash flow forecasts and assumptions used and we verified that note 1 m) to the financial statements provides 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 Notes 1t and 9 to the 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 are an integral part of our overall audit of the consolidated financial statements and therefore contributed to the formation of the unqualified audit opinion expressed in the first part of this report.

3. Specific verification

In conformity with the auditing standards generally accepted in France, we also verified the information provided in the Group's management report. We have nothing to report with respect to its fair presentation and its conformity with the consolidated financial statements.

Paris la Défense and Neuilly-sur-Seine, March 31, 2006

The Statutory Auditors

SALUSTRO REYDEL
Member of KPMG International

Benoît Lebrun

BARBIER FRINAULT & AUTRES
Ernst & Young

Emmanuel Roger

* This is a free translation into English of the original Statutory Auditors' report on consolidated financial statements for the period ended December 31, 2005, signed and issued in the French language and provided solely for the convenience of English-speaking readers.

CONDENSED PARENT COMPANY FINANCIAL STATEMENTS

Year 2005

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Condensed income statement

in thousands of euros	2005	2004	2003
Operating revenues	11,829	12,500	9,140
Operating expenses	(21,706)	(23,249)	(15,779)
Operating income	(9,877)	(10,749)	(6,639)
Revenues from investments in subsidiaries and associates	48,613	–	13,414
Other financial revenues	97,826	95,567	111,694
Financial expenses	(90,533)	(96,756)	(110,582)
Financial income	55,906	(1,189)	14,526
Non-recurring income	(2,435)	–	–
Income tax and employee profit sharing	(366)	(293)	(117)
Net income	43,228	(12,231)	7,770

Condensed balance sheet

As of December 31, in thousands of euros	2005	2004	2003
ASSETS			
Property, plant and equipment	6	–	–
Financial assets	1,309,540	1,246,076	1,180,875
Accounts receivable and other current asset *	123,782	14,448	10,936
Cash *	211,752	303,725	209,164
TOTAL ASSETS	1,645,080	1,564,249	1,400,975
LIABILITIES AND EQUITY			
Capital stock	23,507	23,190	23,129
Additional paid-in capital	1,084,045	1,101,843	1,099,074
Net income	43,228	(12,231)	7,770
Provisions for liabilities and charges	2,435	–	–
Financial debt	466,069	431,036	254,939
Payables and other current liabilities	25,796	20,411	16,063
TOTAL LIABILITIES AND EQUITY	1,645,080	1,564,249	1,400,975

* In 2005, the subsidiaries cash pooling accounts which maturity is over 3 months are reclassified in "Accounts receivable and other current assets" (102, 850 thousands of euros as of December 31, 2005). In 2004, they are included in "Cash" (33,265 thousands of euros as of December 31, 2004).

Information relating to subsidiaries and affiliates

As of December 31, 2005

Name	Capital stock	Percentage of ownership	Gross value of investments	Sales
Headquarters	Shareholders' Equity (excluding capital stock)	Dividends received	Net value of investments	Net income

A - Detailed information relating to subsidiaries and associates with book value in excess of 1% of Nexans' capital stock

	In thousand currency	In % and in thousands of euros	In thousands of euros	In thousand currency
1) SUBSIDIARIES (more than 50 %)				
NEXANS FRANCE	70,000	100.00%	237,400	940,367
Paris - France (SIREN: 428 593 230)	50,808	0	237,400	2,441
NEXANS PARTICIPATIONS	233,975	99.99%	848,000	0
Paris - France (SIREN: 314 613 431)	537,299	48,354	848,000	35,729
2) ASSOCIATES (10 to 50%)				
NEXANS KOREA ⁽¹⁾	19,000,000	32.03%	16,940	
Chungcheongbuk - South Korea		205	16,940	

B - Information relating to other shares

All French subsidiaries (>50 %)

All foreign subsidiaries (>50 %)

All French affiliates (10 to 50 %)

All foreign affiliates (10 to 50 %)

Other shares

2,281

(1) Amount in thousand KRW (Korean Won) 1000 KRW = 0.84430 euros.

Explanatory notes

(extract from notes to the parent Company financial statements)

1 | Summary of accounting principles, policies and methods

The balance sheet and the income statement as of December 31, 2005 have been prepared in accordance with the principles of prudence, going concern, consistency of accounting policies from one period to the next, and cut-off of the different accounting periods.

As a general rule, accounting entries are booked in compliance with the historical cost method.

Investments in shares in subsidiaries and affiliates, and other financial fixed assets investments

The gross value of investments is stated at their acquisition cost (excluding incidental expenses) or at their assignment value.

A provision for depreciation is booked whenever the carrying value at the balance sheet date is lower than the historical cost.

The carrying value is determined on the basis of the value in use, resulting from a multi-criteria valuation which may take into account the revalued net assets as well as yield.

Treasury stocks bought as part of a share buyback program, as authorized by the General Shareholders' Meeting, are reported in "Other financial assets", to the extent there is no intention of use specified by the Board of Directors.

2 | Tax information

At the end of 2001, Nexans signed a tax-pooling agreement with its French subsidiaries in which it owns directly or indirectly more than 95%. This agreement, which became effective on January 1st, 2002, was signed pursuant to the option made by Nexans to adopt a French group tax-pooling regime in accordance with article 223 A and subsequent articles of the French "Code Général des Impôts" (General Tax Code).

The option is renewable every five years, the current period expiring 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-pooling group corresponds to the corporate income tax and other contributions for which each subsidiary would have been liable if it had been taxed separately.

As part of the tax-pooling agreement in respect of which Nexans SA is liable for the global tax charge, a tax loss carry forward was generated for the 2005 financial year, which represents an unrecognized tax asset of 70,702 thousand euros (of which 10,655 thousand euros is calculated at reduced tax rate).

STATUTORY AUDITORS' REPORT *

On the financial statements for the period ended December 31, 2005

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the period ended December 31, 2005, on:

- the audit of the accompanying financial statements of Nexans SA,
- 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 the auditing standards generally accepted 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 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 principles generally accepted in France.

2. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the following matters:

Your Company records a provision for impairment of its investments and loans to subsidiaries when their net book value, 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 acceptance of those estimates.

As part of our assessment, we ensured that those estimates were reasonable.

The assessments are an integral part of our overall audit of the financial statements and therefore contributed to the formation of the unqualified audit opinion expressed in the first part of this report.

3. Specific verifications and information

We also performed specific statutory verifications, in accordance with the auditing standards generally accepted in France.

We have no matters to report regarding the fair presentation and the conformity with the financial statements with respect to 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.

In accordance with the law, we verified that the management report contains the appropriate disclosures as to the identity of the shareholders holding interests and voting rights.

Paris la Défense and Neuilly-sur-Seine, March 31, 2006

The Statutory Auditors

SALUSTRO REYDEL
Member of KPMG International

Benoît Lebrun

BARBIER FRINAULT & AUTRES
Ernst & Young

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RISK FACTORS

Risk identification and management

In addition to regular business reviews of the subsidiaries by headquarters and to monthly reporting by area managers, Nexans has implemented certain procedures designed to identify and manage risks. For further information in this regard, see the Chairman's report on pages 135 to 143 of this Annual Report for reference.

The highest risk levels identified and the risks specific to Nexans' business or the Nexans Group are as follows.

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 stocks 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 responsibilities

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 guarantees the performance of its products and these guarantees may be for a considerable period of time. Furthermore, the guarantees furnished to Nexans pursuant to contracts for supply of the materials and components used in its

products may be less extensive than the guarantee Nexans gives to its customers, for example, in the optical fiber sector. 9 to 10% percent of Nexans' sales derive from contracts for the supply and installation of cables as part of turnkey infrastructure projects. These contracts relate primarily to high-voltage land-based and undersea cables. Individual contracts often have a high value and contain penalty and liability clauses in the event Nexans is unable to comply with the delivery schedule or with quality requirements (for example, technical defects requiring intervention after installation due to product non-conformity resulting from production anomalies).

The amount of penalties involved, the size of claims for damages or the financial impact on the project due to delays, if these clauses are invoked, 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 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. In addition, large contracts are subjected to a systematic risk evaluation procedure.

Efforts are also being made to educate sales teams about the risks inherent in sales contracts and in 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 claims filed against the Group (see page 116).

Risks related to dependence on customers

Nexans' activities are spread across a variety of core businesses (energy, telecommunications, electrical wires), and it has many different types of customers (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: No customer accounts for more than 3% of consolidated sales, the Group's largest customers being Sonepar (distribution), E.ON

in Germany and Electrabel in Belgium (both energy operators). Nonetheless, given the level of operating income 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 business, such as, for example, the oil industry.

