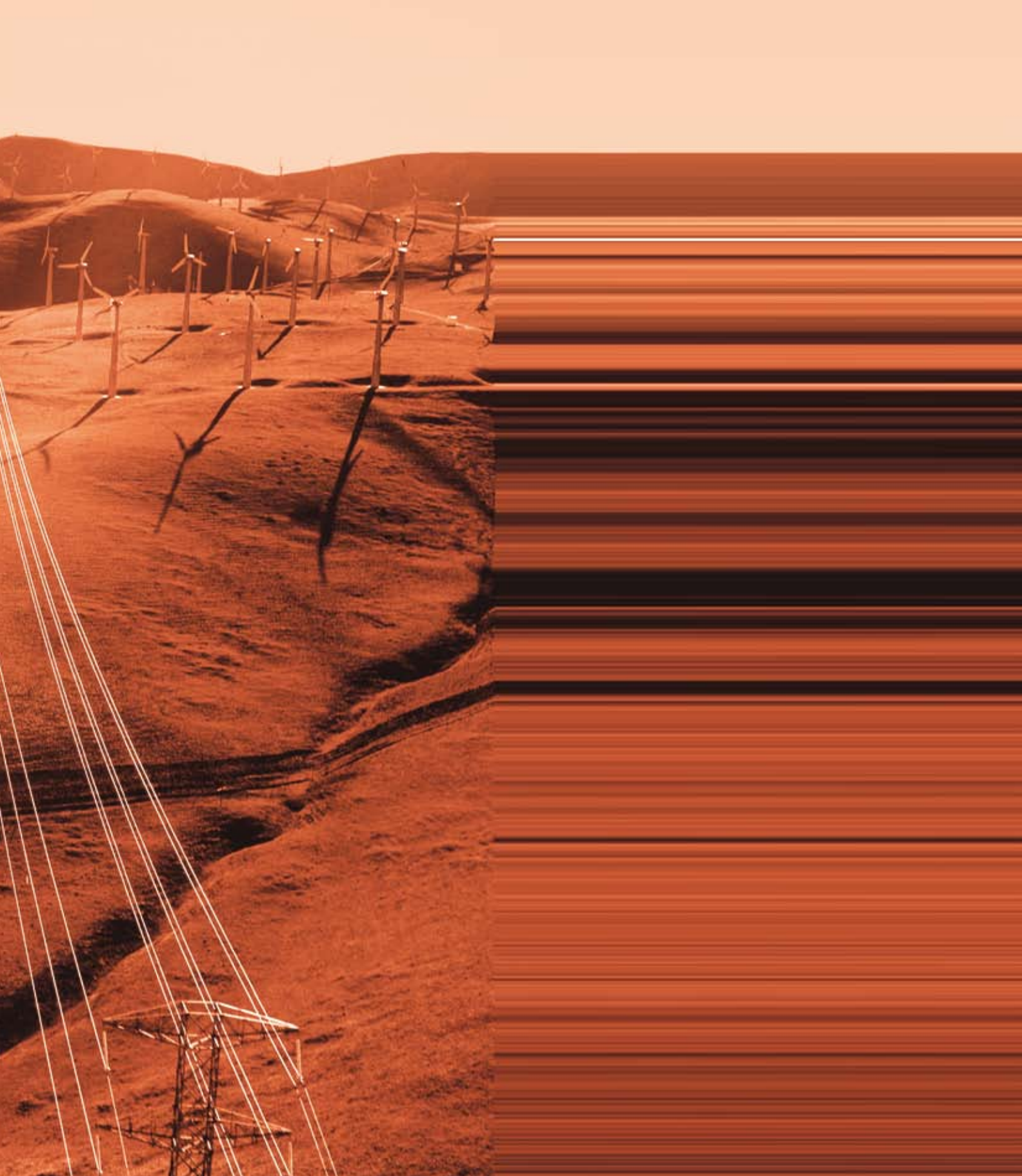




Nexans

2009 Registration document

Optimizing our strengths

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This Registration document contains Nexans' annual financial report for fiscal year 2009



This Registration document was filed with the Autorité des Marchés Financiers (French stock market authorities) on April 8, 2010 in accordance with article 212-13 of the General Regulations of the AMF. It may be used in connection with a financial transaction only if supplemented by a transaction memorandum which has been reviewed by the AMF.*
This document has been established by the issuer and is binding upon its signatories.

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

This document is a free translation from French into English and has no other value than an informative one. Should there be any difference between the French and English versions, only the text in the French language shall be deemed authentic and considered as expressing the exact information published by Nexans.

Global leader in cables

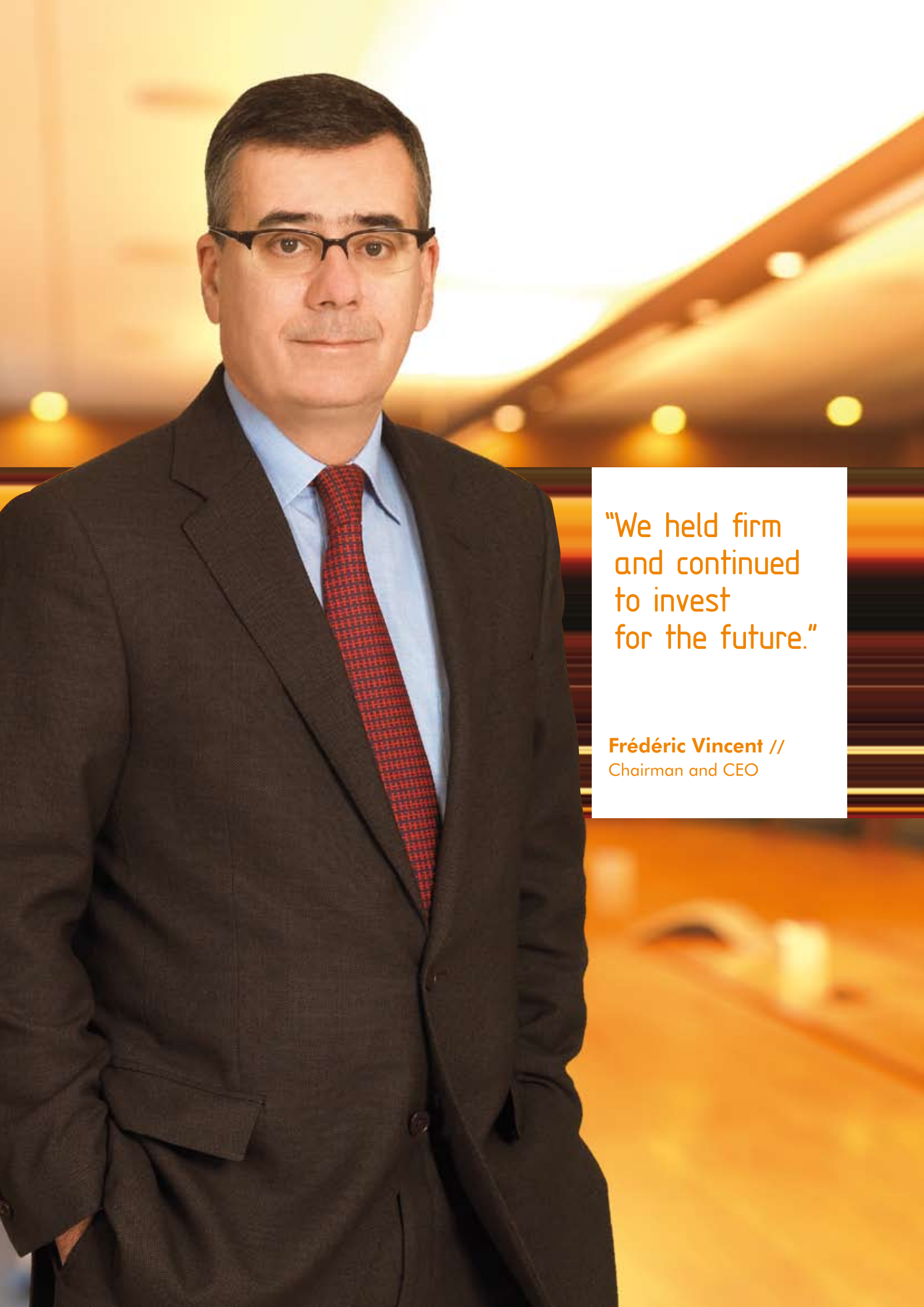
As the worldwide leader in the cable industry, Nexans provides cabling solutions for the Infrastructure, Industry, Building and Local Area Network (LAN) markets. The Energy and Transportation markets are at the core of Nexans' development.

Employing a total of 22,700 people, the Group has production facilities in 39 countries and a sales presence that spans the globe. Its offering covers the entire value chain – including research, design, manufacturing, installation, training, and network supervision and control – and is unique in terms of its range and complementary mix as well as the array of available related services.

With its technological leadership, global expertise and local presence, Nexans operates around the world to satisfy essential needs while maintaining the highest levels of performance, safety, and respect for the environment. Nexans is listed on NYSE Euronext Paris.



Nexans joined the UN Global Compact in December 2008, highlighting the Group's commitment to support and implement ten universally-accepted principles in the areas of human rights, labor, environment and anti-corruption.



"We held firm
and continued
to invest
for the future."

Frédéric Vincent //
Chairman and CEO

Interview

What significant events took place in 2009?

First off, the economic crisis ended up being much worse than we had anticipated. We expected sales to decrease 5% to 10%. They were down 17% like-for-like in 2009, yet we still achieved our objective of a 6% operating margin.

There was also a change in Nexans' leadership for the first time since the company was founded ten years ago. The transition was planned some time ago and was gradual. This change in corporate governance was handled flawlessly, and we have Gérard Hauser to thank for that. Nonetheless, it does represent a real change. Nexans has become much more international. In today's changing environment, we have to be more responsive. Thus, I have put in place a more tightly-knit, collegial organization, with three people working in close collaboration with me. We are a very complementary team. At the same time, new members have joined the Executive Committee, which has been expanded and has also become more international. Finally, the Group has solidified and strengthened its financial position. We issued 212 million euros in convertible bonds on reasonable terms, giving us even more flexibility. And, of course, *Fonds Stratégique d'Investissement* acquired an interest in Nexans to support the Group's development over the long term, as did Madeco – our largest shareholder.

How did you react to the economic crisis?

We held firm and battened down the hatches; we stayed the course and continued to invest for the future. We stepped up our plans to scale back operations. Plants in Germany, France and Canada were closed or

are in the process of being closed. Nexans has handled this restructuring very responsibly. We are using all the resources available so that no one is faced with finding a job alone. Production levels have been adapted to the economic context, reflecting lower demand in the automotive industry, automated systems for industry and the building sector. We have done everything we can to manage our resources the best way possible. Thanks to a concerted effort by our teams across all departments and at all levels, our decrease in working capital more than offset the fall in business revenue. We also continued to pursue our cross-functional streamlining plans. The Nexans Excellence Way industrial performance program was launched in June. Our results in terms of workplace safety have improved significantly. Over 4,500 employees attended sessions at the Nexans University – our campus that is dedicated to knowledge sharing and best practices. We also increased our R&D investments, generating a record number of patent filings.

What's in store for the future?

It is hard to predict for the short term. But distributors will not be reducing their inventories anymore; there are fewer restrictions on financing projects; and there is growth in China, India and Brazil. The needs in terms of energy, transportation and infrastructures are huge, and most stimulus plans provide for major investments in these areas. The majority of our business is related to energy production, transmission and distribution. We are also well placed in transport and transport infrastructure. When our new plants are up and running in India and Qatar, we will have a worldwide manufacturing base to serve our customers – who are ever more globalized and hail from both developed and

emerging countries. These strengths are unique in our industry. We are confident about the future, and that is why we are proposing a resolution at the Annual Shareholders' Meeting to pay a dividend of one euro per share for 2009.

What is your strategic plan?

We are focusing on four areas. We are capitalizing on the sectors and segments where our expertise and solutions already stand out. Our capacity to offer innovative solutions in all areas accentuates our leadership position. We are strengthening our competitive edge and our expertise in highly competitive markets such as the building market and the industrial applications market. We are making customer satisfaction a key priority. We strive to meet all their needs, no matter how big or small. We are expanding our offering, and we are strengthening our collaboration with our customers to work together and create added value that we can share. We are tapping into the Group's wealth of expertise and resources. Nexans is much more than the sum of its plants, its subsidiaries and its countries. We have created a team dynamic to raise this collective value, because a company is first and foremost a common project.

Referring to the 2009 results, Frédéric Vincent, Chairman and CEO, said: "The Group remains positioned as a key actor in cables for Transmission and Distribution (T&D) networks and has developed promising positions in applications specifically for renewable energies, rail transportation and offshore oil resources, all of which are examples of the ongoing potential of the market sectors served by Nexans."

It is for these reasons that we are confident about the future, even if early 2010 still reflects an economy struggling to recover. In this context, the level of sales in the first quarter of 2010 of the cable activity is expected to be at a similar level as the fourth quarter 2009, and less than first quarter 2009 sales. The return of sales volumes, especially in the Building market and certain industrial sectors, is a condition to an improvement in the Group's operating margin over 2009."

Management

At the close of the Annual Shareholders' Meeting held on May 26, 2009, Frédéric Vincent replaced Gérard Hauser as Chairman and CEO of Nexans. The handover brought an end to a transition process initiated in 2006, when Frédéric Vincent was appointed Chief Operating Officer.

The Management Committee

This Committee is chaired by the Chairman and CEO and includes three other members – Senior Corporate Executive Vice Presidents respectively in charge of: administration and finances, commercial and innovation policies, and industrial and logistics management.

The Management Committee was created on June 1, 2009, and it manages the Group, defines and directs its corporate strategy in a context requiring a high degree of responsiveness.

The Executive Committee

This Committee comprises the members of the Management Committee, the Head of Human Resources, the Corporate Secretary/General Counsel, the Head of Communications and the seven Area Executive Vice Presidents. The role of the Executive Committee is to reflect on and discuss the challenges facing the Group. Eight of the fourteen members joined the Committee within the last two years. Seven have a nationality other than French.



A // Frédéric Vincent

Chairman
and CEO

B // Frédéric Michelland

Chief Financial Officer,
Senior Corporate
Executive
Vice President

C // Pascal Portevin

Senior Corporate
Executive Vice President
in charge of commercial
and innovation policies*

D // Yvon Raak

Senior Corporate
Executive
Vice President,
in charge of
industrial and
logistics policies**

E // Nicholas Ballas

Executive
Vice President,
Asia-Pacific Area

F // Wolfgang Bedorf

Executive
Vice President,
Middle East, Russia
and Africa Area
(MERA)

G // Norbert Bluthé

Executive
Vice President,
Western Europe Area -
Country Manager,
France.

H // William English

Executive
Vice President,
Northern Europe
Area

I // Stephen Hall

Executive
Vice President,
North America Area

J // Francis Krähenbühl

Executive
Vice President,
Central Europe Area

K // Jean-Claude Nicolas

Senior Corporate
Vice President,
Communications

L // Patrick Noonan

General Counsel,
Senior Corporate
Vice President,
General Secretary

M // Jorge Tagle

Executive
Vice President,
South America Area

N // Jacques Villemur

Senior Corporate
Vice President,
Human Resources

*Responsible for the Middle East, Russia and Africa, Asia-Pacific, North America and South America Areas.

**Responsible for Western Europe, Northern Europe and Central Europe Areas.

The Board of Directors

The Board of Directors establishes the strategic plans for the Group's business and oversees the implementation of these plans. At December 31, 2009, the Board of Directors comprised 12 members, including seven independent directors. Directors hold office for a four-year term, which may be renewed.



A // Frédéric Vincent
Chairman and CEO

B // Gianpaolo Caccini*
Director

C // Jean-Marie Chevalier*
Director

D // Georges Chodron de Courcel
Director

E // Jérôme Gallot*
Director

F // Jacques Garaïalde*
Director

G // Gérard Hauser
Director

H // Colette Lewiner*
Director

I // Guillermo Luksic Craig*
Director

J // François Polge de Combret
Director

K // Ervin Rosenberg
Director

L // Nicolas de Tavernost*
Director

Committees of the Board of Directors in 2009

The Accounts and Audit Committee

Georges Chodron de Courcel (Committee Chairman)
Jérôme Gallot
Jean-Louis Gerondeau**

The Appointments and Compensation Committee

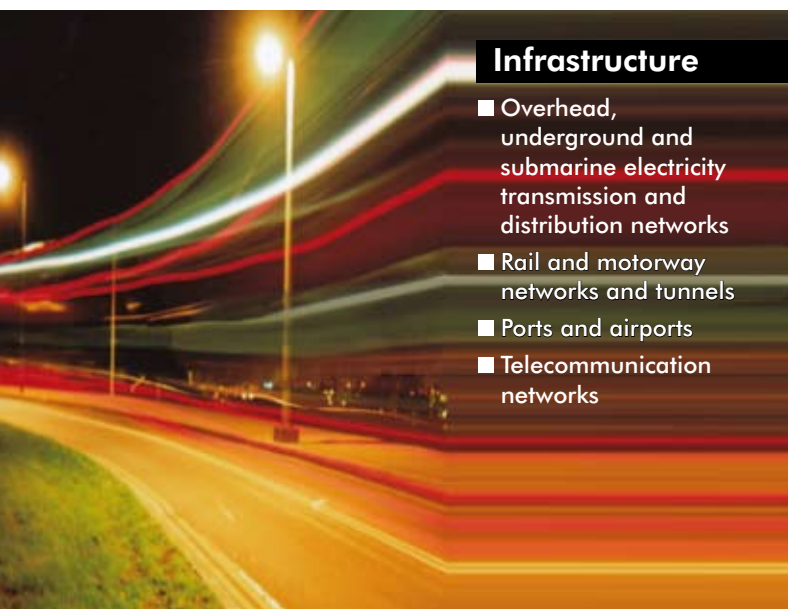
Jérôme Gallot (Committee Chairman)
Gianpaolo Caccini
François Polge de Combret

For detailed
bios go to:
www.nexans.com

*Independent directors.

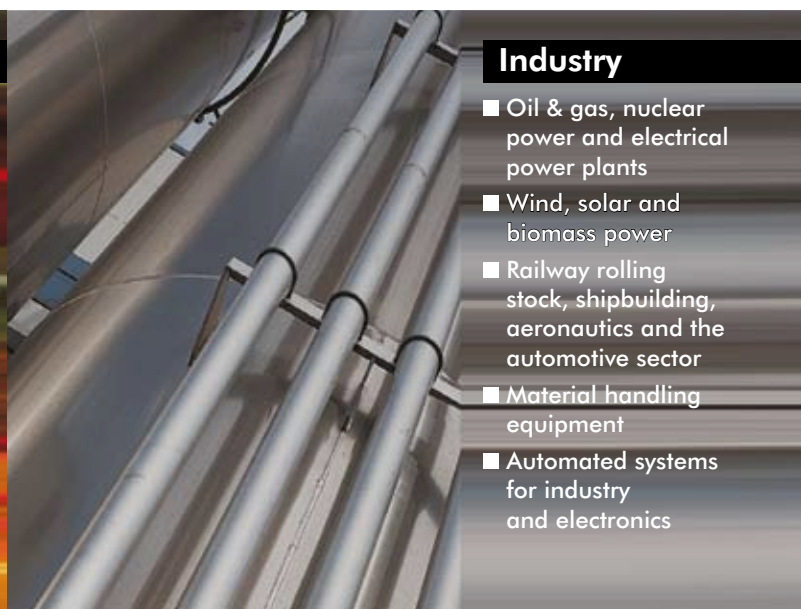
**Following the death of Jean-Louis Gerondeau at the end of November 2009, the Board of Directors appointed Jacques Garaïalde to replace Mr. Gerondeau on January 13, 2010.

Solid strengths



Infrastructure

- Overhead, underground and submarine electricity transmission and distribution networks
- Rail and motorway networks and tunnels
- Ports and airports
- Telecommunication networks



Industry

- Oil & gas, nuclear power and electrical power plants
- Wind, solar and biomass power
- Railway rolling stock, shipbuilding, aeronautics and the automotive sector
- Material handling equipment
- Automated systems for industry and electronics

Structurally buoyant markets

Nexans' markets offer significant prospects for growth. Population trends, urbanization, globalization, the industrialization of emerging countries and the explosion in Internet traffic all mean a greater need for energy, infrastructure, transportation, equipment and buildings that will all sustain demand for cables over the long term.

Customer-focused worldwide

With research and production facilities on five continents, a marketing network that spans the globe and an efficient international supply chain, Nexans meets national and international standards, develops a competitive offering and provides customized services that create value. The Group offers its clients a high level of expertise, innovation, quality and service throughout the world.



Building

- Factories and logistics centers
- Offices, hotels, exhibition centers and shopping malls
- Sports, cultural, educational, social and medical facilities
- Individual and collective housing

Local Area Networks (LAN)

- Data centers
- Business networks, banks, universities and hospitals
- Supervision and security

Energy and transportation drive growth

The majority of the Group's business is related to energy production, transmission and distribution. Based on projections from the International Energy Agency, it will take an investment of an average of 1,100 billion dollars per year from now to 2030* to meet worldwide demand. One-half of this amount will be spent on electricity, and 50% of the total investments will be made in developing countries. Networks, oil & gas, nuclear, wind and solar power – Nexans holds key positions in these markets. And as for energy, mobility also goes hand in hand with development. Nexans operates in all areas of transport and transport infrastructure:

trains, metros, railway equipment, the automotive industry, shipbuilding, port facilities, aeronautics and airports.

*World Energy Outlook, Dec. 2009.

The leader in tomorrow's technology

Nexans offers advanced solutions for the most demanding environments and the most complex applications. Nexans helps make energy networks more reliable and more energy efficient. The Group is helping promote the growth of renewable energy and is the leader in cutting-edge technology such as superconductivity and ultra high-speed data transmission.

Innovation

Nexans has strengthened its focus on R&D efforts to emphasize its position as a technological leader, offer its customers more services, create added value, and help customers find long-term solutions to issues related to energy, the environment and security. In 2009, the Group filed over 60 patents and introduced creative and innovative technological advances to the market.

Growth

Nexans is investing, creating partnerships and solidifying its capacities and its teams to establish a strong foothold in emerging countries and help drive growth over the long term. The key focus is on energy and transportation. In 2009, Nexans strengthened its R&D center in South Korea, began operations at a plant in Russia, increased its production capacities in China and Australia, and broke ground on plants in Qatar and India.

Efficiency

Nexans has adapted its manufacturing operations and implements best practices so that it can be more flexible and competitive, improve its customer service rate, reduce its working capital requirements and optimize its investments. In mid-2009, the Group launched its Nexans Excellence Way operational performance program in six pilot plants across six countries. The program will be rolled out at all its sites by 2012.

Commitment

Nexans encourages its employees to make a difference in terms of workplace safety, training, respect for the environment, ethics and solidarity. The Group's strategy emphasizes responsibility and long-term performance. The CSR* Committee, set up in 2009, defines the Group's sustainable development strategy and draws on two specialized committees – the Governance & Social Affairs Committee and the Environment & Products Committee – to direct its projects.

*Corporate Social Responsibility.

22,700 employees
Approximately 100 plants
39 countries
9 competence centers
1 international research center



North America

Canada
Mexico
United States

South America

Argentina
Brazil
Chile
Colombia
Peru

A responsive strategy



Europe

Belgium

Bulgaria

Czech Republic

Denmark

France

Germany

Greece

Italy

Lithuania

Norway

Poland

Romania

Slovak Republic

Spain

Sweden

Switzerland

United Kingdom

Middle East, Russia and Africa

Egypt

Ghana

Lebanon

Morocco

Nigeria

Russia

Turkey

Asia-Pacific

Australia

China

India

Japan

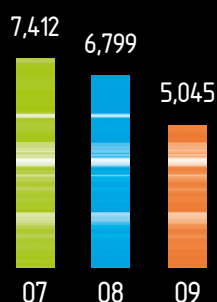
New Zealand

South Korea

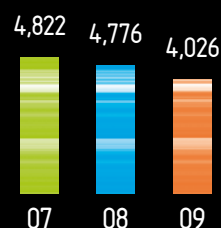
Vietnam

2009 key figures

**Sales at current
non-ferrous metal prices**
(in millions of euros)



**Sales at constant
non-ferrous metal prices**
(in millions of euros)



Sales for 2009 at constant non-ferrous metal prices decreased by 16% compared with 2008. This is attributable to a decrease in business volume, impacted by the economic downturn and the continued, voluntary reduction in electrical wire sales, despite the full-year consolidation of businesses that were acquired in 2008.

Sales for 2009 at current non-ferrous metal prices fell by 26% as a result of the trends mentioned above, as well as average non-ferrous metal prices that were lower than in 2008.

2009 sales by business*



- Power cables: 85%**
-14% compared with 2008
- Telecom cables: 10%**
-20% compared with 2008
- Electrical wires: 5%**
-33% compared with 2008

2009 sales by geographic area*



- Europe: 62%**
-22% compared with 2008
- Middle East, Russia and Africa: 7%**
-6% compared with 2008
- North America: 10%**
-27% compared with 2008
- South America: 9%**
+99% compared with 2008
- Asia-Pacific: 12%**
-7% compared with 2008

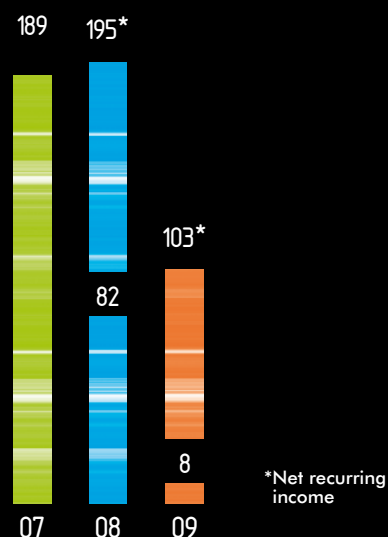
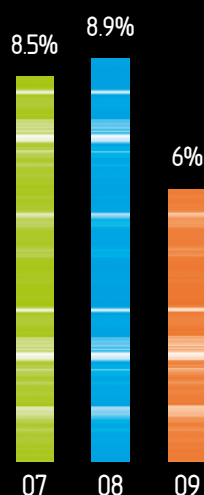
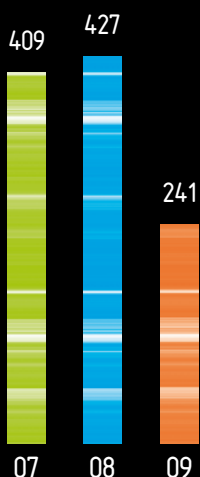
2009 operating margin by geographic area*



- Europe: 62%**
-42% compared with 2008
- Middle East, Russia and Africa: 8%**
-18% compared with 2008
- North America: 11%**
-38% compared with 2008
- South America: 10%**
+90% compared with 2008
- Asia-Pacific: 9%**
-36% compared with 2008

Operating margin on unallocated operations: - 52 million euros

*At constant non-ferrous metal prices.



Operating margin

(in millions of euros)

Operating margin fell by 44% as a result of lower sales. The Group was able to maintain its operating margin at 6%, in line with forecasts, by focusing on profitability over volume and by significantly reducing its fixed costs.

Operating margin at constant non-ferrous metal prices

(in %)

Attributable net income

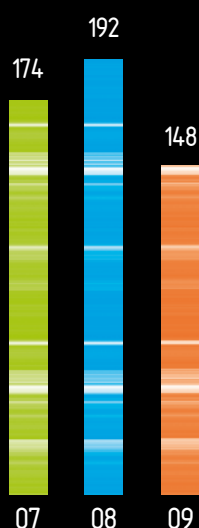
(in millions of euros)

Net income for the year was slightly positive. This takes into account the 119 million euros in restructuring costs for measures taken over the year. Excluding non-recurring items, net recurring income stood at 103 million euros.

Manufacturing capital expenditures

(in millions of euros)

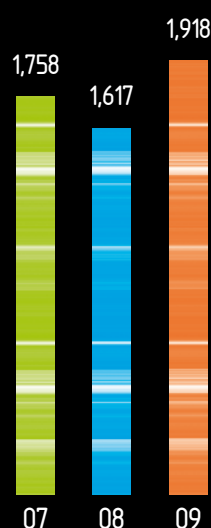
Despite the economic downturn in 2009, the Group maintained its investment plan for its priority markets. As a result, the level of manufacturing capital expenditures remained slightly higher than the level of depreciation, underscoring the Group's commitment to continued growth.



Total equity

(in millions of euros)

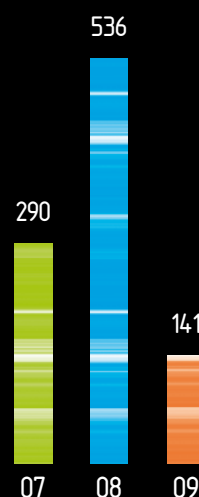
Total equity rose by nearly 300 million euros. This increase was primarily due to the remeasurement of metal and currency hedging instruments at fair value at the balance sheet date in accordance with IFRS.



Net debt

(in millions of euros)

Consolidated net debt fell by nearly 400 million euros, as a result of cash flow from operations and unprecedented efforts to scale down working capital requirements. Nexans' financial position is thus very sound.



2009 Sales breakdown by business sector

(in millions of euros, at constant non-ferrous metal prices)

Energy	
- Infrastructure	1,798
- Industry	746
- Building	838
Telecoms	
- Infrastructure	185
- LAN	221
Other	22
Sub-total: Cable businesses	3,810
Electrical wires	216
Group total	4,026

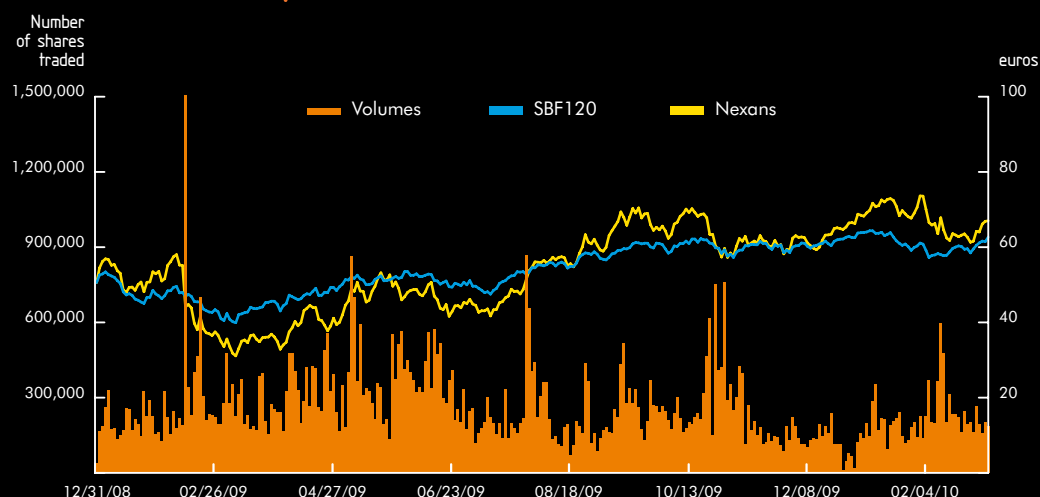
2009 Operating margin by business sector

(in millions of euros)

Energy	
- Infrastructure	179
- Industry	6
- Building	44
Telecoms	
- Infrastructure	16
- LAN	6
Other	(11)
Sub-total: Cable businesses	240
Electrical wires	1
Group total	241

The Nexans share

Nexans' share price from January 1, 2009 to March 5, 2010



Stock market data

Share price in euros (except ratios)	2009	2008	2007
High	59.31	92.03	131.71
Low	26.12	36.34	82.69
End of year closing price	55.82	42.55	85.50
Change over the year	31.19%	-50.23%	-11.86%
Change in the SBF 120 over the year	23.73%	-43.08%	0.34%
Change in the CAC 40 over the year	22.32%	-47.10%	-5.51%
Market capitalization at December 31⁽¹⁾	1,563.68	1,188.70	2,195.50
Average daily trading volume ⁽²⁾	228,532	320,774	236,127
Number of shares issued at December 31	28,012,928	27,936,953	25,678,355
Share turnover⁽³⁾	0.82%	1.15%	0.92%

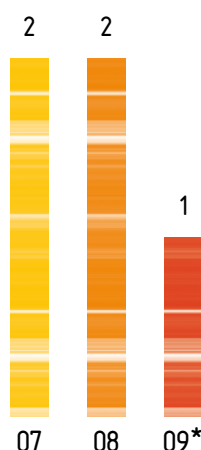
(1) In millions of euros.

(2) In number of shares.

(3) Daily average over the year.

Net dividend

(in euros)



*Proposed at the Annual Shareholders' Meeting on May 25, 2010 for distribution on the sixth trading day following the Annual Shareholders' Meeting.

Per share data

	2009	2008 restated ⁽¹⁾	2007
Net assets ⁽²⁾	66.98	56.59	67.0
Basic EPS ⁽³⁾	0.29	3.21	7.41
Diluted EPS ⁽⁴⁾	0.71	3.12	6.67
PER ⁽⁵⁾	-	17.39	11.54
Net dividend ⁽⁶⁾	1.0	2.0	2.0
Dividend yield ⁽⁵⁾	1.8%	3.6%	2.3%

(1) Restated to take into account the fair value adjustments made following completion of the initial accounting for Madeco cables and Intercond acquisitions.

(2) Equity excluding minority interests divided by the number of shares outstanding at December 31.

(3) Based on the weighted average number of shares outstanding.

(4) Earnings per share if all convertible securities (warrants, convertible bonds, stock options, and rights) are exchanged for common shares, which would increase the number of shares.

(5) Based on the December 31 share price.

(6) 2009 dividend proposed at the Annual Shareholders' Meeting on May 25, 2010.

Estimated ownership structure at December 31, 2009

- Total number of shares: 28,012,928
- Total number of voting rights: 28,415,600
- Estimated number of shareholders: approximately 60,000



Madeco group (Chile): 9.2%

French Sovereign Fund (FSI) (France): 5.1%

Other institutional shareholders:

France: 13.4%

UK and Ireland: 14.9%

Other European countries: 11.2%

North America: 28.0%

Rest of the World: 0.6%

Institutional shareholders: 1.7%

Individual shareholders: 12.3%

Unidentified shareholders: 3.6%

In July 2009, the French Sovereign Fund (FSI) acquired an interest in Nexans, which now has two key shareholders to support its development over the long term – the Chile – based group Madeco and FSI.

Shares registered in the name of the same holder for at least two years carry double voting rights. When voting on resolutions at Shareholders' Meetings, a shareholder with single voting rights may not exercise a number of voting rights representing more than 8% of the voting rights of all shareholders present or represented at the meeting concerned. If a shareholder is also entitled to double voting rights this limit is increased to 16% of the voting rights of all shareholders present or represented.

Changes in capital in 2009

Number of shares at December 31, 2008	27,936,953
Cancelled shares	-
New shares issued	
- On exercise of stock options	75,975
Number of shares at December 31, 2009	28,012,928
Stock options	1,497,525
OCEANE 2013 and OCEANE 2016*	7,794,037
Number of fully diluted shares at December 31, 2009	37,304,490
Average number of shares in 2009 used to calculate:	
- Basic EPS	27,974,134
- Fully-diluted EPS	34,021,748

*Nexans issued 212.6 million euros in bonds convertible into and/or exchangeable for new or existing shares (OCEANE 2016) in June 2009. This transaction, which was very well received, extends the average maturity of the debt, for which the first maturity date is during the fourth quarter of 2012. This bond issue will enable the Group to take advantage of opportunities that may arise in the cable sector as it is still not very concentrated.

Nexans is listed on NYSE Euronext Paris (Compartment A)

- Deferred settlement service
- ISIN Code: FR0000044448
- Par value: 1 euro

Market capitalization

1,563.68 million euros at December 31, 2009

Average daily trading volume

228,532 shares in 2009

Indexes

SBF 120: 0.14% of the index at December 31, 2009

Nexans' share price

from January 1, 2009 to December 31, 2009 (in euros)

In 2009, Nexans' share price rose 31%, which is 7 percentage points better than the SBF 120 index and 9 percentage points better than the CAC 40 index.

Shareholder information

Nexans strives to earn the trust of its shareholders through its financial communications.

A wide range of financial information

The Group publishes an Annual Report and a Registration Document as well as three Shareholders' Newsletters each year. All Nexans' shareholder information is available on the Group website at www.nexans.com, which has a Shareholder's Corner under "Financial Information" on the home page. For a quick response to questions shareholders, you can contact us or send an e-mail to **investor.relation@nexans.com**.

Direct dialogue

In 2009, Nexans gave four presentations for the individual shareholders in Toulouse, Nantes, Paris and Lyon and organized a visit of its Bourg-en-Bresse plant, which manufactures medium – and high – voltage cables for energy network operators, transmission networks and installers. Shareholders only have to own one share to become a member of the Shareholders' Club and receive personalized information and invitations to special meetings and visits.

Nexans also organized a number of information meetings for analysts and investors during the year.

Securities services

Registered shares are not subject to custody fees, and may receive double voting rights after two years. They also allow the shareholder to receive invitations to the Group's shareholder meetings and a personal mailing of information about the Company. Investors wishing to purchase registered shares should contact their financial intermediary, who will then obtain the necessary registration documents from Société Générale, which is responsible for Nexans' securities services.

Société Générale
32, rue du Champ de Tir
BP 81236 – 44312 Nantes Cedex 3, France
Tel. (France only): 0 825 820 000 –
Fax: +33 (0)2 51 85 53 42

Shareholders' calendar

- **April 22, 2010:** First-quarter 2010 financial information
- **May 25, 2010:** Annual Shareholders' Meeting
- **June 2, 2010:** Payment of the dividend
- **July 28, 2010:** 2010 half-year results

Individual shareholders' information meetings ⁽¹⁾

- **May 31, 2010:** Biarritz
- **December 2, 2010:** Rennes

⁽¹⁾ These dates are subject to change.

Contact

Investor Relations Department
Nexans – 8, rue du Général Foy –
75008 Paris, France

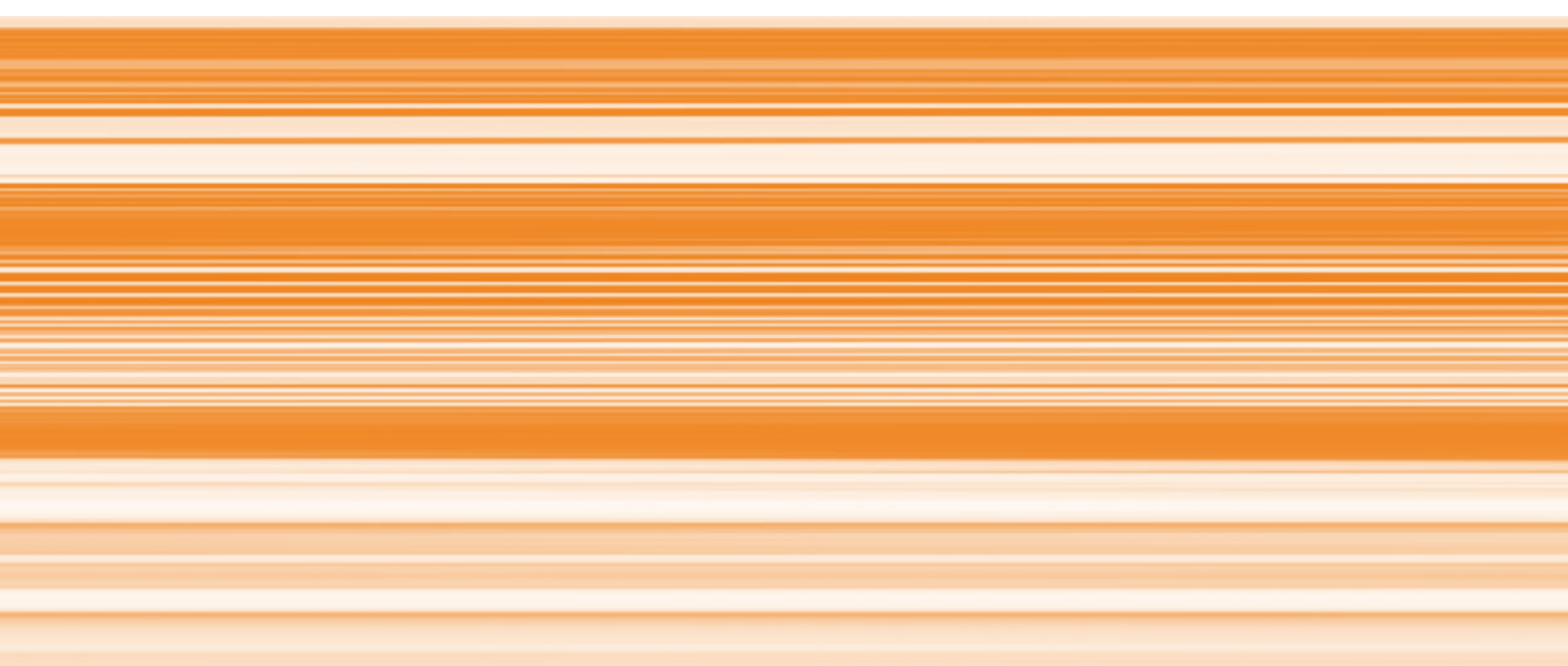
- **Tel.:** +33 (0)1 73 23 84 56
- **Fax:** +33 (0)1 73 23 86 39

• ** N° Vert 0800 898 898**
Toll-free number (in France only)

- **E-mail:** investor.relation@nexans.com
- **Website:** www.nexans.com



Management report



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The purpose of this report is to present an overview of the operations and results of the Nexans Group and its parent company for the year ended December 31, 2009. It is based on the parent company's financial statements and consolidated financial statements at December 31, 2009.

In an attached document prepared in compliance with Article L.225-37 of the French Commercial Code (Code de commerce), the Chairman reports on (i) the terms and conditions for the preparation and organization of the work of the Board of Directors and (ii) the internal control procedures implemented within the Group, particularly in relation to financial and accounting information.

Nexans' shares are traded on the NYSE Euronext Paris market (Compartment A), and are included in the SBF 120 index. The Company's estimated ownership structure, broken down by shareholder category, was as follows at December 9, 2009: (i) institutional investors - France: 18.9%; the UK: 10.3%; other European countries: 14.1%; USA: 29.7%; Latin America: 9.2%; other countries: 1.8%; (ii) individual shareholders and employees: 15.6%; and (iii) unidentified shareholders: 0.4%.

1. Operations during 2009

1.1 Consolidated results of the Nexans Group

1.1.1 Overview

Sales for 2009 totaled 5,045 million euros, down 25.8% on the 6,799 million euros reported in 2008. This decline is primarily attributable to the steep fall in non-ferrous metal prices that began as of the third quarter of 2008 and continued through to the end of the year before prices picked up again in early 2009, although without reaching the high levels of the first half of 2008. The average implicit billing price for copper and aluminum were respectively 26% and 34% lower in 2009 than one year earlier. Based on constant non-ferrous metal prices, sales stood at 4,026 million euros, versus 4,776 million euros in 2008.

The second explanatory factor for the sharp falloff is the Group's ongoing measures to focus its Electrical Wires business purely on Nexans' internal requirements, leading to a more than 42% year-on-year drop in sales generated by these operations based on constant exchange rates and a comparable scope of consolidation (like-for-like). External sales of these products came to just 216 million euros at constant non-ferrous metal prices.

Lastly, 2009 sales were affected by major changes in the Group's structure, with the full-year impact of the consolidation of Nexans' two recent acquisitions, namely Intercond as of August 1, 2008 and Madeco's cables business as of October 1, 2008. These new Group companies contributed 25 million euros and 290 million euros respectively to sales at constant non-ferrous metal prices in 2009.

The contribution by Santander – which was sold in late May 2008 to UK-based B3 – was also adjusted for the purpose of comparable scope analyses. In the first six months of 2008 this business represented 24 million euros worth of sales at constant non-ferrous metal prices.

Based on constant non-ferrous metal prices, constant exchange rates and a comparable scope of consolidation, the Group's total sales were 18.9% down on 2008, with the cables business alone (Energy/Telecom businesses) reporting a 17.2% drop.

Europe, North America and South America were the areas that experienced the sharpest year-on-year downturn in sales. In Asia and MERA (Middle East, Russia and Africa), sales were on a par with 2008.

Operating margin amounted to 241 million euros, or 6.0% of sales at constant non-ferrous metal prices (4.8% at current metal prices), compared with 427 million euros⁽¹⁾, or 8.9% of sales at constant non-ferrous metal prices (6.3% at current metal prices) in 2008.

EBITDA (earnings before interest, tax, depreciation and amortization) came to 363 million euros in 2009, or 9.0% of sales at constant metal prices, compared with the 2008 figure of 533 million euros⁽¹⁾, or 11.2% of sales at constant metal prices.

After fluctuating sharply during the year, the average price of non-ferrous metals held in inventory at end-2009 was slightly higher than at December 31, 2008. Consequently, the core exposure effect in the 2009 income statement represented a gain limited to 18 million euros (net of the impact of the reduction in volume of core exposure inventories– see Section 1.1.2 on unallocated operations), whereas in 2008 it represented an accounting charge of 165 million euros (with no cash impact). This was due to the fact that in 2008 – a year when average copper prices fell steeply during the last quarter – the valuation of non-ferrous metal inventories at the year-end, using the weighted average unit cost method, led to the recognition in the accounts of the impact of the temporary price difference between the copper actually used in production and the copper implicitly allocated to orders through the hedging mechanism. No such cost would have been recognized if the Group had continued to apply the Last In-First Out (LIFO) method used until 2004 before the transition to IFRS.

The Group recorded 51 million euros in income before taxes in 2009 compared with 135 million euros the previous year. The 2009 figure includes the 119 million euro negative impact of the restructuring plans launched during the year.

(1) To neutralize the effect of fluctuations in non-ferrous metal prices and therefore measure the underlying trend in its business, the Group also presents its sales figures based on a constant price for copper and aluminum. These reference prices have been set at 1,500 euros per tonne for copper and 1,200 euros per tonne for aluminum.

After a 39 million euro tax charge, attributable net income amounted to 8 million euros compared with 82 million euros⁽¹⁾ in 2008.

1.1.2 Analysis by business line

(Sales figures by origin at constant non-ferrous metal prices)

• ENERGY

The Energy business posted 3,381 million euros in sales, down 12.7% on 2008 at constant exchange rates. Operations acquired in 2008 (Madeco's cables business and Intercond) contributed 254 million in sales during 2009 compared with 80 million euros in 2008. Like-for-like, therefore, sales retreated 17.3%.

On an organic basis, sales slid by more than 20% in the Industry and Building markets, but the decrease was more contained for Energy Infrastructure, representing 8.8%.

Energy Infrastructure cables

Sales of Energy Infrastructure cables edged back 4.6% in 2009 at constant exchange rates. In 2009, newly-consolidated entities contributed an incremental 83 million euros of sales compared to 2008, figure mainly generated in Brazil, Peru and Colombia.

On a like-for-like basis, the decrease was a modest 8.8%, demonstrating the business's ability to hold firm during an economic crisis. This performance was achieved despite a high basis of comparison in 2008 when sales climbed significantly.

Sales recorded by **high-voltage cables** were down 7.6% like-for-like, with business volumes in the second half of the year coming in on a par with those in the first half.

Following a period of strong growth in 2008 for high-voltage submarine cables, this segment held firm in 2009 with sales easing back just 5% on an organic basis. Production lines in Europe ran at full load but the business was unable to use its full manufacturing capacity during the year due to technical difficulties encountered for certain cables and breakdowns of intensively-used machines (in view of the high load rate at the Halden plant). In addition, the load ratio at the Tokyo Bay plant – which is held as a joint venture with the Viscas group – was not as good as expected in 2009.

Like-for-like sales from high-voltage terrestrial cables also contracted. However the portion of sales corresponding just to the production of terrestrial cables (i.e. excluding civil engineering and other outsourcing arrangements) rose year-on-year.

The main contracts that contributed to the 2009 sales figure for high-voltage terrestrial cables were power link projects in the Middle East – including Phase II of the Libya contract, Phase VIII of the Qatar project and the Al Saadyat contract in Abu Dhabi – as well as a steady stream of business with the incumbent power suppliers in France, Spain and Belgium.

For high-voltage submarine cables, performance was fueled by projects to supply and lay cables to create power links between island and mainland networks, such as ongoing work on the connection between Hainan Island and mainland China, and the links connecting Bahrain to Saudi Arabia and the Tanzanian island Pemba to the African mainland. Other drivers were supplies of umbilical cables and direct electrical heating (DEH) systems.

In 2009 Nexans won a number of major bids, particularly in the second half of the year and the order book for submarine cables at end-2009 was close to the level achieved at end-2008, representing 17 months of sales. The terrestrial cables order book, however, was down 23% to 13 months worth of sales.

Also during the year Nexans signed a framework agreement with BP Exploration & Production Inc. for deep water umbilical projects in the Gulf of Mexico representing a total estimated value of 300 million dollars. The Group also won a major order for umbilical cables for the Tambau gas field in Brazil corresponding to 34 million euros, as well as orders for subsea power cables for the London Array and Lincs offshore wind farms in the United Kingdom and Belwind in Belgium, worth an aggregate of around 200 million euros. In addition, Nexans has been selected to manufacture and lay submarine power cables along the coast of the French island of La Réunion in the Indian Ocean (worth 35 million euros). Lastly, the Group has won a contract to supply the world's longest high-voltage alternative current (HVAC) underground cable with a capacity of 220kV that will power Australia's largest seawater desalination plant. The cable will be produced at the Group's Tottenham facility in Australia.

Medium-/low-voltage cables reported 1.8% sales growth at constant exchange rates, spurred by the contribution from Madeco's cables business.

Like-for-like sales decreased 7.8%, following a strong performance in 2008 and a contained 4.8% drop in the first half of 2009.

Business levels in the second half of 2009 were on a par with the first half of the year in Europe and North America, while the MERA area once again turned in significant growth. Sales in Asia and South America advanced sharply in the first six months of the year but suffered a marked contraction during the second half.

(1) Taking into account the final valuations for Intercond and the Madeco group's cables business following the completion of the initial accounting for the two acquisitions, the figures for 2008 are as follows:

- Operating margin = 423 million euros,
- EBITDA = 532 million euros,
- Attributable net income = 83 million euros.

(See Note 11 to the consolidated financial statements).

In Europe, sales fell 13.3% against 2008 on a like-for-like basis, with similar trends experienced in both halves of the year.

The sales picture for distribution networks was mixed depending on the segments and countries concerned. Projects for terrestrial and shallow-water offshore wind farms suffered financing difficulties at the beginning of 2009 but the situation improved during the course of the year. Countries particularly hit by the economic crisis, such as Spain, Germany, Italy and the United Kingdom, either postponed or reduced the size of certain capital spending projects. Export sales experienced the same trends, notably for countries where operators have close links with the government such as Russia and Dubai. Towards the end of the year, pressure of competition increased in the Group's main markets (Germany, the United Kingdom, Switzerland and Italy).

In North America, sales at constant exchange rates slid 17.6%, with the full-year decline representing a slight improvement on the first half.

Customer demand in western Canada remained buoyant whereas orders of power distribution cables were adversely affected by the weak residential property market in the United States. The Quebec City facility was closed in the first quarter of the year and its machines transferred to other Group sites. This enabled Nexans to reduce fixed costs and transfer a portion of sales to its other North American manufacturing plants.

In the Asia-Pacific Area, like-for-like sales were stable overall in relation to 2008, dipping just 2.0%.

In Australia, after sharp growth in the first six months of the year, sales slowed during the second half, resulting in a full-year figure on a par with 2008.

Business levels in New Zealand were once again hit by a lack of wind farm projects despite higher billings in the second half of the year compared to the first half.

South Korea reported an 18.5% jump in sales in 2009 thanks to sustained business levels in the first six months led by demand from the country's main national power supplier.

In Vietnam, sales contracted 6.7% year-on-year. Improved economic conditions in the second half drove a recovery in domestic sales volumes, which helped to offset the impact of a decline in export sales.

The MERA Area delivered another year of strong growth, with the full-year like-for-like increase of 12.4% on a par with the first six months thanks to the start-up of sales by the Group's new Russian facility. All of the countries in the Area contributed to growth.

In Morocco, sales inched up 1.0% despite a slowdown in purchases by the national power supplier in the second half of the year. The Moroccan facility continued to expand its sales to West Africa during the year.

Sales growth in Egypt came to 3.3%, buoyed by infrastructure development projects, despite tougher competition in the Middle East as a whole. Following on from the capital

expenditure incurred at the Cairo facility in 2008, the first orders of 66 kV cables were delivered during 2009 and the certification process for 220 kV cables is under way.

Lebanon continued to enhance its performance despite an unsettled local political context, posting a 13.9% jump in sales against 2008, fuelled by investments made by the public authorities in transport and distribution networks. Although the export order book was strong, it was adversely affected in the second half of the year by the economic crisis that hit certain Gulf States.

Russia's direct sales increased throughout the year, with production coming properly on stream in September when the economic crisis was at its deepest. The country ended the year with sales topping 11 million euros at current metal prices. However, the Russian facility has not yet reached break-even as its profitability was impacted by the decrease in market prices caused by both the economic crisis and the devaluation of the ruble in late 2008. For the same reason, cable trading activities carried out on behalf of the Group's other units were more or less suspended during 2009 and only started up again in the last quarter.

In South America, the Lorena facility in Brazil – which was owned by Nexans before the Group acquired Madeco's cables business – reported a slowdown in sales during the second half of the year. On an organic basis, the Area's sales declined 7.6% against 2008. This was attributable to delays encountered for certain overhead power line projects which led to a decrease in the load ratio towards the end of the year that may continue into the first few months of 2010.

Business levels for Ficap in Brazil – which was acquired in October 2008 – were hit by the decision made by power suppliers to restrict their capital expenditure and significantly reduce their inventories. The overall downturn in volumes resulted in fierce competition during the year.

The Group launched two restructuring programs in Brazil in 2009 in order to limit the effect of the downturns on its earnings. In the first half, it implemented a plan to streamline the manufacturing base in order to enable each plant to focus on its distinctive strengths and in the second half, the two legal entities Ficap and Nexans Brazil were merged, which led to the reorganization of their sales, marketing and administrative departments.

In Peru, after a slight scaling back of capital expenditure projects by power suppliers in the middle of the year, sales picked up again in the fourth quarter, driven by the re-launch of electrification programs and export sales to Venezuela.

Colombia felt the effects of the economic crisis later than the rest of South America. Consequently sales were lower in the second half of the year than in the first half but the unit nevertheless managed to gain market share.

Power Accessories sales slipped 21.1% like-for-like, pushed down by a decrease in sales in the Spanish market which was particularly hard hit by the recession. However, it would appear that the situation has bottomed out, as the falloff in sales in

the second half came to 18.6% compared with 23.4% in the first six months of the year.

Industrial cables

Sales of Industrial cables dropped 18.7% at constant exchange rates versus 2008. In 2009, newly-consolidated businesses contributed an incremental 48 million euros compared to 2008, mainly generated in Italy, Argentina, Brazil and Chile.

On a like-for-like basis the decrease was 24.0%, reflecting a clear upturn in business for automotive cable harnesses in the second half of the year.

The impact of the economic crisis started to feed through to Industrial Cables in late 2008 and worsened during the first half of 2009 for markets with short investment cycles such as the automotive, robotics and material handling segments, particularly in Germany and Italy. The petrochemicals, shipbuilding and nuclear segments fared better in the first half of the year but in the second half business was hit hard by a lack of major contracts for the Group's end customers. The sharp drop in business volumes led the Group to launch a number of cost-cutting plans in 2009, especially in Europe. However, volume growth continued at a satisfactory rate in certain priority sectors such as the railway and aeronautical industries as well as for high-value added cables for off-shore projects (South Korea). The Group's major customers kept up a sustained rate of capital expenditure programs as they need to update and replace their aging infrastructures and equipment in order to reduce operating costs. Lastly, demand for cables for the mining industry and for windfarm turbines seemed to start trending upwards in the fourth quarter of 2009.

Sales of cable harnesses for the automotive industry remained in a trough during the first half of the year before picking up after the summer. The Group took swift steps to adjust its production capacity which allowed it to significantly reduce its break-even point and return to profit for the year as a whole with strong growth achieved in the fourth quarter.

Sales of **special cables for industrial applications** fell back 23.2% like-for-like. For the first time in 2009, sales for the fourth quarter were slightly up on the third quarter.

In Europe, sales shrank 26.6% at constant exchange rates, with the second half continuing the downward trend observed at end-June 2009.

The sales drop in France came to 31.1%, with sales of cables for the oil and gas industry down in both the first and second half of the year. Price pressure increased due to competition from cable manufacturers in the Middle East. However, judging by the increase in the number of invitations to tenders towards the end of the year, it would seem that a market recovery is on the way, with the rise in oil prices providing impetus for the return on investment for certain projects. The Group is currently reviewing the possibility of equipping new nuclear power plants which could represent a significant avenue for growth. Sales

for cables for the shipbuilding and materials handling markets retreated during the second half of the year.

In Germany, sales contracted 28.4% on an organic basis. The Nuremberg facility was particularly affected by the drop in sales generated in the robotics markets, whereas the Rheydt facility was boosted by its positioning in the growth markets of railway rolling stock and the construction of cruise ships.

Sweden reported a better sales performance in the second half of 2009 than the previous two six-month periods thanks to an upturn in sales with the automotive industry.

The Group's Italian plants – which are positioned in the robotics segment – experienced a sharp fall in sales based on a comparable Group structure.

Due to the drastic change in market conditions in 2009, beyond putting in place fixed-cost cutting measures across all units in the Industrial Cables segment, the Group launched several major restructuring plans in order to adapt its manufacturing facilities to the lower production workload. Such plans were launched at the Nuremberg and Rheydt sites in Germany during the first half of the year and announced at the Mehun and Lyon sites in France during the second half. In addition, the automotive cable manufacturing plant based in Arad in Romania was closed and its machinery was transferred to the Grimsås facility in Sweden. Lastly, the Group decided to streamline sales and marketing operations between the Nuremberg site and the Italian facilities of Cablowiss and Intercond in order to offer a more integrated response to demand in the European robotics market.

In Asia, sales climbed 3.5% like-for-like for the full year, reversing the trend in the first half when they decreased 5.1%.

South Korea reported a rise of 14.5%. Although the shipbuilding sector is undergoing in-depth restructuring across the whole of Asia, the Kukdong unit captured strong market positions with key shipyards in South Korea, Japan and Singapore, and had a strong order book in 2009. During the year, the unit continued to receive new orders for the construction of high-technology ships and platforms within a fiercely competitive market. As elsewhere in the world, South Korea reported a contraction in sales of cables for the automotive industry despite a recovery in the second half fueled by the success of new models launched by a number of the Group's customers.

In China sales fell by 10.4%, with cables for the shipbuilding, railway and materials handling segments recovering in the second half of the year on the back of a contraction during the first half.

In Australia, sales dropped 18.5%, pushed down by the postponement to 2010 of major projects already in progress, such as for mining and wind power.

In the MERA Area, sales slumped 39.5% like-for-like. The sales figure for Morocco was half of that reported in 2008, reflecting the sharp decrease in demand from French and Spanish automakers in the first half, and despite a recovery in the fourth quarter of the year. As a result of capital expenditure projects carried out in 2008, in October 2009 the Moroccan unit generated its first sales of cables for the aeronautical market.

In Turkey, demand remained subdued for instrumentation cables for the oil and shipbuilding industries, which drove down sales by 29.1%.

South America saw a surge in sales at constant exchange rates, propelled by the impact of the Madeco's cable business acquisition.

However, business levels in Brazil were weak as of the second quarter of 2009 following the completion of contracts in the oil platform segment. This situation continued until the end of the year when orders seemed to swing upwards.

Chile reported sales growth in the second half of the year, driven by an upturn in capital spending in the mining sector.

Sales of **electronic cables for industry** slipped 15.6% at constant exchange rates.

In France, activity was marginally impacted by a slowdown in production output in the aeronautical sector, but the order books of the Group's customers represent several years' worth of production for Nexans.

In the United States, the Elm City facility saw sales slide 26.7% due to a sharp falloff in the global industrial production.

China reported an 18.8% reduction in sales in 2009 due to lower demand from major telecom equipment manufacturers.

Sales generated by the **harness** business continued on a downward trend from the second half of 2008 until July 2009. However, in the third and fourth quarters of 2009 the business posted period-on-period volume increases of 9.4% and 9.6% respectively, limiting the overall decrease for the year to 30.2% compared with 42% for the first six months.

In the second half of 2009 the business managed to wipe out the operating losses recorded in the first six months thanks to a sharp upturn in sales to the automotive market – which accounted for 84% of harness sales in 2009 – combined with the major restructuring measures rolled out since late 2008. Following the recovery in sales volumes, the headcount at end-December 2009 was higher than one year previously.

Sales of harnesses for industrial vehicles and railway rolling stock slid 29.7%.

Building cables

Sales of cables for the Building sector dropped 21.9% at constant exchange rates. In 2009, newly-consolidated businesses contributed an incremental 43 million euros compared to 2008, generated in Brazil, Peru and Chile.

On a like-for-like basis the decrease was 26.4%. The fall in volumes continued into the second half of the year in Europe, North America and Australia. In the MERA Area, second-half sales were on a par with the first half. Against the backdrop of a sharp reduction in volumes, price pressure heightened in a number of countries towards the end of the year but the Group continued its policy of defending margins. In Germany, the continuation of strongly deteriorated market conditions – both in terms of price and volumes – led the Group to decide to close its Vacha site.

In Europe, sales fell 28.3% versus 2008.

A portion of the decrease was due to the Group's partial exit from the Irish and German markets in 2008 and 2009 respectively on account of their structurally low price levels. Excluding the impact of these withdrawals the decrease would have been 24.5% and the fall in sales would have stopped in the fourth quarter of 2009.

Three countries in Europe – Germany, Spain and Greece – posted sales slumps of between 30% and 50%. In Spain – which was particularly affected by the bursting of the real estate bubble – both prices and volumes continued to fall during the second half of the year. Greece, however, saw a sharp improvement in sales in the fourth quarter.

France, which accounted for 45% of the Europe Area's sales in this segment, registered a 20.3% decrease in domestic sales, and a steeper decline in its exports. In addition, price pressure heightened during the second half but the Group did its best to limit the ensuing impact. Cost-cutting programs were launched during the year, notably through the restructuring plan for Nexans France announced in September 2009. The Benelux and Scandinavian countries held up better against the global economic crisis, reporting sales decreases of between 8% and 16%. Margins were slightly eroded in Belgium in the second six months of the year, whereas the Netherlands, Sweden and Norway maintained a higher level of profitability than the European average.

At the same time, the Group continued to extend its range of fire-resistant products in a bid to stand out from the competition and safeguard its margins, rolling out the Alsecure® Premium range to several countries. This offering draws on the new INFIT™ technology developed by the Group's International Research Center in close partnership with its Australian R&D teams.

In North America, sales retreated 28.2%.

Volumes were stable in the Canadian market where the Group retained its solid positions. Industrial building cables remained a growth market whereas the residential and commercial sectors suffered from a certain amount of price pressure, with the additional factor of the fall in the US dollar against the Canadian dollar rendering US exporters to Canada more competitive.

In the United States, the residential market experienced tough competition, whereas volumes and margins in the industrial and commercial segments held up slightly better.

In Australia, sales of cables for the distribution and wholesale market shrunk 19.2%. Following a drop in demand during the first six months of the year, Olex kept a close eye on its margins during the second half. A manufacturing reorganization plan was implemented with a view to reducing production costs and enhancing the manufacturing performance and responsiveness of the Lilydale site.

In the MERA Area, sales retreated 11.0%.

Lebanon reported sales on a par with 2008 thanks to demand arising from the country's reconstruction efforts.

In Turkey, business levels were robust in the first three quarters of the year, driven by growth in specialty cables such as halogen-free cables, but domestic sales plunged in the fourth quarter.

In South America, performance was mixed across the various countries.

Brazil posted a slight downturn in sales between the first and second half of the year as the social housing development programs launched by the government were not sufficient to offset the impact of inventory-shedding measures taken by distributors. Competition was particularly fierce and the Group had to take action to defend market share to the detriment of margins.

In Chile, sales were hit by the end of public capital expenditure projects during the second half of the year.

Demand remained robust in Peru, driven by social housing programs and sales of halogen-free cables for public buildings.

Operating margin for the Energy business as a whole came in at 229 million euros (representing 6.8% of sales at constant non-ferrous metal prices) versus 402 million euros in 2008 (10.2% of sales at constant non-ferrous metal prices). Newly-consolidated companies (Madeco's cables business and Intercond) contributed 23 million euros to the 2009 operating margin figure, compared with 11 million euros the previous year.

The overall reduction in operating margin is essentially attributable to the fall in volumes, particularly in the Industry and Building markets, as well as a lower coverage of fixed costs. The Group managed to keep its sales margins almost unchanged compared with 2008 thanks to measures undertaken to implement a pricing strategy. In addition, all of the business line's units launched cost-cutting plans in response to the widespread fall in volumes. As a result of these plans, fixed costs were reduced by over 5% like-for-like for the Energy business as a whole and by almost 10% for the Industry and Building markets, which were the main segments concerned by the cost-cutting plans.

The lower profitability level mainly concerned industrial cables, whose operating margin was only slightly positive for the year (0.7% of sales at constant non-ferrous metal prices, versus 7.0% in 2008). The sharp drop in business volumes for certain

sectors such as the automotive, robotics and petrochemicals industries entailed operating losses in the activity of special cables for industrial applications in Europe. In response to this situation, the Group closed its manufacturing facility in Arad in Romania, restructured its sites at Nuremberg and Rheydt in Germany and announced a redundancy plan for the Lyon and Mehun sites in France. The harness business – whose main market is the automotive industry – returned to profit in the second half of 2009 on the back of restructuring measures implemented in late 2008. Lastly, operating margin posted by electronic cables for industry – a business that is particularly present in the aeronautical sector – remained above 4%.

Cables for the Building sector reported an operating margin of 5.3% in 2009 versus 10.4% one year earlier, reflecting significantly lower volumes in certain countries. Gross margin held firm at 29.8% compared with 31.4% in 2008 as the fall in sales prices only had a limited impact. The cost-cutting measures implemented enabled the business to reduce its fixed costs by 10.4% based on a comparable Group structure. These measures included the closure of two sites: (i) Athlone in Ireland in 2008, whose full effect was felt in 2009, and (ii) Vacha in Germany, which in 2010 will enable the Group to put an end to the substantial losses incurred in 2009.

