



Press release

## 2005 Results

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### Energy the main driver of the Group's performance in 2005

- **Sales\*: 4.263 billion euros (+5.2% organic growth)**
- **Operating margin\*\*: 186 million euros (+40%)**
- **Doubling of proposed dividend to 1 euro**
- **Sale of distribution business in Switzerland for 206 million euros, on February 1<sup>st</sup> 2006**
- **Revised outlook for 2007**

**Paris, February 2, 2006** – The Nexans Board of Directors, chaired by Gérard Hauser, met on February 1, 2006 and approved the accounts for 2005.

- *Sales in 2005 were 5.449 billion euros. Sales calculated at constant non-ferrous metals\* prices amounted to 4.263 billion euros compared to 4.080 billion euros in 2004 (at constant exchange rates), i.e. an increase of 4.5% (5.2% on a comparable consolidation scope).*
- *Operating margin\*\* was 186 million euros, an increase of 40% compared with 2004. Operating margin as a percentage of sales was 4.4%, more than a percentage point higher than 2004 (3.3%).*
- *Net income was 108 million euros, including the capital gain on the disposal of the distribution business in Norway (33 million euros) and a positive variation, before tax, in the fair value of non-ferrous metal derivatives (pursuant to IAS standards 32 and 39) in an amount of 33 million euros. At stable non-ferrous metals prices, this item will be recorded as an expense of the same amount on this same line in 2006. The figure for net income also include losses arising from discontinued operations (-45 million euros including 11 million of restructuring costs recorded under this item as opposed to under restructuring). Net income per share (after dilution) was 4.46 euros compared with 2.55 euros in 2004.*

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\* To neutralize the effect of variations in the purchase price of non-ferrous metals and thus measure the underlying sales trend, Nexans also calculates its sales using a constant price for copper and aluminium.

\*\* Accounting aggregate which excludes variations in the fair value of metal and derivatives, restructuring costs and other revenue and expenses.

- *Net financial debt*, after applying IAS standard 39 (+115 million euros) announced in June 2005, increased by 79 million euros to 374 million euros at December 31, 2005. This increase is the result of the growth in business, the continued rise in copper prices (+51% in one year) and includes the net proceeds from the disposal of Group subsidiaries (78 million euros).

Based on the strength of these results, the Board of Directors will propose to the General Shareholders' Meeting a *dividend* of 1 euro per share, double that paid in 2005 (0.50 euro).

### **Continued refocusing on core businesses and key countries**

The Group continues to develop its value-added businesses and focus on those geographic areas that offer the most potential.

Accordingly, Nexans has announced the disposal, effective February 1, 2006, of its distribution business in Switzerland (Electro-Matériel SA) to Rexel for an enterprise value of 206 million euros. The business generated sales of 189 million euros in 2005. The capital gain from this disposal (approximately 150 million euros) will be recorded in the first half of 2006.

Nexans has also announced the signing 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.

In addition, Nexans has finalized the acquisition of the Swiss Confecta AG Group, one of the main international specialists in high added value cable harnesses for the railway industry. The Confecta Group, based in Switzerland, employs around 180 people and generated sales of approximately 22 million euros. The Group also operates in France and Germany.

### **"On target to achieve our objectives in 2007"**

Commenting on the 2005 results, Gérard Hauser, Nexans Chairman and CEO, said: *"Despite the continued rise in raw material prices, Nexans' results are extremely encouraging. In addition to the benefits of restructuring and within the context of the booming energy markets in which the Group has a strong presence, these results are the consequence of a clear strategy of redefining our geographical and product portfolio. These results will enable us to implement a significant 300 million euros investment plan over the next two years to support the development of our markets and accelerate our restructuring process. As a result thereof, we have increased our objective for our ratio of operating margin on sales for 2007 to between 5.2% and 5.5%."*

On this basis, for 2006 we anticipate an increase in sales of approximately 4% at constant consolidation scope, a further improvement in operating profit and a net financial debt end 2006 of approximately 230 million euros based on end of 2005 copper prices."

These forecasts are based on the assumption that worldwide economic context experienced in 2005, particularly in developing countries and in the oil industry, will remain the same in 2006 and 2007.