Risks related to customer credit

Nexans' customer credit risk is reduced by the Group-wide protection represented by the diversification of its businesses, its customers and its geographic base. To reduce customer credit risk, for certain major export markets the Group implements secured payment methods (advances upon ordering, payments in advance, irrevocable letters of credit confirmed by banks approved by the Central Treasury). In addition to these specific markets, Nexans has developed a hedging policy for customer receivables employing a short-term credit insurance policy for sales on the local and export markets. The credit insurance program executed with a specialized international insurer - COFACE - is in place for companies representing approximately 80% of the Group's sales. By agreement with the insurer, certain customers representing a very slight risk of default over the short term are excluded from the credit assurance policy.

This hedge through COFACE provides access to a database on the credit risk associated with each client. It enables each unit to determine the risk taken on by consulting the customer outstandings against the insurance credit limits and in the event of default, to limit the impact on the cash position and income to any amount over the coverage limit and the amount of the policy deductible (generally 10% of the amount covered). Outstandings in excess of the amounts covered by the credit insurance are subject to periodic review by the Country Managers and their controllers.

in millions of euros	2005	2004	2004
		after	
		IAS 32-39	
Gross trade receivables	1,147	879	749
Provisions	(42)	(43)	(43)
Net amount	1,105	836	706

Changes in provisions show that the unpaid risks on trade receivables were stable.

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 the risk. The situation is to some extent similar for petroleum byproducts (polyethylene, PVC, plasticizers, etc.). 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. There are nonetheless a few cases of a single supplier, particularly in the materials used to make high voltage cables. There is a threat of higher raw material, energy and transportation costs in 2006, implying the risk of a significant impact on Nexans' business and income. In addition, considering the Group's prominent role in the under-sea cables market, the need to have a vessel fitted out for the execution of the installation contracts within the timeframes required and the limited market for such vessels, in 2005, Nexans entered into a contract with Bourbon Cable, a subsidiary of Bourbon Offshore Norway, providing for the exclusive use of the cable laying vessel «Bourbon Skagerrak» for a period of three years, including an option to extend the contract for an additional two years.

Geopolitical risks in high-growth areas

The Group's expansion is dependent on high-growth areas, which represent significant geopolitical risks. 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 the payment practices, in 2005, Nexans had 125 million euros of sales at current metal prices.

Risks related to the competitive environment of Nexans

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 according to the markets, the geographical area and the product line. Consequently, the Group faces several competitors for each product line. Furthermore, for certain product

lines 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. A number of market players have launched 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.

As many of its products (cables, wires or 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 delivery time, service, and capacity to adapt its products to increasingly stringent specifications.

The principal competitive factors in the cable industry are: the quality of customer relations, product availability, geographical coverage and the range of products offered, the specific features of each product, as well as the ability to regularly generate cost reductions.

In this environment, Nexans must constantly invest and improve its performance in order to retain any competitive advantages it may have in certain markets. Furthermore, Nexans continues its efforts in R&D, logistics, and marketing in order to differentiate itself from the competition.

In order to face with competitive pressure on prices, Nexans also concentrates on reducing its costs through a restructuring program, described in the Management Report on pages 37 and 40 of this Annual report.

Risks related to technologies used

In order to remain competitive, Nexans must anticipate advances in technology in 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 conception 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 high technology products; it is therefore important that Nexans undertake 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 successful-

ly launch new products that respond perfectly to the needs of the market.

Risks related to the fluctuation of interest rates, exchange rates and metal prices

These risks are discussed in detail in paragraph 6.2 of the Management Report on pages 41 and 42 of this Annual report.

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 standards for protection of the environment, in particular in relation to atmospheric pollution, disposal of wastewater, the emission, use and processing of toxic materials or waste, methods of waste disposal, as well as site cleanup and treatment. These standards expose Nexans to the possibility of claims being filed against it, and to significant costs (e.g. claims filed 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 paragraph 1.5.1 of the Management Report on pages 50 to 52 of this Annual Report.

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. Five Nexans sites are, to varying degrees, involved in this program and are currently being reviewed or cleaned up. It should be noted that the Group has taken steps to clean up its Marseille site after pollution by cadmium resulting from railway catenary manufacture. In Canada, the courts have cleared the Group with respect to any liability for the pollution of the Simcoe plant site discovered in August 2003.

In the United States, Nexans is subject to several federal and state environmental laws, which could make certain categories of persons 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. However, it cannot be guaranteed that there will be no negative effects in the future. In general, Nexans faces several claims related to environmental issues in the normal course of business. Based on the amounts claimed, the status of proceedings, 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 claims relate to the following: a dispute in Duisburg, Germany, brought by the purchasers of a site and a city council relating to soil and ground water contamination. The soil contamination is long-standing and Nexans' full liability has not been established. Nevertheless, Nexans has recorded provisions to cover any responsibility it may have for cleanup costs.

Nexans applies the following rules when recognizing environmental charges and commitments. A charge against income is recognized if the information and documents available indicate that such a charge is likely, significant and quantifiable. If a charge is not likely, significant and quantifiable but a charge against income that could have a significant financial impact is still possible, this possibility is disclosed in a note to the financial statements. If a charge is highly unlikely, no provisions will be made and no reference will be made thereto. Nexans estimates environmental remediation or cleanup costs on a case-by-case basis and as accurately as possible, based on information available. As of December 31, 2005, the amount of provisions recorded for environmental risks was 6.638 million euros. These provisions include in particular 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 Bonnafamille in France. In addition, there could be expenses for the clean-up of closed sites and sites likely to be sold, which expenses the Company expects to be less than the market value of the sites in question. Nexans believes that unprovisioned costs for the cleanup of unaudited sites 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 an adverse effect on its business, financial position or income.

Nexans' position on asbestos

The manufacture of Nexans products does not involve any processing of asbestos.

In the past (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, in France, 37 people have been awarded workmen's compensation leave, with a disability coefficient equal to or less than 10%. Of these 37 people, since 2002, 12 have filed proceedings against their employer (11 at TLM and 1 at Nexans Wires). In addition, approximately 210 employees (150 at Nexans Wires and 60 at SCCC) are subject to medical monitoring.

The employees in Italy who filed for asbestos-related early retirement have had their claims dismissed by the courts. No other case to date has been brought to the attention of the management of the Nexans Group.

Based on the information available and considering Nexans' estimate of the risk implied, it has funded a provision on its financial statements as of December 31, 2005, in conformity with prevailing accounting principles. Management does not believe that this risk is likely to have a significant impact on its financial position or earnings.

Insurance coverage

In addition to local mandatory insurance coverage and individual insurance taken out directly by the various units of the Group, 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 plan has changed little during 2005 compared to the previous year and was renewed on January 1, 2006 at similar levels, with the exception of coverage for space industry products which was, as in 2005, less than the coverage obtained through 2004.

The main Group insurance plans are as follows:

- direct damages and operating losses,
- 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,
- civil liability of members of the Board Members.

The short-term credit policy was put in place gradually, country by country, as part of the multi-year worldwide program renewed in 2006 for 2 years. As of year end 2005, the consolidated companies that signed on to participate in this program represented 80% of consolidated sales.

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.

It should nevertheless be noted that these policies are subject to coverage exclusions that result in limitations on the transfer of risk. The direct damages and operating losses policy is subject to limitations applicable to certain units. Certain countries or regions are excluded from current coverage (for example, Nigeria) and certain geographical areas are eligible for more limited coverage of risks related to natural catastrophes, including areas representing high seismic risk (Greece, Italy, Turkey).

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 significant claims may considerably exceed the sales generated and significantly affect Nexans' operating income.

Finally, it should also be noted that 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 legally mandated coverage prevailing in certain countries.

Nexans does not have any captive insurance or reinsurance subsidiaries. The Nexans 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 strengthened its commitment to reduce industrial risks by putting in place a special 3-year investment program (2005-2007). This program was designed in close cooperation between the Industrial Department and experts from our damages insurer. These experts visit our industrial sites on an annual basis, making very specific recommendations on how to improve prevention and safety, and they monitor the implementation of these recommendations.

Applicable law and regulations

To the knowledge of the Company, there are no laws or regulations specific to the cable industry as opposed to general industry in regulations. Of course, the various sites comply with 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

There are a certain number of disputes arising from the Group's business that Management believes will not have a significant impact on the Group's income beyond the provisions funded, given the availability of insurance coverage, the likelihood of judgment being entered against Nexans and the amount of the claims. The most significant ongoing disputes that have given rise to the funding of provisions relate to corvettes for South Africa. Nexans supplied cables for corvettes for the South African navy. Some 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 non-compliant. All the cables already installed were removed and replaced. Damages claimed by the client now amount to approximately 36 million euros, which amount is contested by Nexans. The allocation of damages among 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 contingency on its financial statements as of December 31, 2003, in view of the general uncertainty as to the liability of each party, Nexans considered it to be prudent and reasonable to increase the provision on its December 31, 2004 financial statements.