Operating margin for Energy Infrastructure stood at 10.0% for full-year 2009, slightly up on the end-June figure but down on the 11.7% reported in 2008.

The evolution of profitability varied from one business to another : for low and medium-voltage cables – which accounted for 53% of the Group's energy infrastructure cables sales – it was on a par with 2008, for High-voltage, it has been adverse within the two sub-segments : submarine cables and terrestrial ones.

• TELECOM

Sales of Telecom cables came to 406 million euros, down 20.2% on 2008 at constant exchange rates. Madeco's cables business contributed 15 million euros in 2009 compared with 4 million euros the previous year. The Santander plant, which was sold in May 2008, contributed 24 million euros to the Group's Telecom cable sales in 2008.

On a like-for-like basis, sales fell 18.4% year on year.

Sales of copper cables – where the Group still has a presence in certain niche markets following the sale of the Santander plant – held firm, whereas sales of optical fibers and components decreased due to the falloff in capital spending by a number of European telecoms operators. Sales of LAN cables also contracted as they are closely linked to business in the Building market.

Telecom Infrastructure

Sales declined 11.2% like-for-like in 2009.

Europe – which accounted for over 85% of Group sales in this market – reported an 11.0% decrease compared with 2008. A new product line dedicated to optical fiber cables and components was created in 2009. It groups the products of Opticable and Nexans Interface and its purpose is to provide a product and systems offering for the FTTH market in Europe. In France, telecom operators reduced their capital spending in 2009, which significantly affected sales of accessories. In Belgium, Opticable, the new joint venture set up with Sumitomo Electric Industries (SEI), reported a slight year-on-year contraction in sales and is rolling out the agreed capital expenditure programs.

In Germany, sales retreated by a more modest 4.3%, reflecting continuing high demand for DuoTrack® cables for railway and ongoing significant deliveries of paper insulated cables.

In 2009, the Group stepped up its commercial drive among local operators in certain countries, particularly Norway and Sweden, to which it delivers both copper cables designed for the maintenance of existing equipment and optical fiber cables to partner the expansion of local loop networks that is continuing in Northern Europe.

The erosion in sales came to around 20% in Asia (South Korea and Vietnam), and 8% in the MERA Area (Morocco and Lebanon), where the Group is pursuing a local strategy where units offer selective telecom products as a complement to the product range.

In South America, Brazil posted a decline in sales in the second half of the year as telecom operators in the country postponed their capital spending programs. In addition, Peru's billings were down in the second half due to the loss of a tender issued by the country's main operator.

Local Area Networks (LAN)

Following a sharp 26.3% drop in the first half and a slight turnaround in North America in the second half, sales for the full year were down 23.1% on a like-for-like basis.

In Europe, which accounted for 32% of the segment's sales, volumes dropped 27.2%. Sales posted by Nexans Cabling Solutions' systems business in Belgium contracted 23.4% due to the steep falloff in projects in the Middle East and Central Europe, as well as to lower business levels in the finance sector in the UK. In France, however, sales of solutions for data centers held firm.

Sales of cables manufactured by the Fumay plant in France retreated 34% year-on-year, entailing the Group's decision to reduce the plant's staff as part of the Nexans France restructuring plan.

In the United States (representing 49% of the segment's sales), the year-on-year decrease in sales came to 25%. This decline was attributable to the twin factors of falling demand and a sharp reduction in distribution inventories during the first half of the year. Prices were on a par with 2008 and demand for high value-added products (10 Gbit cables) remained strong.

In Asia, sales climbed 10.4%, spurred by a 17.7% rise reported in South Korea. The drop in margins resulting from capital expenditure undertaken by a number of competitors for category 6 cables was offset by the rise in sales generated by the systems business. In China, sales edged up thanks to a better second half.

In Turkey, sales of LAN cables to Europe slid 17.5% against 2008.

In Brazil, sales fell 26.4%.

Operating margin for the Telecom business came in at 23 million euros (5.5% of sales at constant metal prices) versus 41 million euros in 2008 (8.0% of sales at constant metal prices).

Telecom Infrastructure operating margin advanced from 4.6% to 8.7%, reflecting a pronounced improvement in the profitability of copper cable operations compared with 2008 when their operating margin came in at breakeven. This was achieved due to a more targeted project selection strategy and a focus on profitable niche markets. In the optical fiber business, cable sales from certain small units remained highly profitable, whereas the new product line dedicated to cables and components for the FTTH market reported lower profitability owing to a steep decrease in volumes for Nexans Interface.

LAN operating margin decreased from 10.6% in 2008 to 2.9% in 2009 but did not drop below breakeven in any of the Group's geographic areas apart from Europe which was adversely affected by the losses posted by the Fumay plant.

• ELECTRICAL WIRES

Sales for the Electrical Wires business totaled 216 million euros in 2009. On a like-for-like basis, they fell 42.8% against 2008, following the trend observed in the first six months. The Electrical Wires business purchased from the Madeco group in 2008 contributed 41 million euros to the 2009 sales figure versus 15 million euros in 2008, at constant copper prices.

In Europe where the industry is suffering from overcapacity, and where demand has dropped, the Group announced, in September 2009, its plan to close its continuous casting and wire-drawing plant in Chauny (France).

Wirerods

Like-for-like, wirerod sales fell 49.7% year-on-year.

In France, the decrease was 70%.

In North America, the decrease was 38.6%. This business is now sized to produce 130,000 tonnes per year, including a third through tolling agreements.

In South America, second-half sales were on a par with the first six months of the year, with the sales drop in Chile offset by improved business volumes in Peru.

Bare wires

Sales of bare wires fell back 24.6% like-for-like in 2009.

In France, sales dropped 54.4%.

In Germany, the falloff rate was stemmed in the second half, with sales decreasing 16.5% for the full year after a 28.8% slide in the first six months, reflecting a recovery in the automotive sector to which the Group sells special wires.

Sales generated in the United Kingdom in 2009 were on a par with the 2008 figure, buoyed by demand from UK cable manufacturers who were more competitive during the period as a result of the weak pound sterling.

Winding wires

The winding wires segment in Brazil posted healthier sales in the second half, fueled by government measures to kick-start consumer spending, which boosted the household appliance and automotive sectors.

Operating margin for the Electrical Wires business swung from a negative 2 million euros in 2008 to a positive 1 million euros in 2009.

Following the production stoppage at Chauny as a result of the decision to transfer output to the Group's other facilities, the remaining Electrical Wires plants returned to profit in the second six months of the year.

• UNALLOCATED OPERATIONS

The Group's various businesses each bear a portion of the cost of the holding company's operations ("head office costs") pro rata to their activity level. The amount contributed by each business to head office costs in 2009 was lower than the previous year, as a direct result of the decrease in business volumes.

In addition, certain income and expense items cannot be directly allocated to a specific operating activity and are therefore not allocated to the business line concerned. For example, in late 2009, the Group had to incur non-recurring expenses for the organization of its legal defense following investigations launched by a number of competition authorities against the Group and other cable manufacturers. Also, in 2009 the Group put in place a series of measures aimed at improving its working capital position, notably by speeding up turnover of non-ferrous metal inventories.

These measures, combined with steps taken to adapt to a depressed operating environment, enabled the Group to significantly reduce its levels of non-ferrous metal inventories, including core exposure. From an accounting perspective, the reduction in core exposure inventory resulted in a positive 37 million euro impact on operating margin in 2009, which counterpart was recorded in the "Core exposure effect" line under "Operating income". Indeed core exposure inventory is measured at historic value at operating margin level – a value that is lower than its 2009 resale value (see Note 1.i. to the consolidated financial statements).

Operating margin for unallocated operations in 2009 came to a negative 11 million euros versus a negative 13 million euros in 2008.

1.2 Other items of 2009 consolidated results

1.2.1 Core exposure effect

The core exposure effect amounted to a positive 18 million euros in 2009 (net of the impact of lower inventory volumes – see section 1.1.2 above on unallocated operations), compared with a negative 165 million euros one year earlier.

This effect represents the impact described in section 1.1.1 – “Overview” of measuring core exposure at weighted average cost.

The core exposure effect is not included in operating margin, as changes in value of inventories that are included in operating margin are measured based on replacement cost, in line with the Group’s policy of hedging the price of the metals contained in the cables sold to customers.

1.2.2 Net asset impairment

In the fourth quarter of each year, the Group carries out impairment tests on goodwill, property, plant and equipment and intangible assets, based on estimated medium-term data updated for the various business units.

The tests conducted in 2009 resulted in the recognition of a 21 million euro impairment loss, reflecting the sharp contraction in business which led to a downward revision of the earnings outlook for the following two cash-generating units (CGUs):

- The CGU grouping Cabloswiss and Intercond in Italy in the power cables for industry segment, which partially wrote down its goodwill. The corresponding impact represented nearly half of the total impairment losses recognized during the year by the Group.
- The harness business CGU, which recorded a 5 million euro impairment loss on its goodwill during the first half of 2009. Despite signs of a recovery in the last quarter of 2009, in application of IFRIC 10, “Interim Financial Reporting and Impairment”, the impairment loss recognized in the first half of the year could not be reversed.

The remainder of the impairment losses recognized in 2009 relate to capital expenditure – mainly maintenance outlay – incurred for Group operations (primarily metallurgy) that had already been fully written down in prior years and for which the current outlook does not justify a reversal of the corresponding impairment losses.

In 2008, 9 million euros of the recognized net 19 million euro impairment loss corresponded to the full write-down of the property, plant and equipment of the “Vietnam” CGU, with the remainder – as in 2009 – relating to the impairment of maintenance expenditure incurred for CGUs that had already been fully written down in prior years, notably metallurgy and power cables in Italy.

1.2.3 Restructuring costs

Restructuring costs came to 119 million euros in 2009 (see the breakdown provided in Note 23 to the consolidated financial statements) compared with 22 million euros in 2008. The 2009 restructuring plans involved approximately 1,800 people of whom 1,000 had actually left the Group at December 31, 2009. All of the plans included assistance measures negotiated with employee representative bodies, aimed at reducing the impact of the plan on the members of staff concerned.

In Europe, during the first six months of 2009 the Group continued to adapt its production capacity in **harnesses** manufactured for the automotive market by closing two assembly workshops in the Czech Republic. The **automotive cable** manufacturing facility based in Arad in Romania was also closed, at a cost of 6 million euros, and part of its customer base is now served by other Group units.

In the **Building** market, following the closure of the Athlone site in Ireland in 2008, in 2009 the Group closed its Vacha manufacturing facility in Germany, representing a total cost of 19 million euros. The decision to close Vacha was made due to the fact that despite the various measures taken in previous years, the site was unable to return to breakeven (even at the level of operating income) and the plant’s competitive positioning in the domestic German market meant that the Group was unable to envisage a return to profit within the medium term. Structural and capacity adjustments representing a total of 14 million euros were also made within several other German units in response to the sharp downturn in the Group’s cables markets, particularly the automotive and machine tool sectors. A total of 258 people left the Group in 2009 in connection with restructuring plans in Germany.

In the second half of the year, the Group announced the closure of the Chauny site in France, with the stoppage of continuous-casting operations and the wire-drawing unit. At the same time, redundancies were announced at the main sites dedicated to manufacturing industrial and LAN cables. The overall cost of restructuring measures in France, including non-monetary costs, came to 56 million euros in 2009 concerning 383 people.

Reorganization measures have likewise been launched in a number of other European countries for the same reasons as above.

In North America, the Group closed its Quebec plant in order to counter the steep falloff in demand, and redeployed part of the plant’s production equipment to other sites. Closing the Quebec plant resulted in the departure of just under one hundred employees and gave rise to restructuring costs of around 7 million euros in 2009.

In South America, the main restructuring measures concerned Brazil, where Nexans Brazil and Ficap were merged and their production operations streamlined among the various manufacturing plants. This resulted in the departure of around 300 staff, at a cost of 3 million euros.

1.2.4 Changes in fair values of non-ferrous metal derivatives

Nexans uses futures contracts negotiated primarily on the London Metal Exchange (LME) to hedge its exposure to non-ferrous metal price fluctuations (copper, aluminum and, to a lesser extent, lead).

Due to the sharp volatility in non-ferrous metal prices, the Group has taken measures to enable a large portion of these derivative instruments to be classified as cash flow hedges as defined in IAS 39. Consequently, when these instruments (i) are used to hedge future transactions (notably copper cathode purchases) that are highly probable but not yet invoiced, and (ii) meet the requirements in IAS 39 for cash flow hedge accounting, they are accounted for similarly to foreign exchange hedges that qualify for cash flow hedge accounting as follows: the portion of the unrealized gain or loss on the hedging instrument that is determined to be an "effective" hedge is recognized directly in equity, and the ineffective portion is recognized in income under "Changes in fair value of non-ferrous metal derivatives". Any gains or losses previously recognized in equity are recycled to the income statement in the period in which the hedged item (e.g. the purchase of copper cathodes) affects income.

At end-December 2009, only a few of the Group's units did not yet fulfill the conditions enabling their derivatives to qualify for hedge accounting. For these units, gains and losses arising from fair value adjustments to non-ferrous metal derivatives is recognized in the income statement under "Changes in fair value of non-ferrous metal derivatives".

1.2.5 Net gains on asset disposals

The Group recorded a 17 million euro net gain under this item in 2009, corresponding to gains of 15 million euros realized on the sale of property and 2 million euros on the disposal of 40% of Opticable's shares.

1.2.6 Net financial expense

The Group recorded a net financial expense of 102 million euros in 2009, compared with 79 million euros the previous year.

The cost of net debt increased by 9 million euros due to (i) the full year effect of the acquisition of Madeco's cables business in October 2008, (ii) lower yields on variable-rate short-term investments, and (iii) the OCEANE bond issue in June 2009 (see Note 24 to the consolidated financial statements). The Group had a higher cash surplus at the year-end, leading to a 400 million euro reduction in net debt at December 31, 2009 compared with one year earlier.

Other financial expenses rose by 14 million euros, chiefly reflecting an increase in the portion of the Group's periodic pension cost recorded as financial expenses, and an adverse currency effect.

1.2.7 Income taxes

Nexans reported an income tax expense of 39 million euros in 2009 against 50 million euros in 2008. The Group's income tax charge for the year was significantly adversely affected by (i) write-downs of deferred tax assets recognized in prior periods and (ii) the fact that no new deferred tax assets were recognized in relation to the 2009 losses incurred in certain countries, notably as a result of restructuring costs. The effective tax rate for profit-making entities at December 31, 2009 was 21.4% compared with 26.4% at December 31, 2008.

1.2.8 Principal cash flows for the period

Cash flow from operations (including changes in operating working capital requirement) came to 443 million euros in 2009. This amount was primarily used to finance a net 156 million euro capital expenditure program and a dividend payout of 57 million euros. Cash outflows for restructuring costs totaled 44 million euros. The 140 million euros paid in 2008 to meet margin calls from brokers with which orders for non-ferrous metal hedges were placed were repaid in the first half of 2009.

The decrease in net working capital requirement during the year led to a 250 million euro cash inflow. Fluctuations in non-ferrous metal prices had only a marginal impact on working capital requirement, and the decrease achieved during the year was proportionately higher than the decline in sales, thanks to proactive working capital management measures taken by the Group during the year. In the last quarter, average operating working capital requirement (trade receivables plus inventories less trade payables) represented 19.8% of annualized sales for the three months at current copper prices, versus 22.5% for the same period in 2008.

Overall, at December 31, 2009 the Group's net debt totaled 141 million euros, 395 million euros lower than at December 31, 2008.

1.2.9 Balance sheet

At December 31, 2009 the Group's balance sheet showed:

- 1,876 million euros in equity excluding minority interests, up 298 million euros on December 31, 2008, primarily due to fair value adjustments relating to metal hedges and positive translation adjustments.
- Net debt of 141 million euros, giving rise to a gearing ratio (net debt/total equity) of 7.4%.
- 908 million euros in working capital requirement.
- Provisions for contingencies and charges – including for pensions – totaling 490 million euros, up 69 million euros on December 31, 2008 (before the final adjustments made on completion of the initial accounting for the acquisition of Madeco's cables business and Intercond). This increase was chiefly due to restructuring provisions recorded during the year.

- Fixed assets, excluding deferred tax assets, totaling 1,693 million euros compared with 1,525 million euros at December 31, 2008. Goodwill was 65 million euros lower than at the previous year-end, primarily due to the completion in second-half 2009 of the initial accounting for the goodwill arising on the acquisition of Madeco's cables business and Intercond. The figure for Madeco's cables business is still subject to final adjustments based on the financial statements at September 30, 2008. As a matter of fact, on July 9, 2009, Madeco notified Nexans that it had decided to launch arbitration proceedings in connection with the price adjustment, it being specified that the amount contested by Madeco is less than 30 million USD.
- One million euros in assets held for sale, on a par with December 31, 2008. At June 30, 2009, the Group classified its Canadian Rodmill business as held for sale in accordance with IFRS 5. However, as the conditions precedent under the sale agreement concerning the transaction's financing and the setting up of third-party copper supply contracts were not fulfilled, the Group has terminated negotiations with the potential purchaser and the business was no longer included in assets held for sale at the year-end.

1.2.10 Other significant events of the year

a) Nexans' new Chairman and CEO takes office

The appointment of Frédéric Vincent as the new Chairman and CEO of Nexans took effect from the Annual Shareholders' Meeting of May 26, 2009. Frédéric Vincent took over from Gérard Hauser, who left his position as Group Chairman but will retain his seat on the Board of Directors until May 2010. The handover brought an end to a transition process originally set in motion in 2006 when Frédéric Vincent was appointed Chief Operating Officer.

Nexans' new Chairman and CEO has reorganized Group Management so as to ensure greater responsiveness in light of the challenges brought about by the changes in the cable industry and the general economic environment. Accordingly, a leaner Management Committee was set up with effect from June 1, 2009, tasked with managing the Group and defining and directing its corporate strategy. This Committee is chaired by the Chairman and CEO and its other members are:

- Frédéric Michelland, Chief Financial Officer, appointed Senior Corporate Executive Vice President.
- Pascal Portevin, Senior Executive Corporate Vice President in charge of defining and implementing commercial and innovation policies and responsible for the MERA, Asia-Pacific, North America and South America areas.
- Yvon Raak, Senior Corporate Executive Vice President in charge of defining and implementing industrial and logistics policies and responsible for the Europe area.
- The Group's Executive Committee, formed by the Management Committee, Corporate Departments and Area Managers, reflects on, debates and discusses the challenges facing the Group.

b) Signature of a final joint-venture agreement with Polycab

On March 3, 2009, Nexans announced that it had signed a final agreement with Polycab, India's largest cable company, for the creation of a joint venture to be majority-held by Nexans (50% + one share) and managed in close cooperation with its Indian partner.

The joint venture, whose headquarters will be based in Vadodara in the state of Gujarat, will cover the manufacturing and marketing of cables for the shipbuilding, materials handling, mining, railway rolling stock and wind power industries as well as the production of high-and medium-voltage terrestrial power cables.

Through this agreement, Nexans has teamed up with a high-quality partner to ensure the success of the Group's first industrial venture in the Indian market and spur its future development in a country where there are considerable growth opportunities to be tapped. The joint venture agreement is coherent with Nexans' development strategy which is aimed at growing the Group's leadership in the energy sector and strengthening its presence in emerging economies.

Construction of the joint venture's cable production unit began immediately and will be completed within around 24 months. The total amount of the investment is expected to represent just under 50 million euros. The new outfit is scheduled to start up operations in late 2011. The impact of the new entity on the 2009 consolidated financial statements was not material.

c) Issue of 4% 2016 OCEANE convertible/exchangeable bonds

On June 23, 2009, Nexans carried out a new issue of bonds convertible into and/or exchangeable for new or existing shares (OCEANE), due January 1, 2016, for an aggregate amount of 212.6 million euros. The issue comprised 4,000,000 bonds, each with a nominal value of 53.15 euros, representing an issue premium of 30% over the reference price of Nexans shares on Euronext Paris, i.e. 40.89 euros.

The bonds entitle their holders to receive new and/or existing Nexans shares at a ratio of one share for one bond, subject to any further adjustments. They bear interest at an annual rate of 4% and are redeemable at par, or 53.15 euros per bond, on January 1, 2016. Bondholders may request that the bonds be redeemed in advance on January 1, 2015.

The French securities regulator (*Autorité des Marchés Financiers*) approved the French prospectus for the issue under visa number 09-187 dated June 15, 2009.

The main purpose of the bond issue is to allow Nexans to prolong its debt's maturity and to reinforce its financial flexibility. The net proceeds of the issue will be allocated to financing the Group's general corporate needs and may also be used if required, in whole or in part, to finance specific development projects.

(See also, regarding the 4% 2016 OCEANE, paragraph 8.1 of this Management Report : Information concerning the Company and its capital)

1.3 Parent company business overview

Since October 2008, the Company no longer manages the Group's financing or centralizes its cash holdings. These roles are now carried out by a dedicated company, Nexans Services.

The parent company's sales for the year ended December 31, 2009 totaled 14,498,088 euros, derived primarily from services billed to its subsidiaries. Net income for the year totaled 61,742,534 euros versus 94,461,905 euros in 2008.

The Company's equity at December 31, 2009 was 1,671,777,697 euros, compared with 1,662,500,369 euros at December 31, 2008.

In accordance with the requirements of Articles L.441-6-1 and D.441-4 of the French Commercial Code, it is hereby disclosed that at December 31, 2009, Nexans SA had outstanding trade payables of 128,240 euros.

2. Progress made and difficulties encountered in 2009

During the year the Group moved forward in several key areas, including controlling costs, providing support for operations, and rolling out optimized information systems.

In view of the deep economic crisis, the Group swiftly mobilized its business units to implement all measures necessary to tackle the slump in demand and adapt its cost base to plant output.

Cost control

The following specific measures were undertaken during the year by the Purchasing Department:

- A systematic review of the price of products purchased in order to benefit from lower commodities prices since fall 2008.
- Regular benchmarking – across all of Nexans' host countries – of suppliers used by type of products, in order to pinpoint opportunities for purchasing products at lower prices.
- Renegotiating certain supply contracts to enable greater flexibility in terms of volumes.
- Tighter selection of suppliers. The number of suppliers has been reduced in certain markets, which has enabled the Group to set up continuous improvement contracts with the suppliers it has retained and consequently to (i) secure revenue streams on both sides and (ii) achieve greater long-term visibility.
- Reducing working capital requirement, by negotiating inventory optimization agreements (e.g. consignment and controlled management of inventory levels by suppliers) for the main commodities used by the Group such as plastics and aluminum. This has also enabled Nexans to leverage payment terms.

Other specific steps were taken during the year with a view to strengthening the Group's Purchasing policy. These included:

- Extending the Group's purchasing policy to new areas such as advisory services and travel reservations. The Purchasing Department improved its actual inspection ratio by a further 10% in 2009, in line with the strategic plan. As a result, significant savings were achieved such as a more than 20% reduction in the average cost of a business trip.
- Extending the Group's purchasing methods and procedures to South America, following the acquisition of Madeco's cables business at the end of 2008.
- Continuing to strengthen purchasing processes and related training programs.

The main projects conducted by the Purchasing Department in 2009 concerned (i) transport and leveraging the supply chain, (ii) wooden and steel drums, (iii) travel, (iv) advisory services, (v) purchasing strategies in place with the Group's main plastics suppliers, and (vi) adapting copper supplies to Nexans' new organizational structure for metallurgy operations.

In addition to these measures, the Group implemented a plan to cut its fixed costs, which led to a like-for-like reduction of around 6%, or some 60 million euros, compared with 2008.

Support processes and industrial coordination

The year 2009 saw the launch of "Nexans Excellence Way" – an industrial excellence program tailored to Nexans' businesses and based on combined input from all of the Group's manufacturing plants coordinated through a network of specialists. The underlying aim of the program is to enhance **health and safety, operating efficiency, product quality** and customer service. During the year, a total of 25 manufacturing sites signed up to the program, which is being rolled out in a satisfactory manner.

- **Health and safety** is the Group's number one priority and the objective is to halve the number of workplace accidents over the next two years at all of the Group's manufacturing plants. Following a systematic analysis of all critical accidents, this drive was given fresh impetus by awareness-raising days as well as by preparing and relaying new standards. It has already delivered results as the average workplace accident rate in 2009 was 44% lower than in 2008 on a like-for-like basis.

- **Operating efficiency** covers essential areas such as containing direct costs, reducing inventory levels and delivering best-in-class customer service. In 2009 the Group focused on reducing both its consumption of raw materials and its inventory levels.

- **Monitoring raw materials consumption** – The Group has set itself the objective of reducing raw materials consumption by 0.5%. Nexans' manufacturing plants applied the TMC method (Theoretical Minimum Cost). Potential savings have been identified and related action plans were launched. At the same time, training courses on cutting waste and excessive consumption were given across all of the Group's geographical areas.

- **Inventory reduction** – During 2009 Nexans continued to roll out the Inventory Reduction and Improved Service (IRIS) program beyond its European operations. The stated aim of this program is to reduce the level of inventories expressed in sales days (coverage rate) by 10% in the space of one year. Training in inventory management systems and best practices was dispensed in Europe, North America and the MERA area in the first half of the year, followed by South America and Asia in the second half. The average inventory coverage rate target was reached at end-2009. In tandem, the customer service rate climbed from 84.8% in 2008 to 88.9% in 2009.

Also during the year, the Group's Industrial Management Department teams continued to effectively manage Nexans' major manufacturing projects. For example, the Ouglich plant in Russia – whose construction was completed at end-2008 – successfully ramped up its production during the first half of 2009. In addition, two new sites are currently in the construction phase: a plant in Qatar whose construction was launched by the joint venture QICC (of which Nexans is a minority shareholder) as well as a plant in India, which forms part of the joint venture set up between Nexans and Polycab.

Use of optimized information systems

In 2009, Nexans continued to overhaul its information system networks with a view to providing the necessary support in light of changing business trends and the Group's external growth plans. To date, 135 sites are connected to the Group's information system network across the world and more than 2,760 workstations are fitted with a Remote Access System (RAS). Internet Protocol (IP) telephony is an integral element of the implemented changes. It has replaced the Group's old PABXs in order to meet the requirements of new premises, such as the Group's head office at rue du Général Foy in Paris. IP telephony also leads to savings on long-distance internal calls. In the same vein, the Group has revamped its videoconferencing equipment, which has enabled it to more effectively exchange best practices while containing costs, respecting the environment and reducing travel. At end-2009, 27 sites were using video over IP and it is planned to extend its use to other sites in 2010.

Thanks to these new information tools and systems, employees can be much more mobile, can log into the network wherever they are and could work from home in the event of a crisis.

In parallel, the Group continued to bring integrated business management applications on stream. For example, SAP was introduced in South Korea and Elm City in the United States, and the new version of SAP ECC6.0 is in the final rollout phase in the Group's Australian operations.

In addition, a case study was carried out to migrate the SAP 4.6c applications specific to cable operations to the new ECC6.0 version. This major project encompasses several countries, including France, Germany, the Benelux countries, Switzerland, Norway, Spain, Greece, South Korea and the United States. The final decision on the rollout schedule will be taken in 2010. For less complex sites several Navision (Microsoft) projects are being set up such as in Japan, China, Vietnam, Lebanon and Russia.

Following a review of available systems the Group decided to introduce a Customer Relationship Management application which has strengthened workstation integration and is easy to use with mobile solutions. A pilot project has been carried out and the application is now used by 180 people to manage customer relationships for their countries' export business. Following developments made to Nexans' Internet and E-service portals, the Group's customers now have greater

access to its offerings, based on each individual market. For example, they can now use a personalized extranet to monitor their business relations with Nexans, track their orders and check product availability. Consequently, the number of hits on the Group's website more than doubled in 2009.

IT security remains a priority for Nexans, and penetration-intrusion tests conducted on an annual basis have yielded good results. On this note, Madeco's cables business systems were audited before being connected to Nexans' network. Several Disaster Recovery Plans (DRPs) were successfully performed in France, Japan and Vietnam during the year and the Group has launched business continuity plans to raise awareness within the operating entities and draw up contingency programs to implement in the event of a serious systems malfunction. Tests were carried out within Nexans France and at the Group's head office. Nexans also continued to contribute to the working groups organized by the CIGREF (French corporate IT association), which has enabled the Group to widen its prevention measures based on the experience of other major French corporations.

Main difficulties encountered in 2009

Sharp falloffs in demand at certain plants in the Industry, Building and LAN markets led the Group to use all available measures to adapt production capacity to workload (cuts in temporary positions, working time credits, short time, headcount reductions, etc.).

The need to close certain manufacturing sites in light of the lasting structural decline in their markets led to the announcement of the closure of the Vacha site in Germany, the Arad site in Romania, the Quebec plant in Canada and the Chauny site in France.

3. Research and Development

Nexans' R&D activities are designed to consolidate the Group's leading market position by developing new products and improving the quality and efficiency of its manufacturing processes.

A total of 64 million euros was dedicated to R&D activities in 2009 – representing around 1.6% of sales at constant metal prices, compared with 63 million euros in 2008.

Nexans' R&D teams comprised around 450 people in 2009. These teams have access to state-of-the-art equipment, which is important not only for the design phase but also for validating results and moving through to the manufacturing stage. They work with leading research units, academics and other experts.

The Group's R&D activities encompass long-term research, such as on studying mechanisms and their computer modeling, as well as medium-term projects, including developing new insulation and sheathing materials in response to a specific brief. This work is conducted mainly by the Nexans Research Center in Lyon (France) and Nuremberg (Germany). The Nexans Research Center also provides support and assistance for units that have specific technical questions, as well as acting as a service provider, particularly for testing and certification procedures.

The main projects worked on by the Group's R&D teams in 2009 were as follows:

- Continued research into and development of computer modeling and simulation techniques designed to significantly speed up the development process. One key project in this respect involved simulations of the extrusion process and the fire resistance of cables.
- Continued development of materials designed to improve the fire resistance of cables, and the launch of INFIT™ technology which transforms cable insulations into a protective ceramic shield in the event of a fire.
- The development of innovative materials for extreme applications, such as rubber-based materials that can resist very low temperatures.

The Group has a specific Research Center devoted to metallurgy – the Nexans Metallurgy Center in Lens (France), as the use of copper and aluminum is central to the Group's business and has major financial and technical implications.

The purpose of this Center is to partner the Group's various operating units by offering them high-performing solutions, from the metal casting phase through to processing into conductors. The Metallurgy Center's work in 2009 included:

- Modeling wire-drawing processes.
- Carrying out research into new conductors (aluminum overhead lines, and copper alloys for Datagreen® cables, and composites).
- Copper refining techniques based on remelted copper waste.

Short- and medium-term initiatives are also carried out in the research centers but are mainly worked on by the operating units which are in direct contact with the Group's customers. These include creating and testing new vanguard products and systems and using computer modeling to accelerate time-to-market for higher-performing products or products that meet customer needs even more effectively.

Following the implementation of a market-focused structure in 2008 (Infrastructure, Industry and Building), in 2009 the Group rolled out standard operating procedures for development projects with the aim of enhancing the project management process from the design stage through to the product's market launch.

The operating units are in ongoing contact with the Research Centers, through local networks and Competence Centers, and are the main players in developing technologies and related applications for new products and services. Their close relationship with customers means that they are the best placed to respond to changing needs and ensure that new products meet customer requirements.

The key projects worked on in 2009 included:

- Fine-tuning and marketing two 12 kV superconducting fault current limiters.
- Producing a medium-voltage superconducting cable for very high current (3,200 A).
- Developing new compounds adapted to the European Construction Products Directive (CPD).
- Launching state-of-the-art products for installation in buildings (new packings, easy-to-install products etc.).
- Producing a comprehensive range of cables for aerospace digital applications (based on aluminum conductors or optical fibers).
- Testing cables for nuclear power plants in the Chinese market.
- Cables for railway rolling stock that meet EN standards.
- New cables for renewable energies, particularly wind power and solar energy.
- Demonstrating the effective ageing performance of composite cables for overhead lines.

More than 60 patents were filed during the year, reflecting the quality of Nexans' R&D teams and the Group's strong innovation capacities.

4. Significant events after the balance sheet date

The Group is not aware of any significant events that occurred after the balance sheet date.

5. Trends and outlook

In January 2010, the Group presented the Board of Directors with an update to its January 2009 strategic plan, as Nexans completely reviews its strategy every two years.

The updated plan confirms the underlying trends in the Group's markets set out in the previous plan. It also highlights how measures taken in 2009 have proven essential in enabling Nexans to continue to implement its strategic priorities despite the current difficult economic conditions.

The businesses that held up the best in 2009 were operations focused on energy infrastructure and cables designed for the transport, resources and new energy sectors.

In other markets, however, the year was marked by a steep

falloff in unit sales but the ensuing impact on profitability was contained thanks to (i) measures undertaken during the year to bolster margins and (ii) the restructuring projects carried out.

In response to this worse-than-expected operating environment, the Group swiftly moved into action by:

- Keeping a close eye on changes in sales prices.
- Stepping up efforts to scale down working capital requirement by seeking to achieve a reduction in inventory levels proportionately higher than the drop in business levels.
- Systematically using flexible working practices in order to absorb the fall in production workload to the extent possible, such as by introducing part-time work.
- Closing sites with no potential for recovery in the medium-term in view of the Group's competitive positioning.

By stepping up a number of measures in 2009, Nexans was able to ensure that its operating margin remained in line with guidance issued at the beginning of the year, despite business levels contracting more sharply than expected.

In view of these factors, the Group considers that the current market situation will not jeopardize its strategic priorities. On the contrary, it should help it to continue to implement its strategy of responding to the general move towards globalization, market consolidation and sustainable development.

Consequently, in 2010 the Group plans implement a targeted expansion strategy, notably by:

- Enhancing its product offering by adding new services and strengthening its innovation efforts.
- Developing its presence among new business-finders in emerging markets.
- Bolstering its capacities in renewable energies and safety cables.
- Pursuing its drive to leverage its manufacturing base by focusing on the Group's industrial excellence as a key competitive advantage.

6. Risk factors

The organizational structures and procedures in place within the Group relating to risk management are described in the 2009 report of the Chairman of the Board of Directors prepared in accordance with Article L.225-37 paragraph 6 of the French Commercial Code.

6.1 Legal risks

6.1.1 Compliance risk

The Group is not subject to any specific regulations as a result of its business activity. However, in view of its wide geographic reach, it is required to comply with numerous national and regional laws and regulations, notably concerning commercial, customs and tax matters. Any amendments to these laws or regulations or how they apply to Nexans could result in a decrease in the Group's profitability and earnings.

Among others, Nexans has set up a project – overseen by the Group Purchasing Department – aimed at ensuring that the products it sells comply with the European REACH Directive which came into force on June 1, 2007. The Group pre-registered the substances it uses in late 2008 and continued to carry out its compliance process in 2009. This process consisted of (i) preparing to register certain substances used by the Group (by the deadline of November 2010); (ii) verifying the compliance of Nexans' cables in light of updates to the Candidate List of Substances of Very High Concern for authorisation; (iii) taking measures to replace particular substances by others where necessary; and (iv) more generally, ensuring that all of Nexans European sites comply with the REACH Directive.

6.1.2 Risks related to competition law

The legal risk to which the Group is currently most exposed is the risk relating to investigations by competition authorities.

In late January 2009 investigations were launched against Nexans and other cable manufacturers relating to alleged cartel behavior in the sector of submarine and underground energy cables and associated products and services. These investigations – which are still ongoing – are being conducted by the European Commission, as well as competition authorities in Australia, New Zealand, Japan, South Korea (in addition to an investigation into the Group's local operations) and the United States.

The Group is not in a position to evaluate the possible outcome of these investigations. However, without prejudice to the conclusions of the investigations, given the level of fines imposed by the US and European competition authorities in recent cases and the potential direct and indirect

consequences of this type of investigation, it is possible that these investigations may have a material adverse effect on the results and consequently the financial position of the Group.

Nexans has taken several measures to ensure that it complies with all applicable laws and regulations, notably including those concerning competition. One example of these measures is the update it carried out in late 2008 to the Group's Code of Ethics and Business Conduct, which sets out the principles that the Group's employees are expected to respect in the course of their work and which is distributed widely throughout the Group. In addition, in the first half of 2009, the Group adopted a Competition Compliance Program which sets out how employees must strictly respect the applicable laws and regulations that prohibit anti-competitive behavior. In-house training programs have been devised and are being rolled out within the Group's entities with a view to continually raising employee awareness of the risks relating to unfair competitive practices.

The Group also has a set of internal control rules and procedures for managing compliance risks which have been regularly tightened over the past several years (see the part on Internal Control of the 2009 Chairman's report).

6.1.3 Risks related to claims and litigation

Due to the nature of its operations the Group is exposed to the risk of commercial and technical disputes.

Furthermore, as part of its day-to-day business, Nexans is subject to legal risks arising from relations with partners, customers and suppliers. The Group is currently involved in a number of disputes, primarily relating to contractual liability (see Section 6.2.1 below and Section 6.2.7 on environmental risks).

6.2 Business-related risks

6.2.1 Risks related to contractual liability

- **Product liability**

The nature of Nexans' business exposes it to product liability claims and claims for damage to property or third parties allegedly caused by its products. Nexans provides warranties concerning the performance of its products, which may cover a long period of time. In addition, warranties given to Nexans pursuant to contracts for the supply of the materials and components used in the Group's products may be less extensive than the warranties Nexans gives to its customers (for example steels tubes in the umbilical cables or the optical fiber in the optical fiber cables).

The Group has not recorded a provision for one particular dispute concerning product liability as the recognition criteria were not satisfied. This case concerns cables manufactured by one of the Group's European subsidiaries and sold to a harness manufacturer. The manufacturer then sold the cables to an automobile equipment manufacturer, which in turn sold them to a European automaker. Nexans' subsidiary was not informed of the end customer's technical specifications. The end customer used Nexans' cables along with switches in its wipers systems, and some of the cables allegedly broke. The subsidiary considers that the cables sold met the specifications agreed with its customer, the harnesses manufacturer.

In January 2008 the automobile equipment manufacturer filed an emergency application against the harness manufacturer to obtain a court order appointing an expert to find and safeguard any available evidence in order to establish the level of liability for each of the parties involved, including Nexans. As part of this procedure, the automobile equipment manufacturer claimed that the cables supplied did not comply with the applicable technical specifications, an allegation both the harness manufacturer and Nexans contest. In addition, the automaker allegedly undertook a recall affecting around 350,000 installed switches. Finally, the automobile equipment manufacturer confirmed that in 2007 its client, the automaker, filed a 17 million euro claim against it based on the number of vehicles returned at that date.

Although it is not yet possible to ascertain the impact of the above-described case, Nexans currently does not consider that it will have a material impact on the Group's consolidated financial position. It is, however, not in a position to exclude any such possibility.

• Contracts related to turnkey projects

The majority of contracts for the supply and installation of cables as part of turnkey infrastructure projects involve high-voltage terrestrial and submarine cable operations, which account for approximately 17% of consolidated sales at constant non-ferrous metal prices. The individual value of these contracts is often high and they contain penalty and liability clauses that could be triggered if Nexans does not comply with the delivery schedule and/or with quality requirements (for example, technical defects requiring major intervention after installation due to product non-conformity resulting from production anomalies).

In addition, a number of turnkey contracts are performed as part of consortia set up between the Nexans Group and a manufacturer and/or service provider or with the significant participation of any such manufacturer or subcontractor. In this case, Nexans shares, to a certain extent, its partners' performance risks.

Any claims made in relation to turnkey projects could potentially have a material adverse effect on Nexans' earnings and consequently its financial position as (i) they can involve heavy

penalties, (ii) all or some of the cables installed may have to be replaced, (iii) claims may be lodged for compensation, (iv) warranty periods may be extended, and/or (v) resulting delays may affect the financial structure and results of Nexans.

If any such claims arise, Nexans takes their impact into account when calculating the margins the Group recognizes on the contracts concerned, as described in Note 1.g to the consolidated financial statements.

For example, in 2006, Nexans was part of a consortium that won a contract worth approximately 100 million euros to supply and install high-voltage cables in the Middle East. At December 31, 2008 Nexans had almost completed the manufacture of the cables in conjunction with its partner in a joint-venture recently set up in Japan, and had installed the majority of the cables at the project site. Revenues and margin on this contract for the year then ended were recognized in accordance with the percentage of completion method as described in Note 1.g. to the 2009 consolidated financial statements. Although the cables' performance capabilities exceeded normal service conditions, at December 31, 2008 they had not yet managed to pass all of the required "type" tests which are carried out under strong constraints. In view of the overall contractual context, when the financial statements for the year ended December 31, 2008 were approved, Nexans did not consider that the necessary criteria were met for recognizing a provision to cover the cost of bringing these cables back to the manufacturing stage. The required "type" tests were successfully performed during the first half of 2009 and long-term tests were still being carried out at end-2009. As two of the three cables concerned have been put into service, the residual risk of the Group failing to respect its performance conditions under this contract is now deemed to be low.

Also, Nexans performance of a turnkey high voltage submarine contract in China has suffered some difficulties at year end 2009. A Chinese boat involved in the project accidentally damaged a submarine fiber optic cable belonging to the Chinese People's Liberation Army, who retained the boat and refused the offloading of Nexans' installation equipment on board the boat. The Chinese People's Liberation Army has commenced a judicial proceeding against various parties, including Nexans, for approximately 7 million euros. Nexans denies responsibility, which it considers to be for the boat owner's/operator's. In parallel, Nexans had to interrupt on-going installation works. The customer, a State-owned company, contests the amounts due in connection with protection of the cable already installed (and functioning) on the basis that Nexans performance lasted an excessive amount of time. As of end of December 2009, the total amount of protection works performed is over 20 million euros. The protection works remain unfinished. The Group considers that the customer's position cannot be justified by the contract. However, the local context makes it difficult to anticipate final scope and cost of protection to be performed and the outcome of on-going discussions.

At the end of 2009, certain contracts concluded by the Group will probably give place to difficulties in the execution without the Group considering that these difficulties justify the constitution of provisions in its accounts or a mention as contingent liability.

• Controlling risks

All major contracts entered into by the Group are subject to a systematic risk-assessment procedure and all bids representing over 5 million euros are submitted to the Group Tender Review Committee. Particular focus is placed on ensuring that the Group's sales teams pinpoint the risks inherent in sales contracts and that they involve the Group's Legal Department in contractual negotiations.

In order to mitigate product liability risk, the Group has put in place stringent product quality control procedures. A large number of Nexans' units are ISO 9001 or 9002 certified. In addition, each unit monitors a set of indicators on a monthly basis in order to assess progress made in terms of quality and customer satisfaction.

Nexans currently has product liability insurance that it considers to be in line with industry standards, and whose coverage amounts largely exceed any past claims. However, Nexans cannot guarantee that its insurance policies would provide sufficient coverage for all forms of liability claim (see Section 6.4 below) as although the coverage amounts are high, they are capped at annual levels and the policies contain standard exclusion clauses, notably concerning the cost of the product itself and late-delivery penalties.

6.2.2 Risks related to dependence on customers

Nexans' activities span a broad range of businesses, encompassing cables for the infrastructure, building and industry markets for both energy and telecommunications purposes, and it has many different types of end-customer – including distributors, equipment manufacturers, industrial operators and public operators – in a wide variety of countries. This diversity acts as a safeguard for the Group as a whole and no customer accounted for more than 4% of consolidated net sales in 2009.

However, certain customers may represent a significant portion of a particular production unit's business, and the loss of one such customer could have a significant impact on a local level, potentially leading to the closure of the manufacturing facility concerned.

In addition, given the level of operating income involved and the difficult market conditions, the loss of one customer, particularly in niche markets, such as shipbuilding, aeronautics, or the automotive industry, could affect Nexans' income.

Lastly, the demand for certain products depends on the economic environment of the related business sector, such as in the oil industry.

6.2.3 Risks related to raw materials and supplies

Copper, aluminum and plastic are the main raw materials used by Nexans, with copper and aluminum accounting for the vast majority of the Group's raw materials purchases. Therefore, price fluctuations and product availability have a direct effect on its business. Nexans has so far always been able to obtain adequate supplies, at commercially reasonable prices. A global copper shortage or interruptions of supplies could have an adverse effect on Nexans' income, even though Nexans has diversified its sources of supply as much as possible in order to reduce these risks. The situation is to some extent similar for petroleum by-products such as polyethylene, PVC and plasticizers. The inability to source raw materials at reasonable prices could therefore negatively affect Nexans' business and earnings.

The Group's policy is always to have at least two suppliers for any raw material or component used in manufacturing its products. There may be certain isolated instances where the Group uses a sole supplier, particularly in the instance of raw materials used for the production of high-voltage cables. With the help of the Research and Development Department, in 2008 Nexans' Purchasing Department launched a program aimed at reducing sole source procurement situations. Nexans did not experience any raw materials shortages in 2009.

Copper consumption in 2009 amounted to 422,000 tonnes (excluding the 124,000 tonnes processed on behalf of customers). As part of its strategic purchasing policy to secure supplies of certain raw materials, both in terms of volume and price (for example, the LME price plus a premium), the Group has signed a copper cathode purchasing contract with one of its suppliers covering up to 2010. The annual volume purchased under this contract is set at the end of the year for the following year. To cover its remaining copper cathode requirements the Group enters into annual purchasing contracts with other suppliers that include pre-determined volumes. Nexans' commitments under these agreements correspond to approximately 300,000 tons of copper for 2010.

The Group's aluminum consumption in 2009 totaled 139,000 tons. In order to secure its supplies of aluminum wire rods the Group has given firm purchase commitments for minimum quantities of approximately 40,000 tons per year for the period from 2008 through 2012. This policy forms part of an overall partnership with two leading international producers.

Summary of copper and aluminum commitments under take or pay contracts:

Raw material	Commitments (in thousands of tons)			Market value	Purpose
	2010	2011	2012		
Copper	300	-	-	LME	Own use
Aluminum	40	40	40	LME	Own use

As these products are quoted on regulated markets, any hypothetical surplus quantities purchased under firm commitments but not subsequently used can then be sold, although the Group may incur a potential cost resulting from price differentials.

The financial instruments used by the Group to manage its exposure to commodities risks for copper and aluminum are described in paragraph d (Metals price risk) of Note 26 to the consolidated financial statements (Financial risks). The sensitivity of the Group's earnings to copper prices is described in paragraph g (Market risk sensitivity analysis) of the same note.

Other than for certain energy contracts that represent a low value for the Group as a whole, contracts entered into by Nexans for other raw materials are negotiated annually without any firm purchase commitments and orders are made monthly on the basis of the Group's requirements.

Risks related to the supply of raw materials are specifically monitored by each purchaser for the product family concerned.

6.2.4 Geopolitical risks in high-growth areas

Certain high-growth regions are important for the Group's development but some of these areas are exposed to major geopolitical risks. In 2009, some 15% of the Group's sales at current non-ferrous metal prices were generated in the MERA Area (Middle-East, Russia and Africa) and less than 3% in countries which are classified by Coface as having a very unsettled economic and political environment or representing a very high risk.

6.2.5 Risks related to the Group's competitive environment

The cable industry is still 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 depending on the market, geographical area and product line concerned. Consequently, the Group has several competitors in each of its businesses. Furthermore, for some businesses and in certain regional markets, Nexans' main competitors may have a stronger position or have access to greater know-how or resources. In Europe, where the Group generates over 45% of its sales, Nexans' main competitors are Prysmian, Draka and General Cable.

In recent years, cable makers have faced a 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. This has led a number of market players to launch restructuring programs to reduce excess production capacity. Aside from these corrective measures, however, there have been no radical changes to the structure of the industry and it remains relatively fragmented both on a regional and global scale.

At the same time, new players are entering the field, encouraged by the development of new markets, particularly in emerging economies.

Nexans faces stiff competition in certain markets given that a number of the Group's products such as cables, wires and accessories must comply with industry specifications and are interchangeable with the products of its main domestic and international competitors. In the industry market, OEMs (Original Equipment Manufacturers) are shifting away from standardized products, and Nexans therefore has to constantly develop new products in order to accommodate increasingly demanding specifications. The principal competitive factors in the cable industry are cost, service, product quality and availability, geographical coverage and the range of products offered.

In this environment, Nexans must constantly invest and improve its performance in order to retain any competitive edge it may have in certain markets. In addition, Nexans continues to focus on the Research & Development, logistics, and marketing aspects of its businesses in order to stand out from the competition. At the same time, faced with downward pressure on prices, the Group strives to reduce costs by continuously streamlining its production processes, as well as through plans to boost its manufacturing performance.

6.2.6 Risks related to technologies used

In order to remain competitive, Nexans must anticipate technological advances when developing its own products and manufacturing processes. The growing demand for low-energy consumption, recyclable and less polluting products as especially better value products and services requires the creation 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 highly technological products; it is therefore important that Nexans undertakes research providing it with access to the technologies that are required and valued by the market. Moreover, despite the significant work conducted by the Group's Research & Development Department, and the ongoing monitoring of potentially competitive technologies, there is no guarantee that the technologies currently used by Nexans will not ultimately be replaced by new technologies developed by its competitors or that its competitors will not file claims for alleged patent infringement.

Nexans is regularly involved in patent infringement claims filed either by itself against third parties or by competitors against the Group. Until now, the financial consequences of such disputes have not been material for the Group.

6.2.7 Industrial and environmental risks

As a manufacturing group, Nexans is exposed to risks relating to the operations conducted at its production sites as well as major machinery breakdown incidents. The Group draws up systematic audit plans in conjunction with its property and casualty insurer in order to advise the Group in the prevention of such risks. In addition, the Group has set up cost-reduction and restructuring programs at certain sites, which could be problematic to implement or may not generate all the cost-savings expected.

In view of Nexans' prominent role in the submarine high-voltage cables market, it needs a cable-laying vessel capable of performing the Group's installation contracts within the timeframes required. As there is a limited market for such vessels, Nexans directly owns a cable-laying vessel, the Skagerrak, which is one of the rare ships in the world specially designed to transport and lay high-voltage submarine cables.

As is the case for any industrial player, Nexans is subject to numerous environmental laws and regulations in the countries where it operates. These laws and regulations impose increasingly strict environmental standards, particularly in relation to atmospheric pollution, wastewater disposal, the emission, use and handling of toxic materials and waste, waste disposal methods, and site clean-ups and rehabilitation. Consequently, Nexans is exposed to the possibility of liability claims being filed against it, and of incurring significant costs (for liability with respect to current or past activities or related to assets sold, for example).

The Group has a voluntary internal environmental management system that has been operational for several years and whose underlying objective is to enable the Group's sites to achieve EHP label (Highly Protected Environment). EHP label is granted following an audit based on an in-depth questionnaire dealing with 12 environmental themes, which is sent to the Group's manufacturing facilities (See Section 9.4 below for more information).

In the United States, Nexans is subject to several federal and state environmental laws, which could make certain categories of entity defined by law liable for the full amount of clean-up costs relating to environmental pollution, even if no fault is determined and the relevant operations comply with the applicable regulations. Nexans is not currently involved in any proceedings of this type. However it cannot guarantee that no such proceedings will arise in the future, which could in turn negatively impact the Group.

In general, various environmental claims are filed against the Group in the normal course of business. Based on the amounts claimed and the status of the proceedings concerned, 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 future financial position or earnings.

At December 31, 2009, provisions recognized for environmental risks amounted to 5.3 million euros. They primarily include an amount set aside for a lawsuit in Duisburg, Germany, filed by a city council and the purchasers of a plot of land relating to soil and ground water contamination. This soil contamination is long-standing and the related site restoration costs have not yet been determined. In addition, it has not yet been established whether Nexans is fully liable. Nevertheless, the Group has recorded a provision to cover any potential responsibility it may have for clean-up costs.

Provisions for environmental risks also include amounts relating to the clean-up of a landfill site at the Group's Swedish subsidiary as well as other costs for current or planned site rehabilitation and soil clean-up operations due to the use of products such as solvents and oils. Additional expenses may also be incurred for the clean-up of closed sites and sites earmarked for sale, but the Group expects the related amounts to be less than the market value of the sites in question. In addition, Nexans has undertaken site surveys in order to determine whether it needs to launch any site depollution measures.

The Group believes that any unprovisioned costs for potential site rehabilitation 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 a significant adverse effect on its business, financial position or income.

6.2.8 Nexans' position on asbestos

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

In the past (and particularly to comply with French army specifications), asbestos was used to a limited extent to improve the insulation of certain kinds of cables designed for military purposes. It was also used in the manufacture of enamel wire furnaces at two sites in France, but this activity was discontinued several decades ago.

To date, 57 people in France have been classified as suffering from an asbestos-related occupational disease, of which 12 have filed proceedings against their employer. In addition, 81 employees (39 at Nexans France and 42 at Nexans Copper France – formerly SCCC) are currently undergoing medical supervision. Outside France, a number of employees have been classified as suffering from an asbestos-related occupational disease in the past. The Group is aware of four claims or legal procedures that have been filed. Management does not believe that this risk is likely to have a significant impact on the Group's financial position or earnings.

6.3 Financial risks

This section should be read in conjunction with Note 26 to the consolidated financial statements, entitled "Financial Risks", which also sets out a sensitivity analysis for 2009.

Liquidity risks

The Group's main liquidity risks relate to:

- its obligation to repay or redeem its existing debt, primarily corresponding to (i) plain vanilla bonds redeemable in 2017, (ii) convertible bonds redeemable in 2013 and 2016, and (iii) to a lesser extent, short-term debt taken out by a number of the Group's subsidiaries;
- the Group's future financing requirements; and
- the financial ratios in covenants contained in the syndicated credit facility taken out by the Group, and the cross default clauses applicable to the above-described bonds.

Details of the Group's cash resources and needs (such as cash surpluses, credit lines, financial ratings), together with its policy for managing and monitoring liquidity are described in Notes 24 and 26(a) to the consolidated financial statements.

Interest rate and foreign exchange risks

Nexans does not generally use interest rate hedges as it considers that its financing structure – as described in Note 26(b) to the consolidated financial statements – does not expose it to any specific interest rate risk. A sensitivity analysis concerning changes in interest rates is provided in Note 26(f) to the consolidated financial statements.

The foreign exchange risk to which the Group is exposed is described in Note 26(c). Nexans considers its exposure to foreign exchange risk on operating cash flows to be moderate for the Group as a whole, due to its underlying operational structure whereby most subsidiaries primarily operate in their domestic markets, with the main exception of export contracts in the high-voltage business. Currency hedges are set up by the Group in order for operating units' cash flows to remain denominated in their functional currency. A sensitivity analysis concerning fluctuations in the two main currencies that present a foreign exchange risk for the Group (the US dollar and the Norwegian krone) is provided in Note 26(f).

On account of its international presence, the Group is also exposed to foreign currency translation risk for certain currencies such as the US dollar, the Brazilian real, the Australian dollar and the Chilean peso. This risk is tracked by the Group Finance Department but only a limited number of specific hedges are set up, as the Group considers the cost of these hedges and their impact on cash flows to be prohibitive.

Metal price risks

The nature of the Group's business activity exposes it to volatility in non-ferrous metal prices (copper and, to a lesser extent, aluminum and lead). Nexans' policy is to pass on metal prices in its own selling prices and to hedge the related risk either through a natural hedge or by entering into futures contracts on metal exchanges.

The Group's strategy for managing non-ferrous metal risks, the potential impact of fluctuations in copper prices and the hedges put in place by Nexans are described in Notes 26(d) and 26(f) to the consolidated financial statements.

Customer credit risk

As well as customer credit risk Nexans is exposed to financial counterparty risk, primarily arising from foreign currency and non-ferrous metal derivatives (see Note 26(e) to the consolidated financial statements).

6.4 Insurance

Nexans has a number of Group insurance programs that have been in place since 2003 and cover companies that are over 50%-owned and over which the Group exercises managerial powers. The entities acquired in 2008 have been gradually incorporated into the majority of the programs. In view of the difficulties in applying some of the programs in certain countries, such as Brazil and Nigeria, insurance policies are sometimes taken out locally in conjunction with the Group Insurance Department.

The insurance programs are negotiated with first class insurers in the form of multi-year policies and, whenever possible, include exit clauses. Their coverage limits are based on a historical analysis of claims experience and the advice of the Group's brokers and generally exceed the maximum amount of insured claims experienced by the Group in the past. However, the policies are capped in terms of insured amounts and do not therefore cover the entire risk. For example, the value of replacement products is not covered in the Group's third-party liability policy.

The Group relies on the expertise of the global networks of insurance brokers to assist it with controlling and managing the risks to which it is exposed in all the countries where it operates.

The overall cost of insurance policies (excluding personal insurance) taken out at Group level represents less than 0.5% of Nexans' sales at constant non-ferrous metal prices.

Apart from directors and officers liability policies, the main insurance programs set up by the Group to cover its manufacturing and operating activities are described below.

Property and casualty – business interruption

The Group is covered for non-excluded property and casualty claims as well as business interruption arising from accidental damage to insured assets.

Certain geographic areas have more limited coverage for natural disaster risks, such as areas with a high risk of earthquakes (e.g., Greece, Italy, Turkey, Japan and Lebanon).

During 2009, Nexans continued its drive to reduce industrial risks by setting up a specific three-year capital expenditure program, designed in close collaboration between the Industrial Management Department and expert advisers from the Group's property and casualty insurer. These advisers regularly visit Nexans' manufacturing sites, making targeted recommendations on how to improve risk prevention and safety procedures, as well as subsequently monitoring that the recommendations have been implemented.

Third-party liability (general, environmental, aeronautical and aerospace)

These general policies cover the Group's entities for third-party liability claims that may arise during the course of their business or as a result of the products they manufacture. Environmental, aeronautic and aerospace risks are covered by specific policies.

With respect to third-party liability resulting from aeronautical or aerospace products, coverage for losses 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 an extremely rare but highly serious claim could considerably exceed the related sales generated and significantly affect Nexans' operating income.

Third parties and insurers are turning increasingly toward litigation in order to either reduce or, conversely, expand the scope of contractual undertakings. The possibility of legal action being taken creates further uncertainties as to the amount of risk transferred.

Transport

Transport risks covered concern supplies, deliveries and transfers between sites, irrespective of the type of transport used.

Construction All Risks policies for land and submarine cables laying

Works relating to the laying of terrestrial and/or submarine cables are covered by two specific insurance programs.

Credit Insurance (Short term receivables)

Nexans has set up a short-term credit risk policy as part of a renewable multi-year program which is gradually being rolled out to the Group's entities based on a portion of their sales. At end-2009 around 80% of the Group's countries were included in this program.

Coverage for the Group's cable-ship Skagerrak

The Group's cable-ship, Skagerrak, is covered by hull & machinery/loss of hire and protection & indemnity insurance.

Captive re-insurance company

Nexans has set up a captive reinsurance company – Nexans Re – which has been operational since January 1, 2008 and is aimed at optimizing and managing the Group's risk retention strategy, as well as preventing and controlling risks. It reinsures recurring risks, such as property and casualty and business interruption, as well as short-term credit and transport risks. It operates on a program-by-program basis, with a maximum amount of coverage per loss and a 4 million euro cumulative cap per insurance year.

The risks described in this section are those that, at the date of this report, the Group believes could have a material adverse effect on its operations, financial position, earnings and outlook if they occurred. Nexans may be exposed to other risks that were unidentified at the date of this report, or which do not currently seem to be significant.

7. Corporate officers and senior managers

See also section 1 (Membership structure of the Board of Directors) on the Part of the 2009 Chairman Report on Corporate Governance.

7.1 Corporate offices and other positions held by members of the Board of Directors

In accordance with Article L.225-102-1 of the Commercial Code, the following table lists the corporate offices and other positions held by Nexans' Members of the Board of Directors at 31 december 2009⁽¹⁾ in all companies during fiscal year 2009. It also mentions the list of the corporate offices ended during the last five years.

	Corporate offices and other positions held during fiscal year 2009 (and not terminated at December 31, 2009)	Corporate offices ended during the last five years
Frédéric Vincent Chairman and CEO ⁽²⁾	– Chairman and CEO of Nexans Morocco	– Director of ElectroBanque ⁽³⁾
Gianpaolo Caccini Director	– President of Assovetro, the Italian Association of Glass Manufacturers – Director of JM Huber Corporation* – Chairman of Saint Gobain Corporation*	– Director of Saint-Gobain and Nybron Flooring International* – Chief Operating Officer of Saint Gobain Group
Jean-Marie Chevalier Director	– Professor of Economics at the University of Paris IX Dauphine – Senior Associate of Cambridge Energy Research Associates	– (N/A)
Georges Chodron de Courcel Director	– Chief Operating Officer of BNP Paribas – Member of the Executive Committee of BNP Paribas – Chairman of Financière BNP Paribas SAS, Compagnie d'Investissement de Paris SAS and BNP Paribas (Switzerland) SA* – Vice-Chairman of Fortis Bank SA/NV* – Director of Bouygues SA, Alstom, F.F.P. (Société Foncière Financière et de Participations), Verner Investissements SAS, Erbé SA*, GBL (Groupe Bruxelles Lambert)*, Scor Holding (Switzerland) AG*, Scor Global Life Rückversicherung Schweiz AG* and Scor Switzerland AG* – Member of the Supervisory Board of Lagardère SA – Non-voting director of Exane, Scor SE and Safran	– Chairman of BNP Paribas Emergis SAS and BNP Paribas UK (Holdings) Ltd* – Director of BNL* (Banca Nazionale del Lavoro), BNP Paribas (Switzerland) SA*, BNP Paribas ZAO* and Capstar Partners SAS – Member of the Supervisory Board of Sagem (merged into Safran) – Non-voting director of Scor Vie (renamed Scor Global Life)

* Positions held at foreign companies or in foreign institutions.

(1) It is specified that this table doesn't mention Jean-Louis Gerondeau, director of the Company since May 10, 2007, who died in November 2009.

(2) Appointment effective from the close of the Annual Shareholders' Meeting held on May 26, 2009.

(3) Corporate offices held in Nexans Group not included.

	Corporate offices and other positions held during fiscal year 2009 (and not terminated at December 31, 2009)	Corporate offices ended during the last five years
Jérôme Gallot Director	– Chairman of CDC Entreprises – Member of the Management Committee of Caisse des Dépôts – Director of ICADE, Caixa Seguros*, Plastic Omnium and CNP Assurances – Member of the Supervisory Board of Schneider Electric SA – Member of the Executive Committee of Fonds Stratégique d'Investissement – Non-voting director of NRJ Group and Oseo	– Director of Schneider Electric SA, Crédit Foncier de France, Galaxy Fund, Galaxy Management Services and Informatique CDC SA – Member of the Supervisory Board of NRJ Group, CNP Assurances and Compagnie Nationale du Rhône (CNR) – Chairman of Sicav Austral – Director of Caisse des Dépôts et Consignations
Jacques Garaïalde Director	– Managing Director of Kohlberg Kravis Roberts & Co. Ltd* – Chairman of the PagesJaunes Group's Board of Directors – Chairman and Chief Executive Officer of Médiannuaire Holding – Director of Legrand and Tarkett SA – Member of the Executive Committee of Société d'Investissement Familiale	– Director of Legrand France and Lumina Participation
Gérard Hauser Director	– Director of Alstom, Ipsen and Technip – Chairman of the Supervisory Board of Stromboli Investissement SAS	– Chairman and CEO of Nexans – Director of Faurecia and Aplix – Director of Electro-Banque
Colette Lewiner Director	– Vice-President, Global Leader Energy, Utilities & Chemicals of Cap Gemini – Director of La Poste and TGS-NOPEC Geophysical Company ASA* – Member of the Académie des Technologies – Member of the European Commission's Advisory Group on Energy	– Director of Ocean Rig ASA*

* Positions held at foreign companies or in foreign institutions.

	Corporate offices and other positions held during fiscal year 2009 (and not terminated at December 31, 2009)	Corporate offices ended during the last five years
Guillermo Luksic Director	– Chairman of the Board of Directors of Quiñenco*, Madeco*, CCU*, CNT Telefónica del Sur* and Viña San Pedro Tarapacá* – Director of Banco de Chile*, Antofagasta plc*, Antofagasta Minerals*, Embotelladoras Chilenas Unidas* and Compañía Pisquera de Chile S.A.* – Advisor to and member of the management bodies of the Ena Craig foundation* and the Centro de Estudios Publico* (non-profit organizations) – Trustee of the University of Finis Terrae*	– (N/A)
François Polge de Combret Director	– Senior Advisor at UBS (and at Calyon since 2010) – Director of Bouygues Telecom – Member of the Supervisory Board of Safran	– Director of Renault, Fonds Partenaires Gestion, Institut Pasteur, Sagem (merged into Safran) and Sanofi
Ervin Rosenberg Director	– Advisor to the Chairman of the Management Board of Compagnie Financière Edmond de Rothschild Banque – Member of the Supervisory Board of LCF Rothschild Investment Managers – Chairman and Chief Executive Officer of Financière Savoisienne	– Director of Thomson SA, Carbone Lorraine and Mobility Saint Honoré – Member of the Supervisory Board of Compagnie Financière Edmond de Rothschild Banque and Ifrah Finance – Non-voting director of Compagnie Financière Edmond de Rothschild Banque
Nicolas de Tavernost Director	– Chairman of the Management Board of the M6 Group – Member of the Supervisory Board of Ediradio SA (RTL) – Director of Antena 3*, GL Events SA, Club des Girondins de Bordeaux, Extension TV SA, TF6 Gestion SA and Société Nouvelle de Distribution SA	– Director of Business Interactif and Hotel Saint-Dominique (in a personal capacity) – President of the Association of Commercial Television in Europe (ACT)*

* Positions held at foreign companies or in foreign institutions.

7.2 Transactions in Company Shares by corporate officers and senior managers

In accordance with Article 223-26 of the General Regulations of the AMF (the French financial markets authority), the transactions in Company shares made during the fiscal year 2009 by corporate officers and senior managers, as designated by Article L.621-18-2 of the French Financial and Monetary Code (*Code monétaire et financier*) are listed in the following table.