### Sales 2005: growth exceeding expectations

(in millions of euros)	At constant metal prices			At constant metal prices and exchange rates	
		IFRS Standards			
	2004 published	2004	2005	2004	2005
Sales	4,159	4,005	4,263	<b>4,080</b>	<b>4,263</b>
Energy	2,593	2,604	2,865	<b>2,653</b>	<b>2,865</b>
Telecom	570	561	630	<b>566</b>	<b>630</b>
Electrical wires	985	829	758	<b>850</b>	<b>758</b>

Following strong growth in the second half of the year, particularly in the last quarter (more than 7%), full-year sales for 2005, at constant non-ferrous metal prices, totaled 4,263 million euros, an increase of 5.2% at constant exchange rates and a consolidation scope comparable to 2004, evidence of particularly strong growth in all the Group's cable businesses (+8.6%).

### Income by business sector

(in millions of euros)	2004	2005	% change
EBITDA*	222	<b>281</b>	+ 26.6 %
Operating margin:			
Energy	119	<b>171</b>	+ 43.7 %
Telecom	17	<b>25</b>	+ 47.1 %
Electrical Wires	7	<b>6</b>	- 14.3 %
Autres	(10)	<b>(16)</b>	(+ 60 %)
<b>Operating margin</b>	133	<b>186</b>	+ 40 %
Net income (group share)	58	<b>108</b>	+ 86.2 %
Earnings per share (in euros)	2.55	<b>4.46</b>	+ 74.9 %
Net financial debt (after IAS 32 & 39)	295	<b>374</b>	+ 26.8 %

(\*) Operating margin before depreciation

## **Analysis of sales\* and operating margin by business sector**

(\* Sales at constant metal prices and exchange rates)

### ***Energy cables: growth in all segments***

Sales in the Energy sector, boosted by the development of energy markets worldwide (the interconnection and protection of the world's major energy networks, infrastructure development in developing countries, the rise of alternative sources of energy), increased by 8% compared with 2004, to 2,865 million euros. Sales grew in all market segments (infrastructure, industry and building).

Operating margin rose from 119 million euros in 2004 to 171 million euros in 2005, an increase of 44.6%. During 2005, orders for High Voltage and Umbilical Cables increased by more than 80%. Cables for industry also saw a significant turnaround with operating margin rising from 0.7 million euros in 2004 to 22.4 million euros in 2005. This is attributable to the marked improvement in industrial performance in Germany as well as the high demand for top-of-the-range automotive cables. Finally, Nexans has strengthened its positions in the building cables market, particularly in the USA. Operating margin in this segment increased by more than 47% compared with 2004.

### ***Telecommunications cables: increased profitability***

Telecom sales increased by 11.3% to 630 million euros.

Operating margin was 25 million euros in 2005, which represents a 4% profit margin on sales compared with 3.1% for the previous year. This margin comes close to the Group's objectives thanks to the high level of activity in certain segments of the infrastructure and private network cable markets in the USA.

### ***Electrical wires: a challenge for the future***

Sales in the Electrical Wires sector were 758 million euros in 2005 compared to 850 million euros at December 31, 2004, i.e. a 10.8% drop. Following the disposal to Superior Essex, the Group's winding wires activities are now residual but profitable.

Operating margin amounted to 6 million euros compared to 7 million euros in 2004, under the combined effect of falling external sales of wirerod and bare wires and strong pressure on prices in this sector.

## Analysis of sales and operating margin by geographic area

(in millions of euros)	2004			2005		
	Sales*	OM	OM/Sales	Sales*	OM	OM/Sales
Europe	2,909	84	2.9%	<b>2,988</b>	<b>108</b>	3.6%
North America	726	31	4.3%	<b>753</b>	<b>42</b>	5.6%
Asia	232	10	4.3%	<b>247</b>	<b>11</b>	4.5%
Rest of the World	213	8	3.8%	<b>275</b>	<b>25</b>	9.1%
<b>Total</b>	4,080	133	3.3%	<b>4,263</b>	<b>186</b>	4.4%

(\*) at constant metal prices and exchange rates

Nexans' sales have risen noticeably in all geographic areas.