There are also three cases for which either it has been decided not to make any provisions or in respect of which the information available does not allow any assessment to be made with respect to the likelihood of claims actually being made or of the amounts involved. Nevertheless there is a risk that these claims may have a significant impact on the accounts in the future.

In Norway, the company Kvaerner, a competitor, filed a suit in March 2005 against Nexans Norway alleging infringement of a patent involving umbilical cables. It is claiming 310 million NOK (i.e., approximately 39 million euros) for damages and interest. At this stage, Nexans believes that this claim is baseless and it therefore intends to defend itself vigorously.

Two other proceedings involving the competition authorities should be mentioned:

– 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 an investigation in 2003 into contracts awarded by EDF for the supply of high-voltage cables.

– In Germany, the Bundeskartellamt (German Competition Authority) also started an investigation in 2003 into practices in the cable industry.

No official notification of a complaint has been received for these two proceedings and no provision has been recorded by the Group. However, in view of the very limited information available relating to these proceedings, Nexans is unable to predict how they may evolve or what their impact may be on Nexans' income or operations. Although it is not yet possible to ascertain the impact of these 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 proceeding that Management believes is likely to have a significant impact on the Group's financial position or profitability.

Significant change in the Group's financial or market position

In addition to the seasonal nature of the Group's business, its dependence on non-ferrous metals prices evolution and the sale to Rexel of the distribution business in Switzerland (Electro-Matériel SA), Nexan is not aware of any significant change in the Group's financial or market position nor has any occurred since December 31, 2005.

Major contracts

In the two years immediately preceding the publication of this Annual Report, in addition to the contracts entered into in the normal course of business, Nexans executed a major transaction with the Group 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. It received 11.3 million euros in financing under promissory note due in September 2010 issued by Nexans in favor of Essex Nexans. In addition to this 40% stake, Nexans also received nearly 35 million euros to compensate its participation.

The agreement provides that Superior Essex will pay a price supplement to Nexans, if in 2006, Essex Nexans' EBITDA exceeds a certain level defined in the agreement.

Superior Essex and Nexans also signed a shareholder agreement; Nexans has a put option entitling it to force Superior Essex to buy its share in Essex Nexans at a price equal to the net value of its contribution plus 40% of (i) Essex Nexans' accrued net income (adjusted for certain items as stipulated in the shareholder agreement), and (ii) all post-closing contributions to capital less post-closing distributions, but only if Essex Nexans' adjusted EBITDA (as defined in the shareholder agreement) exceeds 14,000,000 euros in 2008 or 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 beginning on October 21, 2006. The price due in the event the option is exercised will be payable in cash.

Beginning on 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 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 percentage of Essex Nexans' requirements in Germany.

Under the wirerod contract, Essex Nexans committed to buying all its 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 in 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. 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 including provisions imposing upon any member of the Group a significant obligation or commitment for the entire Group.

Relations with Alcatel

Prior to Nexans being listed on the stock exchange 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 stock.

In addition to the industrial and trade relations now existing between the two groups (insignificant 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 necessary for engaging in Nexans' business. Under the same agreement, Alcatel also granted Nexans a non-exclusive, royalty-free license, with the possibility of granting sub-licenses, to use the patents on the monomodes optical fiber cables related only to manufactured products and to 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 has 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 have expired; others remain in force until 2006.

Investments

Nexans' capital expenditures over the last three fiscal years were as follows: 67 million euros in 2003, 96 million euros in 2004 and 129 million euros in 2005. Investment expenses during this period broke down as follows:

- By business segment: Energy (72%), Telecom (16%), Electrical wires (8%) and Other (4%),
- By geographical area: Europe (72%), North America (10%), Asia (11%), Rest of the World (7%).

The year 2005 was marked by a significant increase in investments and the launch of major projects that will extend into 2006:

- In Europe, the investments were oriented toward priority segments, resulting in the increase of production capacities for high voltage, in the development of new products and new projects in the automotive sector and in the addition of a new production unit for compounds. At the same time, Nexans has pursued its cost-cutting plans.
- In North America, Nexans' investments were dedicated to production capabilities for building and aeronautic cables and the establishment of a dedicated logistics center.
- In Asia, the work at the new plant in Shanghai (China) was carried out on time and production started up successfully in 2005. In Korea, the principal investments were oriented towards increasing capacity and improving productivity in automotive and medium-voltage cables.
- In the Rest of the World, the expansion of the Lorena, Brazil site was undertaken in order to increase production capacity for power cables. Nexans increased its automotive cable production capacity in Morocco based on the intelligent adaptation of idle equipment from other businesses.

In the context of its development in high-growth markets, Nexans launched an investment program to increase its production capacity. This program involves the acquisition of an energy cable production unit in Uglich (Russia), the expansion of plants in Egypt, Turkey, China and Vietnam.

Property, plant, and equipment

All the plants and facilities of the Group are distributed among 65 countries around the world, and they represent a wide range of sizes and types of businesses. There are no significant property, plant, and equipment held by the Group as whole (i.e., worth an amount exceeding 5% of gross total property, plant, and equipment).

SHAREHOLDERS' RIGHTS AND OBLIGATIONS

Shareholders' meetings

Shareholders' Meetings are convened and vote in accordance with the provisions set forth by law. When the required quorum is present, the Annual Shareholders' Meeting represents all the shareholders. Its resolutions are binding on all, including absent or dissenting shareholders.

All shareholders may participate in Shareholders' Meetings either in person, by proxy or by mail vote, subject to proof of identity and of ownership of their shares either by holding registered shares or by filing a freeze verification certificate for bearer shares at the location stated in the notice of meeting five days prior to the date of the Shareholders Meeting. This 5-day period may be reduced by resolution of the Board of Directors. The Board Meeting held on March 29, 2006 resolved to reduce the freeze period for bearer shares for the Annual Shareholders' Meeting deliberating on the financial statements for the financial year ended December 31, 2005 to 1 day.

If the Board of Directors so resolves when the Meeting is convened, all shareholders may also vote at the Annual Shareholders' Meeting using remote transmission methods (Internet) in accordance with the terms and methods set forth by law.

Form and registration of shares, identification of shareholders and statutory thresholds

Shares are registered until they are fully paid in.

Fully paid-in shares may be held in registered form or bearer at the option of the shareholder. 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, shareholders are subject to the following requirements: any shareholder holding 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. An additional notification must be sent in the same terms each time a multiple of 2% is reached.

To determine the thresholds set forth, all shares held indirectly as well as all shares considered to be shares held pursuant to articles L. 233-7 and following of the New Commercial Code shall be taken into account.

In each notification filed as set forth above, the person making the notification must certify that all shares held, or indirectly deemed to be held pursuant to the foregoing paragraph, have been included, as well as 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 declared.

Any shareholder whose stake in the share capital falls below any of the thresholds set forth in the foregoing paragraphs must also notify the Company within fifteen days, in the same manner as described above.

Shares are represented by book entry in the name of the shareholder in the share accounts maintained by Nexans or by an authorized intermediary.

Transfer of registered shares will be made by transfer from account to account. All account entries, payments and transfers shall be made in accordance with applicable law.

Unless exempted by prevailing laws and regulations, the Company may require that the signatures on declarations, transaction or payment orders be certified in accordance with prevailing law and regulations. The Company may, in accordance with prevailing legal and regulatory provisions, 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 organism, including their identity, the number of shares they hold, and any restrictions on the shares or securities held.

Voting rights

Subject to applicable law and these articles of incorporation, each Shareholders Meeting attendee shall have a number of votes equal to the number of shares that he holds or represents. Voting rights are exercised by the holder of the beneficial right in shares at all Ordinary, Extraordinary and Special General Shareholders' Meetings.

Double voting rights

All fully paid-in shares registered in the name of the same holder for at least two years carry double voting rights.

In addition, in the event of capital increase in by incorporation of retained earnings, profits or additional paid-in capital, the new shares issued, which are held in registered form and allocated free to holders of registered shares will be entitled immediately to double voting rights, in proportion to the number of shares held by such shareholder which have double voting rights.

The double voting right shall automatically cease in respect of all shares which are converted to bearer shares or whose ownership is transferred. However, the period stated above will not be interrupted and the right will not be forfeited in the event of transfers from one registered shareholder to another registered shareholder by intestate or testate inheritance, the sharing of community property between spouses or inter vivos donation to a spouse or relatives eligible to inherit.