Person Involved	Date of transaction	Type of transaction	Financial instrument	Price (in euros)	Total gross amount (in euros)
Frédéric Vincent Chairman and CEO ⁽¹⁾	10/27/09	Purchase	Shares	51.12	51,120
Gérard Hauser Member of the Board of Directors ⁽²⁾	01/06/09	Subscription	Stock Options	27.82	556,400
Michel Lemaire Member of the Executive Committee (until September 30, 2009)	02/17/09	Sale	Shares	33.29	208,062.50
	02/25/09	Subscription	Stock Options	27.82	139,100
Frédéric Michelland Member of the Executive Committee	06/15/09	Purchase	Shares*	39.50	15,346.89
	07/27/09	Purchase	Shares*	40.99	2,121.51
Pascal Portevin Member of the Executive Committee	06/15/09	Purchase	Shares*	39.50	15,346.89
	07/27/09	Purchase	Shares*	40.99	2,121.51
Yvon Raak Member of the Executive Committee	06/15/09	Purchase	Shares*	39.50	15,346.89
	07/27/09	Purchase	Shares*	40.99	2,121.51
Nicolas de Tavernost Member of the Board of Directors	12/21/09	Purchase/sale	Shares	53.65	26,288.50
Jacques Villemur Member of the Executive Committee	06/15/09	Purchase	Shares*	39.50	3,673.45
	07/27/09	Purchase	Shares*	40.99	2,033.03

* Transactions related to profit-sharing and employer contribution, invested in FCPE Actionnariat Nexans (employee mutual fund).

(1) Since the Annual Shareholders' Meeting on May 26, 2009.

(2) Chairman and Chief Executive until the Annual Shareholders' Meeting on May 26, 2009.

7.3 Compensation of corporate officers

Principles applicable to the compensation of executive corporate officers

The Board of Directors has adopted the AFEP-MEDEF Corporate Governance Code of December 2008 which includes recommendations regarding the compensation of executive corporate officers of listed companies.

The Internal Regulations of the Board of Directors, which may be consulted on-line at the Nexans website, were updated in January 2009 and February 2010 and include an Appendix relating to the principles governing the compensation policy of executive corporate officers in line with the corporate governance principles set out in the AFEP-MEDEF Corporate Governance Code.

Reorganization of Executive Management in 2009

In accordance with the planned reorganization, on April 3, 2009, the Board of Directors appointed Frédéric Vincent as Chairman and CEO of Nexans effective from the close of the Annual Shareholders' Meeting held on May 26, 2009. He had previously been Chief Operating Officer. The same Board meeting fixed Frédéric Vincent's compensation as Chairman and CEO for 2009.

Frédéric Vincent succeeds Gérard Hauser who retired on May 31, 2009 but remains as a Director of the Company.

Therefore, at December 31, 2009, Frédéric Vincent was the only executive corporate officer of Nexans.

7.3.1 Compensation policy

The Appointments and Compensation Committee recommends to the Board of Directors the compensation of the executive corporate officers on the basis of the rules it has established, while ensuring the consistency of said rules with the executives' annual performance evaluations, the Company's medium-term strategy and market practices. In establishing the structure of the aforementioned compensation, it relies upon the studies of outside consultants indicating the market practices for comparable companies.

The criteria on the basis of which the variable portion is determined are established at the beginning of each year by the Board of Directors based on the recommendations of the Appointments and Compensation Committee for the current fiscal year. The Board also makes decisions regarding the allocation of the variable portion for the prior fiscal year in view of the achievement of predetermined criteria.

The variable portion of executive corporate officer compensation is determined as follows:

- partly as a function of quantitative objectives based upon the Group's operational and financial performance. These objectives are identical to those applied to Group management executives for the purpose of determining the variable portion of their compensation; and
- partly on a qualitative basis, based upon an assessment of individual performance.

For 2009, the quantitative component of the variable portion of the Group management executive compensation was tied to three financial objectives weighted as follows: (1) operating margin: 50%, (2) working capital requirements: 40%; and (3) return on capital employed: 10%.

7.3.2 Individual compensation of executive corporate officers

Summary of compensation, stock options and shares allocated to executive corporate officers

Frédéric Vincent and Gérard Hauser received no stock options in 2009 and no performance (free) shares in 2008 or 2009.

	Fiscal Year 2008	Fiscal Year 2009
Frédéric Vincent		
<i>Chairman and CEO (since the 2009 Annual Shareholders' Meeting)</i>		
<i>Chief Operating Officer (until the 2009 Annual Shareholders' Meeting)</i>		
Compensation due for the fiscal year	€1,134,488	€1,200,074
Valuation of options allocated during the fiscal year	€1,183,748 ⁽¹⁾	-
Valuation of performance shares allocated during the fiscal year	-	-
Total	€2,318,236	€1,200,074
Gérard Hauser		
<i>Chairman and CEO (until the 2009 Annual Shareholders' Meeting)</i>		
Compensation due for the fiscal year	€2,200,167	€990,543
Valuation of options allocated during the fiscal year	€631,935 ⁽¹⁾	-
Valuation of performance shares allocated during the fiscal year	-	-
Total	€2,832,102	€990,543

(1) Valuation carried out in 2008.

Compensation of Frédéric Vincent

Chairman and CEO since the 2009 Annual Shareholders' Meeting

Chief Operating Officer until the 2009 Annual Shareholders' Meeting

	2008		2009	
	Amounts due for 2008	Amounts paid in 2008	Amounts due for 2009	Amounts paid in 2009
Fixed compensation	€575,000	€575,000	€677,085	€677,083
- as Chief Operating Officer			including: €239,585	including: €239,583
- as Chairman and CEO			€437,500	€437,500
Variable compensation	€528,448	€406,990	€482,917	€528,448
- as Chief Operating Officer			including: €131,132	including: €528,448
- as Chairman and CEO			€351,785	-
Extraordinary compensation	-	-	-	-
Directors' fees	€25,125	€25,125	€34,000	€34,000
Other benefits ⁽¹⁾	€5,915	€5,915	€6,072	€6,072
TOTAL	€1,134,488	€1,013,030	€1,200,074	€1,245,603

(1) Company vehicle.

Frédéric Vincent's 2009 variable compensation was calculated according to the following principles: (1) the variable compensation as Chief Operating Officer (January to May 2009) could vary from 0% to 96% of his base remuneration and the weight of the quantitative objectives represented 70%, and (2) the variable compensation as Chairman and CEO (June to December 2009) could vary from 0% to 150% of his base remuneration and the weight of the quantitative objectives represented 65%.

The Board of Directors' meeting of February 9, 2010 determined that, for the purpose of calculating Frédéric Vincent's variable compensation, the rate of achievement of Group quantitative objectives for 2009 was 53.36%. Taking into account the appreciation of the qualitative objective, the Board decided to pay Frédéric Vincent a total variable compensation of 482,917 euros for 2009, including 131,132 euros as Chief Operating Officer, and 351,785 euros as Chairman and CEO.

See also, sections 7.3.3 (commitments towards Frédéric Vincent), 7.3.4 (directors' fees) and 7.3.5 (long-term incentive plan).

Compensation of Gérard Hauser

Chairman and CEO until the 2009 Annual Shareholders' Meeting

	2008		2009	
	Amounts due for 2008	Amounts paid in 2008	Amounts due for 2009	Amounts paid in 2009
Fixed compensation	€800,000	€800,000	€333,335 ⁽¹⁾	€333,335
Variable compensation	€1,368,655	€1,400,000	€500,000 ⁽²⁾	€1,868,655 ⁽³⁾
Extraordinary compensation	-	-	€140,000 ⁽⁴⁾	€140,000
Directors' fees	€29,500	€29,500	€16,333 ⁽⁵⁾	€16,333
Other benefits ⁽⁶⁾	€2,012	€2,012	€875	€875
TOTAL	€2,200,167	€2,231,512	€990,543	€2,359,198

(1) Fixed annual compensation as Chairman and CEO of 800,000 euros paid on a prorated basis to reflect the time served in the position in 2009.

(2) Variable compensation capped at 150% of the target bonus and paid on a prorated basis to reflect the time served as Chairman and CEO in 2009.

(3) Variable compensation due for 2008 and paid in 2009, and capped variable compensation due for 2009 and paid in 2009.

(4) Extraordinary bonus considering the Group's performance during the period he was Chairman and CEO. This does not include retirement benefit obligations totaling 183,466 euros, calculated in accordance with the provisions set out in the National Collective Bargaining Agreement for Engineers and Managers in the Metallurgy Industry relating to compensation received as a salaried employee prior to his term as a corporate officer, and 29,035 euros for paid leave accrued under the terms of his employment contract which was suspended in abeyance when he became Chairman and CEO in 2001.

(5) As Chairman and CEO. In addition, a amount of 17,667 euros was paid to Gérard Hauser as Director fees for the period of June to December 2009. See also 7.3.4 hereafter.

(6) Company vehicle.

Gérard Hauser did not receive any termination indemnity because of the expiration of his term as Chairman and CEO.

In accordance with the commitment made by the Company when Gérard Hauser became Chairman and CEO of the Group in 2001, Mr. Hauser will receive a non-compete indemnity as compensation for a non-competition undertaking for a period of two years from the end of his term of office as Chairman and CEO. This indemnity – equal to 50% of his total gross compensation over the last 12 months of his term as Chairman and CEO of Nexans – amounts to 90,350 euros per month, payable for a period of 24 months beginning on June 1, 2009.

Gérard Hauser also benefits from a supplemental retirement plan established by the Group for certain employees and corporate officers of Nexans, described in paragraph 7.3.3 below. In 2009, he received an annuity of 239,239 euros, calculated on the basis of on an annual annuity of 410,124 euros.

7.3.3 Commitments towards Frédéric Vincent

Appointment as Chairman and CEO: May 26, 2009

End of current term of office: Annual Shareholders' Meeting to be held in 2012 to approve the financial statements for the year ending December 31, 2011

Employment contract	Supplementary pension scheme	Indemnities or benefits related to termination or a change in duties	Non-compete indemnity
No	Yes	Yes	Yes

• Employment contract

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code, Frédéric Vincent's employment contract, which had been suspended since May 2006, was terminated when he was appointed Chairman and Chief Executive Officer of Nexans in May 2009. In 2009, he received 65,063 euros in paid leave accrued under the terms of his employment contract.

• Termination payments

As Chairman and CEO, Frédéric Vincent has received the following commitments from the Company. They were authorized by the Board Meeting of April 3, 2009 and ratified by the Annual Shareholders' Meeting held on May 26, 2009.

In accordance with the Internal Regulations of the Board of Directors, termination payments – which may include termination benefits and non-compete indemnities – may not exceed two years compensation (fixed plus variable).

Termination indemnity

If Frédéric Vincent is removed from his position as Chairman and CEO, he will be entitled to payment of a termination indemnity representing twelve months of his total fixed and variable compensation subject to two performance conditions, as follows:

- (1) an average achievement rate for quantitative objectives relating to the Group's financial performance set by the Board of Directors at the beginning of each year as part of the performance criteria on which the variable portion of Frédéric Vincent's compensation is based, as recorded for a given year by the Board of Directors at the beginning of the following year; the average rate corresponds to the arithmetic mean of the performance rates recorded over the last three years preceding the year of departure.
- (2) a comparative average stock market performance rate. Nexans' stock market performances will be compared to those of the SBF 120 index and the average rate shall correspond to the arithmetic mean of the stock market performance rates over three periods, i.e., each of the two calendar years preceding the year of departure and the current year between January 1 and the date of the removal decision. The comparative stock market performance rate for a given period will be equal to the ratio between (a) in the numerator, the average price of the Nexans share over the period divided by the average price of the Nexans share over the previous period and (b) in the denominator, the average value of the SBF 120 index over the period divided by the average price of the same index over the previous period.

If for a given period, the rate thus calculated is lower than 70%, the stock market performance will be considered equal to zero for the period.

To determine the performance index, the rates as calculated in points (1) and (2) will be weighted at 65% and 35%, respectively.

The total amount of termination indemnity paid shall be a function of the level of performance achieved:

- If the performance index is higher than or equal to 100%, the termination benefit is paid in full.
- If the performance index ranges between 30% and 100%, the termination benefit is paid in the same percentage (for example, if the performance index is equal to 70%, the termination benefit paid is equal to 70% of its maximum amount).
- No termination benefit is payable if the performance index is below 30%.

The termination indemnity will be payable only in the event of a forced departure resulting from a change of strategy or control which is construed in accordance with the Board of Directors' Internal Regulations, and after the Board of Directors' official recording of the achievement of the above-mentioned performance conditions.

Non-compete indemnities

As compensation for an undertaking not to exercise any business that would compete either directly or indirectly with one of the Company's businesses for a period of two years from the end of his term of office as Chairman and CEO, Frédéric Vincent will receive a non-compete indemnity, regardless of the cause of termination of his duties. Said indemnity will be equal to one year of his fixed and variable compensation, i.e., 12 times his most recent monthly base salary plus the corresponding percentage of his bonus, paid in 24 equal and successive installments.

Supplemental retirement plan

Frédéric Vincent benefits from the supplemental retirement plan set up by the Group for certain employees and corporate officers. The regulations for this plan were adopted by the Board of Directors in 2004 (and amended on October 1, and November 25, 2008), and make benefits under the supplementary system conditional upon the beneficiary ending his professional career while employed at the Company. The lifetime pension amount, with survivor benefits, is based upon the average annual pay and compensation for the last three years. This pension supplements the mandatory and supplementary basic pension schemes and is limited to 30% of the beneficiary's fixed and variable compensation. The Board of Directors, at its meeting on November 25, 2008, amended the plan regulations by making plan benefits for new corporate officers conditional upon five years of employment with the Company. The supplemental retirement plan complies with the recommendations of the AFEP-MEDEF Corporate Governance Code as regards the number of beneficiaries, length of service, and limiting the percentage of the beneficiary's fixed and variable compensation as well as the reference period to be used when calculating plan benefits.

The total amount of the obligations assumed by the Group for pensions and other benefits of the same type to which Frédéric Vincent is entitled amounts to 4,382,314 euros, at December 31, 2009.

Welfare scheme

Frédéric Vincent benefits from the welfare scheme (death, disability and medical expenses) set up for Nexans employees.

7.3.4 Compensation paid to members of the Board of Directors

The annual amount of directors' fees allocated to directors was set at 600,000 euros by the Annual Shareholders' Meeting held on May 26, 2009, effective as of the fiscal year which commenced on January 1, 2009.

The methods for allocating the directors' fees approved by the Board of Directors include the calculation of a fixed portion and a variable portion, based on the directors' attendance at Board meetings and their membership of Committees.

The Board of Directors meeting of April 3, 2009 decided that the following methods would be used for allocating directors' fees:

- each of the directors, including the Chairman, receives 20,000 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 maximum of 14,000 euros per director;
- each member of the Accounts and Audit Committee receives 3,000 euros per meeting, with a maximum of 12,000 euros per year, it being specified that the Committee Chairman shall receive 6,000 euros per meeting, with a maximum of 24,000 euros per year; and
- each member of the Appointments and Compensation Committee receives 3,000 euros per meeting, with a maximum of 12,000 euros per year, it being specified that the Committee Chairman shall receive 4,500 euros per meeting, with a maximum of 18,000 euros per year.

The total amount of directors' fees allocated for 2009 was 519,000 euros, distributed as follows for each of the directors, and in comparison with 2008 (in euros):

Board members	Directors' fees allocated in 2008 (for 2008)	Directors' fees allocated in 2009 (for 2009)
Frédéric Vincent*	25,125	34,000
Gianpaolo Caccini	41,500	46,000
Jean-Marie Chevalier	29,500	34,000
Georges Chodron de Courcel	44,500	58,000
Jérôme Gallot	65,500	64,000
Jacques Garaïalde	29,500	34,000
Jean-Louis Gerondeau(†)	37,500	41,000
Gérard Hauser**	29,500	34,000
Colette Lewiner	29,500	34,000
Guillermo Luksic***	6,375	26,000
François Polge de Combret	41,500	46,000
Ervin Rosenberg	38,500	34,000
Nicolas de Tavernost	29,500	34,000
TOTAL	448,000	519,000

* Appointed as a director on April 10, 2008, and Chairman of the Board of Directors since the Annual Shareholders' Meeting on May 26, 2009.

** Chairman of the Board of Directors until the Annual Shareholders' Meeting on May 26, 2009 and a director since that date.

*** Director appointed on April 10, 2008, effective September 30, 2008.

Non-executive corporate officers do not receive any compensation from the Company apart from directors' fees.

7.3.5 Stock options

See section 8.1 of this Management Report (Information concerning the Company and its capital) for an analysis of past allocations of stock options by Nexans and a summary of stock options exercised during 2009 by the ten largest grantees.

Policy for the allocation of stock options

At its meeting on July 24, 2007, the Board of Directors amended the Group stock option allocation policy.

In order to involve a greater number of key executives in the Group's success and increase the conditionality attached to the variable portion of their compensation, the Board decided to grant stock options on an annual basis in association with a long-term incentive plan ("LTIP") available to a greater number of managers. This combination of cash payments (subject to performance conditions – see hereinafter) and stock options and the introduction of annual grants payments will make it possible to reduce the number of options granted each year and therefore, to reduce the dilution of capital.

Stock options granted to executive corporate officers

Stock options granted to executive corporate officers comply with the recommendations of the AFEP-MEDEF Corporate Governance Code:

Timing	Annual grant of options regularly made in November, barring a decision caused by extraordinary circumstances.
No discount	No discount should be applied upon the award of stock options.
Performance conditions	Under the terms of the Company's most recent stock option plan (Plan No. 8 of November 2008), the stock options granted to members of the Executive Committee may only be exercised subject to the achievement of performance conditions linked to the average comparative performance of Nexans share and the Free Cash Flow generated by the Company during the vesting period.
Custody obligation	Under the terms of Plans No. 7 and No. 8, executive corporate officer grantees are required to hold one quarter of the shares resulting from the exercise of stock options until the end of their term of office.
Prohibition of hedging instruments	Stock options granted to members of the Executive Committee (including the executive corporate officer) under Plan No. 8, as well as the shares resulting from the exercise of these stock options, may not be used for hedging purposes.
Recommended periods of abstention	Group procedure on insider trading.

The Internal Regulations updated by the Board of Directors on January 16, 2009 and February 9, 2010, and available for consultation on the Company's website, contain an Appendix dealing with the principles governing the allocation of stock options to executive corporate officers in accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code.

Following his retirement as Chairman and CEO, Gérard Hauser has been allowed to retain a total 135,000 outstanding stock options to be exercised by February 21, 2016.

Options allocated to and exercised by executive corporate officers in 2009

In light of the promulgation of the French law of December 3, 2008 and the obligation to improve the existing mechanisms in favor of group employees before allocating options to executive corporate officers, the Board of Directors meeting held on November 25, 2009 postponed the annual allocation of stock options pending implementation of a plan designed to meet the objectives of the aforementioned law.

The following table shows the stock options exercised by executive corporate officers in 2009.

	Plan date and number	Number of options allocated in 2009	Total amount	Exercise price
Frédéric Vincent	-	-	-	-
Gérard Hauser*	Plan No. 3 of November 16, 2004	20,000	€556,400	€27.82

*Chairman and CEO until the Annual Shareholders' Meeting on May 26, 2009.

Long-term incentive plan (LTIP)

In accordance with the Group incentive policy for its managers adopted in 2007:

- the allocation of stock options under Plan N° 7, adopted by the Board of Directors on February 22, 2008, was associated with a long-term incentive plan (LTIP) with a two-year term, which provides for a payment at the beginning of 2010 equal to no more than 2/3 of the nominal bonus based on the achievement of 2009 quantitative objectives approved by the Board in early 2008. If the rate of achievement is less than 70% for any of the objectives, there shall be no entitlement to any payment. Stock option Plan N° 7 and the related long-term incentive plan have 180 beneficiaries throughout the Group, including Gérard Hauser and Frédéric Vincent.

At the meeting held on February 9, 2010, the Board of Directors noted that the objectives set for the long-term incentive plan associated with stock option Plan N° 7 had not been achieved and that no payment would therefore be made to the beneficiaries of this LTIP.

- the allocation of stock options under Plan N° 8, adopted by the Board of Directors on November 25, 2008, was associated with a long-term incentive plan (LTIP) with a two-year term, which provides for a payment at the beginning of 2011 equal to no more than 2/3 of the nominal bonus based on the achievement of 2010 quantitative objectives approved by the Board in early 2009. If the rate of achievement for any of the objectives is less than 60% there shall be no entitlement to any payment. Stock option Plan N° 8 and the related long-term incentive plan has 216 beneficiaries throughout the Group, including Frédéric Vincent, who may receive a maximum amount of 306,667 euros in early 2011, depending on the rate of achievement of the performance objectives.

8. Information concerning the Company and its capital

8.1 Share capital

Share capital at December 31, 2009

At December 31, 2009, the Company's share capital was 28,012,928 euros, divided into 28,012,928 shares with a par value of one (1) euro each. This amount included the impact of 75,975 stock options exercised between January 1, and December 31, 2009.

Taking into account double voting rights attached to registered shares held by the same owner for at least two years, the number of voting rights at December 31, 2009 totaled 28,415,600.

Changes in Nexans' share capital over the last five years

Date	Transaction	Number of shares issued/cancelled	Par value of transaction	Total amount of share capital (in euros) and number of shares
February 2, 2005	Capital increase following the exercise of stock options	17,000	€17,000	€23,189,947
July 20, 2005	Capital increase following the exercise of stock options	197,275	€197,275	€23,387,222
February 1, 2006	Capital increase following the exercise of stock options	120,100	€120,100	€23,507,322
March 29, 2006	Capital reduction by cancelling treasury shares	2,221,199	€2,221,199	€21,286,123
May 12, 2006	Employee share issue	65,797	€65,797	€21,351,920
June 26, 2006	Capital increase following the exercise of stock options and conversion of OCEANE bonds	312,825 3,534,160	€3,846,985	€25,198,905
January 30, 2007	Capital increase following the exercise of stock options	66,050	€66,050	€25,264,955
July 24, 2007	Capital increase following the exercise of stock options	360,975	€360,975	€25,625,930
January 30, 2008	Capital increase following the exercise of stock options	52,425	€52,425	€25,678,355
March 28, 2008	Employee share issue	91,525	€91,525	€25,769,880
June 23, 2008	Reduction of share capital through cancellation of treasury shares	420,777	€420,777	€25,349,103
June 23, 2008	Capital increase following the exercise of stock options	51,600	€51,600	€25,400,703
September 30, 2008	Capital increase as consideration for transferred assets	2,500,000	€2,500,000	€27,900,703
February 11, 2009	Capital increase following the exercise of stock options	36,250	€36,250	€27,936,953
June 12, 2009	Capital increase following the exercise of stock options	33,850	€33,850	€27,970,803
February 9, 2010	Capital increase following the exercise of stock options	42,125	€42,125	€28,012,928

This table does not include new shares issued since January 1, 2010 following the exercise of stock options since the Board of Directors had not made the required amendments to the related articles of incorporation at the publication date of this Registration document.

Potential share capital at December 31, 2009

The following securities carry rights to Nexans shares:

(1) The bonds convertible for new shares and/or exchangeable for existing shares (OCEANE bonds) issued on July 7, 2006. This public issue involved 3,794,037 OCEANE bonds, each with a face value of 73.80 euros, and represented a total value of approximately 280 million euros (the **"1.5% 2013 OCEANE bonds"**). The prospectus for the issue was approved by the AMF on June 29, 2006 under number 06-242. The term of the bond issue was set at six years and 178 days. Unless the Company exercises its early redemption option, the bonds will be redeemed in full on January 1, 2013 at a price of 85.7556 euros per bond, representing 116% of the total face value. The bonds bear interest at 1.50% per annum, payable in arrears on January 1 each year and their gross yield-to-maturity is 3.75% (if they are not converted and/or exchanged for shares, and if they are not redeemed in advance). The option to convert or exchange the bonds can be exercised by the OCEANE bondholders from July 7, 2006 until the seventh business day preceding the scheduled or early redemption date.

Following the decision of the Annual Shareholders' Meeting on May 26, 2009 to distribute a dividend of two euros per share, a total dividend of 55,941,606 euros was paid for 2008. As the resulting ratio of dividends distributed (i.e., the ratio of the total dividend paid to the Company's market capitalization value) was greater than 3%, on June 3, 2009, the Chairman and CEO, acting upon delegation by the Annual Shareholders' Meeting on May 26, 2009, decided to adjust the conversion ratio of the 1.5% 2013 OCEANE bonds in accordance with the provisions of the transaction memorandum reviewed by the AMF. If bondholders should opt to convert these bonds, they will now receive 1.02 Nexans shares, instead of 1.0 Nexans shares, for each bond converted.

At December 31, 2009, all of the 1.5% 2013 OCEANE bonds were still outstanding.

(2) The bonds convertible for new shares and/or exchangeable for existing shares (OCEANE bonds) issued on June 23, 2009. This public issue involved 4 million OCEANE bonds, each with a face value of 53.15 euros, and represented a total value of approximately 212 million euros (the **"4% 2016 OCEANE bonds"**). The prospectus for the issue was approved by the AMF on June 15, 2009 under number 09-187. The term of the bond issue was set at six years and 192 days. Unless the Company exercises its early redemption option, the bonds will be redeemable at par on January 1, 2016 at a price of 53.15 euros per bond. The bonds bear interest at 4% per annum, payable in arrears on January 1 each year and their gross yield-to-maturity is 4% (if they are not converted and/or exchanged for shares, and if they are not redeemed in advance). The option to convert or exchange the bonds can be exercised by the OCEANE bondholders from January 1, 2015 until the seventh business day preceding the scheduled or early redemption date, at the rate of one share per bond (subject to any adjustments required by law).

At December 31, 2009, all of the 4% 2016 OCEANE bonds were still outstanding.

(3) 1,497,525 outstanding employee stock options, representing 5.35% of the Company's capital and exercisable for one Nexans share each.

Except for the above-mentioned OCEANE bonds and stock options, at December 31, 2009 there were no securities that are convertible, redeemable, exchangeable or otherwise exercisable for the Company's shares.

At end-2009, the Company's potential share capital – corresponding to its existing capital plus any shares issued on the exercise of rights to Nexans shares – represented 133% of the Company's capital at December 31, 2009 based on (i) the 28,012,928 shares making up Nexans' capital, (ii) 3,794,037 1.5% 2013 OCEANE (iii) 4,000,000 4% 2016 OCEANE bonds and (iv) 1,497,525 shares to be issued upon the exercise of stock options.

Stock options

No new stock options were granted by the Board of Directors of Nexans in 2009.

Breakdown, by category of subscriber, of shares issued during 2009 upon exercise of stock options

	Number of subscribers	Number of options granted	Price
Corporate officers			
Frédéric Vincent			
Chairman and CEO since the 2009 AGM	-	-	-
Chief Operating Officer until the 2009 AGM			
Gérard Hauser			
Chairman and CEO until the 2009 AGM	1	20,000	€27.82
November 16, 2004 plan			
Group employees			
ten largest subscribers			
November 16, 2001 plan	4	21,000	€17.45
November 16, 2004 plan	4	30,750	€27.82
November 23, 2005 plan	2	6,500	€40.13

Summary of stock options plans

	Plan No.1			Plan No.2	Plan No.3	Plan No.4	Plan No.5	Plan No.6	Plan No.7	Plan No.8
Date of Shareholders' Meeting	04/02/01	04/02/01	04/02/01	06/25/02	06/05/03	06/05/03	05/15/06	05/15/06	05/10/07	04/10/08
Grant date	11/16/01	01/18/02	03/13/02	04/04/03	11/16/04	11/23/05	11/23/06	02/15/07	02/22/08	11/25/08
Stock options granted	531,500	5,000	8,000	644,500	403,000	344,000	343,000	29,000	306,650	312,450
To corporate officers	55,000	-	-	50,000	125,000	-	120,000	-	65,000	45,000
To ten largest employee grantees	181,000	5,000	8,000	204,000	209,000	91,000	166,000	29,000	77,500	75,200
Total number of beneficiaries	85	2	2	83	18	96	29	5	180	216
Start date of exercise period	11/16/02	01/18/03	03/13/03	04/04/04	11/16/05	11/23/06	11/23/07	02/15/09	02/22/09	11/25/09
Expiration date	11/15/09	01/17/10	03/12/10	04/03/11	11/15/12	11/22/13	11/22/14	02/14/15	02/21/16	11/24/16
Subscription price (in euros)	€17.45	€16.70	€19.94	€11.62	€27.82	€40.13	€76.09	€100.94	€71.23	€43.46
Exercise terms	One quarter each year	One quarter each year	One quarter each year	One quarter each year	One quarter each year	One quarter each year	One quarter each year	50% from Feb. 15, 2009 and 25% each year thereafter	One quarter each year	One quarter each year
Number of share subscribed	510,250	2,000	8,000	581,900	171,750	67,825	-	-	-	225
Number of options cancelled	21,250	3,000	-	27,250	-	15,625	3,000	3,000	7,000	7,500
Outstanding options	-	-	-	35,350	231,250	260,550	340,000	26,000	299,650	304,725

See also section 7.3.5 of this Management Report (Policy for the allocation of stock options).

8.2 Breakdown of share capital and voting rights

On the basis of the information received in accordance with Article L.233-7 of the French Commercial Code, the shareholders holding more than 5% of the Company's share capital or voting rights at December 31, 2009 were:

- Madeco SA (Chile),
- Caisse des dépôts et consignations (CDC) via French Sovereign Fund (FSI),
- BlackRock Inc. (United States).

The following threshold disclosures were filed with the AMF in 2009*:

Date threshold crossed	Date of disclosure	Declarant company or intermediary	Number of shares and voting rights held	% capital	% voting rights	Disclosure event
01/30/2009	02/05/2009	Barclays Global Investors UK Holdings Limited ⁽¹⁾	1,382,191	4.95%	4.89%	Downward crossing of share ownership and voting rights threshold
02/03/2009	02/10/2009	Barclays Global Investors UK Holdings Limited ⁽¹⁾	1,412,697	5.05%	5.00%	Upward crossing of share ownership threshold
02/03/2009	02/13/2009	Barclays Global Investors UK Holdings Limited ⁽¹⁾	1,427,289	5.11%	5.05%	Upward crossing of voting rights threshold
03/05/2009	03/12/2009	Barclays Global Investors UK Holdings Limited ⁽¹⁾	1,406,141	5.03%	4.97%	Downward crossing of voting rights threshold
03/06/2009	03/12/2009	Barclays Global Investors UK Holdings Limited ⁽¹⁾	1,396,300	4.99%	4.93%	Downward crossing of share ownership threshold
07/06/2009	07/08/2009	Caisse des Dépôts et Consignations ⁽²⁾	1,417,700	5.07%	5.00%	Upward crossing of share ownership and voting rights threshold
12/01/2009	12/08/2009	BlackRock Inc. ⁽³⁾	1,523,522	5.44%	5.36%	Upward crossing of share ownership and voting rights threshold
12/23/2009	12/28/2009	Madeco SA ⁽⁴⁾	2,568,726	9.17%	9.04%	Inter-Group reclassification

(1) Barclays Global Investors UK Holdings Limited filed this declaration on behalf of the following entities: Barclays Global Investors Limited, Barclays Global Investors N.A., Barclays Global Fund Advisors and Barclays Global Investors (Germany) AG.

(2) Caisse des dépôts et consignations (CDC) declared that it had crossed this threshold via its interest in French Sovereign Fund (FSI), of which it owns 51% of the capital and voting rights.

(3) BlackRock Inc. (US) acts on behalf of funds and clients. This declaration was triggered by its acquisition of Barclays Global Investor (BGI) from Barclays Plc on December 1, 2009.

(4) Madeco SA (Chile) is 45.2% owned by the Chilean company Quinenco SA.

* NB: this summary does not include the disclosure made on September 28, 2009 by Halbis Capital Management (UK) Limited, a portfolio management company owned by HSBC Holdings Plc, whereby it had exceeded 5% of Nexans' share capital and voting rights. In a rectification filed on October 8, 2009 Halbis Capital Management (UK) Limited indicated that it had not exceeded any legal threshold.

8.3 Share buyback

The Annual Shareholders' Meeting on May 26, 2009 authorized the Company to trade in its own shares subject to the terms and conditions that it has laid down. At December 31, 2009, no share buyback program had been initiated by the Board of Directors and therefore the Company held none of its own shares on this date.

8.4 Employee share ownership plan

Employees owned 1.71% of the Company's share capital at December 31, 2009, of which 96.44% was held through employee mutual funds (FCPE).

8.5 Information with a potential impact in the event of a public offer

In addition to the commitments to Frédéric Vincent in his role as Chairman and CEO described in section 7.3.3 hereinabove, certain members of Nexans' Executive Committee shall be entitled, in the event of termination (for any reason other than gross negligence or misconduct), to payment of compensation that represents one or two years of their total gross compensation.

In addition, the following three commitments contain provisions relating to a change in the control of Nexans:

- The syndicated loan agreement in the amount of 580 million euros; this agreement contains a clause for accelerated repayment in certain circumstances, including in the event of a change in the control of Nexans.
- The prospectus for the issuance of the "2017 Notes" (5.75% bonds, 2007–2017, issued on May 2, 2007 and quoted on the Luxembourg Stock Exchange). Under the terms of the prospectus, bondholders have a put option in the event of a change in control of Nexans leading to a rating downgrade.
- The prospectus for the issuance of the 4% 2016 OCEANE bonds (see section 8.1 hereinabove) provides bondholders with an early redemption option in the event of a change in control of Nexans.

8.6 Proposed appropriation of income 2009

The Annual Shareholders' Meeting will be asked to approve the appropriation of net income for the year – totaling 61,742,534 euros – as follows:

- Retained earnings brought forward: 239,199,750 euros
 - 2009 net income: 61,742,534 euros
 - Legal reserve: (7,598) euros
- Total distributable income: 300,934,686 euros**

Appropriation of income

(based on the number of shares comprising the share capital at December 31, 2009, i.e., 28,012,928 shares)

- Dividend payment of 1 euro per share
- Representing a total dividend of 28,012,928 euros
- Retained earnings 272,921,758 euros

Total: 300,934,686 euros

A resolution will be submitted to the Annual Shareholders' Meeting to distribute a dividend of 1 euros per share, bringing the total amount of the dividend to 28 012 928 euros based upon the number of shares constituting the share capital at December 31, 2009.

However, this amount of dividends may potentially be increased (and the retained earnings correspondingly reduced) by a maximum total amount of 1,008,757 euros in order to take into account the maximum total number of 1,008,757 additional shares that may potentially be created, between January 1, 2010 and the date the dividend is paid, as a result of the exercise of stock options.

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

In compliance with Article 243 bis of the General Tax Code, it is specified that all of the Company's shares are of the same category and that all dividends paid shall be eligible for the 40% relief referred to in Article 158, section 3, subsection 2 of the General Tax Code.

The total amount of dividends paid for the last three fiscal years and the total amount of the dividends qualifying for the 40% relief were as follows:

	Fiscal year 2006 (distribution in 2007)	Fiscal year 2007 (distribution in 2008)	Fiscal year 2008 (distribution in 2009)
Dividend per share	€1.20	€2	€2
Number of shares qualifying	25,539,805	25,372,103	27,970,803
Total amount	€30,647,766*	€50,744,206	€55,941,606

* This amount does not include a supplemental dividend of 10,650 euros pertaining to 2006 that was paid on February 22, 2008.

8.7 Non-tax deductible expenses

No non-tax deductible expenses, as defined in Article 39, section 4 of the General Tax Code, were incurred in 2009.

8.8 The Nexans share

At December 31, 2009

Listed on: NYSE Euronext Paris (Compartment A)

ISIN Code: FR0000044448

Par value: 1 euro

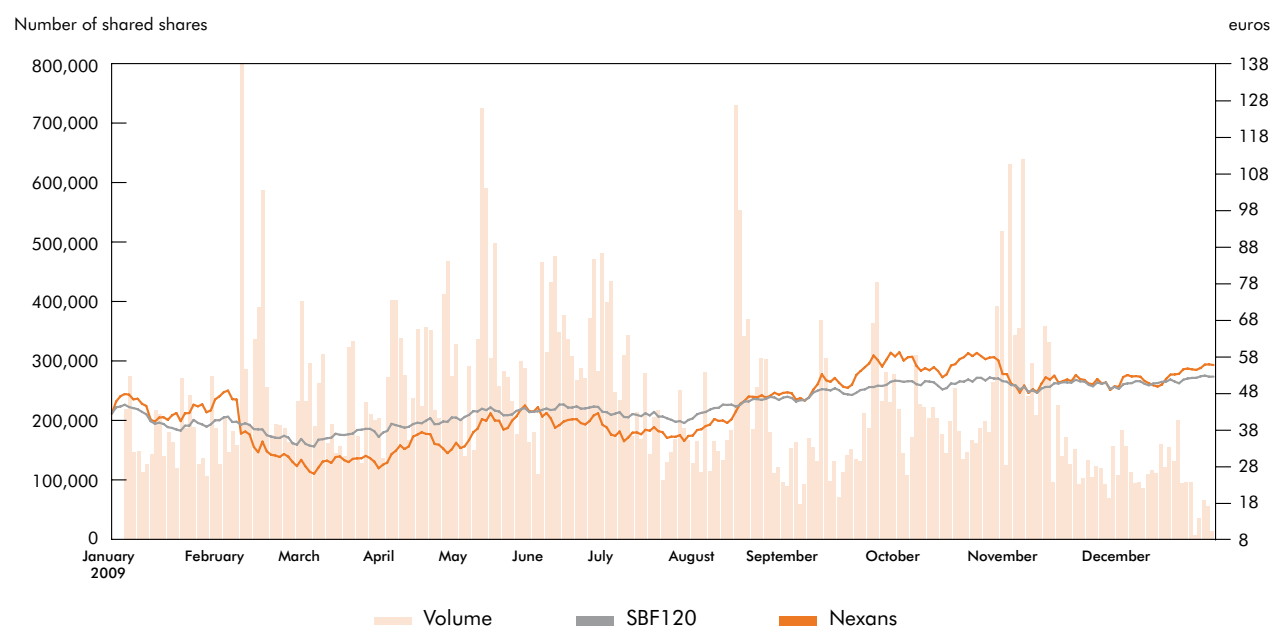
Number of shares: 28,012,928

Market capitalization: 1,563.68 million euros

Indexes: SBF 120: 0.14% of the index

Nexans' share price

from January 1, 2009 to December 31, 2009 (in euros)



Stock market data

(as of December 31, 2009)

Share price in euros (except ratios)	2009	2008
High	59.31	92.03
Low	26.12	36.34
Last closing price	55.82	42.55
Change over the year	31.19%	-50.20%
Change in the SBF 120 over the year	23.73%	-43.10%
Change in the CAC 40 over the year	22.32%	-47.10%
Market capitalization at December 31⁽¹⁾	1,563.68	1,188.70
Average daily volume traded ⁽²⁾	228,532	320,774
Number of shares issued at December 31	28,012,928	27,936,953
Share turnover ⁽³⁾	0.82%	1.15%

(1) In million euros.

(2) In number of shares.

(3) Daily average during the year.

Per share data

In euros (except ratios)	2009	2008 restated ⁽¹⁾	2007
Net assets ⁽²⁾	66.98	56.59	67.0
Basic EPS ⁽³⁾	0.29	3.21	7.41
Diluted EPS ⁽⁴⁾	0.71	3.12	6.67
PER ⁽⁶⁾	-	17.39	11.54
Net dividend ⁽⁵⁾	1.0	2.0	2.0
Dividend yield ⁽⁶⁾	1.8%	3.6%	2.3%

(1) Restated to take into account the fair value adjustments made following the completion of the initial accounting for Madeco cables and Intercond acquisitions.

(2) Equity excluding minority interests divided by the number of shares outstanding at December 31.

(3) Based on the weighted average number of shares outstanding.

(4) Earnings per share if all convertible securities (warrants, convertible bonds, stock options, and rights) are exchanged for common shares, which would increase the number of shares.

(5) 2009 dividend proposed at the Annual Shareholders' Meeting to be held on May 25, 2010.

(6) Based on market price on December 31.

9. CSR - Environmental and human resources data

9.1 Organization of Nexans' commitment to CSR

A **CSR Committee**⁽¹⁾ was established in July 2009 to track the Company's various sustainable development initiatives and policies. It is chaired by Frédéric Vincent, Group Chairman and CEO, and includes two Management Committee members representing the Industrial Management, Technical/Research and Development, Environment, Purchasing, and Marketing departments, the Corporate Secretary, the heads of Human Resources and Communications, and the Head of the Risk Management Department, who acts as Secretary. The CSR Committee meets twice a year.

Two specialized committees, made up of various **working groups**, have the task of steering and coordinating themes and projects in the following fields:

- **Governance & Social Affairs Committee**

- Ethics and business conduct
- Crisis management
- Responsible purchasing
- Workplace safety
- Skills development and training
- Social dialogue
- Community relations
- CSR indicators

- **Environment & Products Committee (which replaces the Environment Committee)**

- On-site environmental management
- Greenhouse gas emission assessment
- Soil testing
- REACH (Registration, Evaluation and Authorization of Chemicals)
- New product innovation and development
- Eco-production
- Life cycle assessment
- Responsible marketing and eco-declarations
- CSR indicators

The specialized committees also meet twice a year.

9.2 Business ethics and conduct

Nexans revamped its Code of Ethics and Business Conduct in 2009.

This Code is intended to help individuals to act on behalf of the Group in their everyday work in a manner that is beyond reproach. It forms a part of the Corporate Social Responsibility program, the reinforcement of which led Nexans' Board of Directors to adhere to the United Nations Global Compact on November 25, 2008.

A program to foster awareness of ethics was conducted in 2009 and during the second quarter the Business Ethics and Conduct Code was presented to the Management Committees of all countries as well as to the Group corporate departments. This helped all Group employees to understand the challenges and to get behind the solutions.

A special effort was made to foster awareness among sales and purchasing teams in order to promote CSR in dealings with customers and suppliers.

The Code has been translated into 16 languages and may be consulted on Nexans' website or on the Group or country intranets. It is explained and presented to each new employee.

(1) Corporate Social Responsibility.

9.3 Human resources data

9.3.1 Headcount

- Headcount trends by geographic area

	Europe	Asia-Pacific	North America	South America	MERA	Nexans Group
2007	15,184	2,273	1,870	504	2,067	21,898
2008	14,575	2,459	1,803	2,535	2,108	23,480
2009	14,277	2,437	1,662	2,203	2,137	22,716

(MERA: Middle East, Russia and Africa)

In 2009, total headcount declined 3.3%, principally in Germany, Brazil, France and Canada as the Group adapted its organization to market conditions.

The Group has a presence on all continents and the breakdown of headcount by geographic area has remained fairly stable with 37.2% of its personnel based outside Europe.

EUROPE

The proportion of Group personnel based in Europe declined by 2% to approximately 63% and this has been reflected in the closure of a number of plants: Vacha (Germany), Arad (Romania), Pilsen and Chodova Plana (Czech Republic).

Headcount is down 5.6%, excluding the harness business.

In the automotive sector, headcount declined by approximately 700 in the first-half of the year, before subsequently increasing by about 1,000 as business improved.

ASIA-PACIFIC

The proportion of Nexans' staff employed in the Asia-Pacific represented 10.7% of total headcount and increased slightly compared to 2008.

Headcount increased in China and Japan as production capacities developed in 2008 came on stream, however it decreased in the Pacific area due to restructuring at the Lilydale plant (Australia) and to reorganization in New Zealand.

NORTH AMERICA

Staff in the North America area represent 7.3% of the Group's total staff, a 7.8% drop compared to 2008. This is attributable to the closure of the Quebec plant in Canada and a cut in staff levels at the New Holland plant in the United States due to a sharp drop in demand for LAN cables.

SOUTH AMERICA

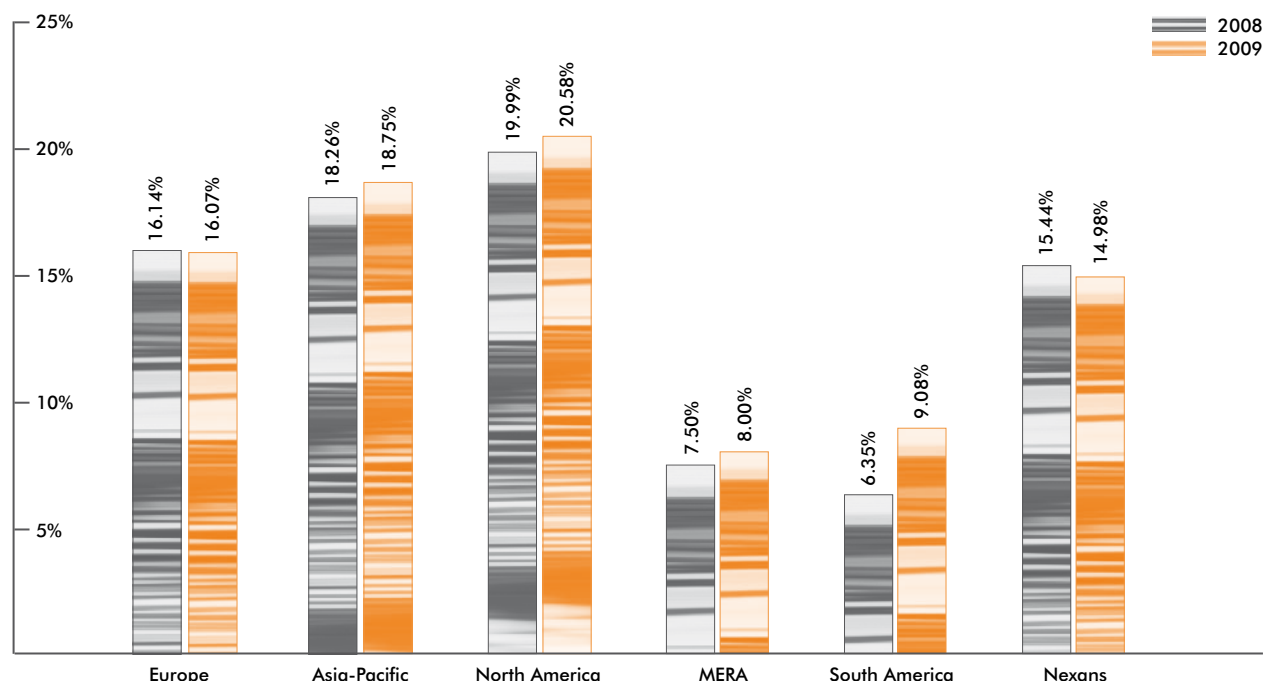
The South America area employed 9.7% of the Group's employees in 2009, down 13.1% on the previous year, mainly due to the deteriorating economic situation in Brazil and the first effects of the merger between the Group's two Brazilian subsidiaries (Nexans Brazil and Ficap).

MERA

The proportion of Group personnel based in the MERA area climbed 1.4% compared to 2008, accounting for 9.4% of total headcount. This increase reflects the ramp up of production at the Ouglich plant in Russia.

The indicators detailed and analyzed hereinafter do not include the harness business which displays different management features and headcount trends to the Group's other activities. Data relating to the acquisition of the Madeco and Intercond cable businesses which were not included in 2008 statistics, have been included in those for 2009.

• **Percentage of female employees at December 31, 2009**



Figures do not include the harness business
(MERA: Middle East, Russia and Africa)

The percentage of female employees in total Group headcount remains stable at 15%. The countries that employ the highest proportion of female workers are China (35.8%), Vietnam (30.4%) and the United States (27.2%). 18.9% of management and executive positions are now occupied by women with higher-than-average proportions recorded in Colombia, China, Vietnam, Turkey, Peru and Sweden as a result of targeted promotion and recruitment drives.

• **Promotion of equality and diversity**

The promotion of equality and diversity reflects the policy of non-discrimination applied to all people throughout the businesses, regardless of country of origin or culture, and enshrined in the Code of Ethics. Programs to foster awareness of ethics among all of the Group's employees were stepped up in 2009.

Nexans is committed to promoting equality in terms of working conditions, salaries, promotion, access to training and the employment of disabled people.

• **Personnel changes by geographic area**

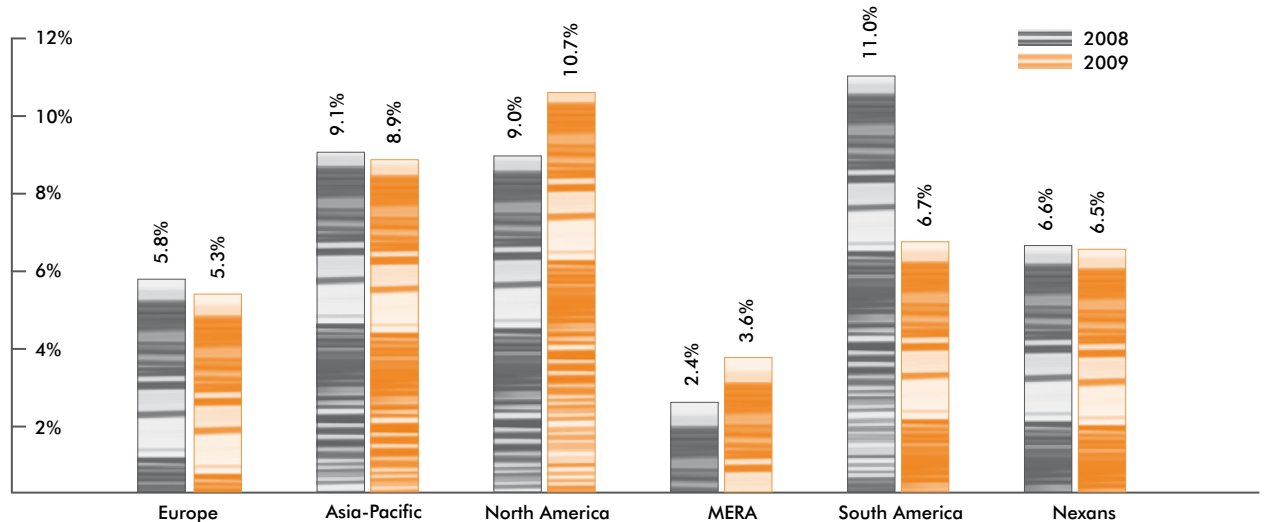
	Europe	Asia-Pacific	North America	South America	MERA	Total
Natural departures	(665)	(226)	(162)	(146)	(106)	(1,305)
Restructuring	(407)	(40)	(88)	(310)	(97)	(942)
Recruitment	472	245	50	105	235	1,107
Changes in scope	0	0	0	19	0	19
Transfers	(3)	(1)	(2)	0	(3)	(9)
Total	(603)	(22)	(202)	(332)	29	(1,130)

Figures do not include the harness business
(MERA: Middle East, Russia and Africa)

The proportion of natural departures in 2009 (7.1%) was lower than in 2008 (8.1%). 11.6% of these departures were retirees.

The departures mainly took place in Europe and Asia-Pacific. Restructuring was mainly linked to plant closures in Vacha (Germany), Arad (Romania), and Quebec in Canada, as well as to reductions in headcount in Australia, Egypt, Turkey, Brazil and Chile. The Group units continued to recruit externally in 2009, once they had exhausted in-house recruitment possibilities. Business levels in high-voltage submarine cables drove an increase in headcount in Norway.

• Personnel turnover rate



Figures do not include the harness business.

(MERA: Middle East, Russia and Africa)

Personnel turnover rate = number of terminations through natural departures excluding retirements/average staff level *100.

The Group-wide personnel turnover rate in 2009 (excluding divestments, acquisitions or plant closures) remained stable at 6.5%, although there were considerable disparities between different geographic areas.

• Identifying candidates for mobility and recruitment

The Group offers numerous opportunities for global mobility. A mobility charter ensures equal treatment among all Group expatriates, whatever their country of origin. Furthermore, studies into social security and tax charges are systematically performed to optimize the cost of global mobility to the Group.

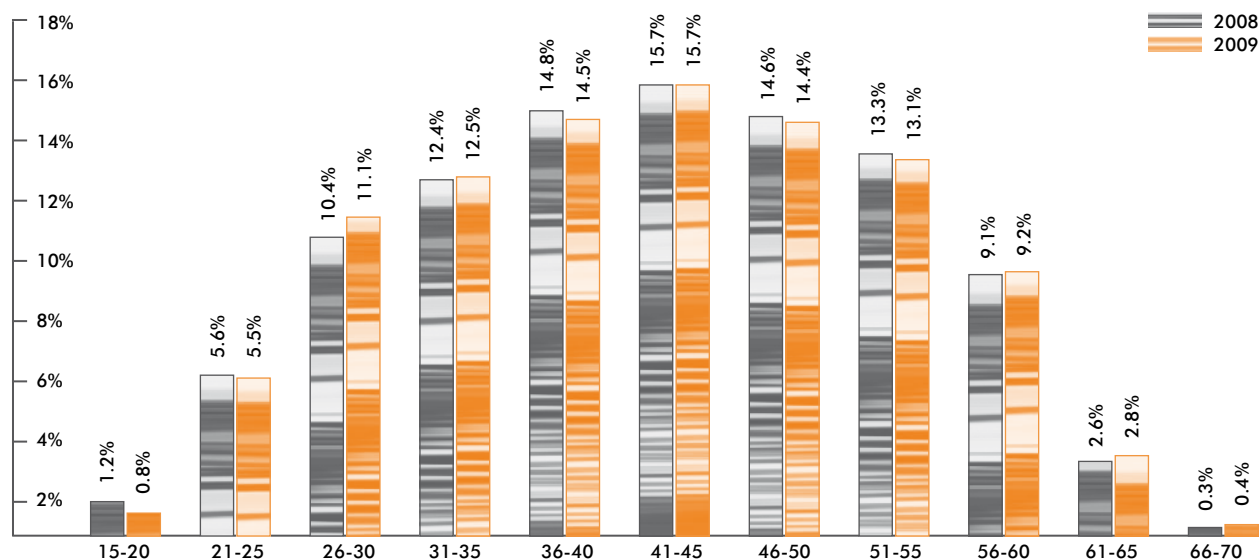
Nexans continues to support global mobility as a way of transferring expertise, enhancing employees' personal and professional development, encouraging growth, and disseminating the Group's corporate culture throughout the world. Global mobility shall continue to be encouraged by Nexans.

Global mobility is an important means of holding on to key talent and is being offered to more and more employees from all countries.

In 2009, Nexans developed three new tools as part of its commitment to promoting mobility throughout the Group:

- "Job Way", is an online tool used to post internal and external job offers, which enables the network of human resources teams to identify candidates more effectively within the scope of a mobility policy enshrined in a common charter.
- A Talent Sharing Committee meets each month with the country human resource management teams and Headquarters representatives to discuss mobility and recruitment drives in progress.
- An International Mobility Working Group has been established to structure the roles and resources necessary for ensuring the development of global mobility throughout the Group.

• Employee age pyramid



Figures do not include the harness business.

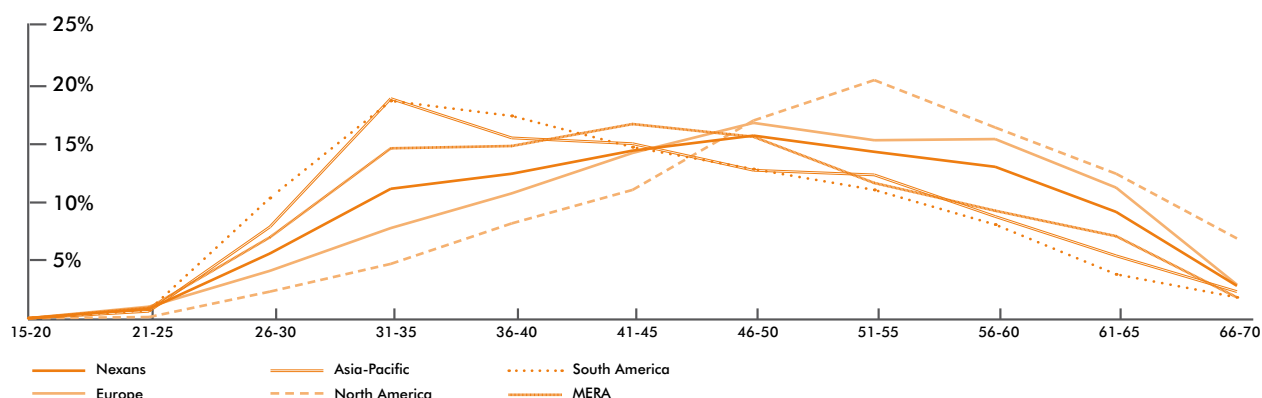
• Average age of employees by geographic area:

	2009	2008
Europe	43.6	43.1
Asia-Pacific	39.1	38.4
North America	46.7	45.7
MERA	39.9	40.3
South America	37.9	34.8
Nexans	42.1	42.1

Figures do not include the harness business.
(MERA: Middle East, Russia and Africa)

The average age of Nexans' employees remains stable at 42.1 years of age, thanks to the addition of personnel from Madeco who are younger than the average for the Group as a whole.

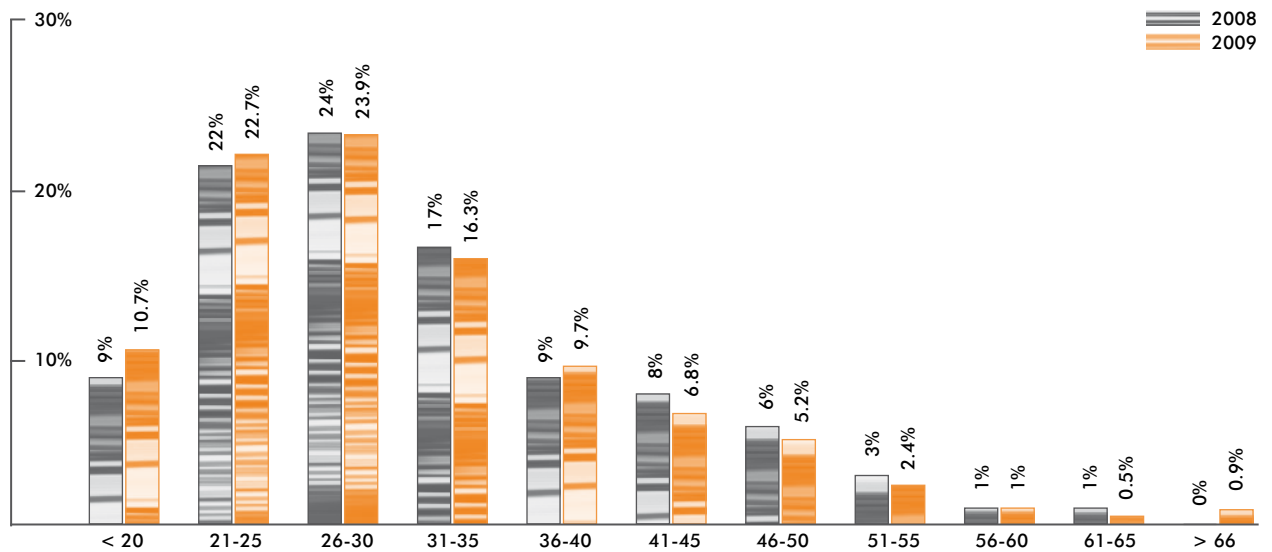
• Age pyramid by geographic area



Figures do not include the harness business.
(MERA: Middle East, Russia and Africa)

The Group age pyramid highlights the contrast between the different geographic areas. The European and North American workforce is ageing due mainly to lower personnel turnover rates in certain categories.

• Age pyramid for new hires

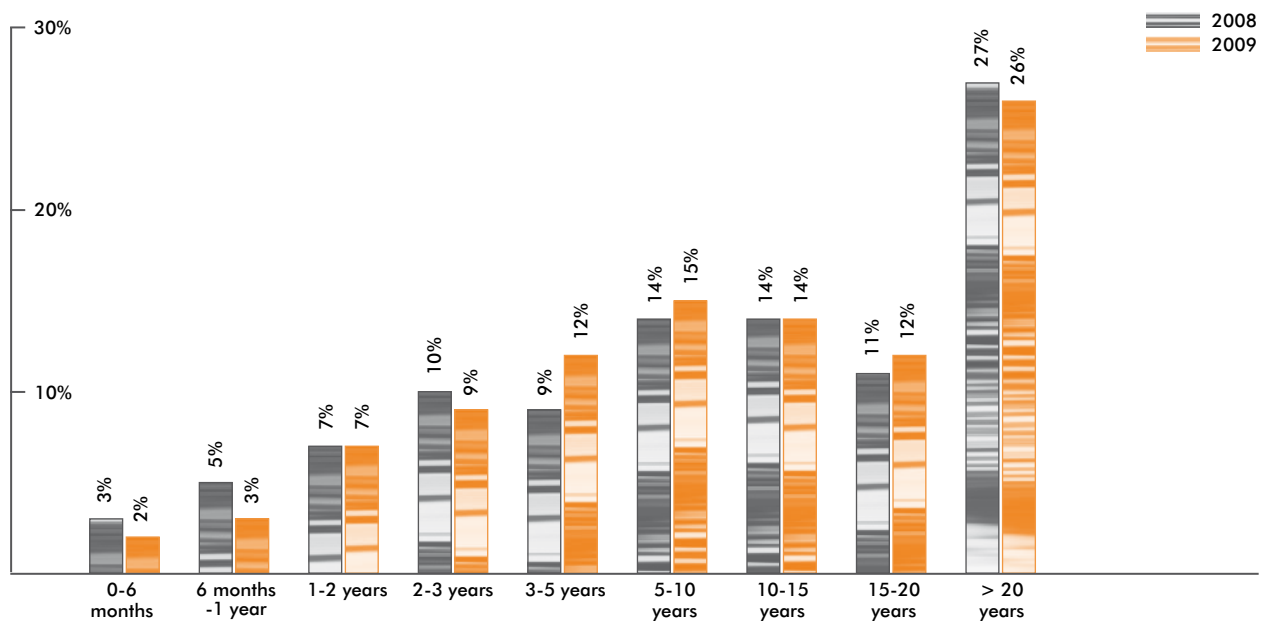


Figures do not include the harness business.

Recruitment initiatives undertaken by the Group have enabled it to renew its workforce.

In 2009, the average age of new entrants was 31 years of age, and 57% of them were under 30 years of age.

• Length of service

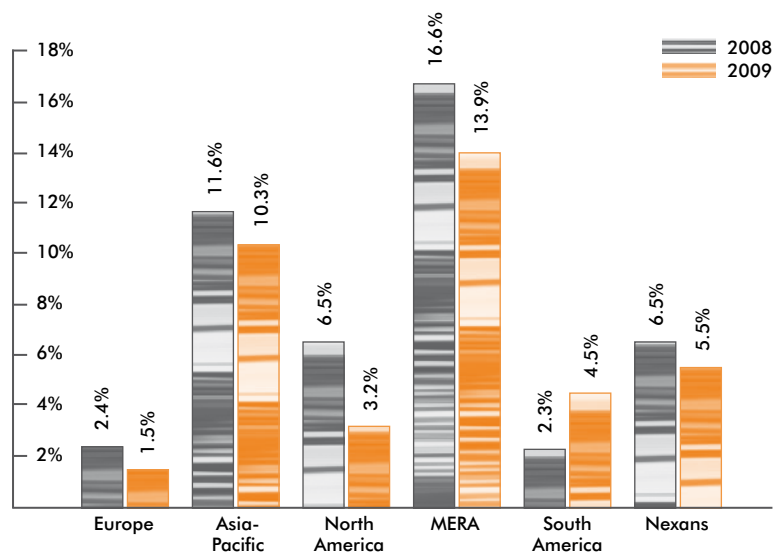


Figures do not include the harness business.

In 2009, as for the previous two years, average length of service was approximately 13 years. It is especially high in North America and Europe (16.7 years in France, for example). This reflects a strong sense of belonging and the outcome of programs to foster loyalty among personnel.

This stability helps to retain know-how within the Group.

• Overtime and contracted labor in the Group



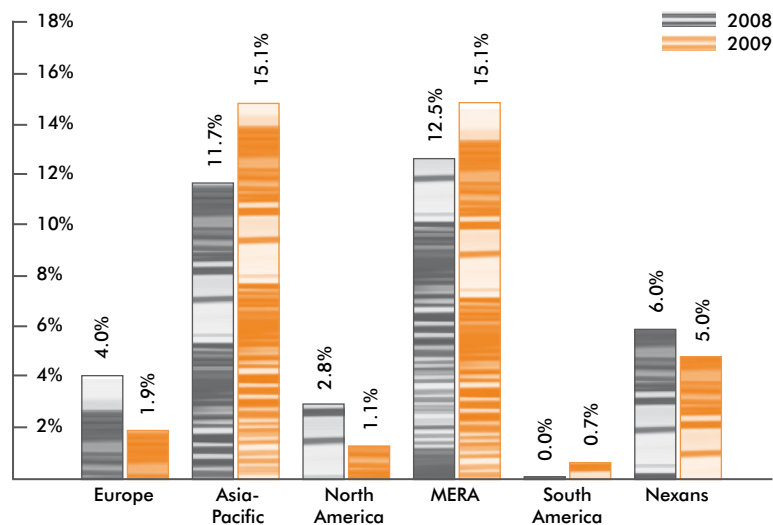
Figures do not include the harness business.

(MERA: Middle East, Russia and Africa)

% overtime = number of overtime hours/number of actual hours of work. The definition of overtime hours is that determined by the legislation of each country, within the framework of the legal number of working hours.

Overtime and contracted labor are used to adapt workforce requirements to production cycles. In 2009, these methods helped the Group's plants to adapt to the flexibility required by a deterioration in the economic climate. Overtime represented 5.5% of total hours worked (excluding the harness business), against 6.5% in 2008.

• Percentage of temporary employees



Figures do not include the harness business.

(MERA: Middle East, Russia and Africa)

At end-2009, temporary personnel represented 5% of total headcount against 6% in 2008. The picture varies widely between the geographic areas due to differences in local recruitment policies (in China, for example), or to lower demand in Europe and North America in 2009.

9.3.2 Restructuring

Within the context of its restructuring plans, the Group is particularly attentive to the quality of dialogue with employee representative bodies. Nexans puts measures in place to limit lay-offs as far as possible and to encourage redeployment in accordance with legislation in the countries concerned.

Nexans invests significant resources in helping all employees affected by a restructuring plan to find alternative solutions either inside or outside the Group and sponsors accompanying measures in concertation with employee representative bodies.

In 2009, restructuring plans involved the loss of 1,800 jobs and 942 employees left the Company during the year (excluding the harness business).

Most of these job losses related to the closure of plants in Romania, Germany and Canada, and reductions in headcount in Europe, Egypt, Australia, North and South America.

The consultation process to adapt production in Nexans France and Nexans Copper France (via the closure of the Chauny plant), involving a net loss of 336 jobs (once the creation of 47 new jobs has been taken into account), was completed at the end of December 2009. The first measures of the job preservation plan are being implemented as from early 2010.

The launch of a staff reduction program has been announced to labor organizations at Euromold entity in Belgium and negotiations are in progress.

The entities encouraged inter-plant secondment for production staff, as well as multiskilling, which resulted in successful mobility initiatives in 2009.

9.3.3 Working time

The work of personnel within the Group is organized within the framework of legal and contractual working hours and varies from one country to another. Working hours that are less than the contractual number of working hours at a facility are considered to be part-time.