### ***Europe: growth in specialized products***

Sales were 2,988 million euros, an increase of 2.7% compared with 2004, while operating margin rose by 28.6%. Europe has benefited from the initiatives put in place to reduce losses, and from the performance in specialist sectors such as high voltage and umbilical cables and top-of-the-range cables for the automotive industry.

### ***North America: growth across the board***

Sales totaled 753 million euros compared with 726 million euros in 2004, reflecting improvements across all activity sectors.

Operating margin reached 42 million euros compared with 31 million euros in 2004. The Group is well positioned in the booming North American market and has won significant market share as a result.

### ***Asia: a calculated e and measured approach***

Sales continued to grow in 2005 (+6.5%) reaching 247 million euros.

The area's operating margin also increased compared with 2004, reflecting Nexans' ability to resist in a fiercely competitive market subject to very strong pressure on prices.

### ***Rest of the World: operating margin tripled***

In line with the forecasts contained in Nexans' strategic plan, operating profit for the Rest of the World area this year was three times that of 2004. This outstanding performance is attributable to particularly strong growth in certain regions and countries (for example, the Middle East, Morocco and Brazil).

## **Increase in capital reserved to Nexans employees**

Nexans has announced an increase in capital reserved to Group employees by the issuance of a maximum of 400,000 new shares with a nominal value of one euro each, at a price that will be discounted by 20% compared to the reference price (subject to compliance with local regulations). It is Nexans objective to strengthen relations with its employees, both in France and abroad, and to implicate them in the future development and growth of the Company.

Employees will be provided with the details of this program, called "Act 2006" and which the Company expects should be completed before the Annual Shareholders' Meeting on 15 May 2006, after the relevant information has been made available to employee representatives.

## **Financial calendar**

April 26, 2006: Publication of first-quarter sales for 2006  
April 27, 2006: Individual shareholders' information meeting in Bordeaux  
May 15, 2006: Annual Shareholders' Meeting  
May 29, 2006: Individual shareholders' information meeting in Rennes  
July 20, 2006: Publication of first-half sales and results for 2006  
October 3, 2006: Individual shareholders' information meeting in Versailles  
December 7, 2006: Individual shareholders' information meeting in Montpellier

A full set of slides presenting the results, including by business activity, as well as a detailed presentation of the accounts, are available on the Nexans Web site at [www.nexans.com](http://www.nexans.com)

## **About Nexans**

Nexans is the worldwide leader in the cable industry. The Group brings an extensive range of advanced copper and optical fiber cable solutions to the infrastructure, industry and building markets. Nexans cables and cabling systems can be found in every area of people's lives, from telecommunications and energy networks, to aerospace, automotive, railways, building, petrochemical, medical applications, etc. With an industrial presence in 29 countries and commercial activities worldwide, Nexans employs 20,000 people and had sales in 2005 of 5.4 billion euros. Nexans is listed on the Paris stock exchange. More information on [www.nexans.com](http://www.nexans.com)

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## *Appendices*

1. Consolidated income statement under IFRS
2. Consolidated balance sheet under IFRS
3. Consolidated statement of cash flows under IFRS
4. Information by sector

## Consolidated income statement under IFRS

<i>in millions of euros</i>	<b>2005</b>	<b>2004</b>
<b>Net sales</b>	<b>5 449</b>	<b>4 732</b>
Metal price effect	(1 186)	(727)
<b>Net sales at constant metal prices</b>	<b>4 263</b>	<b>4 005</b>
Cost of sales	(3 640)	(3 449)
<b>Gross profit</b>	<b>623</b>	<b>556</b>
Administrative and selling expenses	(386)	(377)
R&D costs	(52)	(47)
<b>Operating margin</b>	<b>186</b>	<b>133</b>
Fair value change on non ferrous metal derivatives	33	-
Gains or losses on asset disposals	34	8
Restructuring costs	(24)	(36)
Asset impairment losses and reversals for negative goodwill	(4)	7
Cost of financial debt (gross)	(26)	(19)
Income from cash and cash equivalents	7	5
Other financial expenses	(17)	(22)
<b>Income before taxes</b>	<b>189</b>	<b>78</b>
Income taxes	(26)	(19)
Share in net income of associates	(0)	(0)
<b>Net income from continuing operations</b>	<b>163</b>	<b>58</b>
Net income from discontinued operations	(46)	5
<b>Consolidated net income</b>	<b>117</b>	<b>63</b>
Of which Group share	108	58
Of which minority interests	9	5
<b>Net income from continuing operations per share (in euros)</b>		
- Basic earnings per share	7.30	2.53
- Diluted earnings per share	6.36	2.33
<b>Net income from discontinued operations (in euros)</b>		
- Basic earnings per share	(2.18)	0.24
- Diluted earnings per share	(1.89)	0.22
<b>Net income, Group share (in euros)</b>		
- Basic earnings per share	5.12	2.77
- Diluted earnings per share	4.46	2.55