Limitations on voting rights

Regardless of the number of shares he holds directly and/or indirectly, a shareholder may not, when voting on resolutions at Shareholders' Meetings, exercise more than 8% of the voting rights of all shareholders present or represented at Shareholders' Meetings. If a shareholder is also entitled to double votes either on his own behalf or as a representative, this limit may be exceeded taking into account only the additional voting rights up to the limit of 16% of the votes attached to the shares present or represented at Shareholders' Meetings. To determine this limitation, all shares held indirectly as well as all shares considered to be shares held pursuant to articles L. 233-7 and following of the New Commercial Code shall be taken into account. The limitation determined in the foregoing paragraph shall as of right become null and void when an individual or a legal entity holds at least 66.66% of the total number of shares in the Company, whether individually or together with one or more individuals or legal entities, 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 recognize the voiding of the limitation when the results of the takeover procedure are published. The foregoing restriction does not affect the Chairman of the Shareholders' Meeting when voting proxies received in accordance with the legal obligations set forth in article L. 225-106 of the Commercial Code.

Appropriation of income

The difference between revenue and expenses for the fiscal year, after provisions, constitutes the profit or loss for the fiscal year as recorded on the income statement. 5% of the profit, less any previous losses, shall be used to fund the statutory reserve. This funding is no longer mandatory once the statutory reserve reaches one tenth of the share capital. It shall be resumed if, for any reason whatsoever, the reserve falls below one tenth of the share capital. The appropriation of the distributable profit, which consists of the profit for the fiscal less any previous losses and the funding of the statutory reserve referred to above, plus any retained earnings, shall be decided by the Annual Shareholders' Meeting, which on the recommendation of the Board of Directors may retain all or part of these profits, appropriate them to general or special reserve funds or distribute them to the shareholders as a dividend.

In addition, the Annual Shareholders' Meeting may resolve to distribute amounts taken from the discretionary reserves either to create or supplement a dividend or as an extraordinary distribution. In this case, the resolution shall indicate specifically the reserves from which the distributions are made. However, dividends will first be paid out of the distributable profit for the financial year.

The Ordinary General Shareholders' Meeting may grant each shareholder the option of choosing between the payment of the dividend or the provision of interim dividend in cash or in shares for all or a portion of the dividend distributed.

In the event of interim dividends, the Annual Shareholders' Meeting or the Board of Directors shall determine the date on which the dividend is to be paid.

GENERAL INFORMATION ON THE PARENT COMPANY AND ITS SHARE CAPITAL

Company profile

Name and registered office:
Nexans
16, rue de Monceau, 75008 Paris

Legal form and governing laws

A French corporation 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.

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

Corporate documents available to the public, and in particular its articles of incorporation, financial statements, the reports submitted to the Shareholders' Meetings by the Board of Directors and the Statutory Auditors may be reviewed at the Company's registered office located at 6 rue de Monceau, 75008, Paris, France and, as appropriate, on the Internet (www.nexans.com).

Incorporation and expiration dates

The Company was incorporated on January 05, 1994, under the name Atalec (it became Nexans at the Annual Shareholders' Meeting held on October 17, 2000), with a life of 99 years, which will expire on January 07, 2093.

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

The Company's purposes in all countries are: 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 the form, associations, French and foreign groups, regardless of their corporate purpose and activity, as well as, in general, any and all industrial, commercial, financial, tangible and intangible operations related either directly or indirectly, in whole or in part, to any of the purposes of the Company indicated in the articles of association or to any similar or related purposes.

Financial year

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

APPROPRIATION OF CAPITAL AND VOTING RIGHTS

Share capital

As of December 31, 2005, the share capital was 23,507,322 euros represented by 23,507,322 shares with a par value of 1 euro each. It included 197,275 stock options exercised over the period from January 1 to June 30, 2005 and 121,100 stock options exercised over the period from July 1, to December 31, 2005.

An additional 186,200 new shares were issued from January 1 to February 28, 2006 as a result of the exercise of 186,150 stock options (not yet acknowledged by the Board of Directors) and the conversion of 50 OCEANE into new shares (see "OCEANE" on page 128 of this Annual Report). On March 29, 2006, the Board of Directors resolved upon a capital decrease in the amount of

2,221,199 euros by cancelling 2,221,199 shares of treasury stock, as indicated in the paragraph "Nexans' share buyback program" on page 130 of this Annual Report.

Number of voting rights

As of February 28, 2005, there were 99,532 shares with double voting rights. Taking into account that the 2,221,199 treasury shares held by the Company (refer to "Nexans' share buyback program" on page 130 of this Annual Report) do not carry any voting rights and the existence of shares carrying double voting rights, the total number of voting rights as of February 28, 2006 was therefore 21,571,855.

Changes in Nexans' share capital over the last five years

Date	Transaction	Number of shares issued/cancelled	Par value of the shares	Par amount of share capital increase/decrease	Total amount of share capital	Total of number of shares
February 12, 2002	Capital decrease	1,990,031	€1	€1,990,031	€23,009,969	23,009,969
April 17, 2002	Share capital increase reserved to employees	111,503	€1	€111,503	€23,121,472	23,121,472
December 12, 2003	Share capital increase resulting from the exercise of stock options	1,500	€1	€1,500	€23,122,972	23,122,972
January 30, 2004	Share capital increase resulting from the exercise of stock options	15,500	€1	€15,500	€23,138,472	23,138,472
July 20, 2004	Share capital increase resulting from the exercise of stock options	34,475	€1	€34,475	€23,172,947	23,172,947
February 2, 2005	Share capital increase resulting from the exercise of stock options	17,000	€1	€17,000	€23,189,947	23,189,947
July 20, 2005	Share capital increase resulting from the exercise of stock options	197,275	€1	€197,275	€23,387,222	23,387,222
February 1, 2006	Share capital increase resulting from the exercise of stock options	120,100	€1	€120,100	€23,507,322	23,507,322
March 29, 2006	Capital decrease	2,221,199	€1	€2,221,199	€21,286,123	21,286,123*

* This amount does not take into account the exercises of stock options and conversions of OCEANE into new shares that have occurred since January 1, 2006, because they have not been acknowledged by the Board of Directors at the publication date of this Annual Report.

Shareholding structure

The information presented below is as of February 28, 2006, and is to the best of the Company's knowledge based on the TPI (identifiable bearer shares) as of December 31, 2005 and declarations made to the AMF (the French financial markets authority). The main shareholders as of February 28, 2006 were the following:

– Institutional investors (France)	31.8%
– Institutional investors (United States)	21%
– Institutional investors (UK)	14.8%
– Other institutional investors (Europe)	8.4%
– Institutional investors (rest of world)	1.8%
– Individuals and employees	8.2%
– Treasury stock	9.4%
– Unidentified	4.6%

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

As of February 28, 2006, Board members held 0.03% of the Company's share capital and voting rights and employee shareholders accounted for 1.1% (of which 87% is held through an employee mutual fund (FCPE)).

Estimated breakdown of share capital and voting rights as of February 28, 2006

	CAPITAL			VOTING RIGHTS ⁽¹⁾	
	Number of shares	Percentage	Cancellation of treasury stock	Number of voting rights	Percentage
Dodge & Cox ⁽²⁾	1,166,400	4.9%	5.4%	1,166,400	5.4%
Other institutional investors ⁽³⁾	17,283,381	72.9%	80.5%	17,283,381	80.1%
Employees	257,607	1.1%	1.2%	349,186	1.6%
Other individual investors ⁽³⁾	1,676,674	7.1%	7.8%	1,684,627	7.8%
Treasury stock	2,221,199	9.4%	–	–	–
Unidentified shareholders ⁽³⁾	1,088,261	4.6%	5.1%	1,088,261	5.1%
Total	23,693,522⁽⁴⁾	100%	100%	21,571,855^{(4) (5)}	100%

(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 present or represented when voting on resolutions at an Annual Shareholders' Meeting (see page 122).

(2) Figures based on notifications of crossing thresholds received by December 10, 2004.

(3) Figures estimated based on the TPI as of December 31, 2005.

(4) This figure includes 186,200 new shares issued between January 1 and February 28, 2006, but not yet acknowledged by the Board of Directors at the date of this Annual report.

(5) This figure includes 99,532 double voting rights as of February 28, 2006.

To the best of the Company's knowledge, the following legal thresholds were crossed between January 1, 2005 and February 28, 2006 :

- Alcatel reported on March 22, 2005 that on March 16, 2005, it had dropped below the thresholds of 20% of voting rights, and 10% and of 5% of the share capital and voting rights and that it no longer holds any shares;
- FMR Corp et Fidelity International Limited (FIL), acting on behalf of the mutual funds managed by its subsidiaries, reported on May 3, 2005 that on April 29, 2005, it had dropped below the threshold of 5% of the share capital and that it held for account of the funds 470,977 shares, or 2.03% of the share capital and 1.94% of the voting rights;
- Brandes Investment Partners LP, acting on behalf of its management clients, reported on October 6 and 15, 2005 that on September 30, 2005 it had dropped below the threshold of 5% of the share capital and on October 3, 2005 it had dropped

below the threshold of 5% of voting rights, and that it held for account of its management clients 1,054,846 shares, or 4.51% of the share capital and 4.97% of the voting rights;

- Tweedy Browne Company LLC, acting on behalf of a fund it manages, reported on January 12 and 20, 2006 that on January 9, 2006 it had dropped below the threshold of 5% of the share capital and on January 13, 2006 it had dropped below the threshold of 5% of voting rights, and that it held for account of such funds 1,000,000 shares, or 4.28% of the share capital and 4.71% of the voting rights.

