

Annual report



2005

**N**exans

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\* Free translation from the original French version of the AMF certificate.

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# GLOBAL EXPERT

## IN CABLES AND CABLING SYSTEMS



Energy, telecommunications, transportation, building, industry... Cables are at the heart of modern life.

Nexans, the global leader in cables and cabling systems, offers the widest range of cabling solutions in copper, aluminum and optical fibers for the infrastructure, industry and building markets.

The Group's products meet the most demanding requirements in terms of performance, quality and the environment. Its services cover the entire value chain, from upstream to downstream: research, design, manufacturing, installation and maintenance.

At the forefront of technology and a leader with respect to standards and benchmarks, Nexans operates around the world to satisfy essential needs while maintaining the highest levels of safety and performance.

Nexans is an independent company listed on Euronext Paris.

# THE EXECUTIVE COMMITTEE

**Gérard HAUSER**

*Chairman  
and Chief Executive Officer*



**Michel LEMAIRE**

*Executive Vice-President,  
North America/Asia area*



**Yvon RAAK**

*Executive Vice-President,  
Europe area*



**Bruno THOMAS**

*Executive Vice-President,  
Rest of the World area*



**Véronique GUILLOT-PELPEL**

*Senior Corporate Vice-President,  
Human Resources  
and Communications\**



**Pascal PORTEVIN**

*Executive Vice-President,  
Strategic Operations*



**Frédéric VINCENT**

*Chief Financial Officer*

# INTERVIEW WITH THE CHAIRMAN



## **“On target to meet our 2007 goals”**

*Our sales growth drives a virtuous cycle of profitability, because the impact is seen directly on the bottom line.*

*Refocusing on high value-added products, investing in new countries, and lowering our breakeven point all have a powerful leverage effect.*

*We are confident in our ability to meet our goals.*

*The doubling of the dividend that we proposed to the Shareholders' Meeting proves it.*

## **> How would you summarize 2005?**

2005 was an excellent year for Nexans. We experienced a solid 5.2% growth rate at constant scope, and our operating margin rose by 40% to 4.4%, compared to 3.3% in 2004. We were able to manage the surge in raw material prices, and our net debt is less than a third of our shareholders' equity: a very reasonable level leaving us quite a bit of room to maneuver. As a result, as part of our 3-year plan, we were able to review our 2007 goals.

## **> To what do you attribute these strong results?**

First of all, to our growth. We were able to position ourselves in well-performing markets, such as energy. Energy cables represent two-thirds of Nexans' sales today, versus less than half, 5 years ago. This market is promising for both the short- and long-term; without a doubt for the next 10 to 15 years. We are also positioned in high value-added market segments, which represent almost 30% of our sales and in geographical areas such as Brazil, the Middle East, and Asia, where our sales have doubled in the last 3 years. Furthermore, our selective acquisition strategy goes along the same lines. The two transactions finalized in early 2006 illustrate perfectly our strategy for maintaining growth and increasing margins. The Swiss group Confecta, which we recently acquired, is a specialist in high value-added cable harnesses for the railway industry, one of the growth segments we identified. The company we are currently forming in Vietnam, where we already have several sites, will target the energy, equipment, and manufacturing sectors, all of which have been showing positive trends in this region.

## **> What are your plans for improving the operating margin?**

We will give priority to high value-added businesses. As for our reasonably-priced acquisitions, which should generate margins and growth rates above the average of our other businesses, our focus will turn to return on capital employed. In fact, optimizing capital allocation is one of the pillars of our strategy. We have already completed a major refocusing and restructuring program, and the majority of our winding wires business has been sold. In addition, we finalized the sale of our distribution activities in Norway and Sweden under excellent terms. We lowered our breakeven point, enhanced the longevity of our plants, and increased our sales force effectiveness in serving our customers. That's where the leverage is: Nexans is in a cycle where additional sales naturally boost our operating margin.

## **> What are your goals for 2007 and beyond?**

Due to our strong 2005 performance, the gains on our divestitures and new opportunities in the cable market, we plan to accelerate our business development. We will invest an additional 300 million euros over the next 2 years, and increase the pace of the restructuring plans foreseen for Europe. Consequently, we have raised our 2007 operating margin target to between 5.2% and 5.5% for the Group as it stands today; that is, excluding the European winding wire and distribution activities. All these elements give us confidence in our ability to improve our profitability beyond 2007.