The number of part-time job positions is as follows:

• Working hours by geographic area/part-time work

Part-time staffing levels

	2009	2008
Europe	388	383
Asia-Pacific	19	48
North America	0	2
MERA	0	0
South America	2	0
Nexans	409	433

Figures do not include the harness business.
(MERA: Middle East, Russia and Africa)

Part-time working arrangements mainly concern Benelux, France, Germany and Australia and concern 2.2% of total Group headcount, excluding the harness business.

38% of part-time staff in Europe are in Belgium, where a time credit scheme allows employees to either take a complete career break or partially reduce their working time.

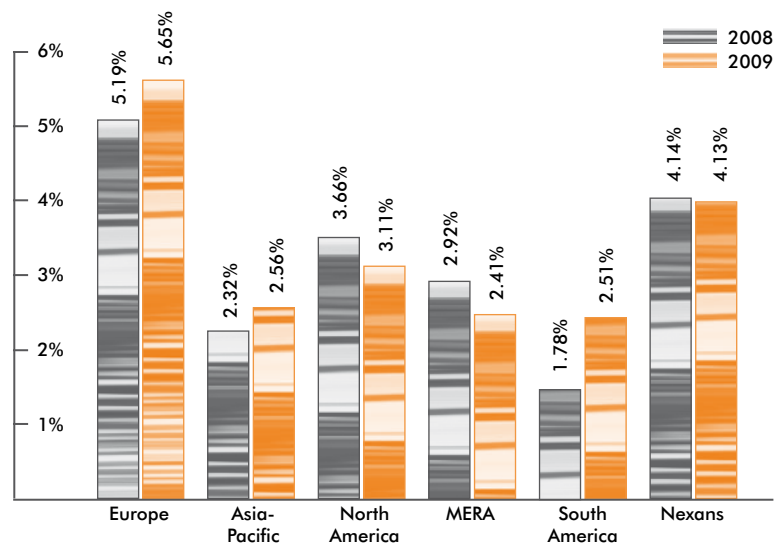
- Fixed-term employment positions (NPC)/permanent employment positions (PC)

	2009		2008	
	PC	NPC	PC	NPC
Europe	98%	2%	97%	3%
Asia-Pacific	75%	25%	75%	25%
North America	100%	0%	100%	0%
MERA	97%	3%	98%	2%
South America	93%	7%	100%	0%
Nexans	94%	6%	95%	5%

Figures do not include the harness business.
(MERA: Middle East, Russia and Africa)

The percentage of staff in fixed-term employment positions rose from 5% in 2008 to 6% in 2009. This increase relates to the inclusion of the Madeco cables business in the Group's scope of consolidation.
Fixed-term employment positions are most common in the Asia-Pacific area, especially China, due to local legislation.

- Absenteeism

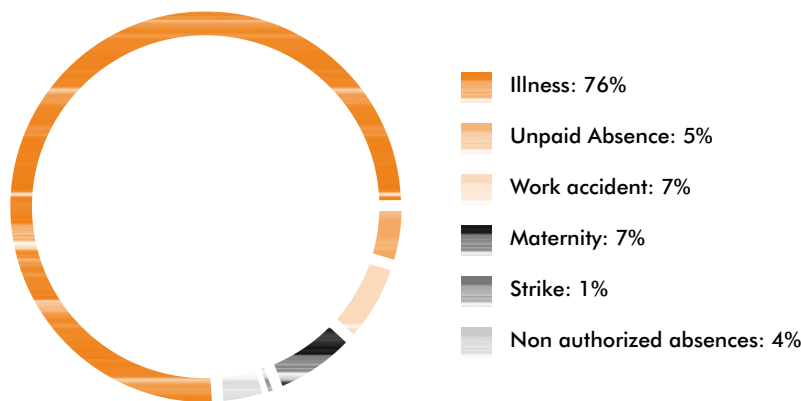


Figures do not include the harness business.
(MERA: Middle East, Russia and Africa)

The rate of absenteeism is defined as the number of hours of absence, divided by the theoretical number of hours worked.

In 2009, the rate of absenteeism remained stable at 4.13%.

The breakdown of reasons for absence is provided below.



Figures do not include the harness business

Absence due to illness, which is the main cause of absenteeism within Nexans, rose in 2009.

Absence due to work accidents fell by one quarter during the year to 7% thanks to workplace safety initiatives.

9.3.4 Compensation

To strengthen the commitment of the teams, an attractive, coherent compensation policy is needed for all employees. Compensation mechanisms that take account of local conditions are established in a spirit of transparency and fairness.

Nexans also endeavors to offer all of its employees compensation that is in line with market practices, and uses specific compensation surveys for this purpose.

In 2009, wage campaigns in most countries were designed mainly to take account of inflation.

The compensation of management and supervisory personnel (engineers and managers) is heavily influenced by individual and collective performance. Target bonuses may represent up to 50% of the fixed portion of an employee's salary, depending on the level of responsibility. Variable remuneration has long been part of Nexans' philosophy.

A long-term incentive scheme has been set up for management executives in order to foster loyalty and boost the Group's long-term performance.

Furthermore, the practice of holding individual interviews has been greatly extended in the production units. These interviews aim to facilitate employees' professional development by identifying the training/tools requirements and their wishes in term of career development that will enable them to advance and thereby help move the Group forward. They are also a useful management instrument.

9.3.5 Labor relations

- **Open and constructive social dialogue**

Labor relations in the Group are based upon respect and dialogue. In this spirit, labor unions and company management meet regularly to exchange, negotiate, and adopt agreements.

Nexans enjoys high quality labor relations thanks to a shared willingness to communicate, exchange and negotiate.

Exchanges with employee representative bodies at local level are frequent and constructive. Discussions generally focus on salaries, employability, the economic situation, work organization, health and safety, and evolution of the working environment.

Nexans' European Works Council represents the Group's employees at European level and is presided by the Chairman and CEO. It meets twice a year and the most recent meeting discussed the Group's performance, its development strategy and its human resources policy.

Nexans has signed 55 agreements with unions in 13 countries:

The main agreements signed in 2009, as well as the related themes were as follows:

- pay agreements in South Korea, Argentina, Brazil, Morocco, Spain and Norway;
- revision of job classifications in Australia (negotiations in progress);
- amendments to the Job and Career Planning Management (GPEC) and employee mobility agreement (France and Italy) and to staff training entitlements in France;
- agreements on social protection in Colombia, the UK and New Zealand (consultation phase);
- revision of the firm-wide agreement or the collective bargaining agreement in South Korea and the United States;
- site closure agreements in Germany and Canada;
- work safety in South Korea (consultation phase), Argentina, Spain and Italy (discussion phase);
- short-time working arrangements in New Zealand, France, Australia, Germany (consultation phase), Benelux and Turkey;
- agreement on the composition of the French Works Council;
- various agreements in Morocco (bonuses and benefits);
- introduction of worker job descriptions in Benelux.

A working group was also set up in 2009 to oversee the career development of seniors. The themes discussed included:

- employment opportunities for this category (over 50s) through to retirement (recruitment, promotion, mobility, classification);
- remaining in employment (end-of-career flexible working arrangements, transition to retirement, transmission of skills and know-how);
- skills development and access to training;
- improving working conditions (flexi-time and adapting work to take account of seniors' health issues).

Thoughts and negotiations in this area were initiated in France, Benelux, Norway and in others countries.

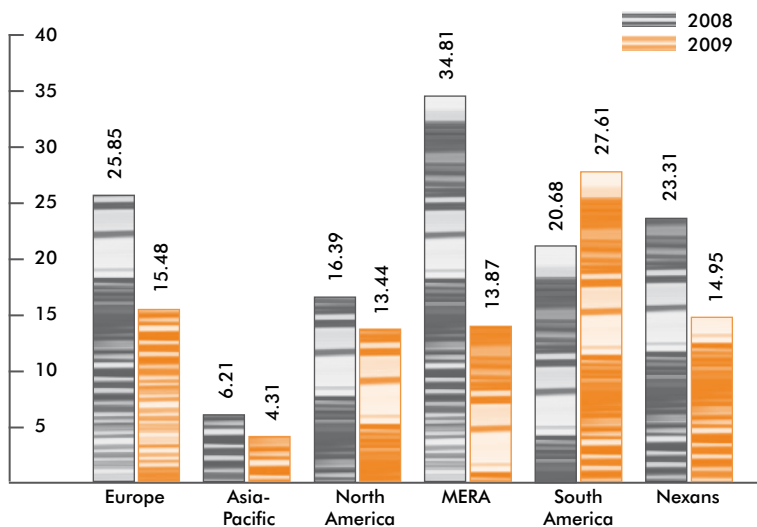
9.3.6 Health and safety

Nexans' occupational health and safety policy is organized around two main objectives: safeguarding health and improving the safety of employees in the workplace.

As such, preventive actions to deal with the H1N1 flu virus were deployed in all countries. Awareness campaigns were organized and employees who wished to work from home were facilitated.

Training and initiatives undertaken in the area of work safety resulted in a sharp drop in the frequency rate in 2009 (for accidents involving sick leave exceeding 24 hours).

• 2009 frequency rate



Figures do not include the harness business.

(MERA: Middle East, Russia and Africa)

Frequency rate = total number of work accidents involving sick leave in excess of 24 hours/total number of hours worked * 1,000,000.

Safety at work is a Group-wide priority and is used as a performance indicator for all plant managers.

Training programs have been deployed in all countries in order to change mindsets with regard to risk.

For example, in Colombia, plant visits were organized for employees' families in order to heighten risk awareness and highlight avoidable dangers.

The focus is on training for the purpose of:

- pre-empting dangerous situations;
- improving workplace safety signs and displays;
- developing and disseminating a systematic analysis of the causes of accidents;
- acquiring safety reflexes and changing mindsets.

All of these initiatives have been included in a global industrial excellence project in addition to other programs such as the "5S".

42 pilot sites worldwide were used to develop Group-wide best practices and to attempt to mitigate and eliminate risk.

As the previous graph demonstrates, these initiatives have led to a significant decrease in the frequency rate Group-wide, from 23.31 in 2008 to 14.95 in 2009.

In 2009, 36 plants were accident-free, compared to 28 in 2008.

9.3.7 Training

• Nexans University

In 2009, Nexans continued its training efforts through Nexans University, whose role is first and foremost to develop employee potential, disseminate best practices, and promote knowledge management through training or training-related activities.

In its second full year of existence, it offered a catalogue of 50 training courses (100 sessions a year) and about 20 e-learning modules. Nexans University has already enrolled over 4,000 employees and provides more than 20,000 hours of training a year.

The training offering is gradually being enriched to combine the skills that employees require in a local context and is in line with the Group's strategic objectives.

Nexans University presently has 12 academies covering all of the main functional or technical divisions as well as managerial and coaching skills. By focusing on "training the trainers" and deploying training using a cascade model, Nexans University has tutored 200 employees in the skills of training and course design. This approach also helps develop transversal networks of experts throughout the Group.

• Training program

In 2009, the total number of hours devoted to training (in the workplace or outside the company) was 331,000 hours, up 23% compared to 2008. The focus was on training employees in line with identified needs and enabling them to adapt to a global environment and a changing organization.

The development of Nexans University, the integration of Madeco and the additional focus on prevention and safety awareness programs all help to explain the increase in the total number of hours devoted to training in 2009.

The training courses carried out were devised in accordance with needs expressed during the annual interview process, developments identified within the scope of the strategic plans and the related industrial and commercial programs.

Training is a key growth vector and the Group intends to continue its investment in this area in order to keep up with market developments.

A number of training programs were launched in 2009, including:

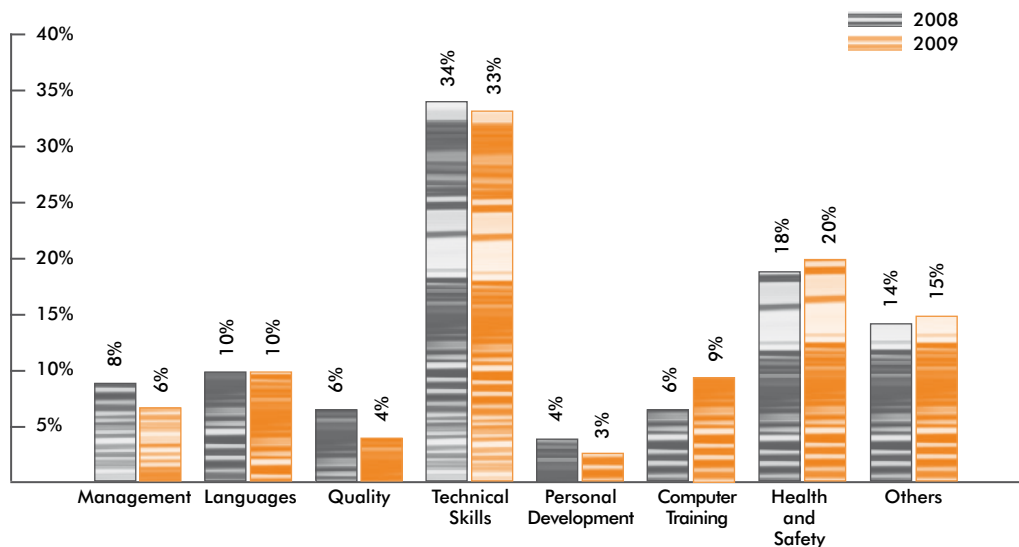
- "Nexans Excellence Way": the "5S", "autonomous teams" and "Single Minute Exchange of Die" were rolled out in several countries as North America, Germany and France;
- maintenance programs and Inventory Reduction and Improved Services program (IRIS);
- programs to develop managerial skills – mainly through Nexans University;
- the "SAMURAI" program dealing with behavior coaching regarding safety in Benelux. Priority is given to changing mindsets in order to achieve a lasting decrease in accidents in the workplace;
- sales and marketing skills development in France and Australia;
- training human resource managers in the use and deployment of competency models.

At country level, the focus remains on providing training in health and safety, IT and communications, and language learning. Regular training courses are also provided on the Code of Ethics and Business Conduct as well as on certain legal programs, particularly the Competition Compliance Program in 2009.

Training in recently-acquired entities focuses mainly on language learning, occupational safety, Group procedures and team integration.

The theme-based breakdown of training time in the following graph highlights the priority accorded to technical skills and occupational health and safety.

• Training time in 2009 by theme



Figures do not include the harness business.

9.3.8 Career development

Nexans seeks to develop its pool of talent at all levels as a means of enhancing Group performance and nurturing future growth.

Three core trends have been identified in the strategic plan for the period 2009–2011:

- management of generational changes;
- globalization of markets and customers across all continents; and
- development of both upstream and downstream activities in the cable business (system integration, services, etc.)

The network of human resources departments is focusing on the following aspects:

- the emergence of new professional specializations;
- new performance criteria (such as Nexans Excellence Way) that need to be promoted and explained to staff; and
- more transversal employee profiles.

In order to respond to these emerging requirements, the professionalization of career development was continued in 2009 – with strong involvement from the Group's Executive Committee and the Management Committees of all the different countries – around the following themes:

1. Competency models done by functions integrating performance expectations through the description of targeted competency level and focus on operational use. This process is now complete for the purchasing, sales, marketing, research and development, and production support functions.
2. Training human resources and management in conducting interviews and preparing development plans.

3. The Succession Plan (SPID: Succession Planning and Individual Development), which is a process to identify potential successors to key positions in the Group at country and Headquarters level.
4. The identification of Group experts, with the creation of a knowledge transfer program at Nexans University.
5. The Careers Committee, which brings together members of the Executive Committee every month to address appointments, successions, identification of talents, and monitoring of expatriates.
6. The "Management Competency Model," which indicates what is expected from the Group's principal managers. Nexans evaluates their competencies in terms of operational excellence, sense of responsibility, "market/customer" orientation, decision-making ability, and teamwork in an international environment.

Nexans is constantly tracking developments in all of its different businesses and it strives to match employee competencies to market changes on an ongoing basis.

9.3.9 Disabled Employees

The Group directly employed 338 disabled people throughout the world in 2009⁽¹⁾. The term disabled personnel is defined by the legislation of each country and legislation tends to be more proactive in Europe.

The entities concerned undertake to offer working conditions that are as conducive as possible to employing the disabled people in question.

(1) Does not include countries where this information is not disseminated due to local regulations.

9.3.10 Community activities

In most of the countries in which it is present, the Group supports and contributes financially to charitable associations, aid programs, voluntary work, and partnerships with schools.

Among the many initiatives supported by the Group in 2009, were:

- Colombia and in Chile, which organize various educational programs for employees and their families to enhance behavior in their different roles (employee, parent, individual);
- Germany, South Korea, Norway and Sweden, initiate actions for local economic and industrial developments;
- Canada, which participates in charitable works;
- Australia, which donated cables to an environmentally-friendly housing experiment;
- Greece and Switzerland, which sponsor universities (R&D programs, student prizes);
- Morocco and New Zealand, which participate in sports associations;
- Brazil and Peru, which support children's programs.

Aside from the implementation of Group policy and local legislation, many entities play a key role in their social environment or in education. For example, in Peru a book on "values" was distributed and explained to all employees' children and in Colombia training was provided to families on how to manage household budgets. In South Korea, a number of initiatives were organized to strengthen the Group's corporate culture, communications and employee trust relationships.

In Norway, along with the government and unions, the Company signed up to a program to develop enlightened working environment as part of a major drive to foster loyalty among staff.

9.4 Environmental data

9.4.1 Nexans policy on environmental issues

The environment and the safety of employees and property are of primary importance to Nexans. The Group's policy is outlined in the "Industrial Risk Management" charter signed by the Chairman and CEO and circulated to all sites worldwide and available on the intranet. This charter covers continuous improvement in performance through the audit of production sites, and 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.

Environmental policy is the responsibility of the Group's Industrial Management Department, which reports to the Management Committee. The Industrial Management Department supervises industrial strategy, investment budgets, and the management of major industrial projects. The Department also manages cross-functional projects, particularly product and process development, as well as the Group's plants and machinery. In each of these areas, it ensures that conservation and environmental protection requirements are fully complied with.

The environmental rules and targets set by the Industrial Management Department apply to Group operations worldwide, including international subsidiaries.

The continuous performance improvement program for production plants is steered by the Environment and Products Committee, which comprises two members of the Management Committee as well as members from the Industrial Management, Technical, Purchasing, Legal, Risk Management and Marketing Departments. This Committee meets twice a year.

• Environmental management: measures taken to ensure compliance with applicable rules

An internal environmental management system was rolled out in 1992, and was subsequently extended to all sites. Its objective is to reduce pollution risks and control environmental costs (consumption of energy, raw materials and hazardous substances, waste disposal and recycling).

In accordance with ISO 14001, this system is based upon an annual review of all the Group's plants using a questionnaire covering 12 environmental issues, each rated according to a scoring grid. This questionnaire, which was posted on the intranet in 2008, also surveys the investments made by Nexans during the year to improve environmental performance. The scoring grid changes each year in line with regulatory developments and the areas that the Group wishes to improve. In 2009, as in 2008, the points reviewed included water recycling at plants (to limit consumption), waste recycling and reuse, identification of major environmental risks (accompanied by specific crisis management plans), and storage of hazardous liquids.

A Group Environmental Manual, commissioned by the Executive Committee, was drawn up in January 2005 (and updated in November 2008) and sent out to all production sites. It describes Nexans' environmental management approach, in particular the performance targets, procedures, emergency plans and tools available at each plant. It serves as a reference document for the plants' environmental management systems. It describes the Group's organization and the role of country management in implementing the Group's environmental policy.

Once the questionnaires have been analyzed, recommendations are sent to the plants in the form of summaries and graphs so that problems can be solved through action plans tailored to improved environmental management at specific plants. Recommendations are monitored on an annual basis.

Since 2003, the Group has been using a specialist outside company to audit issues covered by the questionnaire.

Since then, around 25 sites are audited each year, and, if found to be well-managed environmentally, are awarded the EHP [*Environnement Hautement Protégé*, Highly Protected Environment] label. At end-2009, 60 sites - or 63% of those audited - had been awarded the EHP label.

The sites that did not receive the EHP label were provided with recommendations on how to achieve the required level, and they initiated corrective actions accordingly. These actions are included in the plants' three-year plans.

The environmental audit program, which is the same for all of the sites audited, is a means of checking data on the consumption of materials (water, solvents, energy, packaging, etc.), discharges into the air and water, soil protection, the condition of storage facilities, waste volumes and recycling methods, and the impact of the Group's activities in terms of noise.

In addition to this system, some of the Group's plants are in the process of obtaining ISO 14001 certification. By the end of 2009, 56 of the Group's plants had obtained this certification - 18 more than at the end of 2008.

9.4.2 Environmental consequences of the Group's operations and measures taken to limit their impact

The environmental impact of Nexans' core businesses can be summarized by sector, as follows:

- **Copper and aluminum metallurgy**

The main resources concerned are energy (natural gas) and water, which is used for steam and cooling. Most of the water consumed is recycled (95%).

- **Power and copper 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. Most of this water is recycled, ensuring that consumption remains low. Air emissions are treated by filter extractors specific to each facility and subject to the emissions thresholds established by each country. Solvent consumption is very low considering the extremely large quantities of cables produced (and relates primarily to marking inks, for which special treatment and processing is provided by the Group: storage in small cabinets and fume hoods used for cleaning ink jets and wheels).

- **Waste recycling: a dedicated joint venture**

The Nexans Group is highly committed to waste recycling, through RECYCABLE, a company in which it owns a 36% interest. RECYCABLE recycled 18,335 tons of cable waste from Nexans plants in 2009. By carefully sorting factory waste and recycling cable waste, most of the Group's waste - including wood, paper, cardboard, ferrous metals, machine oil, batteries, and special waste - is utilized in some way.

• Environmental indicators

	2009	2008	2007
Number of sites monitored	95	93	98
Energy consumption	1,407,000 MWh	1,657,900 MWh	1,715,000 MWh
<i>of which electricity</i>	794,000 MWh	890,000 MWh	913,000 MWh
<i>of which fuel</i>	85,500 MWh	87,900 MWh	-
<i>of which gas</i>	516,100 MWh	680,000 MWh	-
Water consumption	4,400,000 m ³	4,760,000 m ³	4,743,000 m ³
Solvent Consumption	810 t	940 t	740 t
Copper consumption	546,000 t	650,000 t	718,000 t
Aluminum consumption	139,000 t	138,000 t	154,000 t
Number of sites equipped with water recycling systems ⁽¹⁾	76	74	-
Waste tonnage	91,910 t	103,800 t	93,500 t
of which special waste	6,360 t	6,730 t	6,200 t
Amount of recycled cable manufacturing waste (in tonnes) ⁽²⁾	18,335 t	21,700 t	21,993 t
CO ₂ emissions ⁽³⁾	541,000 t CO ₂ ,eq	-	-
Number of EHP-certified sites	60	52	50
Number of ISO 14001– certified sites	56	38	37

(1) Sites where at least 75% of machines are equipped with a water recycling system.

(2) Tonnes of waste processed by RECYCABLE.

(3) Direct and indirect emissions of CO₂ taken from the following reporting items: Internal energy, Packaging and Waste.

(-) not available.

These figures, which are estimated based upon the data collected, pertain to the Group's scope of consolidation at December 31, 2009.

• Environmental expenditure

In 2009, environment-related costs amounted to 7.1 million euros (versus 7.5 million euros in 2008). This expenditure mainly covered the following items: environmental taxes (e.g., water tax), maintenance (purchase of filters, for example), analyses, tests, royalties and licenses.

• Environment-related investments and provisions for environmental risks

Investments:

Environment-related investments in 2009 can be broken down as follows:

	Soil and water protection	Air protection and energy savings	Waste reduction and miscellaneous	Noise	Elimination of PCB transformers (in France)	Total
(in thousands of euros)	1,166	2,064	731	28	178	4,167

In 2008, environment-related investment totaled 3.9 million euros.

Soil and water protection:

The current deterioration of ground water and the management of water as a scarce resource worldwide constitute a key challenge in sustainable development. Nexans is involved in both thought processes and initiatives relating to this issue by enhancing supervision, and monitoring the presence of polluting liquids in both storage and operational areas, and by stepping up its efforts to recycle waste water.

Air protection and energy savings:

Saving energy is a major concern for the Group. Various investments have therefore been made in this area: replacement of air compressors with modern equipment that consumes less energy; improvement of the power factor (reduction of idle power) and improvement of electrical networks.

Provisions for risks:

At December 31, 2009, provisions for environmental risks amounted to 5.3 million euros (see section 6.2.7 of this report for an overview of industrial and environmental risks).

Exhibit 1

Company Financial Results for the last five fiscal years

	2009	2008	2007	2006	2005
I- Share capital at the end of the fiscal year					
a) Share Capital (in thousands of euros)	28,013	27,936	25,678	25,265	23,507
b) Number of shares issued	28,012,928	27,936,953	25,678,355	25,264,955	23,507,322
II- Fiscal year activity and income (in thousands of euros)					
a) Sales before taxes	14,498	18,262	13,263	13,061	10,809
b) Income before taxes, employee profit-sharing, depreciation amortization, and provisions	71,586	106,864	92,939	134,305	44,704
c) Income Taxes	-256	3,199	672	-249	249
d) Employee profit-sharing due during the fiscal year	95	124	74	152	117
e) Income after tax, employee profit-sharing, depreciation, amortization, and provisions	61,743	94,461	110,031	88,095	43,228
f) Dividends		55,942	31,648	31,648	21,662
III- Income per share (in euros)					
a) Income after tax and employee profit-sharing, but before depreciation, amortization, and provisions	2.56	3.71	3.59	5.32	1.90
b) Income after tax and employee profit-sharing, depreciation, amortization, and provisions	2.20	3.38	4.28	3.49	1.84
c) Dividend per share	-	2.00	2.00	1.20	1.00
IV- Personnel					
a) Average headcount for employees during the fiscal year (in numbers of employees)	6	6	6	6	7
b) Total fiscal year payroll (in thousands of euros)	4,924	4,719	3,351	3,556	3,401
c) Total amount paid for employee benefits during the fiscal year (in thousands of euros)	1,641	1,573	1,117	1,185	1,134

Exhibit 2

Summary of authorizations to increase the Company's share capital and their use during fiscal year 2009

Resolutions approved by the Shareholders' Meeting of May 26,2009 ⁽¹⁾	Limit For Each Resolution ⁽²⁾	Limit applicable to several resolutions ⁽²⁾	Use during Fiscal Year 2008 ⁽²⁾	Use during Fiscal Year2009
Issue of shares with preferential subscription rights (R11) with a possible over-allotment option in case of success (R14)	€14,000,000	-	€14,000,000	/
Issue of convertible bonds, bonds redeemable for shares, bonds with warrants attached, and OCEANE bonds without preferential subscription rights (R12) with a possible over-allotment option in case of success (R14)	Shares €4,000,000 (< 15% of the share capital) Debts Instruments €350,000,000	€4,000,000 (< 15% of the share capital)		Issue of 4 million OCEANE for a total amount of approximately 212.6 million euros, decided by the Board of Directors at its meeting on 12 June 2009
Issue of securities giving access to the share capital in case of Exchange Offer on the initiative of the company without preferential subscription rights (R13) with a possible over-allotment option in case of success (R14)	€4,000,000 (< 15% of the share capital)			
Issue of shares as payment for contributed securities (R15)	5% of the share capital	-		/
Issue of shares by way of incorporation of premiums, reserves, or benefits (R16)	€10,000,000		-	/
Issue of securities giving access to the share capital for participants in employee savings plans (R17)	€400,000		-	/
Allocation of stock options (R18)	€400,000		-	/
			Overall Limit of €24,800,000	

(1) The abbreviation "R..." indicates the number of the resolution submitted to the Shareholders' Meeting of 26 May 2009.

(2) The nominal maximum amount of increases in the share capital that can be executed represents the maximum number of shares that can be issued, to the extent that the nominal value of one Company share is equal to one euro.

Report of the Chairman

Report of the Chairman of the Board of Directors
on Corporate Governance and Internal Control // p.81

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Report of the Chairman of the Board of Directors on Corporate Governance and Internal Control

In accordance with paragraph 6 of Article L.225-37 of the French Commercial Code (*Code de commerce*), Frédéric Vincent, Chairman and CEO of Nexans – a holding company and parent of the Group – hereby presents the following report, which is appended to the Management Report for 2009 and divided into two parts:

- Part I, covering corporate governance matters (Corporate Governance Code, Board of Directors, Executive Management, Shareholders' Meetings, and compensation and benefits payable to executive corporate officers).
- Part II, dedicated to the internal control and risk management procedures set up by the Company.

This report, which was reviewed and approved by the Board of Directors on February 9, 2010, concerns the parent company and all Group companies included in the scope of consolidation.

In compliance with paragraph 9 of Article L.225-37 of the French Commercial Code, it is specified that the disclosures required by Article L.225-100-3 of said Code are included in the Management Report presented by the Board of Directors.

I. Corporate governance

This part of the report was drawn up in conjunction with members of the Legal, Human Resources, and Group Finance Departments.

The reference framework applied by Nexans when preparing this report is based on the Corporate Governance Code applicable to listed companies published in December 2008 by the Association Française des Entreprises Privées (AFEP) and the Mouvement des Entreprises de France (MEDEF) (the "AFEP-MEDEF Corporate Governance Code"). However, Nexans has elected to make a differential application of some of the recommendations set out in the AFEP-MEDEF Corporate Governance Code, as described in section 2.4 below.

1. Composition of the Board of Directors

At December 31, 2009 the Board of Directors comprised 12 members from diverse backgrounds. Members are selected for their expertise and experience in industry, banking, or consultancy, enabling them to give informed opinions and advice in the best interests of the Company.

Directors elected since January 1, 2004 hold office for a four-year term, which may be renewed.

1.1 Members of the Board of Directors

Gérard Hauser's term of office as Chairman and CEO expired during 2009. In accordance with the announced reorganization of Nexans Management, the Board of Directors appointed Frédéric Vincent as Chairman and CEO on April 3, 2009, with effect from the close of the Annual Shareholders' Meeting held on May 26, 2009 to approve the 2008 financial statements. Frédéric Vincent's term as Chairman and CEO runs for the remainder of his term as director, expiring at the Annual Shareholders' Meeting to be called to approve the financial statements for the year ending December 31, 2011.

At December 31, 2009 the members of the Board of Directors were as follows*:

Frédéric Vincent Chairman and CEO	55 years old
	8 rue du Général Foy, 75008 Paris
Number of shares held	4,836 (including 1,000 held by his wife)
Number of corporate mutual fund units invested in Nexans shares	3,560 (value of one unit = value of one share)
First appointed as a director	April 10, 2008
Appointment as Chairman and CEO	April 3, 2009 (with effect from May 26, 2009)
Expiration of current term	2012 Annual Shareholders' Meeting
Expertise/Experience	In 1986, Frédéric Vincent joined Alcatel after working for a major auditing firm from 1978 to 1985. He moved to Alcatel's Cables and Components sector in 1989 and in 1994 was appointed Deputy Managing Director (Administration and Finance) for Alcatel's submarine telecommunications activities, and in 1997, for Saft, Alcatel's batteries activity. He became Nexans' Chief Financial Officer and a member of the Executive Committee in 2000, was appointed Chief Operating Officer in 2006 and was elected as a director on April 10, 2008. He has been Chairman and CEO of Nexans since May 26, 2009.
Gianpaolo Caccini Director	71 years old
	President of Assovetro, the Italian Association of Glass Manufacturers Via Caradosso n°17, 20123 Milan, Italy
Number of shares held	487
First appointed as a director	June 15, 2001
Expiration of current term	2011 Annual Shareholders' Meeting
Expertise/Experience	From 1973 to 1980, Gianpaolo Caccini worked at the Saint-Gobain Group as Vice President, Sales, then managed several divisions, units and subsidiaries including Vetrotex Italie Spa and Saint-Gobain Desjonquères SA France. From 1996 to 2000, he was Vice President, North America and subsequently the Group's Deputy CEO, before serving as CEO from 2000 to 2004. He has been the President of Assovetro (the Italian Association of Glass Manufacturers) since 2004.

* Following the death of Jean-Louis Gerondeau in November 2009, who had been a director of the Company since May 10, 2007 and whose term of office was due to expire at the Annual Shareholders' Meeting to be held in 2011 to approve the financial statements for the year ending December 31, 2010.

Jean-Marie Chevalier Director	68 years old
	Professor of Economics at the University of Paris IX Dauphine Place du Maréchal de Lattre de Tassigny, 75116 Paris, France
Number of shares held	420
First appointed as a director	October 23, 2003
Expiration of current term	2011 Annual Shareholders' Meeting
Expertise/Experience	Jean-Marie Chevalier held the position of Professor of Economics at the Universities of Grenoble and Paris XIII Nord before taking up the same post at the University of Paris IX-Dauphine which he has held since 1991. He also taught at IEP Paris between 1982 and 1990 and at ENA from 1988 to 1990. He has been a consultant for various companies, banks, government agencies and international organizations and since 1984 has acted as consultant for the Energy Department at the World Bank. He has also been a Senior Associate at Cambridge Energy Research Associates (CERA) since 1997.
Georges Chodron de Courcel Director	59 years old
	Chief Operating Officer of BNP Paribas and member of the Executive Committee 3 rue d'Antin, 75002 Paris, France
Number of shares held	299
First appointed as a director	June 15, 2001
Expiration of current term	2011 Annual Shareholders' Meeting
Expertise/Experience	Georges Chodron de Courcel joined BNP in 1972. After holding several management positions, he became Deputy CEO in 1993, then Managing Director in 1996. From 1999 to 2003 he was a member of the Executive Committee and Head of the Finance and Investment Bank of BNP Paribas and has held the post of Chief Operating Officer of the Group since 2003.
Jérôme Gallot Director	50 years old
	Chairman of CDC Entreprises 137 rue de l'Université, 75007 Paris, France
Number of shares held	920 (jointly with his wife)
First appointed as a director	May 10, 2007
Expiration of current term	2011 Annual Shareholders' Meeting
Expertise/Experience	After serving as an Auditor at the Cour des Comptes for three years, between 1989 and 1992, Jérôme Gallot worked for the General Secretariat of the French Inter-Ministerial Committee on European Economic Cooperation, after which he joined the French Budget Directorate. He was successively Chief of Staff at the Ministries of Industry, Post, and Telecommunications, International Trade, and Public Services, before becoming Chief of Staff for the Deputy Finance Minister (1993 to 1997). Between 1997 and 2003 he served as Director General of the Department of Competition, Consumer Affairs, and Anti-Fraud Division within the French Ministry of the Economy, Finance, and Industry and was subsequently named Senior Executive Vice President and member of the Executive Committee of Caisse des Dépôts and Consignations. In 2006, he was appointed Chairman of CDC Entreprises.

Jacques Garaïalde Director	53 years old
	Managing Director of Kohlberg Kravis Roberts & Co. Ltd. Stirling Square, 7 Carlton Gardens, London SW1Y 5AD, United Kingdom
Number of shares held	500
First appointed as a director	June 15, 2001
Expiration of current term	2011 Annual Shareholders' Meeting
Expertise/Experience	After a period with Exxon Corporation, Jacques Garaïalde joined the Boston Consulting Group in 1982, where he worked successively as Consultant, Vice President, Senior Vice President, and Vice President Operations, Belgium and France (1995 to 2000). He served as Managing Director Europe for the Carlyle Group in London from 2000 to 2003 before joining the Kohlberg Kravis Roberts & Co group as Managing Director.
Gérard Hauser Director	68 years old
	16 avenue Georges Mandel, 75016 Paris, France
Number of shares held	38,268
First appointed as a director	October 17, 2000
Expiration of current term	2010 Annual Shareholders' Meeting
Expertise/Experience	From 1965 to 1975, Gérard Hauser held various managerial positions within the Philips Group. Between 1975 and 1996, he served as Chairman and CEO of Pechiney World Trade, and then Pechiney Rhénalu, following which he was appointed Senior Executive Vice President of American National Can and a member of the Group Executive Committee. He joined Alcatel Câble France in 1996 and became Chairman of Alcatel's Cables and Components sector in 1997. He was then appointed Chairman and CEO of Nexans in 2000 – a position he held until May 2009.
Colette Lewiner Director	64 years old
	Vice President, Global Leader Energy, Utilities & Chemicals of Cap Gemini Coeur Défense, Tour A, 110 Esplanade du Général de Gaulle, 92931 Paris-La Défense Cedex, France
Number of shares held	1,600
First appointed as a director	June 3, 2004
Expiration of current term	2012 Annual Shareholders' Meeting
Expertise/Experience	Following several years of physics research and university lecturing (<i>Maître de conférences at the University of Paris VII</i>), Colette Lewiner joined Electricité de France in 1979 where she set up the Development and Commercial Strategy Department in 1989. She was appointed Chair and Chief Executive Officer of SGN-Réseau Eurysis in 1992, before joining Cap Gemini in 1998 to set up the International Utilities Department. After Cap Gemini's merger with Ernst & Young, she was made Head of the extended Energy, Utilities & Chemicals Department. In 2004, she set up the Global Marketing Department of Cap Gemini which she managed until 2007.

Guillermo Luksic Director	53 years old
	Chairman of the Board of Directors of Quiñenco Enrique Foster Sur 20, piso 14, Las Condes, Santiago, Chile
Number of shares held	500
First appointed as a director	April 10, 2008 (with effect from September 30, 2008)
Expiration of current term	2012 Annual Shareholders' Meeting
Expertise/Experience	Guillermo Luksic began his career in 1975 with the Quiñenco group where he was appointed Chairman of the Board in 1982. He is currently Chairman of the Boards of Directors of the Chilean companies Madeco, CCU, CNT Telefónica del Sur and Viña San Pedro Tarapacá and is a director of Embotelladoras Chilenas Unidas and Compañía Pisquera de Chile. He has been a member of the Board of Directors of Banco de Chile since 2001, and in 2005 was appointed a director of Antofagasta plc, a London-based Chilean mining company with investments in Chile through its subsidiary Antofagasta Mineral S.A. He is also an advisor to and member of the management bodies of various non-profit organizations, including the Ena Craig foundation and the Centro de Estudios Públicos. He is also a trustee of the University of Finis Terrae in Chile.
François Polge de Combret Director	68 years old
	Senior Advisor of Calyon ⁽¹⁾ 65 rue de Courcelles, 75008 Paris, France
Number of shares held	500
First appointed as a director	May 15, 2006
Expiration of current term	2010 Annual Shareholders' Meeting
Expertise/Experience	François Polge de Combret was successively Honorary Advisor to the Cour des Comptes, and Advisor for economic and industrial affairs under Valéry Giscard d'Estaing (1971-1978), first at the French Ministry of Finance and the Economy, then to the President of the Republic. He subsequently served as the President's Deputy General Secretary between 1978 and 1981. He joined Banque Lazard in 1982, spending three years based in New York before being appointed a managing partner of the bank in Paris in 1985. In 2006 he left Banque Lazard to become a Senior Advisor at UBS and on January 5, 2010 was named Senior Advisor of Calyon.

(1) Since January 2010 (previously at UBS Investment Bank).

Ervin Rosenberg Director	74 years old
	Advisor to the Chairman of the Management Board Compagnie Financière Edmond de Rothschild Banque 47 rue du Faubourg Saint-Honoré, 75008 Paris, France
Number of shares held	500
First appointed as a director	June 15, 2001
Expiration of current term	2011 Annual Shareholders' Meeting
Expertise/Experience	Ervin Rosenberg began his career at BNP in 1965 where he joined the Industrial Business Division in 1984 and the Large Corporations Division in 1985. He was appointed Director of the Large Corporations Division in 1993. He subsequently became a member of BNP's Executive Management Committee and then Corporate Director in 1994, before being appointed Honorary Deputy Managing Director in 2000. Also in 2000 he was named Advisor to the Chairman of the Management Board of Compagnie Financière Edmond de Rothschild Banque, where he sat on the Supervisory Board until 2006 when he became a non-voting director.
Nicolas de Tavernost Director	59 years old
	Chairman of the Management Board of the M6 Group 89 avenue Charles de Gaulle, 92575 Neuilly Cedex, France
Number of shares held	501
First appointed as a director	May 10, 2007
Expiration of current term	2011 Annual Shareholders' Meeting
Expertise/Experience	Nicolas de Tavernost began his career in 1974 as a Policy Officer for the French Ministry of International Trade (Commerce Extérieur) before becoming General Secretary at the French Chamber of Commerce and Industry in Zurich in 1976. He was then appointed as a Policy Officer for the Secretary of State for Post and Telecommunications and in 1981 was named head of mass market services for the videocommunications division within the French Government's Telecommunications Department. He joined Lyonnaise des Eaux in 1986 as Director of AudioVisual Operations. He has been Managing Director of M6 since it was formed in 1987, and was appointed Chairman of the Managing Board of the M6 Group in 2000.

Madeco, which owns approximately 9% of the Company's capital, is represented by Guillermo Luksic who has been a member of Nexans' Board of Directors since September 30, 2008.

French Sovereign Fund (FSI) which owns approximately 5% of the Company's capital, is represented by Jérôme Gallot who has been a member of Nexans' Board of Directors since May 10, 2007.

No directors are elected by employees.

(See section 7.1 of the 2009 Management Report for the list of corporate offices and positions held by the corporate officers during 2009 as well as the list of the corporate offices ended during the last five years).

1.2 Independence

Each year, the independence of Nexans' directors is discussed by the Appointments and Compensation Committee and reviewed by the Board prior to publication of the Annual Report.

Following a review carried out by the Appointments and Compensation Committee, in early 2010 the Board examined the individual status of each of its members in relation to the independence criteria defined in the Board's Internal Regulations, which are based on the criteria set out in the AFEP-MEDEF Corporate Governance Code.

The Board subsequently deemed Gianpaolo Caccini, Jean-Marie Chevalier, Jérôme Gallot, Jacques Garaïalde, Colette Lewiner, Nicolas de Tavernost and Guillermo Luksic to be independent directors. Guillermo Luksic is considered independent as Madeco – of which he is Chairman – holds less than 10% of Nexans' capital and voting rights and does not exercise control over the Company, notably in light of the rules on the restriction of voting rights provided for in the Company's bylaws. Jérôme Gallot – who is a member of the Executive Committee of French Sovereign Fund(FSI), which owns more than 5% of Nexans' capital – is also deemed to be independent as FSI does not exercise any control over the Company.

The directors deemed by the Board as not being independent are as follows: Frédéric Vincent, in view of his position as Chairman and CEO of the Company; Gérard Hauser, in view of his previous position as Nexans' Chairman and CEO between 2001 and May 2009; and Georges Chodron de Courcel, François Polge de Combret and Ervin Rosenberg due to their positions within banks with which the Group has business relations, i.e. BNP Paribas, UBS (and subsequently Calyon), and La Compagnie Financière Edmond de Rothschild Banque respectively.

At December 31, 2009 seven of Nexans' twelve directors were therefore considered to be independent, representing more than half of the Board's total members.

1.3 Directors' rights, access to information and code of conduct

The Board of Directors' Internal Regulations set out the principles adopted by the Company concerning the rights of Nexans' directors as well as their access to information and a code of conduct.

Directors are required to hold the minimum number of shares provided for in the Company's bylaws. The Internal Regulations also state that it is preferable for each director to hold at least 500 Nexans shares.

Corporate officers are not subject to any restrictions concerning the sale or transfer of their shares, with the exception of rules applicable to insider trading and the lock-up period applicable to shares held by executive corporate officers on exercise of stock options. A table detailing transactions in Nexans shares carried out by corporate officers during 2009 is provided in section 7.2 of the 2009 Management Report.

1.4 Additional information

To the best of the Company's knowledge, there are no family relationships between Nexans' corporate officers, or any service contracts between any of the Board members and the Company or any of its subsidiaries.

Also to the best of the Company's knowledge, during the past five years none of its corporate officers:

- have been convicted of fraud;
- have been involved in any bankruptcies, receiverships or liquidations;
- have been the subject of any official public incrimination and/or sanctions by any statutory or regulatory authority;
- have been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from participating in the management or conduct of the affairs of an issuer.

As mentioned above, certain Board members or executive corporate officers serve as corporate officers and/or senior managers for companies that may enter into contractual agreements with Nexans for commercial transactions (e.g. customers) and/or financial transactions (e.g. investment banks and/or guarantors). As any such contracts are negotiated and signed under arm's length conditions, the Company is not aware of any possible conflicts of interest between the corporate officers' duties towards Nexans and their private interests and/or any of their other obligations.

Under the acquisition agreement signed with the Madeco group in February 2008, Nexans undertook to recommend at the Annual Shareholders' Meeting that a director nominated by Madeco be appointed as a director and that Madeco should maintain a representative on the Board for as long as it retains 50% of its initial stake in Nexans. Apart from this undertaking and any related party agreements approved in advance by the Board, no agreements or arrangements have been entered into with the Company's main shareholders, customers, suppliers or other parties concerning the appointment of a Nexans corporate officer.

2. Preparation and organization of the Board's work

The Board has adopted a set of operating procedures that enable it to effectively fulfill its duties.

2.1 Internal Regulations

In 2003 the Board adopted a set of Internal Regulations which is given to each new director. These regulations were amended by the Board on January 16, 2009 and updated at the Board meeting of February 9, 2010.

The purpose of the Internal Regulations is to supplement legal and regulatory rules and the Company's bylaws by setting out (i) detailed operating procedures for the Board and its Committees and (ii) the duties of directors, particularly in light of the corporate governance principles contained in the AFEF-MEDEF Corporate Governance Code. This Code – which the Company uses as its reference framework – can be viewed in French via the website of the MEDEF (www.medef.fr)

The Board's Internal Regulations – which can be viewed on Nexans' website particularly cover:

- the composition of the Board of Directors, including independence criteria;
- the Board's roles and responsibilities, such as the prior approval of investment, restructuring, acquisition, merger and divestment projects involving material amounts;
- information provided to directors and directors' code of conduct;
- the roles and responsibilities of the Board Committees.

The Internal Regulations also contain an appendix on the principles underlying Nexans' executive compensation policy.

2.2 Board meetings in 2009

Board meetings are called in accordance with the applicable laws, the Company's bylaws and the Board's Internal Regulations.

The Board met eight times in 2009 with an average attendance rate of 88% (including for Jean-Louis Gerondeau who passed away in November 2009).

The number of meetings attended by each director in 2009 was as follows:

Director*	Number of meetings attended
Frédéric Vincent <i>Chairman of the Board since the Shareholders' Meeting of May 26, 2009</i>	8
Gianpaolo Caccini	8
Jean-Marie Chevalier	7
Georges Chodron de Courcel	8
Jérôme Gallot	8
Jacques Garaïalde	7
Gérard Hauser	8
Colette Lewiner	7
Guillermo Luksic	3
François Polge de Combret	8
Ervin Rosenberg	7
Nicolas de Tavernost	7

* Jean-Louis Gerondeau, who passed away in 2009, attended six of the eight Board meetings held during the year.

As stipulated in the Internal Regulations, prior to each meeting, Board members are sent details about any agenda items that require particular analysis and prior reflection.

The main topics discussed by the Board during its meetings in 2009 were as follows:

Monitoring the Group's key strategic areas	- The 2009-2011 strategic plan (one meeting was dedicated to this subject) - Review of external growth opportunities and restructuring projects (five meetings)
The Group's financial position, including cash flow and commitments	- 2009 budget - Approval of the parent company and consolidated financial statements for the year ended December 31, 2008 and the six months ended June 30, 2009, after hearing the presentation of the Statutory Auditors and the report of the Chairman of the Accounts and Audit Committee - Seven presentations on business trends and the financial and/or net debt position of the Company and the Group; reports by the Chairman of the Accounts and Audit Committee on topics reviewed by the Committee
Executive Management and compensation	- Appointment of Frédéric Vincent as Chairman and CEO - Compensation and benefits payable to corporate officers, including termination benefits and performance-related objectives applicable to the Company's sole executive corporate officer - Quantitative objectives for 2009 used as a basis for determining the variable compensation payable to Group senior managers
Corporate governance and internal control	- Assessing the independence of directors - Amending the Board of Directors' Internal Regulations - Allocation of directors' fees - Internal Audit report and the Group risk map
Market transactions	- Issue of OCEANE bonds bearing 4% interest and redeemable in 2016
Other	- Notice of the Annual Shareholders' Meeting and approval of the reports required by law

2.3 Appraisal of the Board of Directors

In 2003 the Group set up an annual appraisal procedure concerning the Board's operating procedures in order to ensure that significant issues are properly prepared, dealt with and discussed at Board meetings. This appraisal is carried out each year by way of a detailed questionnaire sent to each director. A summary of the individual assessments is drawn up by the Appointments and Compensation Committee and subsequently discussed by the Board.

In 2006, the specialized consulting firm Spencer Stuart carried out a formal appraisal procedure based on individual meetings with directors. In 2007 and 2008 the appraisal was once again carried out based on questionnaires sent to directors but a new version of the questionnaire was used incorporating improvements recommended by Spencer Stuart.

On January 16, 2009 the Board noted that its members were satisfied with the overall organization of the Board's work and the relevance of the topics addressed during meetings in 2008. The 2008 self-assessment led to the following two improvements: (i) implementing a procedure whereby the Chairman of the Accounts and Audit Committee gives the Board a summary presentation of all of the Committee's meetings, either when he reports on the Committee meeting dedicated to the accounts closing process, or following each Committee meeting; and (ii) encouraging directors to propose topics for discussion at Board meetings.

In late 2009, the specialized consulting firm Egon Zehnder carried out an appraisal of the Board of Directors. The firm's report on this appraisal, which is positive on the whole, was presented to the Board at its February 9, 2010 meeting.

2.4 Application of the AFEP-MEDEF Corporate Governance Code

In accordance with paragraph 7 of Article L.225-37 of the French Commercial Code, it is specified that Nexans has elected not to apply the following three recommendations of the AFEP-MEDEF Corporate Governance Code:

1. Staggering the terms of office of directors (section 12 of the AFEP-MEDEF Corporate Governance Code)

Some of the terms of office of Nexans' directors are staggered. Nevertheless, seven of the current twelve terms are due to expire at the Annual Shareholders' Meeting to be called in 2011 to approve the financial statements for the year ending December 31, 2010.

2. Adoption of rules relating to the duties and operating procedures of the Accounts and Audit Committee (section 14.3 of the AFEP-MEDEF Corporate Governance Code)

The Accounts and Audit Committee has not adopted a specific set of rules relating to its duties and operating procedures but it is governed by the Board of Directors' Internal Regulations. The Company considers that this practice complies with good corporate governance rules and the underlying principles of the AFEP-MEDEF Corporate Governance Code.

3. Adoption of rules relating to the duties and operating procedures of the Appointments and Compensation Committee (section 16.2 of the AFEP-MEDEF Corporate Governance Code)

The Appointments and Compensation Committee has not adopted a specific set of rules relating to its operating procedures but it is governed by the Board of Directors' Internal Regulations. The Company considers that this practice complies with good corporate governance rules and the underlying principles of the AFEP-MEDEF Corporate Governance Code.

3. The Board Committees

The Accounts and Audit Committee and the Appointments and Compensation Committee were set up in July 2001. The rules relating to these Committees' membership structure, roles and responsibilities, and operating procedures are set out in the Board of Directors' Internal Regulations.

3.1 The Accounts and Audit Committee

During 2009 the Accounts and Audit Committee comprised the following three members (except for the last Committee meeting*), all non-executive directors:

Georges Chodron de Courcel	Chairman	Not independent
Jérôme Gallot	Member	Independent
Jean-Louis Gerondeau	Member	Independent

Two of the Committee's members are particularly specialized in finance: Georges Chodron de Courcel, in his capacity as Chief Operating Officer of BNP Paribas, and Jérôme Gallot, in view of his career as an Auditor at the *Cour des Comptes* as well as the diverse financial positions he has held within the French Finance and Budget Ministry and his current duties as Chairman of CDC Entreprises, which forms part of the Caisse des Dépôts et Consignations group.

The Accounts and Audit Committee reports to the Board of Directors. Its overall role is to assist the Board on matters relating to preparing and controlling financial and accounting information.

In accordance with law and the Board of Directors' Internal Regulations, the main roles and responsibilities of the Accounts and Audit Committee are as follows:

- It examines the accounts and ensures the relevance and continuous application of the accounting methods used by the Company for its corporate and consolidated accounts.
- It monitors the process of preparing the financial information, the effectiveness of internal control and risk management systems and the independence of external auditors.

The Committee also:

- oversees the scope of consolidated companies, internal procedures for identifying off-balance sheet commitments and risks, the work conducted by the Internal Audit Department, and the selection of the Statutory Auditors;
- defines the rules for using the auditors' networks for non-audit related engagements; and
- may carry out specific studies, for which purpose it can contact the Company's senior level managers and report its findings to the Board.

In the course of its work, the Accounts and Audit Committee may request to meet with any member of the Finance Department and the Statutory Auditors, including without the presence of the Company's Executive Management. The Committee can also seek the advice of external specialists.

The Accounts and Audit Committee met six times in 2009, with an overall average attendance rate of more than 66.5%. The meetings were also attended by the Chief Financial Officer, the Head of Internal Audit and Nexans' Statutory Auditors.

The number of meetings attended by each member of the Accounts and Audit Committee in 2009 was as follows:

Committee member	Number of meetings attended
Georges Chodron de Courcel	6
Jérôme Gallot	6
Jean-Louis Gerondeau	3

* Following the death of Jean-Louis Gerondeau in November 2009, on an exceptional basis only two members attended the last Committee meeting in December. On January 13, 2010 the Board appointed Jacques Garaialde – an independent director – to replace Mr. Gerondeau.

In 2009, the Committee discussed the following main issues:

Financial information	- Detailed presentation of the annual and interim financial statements by the Finance Department and review of provisions - Presentation by the Statutory Auditors on their work - Presentation by the Head of Consolidation on the work conducted on allocating Madeco and Intercond goodwill - Recognition in the financial statements of a receivables securitization project presented by the Head of Financing
Internal control and risk management	- Presentation by the Head of Internal Audit of the interim and annual status report on the 2008-2009 internal audit plan and follow-up on the measures undertaken - Monitoring risk identification processes and risk management systems. On this occasion the Head of Internal Audit and the Head of the Group Risk Management Department presented the method used for the Group's risk mapping process as well as a manual on Nexans' main internal controls published by the Internal Audit Department in 2009
Other	- Examining the renewal of the term of office of one of the Statutory Auditors

3.2 The Appointments and Compensation Committee

The Appointments and Compensation Committee comprises the following three members, who are all non-executive directors:

Jérôme Gallot	Chairman	Independent
Gianpaolo Caccini	Member	Independent
François Polge de Combret	Member	Not independent

The responsibilities of the Appointments and Compensation Committee are as follows:

- It proposes candidates to the Board of Directors for the appointment of new Board Members and corporate officers, for cooptation or proposal to the Shareholders at the Annual Shareholders' Meeting, together with a review and selection procedure prior to making contacts and succession plans for corporate officers.
- It examines the qualification of independent of each Board Member subject to the Board of Directors final decision.
- It formulates a proposal to submit for the Board's decision regarding the fixed and variable portions of compensation for executive directors based on the rules of determination that it defines, ensuring the consistency of these rules with the annual performance appraisal of the Company's senior-level managers and medium-term strategy and market practices.
- It defines the policy concerning stock option plans (the frequency, persons concerned and amount), which it proposes to the Board of Directors, and gives its opinion to the Board on plans proposed by the Management.

During 2009 the Appointments and Compensation Committee met four times with an attendance rate of 100% at all of the meetings.

The number of meetings attended by each member of the Appointments and Compensation Committee in 2009 was as follows:

Committee member	Number of meetings attended
Jérôme Gallot	4
Gianpaolo Caccini	4
François Polge de Combret	4

During the year the Committee particularly focused on the following matters:

Directors	- Assessing the independence of directors
Compensation and benefits	- Determining the variable portion of Frédéric Vincent's and Gérard Hauser's compensation for 2008 and examining the calculation methods used (Group and individual performance objectives) for the variable portion of the compensation payable to the Chairman and CEO and the Chief Operating Officer for 2009 - Determining compensation payable in 2009 to Frédéric Vincent in his capacity as Chief Operating Officer and Chairman and CEO (from June 2009) - In line with the AFEP-MEDEF recommendations adopted by Nexans in 2008, reviewing the termination benefits that would be payable to Frédéric Vincent as well as recommending to the Board the introduction of (i) an indemnity in the event that Frédéric Vincent's term of office as Chairman and CEO is terminated and (ii) a non-compete indemnity - Determining compensation payable to Gérard Hauser in 2009 in his capacity as Chairman and CEO - Payment procedures for the long-term incentive plan related to Stock Option Plan No. 8
Other	- Examining Nexans' stock option policy and strategy of associating employees with the Group's performance - Reviewing an employee stock ownership plan

4. Management structure

In accordance with Article L.225-25-1 of the French Commercial Code, at its April 3, 2009 meeting the Board of Directors decided to appoint Frédéric Vincent as Chairman of the Board and Chief Executive Officer of Nexans SA. Frédéric Vincent replaced Gérard Hauser as Chairman and CEO at the close of the Annual Shareholders' Meeting held on May 26, 2009 to approve the 2008 financial statements.

The Company adopted this management approach of combining the functions of Chairman and CEO when it was first floated in 2001, as it is a structure suited to the Company's operating and organizational procedures and its effectiveness has been demonstrated. The combination of functions enables Nexans to maintain a direct link between strategy and operations in a highly competitive and fast-changing environment, and to optimize the decision-making process. At the same time, thanks to (i) the Board's Internal Regulations (which have been updated in line with the AFEP-MEDEF Code) and (ii) the fact that the majority of Nexans' directors and Board Committee members are independent, the Company has put in place the necessary guarantees to ensure that its management structure complies with good corporate governance practices.

No restrictions have been placed on the powers of the Chairman and CEO by either the Board or the Company's bylaws. Consequently, the only applicable restrictions are those set down by law and those relating to transactions or decisions that require the prior approval of the Board as provided for in the Board's Internal Regulations (such as mergers, acquisitions or financing proposals representing a unit value of over 50 million euros).

5. Shareholders' Meetings

Shareholders of Nexans are called to General Meetings and vote in accordance with the applicable legal provisions and the Company's bylaws.

Information on General Shareholders' Meetings and the procedures for exercising voting rights is provided in Articles 20 and 21 of Nexans' bylaws, which can be viewed on Nexans' website (www.nexans.com, section Corporate Governance).

6. Compensation and benefits paid to corporate officers

Nexans' corporate officers correspond to the twelve members of the Board of Directors at December 31, 2009. Frédéric Vincent, who holds the post of Chairman and CEO, was Nexans' sole executive corporate officer at that date.

The principles and rules approved by the Board of Directors for determining the compensation and benefits payable to the Company's corporate officers are described in section 7.3 of the 2009 Management Report (Compensation of corporate officers). The Board's Internal Regulations contain an appendix on Nexans' policy concerning the compensation of executive corporate officers based on the recommendations set out in the AFEP-MEDEF Corporate Governance Code.

Details on the compensation of executive corporate officers and the termination benefits that could be payable in the event of a loss of office, as decided by the Board in 2009, have been published on the Company's website, in accordance with the applicable legal requirements, the recommendations of the AFEP-MEDEF Corporate Governance Code and the Board of Directors' Internal Regulations.

II. Internal control procedures implemented at Nexans

This part of the report was drawn up in conjunction with members of the Internal Audit, Finance and Group Risk Management Departments.

1. Definitions, scope, objectives and limitations of internal control

Within Nexans, internal control consists of implementing a set of rules and procedures throughout the Group with a view to obtaining reasonable assurance that its assets are safeguarded and its commitments are appropriate, and that its objectives comply both with the laws and regulations in force and the strategic guidelines and goals set by management.

Nexans takes a pragmatic approach to internal control, and has set up procedures in consideration of the specific aspects of the Group's businesses and operations and the risks identified. Internal control is designed by Nexans to be adapted to the management of its potential risks.

All internal control procedures applied within the Group, irrespective of whether they relate to financial information, are drawn up by the parent Company. They are then implemented in each country and within each entity, and reports are regularly sent to the relevant corporate department, which monitors and controls the procedures.

However, no system of internal control can provide absolute assurance that risks of errors and fraud have been completely eliminated or brought under control.

2. Internal control reference framework used by Nexans

Following the January 2007 publication of the Reference Framework for Internal Control by the French financial markets authority (AMF), Nexans began working on a project to ensure progressive compliance of its procedures with the AMF's recommendations. In 2008, the Group's accounting and internal control manual was substantially revised and updated in order to factor in the recommendations contained in the AMF's Reference Framework. The new manual was put online on the Group's intranet in late 2008 and was therefore fully applicable in 2009.

In addition, in April 2009 the Internal Audit Department issued a manual setting out the main internal controls to be implemented within the Group's entities in order to ensure compliance with the AMF's Reference Framework.

3. General organization and description of the internal control procedures implemented

Nexans implemented an internal control structure that provides for a clear definition of responsibilities, with adequate resources and skills and supported by appropriate procedures and systems.

3.1 Participants and structures in place: Group organization

In April 2009, Frédéric Vincent was appointed Chairman and CEO with effect from May 26, 2009, replacing Gérard Hauser who held the position until that date. The Company decided to continue with its strategic policy of combining the functions of Chairman of the Board of Directors and Chief Executive Officer in order to maintain a highly responsive decision-making process.

In June 2009, a **Management Committee** was set up, tasked with managing the Group and defining and directing its corporate strategy. More specifically, this Committee's roles and responsibilities include:

- Drawing up the Group's manufacturing strategy, market segment sales strategies and business development policy, and ensuring that these are correctly implemented.
- Overseeing the Group's various geographic areas.

The Management Committee is chaired by Frédéric Vincent and comprises three other members who are all Senior Corporate Executive Vice Presidents, to whom the units that formerly made up the Strategic Operations Department now report. These three members are as follows:

- The Chief Financial Officer, Senior Corporate Executive Vice President, to whom the Purchasing, Information Systems, Finance and Audit Departments report. In accordance with good corporate governance practices the Audit Department also has a dotted-line reporting relationship with the Chairman and CEO.
- The Senior Corporate Executive Vice President in charge of defining and implementing commercial and innovation policies. In this role he oversees the Industry, Infrastructure, and Building Markets Department, as well as the Key Accounts Managers Department and the Technical Department. He is also responsible for the MERA, Asia-Pacific, North America and South America Areas.
- The Senior Corporate Executive Vice President in charge of defining and implementing industrial policies, to whom the Industrial Management and Logistics Departments report. He is also responsible for the Europe Area.

The Communications, Human Resources and Legal Affairs Departments all report directly to the Chairman and CEO. Nexans' General Counsel has been appointed Corporate Secretary in order to better reflect the scope of his responsibilities, particularly concerning risk management and corporate governance, which are currently of critical importance.

The role of the **Executive Committee**, which is also chaired by Frédéric Vincent, is to reflect on, debate and discuss the challenges facing the Group. Its members comprise:

- The members of the Management Committee.
- The Area Executive Vice Presidents.
- The Heads of the Departments that report directly to the Chairman.

The Group has also set up a number of additional committees, including:

- A **Sales, Marketing and Innovation Committee** which is chaired by one of the Senior Corporate Executive Vice Presidents. This committee acts as a working group entrusted with defining and monitoring the implementation of the Group's product, sales and innovation strategies. Its members comprise the Heads of the Area Sales and Marketing Departments, the Head of the Industry, Infrastructure and Building Markets Department, the person in charge of managing and monitoring the work of the Key Account Managers, and the Heads of the Marketing Communication and the Technical Departments.
- An **Industrial Committee**, which is chaired by one of the Senior Corporate Executive Vice Presidents and acts as a working group tasked with defining the Group's industrial policy and overseeing its effective implementation. The members of this committee comprise the Industrial Director, the Logistics Director and other industry experts.
- A **Mergers and Acquisitions Committee**, which is chaired by the Chairman and CEO.
- A **Careers Committee**, which is chaired by the Chairman and CEO and monitors the career paths of the Group's key senior managers.
- A **Corporate Social Responsibility Committee** (CSR Committee), which was created in 2009 and is chaired by the Chairman and CEO. Two specialized committees – the Governance & Social Affairs Committee and the Environment & Products Committee – provide support to the CSR Committee.

Management in each of the countries in which the Group operates is responsible for the operating results of its legal entities and manufacturing plants. Performance is primarily assessed by product line through a full financial reporting process carried out on a monthly basis. The data compiled is examined as part of "Business Review" meetings which are attended by members of the Management Committee.

Since June 2009, the Group's operating countries have been organized into **seven geographic areas** – Western Europe, Central Europe, Northern Europe, North America, South America, Asia-Pacific, and Middle East, Russia & Africa. There are also two business groups which report to the Management Committee – the high-voltage terrestrial cables business group and the high-voltage submarine cables business group.

In addition, the Group's **corporate departments** contribute to the overall internal control process by providing the cross-business approach required in order for the Group to function effectively. These departments are as follows:

- The Industry, Infrastructure, and Building Markets Department – a specific organizational structure for each of the Industry, Infrastructure, and Building markets was created at the beginning of 2007 in order to more effectively coordinate Nexans' product offering.
- The Industrial Management Department, which assists the Group's geographic areas in industrial matters and oversees industrial strategy, capital expenditure budgets, and the Area and country-level Industrial Management Departments, which are responsible for the performance of Nexans' manufacturing plants. The Industrial Management Department is also very involved in managing Nexans' industrial equipment, managing and monitoring capital expenditure and industrial projects, and assessing any new manufacturing tools and processes. It proposes an industrial and environmental risk prevention policy to Group Management and is responsible for drafting the Group's environmental manual, which is validated by the Executive Committee. It also ensures that the manual's rules and procedures are applied, with the help of a specialized external service provider.
- The Technical Department, which oversees all the Group's research and development projects, in particular through its Competence Centers and the Research Center.
- The Information Systems Department, which is responsible for defining the Group's IT policy and overseeing its implementation. In view of the important role played by information systems in maintaining Nexans' competitive edge, a Group-level Steering Committee has been set up to assist the Executive Committee when deciding on the Group's information systems strategy and budgetary priorities.
- The Purchasing Department, which ensures that the materials, equipment and services required for the Group to function smoothly are supplied in a reliable and cost-effective way within the set timeframes, in order to satisfy customer needs and enhance customer service. Purchasing is a strategic function and the department plays a major role in optimizing costs, quality, technology and lead-times. The responsibilities of the Group's Purchasing Department encompass selecting suppliers as well as negotiating and drawing up contracts, and monitoring and assessing each supplier. These responsibilities are delegated to each Group country with a view to unlocking all potential synergies by drawing on the Group's size and reach and working within a framework of cooperation and transparency. The Purchasing Department works in conjunction with all of Nexans' other departments and assists them in their efforts to achieve better performance at the best possible cost. It oversees the purchasing process for the Group as a whole and defines and verifies the implementation of Group purchasing methods and procedures designed to leverage costs, quality, timeframes, and technology.