To the best of the Company's knowledge, no shareholders other than those cited in the foregoing table hold more than 5% of the share capital or voting rights. Nexans is not aware of the existence of any individual or legal entity directly or indirectly, individually or in any concerted action, exerting control of Nexans' share capital nor of any agreement that if implemented could in the future trigger a change in the Company's control.

Changes in Nexans' shareholding structure over the last three years

Shareholding structure	Estimate as of March 31, 2004			Estimate as of March 31, 2005			Estimate as of February 28, 2006		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
Alcatel ⁽¹⁾	3,476,388	15	28.2	-	-	-	-	-	-
Other institutional investors	14,714,352	63.6	60.6	18,736,049	80.3	88.8	18,449,781	77.9	85.5
Employees	224,773	1.0	0.9	226,631	1.0	1.1	257,607	1.1	1.6
Members of the Board of Directors	3,657	NS	NS	47,044	0.2	0.2	7,153	NS	NS
Other individual investors	2,338,802	10.1	9.6	1,549,297	6.6	7.3	1,669,521	7.0	7.8
Treasury stock	2,221,199	9.6	-	2,221,199	9.5	-	2,221,199	9.4	-
Unidentified	173,301	0.7	0.7	548,727	2.4	2.6	1,088,261	4.6	5.1

(1) Alcatel sold its entire stake on March 16, 2005.

Authorizations to be given to the Board of Directors to issue securities providing immediate or future access to Nexans' share capital to be proposed to the May 15, 2006 Annual Shareholders' Meeting

On page 54 of this Annual Report, there is a table summarizing the current authorizations for capital increases authorized by the Special Shareholders' Meeting.

The Board of Directors will propose several resolutions to the Annual Shareholders' Meeting of May 15, 2006, for the purposes of authorizing the Board of Directors to issue, with or without preferential subscription rights, securities providing immediate or future access to Nexans' share capital. The Board of Directors proposes to the Annual Shareholders' Meeting to limit the life of these individual authorizations to the period ending upon the holding of the Annual Shareholders' Meeting convened to consider the accounts for the financial year ending on December 31, 2006.

The full text of the proposed resolutions as well as the full report by the Board of Directors that submitted these proposals are available on Nexans' internet site at www.nexans.com.

The following table summarizes the terms and limitations of the authorizations to be proposed to the Annual Shareholders' Meeting of May 15, 2006, for the purposes of authorizing the Board of Directors at its sole discretion, to issue securities giving immediate or future access to Nexans' share capital, with the power to subdelegate in accordance with applicable law, subject to compliance with the terms determined by the Annual Shareholders' Meeting.

Resolutions ⁽¹⁾	Limit per resolution ⁽²⁾	Common limit to several resolutions ⁽²⁾
Issuance of shares with preferential subscription right + additional over-allotment option (R11 and R13)	€10,000,000	€10,000,000
Issuance of securities without preferential subscription right (OCEANE, ORA, OBSA) + additional over-allotment option (R12 and R13)	Shares: €4,000,000 <20% of share capital Debt: €300,000,000	
Issuance of shares as consideration for in-kind contributions of shares (R14)	Maximum 10% of share capital	
Issuance of shares by capitalization of additional paid-in capital, reserves, profits or other (R15)	€10,000,000	
Issuance of shares or securities reserved to members of employee savings plans (R16)	€500,000	
Issuance of stock purchase option or subscription options (R17)	€400,000	€400,000 approximately 2% of the share capital
Grants of existing shares or shares without payment to be issued to Group employees or certain employees (R18)	€400,000	
		i.e. Global limit of €20,900,000

(1) The abbreviation "R..." in parentheses indicates the number of the resolution proposed to the May 15, 2006 Annual Shareholders' Meeting.

(2) The maximum par value of share capital increases corresponds to the maximum number of shares that can be issued since the share par value is 1 euro.

OCEANE (providing access to share capital)

On July 15, 2004, Nexans launched a 135,000,016 euro bond issue comprising 3,552,632 bonds convertible into new shares and/or redeemable for existing shares (OCEANE) with a face value of 38 euros each (AMF approval no. 04 652).

The life of this bond is 5 years and 170 days as from July 15, 2004. Normal redemption should thus occur in its entirety on January 1, 2010, repayable at par, that is, at a price of 38 euros per OCEANE. Nexans has the option to call the bond early. The OCEANEs bear interest at 3.125% per year and are repayable at maturity on January 1, of each year. The option to convert or swap the OCEANEs may be exercised beginning on July 15, 2004 through 7 business days prior to the redemption date at a ratio of one share per OCEANE (subject to the adjustments set forth by law).

As of February 28, 2006, 3,552,582 OCEANEs were outstanding and 50 bonds had been converted into 50 new Nexans shares in February 2006.

Stock options

During financial year 2005, pursuant to the authorization granted by the Combined General Shareholders' Meeting of June 5, 2003, the Board of Directors resolved on November 23, 2005, to grant 344,000 stock options conferring the right to subscribe new shares in the company at an exercise price of 40.13 euros, to be issued by way of increasing Nexans' share capital and in order to give executive management and management with a high potential a stake in improving the Group's profitability, and to recognize the part they play, directly and indirectly, in the Group's performance.

As of February 28, 2006, 1,312,500 stock options to subscribe Nexans shares, or 5.54% of the share capital, had not been exercised. Each option entitles the holder to subscribe one Nexans share.

Stock option policy

Following a review by the Appointments & Compensation Committee, in 2004, the Board of Directors established a stock option policy. Stock options will be granted annually, generally in the autumn. The total amount granted will be between 1 to 2% of the Company's share capital, one year targeting members of the Executive Committee and other high-level executives and the following year targeting a broader group including, in particular, high-potential junior executives.

Breakdown by category of beneficiary of stock options granted during financial year 2005

	Grant date	Number of grantees	Number of options granted ⁽¹⁾	Price	Expiration date
Members of Board of Directors	11/23/2005	0	–	–	–
Group employees 10 largest grantees	11/23/2005	14 ⁽²⁾	91,000	€40.13	11/22/2013

(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, 2006.

(2) Number of employees involved on an equal basis.

Breakdown by category of subscriber of shares subscribed during financial year 2005 upon exercise of stock options

	Number of subscribers	Number of shares	Price
Members of Board of Directors (Gérard Hauser)	1	41,250	€17.45 (November 16, 2001 plan)
Group employees 10 largest subscribers	10	128,500	€17.45 (November 16, 2001 plan)
	4	12,750	€11.62 (April 14, 2003 plan)
	1	3,250	€27.82 (November 16, 2004 plan)

Record of stock options granted

	Plan No. 1			Plan No.2	Plan No.3	Plan No.4
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 05, 2003	Combined General Shareholders Meeting of June 05, 2003
Date of Board of Directors' meeting or grant	November 16, 2001	January 18, 2002	March 13, 2002	April 4, 2003	November 16, 2004	November 23, 2005
Total number of share that can be subscribed, including the number of shares that can be subscribed by:	531,500	5,000	8,000	644,500	403,000	344,000
– Members of the Board of Directors (Gérard Hauser)	55,000	–	–	50,000	125,000	0
– employees, 10 largest grantees	181,000	5,000	8,000	204,000	209,000	91,000
First exercise date des options	November 16, 2002	January 18, 2003	March 13, 2003	April 04, 2004	November 16, 2005	November 23, 2006
Expiration date	November 15, 2009	January 17, 2010	March 12, 2010	April 03, 2011	November 15, 2012	November 22, 2013
Exercise price	€17.45	€16.70	€19.94	€11.62	€27.82	€40.13
Terms for exercise	One quarter each year			One quarter each year	One quarter each year	One quarter each year
Total number of shares subscribed (as of 02/28/2006)	446,750	2,000	2,250	115,250	5,750	–
Total number of stock options cancelled (as of 02/28/2006)	21,250	3,000	0	27,250	0	0
Stock options remaining (as of 02/28/2006)	63,500	0	5,750	502,000	397,250	344,000

Voluntary and mandatory profit sharing, worldwide employee stock ownership plan

Certain Group subsidiaries implemented voluntary and mandatory employee profit sharing agreements. In France, Nexans has executed an employee savings plan enabling employees to invest in mutual funds invested in Nexans shares.