## Consolidated balance-sheet under IFRS

in millions of euros

	2005	2004 after IAS 32-39	2004*
<b>ASSETS</b>			
Goodwill	88	80	77
Intangible assets	14	7	7
Property, plant and equipment	942	925	925
Investment in associates	18	1	1
Other investments	56	35	35
Deferred tax assets	76	51	66
Other non-current assets	-	-	-
<b>NON-CURRENT ASSETS</b>	<b>1 194</b>	<b>1 100</b>	<b>1 112</b>
Inventories and work in progress	563	500	500
Amounts due from customers on construction contracts	47	27	27
Trade receivables and related accounts	1 105	836	706
Current tax receivables	63	51	51
Other financial current assets	155	67	55
Cash and cash equivalents	117	121	121
<b>CURRENT ASSETS</b>	<b>2 049</b>	<b>1 603</b>	<b>1 461</b>
Assets and group of assets held for sale	81	135	135
<b>TOTAL ASSETS</b>	<b>3 324</b>	<b>2 837</b>	<b>2 707</b>
<b>LIABILITIES &amp; EQUITY</b>			
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
<b>Shareholders' equity - Group share</b>	<b>1 083</b>	<b>915</b>	<b>899</b>
Minority interests	77	70	71
<b>TOTAL EQUITY</b>	<b>1 160</b>	<b>986</b>	<b>970</b>
Accrued pension and retirement obligations	353	363	363
Provisions	14	18	18
Convertible bonds	117	116	135
Other long-term financial debt	5	14	10
Deferred tax liabilities	33	32	32
Other non-current payables	-	(0)	(0)
<b>NON-CURRENT LIABILITIES</b>	<b>522</b>	<b>543</b>	<b>558</b>
Provisions	83	91	91
Other current financial debt	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 payables	308	252	253
<b>CURRENT LIABILITIES</b>	<b>1 603</b>	<b>1 243</b>	<b>1 115</b>
Debts related to group of assets held for sale	39	65	65
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3 324</b>	<b>2 837</b>	<b>2 707</b>

\* Nexans has applied IAS 32 and IAS 39 from January 1<sup>st</sup> 2005

## Consolidated statement of cash flows under IFRS

<i>in millions of euros</i>	<b>2005</b>	<b>2004</b>
Net income, Group share	108	58
Minority interests	9	5
Depreciation and amortization	101	77
Interest expense	27	19
Other restatements	(49)	(16)
<b>Cash flow from operations before interests and taxes</b>	<b>196</b>	<b>143</b>
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	-	(1)
Income tax paid	(46)	(25)
Changes in provisions on current assets (including accrued contract costs)	(14)	3
<b>Net change in current assets and liabilities</b>	<b>(218)</b>	<b>(112)</b>
<b>Net cash from operating activities</b>	<b>(21)</b>	<b>31</b>
Proceeds from disposals of tangible and intangible assets	10	19
Capital expenditures	(130)	(97)
Decrease (increase) in loans	(10)	(0)
Cash expenditures for acquisitions of consolidated companies, net of cash acquired	(28)	(113)
Cash proceeds from sale of previously consolidated companies, net of cash sold	113	16
<b>Net cash used in investing activities</b>	<b>(45)</b>	<b>(175)</b>
<b>Net cash flow change after investing activities</b>	<b>(67)</b>	<b>(144)</b>
Proceeds from / (repayment of) long-term borrowings	8	141
Proceeds from / (repayment of) short-term borrowings	83	43
Proceeds from issue of shares	7	1
Financial interest paid	(23)	(17)
Dividends paid	(12)	(9)
<b>Net cash from financing activities</b>	<b>63</b>	<b>160</b>
Net effect of currency translation differences	3	2
Impact of change in scope of discontinued activities	(3)	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4)</b>	<b>17</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>121</b>	<b>104</b>
<b>Cash and cash equivalents at the end of period</b>	<b>117</b>	<b>121</b>