- The Human Resources Department, which is in charge of defining and coordinating the Group's Human Resources policies, including establishing shared strategies, managing the careers of top international managers (recruitment, career development, succession plans), as well as organizing expatriation projects, international training programs and compensation packages for top managers. It handles relations with employee representatives at the European level, and is also tasked with coordinating the international network of Human Resources Directors.

- The Communications Department, whose remit is to manage all of the Group's communications – encompassing sales, corporate, internal, press, and new media – in collaboration with the other corporate departments concerned.

- The Group Finance Department (see section 3.3 below)

Lastly, the **Board of Directors** provides assistance in monitoring internal control, primarily through the work of the Committees and the Committee reports, as described below.

3.2 Participants and structures dedicated to internal control

a) The Accounts and Audit Committee

As a result of the powers conferred upon it by law, the Board of Directors and the Board's Internal Regulations (see section 3.1 of part I of this report relating to the Corporate Governance), the Accounts and Audit Committee is involved in monitoring the implementation of internal control processes, exercising such control, and monitoring the procedures in place. Each year, the internal audit plan is submitted to the Accounts and Audit Committee for approval, and the Committee is given a presentation on the main conclusions from the previous year.

b) The Internal Audit Department

The Internal Audit Department was created on January 1, 2002, and in July 2005 was one of the first 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). This certification was renewed by the IFACI in July 2009.

While reporting directly to the Finance Department, the Internal Audit Department also has a dotted-line reporting relationship with the Chairman and CEO. Its work is verified by the Accounts and Audit Committee.

The Internal Audit Department helps the Group to achieve its objectives by systematically and methodically assessing the suitability of risk management, control and corporate governance processes, as well as by monitoring these processes and making recommendations to strengthen their effectiveness.

The Group has set up an audit charter – approved by the Accounts and Audit Committee – which sets out 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 to:

- identify, analyze, and assess risks;
- ensure that internal control processes are in place and are being applied;
- conduct internal financial audits;
- conduct operational audits in cooperation with the departments concerned;
- propose corrective measures and ways to implement them;
- identify and promote best practices.

To achieve these goals, the Internal Audit Department conducts audits to verify that the measures implemented are appropriate in relation to the Group's potential risks.

A four- to five-year audit plan has been drawn up based on a risk map whose underlying process is described in section 5.1 below and in strict cooperation with the Group Risk Management Department. This audit plan covers a broad spectrum of issues including:

- Cash management and foreign currency risks,
- Non-ferrous metal hedging risk,
- Purchasing processes,
- Inventory processes,
- Sales processes,
- Management of major turnkey projects,
- Legal, insurance, health and safety, and environmental issues,
- Information systems,
- Human resources.

The Executive Committee and Accounts and Audit Committee review and update this audit plan annually.

After each audit is conducted, the Internal Audit Department issues a report containing recommendations which are subject to a formal and systematic monitoring procedure. Each report is sent to the Chairman and CEO, the Senior Corporate Executive Vice Presidents, the appropriate member(s) of the Executive Committee and the Head of the Group Risk Management Department, as well as the audited entity and the relevant corporate department managers.

In addition, the Internal Audit Department submits a report on its work twice a year to the Executive Committee and the Accounts and Audit Committee, and once a year to the Board of Directors.

During 2009, compliance audits were conducted in certain subsidiaries in France and abroad. A number of specific audit engagements were also carried out, notably in relation to purchasing, the implementation of restructuring plans and overseeing capital expenditure (in liaison with the Industrial Management Department).

The Internal Audit Department also organizes self-assessment procedures by drawing up questionnaires with the corporate departments concerned, which are sent to all of the Group's entities. These self-assessments provide an overview of the level of maturity of a particular process within the Group. Self-assessments performed recently covered issues such as corporate governance, health and safety in manufacturing plants and compliance with the Group's rules on contracts.

c) The Group Risk Management Department

The Group Risk Management Department reports to the Corporate Secretary/General Counsel, who in turn reports to the Chairman and CEO. It works in close collaboration with the Group Internal Audit Department.

The role of the Group Risk Management Department was expanded and specified in 2009. Consequently, in addition to being in charge of risk management in general and monitoring insurance coverage, it is now responsible for corporate social responsibility and sustainable development issues as well as for coordinating real estate sales.

The role of the Group Risk Management Department is to:

- put forward a strategy for managing operating, commercial, industrial, and financial risks by seeking the optimum balance between:
 - insurance coverage (see section 6.4 "Insurance" of the 2009 Management Report);
 - risk prevention and other measures; and
 - the acceptance of certain risks
- propose and monitor the introduction of measures other than insurance for risk prevention and management purposes, including recommending and/or validating the appointment of risk managers within other corporate departments, a geographic area or certain countries or specific businesses that require dedicated resources, on a temporary or permanent basis, to develop risk management or ensure that it complies with the Group's directives;
- monitor changes in standards and practices, propose and coordinate progress plans relating to sustainable development, and monitor and improve the reliability of social and environmental indicators (i.e. sustainable development indicators) with the departments concerned (predominantly the Human Resources Department and the Industrial Management Department). A representative of the Group Risk Management Department acts as the secretary for the CSR Committee created in 2009.

In view of the broad scope of these responsibilities, close cooperation is required with the corporate departments, operating departments and the Group's legal entities, in order to define and implement financially viable solutions in line with the directives set at Group level.

The priority risk management measures are set each year by the Head of the Group Risk Management Department together with the Management Committee and the Area Executive Vice Presidents. These priorities are defined based on (i) a review of the risk map drawn up every two years at Group level by the Internal Audit Department, and (ii) the extent to which the Group's main risks are controlled. This level of control is assessed for each risk in an annual report that compiles the analyses performed by working groups set up by the departments concerned and the Group Risk Management Department for the purpose of examining particular risks.

As part of the effort to improve risk control, the Group Risk Management Department is in charge of rolling out the Group's risk mapping system at both country and business group level. It is also responsible for ensuring that the system is properly set up and effectively used in each country and business group.

The risk map enables resources to be more effectively allocated and measures properly planned in order to reduce the most critical risks that could impact Nexans' profitability.

3.3 Organization framework for preparing and processing published financial and accounting information

- **The Group Finance Department** includes seven corporate departments:

- The Management Control Department,
- The Consolidation Department,
- The Treasury Department,
- The Non-Ferrous Metals Management Department,
- The Internal Audit Department,
- The Tax Department,
- The Financial Transactions Department (which includes the Mergers and Acquisitions Department and the Financial Communications Department).

All of these departments report to the Chief Financial Officer, who in turn reports to the Chairman and CEO.

In addition, the Finance Departments in each country report to the Country Manager and have a dotted-line reporting relationship with the Group Finance Department.

This structure ensures coordinated, consistent processing of financial information.

4. Internal information sharing

The Group has set up a monthly reporting system covering all the activities of the operating entities (including commercial, financial and accounting, industrial, environmental, and other information) that gives operating and corporate departments access to relevant and reliable information in a timely manner to allow them to perform their duties.

5. Systems designed to identify and analyze the main risks and ensure that risk management procedures are in place

5.1 Risk mapping

A Group risk mapping process is performed every two years by the Internal Audit Department. The aim of this process is to (i) identify risks and areas of risk including risks identified by Management and controls that Management feels need addressing, and (ii) evaluate the impact of these risks on the Group's financial position. The risk map is used as a basis for preparing the Group's annual internal audit plan.

As in previous years, in 2009 risks were identified through interviews with Executive Committee members, the Managers of the corporate departments, Product Line Managers and Country Managers. These risks were appraised according to the frequency with which they are likely to occur and the gravity of the consequences should they actually occur. The results of the risk mapping process were presented to the Executive Committee, the Accounts and Audit Committee and the Board of Directors.

In 2009, the Group Risk Management Department strengthened the risk mapping process in two different areas:

- firstly, in relation to the major risks covered (see section 5.2 below); and
- secondly, by rolling out the risk mapping system to the Group's various operating countries, with significant involvement from local management.

5.2. Monitoring major risks

Workshops were organized once again in 2009, bringing together operational staff and members of the corporate departments to tackle the Group's main identified risks described in section 6 "Risk Factors" of the 2009 Management Report, using the risk mapping process. The purpose of these workshops – which are coordinated by the Group Risk Management Department – is to propose solutions to remedy the risks or limit their impact.

A crisis management procedure has also been drawn up and a crisis simulation exercise was performed during 2009.

5.3 Committees set up to analyze and monitor the main risks

• The Disclosure Committee

This Committee comprises the Chief Financial Officer, Corporate Secretary/General Counsel, Head of Management Control and Head of Consolidation, as well as the Corporate and Securities Counsel, Head of Internal Audit, Head of Group Risk Management, Head of Tax and the Area Controllers.

The Committee's objective is to identify all risks of any nature to which the subsidiaries are exposed, assess their materiality, and ensure that they are duly reflected in the financial statements and/or disclosed in the Group's published reports.

Its responsibilities include, in particular:

- Identifying and assessing any material non-financial information;
- drawing up a questionnaire to be sent to the subsidiaries to identify risks, and assessing the methods used to report such information;
- compiling significant information and notably any cases of fraud that may have occurred within the entities; and
- identifying and defining points that merit investigation by the internal audit team in order to assess and/or improve the reliability of the procedures in place and the information reported.

All bids in excess of 25 million euros are subject to a review of the commercial, legal, financial, and technical terms and conditions of the related contracts. This review is performed by the **Group Contractual Tender Committee**. This Committee is chaired by the Chairman and CEO and comprises the Senior Corporate Executive Vice President and Executive Vice President of the Area concerned, as well as the Head of Treasury, Area Controller, Corporate Secretary/General Counsel, Head of Group Risk Management, and the operating manager(s) appointed by the Executive Vice President for the Area concerned.

Bids for amounts between 5 and 25 million euros (which constitute the vast majority of bids) are also reviewed by this committee but without the attendance of the Chairman and CEO.

Any potential business acquisition or divestment projects, or possible strategic alliances or partnerships, are reviewed by Nexans' **Mergers and Acquisitions Committee**. This Committee is chaired by the Chairman and CEO and its other members are the Chief Financial Officer, Corporate Secretary/General Counsel, Head of Tax, Head of Financial Transactions, Head of Mergers and Acquisitions, and the Senior Corporate Executive Vice President and the Executive Vice Presidents of the Areas concerned.

The **CSR Committee – Corporate Social Responsibility (Sustainable Development)**, chaired by the Chairman and CEO and assisted by two specialized committees: the Governance & Social Affairs Committee and the Environment & Products Committee, monitors risks within its remit. In particular, the Environment & Products Committee – made up of two representatives from the Management Committee, and from the Industrial Management and Technical, Purchasing, Legal Affairs, Group Risk Management, and Marketing Departments – oversees a program aimed at continuously improving the environmental performance of the Group's production sites. (See section 9.1 of the 2009 Management Report for a description of the organization of Nexans' commitment to sustainable development and the role of the CSR Committee.)

Lastly, the Group has drawn up a crisis management procedure and created a specific crisis management unit.

6. Control activities

Control activities are based on a financial and accounting reporting system and a set of internal control procedures.

6.1 Preparation of financial and accounting information

Financial and accounting information is generated in consolidated form as follows:

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, which are drawn up in accordance with IFRS pursuant to EC Regulation 1606/2002. The Group's entire financial and accounting reporting process is structured around the Hyperion System.

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 produced, Nexans has an accounting manual which is used by all Group units and defines each line in the operating income statement analyzed by function for the unit as a whole and for their product lines.

Based on the Group's Medium-term Plan (covering three years), which sets out the main strategic and financial policies, each unit establishes an annual budget by product line in the last quarter of every year. The budget is discussed by both local and area Management and is submitted to Nexans' Management Committee for final approval. The Group's budget is presented to the Board of Directors and is broken down into monthly figures.

Each month, the units 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 actual data for the previous year. The consolidated results by area and by product line are analyzed with the Group Management Committee at area meetings.

A consolidated accounts closing procedure is carried out on a quarterly basis and a specific procedure is applied at the year-end. This specific year-end procedure involves Balance Sheet Committee meetings which are attended by Country Managers and where key decisions are made relating to the year-end close.

Any off-balance sheet commitments are reviewed by the Consolidation Department based on information provided by the business units, the Treasury and Non-Ferrous Metals Management Department, and the Corporate Secretary's Department.

Lastly, the Group has set up a half-yearly procedure whereby the Chief Executive Officers and Chief Financial Officers of all Nexans' subsidiaries sign internal representation letters giving a written undertaking concerning the quality and completeness of the financial information reported to the parent company.

6.2 Main financial and accounting internal control procedures implemented by the Company

Over seventy procedures relating to financial and accounting information, and more generally the areas within the responsibility of the Finance Department, are currently applicable within the Nexans Group. These procedures – which are an addition to the financial and accounting rules implemented by the Group – deal with sensitive issues or risk factors identified (described in the Management Report) 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 Group Finance Department.

The Internal Audit Department performs controls to ensure that internal control procedures are working properly and that they are complied with.

6.3 Specific procedures

• 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 businesses and the risks associated with price fluctuations, Nexans has implemented a specific procedure for managing non-ferrous metals, which is overseen by a team reporting to the Group Finance Department.

In accordance with this procedure, each legal entity systematically hedges risks relating to metal prices and structure as soon as the risk arises. Hedging position limits are set which are reviewed regularly based on each unit's business trends, and the Internal Audit Department monitors that the limits are complied with.

Non-ferrous metal price risks are identified by the Group's operating subsidiaries. They are hedged through physical purchases and sales of metal inventory or transactions on commodities exchanges such as the London Metal Exchange (LME) and the New York Commodities Exchange (COMEX). Trades on these two exchanges are managed centrally for all subsidiaries by the Non-Ferrous Metals Management Department, except for those carried out by Olex in Australia and New Zealand, for practical reasons. The Group's Chinese subsidiaries also handle their own metals trades, conducted on the Shanghai Metal Exchange (SFHE), due to local legislative requirements.

• Centralized cash management

Nexans has set up a centralized cash management system for its principal subsidiaries for the purpose of international cash pooling; centralizing banking commitments; and centralizing the management of foreign currency risk.

6.4 Information on other internal control procedures

There are approximately sixty such internal control procedures within the Group covering areas such as:

- Ethics: in 2009 the Group updated its Nexans Business Ethics and Conduct Code, which sets out the principles and rules of business ethics and conduct that all Group employees must comply with in the performance of their duties as part of the Group's Corporate Social Responsibility Program. The Group's reinforced commitment to this Program prompted it to sign the United Nations Global Compact pursuant to a decision by the Board of Directors' meeting of November 25, 2008. An ethics awareness program was rolled out during the year.
- Human resources: the Group applies a personal safety procedure in all geographic areas considered to be at risk.
- Communications
- Purchasing
- Information systems
- Quality
- Intellectual property
- Insurance
- Legal issues
- Industrial and environmental issues: a charter is applied within the Group for managing industrial risks covering the protection of property, accident prevention, personal safety, security and environmental protection. More specifically, 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 overall process is managed by the Industrial Management Department in liaison with the Finance Department, the Group Risk Management Department, and the Legal Affairs Department for insurance matters, with extensive interaction between the corporate departments and designated managers at various levels of the organization.

Nexans' environmental policies and procedures are described in the Board of Directors' Management Report.

7. Oversight of internal control

The Board of Directors is responsible for overseeing the internal control system, firstly through its Accounts and Audit Committee (see section 3.1 of part I “Corporate Governance” of this report and section 3.2 above: “Participants and structures dedicated to internal control”) whose role is to ensure that the procedures used are relevant and in line with the Group’s objectives.

In addition, the Management Committee carries out monthly reviews of the Group activity, including business indicators and a review of the main risks.

The Internal Audit Department also plays an oversight role through the assignments it performs and the reports it draws up, as well as by monitoring the implementation of recommendations issued.

February 9, 2010

A handwritten signature in black ink, consisting of a stylized 'F' followed by a horizontal line and a small flourish.

Frédéric Vincent
Chairman and CEO

Statutory Auditors' report,

prepared in accordance with Article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Nexans S.A., and in accordance with Article L.225 235 of the French Commercial Code (Code de commerce), we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2009.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by Article L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by Article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report.

These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with Article L.225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by Article L.225-37 of the French Commercial Code.

The Statutory Auditors

Paris-La Défense et Neuilly-sur-Seine, February 19, 2010

KPMG Audit
Department of KPMG S.A.



Valérie Besson
Partner

PricewaterhouseCoopers Audit



Dominique Ménard
Partner



Consolidated financial statements

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Consolidated income statement

(in millions of euros)	Notes	2009	2008 adjusted***	2007
NET SALES	(1.g) & (3)	5,045	6,799	7,412
Metal price effect*		(1,019)	(2,023)	(2,591)
SALES AT CONSTANT METAL PRICES*	(1.g) & (3)	4,026	4,776	4,822
Cost of sales		(4,293)	(5,846)	(6,521)
Cost of sales at constant metal prices*		(3,274)	(3,823)	(3,930)
GROSS PROFIT		752	953	892
Administrative and selling expenses		(447)	(467)	(423)
R&D costs	(1.i)	(64)	(63)	(60)
OPERATING MARGIN*	(1.h) & (3)	241	423	409
Core exposure effect**	(1.i)	18	(165)	20
Net asset impairment	(1.n) & (7)	(21)	(19)	(21)
Changes in fair value of non-ferrous metal derivatives	(1.f)	16	(12)	(36)
Net gains on asset disposals	(6)	17	4	4
Restructuring costs	(23.b)	(119)	(22)	(14)
OPERATING INCOME		153	210	362
Cost of debt (gross)		(62)	(66)	(57)
Income from cash and cash equivalents		5	18	13
Other financial expenses	(5)	(45)	(31)	(37)
Share in net income of associates		(0)	(0)	-
INCOME BEFORE TAXES		51	131	281
Income taxes	(9)	(39)	(45)	(84)
NET INCOME FROM CONTINUING OPERATIONS		12	85	197
Net income from discontinued operations		-	-	-
NET INCOME		12	85	197
Attributable to equity holders of the parent company		8	83	189
Attributable to minority interests		4	2	7
ATTRIBUTABLE NET INCOME FROM CONTINUING OPERATIONS PER SHARE	(1.cc) & (10)			
(in euros)				
- basic earnings per share		0.29	3.21	7.41
- diluted earnings per share		0.71	3.12	6.67
ATTRIBUTABLE NET INCOME FROM DISCONTINUED OPERATIONS PER SHARE	(1.cc) & (10)			
(in euros)				
- basic earnings per share		-	-	-
- diluted earnings per share		-	-	-
NET INCOME PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (in euros)	(1.cc) & (10)			
- basic earnings per share		0.29	3.21	7.41
- diluted earnings per share		0.71	3.12	6.67

* Performance indicators used to measure the Group's operating performance.

** Effect relating to the revaluation of core exposure at its weighted average cost. In 2009 this line also included a €37 million negative impact arising from a sharp reduction in the volume of core exposure during the year, following the strong slowdown off in business levels and the effect of the Group's intensified efforts to reduce working capital requirement (see **Note 1.i**). This effect is offset by a positive impact included in the operating margin.

*** Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see **Note 11**).

Consolidated statement of financial position

Assets

at December 31, in millions of euros

	Notes	2009	2008 adjusted*	2007
Goodwill	(11)	335	308	192
Other intangible assets	(12)	189	174	101
Property, plant and equipment	(13)	1,117	1,040	858
Investments in associates	(14)	8	4	1
Other non-current financial assets	(15)	42	35	28
Deferred tax assets	(9.d)	57	92	48
Other non-current assets		2	4	-
NON-CURRENT ASSETS		1,750	1,657	1,227
Inventories and work in progress	(17)	803	922	1,158
Amounts due from customers on construction contracts	(16)	215	195	163
Trade receivables	(18)	955	1,110	1,092
Other current financial assets	(19)	162	320	125
Current income tax receivables		15	26	11
Other current non-financial assets		97	84	83
Cash and cash equivalents	(20)	817	398	622
Assets and groups of assets held for sale	(8)	1	1	150
CURRENT ASSETS		3,065	3,056	3,403
TOTAL ASSETS		4,815	4,713	4,630

* Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see **Note 11**).

Equity and liabilities

at December 31, in millions of euros

	Notes	2009	2008 adjusted*	2007
Capital stock		28	28	26
Additional paid-in capital		1,258	1,256	1,133
Retained earnings		538	555	526
Other components of equity		52	(260)	37
Equity excluding minority interests		1,876	1,579	1,722
Minority interests		42	39	36
TOTAL EQUITY	(21)	1,918	1,618	1,758
Pension and other retirement benefit obligations	(22)	309	317	322
Other long-term employee benefit obligations		12	13	15
Long-term provisions	(23)	49	43	25
Convertible bonds	(24)	459	271	258
Other long-term debt	(24)	359	389	353
Deferred tax liabilities	(9.d)	109	70	85
NON-CURRENT LIABILITIES		1,297	1,103	1,058
Short-term provisions	(23)	120	65	72
Short-term debt	(24)	140	274	301
Liabilities related to construction contracts**	(16)	174	111	138
Trade payables		845	908	866
Other current financial liabilities	(25)	96	376	180
Accrued payroll costs		168	160	133
Current income tax payables		28	43	32
Other current non-financial liabilities		29	54	47
Liabilities related to groups of assets held for sale	(8)	1	1	45
CURRENT LIABILITIES		1,601	1,992	1,814
TOTAL EQUITY AND LIABILITIES		4,815	4,713	4,630

* Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see **Note 11**).

** Including advances received on construction contracts.

Consolidated statement of comprehensive income

(in millions of euros)	2009	2008 adjusted*	2007
NET INCOME FOR THE YEAR	12	85	197
Available-for-sale financial assets			
- Gains (losses) generated during the year (net of tax)	0	(2)	1
- Amounts recycled to the income statement (net of tax)	-	-	-
Currency translation adjustments			
- Gains (losses) generated during the year (net of tax)	132	(118)	(24)
- Amounts recycled to the income statement (net of tax)	-	-	-
Cash flow hedges			
- Gains (losses) generated during the year (net of tax)	194	(172)	16
- Amounts recycled to the income statement (net of tax)	(14)	(7)	13
Share of other comprehensive income of associates	-	-	-
Total other comprehensive income (loss)	312	(299)	5
Total comprehensive income (loss)	324	(213)	202
Attributable to equity holders of the parent company	320	(217)	195
Attributable to minority interests	4	4	7

* Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see **Note 11**).

Note 9.c provides a breakdown of the tax impacts on comprehensive income.

Consolidated statement of cash flows

(in millions of euros)	Notes	2009	2008 adjusted*	2007
Net income attributable to equity holders of the parent company		8	83	189
Minority interests		4	2	7
Depreciation, amortization and impairment of assets (including goodwill)		143	128	122
Cost of debt (gross)		62	66	57
Core exposure effect**		(18)	165	(20)
Other restatements***		59	6	118
CASH FLOWS FROM OPERATIONS BEFORE GROSS COST OF DEBT AND TAX****		258	451	473
Decrease (increase) in receivables		193	31	61
Decrease (increase) in inventories		186	176	129
Increase (decrease) in payables and accrued expenses		(118)	(59)	(6)
Income tax paid		(47)	(62)	(80)
Impairment of current assets and accrued contract costs		(11)	4	(4)
NET CHANGE IN CURRENT ASSETS AND LIABILITIES		203	90	100
NET CASH GENERATED FROM OPERATING ACTIVITIES		461	541	573
Proceeds from disposals of property, plant and equipment and intangible assets		8	16	7
Capital expenditures		(164)	(172)	(168)
Decrease (increase) in loans granted		181	(187)	2
- of which margin calls on metal derivatives	(19)	140	(140)	-
Purchase of shares in consolidated companies, net of cash acquired	(2) & (11)	(2)	(311)	(36)
Proceeds from sale of shares in consolidated companies, net of cash transferred	(2) & (11)	9	19	48
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		32	(635)	(147)
NET CHANGE IN CASH AND CASH EQUIVALENTS AFTER INVESTING ACTIVITIES		493	(94)	427
Proceeds from (repayment of) long-term borrowings	(24)	138	22	344
- of which proceeds from new borrowings		172	29	345
- of which repayments		(34)	(7)	(1)
Proceeds from (repayment of) short-term borrowings	(24)	(164)	14	(409)
Cash capital increases (reductions)		39	(23)	7
Interest paid		(45)	(54)	(36)
Dividends paid		(57)	(52)	(32)
NET CASH USED IN FINANCING ACTIVITIES		(89)	(93)	(125)
Net effect of currency translation differences		18	(19)	4
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		422	(206)	306
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		388	594	287
CASH AND CASH EQUIVALENTS AT YEAR-END		810	388	594
Of which cash and cash equivalents recorded under assets		817	398	622
Of which short-term bank loans and overdrafts recorded under liabilities		(7)	(10)	(28)

* Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see Note 11).

** Effect relating to the revaluation of core exposure at its weighted average cost, which has no cash impact (see Note 1.o).

*** Other restatements in 2009 included 39 million euros in relation to offsetting the Group's income tax charge.

In 2008, this item included (i) 45 million euros in relation to offsetting the Group's income tax charge and (ii) a negative 28 million euros to cancel the impact of changes in fair value of metal and foreign exchange derivatives.

In 2007, this item included (i) 84 million euros in relation to offsetting the Group's income tax charge and (ii) 54 million euros to eliminate the changes in fair value of metal and foreign exchange derivatives charge.

**** The Group also uses the "operating cash flow" concept which is calculated after adding back restructuring costs (44 million euros, 24 million euros and 22 million euros for 2009, 2008 and 2007 respectively), and deducting gross cost of debt and the current income tax charge.

Consolidated statement of changes in equity

(in millions of euros)	Number of shares outstanding	Capital stock	Additional paid-in capital
January 1, 2007	25,264,955	25	1,127
Net income for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Dividends paid	-	-	-
Capital increases	-	-	-
Employee stock option plans:	-	-	-
- Service cost	-	-	-
- Proceeds from share issues	413,400	0	7
Changes in scope of consolidation (buyout of minority interests)	-	-	-
Other	-	-	-
December 31, 2007	25,678,355	26	1,133
Net income for the year adjusted*	-	-	-
Other comprehensive income (loss)	-	-	-
Total comprehensive income (loss)	-	-	-
Dividends paid	-	-	-
Capital increase (Madeco)	2,500,000	2	146
Employee stock option plans**:	-	-	-
- Service cost	-	-	-
- Proceeds from share issues	179,375	0	6
Changes in scope of consolidation (buyout of minority interests)	-	-	-
Cancellation of treasury stock	(420,777)	(0)	(29)
Other	-	-	-
December 31, 2008 adjusted*	27,936,953	28	1,256
Net income for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Dividends paid	-	-	-
Capital increases	-	-	-
Employee stock option plans:	-	-	-
- Service cost	-	-	-
- Proceeds from share issues	75,975	0	2
OCEANE equity component (4% - 01/2016)	-	-	-
Changes in scope of consolidation (sale of minority interests)	-	-	-
Other	-	0	0
December 31, 2009	28,012,928	28	1,258

* Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see Note 11).

** Including shares issued under the 2008 ACT plan (see Note 21).

Treasury stock	Retained earnings	Changes in fair value and other	Cumulative translation adjustments	Equity excluding minority interests	Minority interests	Total equity
	377	(14)	36	1,551	38	1,589
-	189	-	-	189	7	197
-	1	29	(24)	6	(1)	5
-	190	29	(24)	195	7	202
-	(31)	-	-	(31)	(1)	(32)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6	-	-	6	-	6
-	-	-	-	7	-	7
-	-	-	-	-	(8)	(8)
-	(16)	10	-	(6)	-	(6)
-	526	25	12	1,722	36	1,758
-	83			83	2	85
-		(180)	(120)	(300)	2	(299)
-	83	(180)	(120)	(217)	4	(213)
-	(51)	-	-	(51)	(1)	(52)
-	-	-	-	148	4	152
-	-	-	-	-	-	-
-	6	-	-	6	-	6
-	-	-	-	6	-	6
-	-	-	-	-	(4)	(4)
-	-	-	-	(29)	-	(29)
-	(8)	2	1	(6)	0	(6)
-	555	(153)	(107)	1,579	39	1,618
-	8	-	-	8	4	12
-	-	180	132	312	(0)	312
-	8	180	132	320	4	324
-	(56)	-	-	(56)	(4)	(59)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	5	-	-	5	-	5
-	-	-	-	2	-	2
-	24	-	-	24	-	24
-	-	-	-	-	7	7
-	2	(1)	1	2	(4)	(2)
-	538	26	26	1,876	42	1,918

Notes to the consolidated financial statements

Note 1. Summary of significant accounting policies

a. General principles

Nexans is a French joint stock corporation (*société anonyme*) governed by the laws and regulations applicable to commercial companies in France, notably the French Commercial Code (*Code de Commerce*). The Company was formed on January 7, 1994 (under the name Atalec) and its headquarters are at 8 rue du Général Foy, 75008 Paris, France. Nexans is listed on the Euronext market (Compartment A) of NYSE Euronext Paris and forms part of the SBF 120 index.

The consolidated financial statements are presented in euros rounded to the nearest million. They were approved by the Board of Directors on February 9, 2010 and will become final upon approval by the Annual Shareholders' Meeting, which will take place on May 25, 2010 on first call.

The significant accounting policies used in the preparation of these consolidated financial statements are set out below. Except where otherwise indicated, these policies have been applied consistently to all the financial years presented.

• Basis of preparation

The consolidated financial statements of the Nexans Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, which can be viewed on the European Commission website at:

(http://ec.europa.eu/internal_market/accounting/ias/index-en.htm).

The application of IFRS as issued by the IASB would not have an impact on the financial statements presented. Nexans has elected not to early adopt the following interpretations issued by the International Financial Reporting Interpretations Committee but not yet endorsed by the European Union:

- IFRIC 15, Agreements for the Construction of Real Estate.
- IFRIC 18, Transfers of Assets from Customers.

The historical cost convention has been applied except for (i) derivatives; (ii) available-for-sale financial assets; and (iii) financial assets included in the calculation of net debt, which are measured at fair value.

• Exemptions applied on the first-time adoption of IFRS

The Group elected to apply the following exemptions as permitted under IFRS 1, First-time Adoption of International Financial Reporting Standards:

- Currency translation adjustments arising on the translation of the financial statements of foreign entities were recognized in consolidated reserves at January 1, 2004.
- All unrecognized cumulative actuarial gains and losses on employee benefit obligations were recorded in consolidated reserves at January 1, 2004.
- Business combinations that occurred prior to January 1, 2004 were not adjusted.
- IFRS 2, Share-based Payment was only applied to equity instruments granted after November 7, 2002.

At the date of transition to IFRS the other optional exemptions provided for under IFRS 1 were either not applied by the Group or did not have a material impact on the consolidated financial statements.

• New standards and standards amendments effective in 2009

- **Improvements to IFRSs issued in May 2008** as part of the IASB's annual improvements project. The 35 amendments to IFRSs set out in this document are effective from January 1, 2009 but did not have a material impact on the Group's 2009 financial statements.

- **Revised version of IAS 1**, Presentation of Financial Statements. The aim of the revised version of IAS 1 – which has been effective since January 1, 2009 – is to improve users' ability to analyze and compare the information given in financial statements. The Group adopted this revised standard in its interim financial statements at June 30, 2009, opting to distinguish the income statement from the statement of comprehensive income.

- **Amendment to IAS 23**, Borrowing Costs. The amended version of IAS 23 – which was published on March 29, 2007 and whose application is mandatory for annual periods beginning on or after January 1, 2009 – requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Group has applied this amended standard prospectively since January 1, 2009 for new projects launched as from that date. Application of the amended version of IAS 23 did not have a material impact on the Group's 2009 financial statements.

- **Amendment to IFRS 2**, Share-based Payment – Vesting Conditions and Cancellations. The amended standard, which has been effective since January 1, 2009, clarifies that vesting conditions are restricted to service conditions and performance conditions. Consequently, any other features of a share-based payment, such as non-compete clauses, are not vesting conditions and must be taken into account when estimating the grant-date fair value of the equity instruments.

The new version of the standard also specifies that all cancellations, whether initiated by the entity or another party, should receive the same accounting treatment, i.e. be recorded using an acceleration of vesting.

Application of the amended version of IFRS 2 did not have a material impact on the Group's 2009 financial statements.

- **Amendment to IFRS 7**, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments. The aim of this amendment is to improve the disclosure requirements about fair value measurement of financial instruments and reinforce existing disclosures about the liquidity risk associated with such instruments. This amendment is applicable for annual periods starting from January 1, 2009 but there is no requirement to provide comparative data for 2008.

The impact of this amendment on the Group's financial statements is not material in view of the disclosures already provided regarding liquidity risk. Additional disclosures on the fair value measurements of financial instruments are provided in **Note 27.d** and **Note 28.a**.

- **IFRS 8**, Operating Segments, which replaces IAS 14 for annual periods starting from January 1, 2009 and was applied by the Group in its interim financial statements at June 30, 2009.

The main impacts of this standard on the Group's financial statements are as follows:

- The Group's operating segments under IFRS 8 correspond to its business lines as these form the basis for Nexans' guidance long-term strategic vision as well as for the markets' analysis and understanding of its financial performance. This position is consistent with the approach adopted by the Group during its assessment of IAS 14 in 2005 when it defined its business lines as primary operating segments and geographic areas as secondary operating segments.
- The Group's reportable segments remain identical to those defined for the application of IAS 14, i.e. Energy, Telecom and Electrical Wires. This approach strengthens relevancy of the choices made at that date, giving the slow evolution of the Group's segments' structure.

The fact that IFRS 8 does not have any significant impact on the Group's operating segments reflects the considerable overlap between Nexans' accounting and operations reporting systems which are based on a single reporting tool and the same segmentation methods and accounting policies.

In addition, the Group has early adopted the amendments to IFRS 8 included in the Improvements to IFRSs issued by the IASB in April 2009. According to these amendments, a measure of total assets as well as liabilities must be reported for each reportable segment if such amounts are regularly provided to and reviewed by the chief operating decision maker.

Lastly, in accordance with the amendment to IAS 36, issued in April 2009 and early adopted by the Group, none of the Group's cash-generating units to which goodwill is allocated (see **Note 1.k**) are larger than an operating segment before aggregation.

- Application of the following amendments and interpretations was mandatory from January 1, 2009 but they are not relevant to Nexans in view of the Group's operations and organizational structure (see the consolidated financial statements at December 31, 2008 for further information on the amendments and interpretations that had been issued at that date):
- **Revised IAS 1 and IAS 32**, Puttable Financial Instruments and Obligations Arising on Liquidation.
- **Amendment to IFRS 1 and IAS 27**, Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate and consequential amendments to other standards.
- **Amendment to IAS 39 and IFRS 7**, Reclassification of Financial Assets – Effective Date and Transition
- **Amendment to IFRIC 9 and IAS 39**, Embedded Derivatives.
- **IFRIC 13**, Customer Loyalty Programmes.

- **The following new interpretations were already early adopted by the Group in its financial statements for the year ended December 31, 2008:**

- **IFRIC 11**, IFRS 2 – Group and Treasury Share Transactions.
- **IFRIC 12**, Service Concession Arrangements.
- **IFRIC 14**, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.
- **IFRIC 16**, Hedges of a Net Investment in a Foreign Operation.

- **Standards, interpretations and amendments to existing standards that are not yet effective but were early adopted by the Group in 2009**

- Amendment to **IFRS 8**, Operating Segments, relating to the reporting of segment assets, adopted by the Group in 2009 (see above). As segment assets and liabilities are not included in the indicators reviewed by Nexans' chief operating decision maker, a measure of these items is not reported in the segment information section of the notes to the consolidated financial statements.
- Amendment to **IAS 18**, Revenue, relating to determining whether an entity is acting as an agent or a principal, also adopted by the Group in 2009. Application of this amendment did not have a material impact on the Group's financial statements.
- Amendment to **IAS 36**, Impairment of Assets, issued in April 2009, which states that each cash-generating unit or group of cash-generating units to which goodwill is allocated must not be larger than an operating segment before aggregation. Application of this amendment did not have a material impact on the Group's financial statements.

- **Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Group**

The following new standards and interpretations are not expected to have a material impact on the Group's financial statements, except for the revised versions of IFRS 3 and IAS 27 which could have a material effect on the Group's accounting treatment of future external growth transactions:

- **Improvements to IFRSs** issued in May 2008 as part of the IASB's annual improvements project, relating to: (i) **IFRS 5**, Non-Current Assets Held for Sale and Discontinued Operations, concerning sale plans involving loss of control of a subsidiary and (ii) amendments to **IFRS 1**, First-time Adoption of International Financial Reporting Standards (consequential amendments following the amendments to **IFRS 5**).
- **Improvements to IFRSs** issued in April 2009 as part of the IASB's annual improvements project, except for the amendments to (i) **IFRS 8**, Operating Segments (see above) relating to the reporting of segment assets, adopted by the Group in 2009 and (ii) **IAS 18**, Revenue, relating to determining whether the entity is acting as an agent or a principal, also adopted by the Group in 2009.
- **Amendment to IAS 24**, Related Party Disclosures. This revised standard had not been adopted by the European Union at December 31, 2009.
- **Amendment to IAS 32**, Financial Instruments: Presentation – Classification of Rights Issues.
- **Amendment to IAS 39**, Financial Instruments: Recognition and Measurement – Eligible Hedged Items.

- **Amendment to IFRS 2**, Share-based Payment – Group Cash-settled Share-based Payment Transactions.

- **Revised version of IFRS 3**, Business Combinations (phase 2) and **revised IAS 27**, Consolidated and Separate Financial Statements.

- **IFRS 9**, Financial Instruments. This standard had not been adopted by the European Union at December 31, 2009.

- **Amendment to IFRIC 14, IAS 19** – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

- **IFRIC 15**, Agreements for the Construction of Real Estate.

- **IFRIC 17**, Distributions of Non-cash Assets to Owners.

- **IFRIC 18**, Transfers of Assets from Customers.

- **IFRIC 19**, Extinguishing Financial Liabilities with Equity Instruments.

- **Accounting estimates and judgments**

The preparation of consolidated financial statements requires Management to exercise its judgment and make estimates and assumptions.

The main sources of uncertainty relating to estimates are expanded upon where necessary in the relevant notes and relate to the following items:

- The recoverable amount of certain items of property, plant and equipment, intangible assets and goodwill, and determining the groups of CGUs used for goodwill impairment testing (see **Note 1.k**, **Note 1.n** and **Note 7**).
- Deferred tax assets not recognized in prior periods relating to unused tax losses (see **Note 1.v** and **Note 9**).
- Margins to completion and percentage of completion on long-term contracts (see **Note 1.g** and **Note 16**).
- The measurement of pension liabilities and other employee benefits (see **Note 1.t** and **Note 22**).
- Provisions and contingent liabilities (see **Note 1.u**, **Note 23** and **Note 31**).
- The measurement of derivative instruments (see **Note 1.bb** and **Note 27**).

These estimates and underlying assumptions are based on past experience and other factors considered reasonable under the circumstances. They serve as the basis for determining the carrying amounts of assets and liabilities when such amounts cannot be obtained directly from other sources. Actual amounts may differ from these estimates. The impact of changes in accounting estimates is recognized in 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.

The critical judgments made by Management in applying the Group's accounting policies mainly relate to the classification of derivatives as cash flow hedges (see **Note 1.bb** and **Note 27**).

b. Consolidation methods

The Nexans Group's financial statements include the financial statements of (i) Nexans SA; (ii) the subsidiaries over which Nexans exercises control; and (iii) associates accounted for by the equity method. The financial statements of subsidiaries and associates are prepared for the same period as those of the parent company. Adjustments are made to harmonize any differences in accounting policies that may exist. The Group does not currently have any joint ventures within the meaning of IAS 31.

Subsidiaries (companies controlled by Nexans) are fully consolidated from the date the Group takes over control through the date on which control is transferred outside the Group. Control is defined as the direct or indirect power to govern the financial and operating policies of a company in order to benefit from its activities.

Other companies over which the Group exercises significant influence, but which are not subsidiaries or joint ventures, are classified as **associates** and accounted for by the equity method. Significant influence is the power to participate in the financial and operating policy decisions of a company without holding a controlling interest. It is presumed to exist when the Group's direct or indirect interest is over 20%. Investments in associates (including the related amount of goodwill) are initially recognized in the statement of financial position at cost and are subsequently adjusted for post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in value. The consolidated income statement includes the share in net income of associates for the period.

The type of control or influence exercised by the Group is assessed on a case-by-case basis using the presumptions set out in IAS 27, 28 and 31. A list of the Group's main subsidiaries and associates is provided in **Note 32**.

Intra-group balances and transactions, including any intra-group profits, are eliminated in consolidation. Intra-group losses are also eliminated but may indicate that an impairment loss on the related asset should be recognized (see **Note 1.n**).

c. Translation of financial statements denominated in foreign currencies

The Group's financial statements are presented in euros. Consequently:

- The statements of financial position of foreign operations whose functional currency is not the euro are translated into euros at the year-end exchange rate.
- Income statement items of foreign operations are translated at the average annual exchange rate, which is considered as approximating the rate applicable to the underlying transactions.

The resulting exchange differences are included in other items of comprehensive income under "Currency translation adjustments" (see **Note 1.q**). Cash flow statement items are also translated at the average annual exchange rate.

The functional currency of an entity is the currency of the primary economic environment in which the entity operates and in the majority of cases corresponds to the local currency.

When a foreign operation is sold, any related translation adjustments recorded after the first-time adoption of IFRS and included in "Currency translation adjustments" are taken to the income statement. In the event of a partial disposal of a subsidiary without deconsolidation, the Group calculates the translation adjustments to be recorded in income using the direct method. This method consists of translating the financial statements of foreign subsidiaries or associates directly into the functional currency of the parent company.

Since January 1, 2006, no Group subsidiary has been located in a hyperinflationary economy within the meaning of IAS 29.

d. Translation of foreign currency transactions

Foreign currency transactions are translated at the exchange rate prevailing at the transaction date. In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, foreign currency monetary items in the statement of financial position are translated at the year-end closing rate. Any exchange gains or losses arising on translation are recorded as financial income or expense except if they form part of the net investment in the foreign operation within the meaning of IAS 21, in which case they are recognized directly in other comprehensive income under "Currency translation adjustments" (see **Note 1.q**).

Foreign exchange derivatives are measured and recognized in accordance with the principles described in **Note 1.bb**.

e. Business combinations

Business combinations are accounted for using the purchase method. On the first-time consolidation of a subsidiary, the assets, liabilities and contingent liabilities of the acquiree are recognized at fair value in compliance with IFRS 3. Goodwill arising on the acquisition is determined at the date of the takeover as the difference between the cost of the business combination and the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date (see **Note 1.k**).

The cost of a business combination is measured as the fair value of the assets given and/or equity instruments issued and liabilities incurred or assumed in exchange for control of the acquiree, plus costs directly attributable to the acquisition. Some business combinations include an adjustment to the purchase price for future events. These adjustments are included in the cost of the business combination at the acquisition date if the adjustment is probable and can be measured reliably.

The Group has a period of 12 months from the acquisition date to complete the initial accounting for a business combination.

f. Presentation of IFRS financial statements

In accordance with the revised version of IAS 1, Presentation of Financial Statements, assets and liabilities in the statement of financial position are classified as current or non-current. Assets and liabilities related to the operating cycle and those that are expected to be recovered or settled within 12 months of the period-end are classified as current, and all other assets and liabilities are classified as non-current. In compliance with IAS 12, all deferred tax assets and liabilities are classified as non-current.

Assets and liabilities, income and expenses, and cash inflows and outflows are not offset, except where permitted by the applicable accounting standards.

The consolidated income statement is presented by function (rather than by nature of expenses). Total payroll is presented in **Note 4**. As depreciation and amortization of non-current assets are almost exclusively related to production activities the corresponding expenses are included in "Cost of sales".

The "Changes in fair value of non-ferrous metal derivatives" line was created in the income statement in compliance with IAS 32 and IAS 39 as of January 1, 2005, to distinguish fair value adjustments relating to derivatives (forward purchases and sales of metals on organized markets, notably the LME) that do not qualify as cash flow hedges under IFRS (see **Note 1.bb**) from changes in fair value of the risks hedged in the underlying commercial contracts.

Other items of comprehensive income are presented in a separate performance statement entitled "Consolidated Statement of Comprehensive Income", in accordance with the option provided in IAS 1. For Nexans, these items mainly include currency translation differences as well as gains and losses on cash flow hedges set up using foreign exchange derivatives or non-ferrous metal derivatives.

In the consolidated statement of cash flows, cash flows from operating activities are presented using the indirect method, whereby net income attributable to equity holders of the parent company is adjusted for the effects of transactions of a non-cash nature and for changes in working capital requirement.

The consolidated statement of changes in equity includes information on (i) the amounts of transactions with equity holders acting in their capacity as equity holders; (ii) the balance of retained earnings at the beginning and end of the period; and (iii) a reconciliation between the carrying amount of each class of contributed equity and each reserve at the beginning and end of the period.

The presentation methods have been consistently applied from one year to the next.

g. Sales

Net sales

Net sales (at current metal prices) represent sales of goods and services deriving from the Group's main activities, net of value added taxes (VAT).

In accordance with IAS 18, revenue 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 measured at the fair value of the consideration received or due, which takes into account the financial impact of payment deferrals when they are significant.

Sales (and cost of sales) at constant metal prices

On an operating level, the effects of fluctuations in metal prices are passed on in selling prices.

To neutralize the effect of fluctuations in non-ferrous metal prices and thus measure the underlying trend in its business, the Group also presents its sales figure based on a constant price for copper and aluminum (the cost of sales figure is adjusted in the same way). For 2007, 2008 and 2009 these reference prices have been set at 1,500 euros per tonne for copper and 1,200 euros per tonne for aluminum.

Construction contracts

IAS 11 defines a construction contract as a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. They essentially cover the Group's high-voltage cable and umbilical cable activities.

Sales and revenue from construction contracts are recognized on a percentage-of-completion basis. The percentage of completion is determined based on physical criteria as follows:

- For the production phases, depending on the type of contract concerned, the physical stage of completion is estimated based on either (i) the ratio between the number of hours spent on the contract and the total number of budgeted hours or (ii) the quantity of manufactured and tested drums compared with the total quantity of drums to be produced.
- For the installation phases, the physical stage of completion is generally based on an analysis conducted in conjunction with the customer of the work performed, by reference to clearly defined technical milestones such as transport, linear meters of laid cables, or network connection.

When it is probable that total costs will exceed total contract revenue, the expected loss is recognized immediately in cost of sales. Work in progress on construction contracts is stated at production cost, including borrowing costs directly attributable to the contracts, in accordance with IAS 23, Borrowing Costs, but excluding administrative and selling expenses. 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 progress billings. If the balance obtained is positive, it is included in assets under "Amounts due from customers on construction contracts" and if it is negative it is recorded in liabilities under "Amounts due to customers on construction contracts".

Down payments received for construction contracts before the corresponding work is performed are recorded as customer deposits and advances on the liabilities side of the statement of financial position. They are taken to "Amounts due from customers on construction contracts" and "Amounts due to customers on construction contracts" as the progress billings are made.

h. Operating margin

Operating margin measures the Group's operating performance and comprises gross profit (which includes indirect production costs), administrative and selling expenses and research and development costs (see **Note 1.i**).

Share-based payments (see **Note 1.s**), pension operating costs (see **Note 1.t**) and employee profit-sharing are allocated by function to the appropriate lines in the income statement based on cost accounting principles.

Operating margin is measured before the impact of (i) revaluing core exposure (see **Note 1.i**); (ii) changes in fair value of non-ferrous metal derivatives; (iii) restructuring costs; (iv) gains and losses on asset disposals; (v) impairment losses recorded on property, plant and equipment or on goodwill following impairment tests; (vi) financial income and expense; (vii) income taxes; (viii) share in net income of associates; and (ix) net income from discontinued operations.

i. Core exposure effect

The core exposure effect corresponds to the change in the value of the Group's core exposure during the period (see **Note 26.d**), as calculated by the weighted average cost method at each period-end based on the volume of core exposure held by the Group at closing date. This impact results from the operating policies described in **Note 26.d** and is excluded from operating margin, in line with the Group's business model.

This item also includes the following, where appropriate:

- Provisions for impairment in value of the Group's core exposure (see **Note 1.o**).
- Adjustments made to reflect the impact of changes in volumes of core exposure during the period. This impact is generally limited, as the tonnage of core exposure is usually kept at a stable level from one period to the next, in accordance with the management principles described in **Note 26.d**. At operating margin level, core exposure is measured at close to its LIFO value, whereas at the level of operating income it is valued at weighted average cost (see **Note 1.o**).

j. Research and development costs

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Development costs are recognized as an intangible asset provided the following can be demonstrated:

- The technical and industrial feasibility of the project;
- Nexans' intention to complete the project and to use or market the ensuing products;
- The existence of a potential market (with adequate assurance in terms of volume and price) for the output of the product resulting from the project, or the product's internal usefulness;
- The availability of adequate resources required to complete the project;
- The ability to reliably measure the related costs.

Capitalized development costs are amortized over the estimated useful life of the project concerned, from the date the related product is made available.

Research and development costs to be rebilled to customers under the terms of construction contracts are included in "Amounts due from customers on construction contracts" and "Amounts due to customers on construction contracts".

k. Goodwill

In compliance with IFRS 3, Business Combinations, goodwill is not amortized; instead it is tested at least annually for impairment – in the last quarter of the year – and whenever there is an indication that it may be impaired.

In accordance with IAS 36, these impairment tests are carried out at the level of cash-generating units (CGUs) as determined by the Group, by comparing their recoverable amount with the book value of their capital employed (non-current assets and working capital requirement). The CGUs to which goodwill is allocated ("Goodwill CGUs") are determined based on the Group's legal entities but they also include certain cross-functional groupings within geographic areas or sub-segments which have integrated cash inflows. Each of the Group's Goodwill CGUs retain the same or larger structure than the Asset CGUs (see **Note 1.n**), and one Goodwill CGU may correspond to a group of Asset CGUs.

The impairment test methods used by the Group are described in **Note 1.n**. When the recoverable amount of a CGU or group of CGUs is lower than its carrying amount, an impairment loss is recorded in the income statement under "Net asset impairment". This impairment is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other non-current assets of the unit pro-rata on the basis of their carrying amount. In accordance with IFRIC 10, impairment losses recognized in a previous annual or interim period in respect of goodwill must not be reversed.

After verifying the identification process of the assets and liabilities acquired in a business combination and their valuation, any negative goodwill is immediately recorded in the income statement.

As IFRS does not currently provide any detailed guidance on how to account for the acquisition of minority interests, and pending application of the revised version of IFRS 3, when the Group acquires an additional interest in an entity that it already controls, the difference between the purchase price of the minority interest and the Group's equity in the underlying net assets is recognized in goodwill, without making any fair value adjustments to the assets and liabilities acquired.

l. Put options given to minority shareholders

In compliance with IAS 32, put options given to minority shareholders in subsidiaries are recognized as financial liabilities at their discounted value. Apart from the derecognition of the corresponding minority interests, the offsetting entry for these financial liabilities is not clearly specified in the applicable standards. In accordance with the recommendations of the Committee of European Securities Regulators (CESR), the Group has opted to record in goodwill the difference between the discounted value of the exercise price of the options and the amount of minority interests removed from equity.

This goodwill is adjusted each year to reflect the change in the exercise price of the options and the change in minority interests. This accounting treatment, which has no impact on net income for the period, best reflects the reality of these transactions, to the extent that it corresponds to the treatment that would be applied if the options were exercised immediately. However, it may have to be modified accordingly if any interpretations or standards are issued that do not permit such treatment.

m. Property, plant and equipment and intangible assets (excluding goodwill)

Property, plant and equipment and intangible assets are stated at cost less any accumulated depreciation or amortization and any accumulated impairment losses, if needed. When they are acquired under a business combination, their cost corresponds to their fair value.

The Group applies the cost model for the measurement of property, plant and equipment and intangible assets rather than the allowed alternative method that consists of regularly revaluing categories of tangible or intangible assets. Government grants are recognized as a deduction from the gross amount of the assets to which they relate.

Intangible assets primarily correspond to the following:

- Trademarks, customer relationships and certain supply contracts acquired in business combinations. Except in rare cases, trademarks are deemed to have an indefinite useful life. Customer relationships are amortized on a straight-line basis over the period during which the related economic benefits are expected to flow to the Group (between 10 and 25 years). Supply contracts can be deemed as having an indefinite useful life when they are automatically renewable. Otherwise, their useful lives generally correspond to the term of the contract.
- The costs for acquired or developed software, usually intended for internal use, to the extent that their cost can be reliably measured and it is probable that they will generate future economic benefits. These assets are amortized by the straight-line method over their estimated useful lives (generally three years).

Items of property, plant and equipment are depreciated by the straight-line method based on the following estimated useful lives:

Industrial buildings 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 periods are reviewed at each year-end. The residual value of the assets is taken into account in the depreciable amount when it is deemed significant. Replacement costs are capitalized to the extent that they satisfy the criteria in IAS 16.

Property, plant and equipment and intangible assets are derecognized when the risks and rewards incidental to ownership of the asset are transferred or when there is no future economic benefit expected from the asset's use or sale. Any gain or loss arising from the derecognition of an asset (difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement for the year the asset is derecognized (in the line "Net gains on asset disposals").

In accordance with IAS 23, directly attributable borrowing costs are included in the cost of qualifying assets when the construction of the assets commenced after January 1, 2009.

Assets acquired through leases that have the features of a financing arrangement are capitalized. Finance leases are not material for the Group. Leases under which a significant portion of the risks and rewards incidental to ownership is retained by the lessor are classified as operating leases. Payments made under operating leases (net of benefits received from the lessor) are expensed on a straight-line basis over the term of the lease.

n. Impairment tests

At each period-end, the Group assesses whether there is an indication that an asset may be impaired. Impairment tests are also carried out whenever events or changes in the market environment indicate that property, plant and equipment or intangible assets (including goodwill), may have suffered impairment. An impairment loss is recognized where necessary for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Intangible assets with indefinite useful lives are tested for impairment at least once a year.

For operating assets that the Group intends to hold and use over the long term, the recoverable amount of a CGU corresponds to the higher of fair value less costs to sell (where determinable) and value in use. Where the Group has decided to sell particular operations, the carrying amount of the related assets is compared with their fair value less costs to sell. Where negotiations in relation to such a sale are in progress, fair value is determined based on the best estimate of the outcome of the negotiations at the balance sheet date.

Value in use is calculated on the basis of the future operating cash flows determined in the Group's budget process and strategic plan, which represent Management's best estimate of the economic conditions that will prevail during the remainder of the asset's useful life. The assumptions used are made on the basis of past experience and external sources of information, such as discount rates and non-ferrous metal future prices. Whenever there is an indication that a cash-generating unit (CGU) may be impaired, the CGU concerned is tested for impairment in accordance with IAS 36 based on the following:

- The Asset CGU chosen (see **Note 1.k** for Goodwill CGUs) is a product line or group of product lines that represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The structure of the Group's Asset CGUs is such that it can take into account the synergies between product lines within a single legal entity or country or within the same sub-segment of a business (such as high-voltage cables).
- A discount rate corresponding to the expected market rate of return for a similar investment, specific to each geographic area, regardless of the sources of financing. The discount rates used are post-tax rates applied to post-tax cash flows. The recoverable amounts determined using these post-tax rates are the same as those that would be obtained by using pre-tax rates applied to pre-tax cash flows.
- Five-year business plans based on the Group's Budget and Strategic Plan for the first three years, and an extrapolation calculated in conjunction with local management for the last two years.
- The impact of changes in non-ferrous metal prices on future operating cash flows, determined on the basis of five-year metal futures prices at the date of the impairment tests, and assuming that the current hedging policy will be continued.
- Extrapolation of operational cash flows beyond five years based on growth rates specific to each geographic area.

The Group has defined indications of impairment based on (i) general financial information (e.g. operating performance during the current year, comparisons between actual data and forecasts); and (ii) indicators specific to each business or segment concerned, such as changes in metal prices or the loss of significant contracts. These indications are based on both internal and external sources of information.

Impairment losses (net of reversals) are recorded in the income statement under "Net asset impairment".

o. Inventories and work in progress

Inventories and work in progress are stated at the lower of cost and net realizable value.

The costs incurred in bringing the inventories to their present location and condition can be analyzed 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 according to the WAC method.

In compliance with IAS 23, since January 1, 2009, qualifying inventories have included directly attributable borrowing costs.

Inventories include core exposure, which represents the amounts required for the Group's plants to operate effectively. Its overall volume is generally kept stable and its levels are constantly replenished. However, the level of core exposure may have to be adapted at times, particularly in the event of a significant contraction or expansion in business volumes. The impact of changes in value of this component of inventory is shown in a separate line of the income statement (see **Note 1.j** above) and is included as a component of cash flows from operations in the cash flow statement.

Net realizable value of inventories is the estimated sale price in the ordinary course of business, less estimated completion costs and the costs necessary to carry out the sale. If the carrying amount of non-ferrous metal inventories is higher than their market value at the year-end, an impairment loss is only recognized when the products to which the assets are allocated have a negative production margin. As specified in **Note 1.i**, impairment losses on core exposure are recorded in the income statement under "Core exposure effect" whereas those concerning other categories of inventories are recognized as part of operating margin.

p. Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured using the amortized cost method. Interest-free short-term operating receivables are recognized at nominal value as the impact of discounting is not material.

Impairment of trade receivables is recorded whenever there is an objective indication that the Group will not be able to collect the full amounts due under the conditions originally provided for at the time of the transaction. The following are indicators of impairment of a receivable: (i) major financial difficulties for the debtor; (ii) the probability that the debtor will undergo bankruptcy or a financial restructuring; and (iii) a payment default. The amount of the impairment loss recorded represents the difference between the carrying amount of the asset and the estimated value of future cash flows, discounted at the initial effective interest rate.

The carrying amount of the asset is written down and the amount of the loss is recognized in the income statement under "Administrative and selling expenses". Where a receivable is irrecoverable, it is derecognized and offset by the reversal of the corresponding impairment loss. When a previously derecognized receivable is recovered the amount is credited to "Administrative and selling expenses" in the income statement.

q. Equity

In addition to capital stock, consolidated equity mainly includes the following:

- "Additional paid-in capital", which corresponds to the excess paid by shareholders of the parent company over the par-value price of a stock issue.
- "Retained earnings", mainly comprising (i) the non-distributed net income of the parent company, (ii) the Group's share in the retained earnings of fully-consolidated companies and companies accounted for by the equity method since their first-time consolidation date, and (iii) the equity component of OCEANE bonds.
- "Changes in fair value and other", which primarily includes changes in market value of (i) derivatives designated as cash flow hedges (see **Note 1.bb**), and (ii) available-for-sale financial assets (see **Note 1.x**).
- "Cumulative translation adjustments", used to record currency translation adjustments deriving from the translation of the financial statements of foreign subsidiaries (as from January 1, 2004, the date of the Group's first-time adoption of IFRS – see **Note 1.c**). This item also includes exchange gains and losses arising on receivables or payables that qualify as a net investment in a foreign operation within the meaning of IAS 21 (see **Note 1.d**), as well as changes in the fair value of derivatives that qualify as hedges of a net investment in a foreign operation (see **Note 1.bb**).
- Minority interests.

The Group considers that this definition of equity corresponds to the notion of contributed equity and reserves within the meaning of IAS 1. Without setting a particular limit, Nexans closely monitors its debt-to-equity ratio in order to ensure that (i) banking covenants are comfortably respected (see **Note 24.f**); and (ii) the Group has room to maneuver if it needs to raise new financing such as for an acquisition.

It is Group policy to account for transactions with minority interests in the same manner as transactions with unrelated third parties. Gains and losses on disposals to minority interests are recognized in the income statement. The acquisition of shares from minority interests generates goodwill as described in **Note 1.k**.

The costs directly attributable to the issue of new shares or options are recognized in equity as a deduction from the proceeds of the issue, net of tax.

Dividend payouts to the Group's shareholders are recognized as a liability in the Group's financial statements in the period in which the dividends are approved by Nexans' shareholders.

r. Treasury stock

The purchase price of treasury shares is deducted from equity. Gains and losses on the sale of these shares do not affect the income statement.

s. Share-based payments

Stock options are granted to managers and certain Group employees. These plans correspond to equity-settled share-based payment transactions and are based on the issue of new shares in the parent company (Nexans SA).

In accordance with IFRS 2, Share-based Payment, options are measured at fair value at the grant date (corresponding to the date on which the related plan is announced) mainly using the Black & Scholes option pricing model. Any changes in value after the grant date do not affect the recognized amounts.

The value of an option primarily depends on (i) market data at the grant date (share price and volatility, risk-free interest rate and expected dividends), (ii) conditions other than vesting conditions (such as non-compete clauses), and (iii) the option's expected life – an assumption that is determined by the Group taking into account various parameters including minimum holding periods prescribed by law. The value of granted options is recorded in payroll expenses on a straight-line basis from the grant date to the end of the vesting period, with a corresponding adjustment to equity.

The Group has also set up employee stock ownership plans that entitle employees to purchase shares at a discount to the market price. These plans are accounted for in accordance with IFRS 2 taking into account the valuation effect of the five-year lock-up period.

t. Pensions, statutory retirement bonuses and other employee benefits

In accordance with the laws and practices of each country where Nexans operates, the Group provides pensions, early retirement benefits and statutory retirement bonuses.

For basic social security and other Defined Contribution plans, expenses correspond to contributions made. No provision is recognized, as the Group has no payment obligation beyond the contributions due for each accounting period.

For Defined Benefit pension and similar plans, provisions are determined as follows:

- Using the projected unit credit method, which sees each service period as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. These calculations take into account assumptions with respect to mortality, staff turnover, discounting, projection of future salaries and the return on plan assets.
- The amount recognized in the statement of financial position corresponds to the value of the obligation less the fair value of plan assets at the year-end.
- Actuarial gains and losses – corresponding to experience adjustments and the effects of changes in actuarial assumptions – occurring since January 1, 2004 are not immediately recognized in the income statement, in application of the corridor method. Under this method, actuarial gains and losses that exceed 10% of the greater of the defined benefit obligation and the fair value of corresponding plan assets are amortized over the expected average remaining working lives of the participating employees.
- When the calculation of the benefit obligation results in an asset for the Group, the recognized amount cannot exceed the total net amount of the following: (i) unrecognized cumulative net actuarial losses and unrecognized past service cost; and (ii) the present value of available refunds and reductions in future contributions to the plan, less the present value of any minimum funding requirements.

In accordance with paragraph 58A of IAS 19 the Group ensures that the application of these principles does not result in a gain being recognized solely as a result of an actuarial loss or past service cost in the current period, or in a loss being recognized solely as a result of an actuarial gain in the current period.

- The Group analyzes the circumstances in which minimum funding requirements in respect of services already received may give rise to a liability at the year-end.

The financial component of the annual pension expense (interest cost after deducting the expected return on plan assets) is included in financial expenses (see **Note 5**).

Provisions for jubilee and other long-service benefits paid during the employees' service period are valued based on actuarial calculations comparable to the calculations used for pension benefit obligations, without any possibility of deferring the related actuarial gains and losses. They are included in the consolidated statement of financial position under "Other long-term employee benefit obligations".

u. 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 discounting is material, the provisions are determined by discounting expected future cash flows applying a pre-tax discount rate that reflects current market assessments of the time value of money. The discounting impact is recognized in financial income and expense and the effects of any rate fluctuations are recognized in the same account for which the provision was accrued.

A provision is set aside to fully cover restructuring costs when they relate to an obligation by the Group to another party resulting from a Management or Board decision, communicated before the year-end to those affected by said decision. Such costs primarily correspond to severance payments, early retirement benefits, costs for unworked notice periods, training costs of employees whose employment contracts have been terminated, and other costs linked to the shutdown of facilities.

Asset retirements and impairment of inventories and other assets, as well as other cash outflows directly linked to restructuring measures are also recorded under restructuring costs in the income statement.

v. Deferred taxes

Deferred taxes are recognized for temporary differences arising between the carrying amount and tax basis of assets and liabilities, as well as for tax losses available for carryforward. In accordance with IAS 12 a deferred tax asset or liability is not recognized for any temporary difference resulting from goodwill for which amortization is not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (except in the case of finance leases).

Deferred tax assets are recognized only to the extent that (i) it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, based on medium-term earnings forecasts for the company concerned. Same treatment is applied for deferred tax liability recognition. The Group ensures that the forecasts used for calculating deferred taxes are consistent with those used for impairment testing.

Deferred taxes are measured based on tax rates (and tax laws) that have been enacted or substantively enacted by the year-end. 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 enacted or substantively enacted, based on the initial recognition method for the corresponding deferred taxes.

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that (i) the Group is able to control the timing of the reversal of the temporary difference; and (ii) it is probable that the temporary difference will not reverse in the foreseeable future.

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.

w. Assets held for sale

Presentation in the consolidated statement of financial position

Non-current assets or groups of assets held for sale, as defined by IFRS 5, are presented on a separate line on the assets side of the statement of financial position. Liabilities related to groups of assets held for sale are shown on the liabilities side, also on a separate line. Non-current assets classified as held for sale cease to be depreciated from the date on which they fulfill the classification criteria for assets held for sale.

Presentation in the income statement

A group of assets sold, held for sale or whose operations have been discontinued is a major component of the entity if:

- it represents a separate major line of business or geographic area of operations;
- it is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- it is a subsidiary acquired exclusively for resale.

Where a group of assets sold, held for sale or whose operations have been discontinued is a major component of the entity, it is classified as a discontinued operation and its income and expenses are presented on a separate line of the income statement (net income from discontinued operations) comprising the total of:

- the post-tax profit or loss of discontinued operations; and
- the post-tax gain or loss recognized on the measurement at fair value less costs to sell or on the disposal of assets or groups of assets held for sale constituting the discontinued operation.

When a group of assets previously presented as "held for sale" ceases to satisfy the criteria in IFRS 5, each related asset and liability component – and, where appropriate, income statement item – is reclassified in the appropriate items of the consolidated financial statements.

x. Financial assets

Financial assets are initially recognized at fair value plus transaction costs directly attributable to the acquisition.