On February 2, 2006, Management announced a capital increase reserved to Group employees by issuance of a maximum of 400,000 new shares at a price per share including a 20% discount from the reference price. This programme, called "Act 2006" is to be executed prior to the Annual Shareholders Meeting to be held on May 15, 2006. Nexans' intent in executing this programme is to strengthen its bond with its employees, in France as well as abroad, and to encourage their commitment to the Group's progress and future earnings.

Report on Nexans' share buyback program

After the initial share buyback program authorized by the Combined Annual Shareholders' Meeting held on April 2, 2001, and decided by the Board of Directors on September 26, 2001, Nexans still held 6,774 of its own shares. Pursuant to a resolution of the Board of Directors dated June 25, 2002, and in accordance with the authorization of the Combined General Shareholders' Meeting held on June 25, 2002 and the notice issued by the COB on June 6, 2002 under No. 06-0692, Nexans launched a new share buyback program and under this program, in 2002, it bought back 1,909,736 shares at an average price 12.88 euros per share, for a total value of 24.6 million euros. In 2003, under this same program, Nexans bought back 304,689 shares at an average price of 11.30 euros per share, for a total value of approximately 3.5 million euros. Nexans has not used the authorization the Combined General Shareholders' Meeting of June 5, 2003 conferred upon it to buy back its own shares, which was referred to in a COB information notice on May 16, 2003 under number 03-441. The Combined General Shareholders' Meeting of June 3, 2004 renewed this authorization based on an AMF information notice dated May 3, 2004 under number 04-0358. Pursuant to article 241-8 of the AMF's general regulations, on March 31, 2005, the Board of Directors resolved to appropriate the treasury stock acquired prior to October 13, 2004 for swaps or for payment of acquisitions.

Nexans has not used the authorization the Combined General Shareholders' Meeting of June 3, 2004 conferred upon it to buy back its own shares, which was referred to in a AMF information notice on May 03, 2005 under number 05-0347. On March 29, 2006, the Board of Directors resolved to reappropriate all 2,221,199 treasury shares still held as of that date (approximately 9.4% of the share capital) and to cancel those shares as authorized by the General Shareholders Meeting. It will be proposed to the General Shareholders Meeting of May 15, 2006 to renew the authorization conferred upon the Company to buy back its own shares and also to decrease its share capital by canceling treasury shares.

On May 15, 2006, the Shareholders Meeting will be proposed to renew the authorization granted to the company to buyback its own shares and reduce its share capital by cancelation of its own shares.

STATUTORY AUDITORS OF NEXANS

Auditors

- **Salustro Reydel, part of KPMG International**

1, Cours Valmy, 92923 Paris-La Défense cedex, represented by Benoît Lebrun.

Date of first appointment and current appointment: Ordinary General Shareholders' Meeting of June 5, 2003.

Current term expires: after the Shareholders' Meeting convened to consider the accounts for the financial year ended December 31, 2008.

- **Barbier Frinault & Autres (Ernst & Young)**

41, rue Ybry, 92576 Neuilly-sur-Seine, represented by Emmanuel Roger.

Date of first appointment: Ordinary General Shareholders' Meeting of February 21, 2000.

Date of current appointment: Ordinary General Shareholders' Meeting of May 9, 2000.

Current term expires: after the Shareholders' Meeting convened to consider the accounts for the financial year ended December 31, 2005.

Deputy Auditors

- **François Chevreux**

1, Cours Valmy, 92923 Paris-La Défense cedex

Date of first appointment and current appointment: Combined General Shareholders' Meeting of June 5, 2003.

Current term expires: after the Shareholders' Meeting convened to consider the accounts for the financial year ended December 31, 2008.

- **Pascal Macioce**

41 rue Ybry, 92576 Neuilly-sur-Seine

Date of first appointment: Ordinary General Shareholders' Meeting of February 21, 2000.

Date of current appointment: Ordinary General Shareholders' Meeting of May 9, 2000.

Current term expires: after the Shareholders' Meeting convened to consider the accounts for the financial year ended December 31, 2005.

Fees paid by Nexans to the Auditors

	2005				2004			
	Salustro Reydel (KPMG International)		Barbier Frinault & Autres (Ernst & Young)		Salustro Reydel (RSM International)		Barbier Frinault & Autres (Ernst & Young)	
	K€	%	K€	%	K€	%	K€	%
1 - Audit								
Auditing of the statutory and consolidated accounts	1,012	92.5%	1,596	67.4%	786	80.8%	1,290	60.3%
Services directly linked to the Audit mission	82	7.5%	164	6.9%	156	16.0%	190	8.9%
Sub-total	1,094	100.0%	1,760	74.3%	942	96.8%	1,480	69.2%
2 - Other missions								
Tax	-	0.0%	608	25.7%	31	3.2%	659	30.8%
Information systems	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Other	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Sub-total	-	0.0%	608	25.9%	31	3.2%	659	30.8%
Total	1,094	100.0%	2,368	100.0%	973	100.0%	2,139	100.0%

The appointment terms of Barbier Frinault & Autres (Ernst & Young) and Mr. Pascal Macioce expiring after the Shareholders' Meeting of May 15, 2006, it will be proposed to decide the appointment of PricewaterhouseCoopers Audit, which headquarters are located at 63, rue de Villiers – 92200 Neuilly-sur-Seine, as Statutory Auditor and Mr. Etienne Boris, resident at 63, rue de Villiers – 92200 Neuilly-sur-Seine, as Deputy Auditor, for a six years term, i.e. until the Ordinary Shareholders' Meeting convened to consider the accounts for the financial year ended December 31, 2011.

RELATED - PARTY TRANSACTIONS

(For the year ended December 31, 2005)

The list of agreements falling within the scope of article 225-38 of the French Commercial Code between Nexans and any of its Directors or companies with common Directors or managers, or with companies holding Nexans shares carrying more than 10% of all voting rights is the following:

1 - Prior agreements remaining in force in 2005

The global underwriting agreement

As part of the issue of bonds convertible into and/or exchangeable for new or existing shares (OCEANE), a global underwriting agreement authorized by the Board of Directors on July 5th, 2004, was executed on July 6, 2004 with a bank syndicate (including BNP Paribas) for a sum of 105 million euros, with an over-allotment option which if exercised would bring the total amount of the issue to 135 million euros.

Pursuant to this contract, Nexans undertook to issue convertible bonds, and the bank syndicate undertook to place the convertible bonds or subscribe the bonds themselves on the basis of certain representations and warranties given by Nexans and in exchange for a payment by Nexans.

The guarantors are BNP Paribas, Goldman Sachs International, and Lazard-IXIS.

The fee paid for 2004 and shared among the guarantors was 2,227,000 euros.

Director involved: Georges Chodron de Courcel (BNP Paribas).

Syndicated medium-term loan for 450 million euros

The Board of Directors resolved on November 16, 2004 to authorize a syndicated loan with BNP Paribas and Société Générale, and a syndicated loan agreement was executed on December 28, 2004. This agreement, called "€450,000,000 multi-currency revolving facility agreement" was executed by Nexans (as borrower), BNP Paribas and SG Corporate & Investment Banking (as mandate lead arrangers) and various lending institutions. BNP Paribas was also appointed as 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.

Director involved: Georges Chodron de Courcel (BNP Paribas).

2 - Agreements executed in 2005

Amendment to syndicated medium-term loan for 450 million euros

The cost and structure of the agreement executed on December 28, 2004 called "€450,000,000 multi-currency revolving facility agreement" were amended. The amendment, which was authorized by the Board of Directors on September 26, 2005, was executed on October 17, 2005.

It was intended to extend the term of the loan agreement to 5 years from the date the amendment was executed, with the possibility of extending it to 7 years, and to decrease the spreads and commitment fees payable under the agreement.

The fee paid for 2005 and shared among the banks prorata to their participation was 215,000 euros.

Director involved: Georges Chodron de Courcel (BNP Paribas).

STATUTORY AUDITORS' REPORT*

On the related party transactions for the period ended December 31, 2005

To the Shareholders,

As Nexans' Statutory Auditors, we are required to report on certain agreements with related parties. In accordance with Article L. 225-40 of the Commercial Code, we have been advised of an agreement approved by Nexans' Board of Directors.

We are not required to ascertain whether any other agreements exist, but rather to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements indicated to us. It is not our role to comment as to whether they are beneficial or appropriate. Pursuant to Article 92 of the decree of March 23, 1967, it is your responsibility to evaluate the benefits resulting from these agreements prior to their approval.

We conducted our work in accordance with the auditing standards generally accepted in France. Those standards require that we perform the procedures necessary to verify that the information provided to us is consistent with the documentation from which it is derived.

Agreement with BNP Paribas, Georges Chodron de Courcel, Director

Nature and purpose

Amendment to syndicated medium-term loan for 450,000,000 euros

On September 26, 2005, Nexans' Board of Directors authorized the execution of an amendment to the 450,000,000 euro medium-term syndicated loan signed on December 28, 2004.