## Information by business segment

	Electrical wires	Energy	Telecom	Others (or non- allocated)	Elimination inter-business *	<b>Total Group</b>
<i>in millions of euros</i>						
<b>2005</b>						
Net sales at current metal prices	2 072	3 342	677	10	(653)	<b>5 449</b>
Net sales at constant metal prices	1 103	2 865	630	10	(345)	<b>4 263</b>
Operating margin	6	171	25	(16)	-	<b>186</b>
Depreciation and amortization	10	61	20	4	-	<b>95</b>
Impairment losses	-	(8)	(6)	-	-	<b>(14)</b>
Reversal of impairment losses	3	3	2	-	-	<b>8</b>
EBITDA **	15	232	45	(12)	-	<b>280</b>
Capital expenditures	6	102	20	1	-	<b>129</b>
Net tangible assets	142	581	162	58	-	<b>942</b>
Total segment assets	570	1 990	424	71	-	<b>3 054</b>
Total segment liabilities	320	816	151	66	-	<b>1 353</b>
Investment in associates	17	1	-	-	-	<b>18</b>
Share in net income of associates	-	-	-	-	-	<b>-</b>
Staff (number of employees)	1 162	14 157	3 473	792	-	<b>19 584</b>
<b>2004</b>						
Net sales at current metal prices	1 752	2 874	588	11	(492)	<b>4 732</b>
Net sales at constant metal prices	1 154	2 604	561	11	(325)	<b>4 005</b>
Net sales at constant metal prices and 2004 exchange rates	1 186	2 653	566	11	(336)	<b>4 080</b>
Operating margin	7	118	17	(10)	-	<b>133</b>
Depreciation and amortization	23	57	19	4	-	<b>103</b>
Impairment losses	-	-	-	-	-	<b>-</b>
Reversal of impairment losses	2	-	-	-	-	<b>2</b>
EBITDA **	29	175	36	(6)	-	<b>236</b>
Capital expenditures	4	68	18	6	-	<b>96</b>
Net tangible assets	149	563	159	54	-	<b>925</b>
Total segment assets	406	1 573	365	57	-	<b>2 403</b>
Total segment liabilities	183	647	124	57	-	<b>1 011</b>
Investment in associates	-	1	-	-	-	<b>1</b>
Share in net income of associates	-	-	-	-	-	<b>-</b>
Staff (number of employees)	1 178	14 316	3 525	830	-	<b>19 849</b>

\* Inter-business eliminations comes for the most part from the upstream Electrical Wires sector

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

## Information by geographical area

<i>in millions of euros</i>	France	Germany	Other Europe	North America	Asia	Rest of the world	<b>Total Group</b>
<b>2005</b>							
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	<b>5 449</b>
Net sales at constant metal prices	1 024	553	1 411	753	247	275	<b>4 263</b>
Operating margin	(4)	27	85	42	11	25	<b>186</b>
Capital expenditures	18	22	51	12	14	12	<b>129</b>
Net tangible assets	232	160	237	156	78	81	<b>942</b>
Total segment assets	979	372	869	354	215	266	<b>3 054</b>
Staff (number of employees)	4 061	5 489	4 876	1 663	1 270	2 225	<b>19 584</b>
<b>2004</b>							
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	<b>4 732</b>
Net sales at constant metal prices	1 072	530	1 291	697	214	200	<b>4 005</b>
Net sales at constant metal prices and 2004 exchange rates	1 072	530	1 307	726	232	213	<b>4 080</b>
Operating margin	(9)	13	80	31	10	8	<b>133</b>
Capital expenditures	29	15	22	7	15	7	<b>96</b>
Net tangible assets	246	156	262	134	64	63	<b>925</b>
Total segment assets	718	326	774	252	148	185	<b>2 403</b>
Staff (number of employees)	4 311	5 578	5 031	1 652	1 166	2 111	<b>19 849</b>

## Net sales at current metal prices by geographical market

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