At subsequent reporting dates measurement and recognition depend on the classification of the financial asset concerned:

- Cash equivalents are measured at fair value through profit or loss.
- Other investments – which primarily correspond to investments in non-consolidated entities – are classified as available-for-sale financial assets. At each period-end, the fair value of investments quoted in an organized financial market is determined by reference to the published market price.

Changes in fair value are recorded in equity on a separate line called "Changes in fair value and other" (see **Note 1.q**) and are taken to the income statement upon disposal of the asset. Unlisted securities are measured at historical cost if their fair value cannot be determined reliably.

- Loans and receivables are measured at amortized cost method using the effective interest rate.

In the case of the last two categories, an impairment loss is recorded if there is an objective indication that the financial asset is impaired, such as a significant or prolonged decline in value. Any such impairment losses are irreversible for equity instruments classified as available-for-sale financial assets, and for unlisted shares in non-consolidated entities measured at cost.

y. Cash and cash equivalents

Cash and cash equivalents – whose changes are shown in the consolidated statement of cash flows – comprise the following:

- Cash and cash equivalents classified as assets in the statement of financial position, which include cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value;
- Bank overdrafts repayable on demand which form an integral part of the entity's cash management.

z. Financial liabilities

Financial liabilities are initially recognized at fair value, corresponding to their issue price less transaction costs directly attributable to the acquisition or issue of the financial liability. If the liability is issued at a premium or discount, the premium or discount is amortized over the life of the liability using the effective interest method. The effective interest method calculates the interest rate that is necessary to discount the cash flows associated with the financial liability through maturity to the net carrying amount at initial recognition.

aa. Hybrid instruments – OCEANE convertible/exchangeable bonds

Under IAS 32, Financial Instruments: Presentation, if a financial instrument has both a liability and an equity component, the issuer must account for these components separately according to their nature.

This treatment applies to OCEANE bonds which are convertible into new shares and/or exchangeable for existing shares, with the conversion option meeting the definition of an equity instrument.

The liability component is measured 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) for a similar instrument but which is not convertible/redeemable for shares.

The value of the conversion option is calculated as the difference between the issue price of the bonds and the value of the liability component. This amount is recognized in equity.

Following initial measurement of the liability and equity components, the liability component is measured at amortized cost. The interest expense relating to the liability is calculated using the effective interest method.

bb. Derivative instruments

Foreign exchange hedges

The Group uses derivatives (mainly forward purchases and sales of foreign currencies) to hedge the risk of fluctuations in foreign currency exchange rates. These instruments are measured at fair value, calculated by reference to the forward exchange rates prevailing at the year-end for contracts with similar maturity profiles.

Cash flow hedges

When foreign exchange derivatives are used to hedge highly probable future transactions (forecast cash flows or firm orders) that have not yet been invoiced, and to the extent that they satisfy the conditions for cash flow hedge accounting, the change in the fair value of the derivative comprises two elements:

- The effective portion of the unrealized or realized gain or loss on the hedging instrument, which is recognized directly in equity under "Changes in fair value and other" (see **Note 1.q**). Any gains or losses previously recognized in equity are recycled to the income statement in the period in which the hedged firm commitment impacts income, for example when the forecast sale is invoiced. These gains or losses are included in operating margin when they relate to commercial transactions.
- The ineffective portion of the realized or unrealized gain or loss, which is recognized in the income statement as financial income or expense.

Only derivatives negotiated with external counterparties are deemed as eligible for hedge accounting.

Hedges of a net investment in a foreign operation

When foreign exchange derivatives are used to hedge a net investment in a foreign operation with a view to managing the risk of currency fluctuations between the foreign operation's functional currency and the functional currency of its direct or indirect parent, the change in fair value of the derivative comprises two elements:

- The effective portion of the unrealized or realized gain or loss on the hedging instrument, which is recognized directly in equity under "Currency translation adjustments" (see **Note 1.q**). Any gains or losses on the hedging instrument previously recognized in equity are recycled to the income statement in the period in which the foreign operation is divested. In the event of a partial disposal where the foreign operation is not deconsolidated, the amount recycled to the income statement corresponds to a proportionate share of the related gains or losses recognized in equity. Gains or losses recycled to the income statement are recorded under "Net gains on asset disposals".
- The ineffective portion of the unrealized gain or loss, which is recognized in the income statement as financial income or expense.

Only derivatives negotiated with external counterparties are deemed as eligible for hedge accounting. These derivative instruments are not necessarily held by the entity which directly owns the foreign operation.

Derivatives that do not qualify for hedge accounting

Changes in fair value of derivatives that do not qualify for hedge accounting are recognized directly in the income statement as financial income or expense.

These derivatives notably include instruments used as economic hedges that were never or are no longer designated as hedges for accounting purposes.

Hedging of risks associated with fluctuations in non-ferrous metal prices

Forward purchases of non-ferrous metals which require physical delivery of the metals concerned are not included within the scope of IAS 39 and are recognized at the time of delivery.

Nexans uses futures contracts negotiated primarily on the London Metal Exchange (LME) to reduce its exposure to fluctuations in prices of non-ferrous metals (copper, and, to a lesser extent, aluminum and lead). These contracts are settled net in cash and constitute derivative instruments falling within the scope of IAS 39.

Cash flow hedges

Due to the sharp volatility in non-ferrous metal prices over the past several years, the Group has taken measures to enable a large portion of these derivative instruments to be classified as cash flow hedges as defined in IAS 39. Since November 1, 2006, whenever these instruments (i) are used to hedge future transactions (mainly purchases of copper wires and cathodes) that are highly probable but not yet invoiced, and (ii) meet the requirements in IAS 39 for cash flow hedge accounting, they are accounted for similarly to the above-described foreign exchange hedges that qualify for cash flow hedge accounting as follows:

- The effective portion of the unrealized gain or loss on the hedging instrument is recognized directly in equity under "Changes in fair value and other" (see **Note 1.q**). Any gains or losses previously recognized in equity are recycled to the income statement within operating margin in the period in which the hedged item (i.e. generally the purchases of copper wires or cathodes) affects income.
- The ineffective portion is recorded under "Changes in fair value of non-ferrous metal derivatives" in the income statement.

The number of Group entities permitted to use hedge accounting was extended in 2008, meaning that the majority of the metal derivatives used by the Group are now qualified as hedges, since then.

Derivatives that do not qualify for hedge accounting

Changes in fair value of derivatives that do not qualify for hedge accounting are recognized directly within operating income under "Changes in fair value of non-ferrous metal derivatives". Any realized gains or losses are recorded in operating margin when the derivatives expire.

cc. Earnings per share

Basic earnings per share are calculated by dividing net income attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period. The average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted for the number of ordinary shares bought back or issued during the period. Treasury shares held by Nexans, which are deducted from equity, are not included in the number of shares outstanding.

Diluted earnings per share are calculated by dividing:

- net income attributable to equity holders of the parent company adjusted for the finance cost recognized in the period in respect of the Group's convertible bonds; by

- the weighted average number of shares outstanding during the period, as adjusted for the effects of all dilutive potential ordinary shares and excluding treasury shares which are deducted from equity. The Group's stock options and convertible bonds are deemed to be dilutive potential ordinary shares.

For stock options, the diluted weighted average number of shares outstanding is calculated using the treasury stock method as provided for in IAS 33. Under this method the assumed proceeds from exercise of the rights attached to the dilutive instruments are regarded as having been used to repurchase ordinary shares at the average market price during the period. The number of shares thus obtained is then deducted from the total number of shares used for the diluted earnings per share calculation.

Note 2. Significant events of the year

a. Nexans' new Chairman and CEO takes office

The appointment of Frédéric Vincent as the new Chairman and CEO of Nexans took effect from the Annual General Meeting of May 26, 2009. Frédéric Vincent took over from Gérard Hauser, who left his position as Group Chairman but will retain his seat on the Board of Directors until May 2010. The handover brought an end to a transition process originally set in motion in 2006 when Frédéric Vincent was appointed Chief Operating Officer.

Nexans' new Chairman and CEO has reorganized Group Management so as to ensure greater responsiveness in light of the challenges brought about by the changes in the cable industry and the general economic environment. Accordingly, a new Management Committee was set up with effect from June 1, 2009, tasked with managing the Group and defining and directing its corporate strategy.

This Committee is chaired by the Chairman and CEO and its other members are:

- Frédéric Michelland, appointed Chief Financial Officer, Senior Corporate Executive Vice President.
- Pascal Portevin, Senior Corporate Executive Vice President in charge of defining and implementing commercial and innovation policies and responsible for the Middle-East, Russia and Africa, Asia-Pacific, North America and South America areas.
- Yvon Raak, Senior Corporate Executive Vice President in charge of defining and implementing industrial and logistics policies and responsible for the Europe area.

The role of the Group's Executive Committee is now to reflect on, debate and discuss the challenges facing the Group. Further to this reorganization, the Management Council no longer exists.

b. Signature of a final joint-venture agreement with Polycab

On March 3, 2009, Nexans announced that it had signed a final agreement with Polycab, India's largest cable company, for the creation of a joint venture to be majority-held by Nexans (50% + one share) and managed in close cooperation with its Indian partner.

Polycab currently employs over 3,500 people and generates around 600 million US dollars in sales from 12 plants which manufacture cables for the energy and building sectors.

The joint venture, whose headquarters will be based in Vadodara in the state of Gujarat, will cover the manufacturing and marketing of cables for the shipbuilding, materials handling, mining, railway rolling stock and wind power industries as well as the production of high- and medium-voltage terrestrial power cables.

Through this agreement, Nexans has teamed up with a high-quality partner to ensure the success of the Group's first industrial venture in the Indian market and spur its future development in a country where there are considerable growth opportunities to be tapped. The joint venture agreement is coherent with Nexans' development strategy which is aimed at growing the Group's leadership in the energy sector and strengthening its presence in emerging countries.

Construction of the joint venture's cable production unit began immediately and will be completed within around 24 months. The total amount of the investment is expected to represent just under 50 million euros. The new outfit is scheduled to start up operations in late 2011 and should reach cruising speed by around 2016 (generating estimated sales of 100 million euros at current metal prices). The impact of the new entity on the 2009 consolidated financial statements was not material.

c. Issue of OCEANE convertible/exchangeable bonds

On June 23, 2009, Nexans carried out a new issue of bonds convertible into and/or exchangeable for new or existing shares (OCEANE), due January 1, 2016, for an aggregate amount of 212.6 million euros. The issue comprised 4,000,000 bonds, each with a nominal value of 53.15 euros, representing an issue premium of 30% over the reference price of Nexans shares on Euronext Paris, i.e. 40.89 euros (reference price determined based on the average price, weighted by trading volumes, of Nexans shares on Euronext Paris from the start of trading on June 15, 2009 until the final issue procedures for the bonds were set on the same date).

The bonds entitle their holders to receive new and/or existing Nexans shares at a ratio of one share for one bond, subject to any subsequent adjustments. They bear interest at an annual rate of 4% and are redeemable at par, or 53.15 euros per bond, on January 1, 2016. Bondholders may request that the bonds be redeemed in advance on January 1, 2015.

The French Securities Regulator (*Autorité des Marchés Financiers*) approved the French prospectus for the issue under visa number 09-187 dated June 15, 2009.

The main purpose of the bond issue is to allow Nexans to reinforce its financial structure and flexibility. The net proceeds of the issue were allocated to financing the Group's general corporate needs and may also be used if required, in whole or in part, to finance specific development projects.

d. Changes in scope of consolidation

There were no significant changes in the scope of consolidation during 2009.

The main changes in the scope of consolidation in 2008 and 2007 were as follows:

- On December 5, 2008 Nexans and Sumitomo Electric Industries Ltd. (SEI) announced a joint venture to provide optical fibers cables for European terrestrial telecommunication networks. The partnership covers all FTTx applications with a focus on Fiber-To-The-Home (FTTH) roll-outs.

The transaction was cleared by the European Commission competition authorities on January 16, 2009 and was completed on January 30, 2009. At that date, SEI acquired a 40% stake in Opticable at a cost of 9.8 million euros, with Nexans retaining the residual 60% interest. The gain on the transaction was not material for the Group as a whole. Opticable will continue to be fully consolidated by Nexans.

In 2009 Opticable contributed 6.9 million euros to Nexans' consolidated sales (at current metal prices) and 2.7 million euros to operating margin.

- Following the signature of a definitive agreement on February 21, 2008, on September 30, 2008 Nexans acquired all of the cable operations of the Madeco group, the cable market leader in South America. Through this acquisition, Nexans has taken up a leading position in power cables in a high growth region.

The purchase was financed through:

- The issuance to Madeco of 2.5 million Nexans shares, with Madeco undertaking not to sell its shares until September 30, 2009 except for the purpose of intragroup reclassifications. In addition, Madeco has agreed not to sell more than 50% of its shares until March 31, 2010 (except for intragroup reclassifications). At December 31, 2009, following intra-group reclassifications, Madeco directly held all of these 2.5 million Nexans shares.
- The payment of a total amount of 393 million US dollars (excluding transaction costs), subject to final adjustments was based on accounts dated September 30, 2008. Part of the amount is payable in cash and the remainder through assuming liabilities. On July 9, 2009, Madeco informed Nexans that it had decided to launch arbitration proceedings in order to set the final adjustments to this amount. These proceedings were still ongoing at December 31, 2009. The amount disputed by Madeco represents less than 30 million US dollars.

Following the issuance of the above-mentioned 2.5 million Nexans shares, the Madeco group holds approximately 9% of Nexans' share capital. In accordance with the eighth resolution adopted at Nexans' Annual Shareholders' Meeting held on April 10, 2008, Guillermo Luksic, Chairman of Madeco, was appointed as a member of Nexans' Board of Directors for a four-year term, effective from September 30, 2008.

Nexans recorded 163 million euros in goodwill for this acquisition in its consolidated financial statements for the year ended December 31, 2008, before allocation to the fair-value assigned to the identifiable assets and liabilities.

In compliance with IFRS 3, the allocation of the purchase price to the fair values of the assets, liabilities and contingent liabilities acquired was completed in the third quarter of 2009. At December 31, 2009, the residual goodwill recognized in relation to Madeco amounted to 120 million euros, taking into account a favorable currency impact since the acquisition date. The main assets to which fair values were allocated are (i) property, plant and equipment (particularly manufacturing equipment in Brazil), (ii) intangible assets (customer relationships and trademarks in Peru and Brazil, and certain supply contracts), and (iii) the related deferred taxes. Adjusted financial statements have been prepared for 2008, to reflect the impacts of this purchase price allocation (see **Note 11**).

In 2009, Madeco's cables business contributed 437.0 million euros to Nexans' consolidated sales (at current metal prices) and 26.1 million euros to operating margin.

- On August 1, 2008, Nexans acquired the entire capital of the Italian company Intercond, a leading European manufacturer of special cables, mainly for industrial equipment including submarine operations.

Through this acquisition Nexans has strengthened its leadership position in the high-growth market of cables for industrial applications. Intercond was acquired based on an enterprise value of 87 million euros, and the transaction generated goodwill of 56 million euros at December 31, 2008, before allocation to identifiable assets and liabilities.

In compliance with IFRS 3, the allocation of the purchase price to the fair values of the assets, liabilities and contingent liabilities acquired was completed in the third quarter of 2009. At December 31, 2009, the residual goodwill in relation to Intercond amounted to 25 million euros (before impairment – see **Note 7**). The main items to which fair values were allocated correspond to (i) property, plant and equipment (manufacturing equipment, land and buildings), (ii) intangible assets (especially customer relationships), and (iii) the related deferred taxes. Adjusted financial statements have been prepared for 2008, to reflect the impacts of this purchase price allocation (see **Note 11**).

In 2009, Intercond contributed 27.3 million euros to Nexans' consolidated sales (at current metal prices) and a negative 2.5 million euros to operating margin.

- When the Group released its financial statements for the year ended December 31, 2007, it disclosed that it had entered into negotiations with a third party to sell its copper telecom cables business in Spain. The sale was completed in late May 2008 to the UK-based group B3 Cable Solutions – one of Europe's leading copper cable manufacturers – based on an enterprise value of 19.5 million euros.

This business contributed sales of 61 million euros (at current metal prices) in 2007 and 29 million euros for the first five months of 2008. The sale did not have a material impact on the Group's operating margin for 2008. The 5.8 million euro loss arising on the transaction was recorded under "Net gains on asset disposals" in the consolidated income statement.

- On November 30, 2007 Nexans acquired 70% of the shares in Multinacional Trade – a Spanish electrical equipment distributor – for 7.4 million euros. At the same time, the companies entered into a put/call agreement exercisable until January 1, 2011 concerning the residual 30% of Multinacional Trade's capital. For the twelve month period from November 2006 to November 2007, Multinacional Trade generated sales of about 32 million euros. Its principal supplier during that timeframe was Nexans, which accounted for some 70% of the company's total purchases

Multinacional Trade has only been consolidated since December 31, 2007 as the impact of this acquisition on Nexans' consolidated net sales, operating margin and net income figures for 2007 was not material. The final amount of goodwill recorded on this acquisition – including the minority put – totaled 6 million euros.

- At December 31, 2006, the Group had entered into negotiations to sell its remaining winding wires business in Canada and China, and at that date the balance sheet items of the entities concerned were classified under assets held for sale in accordance with IFRS 5.

In late April 2007, the Group completed the sale of its Simcoe facility in Canada to the US group Superior Essex for 9.8 million euros (not including the 7 million euro positive impact resulting from subsequent recoveries of working capital items that were excluded from the transaction). The sale gave rise to a 0.2 million euro capital gain, which was recognized in the income statement under "Net gains on asset disposals". For the first four months of 2007, the Simcoe facility reported sales at current metal prices and operating margin of 33 million euros and 2 million euros respectively.

The sale of Nexans Tianjin Magnet Wires and Cables in China was completed in July 2007. The transaction gave rise to a capital loss of 1.5 million euros which was recorded under "Net gains on asset disposals", and reduced net debt by 11.2 million euros. In first-half 2007 Nexans Tianjin Magnet Wires and Cables reported sales at current metal prices and operating margin of 19 million euros and 1 million euros respectively.

- In first-half 2007, Superior Essex exercised its option to purchase the 40% minority interest held by Nexans in Essex Nexans – a joint venture set up in 2005 to combine the European winding wire operations of Superior Essex and Nexans. The sale of this 40% stake was completed on June 28, 2007 for 22.4 million euros and gave rise to a 0.2 million euro gain (recognized in the income statement under "Net gains on asset disposals"). In addition, Essex Nexans repaid 11.3 million euros to Nexans, corresponding to financing granted to the joint venture.

In accordance with the applicable contractual provisions, and in view of Essex Nexans' EBITDA for the 2006 fiscal year, Nexans also received 3 million euros in additional purchase consideration in first-half 2007 relating to the 60% stake in the winding wires business that was transferred when the Essex Nexans joint venture was originally formed. This consideration was also included in the income statement under "Net gains on asset disposals".

e. Other significant events

• Share buyback programs:

- On January 30, 2008 the Board of Directors decided to implement a share buyback program representing a maximum amount of 70 million euros. A total of 420,777 shares were purchased under this program in 2008, at a cost of 29 million euros. All of these shares were cancelled by the Board on June 23, 2008.
- On April 22, 2008, the Board of Directors decided to implement a share buyback program representing a maximum of 26 million euros, or 257,000 shares. As stated in the notice issued by the Company on May 7, 2008, the purpose of the program was to cancel the purchased shares. At December 31, 2008, no shares had been bought back under this program, which expired on May 26, 2009.

• Employee share ownership plan:

- In 2007, Nexans announced its intention to carry out an employee rights issue involving the issuance of a maximum of 500,000 new shares to members of an employee share ownership plan. This rights issue – which was postponed until the first quarter of 2008 – resulted in the issuance of 91,525 new shares on March 28, 2008. The total expense recorded in first-half 2008 in relation to the plan was not material (less than 1 million euros).
- The plan included a non-leveraged element whereby employees could subscribe for Nexans shares at a per-share price based on a 20% discount to the market price. In accordance with the recommendations of the French Accounting Board (CNC) this part of the plan was recognized based on interest rates applicable in the personal investment market, corresponding to 6.36%.

The plan also included a “leveraged” element, whereby employees were provided with a capital guarantee plus a multiple based on share performance. The expense relating to this portion of the plan was measured by simulating the gain that an employee would have made by immediately selling on the open market the various underlying financial instruments. The assumptions used for this measurement were based on conditions applicable in the personal investment market (including a 6.36% discount rate). For information purposes, if the full amount of the 20% discount provided to employees was recorded as an expense, this would only have had a 0.3 million euro impact on the Group’s operating margin for 2008.

Note 3. Operating segments

The Group has identified three reportable segments within the meaning of IFRS 8:

- **Energy** – comprising power cables for energy infrastructures (low-, medium-, and high-voltage cables and related accessories), special cables for industry, and equipment cables for the building market. The Energy segment is made up of three operating segments: Energy Infrastructure, Building, and Industry.
- **Telecom** – which includes cables for private telecommunications networks, junction components for telecommunications network cables, and copper and optical fiber cables for public telecommunications networks. The Telecom segment is made up of two operating segments: Telecom Infrastructure and Local Area Networks.
- **Electrical Wires** – comprising wirerods, electrical wires and winding wires production operations. The Electrical Wires segment is made up of one operating segment.

The Group’s segment information also includes a column entitled “Other”, which mainly comprises certain specific or centralized activities carried out for the Group as a whole that give rise to expenses that are not allocated to the Group’s business lines. Two significant events occurred in relation to the Group’s segment information in 2009:

- The Group other segment incurred non-recurring expenses for the organization of its legal defense following investigations launched by a number of competition authorities against Nexans and other cable manufacturers.
- Nexans’ management team put in place a series of measures aimed at improving its working capital position, notably by speeding up turnover of non-ferrous metal inventories. These measures, combined with steps taken to adapt to a depressed operating environment, enabled the Group to significantly reduce its levels of non-ferrous metal inventories, including core exposure. From an accounting perspective, the reduction in core exposure resulted in a positive 37 million euro impact on operating margin in 2009, which is offset in the “Core exposure effect” line under “Operating income”. Core exposure is measured at historic value on a LIFO basis at operating margin level – a value that is lower than its resale value (see **Note 1.i**).

These operating segments form the basis for the monthly performance data presented to Nexans’ Management Committee⁽¹⁾ and Executive Committee for the purpose of overseeing the Group’s strategy and operations. They also constitute the principal vehicle for measuring and assessing Nexans’ operating performance based on operating margin, which is the Group’s main performance indicator.

(1) Nexans’ Management Committee comprises the Chairman and CEO as well as the three Senior Executive Vice Presidents. The Committee is the Group’s chief operating decision maker within the meaning of IFRS 8.

The Management Committee and Executive Committee also analyze the Group's performance based on geographic area.

Transfer prices between the various segments are generally the same as those applied for transactions with parties outside the Group.

Operating segment data are prepared using the same accounting policies as those applied for the consolidated financial statements, as described in the notes. The 2008 figures have been adjusted to take into account the fair value adjustments recorded in second-half 2009 following the completion of the initial accounting for the Madeco and Intercond acquisitions (see **Note 11**).

a) Information by reportable segment

2009 (in millions of euros)	Electrical Wires	Energy	Telecom	Other	Group total
Contribution to Net Sales at current metal prices	450	4,126	445	24	5,045
Contribution to Net Sales at constant metal prices	216	3,381	406	23	4,026
Operating Margin	1	229	22	(11)	241
Depreciation, amortization and impairment of assets (including goodwill)	(5)	(121)	(13)	(4)	(143)

2008 adjusted* (in millions of euros)	Electrical Wires	Energy	Telecom	Other	Group total
Contribution to Net Sales at current metal prices	899	5,292	594	14	6,799
Contribution to Net Sales at constant metal prices	325	3,929	508	14	4,776
Contribution to Net Sales at constant metal prices and 2009 exchange rates	321	3,874	509	14	4,718
Operating margin *	(3)	398	41	(13)	423
Depreciation, amortization and impairment of assets (including goodwill)*	(7)	(104)	(14)	(3)	(128)

* Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see **Note 11**).

2007 (in millions of euros)	Electrical Wires	Energy	Telecom	Other	Group total
Contribution to Net Sales at current metal prices	1,493	5,270	638	11	7,412
Contribution to Net Sales at constant metal prices	502	3,780	529	11	4,822
Contribution to Net Sales at constant metal prices and 2008 exchange rates	485	3,684	509	11	4,689
Operating margin	9	365	49	(14)	409
Depreciation, amortization and impairment of assets (including goodwill)	(37)	(59)	(16)	(9)	(122)

b) Information by major geographic area

2009 (in millions of euros)	France**	Germany	Norway	Other	Group total
Contribution to Net Sales at current metal prices	920	555	532	3,038	5,045
Contribution to Net Sales at constant metal prices	786	475	500	2,265	4,026
Non-current assets*	150	129	123	1,247	1,649

* Based on the location of the assets.

** Including Corporate activities.

2008 adjusted ⁽¹⁾ (in millions of euros)	France**	Germany	Norway	Other	Group total
Contribution to Net Sales at current metal prices	1,481	829	596	3,893	6,799
Contribution to Net Sales at constant metal prices	1,042	623	549	2,562	4,776
Contribution to Net Sales at constant metal prices and 2009 exchange rates	1,042	623	518	2,535	4,718
Non-current assets * ⁽¹⁾	146	128	95	1,157	1,526

* Based on the location of the assets.

** Including Corporate activities.

(1) Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see **Note 11**).

2007 (in millions of euros)	France**	Germany	Norway	Other	Group total
Contribution to Net Sales at current metal prices	1,839	852	484	4,237	7,412
Contribution to Net Sales at constant metal prices	1,083	621	440	2,678	4,822
Contribution to Net Sales at constant metal prices and 2008 exchange rates	1,083	621	428	2,557	4,689
Non-current assets *	147	98	108	799	1,152

* Based on the location of the assets.

** Including Corporate activities.

c) Information by major customer

The Group does not have any customers that individually accounted for over 10% of its sales in 2009, 2008 nor over 2007.

Note 4. Payroll, staff and staff training entitlement

		2009	2008	2007
Payroll costs (including payroll taxes)	(in millions of euros)	938	951	909
Staff of consolidated companies at year-end	(number of employees)	22,716	23,480	21,898
Staff training entitlement*	(in hours)	395,000	360,000	280,000

* Aggregate estimated number of training hours accumulated by staff at December 31 (French companies only). Costs incurred in relation to this training entitlement are recognized as expenses for the period and no related provision is recorded.

Payroll costs in the above table include share-based payments in accordance with IFRS 2. These amounts totaled 4.6 million euros in 2009, 5.8 million euros in 2008 (including 5.5 million euros relating to stock option plans) and 5.6 million euros in 2007. See **Note 21** for further information.

Note 5. Other financial expenses

(in millions of euros)	2009	2008	2007
Dividends received from non-consolidated companies	1	1	1
Provisions	(1)	0	0
Net foreign exchange loss	(19)	(11)	(19)
Discounting impact on employee benefit obligations*	(35)	(34)	(34)
Expected return on employee benefit plan assets*	15	19	19
Other	(6)	(6)	(4)
Other financial expenses	(45)	(31)	(37)

* See Note 22.

Note 6. Net gains on asset disposals

(in millions of euros)	2009	2008	2007
Net gains on disposal of non-current assets	15	8	3
Net gains (losses) on disposal of investments	2	(4)	1
Other	-	-	-
Net gains on asset disposals	17	4	4

Note 7. Net asset impairment

(in millions of euros)	2009	2008	2007
Impairment losses – non-current assets	(7)	(23)	(59)
Reversals of impairment losses – non-current assets	-	4	42
Impairment losses – goodwill	(14)	(0)	(4)
Negative goodwill recognized in the income statement	-	-	-
Net asset impairment	(21)	(19)	(21)

Principal movements

In the fourth quarter of each year the Group carries out impairment tests on goodwill, property, plant and equipment and intangible assets, based on estimated medium-term data provided by its business units (see **Notes 1.k** and **1.n**).

The 21 million euro net impairment loss recorded in **2009** related to:

- The partial write-down of goodwill allocated to the cash-generating unit comprising Cabloswiss and Intercond in Italy (corresponding to almost half of the total net impairment loss recognized by the Group during the year). This CGU – whose operations are focused on power cables for the Industry market – experienced a particularly sharp contraction in business as a result of the recent financial crisis.
- The partial write-down of goodwill for the “Harness” business recorded in first-half 2009 as this CGU was severely affected by the slump in the automotive market. Despite signs of a recovery in the last quarter of 2009, in application of IFRIC 10, Interim Financial Reporting and Impairment, the impairment loss recognized in the first half of the year could not be reversed.
- Capital expenditure – mainly maintenance outlay – incurred for Group operations (primarily metallurgy) that had already been fully written down in prior years and for which the current outlook does not justify a reversal of the corresponding impairment losses.

The 19 million euro net impairment loss recorded in **2008** related mainly to the full write-down of the property, plant and equipment of the “Vietnam” CGU recorded to reflect (i) the fact that legal reorganization of Nexans’ operations in Vietnam, carried out in conjunction with the Group’s local partner, proved more complex than originally anticipated; and (ii) a deterioration in Vietnam’s main economic indicators. Other impairment losses recorded in 2008 concerned maintenance expenditure incurred for CGUs which had been fully written down in prior years, mainly the metallurgy business and power cables for the infrastructure and building sectors in Italy.

The 21 million euros in net impairment losses recorded in **2007** related to various factors but were in line with the trends identified at previous balance sheet dates:

- The main impairment losses for the year concerned the Group’s almost fully written-down upstream businesses (wirerods and electrical wires). This reflects the impact on capital employed in these businesses caused by rises in raw material prices as well as the Group’s decision to focus these operations purely on its own internal requirements. One of the Group’s continuous-casting facilities in France was closed down in the second half of 2009 (see **Note 23.b**).

Infrastructure cable operations in Italy and the building sector cables business in Germany were also heavily written down once again in 2007 as the values in use of the CGUs to which they were allocated were not sufficiently high based on the units’ performances. The manufacturing unit for building sector cables in Germany was definitively closed in the first half of 2009 (see **Note 23.b**). An impairment loss was also recognized for the Telecom infrastructure cables CGU in Spain in order to align its carrying amount with its probable market value in view of the disposal process under way (see **Note 2.d**). These impairment losses represented an aggregate amount of 59 million euros.

An additional impairment loss was recorded for the goodwill relating to Liban Câbles following an adverse change in the discount rate applied due to a rise in the market risk premium as a result of heightened geopolitical pressure in Lebanon.

- Conversely, significant impairment loss reversals were recorded during the year relating to (i) China and, to a lesser extent, Morocco and Brazil on account of a strong growth outlook for these countries, particularly in view of the robust margin gains achieved in 2007; (ii) Germany, for Infrastructure cable operations following measures implemented to focus on higher value-added products; and (iii) Switzerland, albeit to a lesser extent, as business levels continued to pick up in this country. Altogether, reversals of impairment losses amounted to 42 million euros in 2007.

Main assumptions

The main assumptions applied by geographic area when preparing the business plans used in connection with impairment testing are listed below. The cash flow assumptions were updated in the last quarter of 2009 to incorporate Management’s most recent estimates of the Group’s future business levels.

- The discount rate assumptions applied in 2009 were lower than in 2008 for the majority of the Group’s countries, as borrowing costs and market risk premiums have returned to more normal levels following the strong rise in 2008 as a result of the liquidity crisis. As from 2009, perpetuity growth rate assumptions have been aligned with the OECD’s long-term growth forecasts, for all of the Group’s geographic areas.

	Discount rate (before tax) applied to future cash flows	Discount rate (after tax) applied to future cash flows	Perpetuity growth rate
2009			
Europe (euro zone)	11.8%	8.5%	2.0%
United States	10.4%	7.5%	2.0%
Canada	11.7%	8.5%	2.0%
Australia	12.9%	10.0%	3.0%
Brazil	12.8%	10.0%	3.0%
China	9.3%	8.5%	5.0%
Korea	12.6%	9.5%	4.0%
Egypt	13.7%	11.5%	6.0%
Chile	10.8%	9.5%	3.0%
Turkey	14.6%	11.5%	3.0%
Lebanon	15.7%	14.0%	5.0%
2008			
Europe (euro zone)	13.5%	9.0%	0% - 2.0%
United States	11.7%	8.5%	2.0%
Canada	11.7%	8.5%	0.5% - 2.0%
Australia	12.8%	10.0%	3.0%
Brazil	16.2%	11.5%	4.0%
China	12.0%	11.0%	4.0%
Korea	13.3%	10.0%	2.0% - 4.0%
Egypt	15.5%	13.0%	6.0%
Turkey	16.5%	13.0%	3.0%
Lebanon	20.6%	18.0%	5.0%
2007			
Europe (euro zone)	13.5%	9.0%	0.5% - 2.0%
United States	12.9%	9.0%	2.0%
Canada	12.9%	9.0%	0.5% - 2.0%
Australia	12.8%	10.0%	3.0%
China	12.0%	11.0%	4.0%
Korea	13.3%	10.0%	2.0% - 4.0%
Brazil	16.2%	11.5%	4.0%
Turkey	16.7%	13.5%	3.0%
Lebanon	20.2%	18.0%	5.0%

- The estimated cash flows used for the Group's impairment tests at December 31, 2009 were based on 5-year metal price trends at end-September 2009. The terminal value applied is generally equivalent to or approximates the latest available market forecast value. The aluminum and copper price forecasts used were as follows:

Euro/tonne	Copper	Aluminium
2010	4,207	1,338
2011	4,156	1,383
2012	4,083	1,412
2013	3,993	1,438
2014	3,916	1,468
Terminal value	3,916	1,468

The assumptions applied for short- and medium-term copper prices were higher than those used in 2008, reflecting recent market trends. The assumptions used for the 2008 impairment tests were as follows:

Euro/tonne	Copper	Aluminium
2009	3,288	1,704
2010	3,357	1,811
2011	3,417	1,903
2012	3,461	1,972
2013	3,489	2,034
Terminal value	3,489	2,034

Major Goodwill CGUs

The CGUs that held intangible assets with indefinite useful lives and/or goodwill representing a material amount at Group level were as follows at December 31, 2009:

- Australia – a CGU that comprises the Olex group acquired in 2006, covering business both in Australia (representing the majority of Olex's operations) and New Zealand. At end-December 2009, this CGU held 16 million euros worth of intangible assets with indefinite useful lives and 137 million euros in goodwill.
- South America – a CGU that mainly comprises the Madeco sub-group but also includes Nexans' long-standing business in Brazil. This CGU held 120 million euros in goodwill at December 31, 2009 (after the final fair value allocations for the Madeco acquisition – see **Note 2.d**), as well as 31 million euros worth of intangible assets with indefinite useful lives.

- The CGU comprising the Italy-based operations of Intercond and Cabloswiss, which held 24 million euros in goodwill (after the final fair value allocations for the Intercond acquisition – see **Note 2.d**), as well as 2 million euros worth of intangible assets with indefinite useful lives.

The recoverable amounts of these CGUs were determined based on their value in use in accordance with the method described in Note 1.n, using the latest available medium-term forecasts (2010-2012) approved by Group Management. The other key assumptions used for these cash flow projections are described above.

Sensitivity analyses

Impairment calculations are based on the latest projections approved by Group Management as well as the main assumptions described above.

- A 50 basis-point increase in the discount rate used for all the sensitive CGUs reviewed in 2009 compared with the assumptions presented above would result in a rise in the amount of impairment losses recorded of around 33 million euros, mainly relating to the Australia and Intercond/Cabloswiss CGUs.
- The calculations presented above are based on metal price assumptions at September 30, 2009. In view of the rise in copper prices in the last quarter of 2009, revised calculations based on metal prices at December 31, 2009 could lead to a maximum 15 million euro rise in the amount of impairment losses recorded (without taking into consideration the favorable impact of the increase in copper prices on the Group's profitability).

The main impacts would relate to the Australia and Intercond/Cabloswiss CGUs. For information purposes, metal prices at December 31, 2009 were as follows:

Euro/tonne	Copper	Aluminium
2010	5,163	1,601
2011	5,169	1,657
2012	5,120	1,694
2013	5,025	1,718
2014	4,918	1,737
Terminal value	4,918	1,737

- The final significant variability factor identified during the impairment tests performed in 2009 concerned the "France Building Cables" CGU which is particularly sensitive in terms of selling prices as its market is historically volatile (although no impairment losses were recorded in 2009 based on the assumptions applied to calculate value in use). The following changes compared with the assumptions applied would have the following impacts:

- If prices from 2010 onwards remain on a par with 2009, or dip only slightly, the entire 9 million euros worth of accumulated impairment losses recorded for this CGU would be reversed.

- Conversely, if average prices in 2010 decrease by over 30% compared with those for 2009, additional impairment losses would be recorded on this CGU.

Note 8. Assets and groups of assets held for sale

The Group had no material assets or groups of assets held for sale at either December 31, 2009 or 2008.

However, at June 30, 2009, the Group's "North American Rodmill" business in Canada was classified under assets and groups of assets held for sale in view of the disposal process under way at that date. A sale agreement for this business was signed in early July 2009 but completion was subject to a number of conditions precedent based on factors such as financing for the transaction and setting up copper supply contracts that involve external parties. As these conditions were not fulfilled in the third quarter of 2009, at December 31, 2009 the North American Rodmill business was no longer classified as held for sale.

At December 31, 2007, groups of assets held for sale mainly included:

- The Harness business, for which the Group had launched a sale consultation process with a financial intermediary. As from December 31, 2008, however, the Harness business was no longer considered to be a group of assets held for sale as negotiations with the third parties concerned had been terminated as no agreement could be reached on the business's realizable value.
- The copper telecom cables business in Spain, which was sold during the first half of 2008 (see **Note 2.d**).

In accordance with IFRS 5, at December 31, 2007 the assets and liabilities of these businesses were presented under "Assets and groups of assets held for sale" and "Liabilities related to groups of assets held for sale" in the consolidated balance sheet. However, as these operations did not meet the criteria in IFRS 5 for separate presentation in the income statement, the related income and expense items were included line by line in the corresponding income statement headings for continuing operations in the Group's consolidated income statement for 2007.

Breakdown of assets and groups of assets held for sale

At December 31, in millions of euros	2009	2008	2007
Property, plant and equipment and intangible assets	-	-	47
Inventories and work in progress, net	-	-	46
Trade receivables and other assets	1	1	57
Assets of businesses held for sale	1	1	150
Other assets held for sale	-	-	-
Total assets and groups of assets held for sale	1	1	150
Pension and other retirement benefit obligations	-	-	3
Provisions	-	-	3
Financial liabilities	-	-	-
Trade payables	1	1	37
Other liabilities	-	-	1
Liabilities related to groups of assets held for sale	1	1	45

Note 9. Income taxes

a. Analysis of the income tax charge

(in millions of euros)	2009	2008 adjusted*	2007
Current income tax charge	(44)	(64)	(64)
Deferred income tax benefit (charge), net	5	19	(19)
Income tax charge	(39)	(45)	(84)

* Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see **Note 11**).

Nexans SA heads a tax group in France that comprised 13 companies in 2009. Other tax groups have been set up where possible in other countries, including in Germany and North America.

In France, local business tax (taxe professionnelle) will be abolished as from 2010 and replaced by a new "territorial economic tax" (contribution économique territoriale – CET), which includes a contribution based on companies' "value added" (cotisation sur la valeur ajoutée des entreprises – CVAE). The Group expects to classify the CVAE as falling within the scope of application of IAS 12 and therefore this new contribution would be included in the "Income taxes" line in the 2010 consolidated income statement.

Based on this classification decision, deferred taxes would need to be recognized for 2009. However, as the Group's analyses showed that the amount concerned was not material (deferred tax liabilities of around 2 million euros), no such deferred taxes were recognized at December 31, 2009.

b. Effective income tax rate

The effective income tax rate was as follows for 2009, 2008 and 2007:

(in millions of euros)	2009	2008 adjusted*	2007
Income before taxes	51	131	281
Standard tax rate applicable in France (in %)	34.43%	34.43%	34.43%
Theoretical income tax expense	(18)	(45)	(97)
Effect of:			
- Differences in current tax rates of foreign countries	7	2	6
- Expenses not deductible for tax purposes	(5)	(7)	(10)
- Unused tax losses and other deductible temporary differences for the period not recognized as deferred tax assets	(40)	(11)	(13)
- Utilization during the period of unused tax losses and other deductible temporary differences not previously recognized as deferred tax assets	0	4	24
- Income/(expenses) arising from tax losses and other deductible temporary differences due to changes in caps on tax rates during the period	(16)	(1)	11
- Income not subject to tax or taxed at a reduced rate	15	3	1
- Changes in tax rates	0	(0)	(6)
- Tax credits	11	1	-
- Adjustments in respect of prior years and other impacts	7	9	0
Actual income tax expense	(39)	(45)	(84)
Effective tax rate (in %)	75.45%	34.35%	29.84%

* Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see **Note 11**).

The theoretical income tax expense is calculated by applying the parent company's tax rate to pre-tax consolidated income.

In the 2008 adjusted financial statements, prepared in order to reflect the impacts of completing the initial accounting for Madeco and Intercond (see Note 11), the Group recorded a 4.6 million deferred tax gain in the adjusted income statement resulting from a change in tax legislation in Italy during the first half of 2009. Under this new law, the tax bases of certain property, plant and equipment could be increased retrospectively at December 31, 2008. As a result, the assets concerned were measured at their fair value for tax purposes, approximating the amount allocated to them when they were valued at the acquisition date. This impact is included in "Adjustments in respect of prior years and other impacts" in the tax proof presented above.

In addition, at end-July 2009 Nexans merged its long-standing subsidiary Nexans Brazil with Ficap – a subsidiary of the Madeco sub-group that operates in Brazil. Following the merger of these two legal entities the goodwill recognized in Nexans Brazil's statutory accounts following the September 2008 acquisition of Ficap became deductible for tax purposes. The corresponding deferred tax gain was recognized in the 2009 consolidated income statement in an amount of 11 million euros (after a reduction to take into account earnings forecasts). The decision to merge the two entities was taken in May 2009 by Nexans' management team, after analyzing all of the potential operating and organizational impacts. The merger led to a reorganization of Nexans' manufacturing and administrative operations in Brazil. This impact is included in "Adjustments in respect of prior years and other impacts" in the tax proof presented above.

c. Taxes recognized directly in equity

The impact of taxes on comprehensive income can be analyzed as follows for 2009, 2008 and 2007:

2009 (in millions of euros)	Gross value	Tax effect	Net impact
Available-for-sale financial assets			
- Gains (losses) generated during the year	-	-	-
- Amounts recycled to the income statement	-	-	-
Currency translation adjustments			
- Gains (losses) generated during the year	139	(7)	132
- Amounts recycled to the income statement	-	-	-
Cash flow hedges			
- Gains (losses) generated during the year	253	(59)	194
- Amounts recycled to the income statement	(13)	(1)	(14)
Other comprehensive income	379	(67)	312

2008 (in millions of euros)	Gross value	Tax effect	Net impact
Available-for-sale financial assets			
- Gains (losses) generated during the year	(2)	-	(2)
- Amounts recycled to the income statement	-	-	-
Currency translation differences			
- Gains (losses) generated during the year	(124)	6	(118)
- Amounts recycled to the income statement	-	-	-
Cash flow hedges			
- Gains (losses) generated during the year	(230)	58	(172)
- Amounts recycled to the income statement	(12)	5	(7)
Other comprehensive income (loss)	(368)	70	(299)

2007 (in millions of euros)	Gross value	Tax effect	Net impact
Available-for-sale financial assets			
- Gains (losses) generated during the year	1	-	1
- Amounts recycled to the income statement	-	-	-
Currency translation differences			
- Gains (losses) generated during the year	(24)	-	(24)
- Amounts recycled to the income statement	-	-	-
Cash flow hedges			
- Gains (losses) generated during the year	29	(13)	16
- Amounts recycled to the income statement	23	(10)	13
Other comprehensive income	28	(23)	5

At December 31, 2009, taxes recognized directly in other comprehensive income (recycled reserves) – which mainly related to fair value adjustments on derivatives designated as cash flow hedges and primarily corresponded to deferred tax liabilities – totaled 10 million euros, breaking down as follows:

(at December 31, in millions of euros)	2009	2008	2007
By type of underlying			
Metal derivatives – cash flow hedges	(6)	45	3
Foreign exchange derivatives – cash flow hedges	(2)	6	(15)
Net investments in foreign operations and related hedges	(2)	6	-
Total deferred taxes recognized directly in other comprehensive income	(10)	57	(13)

Deferred and current taxes on cash flow hedges are recorded in “Changes in fair value and other”. Deferred and current taxes related to net investments in foreign operations and related hedges are presented within “Currency translation differences”. These taxes will be recycled to the income statement in the periods when the hedged items affect income.

In addition, a deferred tax asset was recognized directly in equity on the option component of the OCEANE 2013 and 2016 bonds at the time of their issue, corresponding to 13 million euros in June 2009 and 10 million euros in July 2006 (see **Note 21.f**).

d. Deferred taxes recorded in the balance sheet

Deferred taxes break down as follows by type of temporary difference:

(in millions of euros)	Dec. 31, 2008 adjusted*	Impact on the income statement	Translation adjustments	Business combinations	Impact on equity	Other	Dec. 31, 2009
Goodwill	14	22	3	-	-	-	39
Intangible assets	(47)	2	(3)	-	-	-	(48)
Property, plant and equipment	(36)	(2)	0	-	-	-	(38)
Long-term financial assets	0	-	0	-	-	-	0
Inventories	(18)	16	0	-	-	-	(2)
Receivables	(19)	(12)	(1)	-	-	-	(32)
Provisions	24	14	1	-	-	-	39
Financial liabilities	(3)	6	0	-	(13)	-	(10)
Current liabilities	6	(1)	0	-	-	1	6
Mark-to-Market of metal and foreign exchange derivatives and net investments hedges	60	(7)	0	-	(67)	-	(14)
Other	(1)	(7)	9	-	-	-	1
Tax losses carried forward	246	29	(15)	-	-	-	259
Deferred tax assets (gross) and deferred tax liabilities	225	60	(6)	-	(79)	1	200
Unrecognized deferred tax assets	(203)	(55)	5	-	-	-	(252)
Net deferred taxes	22	5	(1)	-	(79)	1	(52)
Of which recognized deferred tax assets	92	-	-	-	-	-	57
Of which deferred tax liabilities	(70)	-	-	-	-	-	(109)

* Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see **Note 11**).

(in millions of euros)	Dec. 31, 2007	Impact on the income statement	Translation adjustments	Business combinations	Impact on equity	Other	Dec. 31, 2008 adjusted*
Tax losses carried forward	225	21	-	-	-	-	246
Other temporary differences	(63)	1	(5)	(20)	70	(4)	(21)
Deferred tax assets (gross) and deferred tax liabilities	162	22	(5)	(20)	70	(4)	225
Unrecognized deferred tax assets	(199)	(8)	-	-	-	4	(203)
Net deferred taxes	(37)	14	(5)	(20)	70	0	22
Of which recognized deferred tax assets	48	-	-	-	-	-	92
Of which deferred tax liabilities	(85)	-	-	-	-	-	(70)

* Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see **Note 11**).

At December 31, 2009, 2008 and 2007, deferred tax assets in the respective amounts of 252 million euros, 203 million euros and 199 million euros were not recognized as the Group deemed that their recovery was not sufficiently probable. These mainly concern the tax losses described in **Note.e.** below.

e. Tax losses carried forward

Unused tax losses carried forward represented potential tax benefits of 259 million euros at December 31, 2009 (246 million euros and 225 million euros at December 31, 2008 and 2007 respectively). The main tax entities to which these tax losses related at that date were as follows:

- German subsidiaries, in an amount of 165 million euros (156 million euros and 157 million euros at December 31, 2008 and 2007 respectively).
- French subsidiaries, in an amount of 29 million euros (22 million euros and 15 million euros at December 31, 2008 and 2007 respectively).
- Italian subsidiaries (excluding Intercond), in an amount of 18 million euros (23 million euros and 27 million euros at December 31, 2008 and 2007 respectively).

For countries in a net deferred tax asset position after offsetting deferred tax assets and deferred tax liabilities arising from temporary differences, the net deferred tax asset recognized in the balance sheet is determined based on updated business plans as described in **Note 1.v.**

The potential tax benefits deriving from tax losses carried forward break down as follows by expiry date:

(in millions of euros)	2009	2008	2007
Year y+1	9	29	36
Year y+2 to y+4	32	39	5
Year y+5 and subsequent years	218	178	184
Total	259	246	225

f. Taxable temporary differences relating to interests in subsidiaries, joint ventures and associates

No deferred tax liabilities have been recognized in relation to temporary differences where (i) the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future; or (ii) the reversal of the temporary difference will not give rise to a tax payment (notably concerning the abolition in France of capital gains tax on sales of securities as from 2007).

Note 10. Earnings per share

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

	2009	2008 adjusted*	2007
Net income attributable to equity holders of the parent company (in millions of euros)	8	83	189
Impact of interest expense (OCEANE bonds)	24	16	15
Impact of interest expense (OCEANE bonds) net of tax	16	11	10
Adjusted net income attributable to equity holders of the parent company (in millions of euros)	24	94	199
Net income from discontinued operations	-	-	-
Average number of shares outstanding	27,974,134	26,059,046	25,553,906
Average number of OCEANE bonds	5,898,147	3,794,037	3,794,037
Average number of stock options	149,467	354,153	547,659
Average number of diluted shares	34,021,748	30,207,236	29,895,603
Attributable net income from continuing operations per share (in euros)			
- basic earnings per share	0.29	3.21	7.41
- diluted earnings per share	0.71	3.12	6.67
Attributable net income from discontinued operations per share (in euros)			
- basic earnings per share	-	-	-
- diluted earnings per share	-	-	-
Net income per share attributable to equity holders of the parent company (in euros)			
- basic earnings per share	0.29	3.21	7.41
- diluted earnings per share	0.71	3.12	6.67

* Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see Note 11).

Note 11. Goodwill

	Gross	Impairment losses	Carrying amount
January 1, 2007	197	(23)	174
Business combinations	35	-	35
Disposals	(1)	1	-
Impairment losses	-	(4)	(4)
Translation adjustments	(5)	-	(5)
Other movements**	(10)	2	(8)
December 31, 2007	216	(24)	192
Business combinations*	141	-	141
Disposals	-	-	-
Impairment losses	-	-	-
Translation adjustments	(32)	(1)	(33)
Other movements**	8	-	8
December 31, 2008 adjusted*	333	(25)	308
Business combinations	(1)	-	(1)
Disposals	-	-	-
Impairment losses	-	(14)	(14)
Translation adjustments	49	-	49
Other movements**	(7)	-	(7)
December 31, 2009	374	(39)	335

* Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see **Note 11**).

** Including classification as assets and groups of assets held for sale (IFRS 5).

Goodwill is tested for impairment at least once a year and whenever there is an indication that it may be impaired, using the methods and assumptions described in **Notes 1.k, 1.n** and **7**.

As there were no significant changes in scope of consolidation in **2009**, movements in goodwill during the year primarily related to fluctuations in exchange rates as well as impairment losses (see **Note 7**).

During **2008**, the main additions to goodwill related to the following:

- The acquisition on September 30, 2008 of the Madeco group's cables business, mainly comprising five operating companies (Indelqui in Argentina, Cedsa in Colombia, Ficap in Brazil, Indeco in Peru and Madeco Cables in Chile) – see **Note 2.d**.

This acquisition was settled through (i) a cash payment representing the equivalent of 257 million euros, including transaction costs (subject to final adjustments based on accounts at September 30, 2008) and (ii) the issue of 2.5 million new Nexans SA shares valued at 148 million euros. The 59.2 euro per share fair value used in the consolidated financial statements for this acquisition corresponded to the average share price between the opening and closing prices for Nexans SA shares during trading on September 30, 2008.

The purchase price for Madeco did not include any earn-out payments. Nexans acquired control of the business on October 1, 2008.

The provisional goodwill on the acquisition – recognized when the Madeco group's cables business was consolidated for the first time – amounted to 173 million euros. However, taking into account the depreciation of local currencies in the last quarter of 2008, the euro equivalent of the goodwill recognized on Madeco was 163 million euros in the consolidated financial statements for the year ended December 31, 2008.

- The initial accounting for the business combination was completed in 2009 and the provisional goodwill recognized on the acquisition was reduced from 173 million euros to 111 million euros (as at the date of first-time consolidation). This amount breaks down as follows:

(in millions of euros)		Madeco acquisition in 2008
Acquisition price		405
<i>o/w portion paid in cash and cash equivalents</i>		257
Acquisition price (A)		405
Assets		
Non-current assets (including financial assets)		213
Inventories		113
Receivables		93
Cash and cash equivalents		37
Deferred tax assets		6
Other assets		26
Liabilities		
Provisions		29
Financial liabilities		49
Deferred tax liabilities		17
Other liabilities		95
Net assets acquired (including minority interests)		298
Minority interests in net assets acquired ⁽¹⁾		4
Net attributable assets acquired (B)		294
Goodwill (A) – (B)		111

(1) In accordance with the accounting policies described in **Note 1.k**, minority interests in the Madeco group have been measured at historical cost. They mainly correspond to the 4% stake held by minority interests in Indeco.

The 405 million euro acquisition price includes a firm commitment to purchase the remaining 20% interest in Cedsa (Nexans Colombia) in 2009.

Final purchase price allocation for the Madeco group

The difference between (i) the 163 million euros in provisional goodwill recognized on the acquisition of the Madeco group in the financial statements for the year ended December 31, 2008 (representing 173 million euros at the first-time consolidation date, adjusted for currency effects in the last quarter of 2008) and (ii) the final goodwill amount of 101 million euros recognized in the 2008 adjusted financial statements after completion of the Madeco purchase price allocation (representing 111 million euros at the first-time consolidation date, adjusted for currency effects in the last quarter of 2008) can be analyzed as follows (based on exchange rates prevailing at December 31, 2008):

(in millions of euros)		
Provisional Madeco goodwill at Dec. 31, 2008	163	
Amount allocated to property, plant and equipment	(15)	a)
Amount allocated to trademarks	(11)	b).1
Amount allocated to customer relationships	(51)	b).2
Amount allocated to supply contracts	(17)	b).3
Amount allocated to inventories	2	c)
Provisions	16	d)
Net deferred tax liabilities	14	e)
Goodwill at Dec. 31, 2008 after final purchase price allocation	101	

- a) In 2009, the Group measured the acquisition-date fair values of all of Madeco's property, plant and equipment, comprising land, buildings and manufacturing equipment in Madeco's various host countries. This measurement was performed with the assistance of specialized consulting firms. The main geographic area concerned by these fair value allocations was Brazil.
- b) Also during the year Nexans performed a valuation of Madeco's intangible assets. The following three main categories of intangible assets were identified and measured, with the assistance of specialized consulting firms:
1. Trademarks in Peru and, to a lesser degree, Brazil. The Madeco group had well-known trademarks in both of these countries (Indeco in Peru and Ficap in Brazil) which generated substantial sales. The value of trademarks in Colombia and Argentina was not deemed to be material in view of the relatively low volume of sales they generated. In Chile, the vendor retained title to the Madeco name and Nexans has a right of use to this name, whose value was not deemed to be material. All of these trademarks are considered to have indefinite useful lives and are therefore not amortized.
 2. Customer relationships, as the Madeco group has a large customer portfolio – notably in Peru, which is the main geographic area in which fair value allocations for customer relationships were required as Madeco has a majority market share and long-standing commercial relations in the country. Less significant amounts were also allocated to customer relationships in Madeco's other host countries, apart from Argentina where the intangible assets concerned were not deemed to be material. Customer relationships are amortized over useful lives ranging between 10 and 20 years, based largely on an analysis of past experience of customer turnover in the various countries.
 3. Certain copper rod supply contracts in Chile and Peru that give the Madeco group a competitive advantage in terms of purchasing costs. As these contracts are automatically renewable they are deemed to have indefinite useful lives and are therefore not amortized.
- c) In addition, inventories were measured at fair value at the acquisition date, as the carrying amounts of certain items of inventory were higher than their market values at that date.
- d) The Group identified the fair values of the liabilities and contingent liabilities of Madeco's cables business at the acquisition date, taking into account the allocation of risks between the purchaser and the vendor as provided for in the applicable seller's warranty clauses.
- e) Two different types of deferred taxes were recognized in connection with the final purchase price allocation:
1. Deferred taxes recognized on the allocation of goodwill to the acquired property, plant and equipment and intangible assets, as well as to the liabilities and contingent liabilities identified at the acquisition date.
 2. Six million euros in deferred taxes recognized to reflect the expected positive impact of the forthcoming merger of certain legal entities in Chile which will result in goodwill becoming deductible for tax purposes. This planned merger of legal entities in Chile was deemed to be directly related to the acquisition process.

As the acquisition of the Madeco group was completed on October 1, 2008, the main impacts on the 2008 income statement, as adjusted for the final allocation of fair values, were as follows:

(in millions of euros)	Dec. 31, 2008
Value of inventories used	2
Net asset impairment	(1)
Deferred taxes	(1)
Total impact on consolidated net income	0

- Nexans' August 1, 2008 purchase of the entire capital of the Italian group Intercond which is made up of three main operating companies all based in Italy (Intercond S.p.A, Pessano Cavi S.p.A and Intercond Service S.p.A) – see **Note 2.d**.

This acquisition was fully settled in cash and the purchase price did not include any earn-out payments. Nexans effectively took control of the Intercond group on August 1, 2008 and the provisional goodwill recognized at the date of first-time consolidation was 56 million euros. When the initial accounting for the acquisition was completed in 2009, the goodwill recorded at the acquisition date was reduced to 25 million euros, breaking down as follows:

<i>(in millions of euros)</i>	Intercond acquisition in 2008
Acquisition price	52
<i>o/w portion paid in cash and cash equivalents</i>	52
Acquisition price (A)	52
Assets	
Non-current assets (including financial assets)	54
Inventories	14
Receivables	22
Cash and cash equivalents	2
Liabilities	
Provisions	2
Financial liabilities*	37
Deferred tax liabilities	8
Other liabilities	18
Net assets acquired (including minority interests)	27
Minority interests in net assets acquired	-
Net attributable assets acquired (B)	27
Goodwill (A) – (B)	25

* Including loans from former shareholders at the acquisition date.

A total of 30 million euros in outstanding loans from former shareholders was immediately repaid after the acquisition.

Final purchase price allocation for Intercond

The difference between (i) the 56 million euros in provisional goodwill recognized on the Intercond acquisition in the financial statements for the year ended December 31, 2008 and (ii) the final goodwill amount of 25 million euros recognized in the 2008 adjusted financial statements after completion of the purchase price allocation can be analyzed as follows:

<i>(in millions of euros)</i>		
Provisional Intercond goodwill at Dec. 31, 2008	56	
Amount allocated to property, plant and equipment	(29)	a)
Amount allocated to trademarks	(2)	b).1
Amount allocated to customer relationships	(10)	b).2
Amount allocated to inventories	(4)	c)
Net deferred tax liabilities	14	d)
Goodwill at Dec. 31, 2008 after final purchase price allocation	25	

a) In 2009, the Group measured the acquisition-date fair values of all of Intercond's property, plant and equipment with the assistance of specialized consulting firms. The main asset categories involved were manufacturing equipment, as well as land and buildings, in view of Intercond's advantageous geographic location in the close suburbs of Milan.

b) Also during the year Nexans performed a valuation of Intercond's intangible assets. The following two main categories of intangible assets were identified and measured, with the assistance of specialized consulting firms:

1. The Intercond trademark, which enjoys a strong reputation for quality in its market segment. However, the value allocated to this trademark was adjusted to reflect its limited geographic reach (primarily Germany and Italy) as well as the fact that the company only operates in the industrial sector. The Intercond brand is considered to have an indefinite useful life and is therefore not amortized.
2. Customer relationships, as Intercond has a strong customer portfolio, especially in the Automation segment (Intercond's main business activity at the acquisition date) as well as significant operating margins.

c) Measurement of inventories at their fair value at the acquisition date.

d) Deferred tax liabilities recognized on the allocation of goodwill to the acquired property, plant and equipment and intangible assets.

As the acquisition of Intercond was completed on August 1, 2008, the main impacts on the 2008 income statement, as adjusted for the final allocation of fair values, were as follows:

(in millions of euros)	Dec. 31, 2008
Value of inventories used	(4)
Net asset impairment	(1)
Deferred taxes	6
Total impact on consolidated net income	1

The 2008 adjusted financial statements also include the income statement impact of a change in Italian tax legislation in the first quarter of 2009, which led to the tax base of certain items of property, plant and equipment being increased retrospectively at December 31, 2008 (in order to align carrying amounts in the statutory accounts with fair values). This change in tax laws gave rise to a 4.6 million euro retroactive deferred tax gain for 2008 (see **Note 9.b**).

- During the first half of 2008 the Group sold its copper telecom cables business in Spain. The sale was completed in late May 2008 to the UK-based group B3 Cable Solutions – one of Europe's leading copper cable manufacturers – based on an enterprise value of 19.5 million euros (see **Note 2.d**).

This sale resulted in a loss of 5.8 million euros, which was recorded in the income statement under "Net gains on asset disposals".

The impact of the sale of the Spanish copper telecom cables business on the 2008 consolidated balance sheet can be analyzed as follows:

(in millions of euros)	Sale of Spanish copper telecom cables business in 2008
Sale price	19
<i>o/w portion received in cash and cash equivalents</i>	19
Sale price	19
Assets	
Non-current assets	2
Inventories	9
Receivables	29
Cash and cash equivalents	0
Liabilities	
Provisions	1
Other liabilities	14
Net assets sold (including minority interests)	25
Minority interests in net assets sold	-
Net attributable assets sold	25

During 2007, the main additions to goodwill related to the following:

- The equivalent of 26 million euros in additional purchase consideration for the acquisition of the Olex group and the completion of the initial accounting for this acquisition. Following the required fair value adjustments the total goodwill recognized in relation to Olex amounted to 131 million euros at December 31, 2007.
- The purchase of a 70% interest in Multinacional Trade which gave rise to goodwill of 6 million euros at December 31, 2007. The amount recognized takes into account a minority put option relating to the remaining 30% of Multinacional Trade's capital (see **Note 1.i** and **Note 2.d**).

Note 12. Other intangible assets

a. Changes in the gross value of intangible assets

(in millions of euros)	Gross value					Total
	Trademarks	Customer relationships	Software	Patents and licenses	Other	
January 1, 2007	15	77	34	5	12	144
Acquisitions	-	-	2	0	1	3
Disposals	-	-	(0)	-	(0)	(0)
Business combinations	-	-	(0)	-	(1)	(1)
Translation adjustments	(0)	(2)	(0)	(0)	(0)	(3)
Other movements*	0	2	1	-	(2)	1
December 31, 2007	15	77	37	5	10	143
Acquisitions	-	-	1	-	2	3
Disposals	-	-	(0)	-	0	-
Business combinations**	13	61	2	1	17	94
Translation adjustments	(2)	(13)	(0)	-	0	(15)
Other movements*	-	-	9	-	(2)	7
December 31, 2008 adjusted**	26	125	48	6	27	232
Acquisitions	-	-	2	-	0	2
Disposals	-	-	(0)	-	-	(0)
Business combinations	-	-	-	-	-	-
Translation adjustments	3	17	1	(0)	2	23
Other movements*	1	1	3	(1)	2	6
December 31, 2009	30	143	54	5	31	263

* Including classification as assets and groups of assets held for sale (IFRS 5)

** Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see **Note 11**).

b. Changes in amortization and impairment of intangible assets

(in millions of euros)	Amortization and impairment					Total
	Trademarks	Customer relationships	Software	Patents and licenses	Other	
January 1, 2007	-	-	28	3	4	35
Amortization expense	-	4	5	0	0	10
Reversals on disposals	-	-	(0)	-	(0)	(0)
Business combinations	-	-	(0)	-	(1)	(1)
Translation adjustments	-	(0)	(0)	(0)	(0)	(0)
Other movements*	-	(0)	(2)	0	0	(2)
December 31, 2007	-	4	31	3	3	42
Amortization expense**	-	6	5	-	1	12
Reversals on disposals	-	0	0	-	-	0
Business combinations	-	0	0	-	-	0
Translation adjustments	-	(1)	1	-	-	0
Other movements*	-	0	4	-	-	4
December 31, 2008 adjusted**	-	9	41	3	4	58
Amortization expense	-	8	5	-	1	14
Reversals on disposals	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-
Translation adjustments	-	1	(1)	-	-	-
Other movements*	-	1	-	-	1	2
December 31, 2009	-	19	46	3	6	74

* Including classification as assets and groups of assets held for sale (IFRS 5)

** Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see Note 11).

Note 13. Property, plant and equipment

a. Changes in the gross value of property, plant and equipment

(in millions of euros)	Gross value					Total
	Land	Buildings	Plant, equipment and machinery	Assets in progress	Other	
January 1, 2007	64	605	1,794	97	215	2,775
Acquisitions	1	17	50	91	12	172
Disposals	(2)	(4)	(51)	-	(15)	(72)
Business combinations	0	1	5	-	6	12
Translation adjustments	(2)	(4)	(14)	-	(2)	(22)
Other movements*	1	(11)	18	(103)	(15)	(110)
December 31, 2007	63	603	1,802	85	200	2,754
Acquisitions	0	9	48	119	13	189
Disposals	0	(9)	(24)	(2)	(9)	(44)
Business combinations**	26	43	81	2	6	158
Translation adjustments	(6)	(22)	(79)	(7)	(11)	(125)
Other movements*	1	33	124	(82)	15	91
December 31, 2008 adjusted**	84	657	1,953	115	214	3,023
Acquisitions	1	16	48	74	7	146
Disposals	(1)	(2)	(45)	-	(7)	(55)
Business combinations	-	-	-	-	-	-
Translation adjustments	6	21	64	7	5	103
Other movements*	2	21	59	(109)	(5)	(32)
December 31, 2009	92	713	2,079	87	214	3,185

*Including classification as assets and groups of assets held for sale (IFRS 5), transfers of assets in progress as the assets come into service, and asset retirements.

** Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see Note 11).

Property, plant and equipment acquired under finance leases and long-term leases do not represent a material portion of total property, plant and equipment.

b. Changes in depreciation and impairment of property, plant and equipment

	Depreciation and impairment				
(in millions of euros)	Land	Buildings	Plant, equipment and machinery	Other	Total
January 1, 2007	8	417	1,313	208	1,946
Depreciation expense	0	16	69	7	92
Impairment losses**	2	11	44	2	59
Reversals of impairment losses**	-	(5)	(37)	(0)	(42)
Reversals on disposals	(0)	(3)	(44)	(15)	(62)
Business combinations	0	0	(3)	1	(2)
Translation adjustments	(0)	(3)	(7)	(1)	(11)
Other movements*	0	27	(69)	(41)	(83)
December 31, 2007	10	460	1,266	161	1,896
Depreciation expense***	-	16	74	8	98
Impairment losses**	-	4	15	3	23
Reversals of impairment losses**	-	-	(3)	(1)	(4)
Reversals on disposals	-	(6)	(25)	(4)	(35)
Business combinations	-	-	(8)	(0)	(8)
Translation adjustments	(0)	(10)	(41)	(5)	(56)
Other movements*	1	7	59	2	69
December 31, 2008 adjusted***	10	471	1,337	165	1,983
Depreciation expense	-	19	79	10	108
Impairment losses**	1	1	5	-	7
Reversals of impairment losses**	-	-	-	-	-
Reversals on disposals	-	(2)	(42)	(8)	(52)
Business combinations	-	-	-	-	-
Translation adjustments	-	9	29	3	41
Other movements*	1	(1)	(18)	(1)	(19)
December 31, 2009	12	497	1,390	169	2,068

* Including classification as assets and groups of assets held for sale (IFRS 5) and asset retirements.

** See **Note 7**.

*** Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see **Note 11**).

c. Additional information

Firm commitments to purchase property, plant and equipment amounted to 15 million euros at December 31, 2009 (57 million euros at December 31, 2008 and 39 million euros at December 31, 2007).

Note 14. Investments in associates

Summary of financial data

a. Equity value

At December 31, in millions of euros	Percentage ownership	2009	2008	2007
Qatar	30.33%	3	0	-
Cobrecon/Colada Continua	33.33%/41.00%	4	3	-
Recycables	36.50%	1	1	1
Total		8	4	1

In 2009, the Group raised its interest in the joint venture it has set up in Qatar. However, Nexans still only has a minority stake in the company, representing 30.33%.

Following its acquisition of the Madeco group's cables business in 2008, Nexans has two new associates accounted for by the equity method which are both specialized in wirerod operations. The Group has respective interests of 33.33% and 41% in these two entities (Cobrecon in Peru and Colada Continua in Chile).

At December 31, 2007, the Group had only one associate accounted for by the equity method – Recycables, based in France and 36.5% owned by Nexans. Recycables was set up in partnership with the Sita group and began operations to recycle manufacturing waste in 2008.

b. Financial data relating to associates

The information below is presented in accordance with the local GAAP of each associate as full IFRS balance sheet and income statement data are not available.

Condensed balance sheet

At December 31, in millions of euros	2009	2008	2007
Intangible assets and purchased goodwill	3	3	-
Property, plant and equipment	16	7	-
Current assets	10	14	-
Other	10	2	-
Total capital employed	39	26	-
Equity	25	14	1
Provisions	2	2	-
Net debt	1	-	(1)
Operating liabilities	11	10	-
Total financing	39	26	-

Condensed income statement

(in millions of euros)	2009	2008	2007
Sales at current metal prices	22	16	-
Operating income (loss)	(2)	1	-
Net income (loss)	(1)	(1)	-

Note 15. Other non-current financial assets

At December 31, in millions of euros	2009	2008	2007
Long-term loans and receivables	8	6	6
Available-for-sale securities	17	16	18
Other	17	13	4
Total	42	35	28

The maturity schedule for these financial assets at December 31, 2009 is presented below (excluding available-for-sale securities which correspond to shares in non-consolidated companies and have no maturity).

At December 31, in millions of euros	2009			
	Carrying amount	< 1 year	1 to 5 years	> 5 years
Long-term loans and receivables	8	1	1	6
Other	17	-	14	3
Total	25	1	15	9

Impairment losses recorded for available-for-sale securities carried at cost (see **Note 28.a**) were as follows:

(in millions of euros)	At Jan. 1	Additions	Disposals	Other	At Dec. 31
2009	9	1	-	(3)	7
2008	9	-	-	-	9
2007	9	-	-	-	9

No impairment losses were recorded for "Long-term loans and receivables" and there were no past-due balances in relation to this item at December 31, 2009, 2008 or 2007.

A 9 million euro impairment loss was recorded for assets included in the "Other" item above at December 31, 2009 (4 million euros at December 31, 2008). There were no past-due balances in relation to this item other than those provided for in the impairment loss. No impairment losses were recorded on these assets at December 31, 2007 and there were no related past-due balances at that date.

Note 16. Construction contracts

Construction contracts are measured and presented in accordance with the accounting policy described in Note 1.g. These contracts mainly cover the high-voltage cable operations of the Energy Infrastructure operating segment (see **Note 3**).

The positions for construction contracts presented in the statement of financial position correspond to the aggregate amount of costs incurred on each individual contract plus profits recognized (net of any losses recognized) less progress billings. Positive amounts are included in assets under "Amounts due from customers on construction contracts" and negative amounts are classified in liabilities under "Amounts due to customers on construction contracts".

Contracts in progress at December 31, 2009, 2008 and 2007 break down as follows:

At December 31, in millions of euros	2009	2008	2007
Assets related to construction contracts	215	195	163
of which "Amounts due from customers on construction contracts"	215	195	163
Liabilities related to construction contracts	174	111	138
of which "Amounts due to customers on construction contracts"	12	25	128
of which advances received on construction contracts	162	86	10
Total net assets related to construction contracts	41	84	25

Advances received from customers on construction contracts correspond to work not yet performed at the period-end.

Excluding advances received, the net asset position related to construction contracts at December 31, 2009 and 2008 can be analyzed as follows (aggregate amounts for construction contracts in progress at the year-end):

At December 31, in millions of euros	2009	2008
Aggregate amount of costs incurred plus profits recognized (net of any losses recognized)	1,795	1,515
Progress billings	1,592	1,345
Net balance excluding advances received	203	170
of which "Amounts due from customers on construction contracts"	215	195
of which "Amounts due to customers on construction contracts"	(12)	(25)

Sales at current metal prices recognized in relation to construction contracts at December 31, 2009 amounted to 683 million euros, versus 759 million euros at December 31, 2008.

The only significant contingent liability relating to construction contracts at December 31, 2009 concerned a high-voltage submarine cable contract in China (see **Note 31**). The only significant contingent liability relating to construction contracts at December 31, 2008 concerned a contract to supply and install high-voltage cables in the Middle East (see **Note 31**) but in view of developments during the year the Group considers that the related risk is no longer significant.

Amounts relating to retention totaled 35 million euros at December 31, 2009, compared with 27 million euros at December 31, 2008.

Note 17. Inventories and work in progress

At December 31, in millions of euros	2009	2008	2007
Raw materials and supplies	315	304	401
Industrial work in progress	191	220	263
Finished products	351	462	545
Gross value	857	986	1,209
Impairment	(54)	(64)	(51)
Net value	803	922	1,158

Note 18. Trade receivables

At December 31, 2008 and 2007, receivables amounting to 76 million euros and 108 million euros respectively had been sold to banks, mainly under a receivables sale program set up by Nexans France. This program expired in December 2008 and the arranging bank did not renew it as it decided to withdraw from this type of activity. The receivables sold under this program could not be derecognized as they did not meet the required criteria under IAS 27 and IAS 39.

Negotiations are currently under way with a number of other banks in order to set up a new program from 2010 to replace the one that has expired.

At December 31, in millions of euros	2009	2008	2007
Gross value	993	1,148	1,129
Impairment	(38)	(38)	(37)
Net value	955	1,110	1,092

Changes in provisions for impairment of trade receivables can be analyzed as follows:

(in millions of euros)	At Jan. 1	Additions	Utilizations	Reversals (surplus provisions)	Other (translation adjustments, IFRS 5 requirements)	At Dec. 31
2009	38	5	(3)	(3)	1	38
2008	37	3	(4)	(1)	3	38
2007	41	4	(3)	(3)	(2)	37

Receivables more than 30 days past due at the year-end and which had not been written down were as follows:

(in millions of euros)	Between 30 and 90 days past due	More than 90 days past due
December 31, 2009	14	20
December 31, 2008	10	14
December 31, 2007	12	21

Receivables past due but not written down mainly relate to leading industrial groups, electricity companies or major resellers. They historically represent an extremely low default rate and are generally located in geographic areas where contractual payment dates are often exceeded.

Note 19. Other current financial assets

At December 31, in millions of euros	2009	2008	2007
Derivative instruments	82	76	38
Cash deposits paid	4	140	-
Other operating receivables	23	35	23
Other non-operating receivables	42	18	24
Other	11	51	41
Gross value	162	320	126
Impairment	(1)	(1)	(1)
Net value	162	320	125

Derivative instruments correspond to foreign exchange derivatives and non-ferrous metal forward contracts whose fair value represented an unrealized gain at the year-end (see **Note 27**).

At December 31, 2008, "Cash deposits paid" mainly corresponded to cash deposited to meet margin calls on cash-settled copper forward purchases traded on the LME whose fair value was negative at the year-end (see **Note 26.d**).

At December 31, 2009, "Other non-operating receivables" primarily included amounts due on the disposal of non-current assets as well as insurance settlements receivable.

At December 31, 2008, the "Other" item included a 29 million euro short-term loan which was repaid during 2009.

Note 20. Cash and cash equivalents

At December 31, in millions of euros	2009	2008	2007
Cash on hand	312	202	181
Money market funds (SICAV)	439	171	215
Commercial paper	-	-	-
Certificates of deposit	66	25	226
Cash and cash equivalents	817	398	622

In addition to cash on hand, the line "Cash and cash equivalents" consists primarily of money market funds (SICAV), commercial paper and certificates of deposit. These investments are short-term (maturing in less than three months), highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Cash deposited to meet margin calls – which are primarily related to cash-settled copper forward purchases traded on the LME and whose fair value is negative at the year-end – are recorded under "Other current financial assets" rather than "Cash and cash equivalents" (see **Note 19**).

At December 31, 2009, 2008 and 2007, cash and cash equivalents totaling 70 million euros, 23 million euros and 49 million euros respectively were held by legal entities which are subject to certain capital movement restrictions under the applicable local legislation.

Note 21. Equity

a. Composition of capital stock

At December 31, 2009, Nexans' capital stock comprised 28,012,928 fully paid-up shares with a par value of 1 euro each (27,936,953 shares at December 31, 2008 and 25,678,355 at December 31, 2007). Including the impact of the 402,672 shares carrying double voting rights, the total number of voting rights was 28,415,600 at December 31, 2009 (28,240,569 at December 31, 2008 and 25,899,075 at December 31, 2007, including the respective impacts of 303,616 and 220,720 shares carrying double voting rights).

b. Dividends

At the Annual Shareholders' Meeting, shareholders will be invited to approve the payment of a dividend of 1 euro per share, representing an aggregate payout of 28 million euros based on the 28,012,928 shares making up the Company's capital stock at December 31, 2009.

In the event that Nexans holds treasury stock at the time the dividend is paid, the amount corresponding to unpaid dividends on these shares will be appropriated to retained earnings. The total amount of the dividend could be increased in order to reflect the number of additional shares that may be issued between January 1, 2010 and the date of the Annual Shareholders' Meeting called to approve the dividend payment, following the exercise of stock options. Any OCEANE bonds converted between the year-end and the dividend payment date will not entitle their holders to the dividend for the year in which the bonds are converted.

At the Annual Shareholders' Meeting held on May 26, 2009 to approve the financial statements for the year ended December 31, 2008, the Company's shareholders authorized payment of a dividend of 2.0 euros per share – representing a total of 55.9 million euros – which was paid out on June 3, 2009.

At the Annual Shareholders' Meeting held on April 10, 2008 to approve the financial statements for the year ended December 31, 2007, the Company's shareholders authorized payment of a dividend of 2.0 euros per share – representing a total of 50.7 million euros – which was paid out on April 29, 2008.

c. Treasury stock

Nexans did not hold any treasury shares at December 31, 2009, 2008 or 2007. The 420,777 Nexans shares purchased by the Group in the first half of 2008 were cancelled on June 23, 2008 (see **Note 2.e**).

d. Stock options

At December 31, 2009, there were 1,497,525 stock options outstanding, each exercisable for one newly-issued share, i.e. 5.35% of the Company's capital stock. At December 31, 2008 and 2007, a total of 1,593,100 and 1,070,250 options were outstanding, exercisable for 5.7% and 4.2% of the Company's capital stock respectively.

The stock options issued on February 22, 2008 correspond to the stock option plan initially scheduled for the end of 2007 but postponed to the first quarter of 2008 as a result of the Madeco acquisition.

The options outstanding at December 31, 2009 can be analyzed as follows:

Plans' characteristics

Grant date	Number of options originally granted	Number of options outstanding at the year-end	Exercise price (in euros)	Exercise period
April 4, 2003	644,500	35,350	11.62	From April 4, 2004 (vesting at 25% per year) to April 3, 2011
November 16, 2004	403,000	231,250	27.82	From November 16, 2005 (vesting at 25% per year) to November 15, 2012
November 23, 2005	344,000	260,550	40.13	From November 23, 2006 (vesting at 25% per year) to November 22, 2013
November 23, 2006	343,000	340,000	76.09	From November 23, 2007 (vesting at 25% per year) to November 22, 2014
February 15, 2007	29,000	26,000	100.94	From February 15, 2009 (vesting at 50%) & February 15, 2010 and February 15, 2011 (vesting at an additional 25% per year) to February 14, 2015
February 22, 2008	306,650	299,650	71.23	From February 22, 2009 (vesting at 25% per year) to February 21, 2016
November 25, 2008	312,450	304,725	43.46	From November 25, 2009 (vesting at 25% per year) to November 24, 2016
Total	2,382,600	1,497,525		

Changes in the number of options outstanding

	Number of options	Weighted average exercise price
Options outstanding at beginning of year	1,593,100	52.53
Options granted during the year	-	-
Options cancelled during the year	19,600	65.02
Options exercised during the year	75,975	26.74
Options expired during the year	-	-
Options outstanding at year-end	1,497,525	53.68
of which exercisable at year-end	946,072	49.31

Valuation of options

The assumptions applied to value the options impacting income for 2009, 2008 and 2007 were as follows:

Grant date	April 4, 2003	Nov. 16, 2004	Nov. 23, 2005	Nov. 23, 2006	Feb. 15, 2007
Share price at grant date (in euros)	11.62	27.82	40.13	76.09	100.94
Average estimated life of the options	5 years	5 years	5 years	5.75 years	4.75 years
Volatility (%)	35.00%	35.00%	33.00%	30.00%	30.00%
Risk-free interest rate (%)	3.54%	3.44%	3.04%	3.70%	4.00%
Dividend rate (%)	2.00%	1.60%	1.50%	1.50%	1.50%
Fair value of the option (in euros)	3.49	8.65	11.75	22.79	28.22

Grant date	Feb. 22, 2008	Nov. 25, 2008
Share price at grant date (in euros)	71.71	40.59
Average estimated life of the options*	4.5 to 6 years	4.5 to 6 years
Volatility (%)	33.00%	38.00%
Risk-free interest rate (%)*	3.34% -3.46%	2.72%-2.87%
Dividend rate (%)	3.13%	4.68%
Fair value of the option (in euros) **	19.24 to 17.44	9.38 to 8.47

* The method used by the Group to value stock options has been finetuned for plans issued as from February 22, 2008. Instead of applying an average value per plan, a specific value is calculated for each tranche of the plan based on the estimated life of the corresponding options. This change did not have a material impact on the consolidated financial statements.

** As from the November 25, 2008 plan the valuation also takes into account performance criteria for options granted to members of the Group's Executive Committee.

The options granted under the November 25, 2008 plan include performance conditions applicable to members of the Group's Executive Committee. These conditions are based partly on movements in Nexans' share price compared with a benchmark index and on the Group's ability to generate positive cash flows. The incorporation of these performance conditions did not have a material impact on the valuation of the stock options concerned. The options granted to beneficiaries other than members of the Executive Committee do not have performance conditions attached but simply require the beneficiary to still be a member of the Group when the options are exercised.

The estimated life of the options was determined taking into account tax laws applicable to option beneficiaries. The volatility rate used was determined based on the historic volatility of Nexans' share price over a reference period. The options vest by tranches of 25% per year over a four-year period from the grant date, except for the February 15, 2007 plan where half of the options vested after a two-year period, with the remainder vesting over the following two years at a rate of 25% per year.

The fair value of stock 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 corresponding adjustment to equity. A 4.6 million euro stock option expense was recognized in the 2009 income statement (5.5 million euros and 5.6 million euros in 2008 and 2007 respectively) (see **Note 4**).

e. Put options granted to minority shareholders

Nexans' commitment to buy the minority shareholdings in Liban Câbles (representing 7% of the company's capital) is considered as a financial liability under IAS 32. Consequently, since December 31, 2005, this put option has been recognized under financial liabilities in the amount of 4 million euros, with a corresponding 1 million euro adjustment to minority interests. The 3 million euro balance is recognized as goodwill in accordance with the accounting policy described in **Note 1.I**. The goodwill was partially written down at December 31, 2007 and December 31, 2006 (see **Note 7**).

A similar accounting treatment was applied at December 31, 2007 to the put option granted to minority shareholders in Multinacional Trade relating to Nexans' acquisition of the remaining 30% of that company's capital. This put option, which is valid for three years, has been recognized as follows: (i) 2 million euros under goodwill; (ii) 3 million euros under financial liabilities; and (iii) the balance of 1 million euros under minority interests.

f. Equity component of the OCEANE convertible/exchangeable bonds

In accordance with IAS 32, the portion of the OCEANE bonds issued in July 2006 and June 2009 that corresponds to the value of the options embedded in the instruments is recorded under "Consolidated retained earnings" within equity, representing pre-tax amounts of 34 million euros and 37 million euros respectively. See **Note 9.c** for further information on the related tax impact.

g. Employee share ownership plan

In 2007, Nexans announced its intention to carry out an employee rights issue involving the issuance of a maximum of 500,000 shares to members of a Nexans Group employee share ownership plan.

This rights issue – which was postponed until the first quarter of 2008 – resulted in the issuance of 91,525 shares on March 28, 2008 (see **Note 2.e**).

Note 22. Pensions and other retirement benefit obligations

There are a large number of retirement schemes in place within the Group:

- In France, each Group employee is eligible for state pension schemes and is entitled to a statutory retirement bonus paid by the employer.
- In other countries, pension schemes are subject to local legislation, and to the business and historical practices of the subsidiary concerned. Nexans takes care to ensure that the plan assets of its main active pension schemes approximate the value of the underlying obligations. Unfunded schemes mainly relate to closed plans.

Main assumptions

The Group Consolidation Department determines the basic assumptions used for the actuarial calculations required to measure obligations under defined benefit plans, in conjunction with actuaries in each country concerned. Specific assumptions, such as for staff turnover and salary increases, are set on a per-company basis, taking into consideration local job market trends and forecasts specific to each entity.

The average weighted rates used for the main countries concerned are listed below (together, these countries represent over 90% of the Group's pension obligations at December 31, 2009).

	Discount rate	Estimated future salary increases	Expected long-term rate of return on plan assets
2009			
France	4.90%	2.50%	4.00%
Germany	4.90%	3.00%	N/A
Norway	4.25%	4.00%	4.25%
Switzerland	3.10%	2.25%	4.00%
Canada	5.50%	4.00%	7.00%
United States	5.75%	3.50%	7.00%
Australia	5.50%	3.50%	4.70%
2008			
France	5.90%	2.50%	4.00%
Germany	5.90%	3.00%	N/A
Norway	4.25%	4.25%	5.10%
Switzerland	3.10%	2.25%	4.00%
Canada	6.40%	4.00%	7.00%
United States	7.20%	4.00%	7.00%
Australia	4.75%	2.50%	6.50%
2007			
France	5.25%	2.50%	4.00%
Germany	5.25%	2.25%	N/A
Norway	4.80%	4.50%	5.70%
Switzerland	3.50%	2.25%	4.00%
Canada	4.75%	4.00%	7.00%
United States	6.00%	5.00%	7.00%
Australia	5.00%	4.00%	7.00%

The discount rates applied were determined as follows:

- a) By reference to market yields on high-quality corporate bonds (rated AA or above) in countries or currency zones where there is a deep market for such bonds. Where there is no deep market for high-quality corporate bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments under a plan, the discount rate is determined by extrapolating market rates on bonds with shorter maturities along the yield curve. This approach was used to determine the discount rates for pension plans in the eurozone, Canada, the United States and the United Kingdom.
- b) By reference to market yields on government bonds plus a credit spread. This method was used when there was only a deep market for high-quality corporate bonds for a short period, rendering it impossible to obtain a sufficiently precise estimate of a discount rate using the approach described in paragraph a) above. This method was used to determine the discount rate applicable in Switzerland.
- c) By reference to market yields on government bonds with similar maturities to those of the benefit payments under the pension plans concerned in countries or currency zones where there is no deep market for high-quality corporate bonds (including for bonds with short maturities). This approach was used to determine the discount rates for pension plans in Norway, Australia, South Korea and Turkey.

The target long-term rate of return on plan assets was estimated taking into account the composition of the portfolio and the maturity of the assets. A reference target long-term rate of return is determined for each category of assets. A target rate of return is then defined on this basis for each plan by reference to the specific allocation of plan assets. The target rates of return by category of asset are as follows:

- Equities: discount rate: +2.5%,
- Bonds and other fixed income products: discount rate,
- Real estate: discount rate: +2.5%,
- Cash and cash equivalents: inflation rate,
- Other: discount rate.

Principal movements

(in millions of euros)	2009	2008	2007
Retirement costs for the period			
Service cost	(16)	(17)	(16)
Interest cost	(35)	(34)	(34)
Expected return on plan assets	15	19	19
Past service cost	(1)	(1)	(1)
Amortization of actuarial gains and losses	(5)	(18)	5
Effect of curtailments and settlements	0	(2)	1
Supplementary retirement benefits	(0)	-	-
Impact of asset ceiling	-	15	(10)
Net cost for the period	(42)	(37)	(36)
Of which: Operating cost	(21)	(22)	(21)
Finance cost	(21)	(15)	(15)
Valuation of benefit obligation			
Present value of benefit obligation at January 1	716	744	775
Service cost	16	17	16
Interest cost	35	34	34
Employee contributions	2	2	1
Plan amendments	1	5	1
Business acquisitions and disposals	-	0	(1)
Plan curtailments and settlements	(9)	(1)	(14)
Benefits paid	(61)	(57)	(51)
Actuarial (gains)/losses	34	(13)	(17)
Other (translation adjustments)	27	(15)	-
Present value of benefit obligation at December 31	762	716	744
Plan assets			
Fair value of plan assets at January 1	324	379	387
Expected return on plan assets	15	19	19
Actuarial gains/(losses)	21	(63)	(8)
Employer contributions	22	24	23
Employee contributions	2	2	2
Business acquisitions and disposals	0	(1)	(3)
Plan curtailments and settlements	(6)	-	(12)
Benefits paid	(34)	(31)	(27)
Other (translation adjustments)	18	(5)	(2)
Fair value of plan assets at December 31	362	324	379

(in millions of euros)

	2009	2008	2007
Funded status			
Present value of wholly or partially funded benefit obligations	(450)	(425)	(435)
Fair value of plan assets	362	324	379
Funded status of benefit obligation	(88)	(101)	(56)
Present value of unfunded benefit obligation	(311)	(291)	(309)
Benefit obligation net of plan assets	(399)	(392)	(365)
Unrecognized actuarial (gains)/losses	88	75	39
Unrecognized past service cost	4	5	1
Unrecognized surplus (due to asset ceiling)	(0)	-	-
Net provision recognized	(306)	(312)	(325)
Change in net provision			
Net provision recognized at January 1	312	325	336
Expense/(income) recognized in the income statement	42	37	36
Utilization	(49)	(50)	(48)
Other impacts (translation adjustments, acquisitions/disposals, etc.)	1	(0)	1
Net provision recognized at December 31*	306	312	325
* Of which pension assets	3	4	-
* Of which amount relating to discontinued operations	-	-	3

Retirement costs

The application of IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction had no impact on the 2009 income statement.

In 2008, the removal of the asset ceiling for the Group's Swiss subsidiary had a positive 15 million impact on the income statement. However, as Nexans also recognized a 15 million euro portion of the actuarial losses arising on the Swiss plan in its income statement during the year in accordance with IAS 19, this accounting treatment had a zero net impact. In the 2007 income statement, this accounting treatment led to a net expense of 2 million euros.

The 5 million euros recorded in 2009 under amortization of actuarial gains and losses primarily related to:

- The Group's Norwegian subsidiary (3 million euros) following the accumulation of actuarial losses arising due to a decrease in discount rates and adverse experience adjustments concerning salary increases in 2008.
- The Canadian subsidiary (1 million euros), partly relating to actuarial losses arising in 2008 concerning the return on plan assets.
- The Group's French subsidiaries and Swiss subsidiary, in an amount of 2 million euros.

The effect of plan settlements in 2009 related to restructuring measures undertaken during the year and reflect the combined impact of:

- A 2 million euro loss recorded by the Canadian subsidiary following the closure of the Quebec site.
- A 2 million euro gain generated for Nexans France due to the implementation of a redundancy plan.

Movements in the benefit obligation and plan assets

The year-on-year increase in actuarial losses in 2009 was chiefly due to a decrease in discounting rates in the eurozone and North America. These actuarial losses were partly offset by the fact that the actual return on plan assets was higher than the expected return.

Gains on other actuarial assumptions primarily concern the Norwegian subsidiary as the assumptions relating to future benefit levels and social security data were revised downwards.

Actuarial gains and losses generated on the Group's benefit obligation can be analyzed as follows:

	2009		2008		2007	
Breakdown of actuarials gains and losses on benefit obligations	in millions of euros	% of DBO	in millions of euros	% of DBO	in millions of euros	% of DBO
Total (gains)/losses generated during the year	34	5%	(13)	2%	(17)	2%
(Gains)/losses on plan amendments	-	0%	-	0%	-	0%
Discount rate	43	6%	(20)	3%	(38)	5%
Salary increases	(2)	0%	(4)	1%	4	1%
Mortality	(0)	0%	0	0%	7	1%
Staff turnover	(0)	0%	(0)	0%	-	0%
Other	(9)	1%	4	1%	4	1%
Total (gains)/losses from changes in assumptions	32	4%	(20)	3%	(22)	3%
(Gains)/losses from experience adjustments	3	0%	10	1%	(2)	0%
Other	0	0%	(2)	0%	7	1%

The Group's portfolio of plan assets breaks down as follows:

At December 31	2009		2008		2007	
	in millions of euros	%	in millions of euros	%	in millions of euros	%
Equities	125	35%	92	28%	135	36%
Bonds and other fixed income products	153	42%	147	45%	165	43%
Real estate	35	10%	34	10%	32	8%
Cash and cash equivalents	26	7%	27	8%	25	7%
Other	22	6%	24	8%	22	6%
Fair value of plan assets at December 31	362	100%	324	100%	379	100%

The following table provides a five-year breakdown of the present value of the Group's benefit obligation, the fair value of plan assets and the impact of experience adjustments.

At December 31, in millions of euros	2009	2008	2007	2006	2005
Fair value of plan assets at December 31	362	324	379	387	464
Present value of benefit obligations at December 31	762	716	744	775	863
Gains/(losses) from experience adjustments	3	10	(2)	9	Unknown

Sensitivity analyses

The present value of the Group's obligation for pension and other retirement benefits is sensitive to changes in discount rates. A 25 basis point decrease in the discount rate would have the following impacts on the present value of the Group's obligation:

2009		
	in millions of euros	% of DBO
Europe	17	2.7%
North America	3	2.9%
Asia	0	1.7%
Other countries	0	1.2%
Total	20	2.7%

The present value of the Group's obligation for pension and other retirement benefits is also sensitive to changes in inflation rates. Depending on the type of plan concerned, changes in inflation rates can affect both the level of future salary increases and the amounts of annuity payments. A 25 basis point increase in the inflation rate would have the following impacts on the present value of the Group's benefit obligation:

2009		
	in millions of euros	% of DBO
Europe	10	1.6%
North America	0	0.1%
Asia	0	4.0%
Other countries	0	1.7%
Total	11	1.4%

As the Group has a significant amount of plan assets, the assumptions concerning their expected long-term rate of return have an impact on the finance cost recognized in relation to pension and other retirement benefits. A 100 basis-point decrease in the rate-of-return assumptions applied to each category of assets would have the following impacts on the Group's pension expense for 2009 and projected expense for 2010.

(in millions of euros)	2009	2010
Europe	(2)	(3)
North America	(1)	(1)
Asia	(0)	(0)
Other countries	(0)	(0)
Total	(3)	(4)

Additional information

Employer contributions relating to defined benefit plans are estimated at 31 million euros for 2010.

Other retirement schemes for which the Group's employees are eligible correspond to defined contribution plans under which the Group pays a fixed contribution and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay benefits. Contributions under these plans are recognized immediately as an expense. The amount of contributions paid in relation to defined contribution plans in 2009 was 60 million euros (64 million euros in 2008).

Note 23. Provisions

a. Analysis by nature

At December 31, in millions of euros	2009	2008 adjusted*	2007
Accrued contract costs	42	50	51
Restructuring provisions	90	27	32
Other provisions	37	31	14
Total	169	108	97
Of which short-term	120	65	72
Of which long-term	49	43	25

* Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see Note 11).

Movements in these provisions were as follows during 2009, 2008 and 2007:

(in millions of euros)	Total	Accrued contract costs	Restructuring provisions	Other provisions
January 1, 2007	117	57	44	16
Additions	45	29	13	3
Reversals (utilized provisions)	(38)	(18)	(18)	(2)
Reversals (surplus provisions)	(21)	(15)	(4)	(2)
Business combinations	-	-	-	-
Other*	(6)	(2)	(3)	(1)
December 31, 2007	97	51	32	14
Additions	43	17	22	4
Reversals (utilized provisions)	(37)	(9)	(27)	(1)
Reversals (surplus provisions)	(18)	(10)	(1)	(7)
Business combinations**	21	0	-	21
Other*	2	1	1	-
December 31, 2008 adjusted**	108	50	27	31
Additions	127	8	112	7
Reversals (utilized provisions)	(47)	(7)	(38)	(2)
Reversals (surplus provisions)	(20)	(10)	(4)	(6)
Business combinations	-	-	-	-
Other*	1	1	(7)	7
December 31, 2009	169	42	90	37

* Including classification as liabilities related to assets and groups of assets held for sale (IFRS 5) and foreign currency translation impacts.

** Taking into account the fair value adjustments made following the completion of the initial accounting for the Madeco and Intercond acquisitions (see **Note 11**).

The above provisions have not been discounted as the effect of discounting would not have been material.

Provisions for accrued contract costs are primarily set aside by the Group as a result of its contractual responsibilities, particularly relating to customer warranties, loss-making contracts and penalties under commercial contracts (see **Note 31**). They do not include provisions for construction contracts in progress, which are accounted for as costs relating to the corresponding contracts in accordance with the method described in **Note 1.g**.

Surplus provisions are reversed when the related contingency no longer exists or has been settled for a lower amount than the estimate based on information available at the previous period-end (including provisions for expired customer warranties).

The 11 million euro provision recorded under accrued contract costs in prior years to cover the Meko legal dispute was reversed in 2007 as it was no longer required (see **Note 31**).

b. Analysis of restructuring costs

Restructuring costs amounted to 119 million euros in 2009, breaking down as follows:

(in millions of euros)	Redundancy costs	Asset impairment and retirements	Other monetary expenses	Total
Additions to provisions for restructuring costs	89	12	11	112
Reversals of surplus provisions	(4)	-	-	(4)
Other costs for the year	4	-	7	11
Total restructuring costs	88	12	18	119

The majority of the assets that will not be redeployed within the Group were written down following impairment tests performed in prior periods. "Other monetary expenses" primarily correspond to costs for cleaning up and dismantling sites as well as for reallocating assets.

The restructuring plans announced in 2009 involve approximately 1,800 people and represent an aggregate cost of 119 million euros. Out of this amount some 44 million euros had already been paid out by the year-end. All of these plans include assistance measures negotiated with the employee representative bodies, aimed at reducing the impact of the plans on the members of staff concerned. The plans mainly relate to Europe and North America:

- The restructuring measures undertaken in Europe during the year either corresponded to site closures or to downsizing plans, particularly in the "Industry" and "Building" operating segments in Germany, France, Greece and Spain. The Vacha plant in Germany which manufactures and sells products for the Building market was closed in late September after several unsuccessful attempts to turn the business around. The automotive cable manufacturing plant based in Arad in Romania also ceased production in the second half of 2009.
- In France, the continuous casting and wire-drawing plant in Chauny was closed in the third quarter of 2009 as production capacity largely exceeded Nexans' internal requirements in an industry suffering from overcapacity. This closure should enable Nexans' metallurgy operations to return to breakeven in France and Europe thanks to a better spread of production workload between the different manufacturing facilities.
- In North America, the Group decided to close its Quebec plant in view of this facility being unable to return to a satisfactory level of performance following the nine-month strike that took place there in 2006 and 2007. Another deciding factor for the closure was the steep falloff in demand resulting from the real estate crisis. Part of the plant's production equipment will be redeployed to existing sites at Weyburn and Chester.

In 2008, 22 million euros were set aside in provisions to cover restructuring plans launched during the year. These plans – which affected a total of 184 people – mainly concerned the reorganization of the Group's operations in Ireland (involving the closure of the Athlone production site) and, to a lesser extent, in Germany and Spain. This 22 million euro provision expense included 4 million euros to cover costs that do not represent future cash outflows, such as asset impairment losses and the scrapping of inventories.

In 2007, a 13 million euro restructuring provision was set aside and 1 million euros of other expenses were incurred, primarily to cover the reorganization of the Group's harness operations in Belgium.

Note 24. Net debt

At December 31, 2009, 2008 and 2007, the Group's long-term debt was rated BB+ by Standard & Poor's with a stable outlook.

a. Analysis by nature

At December 31, in millions of euros	2009	2008	2007
Bonds redeemable in 2017*	359	359	359
OCEANE 2016 convertible/exchangeable bonds*	180	-	-
OCEANE 2013 convertible/exchangeable bonds*	287	274	262
Other long-term borrowings*	14	44	8
Short-term borrowings*	111	248	256
Short-term bank loans and overdrafts	7	10	28
Gross debt	958	934	912
Cash and cash equivalents	(817)	(398)	(622)
Net debt	141	536	290

* Including accrued interest (long- and short-term).

Cash deposited to meet margin calls related to cash-settled copper forward purchases traded on the LME whose fair value is expected to be negative at a particular year-end are recorded under "Other current financial assets" rather than "Cash and cash equivalents" (see **Note 19**).

On June 23, 2009, Nexans carried out a new issue of OCEANE convertible/exchangeable bonds with the following main features (see also **Note 2.c**):

- 4,000,000 bonds were issued with a nominal value of 53.15 euros each, representing an aggregate amount of 212.6 million euros.
- The issue price represented a premium of 30% over the reference share price of 40.89 euros on the issue date.
- The bonds are redeemable at par at maturity on January 1, 2016 but the bondholders may request that the bonds be redeemed in advance on January 1, 2015.
- The bonds bear interest at an annual rate of 4%.

In accordance with IAS 32, the portion of the OCEANE bonds corresponding to the value of the conversion option at the issue date has been included in equity, in a pre-tax amount of 37 million euros (see **Note 24.c**). See **Note 9.c** for details of the related tax impact.

Other bonds outstanding at December 31, 2009 were as follows:

- Nexans' first bond issue carried out on May 2, 2007, representing an aggregate nominal amount of 350 million euros. The bonds – whose issue price was 99.266% – are redeemable on May 2, 2017 and bear interest at an annual rate of 5.75%.
- The OCEANE bond issue carried out in July 2006, representing an aggregate nominal amount of 280 million euros. The issue comprised 3,794,037 bonds, each with a nominal value of 73.8 euros, bearing interest at an annual rate of 1.5% and redeemable at a price of 85.76 euros per bond on January 1, 2013. In accordance with IAS 32, the portion of the OCEANE bonds corresponding to the value of the conversion option at the issue date has been included in equity, in a pre-tax amount of 34 million euros (see **Note 24.c**). See **Note 9.c** for details of the related tax impact.

The bond indentures for the OCEANE bonds redeemable in 2013, 2016 and 2017 contain standard covenants (negative pledge, cross-default, pari-passu and change of control clauses), which if breached could accelerate redemption of the bonds.

b. Change in net debt

(in millions of euros)	2009	2008	2007
Net debt at beginning of year	(536)	(290)	(632)
(Increase)/decrease in net debt	395	(229)	343
Newly-consolidated companies	-	(17)	-
Impact of assets and groups of assets held for sale (IFRS 5)	-	-	(1)
Net debt at year-end	(141)	(536)	(290)

c. OCEANE convertible/exchangeable bonds

The Group has carried out two issues of OCEANE convertible/exchangeable bonds which mature on January 1, 2013 and January 1, 2016 respectively (see **Note 24.a**).

In accordance with IAS 32 (see **Note 1.aa**), the portion of these OCEANE bonds corresponding to the value of the option was included in equity in pre-tax amounts of 34 million euros (OCEANE 2013) and 37 million euros (OCEANE 2016) at the issue date.

Statement of financial position

At December 31, in millions of euros	2009	2008	2007
Equity component (retained earnings)*	70	34	34
Convertible bond (liability component)	414	242	242
Accrued interest	53	32	20
Amount recognized as debt	467	274	262

Income statement

(in millions of euros)	2009	2008	2007
Contractual interest paid	(9)	(4)	(4)
Additional interest calculated at interest rate excluding the option**	(15)	(12)	(11)
Total financial expense	(24)	(16)	(15)

* Before tax (see **Note 9.c**).

** Calculated using the effective interest method.

d. Analysis of gross debt by currency and interest rate

• Long-term debt (including accrued interest)

At December 31	Weighted average EIR* (%)			In millions of euros		
	2009	2008	2007	2009	2008	2007
Euro (OCEANE 2016 convertible/exchangeable bonds)	8.48	-	-	180	-	-
Euro (OCEANE 2013 convertible/exchangeable bonds)	6.23	6.23	6.23	287	274	262
Euro (bonds redeemable in 2017)	5.95	5.95	5.95	359	359	359
Euro (excluding OCEANE bonds and bonds redeemable in 2017)	4.39	N/A**	N/A**	7	9**	8**
US dollar	7.66	4.81	-	4	27	-
Other	6.62	6.49	-	3	8	-
Total	6.56	5.94	5.99	840	677	629

* Effective interest rate.

** Primarily corresponding to minority put options (see **Note 1.I**).

Over 98% of the Group's medium- and long-term debt is at fixed interest rates.

• **Short-term debt** (excluding accrued interest on long-term debt)

At December 31	Weighted average EIR* (%)			In millions of euros		
	2009	2008	2007	2009	2008	2007
Euro	2.89	4.53	4.27	7	86	146
US dollar**	3.73	4.57	4.61	27	52	52
Other	6.80	12.65	7.77	84	120	86
Total	5.89	8.32	5.41	118	258	284

* Effective interest rate.

** US dollar denominated debt primarily concerns subsidiaries located in South America, the Middle East and Asia.

The vast majority of the Group's short-term debt is at variable rates based on monetary indices (see **Note 26.b**).

The year-on-year decrease in short-term debt denominated in euros chiefly reflects the termination of Nexans France's receivables sale program in late 2008 (see **Note 18**).

The high effective interest rate in 2008 on short-term debt denominated in currencies other than the euro and the US dollar reflected the increased weighting of debt in local currencies in high-inflationary countries, particularly as a result of the Madeco acquisition. The decrease in the 2009 effective interest rate for these same currencies primarily reflects lower local interest rates and a reduction in the amount of debt held by certain subsidiaries in emerging economies.

e. Analysis by maturity (including accrued interest)

Since October 1, 2008 Nexans Services, a wholly-owned subsidiary of Nexans, has been responsible for the Group's centralized cash management system. However, in its capacity as parent company, Nexans S.A. still carries out the Group's long-term bond issues.

Nexans Services monitors changes in the liquidity facilities of the holding companies as well as the Group's overall financing structure on a weekly basis (see **paragraph f** below and **Note 26.a**).

In view of Nexans' available short-term liquidity facilities and long-term debt structure, the Group's debt maturity schedule set out below is presented on a medium- and long-term basis.

• **Maturity schedule at December 31, 2009**

(in millions of euros)	Due within 1 year		Due in 1 to 5 years		Due beyond 5 years		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Bonds redeemable in 2017	-	20	-	80	350	60	350	160
OCEANE 2013 convertible/ exchangeable bonds	-	4	325	13	-	-	325	17
OCEANE 2016 convertible/ exchangeable bonds	-	4	-	34	213	9	213	47
Other long-term borrowings	-	1	14	1	-	-	14	2
Short-term borrowings including short-term bank loans and overdrafts	118	3	-	-	-	-	118	3
Total	118	32	339	128	563	69	1 020	229

Notes concerning the preparation of the maturity schedule:

- Foreign exchange and interest rate derivatives used to hedge the Group's external debt are not material at the level of Nexans.
- The euro equivalent amount for borrowings in foreign currencies has been calculated using the year-end exchange rate at December 31, 2009.
- It has been assumed that the nominal amounts of short-term borrowings including short-term bank loans and overdrafts will be fully repaid at regular intervals throughout 2010.
- The interest cost has been calculated based on contractual interest rates for fixed-rate borrowings and on December 31, 2009 spot interest rates for variable-rate borrowings.

f. Committed credit facilities

At December 31, 2009, 2008 and 2007, Nexans and its subsidiaries had access to 580 million euros under a committed medium-term revolving facility, none of which had been drawn down.

In 2007 one of the lending banks refused to extend the facility for a further one-year period. Consequently, at December 31, 2007 the facility was divided into two tranches with different expiry dates – 34 million euros expiring on October 17, 2011 and 546 million euros expiring on October 16, 2012. In August 2008 an amendment was signed providing for Nexans Services – which is now responsible for the Group's centralized cash management system – to become a joint borrower under the credit facility agreement. Following this amendment the portion of the facility provided by the bank which had refused the extension was taken over by two other banks which agreed to extend the facility until October 16, 2012. In accordance with the related agreement all of the lending banks were asked to approve the proposal for the two new banks to take over a portion of the facility and the required approval was obtained on January 16, 2009. As a result, since that date the whole amount of the 580 million euro revolving facility now expires on October 16, 2012.

The syndicated revolving credit facility agreement is subject to standard covenants (negative pledge, cross default, pari-passu and change of control clauses) as well as financial ratio covenants (net debt/EBITDA <2.95, and net debt/equity including minority interests <1.15). These ratios were well within the specified limits at both December 31, 2009 and at the date the Board of Directors approved the financial statements.

If any of the revolving facility covenants were breached, any undrawn credit lines would become unavailable and any amounts outstanding would be repayable, either immediately or after a cure period of thirty days depending on the nature of the breach.

g. Pledged collateral

Collateral pledged by the Group to secure borrowings broke down as follows by type of asset at December 31, 2009, 2008 and 2007:

At December 31, in millions of euros	2009	2008	2007
Property, plant and equipment pledged as collateral	5	5	5
Intangible assets pledged as collateral	-	-	-
Inventories pledged as collateral	-	-	-
Financial assets pledged as collateral	-	-	-
Total pledged collateral	5	5	5

Note 25. Other current financial liabilities

At December 31, in millions of euros	2009	2008	2007
Derivative instruments	30	275	26
Other operating liabilities	43	78	102
Other non-operating liabilities	20	21	47
Other	3	2	4
Total	96	376	180

Derivative instruments correspond to foreign exchange derivatives and non-ferrous metal forward contracts whose fair value represented an unrealized loss at the year-end (see **Note 27**).

The majority of these liabilities are payable within 12 months of the period-end.

Note 26. Financial risks

Liquidity, foreign exchange and interest rate risks are managed by Nexans Services, a wholly-owned Nexans subsidiary that oversees the Group's financing and treasury operations. Risks relating to non-ferrous metals are managed by the Group Metals Management Department. Both Nexans Services and the Metals Management Department report to the Group Finance Department.

Where permitted by local regulations, Group subsidiaries' foreign exchange and interest rate risks are managed on a centralized basis and their access to liquidity is managed through a cash pooling system. Similarly, the use of derivatives for hedging risks relating to metal prices is managed centrally where permitted by local regulations, except for hedges set up in Australia and New Zealand due to the time difference between Europe and these countries. Newly-acquired subsidiaries are included within this system on a gradual basis.

The key subsidiaries that did not have access to the centralized cash management system at December 31, 2009 are located in Turkey, Lebanon, Egypt, Morocco, China, Korea, Vietnam, Brazil, Peru, Chile, Argentina and Colombia. These subsidiaries, which have their own banking partners, are nevertheless subject to Group procedures regarding (i) their choice of banks; (ii) foreign exchange and interest rate risk management; and (iii) hedging non-ferrous metal risks.

a. Liquidity risks

Group financing and liquidity risk monitoring

The Group has a centralized cash management system which pools the liquidity resources of the subsidiaries concerned, enabling optimal use of these resources as subsidiaries' bank account balances in the eleven main currencies are transferred to the Group's central cash pooling accounts. Since October 1, 2008, financing for Nexans' operating subsidiaries has been primarily provided through Nexans Services, which covered 85% and 80% of these subsidiaries' financing requirements at December 31, 2009 and 2008 respectively.

In 2009, the Group continued to diversify its sources of financing. Following on from the 2006 issue of OCEANE convertible/exchangeable bonds (maturing in 2013) and an issue of ordinary bonds in 2007 (maturing in 2017), in June 2009 Nexans carried out a second issue of OCEANE bonds representing an aggregate amount of 213 million euros and with a seven-year maturity. This operation enabled the Group to limit its use of bank borrowings during the year. Bank financing primarily comprises a syndicated revolving facility, with a maximum 12.25% risk exposure for each participating bank. No drawdowns had been made under this facility at December 31, 2009 (see **Note 24.f**).

The Group Finance Department monitors the treasury positions and changes in the financing structure of both the parent company and Nexans Services on a weekly basis. Nexans Services also monitors Nexans' overall liquidity position via a weekly reporting schedule that gives the cash position of the Group and each of its subsidiaries. Subsidiaries are also required to provide monthly cash-flow forecasts which are compared to actual cash-flow figures on a weekly basis. Bank borrowings taken out by subsidiaries that are not part of the centralized cash management system must be approved in advance by Nexans Services and may not have maturity dates exceeding 12 months, unless express authorization is obtained.

The key liquidity indicators monitored by the Group Finance Department are (i) the unused amounts of credit facilities granted to the Group; and (ii) available cash and cash equivalents. The table below sets out the Group's liquidity facilities at December 31, 2009:

Main liquidity indicators for the Group at December 31, 2009

(in millions of euros)	Ceiling	Utilization	Available amount
Unconfirmed facilities			
Commercial paper program	500	0	N/A **
Nexans Services unconfirmed bank lines	200	0	200
Cash pooling overdraft	112	0	112
Confirmed facilities			
Syndicated revolving facility	580	0	580
Convertible bonds redeemable in 2013*	280	280	0
Ordinary bonds redeemable in 2017*	350	350	0
Convertible bonds redeemable in 2016*	213	213	0
Total confirmed facilities	1,423	843	580
Cash and cash equivalents			817

* Nominal amount including the conversion option where applicable.

** In view of the market conditions at December 31, 2009 this commercial paper program was not considered to be available at that date.

The Group also monitors its net debt position on a monthly basis (see **Note 24** for definition of net debt).

The agreement relating to the 580 million euro revolving facility referred to in **Note 24.f** contains certain financial ratio covenants which are described in the same note. The Group is not subject to any other financial ratio covenants. This revolving facility agreement, together with the indentures for the OCEANE 2013 bonds, the OCEANE 2016 bonds and the ordinary bonds redeemable in 2017, also contain standard covenants (negative pledge, cross default, pari-passu and change of control clauses), which if breached could accelerate repayment of the revolving facility or the bond debt.

Management of cash surpluses

The Group's policy for investing cash surpluses is guided by the overriding principles of availability and using safe investment vehicles. At December 31, 2009 Nexans' cash surpluses were invested in:

- money-market mutual funds (OPCVM) which are not exposed to changes in interest rates and whose underlying assets are investment-grade issues by both corporations and financial institutions, and
- certificates of deposit issued by banks rated at least AA- or banks which are majority State-owned.

The investment vehicles used generally remain the same throughout the year. However, in the fourth quarter of 2009, 6% of the cash surpluses managed by Nexans Services were temporarily invested in bond funds with an investment period of less than one year.

b. Interest rate risk

Nexans did not have any interest rate hedges in place at December 31, 2009, 2008 or 2007. The Group considers that its financing structure does not expose it to specific interest rate risks in view of the following factors:

- The vast majority of Nexans' medium- and long-term debt is at fixed rates. At December 31, 2009 the bulk of this debt corresponded to the OCEANE 2013 and 2016 bonds and the ordinary bonds redeemable in 2017.
- All of the Group's short-term debt is at variable rates based on monetary indices (EONIA, Euribor or Libor). Fixed-rate debt with original maturities of less than one year is considered as variable-rate debt. Short-term cash investments are also at variable rates, which limits the Group's net exposure to changes in interest rates. The Group was in a net asset position of 699 million euros in relation to exposure to variable interest rates at December 31, 2009, compared to net asset positions of 141 million euros and 338 million euros at December 31, 2008 and 2007 respectively.

	2009			2008			2007		
At December 31, in millions of euros	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Variable rate									
Financial liabilities	118	2	120	258	26	283	284	-	284
Financial assets	(817)	-	(817)	(398)	-	(398)	(622)	-	(622)
Net variable rate position	(699)	2	(697)	(141)	26	(115)	(338)	-	(338)
Fixed rate									
Financial liabilities*	22	816	838	17	634	651	18	611	629
Financial assets	-	-	-	-	-	-	-	-	-
Net fixed rate position	22	816	838	17	634	651	18	611	629
Net debt	(677)	818	141	(124)	660	536	(321)	611	290

* Including the short-term portion of accrued interest on long-term debt

c. Foreign exchange risk

Risks relating to operating cash flows

The Group's sensitivity to foreign exchange risk on operating cash flows is considered to be moderate due to its operational structure, whereby the majority of Nexans' subsidiaries have a very strong local presence except in the high-voltage business.

US dollar exposure on purchases of copper and, to a lesser extent, aluminum is tracked as part of the Group's overall metals risk management strategy.

Nexans hedges its foreign exchange risk on cash flows relating to foreseeable contractual commercial transactions as well as to certain forecast transactions. The foreign exchange operations arising from this hedging activity may result in certain positions being kept open. Where this happens, the positions are limited in amounts and tenor involved.

Certain bids are made in a currency other than that in which the entity concerned operates. Foreign exchange risks arising on these bids are not systematically hedged, which could generate a gain or a cost for the Group if there is a significant change in the exchange rate between the date when the bid is presented and the date it is accepted by the customer. However, in such cases, the Group takes steps to reduce its potential

risk by applying expiry dates to its bids and by incorporating the foreign exchange risk into the price proposal.

Foreign exchange risk is identified at the level of the Group's operating subsidiaries, whose treasurers set up hedges using forward currency transactions. For subsidiaries that are members of the central cash management system these transactions are carried out with Nexans Services. Other subsidiaries enter into forward currency transactions with their local banks. The objective of these transactions is for operating cash flows to be denominated in the functional currency of the entity concerned.

Risks relating to debt

The Group considers that it only has low level exposure to foreign exchange risk on debt. In addition, the monthly currency risk assessments reported by Nexans' operating subsidiaries includes details on these subsidiaries' financial liabilities denominated in foreign currencies. In accordance with the Group's procedures, this exposure is hedged in the same way as exposure to risk on commercial transactions in foreign currencies.

When Nexans Services – whose cash inflows are primarily in euros – sets up loans to subsidiaries in currencies other than the euro, the related foreign exchange risk is systematically hedged using swaps (involving a spot purchase and simultaneous forward sale), which are renewed at each interest repricing date for the loans granted. When such loans are denominated in currencies whose interest rates are higher than those applicable for the euro, the backwardation on the forward currency transaction is offset by the higher interest rate received by Nexans Services.

Verifying the correct application of procedures

The Group verifies that its procedures for managing foreign exchange risk are properly applied by means of monthly reports provided to Nexans Services by all subsidiaries exposed to this type of risk, irrespective of whether or not they are part of the centralized cash management system. The reports contain details on the subsidiaries' balance sheet positions as well as firm and estimated future cash flows in each currency and the related hedges that have been put in place.

In addition, Nexans Services has set up an on-site audit system for the subsidiaries whereby representatives of Nexans Services conduct visits to ensure that the relevant procedures have been properly understood and applied. Lastly, the Internal Audit Department also systematically reviews the proper application of procedures relating to the identification and hedging of foreign exchange risks during its audit engagements carried out at the Group's subsidiaries.

Net position at December 31, 2009

The table below sets out all of the Group's assets, liabilities and future commitments denominated in foreign currencies (except for unconfirmed bids in progress), as well as the nominal amount of forward foreign currency purchases and sales outstanding at December 31, 2009 for all of the Group's subsidiaries.

The main currencies that present a foreign exchange risk for the Group are the US dollar, the euro and the Norwegian krone. Foreign currency assets and liabilities that are denominated in the local entity's functional currency are not included in the table below, as they do not generate any foreign exchange risk.

• Foreign exchange risk exposure at December 31, 2009

(in millions of foreign currency units)	USD	NOK	EUR
- Trade receivables	236	6	31
- Trade payables	(229)	(20)	(45)
- Bank accounts	63	159	6
- Loans/borrowings	47	(571)	(37)
- Commitments (future cash flows)	170	(7)	205
Total exposure	287	(432)	160
- Net nominal amount of hedges	(442)	423	(206)
Residual net exposure	(156)	(9)	(46)

The Group's residual net exposure to foreign exchange risks at December 31, 2009 was primarily attributable to the fact that (i) borrowings deemed to form an integral part of the net investment in a foreign operation are not hedged (see **Note 1.d**); (ii) the Group has US dollar-denominated financial liabilities in countries whose currencies are strongly correlated to the US dollar; and (iii) to a lesser extent, the Group has euro- or US dollar-denominated debt in countries where the cost of hedging is prohibitive.

The risk of foreign exchange gains or losses affecting the income statement is therefore either nil or negligible for the borrowings/liabilities referred to in (i) and (ii) above.

Foreign currency translation risk

Up until December 31, 2007 the Group's main foreign currency translation risk related to the translation of the net assets and profit or loss of its subsidiaries based in US dollar zones. This risk was not hedged as Group Management considered it to be limited. However, the acquisition of the Madeco group's cables business in late September 2008 has increased the Group's exposure to foreign currency translation risk, particularly concerning the Brazilian real (BRL), the Chilean peso (CLP) and the US dollar.

Therefore, at times the Group may hedge the translation risk relating to its net investment in the subsidiaries concerned (i.e. the net assets of these entities as well as borrowings that qualify as a net investment in a foreign operation as defined in **Note 1.d**). These hedges are set up on a very specific and localised basis, given the risks involved in terms of treasury, the type of hedges available and local market conditions such as liquidity and cost factors.

Overall foreign currency translation risk is regularly monitored by the Group Finance Department.

d. Metal price risk

The Group's policy for managing non-ferrous metal risks is defined and overseen by the Group Metals Management Department and is implemented by the subsidiaries that purchase copper, aluminum and, to a lesser extent, lead. The Group's main exposure to metal price risk arises from fluctuations in copper prices.

Market trends in 2009

Copper prices were once again highly volatile in 2009 and increased sharply during the year. In the space of twelve months the price of copper on the London Metal Exchange more than doubled, jumping from 3,042 US dollars per tonne at December 31, 2008 to 7,342 US dollars at end-2009. This 4,300 US dollar rise caught up the majority of the ground lost in just a few months in the second half of 2008, when copper prices slumped from 8,800 US dollars per tonne in early July to less than 3,000 US dollars per tonne during December.

The swings in the US dollar price of copper throughout 2009 partly reflected the significant fluctuations in the euro/US dollar exchange rate which varied between a low of 1.25 in the first quarter to a high of 1.51 in the last quarter.

However, these exchange-rate movements are only a minor explanatory factor for the overall year-on-year change as the euro/US dollar rate at end-2009 was on a par with that at end-2008 (1.44 and 1.39 respectively). Therefore copper prices expressed in euros also more than doubled in 2009, up from 2,185 euros per tonne at December 31, 2008 to 5,096 euros per tonne at end-2009, representing an increase of 133%.

As there was no real tension in the physical market for copper, the main reason for the overall rise was the renewed interest of financial investors in commodities markets.

In 2009, the average spot price for copper on the London Metal Exchange was 5,164 US dollars per tonne, representing a decrease on the 7,097 US dollar average price per tonne for 2008. Expressed in euros, these per tonne prices came in at 3,669 euros for 2009 against 4,730 euros in 2008, corresponding to an average year-on-year fall of 1,061 euros, or 22%.

Impact on operating income

In order to offset the consequences of the volatility of non-ferrous metal prices (copper and, to a lesser extent, aluminum and lead), Nexans' policy is to pass on metal prices in its own selling price, and hedge the related risk either by setting up a physical hedge or by entering into futures contracts on the London, New York and, to a lesser extent, Shanghai, metal exchanges.

However, the Group's production units require a permanent level of metal inventories which is referred to as core exposure. Core exposure represents the minimum amounts that are necessary for the production units to operate appropriately. Consequently, the quantities of metal corresponding to core exposure are not hedged.

Core exposure is kept at a stable level from one year to the next unless an entity structurally changes its commercial or operating transactions or there is a considerable change in business volumes, as was the case in 2009. The measures implemented by the Group to reduce its inventory levels, combined with the impact of lower business volumes since the third quarter of 2008, enabled Nexans to significantly scale back core exposure levels in the majority of its subsidiaries during the year (from 83,000 tonnes at December 31, 2008 to 69,000 tonnes at December 31, 2009).

The Group verifies that its procedures for managing and hedging metal risks are properly applied by means of a monthly reporting system which details each legal entity's exposure to copper and aluminum risk in both tonnage and value terms.

Nexans does not generate any income from speculative trading of metals. In addition, the Group's operating margin – which is a performance indicator – is only slightly sensitive to changes in copper and aluminum prices as follows:

- Although the measurement of core exposure is subject to changes in copper and aluminum prices due to it being unhedged and recognized at weighted average cost, the core exposure effect is recorded below operating margin as it has no relation with the Group's metal price hedging policy. In addition, the fact that it is unhedged means that the carrying amount of core exposure may be written down to realizable value at the year-end but any such impairment losses are likewise recorded below operating margin in the income statement (see **Note 1.i**).
- Positions in tonnes and value in excess of the core exposure must be balanced for both copper and aluminum, in order to neutralize the effect of any changes in metal prices.

The Group's operating margin is nevertheless still partially exposed to fluctuations in non-ferrous metal prices for certain product lines, such as copper cables for cabling systems and building sector products. In these markets, any changes in non-ferrous metal prices are generally passed on in the selling price, but with a time lag that can impact margins. The fierce competition in these markets also affects the timescale within which price increases are passed on. In addition, as with foreign exchange risk, the risk of fluctuations in copper and other metal prices is not systematically hedged for bids that are awaiting a response from the customer (see paragraph c.) above on foreign exchange risk.

Impact on financing needs

Fluctuations in copper and aluminum prices have a significant knock-on impact on the Group's financing needs, as a rise in copper prices implies an increase in working capital requirement. Conversely, a sharp decrease in the price of copper will significantly reduce working capital requirement and be profitable to the Group, as was the case in 2008.

In the event of a fall in non-ferrous metal prices the positive impact on the Group's net debt resulting from the decrease in working capital requirement may be temporarily offset either in full or in part by the negative impact of (i) margin calls and (ii) the time lag between when the Group pays its suppliers and when customers settle their invoices. The inverse effect arises in the event of an increase in metal prices. Nexans protects itself against fluctuations in metal prices between the date of an order and the related delivery date either by setting the metal purchase price with a supplier or by purchasing contracts on metals exchanges. If prices drop sharply and rapidly, the fair value of hedging instruments becomes negative and the credit limits granted to the Group's subsidiaries by their counterparties become insufficient. In such cases subsidiaries are required to deposit cash with the broker which has set up the hedge. The Group recognizes the sums paid to meet these margin calls as short-term financial assets and does not include them in cash and cash equivalents (see **Note 19**). When the related contracts expire the hedge kicks in by offsetting with a loss the gain generated by the Group on its physical purchase of copper at a lower price.

As the Group generally pays its copper suppliers more quickly than customers settle their invoices, the positive impact of any decrease in copper prices on the Group's working capital requirement will only actually be felt when the trade receivables portfolio has completed a full cycle and therefore only includes invoices drawn up on the basis of the new copper price.

At December 31, 2008 the aggregate amount deposited by the Group to meet margin calls was 140 million euros. These margin calls did not represent material amounts either at December 31, 2009 or December 31, 2007.

The Group's main copper commitments

At December 31, 2009, 2008 and 2007 the Group's main copper exposures (a key indicator tracked by Management) were as follows:

(at December 31, in tonnes)	2009	2008	2007
Cash settlement obligations			
- Purchases	68,501	117,883	86,499
- Sales	11,087	15,532	22,073
Physical settlement obligations			
- Purchases*	113,200	127,445	75,746
- Sales	170,342	230,268	139,988

* Excluding purchases negotiated as part of Take or Pay contracts whose price was not set at the year-end, but including inventories (apart from core exposure) whose price was set at the year-end.

In accordance with its risk management policy described above, the Group enters into physically-settled contracts only for operational purposes (for the copper component of customer or supplier orders) and uses cash-settled contracts only for hedging purposes (LME, Comex or SHFE traded contracts). Nexans' main subsidiaries document their hedging relationships in compliance with the requirements of IAS 39 relating to cash flow hedges.

The fair value of outstanding derivative instruments used by the Group to hedge the risk of fluctuations in copper and other non-ferrous metal prices (cash settlement obligations) is presented in **Note 27.a**. The majority of the unrealized gains and losses on these instruments are recognized directly in equity as substantially all of them are classified as arising on cash flow hedges (see **Note 1.bb**).

e. Credit risk

In addition to customer credit risk, counterparty risk arises primarily on foreign exchange and non-ferrous metal derivatives.

Customer credit risk

Nexans is structurally protected against customer credit risk due to its diverse business and customer base and its wide geographic reach. At December 31, 2009, 2008 and 2007 no single customer represented more than 5% of the Group's total outstanding receivables.

The Group also applies an active policy for managing and reducing its exposure to customer credit risk:

- For certain export markets Nexans systematically uses secure payment methods including downpayments on orders, progress payments, and irrevocable letters of credit confirmed by banks approved by Nexans Services.
- Nexans has also set up a short-term credit insurance policy for sales in local and export markets as coverage against non-recovery of customer receivables. Taken out with the specialist international insurer, Coface, and renewed in 2009, this policy covers Nexans companies which accounted for over 80% of Group sales at the year-end. By agreement with the insurer, certain customers are excluded from the credit insurance policy as they represent a very low risk of default over the short term.

As part of its insurance coverage, Coface provides Nexans with access to a database of information on each customer's credit risk. This enables each unit to monitor customer outstandings in relation to the insured credit limits, and in the event of default, to restrict the impact on cash flow and income to (i) any excess over the capped amounts stipulated in the policy; and (ii) the policy deductible (usually 10% of the insured amount). Any overruns on insured amounts are periodically reviewed by the Country Managers and their financial controllers.

Provisions for impairment in value of trade receivables have remained stable over the past few years (see **Note 18**), reflecting the fact that the Group has only a low level of default risk on its trade receivables, which it closely controls.

Foreign exchange derivative

For all subsidiaries that are members of the central cash management system, foreign exchange transactions are carried out with Nexans Services, which in turn hedges its positions with banks. In order to keep counterparty risk as low as possible, Nexans only authorizes such transactions with banks that have medium and long-term ratings of at least A+ from Standard & Poor's and A1 from Moody's. For other subsidiaries, the same criteria apply but exceptions may be made for subsidiaries located in countries with sovereign ratings that are below the specified threshold. In this case, the subsidiaries concerned must carry out transactions involving a counterparty risk with agencies or subsidiaries of banking groups whose parent company satisfies the above risk criteria.

Counterparty risk for subsidiaries that are not members of the centralized cash management system is regularly monitored by Nexans Services, via a monthly reporting schedule that states the overall volume of external commitments made by each of these subsidiaries in relation to foreign exchange hedges.

For the Group's main subsidiaries that are exposed to foreign exchange risk, at December 31, 2009, outstanding forward purchases of foreign currency represented a notional amount of 1,738 million euros, while unexpired forward sales amounted to 1,725 million euros (see **Note 27**).

For transactions managed by Nexans Services, at December 31, 2009 outstanding forward purchases of foreign currency represented a notional amount of 1,412 million euros and unexpired forward sales amounted to 1,402 million euros, representing over 80% of the Group's total commitments at that date (compared with 85% at December 31, 2008). However, the counterparty risk on these transactions is deemed to be low as the commitments are mainly divided between six counterparties with ratings of between AA/Aa1 and A+/Aa3.

Based on a breakdown by maturity of notional amounts (the sum of the absolute values of notional amounts of buyer and seller positions), the Group has high exposure to very short-term maturities (for all subsidiaries – see **Note 27**):

- Less than 6 months: 77%
- Between 6 months and 1 year: 14%
- Beyond 1 year: 9% ⁽¹⁾

The fair value of these outstanding positions at December 31, 2009 is presented in **Note 27.a**.

Metal derivatives

Non-ferrous metal hedging transactions give rise to a counterparty risk when they are carried out on commodity exchanges. Nexans conducts transactions on the LME, COMEX and, to a limited degree, on the SHFE. Transactions on these organized markets are used to hedge the Group's copper, and to a lesser extent, aluminum and lead risks. Substantially all of the transactions are standard buy and sell trades. The Group does not use metal options.

Access to organized commodities markets is centralized by the Metals Management Department which performs the transactions on behalf of substantially all of the Group's subsidiaries apart from – at December 31, 2009 – the Group's Chinese, Australian and New Zealand subsidiaries.

The Group has limited exposure to counterparty risk on transactions managed centrally on behalf of subsidiaries as they are chiefly carried out with four brokers, three of which are banks or subsidiaries of banks that are rated A+/Aa3 or higher, and the other being a subsidiary of an insurance company. For the insurance company subsidiary the Group has been given a 20 million US dollar guarantee from the parent company which is rated A/Baa2.