It was intended to extend the term of the loan to 5 years from the date the amendment was signed, with the possibility of extending it to 7 years, and to decrease the spreads and commitment fees payable under the agreement.

Terms

The amendment was signed on October 17, 2005. The fee paid for 2005 and shared among the banks in proportion to their participation was 215,000 euros.

Furthermore, pursuant to the decree of March 23, 1967, we were informed that the following agreements approved in 2004 were applicable in 2005.

Agreement with BNP Paribas

Nature and purpose

Global underwriting agreement

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

* This is a free translation into English of the original Statutory Auditors' report on related party transactions for the period ended December 31, 2005, signed and issued in the French language and provided solely for the convenience of English-speaking readers.

Terms

Pursuant to this contract signed on July 06, 2004, Nexans undertook to issue OCEANE, 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 of a payment by Nexans. The guarantors are BNP Paribas, Goldman Sachs International, and Lazard-IXIS. The fee paid for 2004 and shared among the guarantors was 2,227,000 euros. No fee was paid for 2005.

Nature and purpose***Medium-term syndicated loan and mandate agreement***

On November 16, 2004, the Board of Directors authorized of a lead arranger mandate and a syndicated loan.

Terms

In connection with the syndication of a medium-term loan in the amount of 350,000,000 euros amounting after syndication to 450,000,000 euros, a lead arranger mandate was signed on November 19, 2004, prior to the signature of a syndicated loan agreement on December 28, 2004.

BNP Paribas was appointed as administrative agent. The participating banks are BNP Paribas, Société Générale, Investment Bank (mandate lead arrangers) and fourteen other banks.

For the financial year 2004

An arrangement fee of 270,000 euros before tax was paid in 2004 for the lead arranger mandate. A participation fee of 780,400 euros was paid to the administrative agent and shared among the banks in proportion to their participation. Paribas also received an annual agency fee of 12,500 euros before tax.

For the financial year 2005

Nexans paid BNP Paribas an annual fee of 12,500 euros before tax.

Paris La Défense and Neuilly-sur-Seine, March 31, 2006

The Statutory Auditors

ALUSTRO REYDEL
Member of KPMG International

Benoît Lebrun

BARBIER FRINAULT & AUTRES
Ernst & Young

Emmanuel Roger

CHAIRMAN'S REPORT*

On the work and organization of the Board of Directors, and the internal control procedures

In accordance with article L. 225-37, last paragraph, of the Commercial Code, taken from Article 117 of the "loi de Sécurité Financière" (French financial security act) of August 1, 2003, 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 limitations the Board of Directors may place on the powers of the CEO".

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 seven times in 2005 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 the 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 Company's and the Group's business trend, financial condition and indebtedness position, prepares 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 financial year 2005.

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 Company's internal operations. During the first half of 2005, the subsidiary Nexans Norway was the subject of a detailed presentation to the Board on its business in Norway, particularly its undersea business, followed by a tour of the site.

The Board examined and approved the strategic plan prepared for 2005 to 2007 at a November 2005 meeting.

Pursuant to internal rules, the Board was also consulted throughout 2005 on various planned acquisitions and significant divestitures; it was kept constantly informed of the progress on these projects.

The Board adopted a new stock option plan and determined the variable portion of the Chairman and CEO's compensation for 2004. Likewise, it set guidelines for calculating the variable portion of the Chairman and CEO's compensation for 2005, on the recommendation of the Appointments & Compensation Committee.

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 the 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.

* Free translation from the original French report.

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 have also strengthened the role and authority of the Committees and defined the criteria for Director independence.

The Director's Charter sets forth the rights and obligations of Board members and reiterates the provisions of the articles of incorporation. It establishes the rules requiring Directors to refrain from trading in Nexans shares during the sensitive periods leading up to the publication of the accounts.

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 procedure was implemented on the basis of a detailed questionnaire, approved in advance by the Board and sent to each Director. The questionnaire measures in particular the conduct of the Board's Meetings, the relevance of its composition, the frequency of its meetings, the adequacy and quality of the information provided to it, the support provided to the Board by the Committees, as well as the interaction when discussing the various agenda items.

The appraisal conducted to date showed strong satisfaction with regard to the Board's operating procedures. The results of the 2005 appraisal are not yet available.

1.4 Committees formed by the Board of Directors

The Accounts Committee

Composition and responsibilities of the Accounts Committee

The Accounts Committee comprises three members, Messrs. Georges Chodron de Courcel, Yves Lyon-Caen, and Jean-Louis Vinciguerra, who presides over this Committee. All three were chosen for their financial and accounting expertise.

The responsibilities of the Accounts 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 scope of consolidation of the Group companies,
- 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 Committee may request to meet with any member of the Company's Financial Management and the Statutory Auditors, including without the presence of the Group's Management.

During financial year 2005, the Accounts Committee met on three occasions in the presence of the Chief Financial Officer, the Senior Corporate Vice President, Management Control and Consolidation, the Internal Audit Director and the Statutory Auditors.

The Appointments and Compensation Committee

Composition and responsibilities of the Appointments and Compensation Committee

The Appointments and Compensation Committee comprises three members, Messrs. Gianpaolo Caccini, Patrick Puy, and Ervin Rosenberg who presides over this Committee.

The responsibilities of the Appointments and Compensation Committee Accounts 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 the criteria for determining the fixed and variable portions of Officers' compensation; the Committee ensures that these guidelines are consistent with the annual performance appraisal of Executives, the Company's medium-term strategy and market practices,
- defining the Company's policy relating to stock option or share purchase 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.

1.5 Restrictions that may be placed on the powers of the CEO

Apart from the transactions or decisions that require the prior approval of the Board of Directors as defined in the internal rules, in particular with regard to mergers, acquisitions, financing proposals, or legal limitations, the Board of Directors has placed no restrictions on the powers of the Chairman and CEO, nor are his powers subject to any restrictions set forth in the articles of incorporation.

2 - Internal control procedures

2.1 Nexans' internal control procedures

Internal control procedures are currently not regulated in France.

Within Nexans, internal control procedures consist of implementing, at the level of the scope of consolidation, a set of rules intended to reasonably ensure 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 to manage its potential risks.

All Nexans Group procedures, whether or not they relate to financial information, have been established centrally at the holding company level. 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

Since July 1, 2003, the Nexans Group has been organized as follows:

Countries are responsible for operating income. Their performance continues to be monitored by market and by product under a complete monthly financial reporting procedure.

The countries are grouped into **three areas** - Europe, North America and Asia, and the Rest of the World - which are responsible for managing, coordinating and supervising their own operations. Each area is managed by a business development team, an industrial and logistics support team, and a financial control team.

Country and area managers are responsible for ensuring that the Group's general guidelines and directives are implemented and that they comply with applicable regulations.

The Group is managed by the **Executive Committee**, which consists of the Chairman and CEO and the following seven members:

- the three Executive Vice Presidents in charge of the areas,
- Senior Corporate Vice President, Strategic Operations,
- the Chief Financial Officer,
- the Senior Corporate Vice President, Human Resources,
- the Senior Corporate Vice President, 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 corporate-level functional departments are also involved in internal control.

The **Strategic Operations Department** is responsible for the strategic development of the entire Group.

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's mission is to:

- monitor the competition,
- participate in the Group's acquisition strategy,
- contribute to creating and implementing the Group's strategic plans.

The Industrial Management Department

The Industrial Management Department manages the area and country-level Industrial Management Departments, which are responsible for the performance of Nexans' manufacturing plants.

The Industrial Management Department now covers the following areas:

- Support the industrial activities in Nexans' areas:
 - assist Nexans' areas, activities, countries and units in improving their industrial performance,
 - help Nexans' areas, activities, countries and units carry out industrial projects,
 - review capital expenditures and approve capital expenditure requests,
 - conduct industrial inspections,
 - promote, monitor, and become familiar with the production plants involved in continuous improvement programs (3-year plans, Program +, Best Practices, etc.),
 - define, collect and publish key performance indicators; communicate internal benchmarks and recommendations.
- Risk and environment:
 - define and promote Nexans' rules concerning environmental regulations (recycling of cables, disposal or recycling of manufacturing waste, etc),
 - manage the EHP label ("Environnement Hautement Protégé"), denoting compliance with the highest environmental standards, awarded to Nexans' manufacturing sites,
 - in coordination with the Risk Manager, to ensure contacts are maintained between insurers and Nexans' plants for manufacturing-related risks.

– Definition and management of Nexans’ industrial strategy:

- propose the optimal industrial solutions consistent with Nexans’ markets,
- promote and propose improvements in Nexans’ industrial performance (location of factories, manufacturing processes, etc.),
- contribute to Nexans’ strategic plan as well as update and monitor the plan,
- propose or supervise 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 Competence Centers and the Research Center.

The Information Systems Department

Conscious of the importance of information systems as a factor in Nexans’ competitiveness, a 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 control the implementation of the Groups procedures for the purchase of goods and services to rationalize cost, quality, timeframes, technology, etc.

All bids in excess of 25 million euros are subject to a review of the contract (commercial, legal, financial and technical) terms; this review is performed by the **Group Bid Review Committee**, comprised as follows and presided over by the Group’s Chief Financial Officer. European bids for amounts between 5 and 25 million euros (which comprise the vast majority of bids) are also reviewed by this committee. It comprises the following individuals:

- the Area Manager.
- the Chief Financial Officer,
- the Director of Treasury and Non-Ferrous Metals Management,
- the Area Controller.
- the General Counsel,
- the Risk Manager,
- the Operations Manager(s) appointed by the Area Manager.

Finally, the Board of Directors is involved in internal control, notably via the work and reports of the Committees, as described above.

2.2.2 Parties involved and structures dedicated to internal control

a) The Accounts Committee

As a result of the powers the Board of Directors and the internal rules conferred upon it, as discussed above, the Accounts Committee plays a key role in implementing internal control processes, exercising such control and monitoring the procedures in place.

Each year, the draft internal audit is submitted to the Accounts 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 1st, 2002, under a decision by Chairman and CEO of Nexans, the Group’s parent company. Since July 2005, along with Total and France Télécom departments, it is one of the first three 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). Although organizationally it reports to the Administrative and Finance Department, functionally the Internal Audit Department reports directly to the Chairman and CEO. Its work is approved and monitored by the Accounts 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 and by making recommendations to strengthen these processes, which it is responsible for monitoring.

An audit charter was approved by the Accounts Committee in 2005 and thus implemented. This charter specifies 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 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 effective considering the potential risks.

A risk "roadmap" was launched in 2002, which was prepared jointly by the Internal Audit Department and an external consulting firm. The aim 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.

This risk roadmap was updated in 2005, 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 procedures.

An audit plan was drawn up on the basis of the risk roadmap. The Audit Plan covers a broad spectrum, 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 environment,
- information systems,
- human resources.

The Accounts Committee reviews and updates this Audit Plan annually.

After each audit is conducted, the Internal Audit Department issues a report that contains recommendations that it diligently follows up. Each report is sent to the Chairman and CEO, the Chief Financial Officer, the appropriate member(s) of the Executive Committee and the entity audited.

In addition, an annual report on the work carried out by the Internal Audit Department is submitted to the Board of Directors, the Accounts Committee and the Executive Committee

During financial year 2005, compliance audits were conducted in certain subsidiaries in France and abroad. Specific audits were also conducted, particularly in regard to capital expenditures and monitoring restructuring expenses.

Changes in the internal control regulatory environment resulted in specific efforts by the Internal Audit Department.

c) The Risk Manager

The role of Risk Manager encompasses monitoring insurance coverage as well as risk management in general.

The Risk Manager'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.

The scope of the areas requires close cooperation with the functional departments at the corporate level and operations management at the area level to define and implement financially viable solutions in line with the directives defined at the Group level.

The Risk Manager also works closely with the Internal Audit Department

d) The Disclosure Committee

This Committee, established in October 2003, comprises the Chief Financial Officer, the two managers of the Management Control and Consolidation Department, the General Counsel, and the Manager of Corporations/Stock Market Law, the Internal Audit Director, the Risk Manager, and two 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.

2.2.3 Specific aspects of internal control procedures relating to financial and accounting information

a) Main parties and links among them

The Corporate Administrative and Finance Department, which includes eight functional departments:

- the Management Control and Consolidation Department,
- the Treasury and Non-Ferrous Metals Management Department,
- the Internal Audit Department
- the Legal Department,
- the Tax Department,
- the Investor Relations Department,
- the Mergers and Acquisitions Department, as well as the Risk Manager.

All these departments report to the Chief Financial Officer.

In addition, the Financial Departments in each country report to both the Country Manager and the Corporate Administrative and Finance Department.

This system 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:

1. 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, IFRS have been applied since 2005, pursuant to EC regulation 1606/2002 (for purposes of comparison, the 2004 financial statements were also restated according to IAS/IFRS).

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, each line of the operating statement for the entity and for its product lines is precisely defined in the accounting manual used by all Group units.

2. 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' General Management for final approval. It is also submitted to the Board of Directors. It is then included in a monthly report.

Each month, the entities 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' General Management at an area meeting.

Consolidated financial statements are prepared quarterly. A special procedure (called "Balance Sheet Committees") applies to year-end accounts. Country managers participate in Balance Sheet Committee meetings, where key decisions are made with regard to the close of the balance sheet.

Off-balance sheet commitments are reviewed by the Consolidation Department based on information provided by the entities, the Treasury and Non-Ferrous Metals Management Department and the Legal Department.

3. The procedures

Seventy procedures relating to financial and accounting information, and more generally corresponding to the areas within the responsibility of the Administrative and Finance Department, are currently in use at 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 Management Department, which reports regularly to the Corporate Administrative and Finance Department.

The Auditors and the Internal Audit Department perform controls to make sure 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 special procedure for managing non-ferrous metals, managed since January 2004 by a team reporting to the Corporate Treasury Department, which oversees the implementation of these procedures.

The basic rules are as follows:

- the principle is the systematic hedging of 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 according to 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.

European and North American hedging is managed centrally by experienced teams authorized to trade on regulated markets (LME, COMEX).

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.

Information on other internal control procedures

There are approximately sixty such internal control procedures 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 new procedure relating to personal safety in the at-risk geographic areas was implemented in March 2004.

- communications
- purchasing
- information systems
- quality
- intellectual property
- insurance
- legal
- Industry and environment

A charter has been drawn up relating to the management of industrial risks covering the protection of property, accident prevention, human safety, security and environmental safety. 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 Administrative and Finance Department, the Risk Manager, and the Legal Department for insurance matters, with extensive interaction between the corporate departments and designated people at various levels of the organization.

There is an environmental reporting and monitoring system, relying mainly on a survey sent annually to the country industrial managers/plant managers. This survey is supplemented by audits performed by an independent audit firm.

On February 1, 2006,



The Chairman and CEO

STATUTORY AUDITORS' REPORT *

Prepared in accordance with Article L. 225-235 of the Commercial Code on the report by the Chairman of Nexans' Board of Directors on internal control procedures relating to the preparation and processing of accounting and financial information.

To the Shareholders,

In our capacity as Nexans' Statutory Auditors, and in accordance with the provisions of Article L. 225-235 of the Commercial Code, we hereby present our report on the report prepared by Nexans' Chairman in conformity with the provisions of article L.225-37 of the Commercial Code, for the period ended December 31, 2005.

It is the responsibility of the Chairman to issue a report on the manner in which the work of the Board is prepared and organized, and on the internal control procedures implemented by the Company.

It is our responsibility to inform you of any remarks we have on the information provided in the Chairman's report with regard to the internal control procedures applied for the preparation and processing of accounting and financial information.

We performed our work in accordance with the auditing practices generally accepted in France. Those practices require that we perform tasks to assess the fairness of the information provided in the Chairman's report with regard to the internal control procedures applied for the preparation and processing of accounting and financial information. These tasks primarily comprise:

- obtaining an understanding of the objectives and general organization of internal controls, as well as of the internal control procedures relating to the preparation and processing of accounting and financial information presented in the Chairman's report;
- obtaining an understanding of the work upon which the information provided in the report is based.

Based on this work, we have no remarks to make on the information provided with regard to the internal control procedures applied for the preparation and processing of accounting and financial information included in the report by the Chairman of the Board of Directors in accordance with article L. 225-37, last paragraph, of the Commercial Code.

Paris La Défense and Neuilly-sur-Seine, March 31, 2006

The Statutory Auditors

SALUSTRO REYDEL
Member of KPMG International
Benoît Lebrun

BARBIER FRINAULT & AUTRES
Ernst & Young
Emmanuel Roger

** This is a free translation into English of the original Statutory Auditors' report on the report by the Chairman of the Board of Directors for the period ended December 31, 2005, signed and issued in the French language and provided solely for the convenience of English-speaking readers.*

PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Paris, April 6, 2006

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 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 historical financial information contained in or referred to in this Annual Report, which are included in pages 106 and 112 for the 2005 financial year and incorporated by reference for the financial years 2003 and 2004. These reports were issued with no reserve. Certain observations were made in relation to financial years 2003 and 2004.



The Chairman of the Board.
Gérard Hauser

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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, 2004, presented respectively on pages 28 to 79 of reference document No. D. 05-0583 filed with the Autorité des Marchés Financiers (Financial Market Authorities) on April 28, 2005;

– 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, 2003, presented respectively on pages 38 to 75 of reference document No. R.04-0064 filed with the Autorité des Marchés Financiers (Financial Market Authorities) on April 28, 2004;

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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