In Australia and New Zealand, Olex carries out transactions with an Australian broker because of the country's specific price references and its time zone. This broker complies with the Group's credit rating requirements. The Group's subsidiaries in China hedge their metals risks on the Shanghai Futures Exchange (SHFE) which can only be used by local brokers.

(1) The longest maturities are in 2013 and represent only 0.2% of the overall outstanding amount.

The net nominal amount of outstanding futures contracts (for all subsidiaries) stood at 346 million euros at December 31, 2009 and their fair value was positive at that date due to the rise in metal prices at the end of the year and the fact that the Group was in a net buyer position (see **Note 27.b** for further information on these notional amounts). At December 31, 2009, transactions managed centrally on behalf of subsidiaries represented 91% of this total (317 million euros), versus 88% at year-end 2008.

Outstanding collateral deposited to meet margin calls from brokers did not represent material amounts at December 31, 2009 (see **Note 19**).

As shown in the following maturity schedule for outstanding non-ferrous metal contracts at December 31, 2009 (for all subsidiaries), the Group's exposure on these instruments is mostly short-term, which also helps to limit the level of counterparty risk (based on the fact that the majority of the Group's net notional amounts represent buyer positions):

- Less than 6 months: 75%
- Between 6 months and 1 year: 13%
- 1 to 2 years: 11%
- 2 to 3 years: 0%
- Beyond 3 years: 1%

f. Market risk sensitivity analysis

A sensitivity analysis is provided below on the impact that a theoretical change in the abovementioned main market risks would have on consolidated income and equity.

Sensitivity to interest rates

Main assumptions:

- The Group's long-term debt is at fixed rates (convertible bonds and ordinary bonds redeemable in 2017). Because only short-term borrowings are generally at variable rates the sensitivity analyses have been calculated on this basis.
- The Group's other financial assets and liabilities (excluding net debt) are only sensitive to changes in interest rates in exceptional cases as they mostly have short-term maturities. The related impact is therefore not deemed to be material for the purposes of this analysis.
- Changes in interest rates do not directly impact consolidated equity as the Group does not use any interest rate derivatives that are designated as cash flow hedges.

A 50 basis-point increase in interest rates (excluding the spread) would have had the following impacts on the Group's net financial expense for 2009 (with all remaining data unchanged, notably exchange rates):

	Weighted average effective interest rate for gross short-term debt (see Note 24.d)	Average short-term net debt (in millions of euros)	Short-term net debt at year-end (in millions of euros)	Impact on financial expenses/(income) (in millions of euros)Average net debt	Impact on financial expenses/(income) (in millions of euros) Year-end net debt
December 31, 2009					
Euro	2.89%	(352)	(528)	(1.76)	(2.64)
US dollar	3.73%	(1)	(28)	(0.01)	(0.14)
Other	6.80%	(68)	(144)	(0.34)	(0.72)
Group total*		(421)	(699)	(2.11)	(3.50)

* Sign convention: financial income and net cash positions are presented in parentheses.

The average short-term net debt assumption used for this sensitivity analysis is based on the average of the opening and closing positions for the external net debt of the Group's subsidiaries in each of the currencies concerned.

Sensitivity to changes in copper prices

Fluctuations in copper prices can impact both consolidated income and equity as well as the Group's financing needs⁽¹⁾.

A rise in copper prices would result in:

- An increase in working capital requirement and therefore financing needs (the short-term positive impact of margin calls is not taken into account in the sensitivity analysis).
- A rise in the fair value of the Group's portfolio of cash-settled copper derivatives (the Group is generally a net buyer).
- A revaluation of the Group's core exposure.

A rise in working capital requirement would increase the Group's financial expenses.

An increase in the fair value of cash-settled copper derivatives would positively affect either consolidated operating income or equity based on the accounting treatment used for these derivative instruments (the derivatives of the Group's main subsidiaries are documented as cash flow hedges within the meaning of IAS 39).

A revaluation of the Group's core exposure would positively affect consolidated operating income.

The simulation below is based on the following assumptions (with all other assumptions remaining unchanged, notably exchange rates):

- A 10% increase in copper spot prices and translation of this impact evenly across the entire price curve without any distortion of forward point spreads.
- All working capital requirement components (inventories, and the copper component of trade receivables and payables) would be impacted by the increase in copper prices.
- 95,000 tonnes, 110,000 tonnes and 120,000 tonnes of copper included in working capital requirement at December 31, 2009, 2008 and 2007 respectively.
- Short-term interest rate (3-month Euribor) of 0.7%, 2.9% and 4.3% respectively in 2009, 2008 and 2007.

- A worst-case scenario, in which the increase in working capital requirement would be constant throughout the year, leading to an annualized increase in financial expenses (not taking into account the temporary positive impact of margin calls).

- 69,000 tonnes of copper classified as core exposure at December 31, 2009 (83,000 tonnes at both December 31, 2008 and 2007).

- A theoretical income tax rate of 34.43%.

The impact of changes in copper prices on both impairment in value of the Group's non-current assets (in accordance with IAS 36) and the provision for impairment of inventories has not been taken into account in this simulation as it is impossible to identify a direct linear effect.

(in millions of euros)	2009	2008	2007
Impact on operating income	37	35	54
Impact on net financial expense	(0)	(1)	(3)
Net impact on income (after tax)	24	22	34
Impact on equity* (after tax)	14	30	10

* Excluding net income for the period.

Sensitivity to the US dollar exchange rate

- The US dollar is the main foreign currency to which the Group is exposed.
- The simulation below is based on a 10% decrease in the US dollar spot rate against the world's other major currencies compared with the rates prevailing at December 31, 2009, 2008 and 2007, e.g. using US dollar/euro exchange rates of 1.59, 1.53 and 1.62 respectively, and translation of this impact evenly across the entire rate curve without any distortion of forward point spreads.
- The main impacts on the consolidated financial statements stem from the revaluation of the Group's portfolio of derivative instruments. The impact on equity related to designated cash flow hedges and the impact on income have been separated out. This revaluation effect is offset by the revaluation of underlying US dollar positions in (i) the Group's trade receivables and trade payables portfolios and (ii) net debt.

(1) Sensitivity calculations are based on an assumed increase in copper prices. A fall in copper prices would have the inverse effect.

- The Group's other financial assets and liabilities are rarely subject to foreign exchange risk and have therefore not been included in this simulation.
- Foreign currency translation impacts have likewise not been taken into account in the following calculations.

Sensitivity at December 31, 2009 (in millions of euros)	Impact on income (net after tax**)	Impact on equity* (after tax**)
Trade receivables	(10)	N/A
Bank accounts	(2)	N/A
Trade payables	9	N/A
Loans/borrowings	(6)	4
Net position – USD underlyings	(9)	4
Portfolio of forward purchases***	(5)	(11)
Portfolio of forward sales***	19	15
Net position – USD derivatives	14	4
Net impact on the Group	5	8

* Excluding net income for the period.

** Using a theoretical income tax rate of 34.43%.

*** Forward purchases and sales that comprise an exposure to US dollars.

Sensitivity at December 31, 2008 (in millions of euros)	Impact on income (net after tax**)	Impact on equity* (after tax**)
Trade receivables	(9)	N/A
Bank accounts	(1)	N/A
Trade payables	7	N/A
Loans/borrowings	1	0
Net position – USD underlyings	(2)	-
Portfolio of forward purchases***	(21)	(12)
Portfolio of forward sales***	25	34
Net position – USD derivatives	4	22
Net impact on the Group	2	22

* Excluding net income for the period.

** Using a theoretical income tax rate of 34.43%.

*** Forward purchases and sales that comprise an exposure to US dollars.

Sensitivity at December 31, 2007 (in millions of euros)	Impact on income (net after tax**)	Impact on equity* (after tax**)
Trade receivables	(7)	N/A
Bank accounts	(1)	N/A
Trade payables	8	N/A
Loans/borrowings	(3)	N/A
Net position – USD underlyings	(3)	N/A
Portfolio of forward purchases***	(61)	(17)
Portfolio of forward sales***	64	29
Net position – USD derivatives	3	12
Net impact on the Group	0	12

* Excluding net income for the period.

** Using a theoretical income tax rate of 34.43%.

*** Forward purchases and sales that comprise an exposure to US dollars..

Sensitivity to the Norwegian krone

- The Norwegian krone (NOK) is an essential counterparty currency used in contracts for high-voltage submarine cables.
- The simulation below is based on similar assumptions to those used for the US dollar (i.e. a 10% fall in the Norwegian krone spot rate against the world's other major currencies), e.g. using closing EUR/NOK exchange rates of 9.13, 10.72 and 8.75 at December 31, 2009, 2008 and 2007 respectively, and translation of this impact evenly across the entire rate curve without any distortion of forward point spreads.

Sensitivity at December 31, 2009 (in millions of euros)	Impact on income (net after tax**)	Impact on equity* (after tax**)
Trade receivables	1	N/A
Bank accounts	(1)	N/A
Trade payables	(0)	N/A
Loans/borrowings	5	-
Net position – NOK underlyings	5	-
Portfolio of forward purchases***	(2)	10
Portfolio of forward sales***	(1)	(31)
Net position – NOK derivatives	(3)	(22)
Net impact on the Group	2	(22)

* Excluding net income for the period.

** Using a theoretical income tax rate of 34.43%.

*** Forward purchases and sales that comprise an exposure to NOK.

Sensitivity at December 31, 2008 (in millions of euros)	Impact on income (net after tax**)	Impact on equity* (after tax**)
Trade receivables	1	N/A
Bank accounts	0	N/A
Trade payables	(0)	N/A
Loans/borrowings	1	-
Net position – NOK underlyings	2	-
Portfolio of forward purchases***	1	10
Portfolio of forward sales***	(3)	(36)
Net position – NOK derivatives	(2)	(26)
Net impact on the Group	0	(26)

* Excluding net income for the period.

** Using a theoretical income tax rate of 34.43%.

*** Forward purchases and sales that comprise an exposure to NOK.

Sensitivity at December 31, 2007 (in millions of euros)	Impact on income (net after tax**)	Impact on equity* (after tax**)
Trade receivables	3	N/A
Bank accounts	3	N/A
Trade payables	(1)	N/A
Loans/borrowings	0	-
Net position – NOK underlyings	5	-
Portfolio of forward purchases***	(50)	13
Portfolio of forward sales***	51	(43)
Net position – NOK derivatives	1	(30)
Net impact on the Group	6	(30)

* Excluding net income for the period.

** Using a theoretical income tax rate of 34.43%.

*** Forward purchases and sales that comprise an exposure to NOK.

g. Contractual obligations that may give rise to indemnity payments and risks relating to business combinations

• Commercial risks

Group companies generally give customers warranties on the quality of the products sold without taking out bank guarantees or bonds. They have, however, also given commitments to banks and other third parties, in particular financial institutions, which have issued guarantees or performance bonds to customers, and guarantees to secure advances received from customers (604 million euros, 687 million euros and 423 million euros at December 31, 2009, 2008 and 2007 respectively).

When it is probable that Nexans will be required to make payments under a warranty due to factors such as delivery delays or disputes over contract performance, a provision is recorded for the estimated risk (where such an estimate can be made). When such a payment is merely potential rather than probable it is disclosed as a contingent liability if the amount concerned is sufficiently material (see **Note 23** and **Note 31**).

• Risks relating to mergers and acquisitions

Group companies may grant sellers' warranties to purchasers of divested businesses, generally without taking out bank guarantees or bonds. When it is probable that Nexans will be required to make payments under a warranty a provision is recorded for the estimated risk (where such an estimate can be made). When such a payment is merely potential rather than probable it is disclosed as a contingent liability if the amount concerned is sufficiently material (see **Note 23** and **Note 31**).

Conversely, when acquiring other entities, Group companies are sometimes given sellers' warranties. For example, as part of the August 1, 2008 acquisition of the Italian company Intercond (see **Note 2.d**), an escrow account has been set up in accordance with the purchase agreement to cover payments that may be due to Nexans in the event of a claim during the seller's warranty period (33.5 million euros held until December 31, 2009, 28 million euros until December 31, 2010, 21 million euros until December 31, 2011, 14 million euros until December 31, 2012 and 7 million euros until December 31, 2013).

• Acquisition of the Madeco group's cables business

When Nexans acquired the cables business of the Chile-based group Madeco on September 30, 2008 it took over a number of pending or potential disputes. The most significant of these, subject to certain deductibles, are covered by the seller's warranty granted by Madeco under the purchase agreement.

A provision was recorded for this business's liabilities and contingent liabilities when the Group completed the initial accounting for the acquisition in 2009 in accordance with IFRS 3 (see **Note 11**). As described in **Note 2.d**, final adjustments will be made to the acquisition cost based on the accounts at September 30, 2008.

In turn, Nexans granted Madeco a seller's warranty in connection with the 2.5 million Nexans shares issued as consideration for part of Madeco's asset transfer. This warranty expired on December 31, 2009 and no related claims had been received by Nexans at that date.

Note 27. Derivative instruments

a. Fair value

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

At December 31, in millions of euros	2009	2008	2007
Assets			
Foreign exchange derivatives – Cash flow hedges*	24	36	21
Metal derivatives – Cash flow hedges*	38	2	2
Foreign exchange derivatives – Held for trading*	10	36	7
Metal derivatives – Held for trading*	10	2	8
Sub-total - Assets	82	76	38
Liabilities			
Foreign exchange derivatives – Cash flow hedges*	11	65	1
Metal derivatives – Cash flow hedges*	5	163	15
Foreign exchange derivatives – Held for trading*	11	31	4
Metal derivatives – Held for trading*	3	16	6
Sub-total – Liabilities	30	275	26

* Within the meaning of IAS 32/39.

These amounts have been included in “Other current financial assets” (see **Note 19**) and “Other current financial liabilities” (see **Note 25**) in the consolidated statement of financial position since January 1, 2005. Derivatives primarily comprise forward purchases and sales.

For derivatives qualified as cash flow hedges, the opening and closing positions in the statement of financial position cannot be directly reconciled with amounts recorded in equity under “Changes in fair value and other” as certain positions may be rolled over while retaining the cash flow hedge accounting qualification.

b. Notional amounts

• Notional amounts of metal derivatives

The table below sets out the notional amounts of metal derivative contracts, broken down by currency and converted into euros based on the rate prevailing at December 31, 2009.

	2009				
At December 31, in millions of euros	USD	NOK	EUR	Other	Total
Notional amounts – Buyer positions					
Metal derivatives – Cash flow hedges*	158	-	114	-	273
Metal derivatives – Held for trading*	17	-	59	29	105
Sub-total – Notional amounts – Buyer positions	176	-	173	29	378
Notional amounts – Seller positions					
Metal derivatives – Cash flow hedges*	(5)	-	(13)	-	(18)
Metal derivatives – Held for trading*	(11)	-	(0)	(2)	(13)
Sub-total – Notional amounts – Seller positions	(16)	-	(13)	(2)	(31)

* Within the meaning of IAS 32/39.

Notional commitments on metal derivatives for 2009 and 2008 are summarized below:

(in millions of euros)	2009	2008
Notional amounts – Buyer positions	378	297
Notional amounts – Seller positions	(31)	(23)
Net metal derivatives positions*	347	274

* Sign convention: Net buyer positions are presented as positive amounts and net seller positions are presented as negative amounts.

• Notional amounts of foreign exchange derivatives

The table below sets out the notional amounts of foreign exchange derivative contracts, broken down by currency and converted into euros based on the rate prevailing at December 31, 2009. Each forward purchase or sale contract has been divided into a notional amount for its short leg (the nominal amount of the currencies that will be delivered by the Group) and a notional amount for its long leg (the nominal amount of currencies that will be received by the Group).

	2009				
At December 31, in millions of euros	USD	NOK	EUR	Other	Total
Notional amounts – Buyer positions					
Foreign exchange derivatives – Cash flow hedges*	176	473	296	57	1,001
Foreign exchange derivatives – Held for trading*	124	65	329	219	737
Sub-total – Notional amounts – Buyer positions	300	538	625	276	1,738
Notional amounts – Seller positions					
Foreign exchange derivatives – Cash flow hedges*	385	165	339	100	988
Foreign exchange derivatives – Held for trading*	217	16	161	343	737
Sub-total – Notional amounts – Seller positions	602	181	500	443	1,725

* Within the meaning of IAS 32/39.

Notional commitments on foreign exchange derivatives for 2009 and 2008 are summarized below:

(in millions of euros)	2009	2008
Notional amounts – Buyer positions	1,738	2,235
Notional amounts – Seller positions	(1,725)	(2,260)
Net foreign exchange derivatives positions*	13	(25)

* Sign convention: Net buyer positions are presented as positive amounts and net seller positions are presented as negative amounts.

c. Breakdown of the income statement impact of derivatives

The following tables provide a breakdown of the income statement impact of derivatives in 2009, 2008 and 2007.

2009 (in millions of euros)	Gains and losses on derivatives held for trading*	Gains and losses on cash flow hedges recycled to income*	Fair value hedges*			Total income statement impact
			Underlying	Derivative	Ineffectiveness*	
Metal derivatives	14	10	-	-	(0)	24
Foreign exchange derivatives	1	3	-	-	3	7
Interest rate derivatives			-	-		
Total	15	13	-	-	3	31

* Within the meaning of IAS 32/39.

2008 (in millions of euros)	Gains and losses on derivatives held for trading*	Gains and losses on cash flow hedges recycled to income*	Fair value hedges*			Total income statement impact
			Underlying	Derivative	Ineffectiveness*	
Metal derivatives	(11)	(13)	-	-	(0)	(24)
Foreign exchange derivatives	(10)	25	-	-	8	23
Interest rate derivatives			-	-		
Total	(21)	12	-	-	8	(1)

* Within the meaning of IAS 32/39.

2007 (in millions of euros)	Gains and losses on derivatives held for trading*	Gains and losses on cash flow hedges recycled to income*	Fair value hedges*			Total income statement impact
			Underlying	Derivative	Ineffectiveness*	
Metal derivatives	(7)	(25)	-	-	0	(32)
Foreign exchange derivatives	18	2	-	-	(15)	5
Interest rate derivatives		0	-	-		0
Total	11	(23)	-	-	(15)	(27)

* Within the meaning of IAS 32/39.

Analysis:

- Metal derivatives: The Group has only had the required documentation in place to qualify metal derivatives as cash flow hedges since November 1, 2006. Previously, all metal derivatives were classified as financial assets/liabilities held for trading. The documentation requirements for cash flow hedges were extended to additional Group entities in 2008 and now cover the majority of Nexans' metals cash flows.
- Foreign exchange derivatives: Gains and losses on cash flow hedges relating to commercial transactions that are recycled to the income statement are included in operating margin. All other unrealized and realized gains and losses relating to foreign exchange derivatives are recorded as other financial income or expenses.
- In 2007, gains and losses recycled to the income statement relating to metal cash flow hedges included a 25.1 million euro loss corresponding to the cumulative loss recognized in equity at December 31, 2006 following the first-time adoption at November 1, 2006 of cash flow hedge accounting for metal derivatives (see **Note 1.bb**).
- All realized gains and losses on metal derivatives including recycled gains and losses on metal cash flow hedges are recorded within operating margin. Unrealized gains and losses on metal derivatives classified as held for trading, as well as the ineffective portion of derivatives accounted for as cash flow hedges, are reported on a specific line of the income statement called "Changes in fair value of non-ferrous metal derivatives".

Foreign exchange derivatives classified as held for trading primarily correspond to:

- Economic hedges of assets and liabilities denominated in foreign currencies, in which case the impact of their spot component on the income statement is offset by the revaluation of the underlying assets and liabilities at the period-end (see **Note 28 b**); or
- Hedges of future transactions that are not designated as cash flow hedges.

The ineffective portion of foreign exchange derivatives primarily corresponds to the forward points, as the cash flows in the hedging relationship are generally calculated only using spot rates.

- Interest rate derivatives: Interest rate derivatives are not material at Group level as a result of the risk management policy described in **Note 26.b** above. Any impact of these derivatives is recorded in "Cost of debt (gross)" in the income statement.

d. Term of derivatives

The following tables set out the maturity schedules for all of the Group's foreign exchange and metal derivatives outstanding at December 31, 2008, 2007 and 2006, irrespective of whether they qualified for hedge accounting at the period-end. The majority of these instruments have short-term maturities.

• Foreign exchange derivatives

The maturity schedule of foreign exchange derivatives based on their fair values is as follows:

(in millions of euros)	2009		2008		2007	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Within 1 year	32	19	60	64	21	5
Current	32	19	60	64	21	5
Between 1 and 2 years	3	3	12	24	6	0
Between 2 and 3 years	0	0	1	8	1	0
Between 3 and 4 years	-	0	-	1	0	0
Between 4 and 5 years	-	-	-	-	0	-
Beyond 5 years	-	-	-	-	-	-
Non-current	3	3	12	32	7	0

The maturity schedule based on the notional amounts of these derivatives was as follows at December 31, 2009:

(in millions of euros)	2009	
	Notional amounts – Buyer positions	Notional amounts – Seller positions
Within 1 year	1,587	1,575
Current	1,587	1,575
Between 1 and 2 years	133	132
Between 2 and 3 years	15	15
Between 3 and 4 years	3	3
Between 4 and 5 years	-	-
Beyond 5 years	-	-
Non-current	151	150

• Metal derivatives

As the Group systematically reverses its positions when metal derivatives expire, fair values are the best estimate of future net cash flows at the period-end.

(in millions of euros)	2009		2008		2007	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Within 1 year	40	6	4	146	10	21
Current	40	6	4	146	10	21
Between 1 and 2 years	7	1	0	29	0	0
Between 2 and 3 years	0	-	-	4	-	0
Between 3 and 4 years	0	-	-	0	-	-
Between 4 and 5 years	-	-	-	0	-	-
Beyond 5 years	-	-	-	0	-	-
Non-current	8	1	0	33	0	0

Note 28. Additional disclosures concerning financial instruments

a. Categories of financial assets and liabilities

The Group has defined the following main categories of financial assets and liabilities:

At December 31, in millions of euros	IAS 39 category	Fair value hierarchy level	Carrying amount	Accounting treatment under IAS 39				Fair value at Dec.31, 2009
						Carried at fair value through profit or loss	Carried at fair value with changes recognized in equity	
				Carried at amortized cost	Carried at cost			
Assets								
Available-for-sale securities	Available-for-sale financial assets	N/A	17	X	✓	X	X	17
Commercial receivables								
- Amounts due from customers on construction contracts	Loans and receivables		215	✓	X	X	X	215
- Trade receivables	Loons and receivables		955	✓	X	X	X	955
Derivatives not designated as hedges	Financial assets at fair value through profit or loss	Foreign exchange: 2 Metal: 1	10 10	X	X	✓	X	10 10
Derivatives designated as hedges	N/A	Foreign exchange: 2 Metal: 1	24 38	X	X	X	✓	24 38
Other current and non-current financial assets	Loans and receivables	N/A	105	✓	X	X	X	105
Cash and cash equivalents	Financial assets at fair value through profit or loss	1	817	X	X	✓	X	817

✓ Accounting treatment applied

IAS 39 category		Fair value hierarchy level	Carrying amount	Accounting treatment under IAS 39				Fair value at Dec.31, 2009
						Carried at fair value through profit or loss	Carried at fair value with changes recognized in equity	
				Carried at amortized cost	Carried at cost			
At December 31, in millions of euros								
Liabilities								
Gross debt								
Convertible bonds	Financial liabilities carried at amortized cost	N/A	467	✓	X	X	X	478
Ordinary bonds	Financial liabilities carried at amortized cost		359	✓	X	X	X	335
Other financial liabilities	Financial liabilities carried at amortized cost		132	✓	X	X	X	132
Commercial payables								
Liabilities related to construction contracts	Financial liabilities carried at amortized cost	N/A	174	✓	X	X	X	174
Trade payables	Financial liabilities carried at amortized cost		845	✓	X	X	X	845
Derivatives not designated as hedges	Financial liabilities at fair value through profit or loss	Foreign exchange: 2 Metal: 1	11 3	X	X	✓	X	11 3
Derivatives designated as hedges	N/A	Foreign exchange: 2 Metal: 1	11 5	X	X	X	✓	11 5
Other current and non-current financial liabilities	Financial liabilities carried at amortized cost	N/A	66	✓	X	X	X	66

✓ Accounting treatment applied

At December 31, 2009:

- The fair value of **other non-current financial assets** was the same as their carrying amount.
- **Available-for-sale securities** were measured at cost as no market value was available. In addition, the Group could not determine the fair value of these securities based on a valuation technique as it was neither possible to reliably estimate the present value of future cash flows nor to obtain prices on comparable transactions.
- The fair value of **current financial assets**, including **commercial receivables**, was the same as their carrying amount.
- The Group's **fixed rate debt** mainly comprised its ordinary bonds redeemable in 2017 as well as the liability component of its OCEANE 2013 and 2016 bonds, whose fair values may differ from their carrying amounts in view of the fact that the bonds are carried at amortized cost. The fair value of the ordinary bonds was calculated based on a bank valuation provided at December 31, 2009 and included

interest accrued at the year-end. The fair value of the Group's OCEANE bonds was determined excluding the equity component and based on the following:

- The market price and historic volatility of Nexans shares at December 31, 2009 (55.82 euros).
 - The spot price of the OCEANE bonds at December 31, 2009 (81.88 euros and 64.60 euros for the OCEANE 2013 bonds and OCEANE 2016 bonds respectively).
 - A three-year euro swap rate of 2.20% for the OCEANE 2013 bonds and a five-year euro swap rate of 2.80% for the OCEANE 2016 bonds.
 - A three-year credit spread of 390 basis points for the OCEANE 2013 bonds and a five-year credit spread of 470 basis points for the OCEANE 2016 bonds.
 - A bond lending/borrowing cost representing 50 basis points.
- The fair value of **other current financial liabilities**, including **commercial payables**, was the same as their carrying amount..

The following tables provide a similar breakdown of financial assets and liabilities by category for 2008 and 2007.

IAS 39 category		Carrying amount at Dec. 31, 2008	Accounting treatment under IAS 39				Fair value at Dec. 31, 2008
					Carried at fair value through profit or loss	Carried at fair value with changes recognized in equity	
			Carried at amortized cost	Carried at cost			
(in millions of euros)							
Assets							
Available-for-sale securities	Available-for-sale financial assets	16	X	✓	X	✓	16
Commercial receivables							
Amounts due from customers on construction contracts	Loans and receivables	195	✓	X	X	X	195
Trade receivables	Loans and receivables	1,110	✓	X	X	X	1,110
Derivatives not designated as hedges	Financial assets at fair value through profit or loss	38	X	X	✓	X	38
Derivatives designated as hedges	N/A	38	X	X	X	✓	38
Other current and non-current financial assets	Loans and receivables	263	✓	X	X	X	263
Cash and cash equivalents	Financial assets at fair value through profit or loss	398	X	X	✓	X	398
Liabilities							
Gross debt							
Convertible bonds	Financial liabilities carried at amortized cost	274	✓	X	X	X	240
Ordinary bonds	Financial liabilities carried at amortized cost	359	✓	X	X	X	274
Other financial liabilities	Financial liabilities carried at amortized cost	301	✓	X	X	X	301
Commercial payables							
Liabilities related to construction contracts	Financial liabilities carried at amortized cost	111	✓	X	X	X	111
Trade payables	Financial liabilities carried at amortized cost	908	✓	X	X	X	908
Derivatives not designated as hedges	Financial liabilities at fair value through profit or loss	47	X	X	✓	X	47
Derivatives designated as hedges	N/A	228	X	X	X	✓	228
Other current and non- current financial liabilities	Financial liabilities carried at amortized cost	101	✓	X	X	X	101
✓ Accounting treatment applied							

At December 31, 2008

- The fair value of **other non-current financial assets** was the same as their carrying amount.
- **Available-for-sale securities** included 14 million euros worth of securities measured at cost as no market value was available. In addition, the Group could not determine the fair value of these securities based on a valuation technique as it was neither possible to reliably estimate the present value of future cash flows nor to obtain prices on comparable transactions.
- The fair value of **current financial assets**, including **commercial receivables**, was the same as their carrying amount.
- The Group's **fixed rate debt** mainly comprised its ordinary bonds as well as the liability component of its OCEANE convertible/exchangeable bonds, whose fair value may differ from the carrying amount in view of the fact that the bonds are carried at amortized cost. The fair value of the ordinary bonds was calculated based on a bank valuation provided at December 31, 2008 and included interest accrued at the year-end. The fair value of the Group's OCEANE bonds was determined excluding the equity component and based on the following:
 - i. The market price and historic volatility of Nexans' shares at December 31, 2008 (42.55 euros).
 - ii. The spot price of the OCEANE bonds at December 31, 2008 (68.11 euros).
 - iii. A four-year euro swap rate of 3.12%.
 - iv. A four-year credit spread of 700 basis points.
 - v. A bond lending/borrowing cost representing 50 basis points.
- The fair value of **other current financial liabilities**, including **commercial payables**, was the same as their carrying amount.

		IAS 39 category	Carrying amount at Dec. 31, 2007	Accounting treatment under IAS 39				Fair value at Dec. 31, 2007
						Carried at fair value through profit or loss	Carried at fair value with changes recognized in equity	
				Carried at amortized cost	Carried at cost			
(in millions of euros)								
Assets								
Available-for-sale securities	Available-for-sale financial assets	18	X	✓	X	✓	18	
Commercial receivables								
Amounts due from customers on construction contracts	Loans and receivables	163	✓	X	X	X	163	
Trade receivables	Loans and receivables	1,092	✓	X	X	X	1,092	
Derivatives not designated as hedges	Financial assets at fair value through profit or loss	15	X	X	✓	X	15	
Derivatives designated as hedges	N/A	23	X	X	X	✓	23	
Other current and non-current financial assets	Loans and receivables	97	✓	X	X	X	97	
Cash and cash equivalents	Financial assets at fair value through profit or loss	622	X	X	✓	X	622	
Liabilities								
Gross debt								
Convertible bonds	Financial liabilities carried at amortized cost	262	✓	X	X	X	254	
Ordinary bonds	Financial liabilities carried at amortized cost	359	✓	X	X	X	312	
Other financial liabilities	Financial liabilities carried at amortized cost	292	✓	X	X	X	292	
Commercial payables								
Liabilities related to construction contracts	Financial liabilities carried at amortized cost	138	✓	X	X	X	138	
Trade payables	Financial liabilities carried at amortized cost	866	✓	X	X	X	866	
Derivatives not designated as hedges	Financial liabilities at fair value through profit or loss	10	X	X	✓	X	10	
Derivatives designated as hedges	N/A	16	X	X	X	✓	16	
Other current and non- current financial liabilities	Financial liabilities carried at amortized cost	153	✓	X	X	X	153	

* Since 2008, payroll liabilities and related taxes have been presented on a separate line of the consolidated financial statements for the purpose of clarity. Data for 2007 has therefore been adjusted accordingly.

✓ Accounting treatment applied

At December 31, 2007:

- The fair value of **other non-current financial assets** was the same as their carrying amount.
- **Available-for-sale securities** included 14 million euros worth of securities measured at cost as no market value was available. In addition, the Group could not determine the fair value of these securities based on a valuation technique as it was neither possible to reliably estimate the present value of future cash flows nor to obtain prices on comparable transactions.
- The fair value of **current financial assets**, including **commercial receivables**, was the same as their carrying amount.
- The Group's **fixed rate debt** mainly comprised its ordinary bonds as well its OCEANE 2013 convertible/exchangeable bonds, whose fair value may differ from the carrying amount in view of the fact that the bonds are carried at amortized cost. The fair value of the ordinary bonds was calculated based on a bank valuation provided at December 31, 2007 and included interest accrued at the year-end.
- The fair value of **other current financial liabilities**, including **commercial payables**, was the same as their carrying amount.

b. Calculations of net gains and losses

2009 (in millions of euros)	Net gains/losses					2009 total
	Interest	On subsequent remeasurement			On disposal	
		Fair value adjustments	Translation adjustments	Impairment		
Available-for-sale financial assets	0	-	N/A	2	0	2
Loans and receivables	0	N/A	(18)	(2)	0	(20)
Financial assets and liabilities at fair value through profit or loss	-	9	N/A	N/A	N/A	9
Financial liabilities carried at amortized cost	(62)	N/A	6	0	N/A	(56)
Total	(62)	9	(12)	0	0	(65)

2008 (in millions of euros)	Net gains/losses					2008 total
	Interest	On subsequent remeasurement			On disposal	
		Fair value adjustments	Translation adjustments	Impairment		
Available-for-sale financial assets	0	-	N/A	0	2	2
Loans and receivables	0	N/A	12	(2)	-	10
Financial assets and liabilities at fair value through profit or loss	N/A	4	N/A	N/A	N/A	4
Financial liabilities carried at amortized cost	(66)	N/A	(28)	0	N/A	(94)
Total	(66)	4	(16)	(2)	2	(78)

2007 (in millions of euros)	Net gains/losses					2007 total
	Interest	On subsequent remeasurement			On disposal	
		Fair value adjustments	Translation adjustments	Impairment		
Available-for-sale financial assets	0	-	N/A	0	-	0
Loans and receivables	0	N/A	(53)	(1)	-	(54)
Financial assets and liabilities at fair value through profit or loss	-	10	N/A	N/A	N/A	10
Financial liabilities carried at amortized cost	(57)	N/A	31	-	N/A	(26)
Total	(57)	10	(22)	(1)	0	(70)

- Gains and losses corresponding to interest are recorded under "Cost of debt" when they relate to items included in consolidated net debt (see **Note 24**). When they relate to operating payables and receivables they are recorded under operating margin.
- Gains and losses arising from translation adjustments are recorded as other financial income or expenses.
- Impairment of loans and operating receivables is recognized within operating margin.

The accounting treatment of changes in fair value of derivatives is described in **Note 27.c.** above. Other than the impact of foreign exchange and metal derivatives, gains and losses relating to financial assets and liabilities at fair value through profit or loss include fair value adjustments recognized in cash and cash equivalents in an amount of 6 million euros in 2009, 18 million euros in 2008 and 13 million euros in 2007. These amounts are calculated taking into account interest received and paid on the instruments concerned, as well as realized and unrealized gains.

Note 29. Operating leases

Future minimum payments under non-cancelable operating leases were as follows at December 31, 2009, 2008 and 2007:

(in millions of euros)	Total	Payments due by maturity		
		Within 1 year	Between 1 and 5 years	Beyond 5 years
At December 31, 2009	101	23	62	16
At December 31, 2008	94	19	56	19
At December 31, 2007	60	18	34	8

Note 30. Related party transactions

Related party transactions primarily concern commercial or financial transactions carried out with associates, non-consolidated companies and Management (whose total compensation is presented in the table set out in paragraph d) below).

a. Income statement

The main income statement items affected by related party transactions in 2009, 2008 and 2007 were as follows:

(in millions of euros)	2009	2008	2007
Revenue			
- Non-consolidated subsidiaries	41	29	22
- Joint ventures	-	-	-
- Associates	-	0	93
Cost of sales			
- Non-consolidated subsidiaries	(7)	(5)	(0)
- Joint ventures	-	-	-
- Associates	-	-	(2)

In 2007 revenue from associates mainly corresponded to commercial transactions carried out with Essex Nexans Europe up until June 28, 2007 (see **Note 2.d**).

b. Statement of financial position

The main items in the statement of financial position affected by related party transactions at December 31, 2009, 2008 and 2007 were as follows:

At December 31, in millions of euros	2009	2008	2007
Assets			
- Non-consolidated subsidiaries	7	4	3
- Joint ventures	-	-	-
- Associates	-	1	-
Financial liabilities/(Financial receivables)			
- Non-consolidated subsidiaries	(1)	6	(2)
- Joint ventures	-	-	-
- Associates	-	-	-
Other liabilities			
- Non-consolidated subsidiaries	4	3	-
- Joint ventures	-	-	-
- Associates	-	1	-

c. Relations with the Madeco group

Following Nexans' acquisition of the Madeco group's cables business on September 30, 2008, Madeco directly held an interest of around 9% in Nexans SA at December 31, 2009. In addition, Madeco's Chairman, Guillermo Luksic, has been a member of Nexans SA's Board of Directors since the acquisition date (see **Note 2.d**).

At December 31, 2009 the main contractual relations between Nexans and the Madeco group corresponded to a number of agreements related to the contract dated February 21, 2008 for the above-mentioned acquisition of Madeco's cables business, as amended by an addendum signed on September 30, 2008. Certain of these agreements – primarily concerning the use of trademarks and licenses – were still in force at December 31, 2009.

Nexans has also entered into a number of commercial contracts with Madeco group entities. The impact of these agreements on the income statement and statement of financial position are included in the tables set out in paragraphs **a)** and **b)** above.

d. Management compensation

(Nexans' directors and members of the Executive Committee)

Total compensation

Total compensation paid to the Group's principal senior managers can be analyzed as follows:

(in millions of euros)	2009	2008	2007
Compensation for corporate officer positions*	4.5	3.9	3.2
Directors' fees**	0.5	0.4	0.4
Compensation under employment contracts and benefits in kind***	8.8	7.2	4.9
Stock options**	2.2	3.4	3.2
Termination benefits*	1.7	0.6	0.0
Long-term incentive plan**	(0.1)	0.9	-
Accruals for pension obligations****	2.5	3.5	3.1
Total compensation	20.1	19.9	14.8

* Amounts paid during the year.

** Amounts expensed in the income statement during the year.

*** Amounts paid during the year, including non-compete indemnities.

**** For defined benefit schemes this item includes the service cost and interest cost for the year.

Additional information on management compensation (Nexans' directors and members of the Executive Committee):

- Four new members were appointed to the Group Executive Committee as from May 26, 2009: Jean-Claude Nicolas (Senior Corporate Vice President, Communications), Norbert Bluthé (Executive Vice President, Western Europe), Francis Krähenbühl (Executive Vice President, Central Europe) and William English (Executive Vice President, Northern Europe). Certain of these new Executive Committees are expatriates in the areas for which they are responsible. Two new members joined the Executive Committee in 2008: Patrick Noonan (Senior Corporate Vice President, General Counsel) as from March 25, 2008 and Jorge Tagle (Executive Vice President, South America Area) as from October 1, 2008 following the completion of the Madeco cables business acquisition.

- The amount of accrued provisions for pension liabilities of Executive Committee members and the funded status of the related plans have not been presented as it is not possible to carry out an individual breakdown. The Group's total obligation for pensions and other post-employment benefits relating to members of the Executive Committee amounted to 16.1 million euros at December 31, 2009, compared with 23.4 million euros at December 31, 2008. The year-on-year decrease primarily reflects the retirement of Executive Committee members, including Gérard Hauser who was Nexans' Chairman and CEO until end-May 2009.

- Since 2007, Nexans' policy has been to put in place a long-term incentive plan (LTIP) alongside all stock option plans implemented for Group senior management. None of the Group's principal senior managers will receive an incentive payment under the LTIP accompanying the February 22, 2008 stock option plan (Plan 7) as the objectives set in the LTIP were not achieved. The provision set aside for this incentive payment at December 31, 2008 was reversed in 2009, representing an amount of 0.9 million euros including payroll taxes.

Under the LTIP accompanying the November 25, 2008 stock option plan (Plan 8), in early 2011 the Group's principal senior managers may receive a maximum of 1.5 million euros (representing a 1.9 million euro cost for the Group including the related payroll taxes) depending on the degree to which the objectives set in the LTIP are achieved. A 0.8 million euro provision has been set aside in the 2009 financial statements to cover payments due under this LTIP.

Commitments given to Frédéric Vincent, Nexans' Chairman and CEO

All of the commitments given to Frédéric Vincent in his capacity as Chairman and CEO are described in detail in section 7.3.3 of the Management Report.

As Chairman and CEO, Frédéric Vincent has received the following commitments from the Company. They were authorized by the Board Meeting of April 3, 2009 and ratified by the Annual Shareholders' Meeting held on May 26, 2009:

- If Frédéric Vincent is removed from his position as Chairman and CEO, he will be entitled to payment of a termination indemnity representing twelve months of his total fixed and variable compensation subject to two performance conditions. One of these conditions relates to the Group's financial performance and the other is based on the average stock market performance rate of Nexans shares compared to the SBF 120 index. The amount of the termination indemnity due will be based on the degree to which the above-mentioned performance conditions are met and it will be payable only in the event of a forced departure resulting from a change of strategy or control.
- As compensation for an undertaking not to exercise any business that would compete either directly or indirectly with one of the Company's businesses for a period of two years from the end of his term of office as Chairman and CEO, Frédéric Vincent will receive a non-compete indemnity, regardless of the cause of termination of his duties. Said indemnity will be equal to one year of his fixed and variable compensation, i.e., 12 times his most recent monthly base salary plus the corresponding percentage of his bonus, paid in 24 equal and successive installments. A provision of 2.0 million euros was set aside for this commitment in the 2009 consolidated financial statements.

In accordance with the Internal Regulations of the Board of Directors, termination indemnities – which may include termination benefits and non-compete indemnities – may not exceed two years worth of compensation (fixed plus variable).

If Frédéric Vincent retired he would receive benefits under (i) the supplementary pension scheme set up by the Group for certain employees and corporate officers which provides for the payment of an annuity based on the average annual compensation for the last three years before retirement. The expenses recorded for these obligations are included in the management compensation table presented above.

Commitments given to Gérard Hauser, Nexans' Chairman and CEO until May 26, 2009

As described in section 7.3.2 of the Management Report, Gérard Hauser is required to comply with a non-compete clause that provides for the payment of an indemnity equal to his total gross compensation received for the 12 months preceding the termination of his employment contract. A provision of 1.8 million euros was recognized in relation to this indemnity in the consolidated financial statements at December 31, 2009 (2.5 million euros at December 31, 2008).

Note 31. Disputes and contingent liabilities

Disputes and proceedings giving rise to the recognition of provisions

One of the most significant ongoing disputes for which provisions have been recognized concerns cables supplied in 2003 by Nexans for corvettes for the South African navy (the Meko case). The supply of certain of these cables was subcontracted to a South African manufacturer. After the cables were installed on the first two corvettes, it was discovered that the cables supplied by the subcontractor were non-compliant. All the cables already installed were therefore removed and replaced. The customer then claimed damages amounting to approximately 36 million euros, which was contested by Nexans. This dispute was resolved during the second quarter of 2007. Consequently, the 11 million euro provision recorded at December 31, 2006 was reversed at June 30, 2007 as it was no longer required.

For cases where the criteria are met for recognizing provisions, Nexans considers that the provisions recorded in the financial statements are sufficient to cover the related contingencies, and does not believe that the resolution of the disputes concerned will materially impact the Group's results. Depending on the circumstances, this assessment takes into account the Group's insurance coverage, any third-party guarantees or warranties and independent evaluations of the probability of judgment being entered against Nexans.

When Nexans completed the initial accounting for its September 30, 2008 acquisition of the Madeco group's cables business (see **Note 11**), it recognized a 16 million euro provision in the Group's adjusted 2008 financial statements to cover the various risks identified at the acquisition date.

Nexans considers that the other existing or probable disputes for which provisions had been recorded at December 31, 2009, 2008 and 2007 did not represent sufficiently material amounts when taken individually to require specific disclosures in the consolidated financial statements.

Contingent liabilities relating to disputes and proceedings

- The Group has not recorded a provision in relation to the following dispute as the recognition criteria were not satisfied. This case concerns cables manufactured by one of the Group's European subsidiaries and sold to a harness manufacturer. The manufacturer then sold the cables to an automobile equipment manufacturer, which in turn sold them to a European automaker. Nexans' subsidiary was not informed of the end customer's technical specifications. The end customer used Nexans' cables along with switches in its wipers systems, and some of the cables allegedly broke. The subsidiary considers that the cables sold met the specifications agreed with its customer, the harnesses manufacturer.

In January 2008 the automobile equipment manufacturer filed an emergency application against the harness manufacturer to obtain a court order appointing an expert to find and safeguard any available evidence in order to establish the level of liability for each of the parties involved, including Nexans. As part of this procedure, the automobile equipment manufacturer claimed that the cables supplied did not comply with the applicable technical specifications, an allegation that both the harness manufacturer and Nexans contested. In addition, the automaker allegedly undertook a recall affecting around 350,000 installed switches. Finally, the automobile equipment manufacturer confirmed that in 2007 its client, the automaker, filed a 17 million euro claim against it based on the number of vehicles returned at that date.

Although it is not yet possible to ascertain the impact of the above-described case, Nexans currently does not consider that it will have a material impact on the Group's consolidated financial position. It is, however, not in a position to exclude any such possibility.

- In 2006, Nexans was part of a consortium that won a contract worth some 100 million euros to supply and install high-voltage cables in the Middle East. At December 31, 2008 Nexans had practically terminated the manufacture of the cables in conjunction with its partner in a joint-venture recently set up in Japan, and had installed the majority of the cables at the project site. Revenues and margin on this contract for the year then ended were recognized in accordance with the percentage of completion method as described in **Note 1.g.** to the 2009 consolidated financial statements. Although the cables' performance capabilities exceeded normal service conditions, at December 31, 2008 they had not yet managed to pass all of the required "type" tests which are carried out under strong constraints. In view of the overall contractual context, when the financial statements for the year ended December 31, 2008 were approved, Nexans did not consider that the necessary criteria were met for recognizing a provision to cover the cost of bringing these cables back to the manufacturing stage.

The required "type" tests were successfully performed during the first half of 2009 and long-term tests having still carried out at end-2009. As two of the three cables concerned have been put into service, the residual risk of the Group failing to respect its performance conditions under this contract is now deemed to be low.

- Performance difficulties were encountered in late 2009 concerning a high-voltage submarine cable contract, as a cable-laying ship operated by a Chinese sub-contractor accidentally damaged a submarine optical fiber link owned by the Chinese army. The Chinese army then impounded the ship and would not allow Nexans' equipment on board to be unloaded. The army subsequently filed a claim against several parties, including Nexans, for around 7 million euros. Nexans does not accept any liability in this case as it considers that the owner/operator of the ship was liable for the damage.

Nexans had to suspend the installation works in progress. The Group's end-customer – which is a State-owned company – challenged the amounts payable for protecting the portion of the cable that has already been laid (and is in working order) alleging that the performance of the contract was taking an excessive amount of time. The total cost of the protective work carried out amounted to over 20 million euros at December 31, 2009 and the work was still ongoing at that date. The Group considers that the customer's claims are unsubstantiated in view of the terms and conditions of the contract entered into between the two parties. However, in light of the local context it is not possible to forecast either the scope or cost of the remaining protection work to be carried out or the outcome of the negotiations under way.

- In late January 2009 investigations were launched against Nexans and other cable manufacturers concerning alleged cartel behavior in the sector of submarine and underground power cables and associated equipment and services. These investigations – which are still ongoing – are being conducted by the European Commission, as well as competition authorities in Australia, New Zealand, Japan, South Korea (in addition to an investigation into the Group's local operations) and the United States.

The Group is not in a position to evaluate the possible outcome of these investigations. However, without prejudice to the conclusions of the investigations, given the level of fines imposed by the US and European competition authorities in recent cases and the potential direct and indirect consequences of this type of investigation, it is possible that these investigations may have a material adverse effect on the results of operations and consequently the financial position of the Group.

Note 32. Main consolidated companies

The main changes in scope of consolidation in 2009, 2008 and 2007 are presented in **Note 2**. The table below lists the main entities included in the Group's scope of consolidation at December 31, 2009.

Companies by country	Principal activity	% control	% interest	Consolidation method ⁽¹⁾
France				
Nexans⁽²⁾	Holding company	100%	100%	Parent company
Nexans Participations	Holding company	100%	100%	
Lixis	Holding company	100%	100%	
Nexans France	Energy and Telecom	100%	100%	
Nexans Interface	Telecom	100%	100%	
Eurocable	Energy	100%	100%	
Nexans Copper France ⁽³⁾	Electrical wires	100%	100%	
Société de Coulée Continue du Cuivre ⁽³⁾	Electrical wires	100%	100%	
Nexans Wires ⁽¹⁾⁽³⁾	Electrical wires	100%	100%	
Recycables	Electrical wires	36.5%	36.5%	Equity method
Alsafil	Electrical wires	100%	100%	
Nexans Power Accessories France	Energy	100%	100%	
Belgium				
Nexans Benelux	Energy	100%	100%	
Nexans Harnesses	Energy	100%	100%	
Nexans Network Solutions NV	Energy and Telecom	100%	100%	
Nexans Services ⁽⁴⁾	Holding company	100%	100%	
Opticable SA NV	Telecom	60%	60%	
Germany				
Nexans Deutschland GmbH ⁽⁵⁾	Energy and Telecom	100%	100%	
Nexans Superconductors GmbH	Energy	100%	100%	
Metrofunkkabel Union GmbH	Energy	100%	100%	
Nexans Auto Electric GmbH ⁽⁶⁾	Energy	100%	100%	
Confecta GmbH Deutschland ⁽⁷⁾	Energy	100%	100%	
Nexans Power Accessories Deutschland GmbH	Energy	100%	100%	
Northern Europe				
Nexans Nederland BV	Energy	100%	100%	
Nexans Norway A/S	Energy and Telecom	100%	100%	
Nexans Suisse SA	Energy and Telecom	100%	100%	
Tri Wire Ltd	Electrical wires	100%	100%	
Nexans Re ⁽⁸⁾	Holding company	100%	100%	
Nexans Logistics Ltd	Energy	100%	100%	
Nexans UK Ltd	Energy and Telecom	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%	

Companies by country	Principal activity	% control	% interest	Consolidation method ⁽¹⁾
Southern Europe				
Multinacional Trade	Energy	70%	70%	
Nexans Italia SpA	Energy and Telecom	99.99%	99.99%	
Nexans Wires Italia SpA	Electrical wires	100%	100%	
Cabloswiss	Energy	100%	99.99%	
Nexans Iberia SL	Energy	100%	100%	
Nexans Hellas SA ⁽²⁾	Energy and Telecom	71.75%	71.75%	
Nexans Türkiye İletişim Endüstri ve Ticaret AS	Energy and Telecom	100%	100%	
Nexans Participation Italia Srl	Holding company	100%	100%	
Intercond Services SpA ⁽⁹⁾	Energy	100%	100%	
Eastern Europe				
Nexans Romania	Energy	100%	100%	
Nexans CIS Russia	Energy	100%	100%	
North America				
Nexans Canada Inc	Energy and Telecom	100%	100%	
Nexans USA Inc	Holding company	100%	100%	
Nexans Energy USA Inc	Energy	100%	100%	
Nexans Inc	Telecom	100%	100%	
South America				
Nexans Indelqui	Energy	100%	100%	
Optel S.A	Energy	100%	100%	
Invercable Chile	Holding company	100%	100%	
Nexans Chile S.A. Cerrada ⁽¹⁰⁾	Energy	100%	100%	
Colada Continua S.A	Electrical wires	41%	41%	Equity method
Nexans Colombia ⁽¹¹⁾	Energy	80%	80%	
Indeco Peru	Energy	96%	96%	
Cobrecon	Electrical wires	33.33%	33.33%	Equity method
Nexans Brasil S.A. ⁽¹²⁾	Energy and Telecom	99.99%	99.99%	
Africa & Middle East				
Liban Câbles SAL	Energy and Telecom	93%	93%	
International Cables Company Ltd	Energy and Telecom	97.87%	91.02%	
Nexans Maroc ⁽²⁾	Energy	83.59%	83.59%	
Sirmel	Energy	83.23%	83.23%	
Qatar International Cable Company	Energy	30.33%	30.33%	Equity method

Companies by country	Principal activity	% control	% interest	Consolidation method ⁽¹⁾
Asia				
Nexans (Shanghai) Electrical Materials Co Ltd	Telecom	100%	100%	
Nexans Communications (Shanghai) Cable Co. Ltd	Telecom	100%	100%	
Nexans China Wire & Cables Co Ltd	Energy	100%	100%	
Nexans Korea Ltd	Energy and Telecom	99.51%	99.51%	
Kukdong Electric Wire Co. Ltd	Energy and Telecom	97.90%	97.90%	
Daeyoung Cable	Energy and Telecom	99.51%	99.51%	
Nexans LIOA wire & cable Co Ltd	Energy	60%	60%	
Nexans Vietnam Power Cable Co	Energy	59.05%	58.76%	
Nexans (Nanning) Communications Co. Ltd	Telecom	100%	100%	
Nippon High Voltage Cable Corporation	Energy	66%	66%	
OLEX Australia Pty Ltd	Energy and Telecom	100%	100%	
OLEX New Zealand Ltd	Energy and Telecom	100%	100%	

(1) The companies are fully consolidated, unless otherwise specified.

(2) Listed companies.

(3) Since November 1, 2008 Nexans Copper France (formerly Société Lensoise de Cuivre) has taken over the operations of Société de Coulée Continue du Cuivre under a business lease.

(4) The entity responsible for the Nexans Group's cash management since October 1, 2008.

(5) Following a reorganization carried out in Germany in order to streamline the Group's legal structures in the country, Nexans Deutschland Industries GmbH & Co KG changed its name to Nexans Deutschland GmbH in 2008. Nexans Deutschland GmbH Holdings and Kabelmetal Electro GmbH were merged into Nexans Deutschland GmbH in 2009.

(6) Nexans Auto Electric GmbH – a company based in Germany – itself consolidates various sub-sub-subsidiaries, including in Romania, the Czech Republic, Slovakia and Mexico.

(7) Confecta GmbH Deutschland – a company based in Germany – itself consolidates a number of sub-sub-subsidiaries in Switzerland and France.

(8) Nexans Re is the Group's captive reinsurer.

(9) This entity is the head of a sub-consolidation group that includes Pessano Cavi and Intercond SpA.

(10) Formerly Madeco Cable.

(11) Formerly Cedsa S.A.

(12) Ficap S.A was merged into Nexans Brasil S.A on July 31, 2009.

(13) Nexans France took over the operations of Société Nexans Wires under a business lease in 2008.

Note 33. Subsequent events

No significant events for which disclosure is required have occurred since December 31, 2009.

Statutory Auditors' report on the consolidated financial statements (Year ended December 31, 2009)

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

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meetings, we hereby report to you, for the year ended as part of our assesment, December 31, 2009, on:

- the audit of the accompanying consolidated financial statements of Nexans;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2009 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the section "Contingent liabilities relating to disputes and proceedings" of Note 31 "Disputes and contingent liabilities" to the consolidated financial statements which reports that investigations were launched against Nexans in late January 2009 in relation to alleged cartel behavior.

Justification of our assessments

The accounting estimates used in the preparation of the financial statements for the year ended December 31, 2009 were made against a backdrop of economic crisis which lent uncertainty to forecasts. It is in this context that, in accordance with Article L.823-9 of the French Commercial Code (*Code de commerce*), we bring to your attention to our own assessments:

Business combinations

In 2009, your Company finalized the purchase price allocations for the acquisitions of Madeco group and Intercond, as described in **Note 11** "Goodwill" to the consolidated financial statements. We assessed the information and assumptions used in determining the fair value of the assets, liabilities and contingent liabilities of the acquired entities, reviewed the calculations made by the Company and verified that the information contained in **Note 11** "Goodwill" to the consolidated financial statements is appropriate.

Impairment of assets

During the fourth quarter of each year, your Company tests goodwill for impairment and also performs a review to determine if there is any indication of impairment of non-current assets, as described in Section n "Impairment tests" of **Note 1** "Summary of significant accounting policies" to the consolidated financial statements. We have reviewed the methods used to carry out these impairment tests as well as the corresponding cash flow forecasts and assumptions, and have verified that Notes 1.n and 7 to the consolidated financial statements provide appropriate disclosures.

Deferred tax assets

Your Company recognizes deferred tax assets in its consolidated balance sheet on the basis of business plans and earnings forecasts, as described in Section v "Deferred tax" of **Note 1** "Summary of significant accounting policies" and **Note 9** "Income tax" to the consolidated 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 for impairment testing. These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory Auditors

Paris-La Défense and Neuilly-sur-Seine, February 19, 2010

KPMG Audit
Department of KPMG S.A.



Valérie Besson
Partner

PricewaterhouseCoopers Audit



Dominique Ménard
Partner

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Balance sheet

Assets

At December 31, in thousands of euros

	Gross amount	Depreciation, amortization and provisions	2009	2008
Issued, uncalled capital	-	-	-	-
Intangible assets	226	(97)	129	162
Property, plant and equipment	6	-	6	6
Long-term financial assets				
Investments in associates – equity method	-	-	-	-
Shares in subsidiaries and associates	2,337,092	(19,000)	2,318,092	2,217,806
Loans to subsidiaries	-	-	-	-
Other long-term securities	-	-	-	-
Loans	60,852	-	60,852	75,158
Other long-term financial assets	-	-	-	-
FIXED ASSETS	2,398,176	(19,097)	2,379,079	2,293,131
Receivables				
Prepayments to suppliers	-	-	-	-
Trade receivables	10,108	-	10,108	15,367
Other receivables	233,249	-	233,249	71,752
Issued capital called but unpaid	-	-	-	-
Miscellaneous				
Marketable securities	-	-	-	-
Cash at bank and in hand	77	-	77	574
Accruals				
Prepaid expenses	81	-	81	25
CURRENT ASSETS	243,515	-	243,515	87,718
Deferred charges	6,318	-	6,318	4,405
Bond redemption premiums	22,859	-	22,859	30,108
Unrealized foreign exchange losses	-	-	-	-
TOTAL ASSETS	2,670,869	(19,097)	2,651,772	2,415,361

Equity and liabilities

At December 31, in thousands of euros

	2009	2008
Share capital	28,013	27,937
Additional paid-in capital	1,338,225	1,336,269
Revaluation reserve	-	-
Legal reserve	2,794	2,568
Statutory and contractual reserves	-	-
Regulated reserves	-	-
Other reserves	0	-
Retained earnings	239,200	200,906
Net income for the year	61,743	94,461
Investment grants	-	-
Regulated provisions	1,804	359
TOTAL EQUITY	1,671,778	1,662,500
Provisions for contingencies	-	-
Provisions for charges	-	-
PROVISIONS FOR CONTINGENCIES AND CHARGES	-	-
Debt		
Convertible bonds	546,640	329,560
Other bonds	363,398	363,398
Bank borrowings	473	170
Other borrowings	-	-
Operating liabilities		
Trade payables	11,852	9,518
Accrued taxes and payroll costs	57,067	49,676
Miscellaneous liabilities		
Due to suppliers of fixed assets	-	-
Other liabilities	100	11
Accruals		
Deferred income	464	528
TOTAL LIABILITIES	979,994	752,861
Unrealized foreign exchange gains	-	-
TOTAL EQUITY AND LIABILITIES	2,651,772	2,415,361

Income statement

In thousands of euros	France	Exportation	2009	2008
Sales of goods held for resale	-	-	-	-
Sales of manufactured products	-	-	-	-
Sales of services	13,625	874	14,498	18,262
NET SALES	13,625	874	14,498	18,262
Operating grants			-	-
Reversals of depreciation, amortization and provisions, expense transfers			3,192	-
Other revenues			-	-
TOTAL OPERATING REVENUES			17,690	18,262
Other purchases and external charges			23,032	16,831
Taxes other than on income			(693)	2,315
Wages and salaries			5,826	8,741
Payroll charges			1,868	3,147
Depreciation, amortization and provisions				
Depreciation and amortization – fixed assets			32	32
Impairment – fixed assets			-	-
Impairment – current assets			-	-
Depreciation and amortization – other assets			1,279	1,496
Provisions for contingencies and charges			-	-
Other expenses			519	448
TOTAL OPERATING EXPENSES			31,864	33,011
OPERATING INCOME/(LOSS)			(14,173)	(14,749)

In thousands of euros

	2009	2008
Dividend income	108,567	101,918
Income from other capitalized securities and receivables	-	-
Other interest income	5,472	43,196
Provision reversals and expense transfers	-	57
Foreign exchange gains	743	248,537
Net gains on disposals of marketable securities	-	7,790
TOTAL FINANCIAL INCOME	114,782	401,498
Amortization and provisions – financial assets	7,249	7,249
Other interest paid	29,159	29,970
Foreign exchange losses	1,175	251,387
Net losses on disposals of marketable securities	-	-
TOTAL FINANCIAL EXPENSES	37,583	288,606
NET FINANCIAL INCOME/(LOSS)	77,200	112,892
INCOME/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX	63,027	98,143
Non-recurring income from revenue transactions	-	0
Non-recurring income from capital transactions	-	-
Provision reversals and expense transfers	-	-
TOTAL NON-RECURRING INCOME	-	0
Non-recurring expenses on revenue transactions	-	0
Non-recurring expenses on capital transactions	-	-
Exceptional additions to depreciation, amortization and provisions	1,445	359
TOTAL NON-RECURRING EXPENSES	1,445	359
NET NON-RECURRING INCOME/(LOSS)	(1,445)	(359)
Employee profit-sharing	95	124
INCOME TAXES	(256)	3,199
TOTAL REVENUES	132,473	419,760
TOTAL EXPENSES	(70,730)	(325,299)
NET INCOME	61,743	94,461

List of subsidiaries and associates

Financial informations as December 31, 2009 Company names	Share capital	Total equity (excl. share capital)	Percentage ownership	Dividends received	Gross value of shares held	Net value of shares held	Net sales	Net income
	(in thousands of currency units)	(in thousands of currency units)	in %	(in thousands of euros)	(in thousands of euros)	(in thousands of euros)	(in thousands of currency units)	(in thousands of currency units)
A- Subsidiaries and associates with a carrying amount in excess of 1% of Nexans' share capital								
1) SUBSIDIARIES (over 50%-owned)								
Nexans France Paris – France (SIREN registration no. 428,593,230)	70,000	37,215	100,00	49,000	237,400	218,400	1,052,560	(25,900)
Nexans Participations Paris – France (SIREN registration no. 314,613,431)	385,500	1,662,365	100,00	59,036	1,848,256	1,848,256	80	14,768
Nexans Indelqui ⁽¹⁾ Buenos Aires – Argentina	106,873	16,727	100,00	531	37,268	37,268	182,382	19,210
Invercable ⁽²⁾ Santiago – Chile	39,933,600	21,155,180	100,00	-	194,948	194,948	-	(535,420)
2) ASSOCIATES (10%-50% owned)								
Nexans Korea ⁽³⁾ Chungcheongbuk – South Korea	17,707,074	88,044,007	35,53 ⁽⁴⁾	-	16,940	16,940	203,458,050	23,307,308
B- Aggregate data for investments with a carrying amount of less than 1% of Nexans' share capital								
French subsidiaries (over 50%-owned)					-	-		
Foreign subsidiaries (over 50%-owned)					-	-		
French associates (10%-50% owned)					-	-		
Foreign associates (10%-50% owned)					-	-		
Other investments					2,281	2,281		

(1) Amount in thousands of ARS (Argentine pesos) 1 ARS = 0.18298 euro at December 31, 2009.

(2) Amount in thousands of CLP (Chilean pesos) 1,000 CLP = 1.37099 euro at December 31, 2009.

(3) Amount in thousands of KRW (Korean won) 1,000 KRW = 0.59989 euro at December 31, 2009.

(4) The percentage ownership of Nexans Korea is determined after deducting treasury shares representing 3.28% of the company's capital.

Portfolio of transferable securities

At December 31, 2009, in thousands of euros

(with a gross balance sheet value of over 100,000 euros)	Number of shares/ units held	%	Gross value	Impairment	Carrying amount
1- Shares in French companies					
Nexans France	10,000,000	100.00	237,400	(19,000)	218,400
Nexans Participations	25,699,946	100.00	1,848,256	-	1,848,256
2- Shares in foreign companies					
Nexans Korea	12,169,830	35.53	16,940	-	16,940
Kukdong Electric Wire Co.	131,080	9.72	2,281	-	2,281
Nexans Indelqui (Argentina)	106,871,801	100.00	37,268	-	37,268
Invercable (Chile)	3,993,350	100.00	194,948	-	194,948
3- Money market funds					
None					

Notes to the parent company financial statements

The accompanying notes below relate to the balance sheet at December 31, 2009, prior to the appropriation of net income, as well as to the income statement for the year then ended. The financial year ran from January 1 to December 31, 2009. The balance sheet total was 2,651,772,000 euros and net income amounted to 61,743,000 euros.

The tables in these notes are presented in thousands of euros, rounded to the nearest thousand.

Note 1: Significant events

The following significant events took place during 2009:

1. On June 23, 2009, Nexans carried out a new issue of bonds convertible into and/or exchangeable for new or existing shares (OCEANE) representing an aggregate amount of 212,600,000 euros. The issue comprised 4,000,000 bonds, each with a nominal value of 53.15 euros. The bonds bear interest at an annual rate of 4% and are redeemable at par on January 1, 2016. Bondholders may request that the bonds be redeemed in advance on January 1, 2015.
2. Nexans SA took up all of the shares issued by Nexans Participations as part of a 100,255,000 euros capital increase carried out to finance the company's expansion.
3. 75,975 new shares were issued following the exercise of stock options.
4. The Company received a total of 108,567,000 euros in dividends from subsidiaries, primarily from Nexans France (49,000,000 euros) and Nexans Participations (59,036,000 euros).

Note 2: Summary of significant accounting policies

The financial statements of Nexans SA have been prepared in accordance with French generally accepted accounting principles.

The balance sheet at December 31, 2009 and the income statement for the year then ended have been prepared on a going concern basis in accordance with the principles of prudence and segregation of accounting periods. Accounting policies have been applied consistently from one year to the next.

Accounting entries are based on the historical cost method.

Intangible assets

This item includes "Concessions, patents and similar rights" measured at historical cost and amortized on a straight-line basis over their estimated useful lives, corresponding to between 5 and 20 years.

Long-term financial assets

Shares in subsidiaries and associates

The gross value of these shares recorded in the balance sheet prior to December 31, 2006 corresponds to the purchase price (excluding incidental expenses) or their transfer value.

Shares in subsidiaries and associates acquired as from January 1, 2007 are stated at their purchase price plus any directly attributable transaction expenses, in accordance with the option available under CRC standard 2004-06.

An impairment loss is booked when the gross value of these interests exceeds their fair value. Fair value is determined on the basis of value in use, which is calculated using a multi-criteria approach that takes into account revalued net assets as well as yield.

Share acquisition costs

Share acquisition costs incurred subsequent to December 31, 2006 and included in the cost of the shares are deducted for tax purposes through excess tax depreciation recorded over a period of five years (Article 209-VII of the French Tax Code).

Other loans

This item primarily concerns long-term loans granted to indirect subsidiaries.

Other long-term financial assets

- Treasury shares

Treasury shares purchased as part of a share buyback program, as authorized by the Annual Shareholders' Meeting, are recorded in "Other long-term financial assets" at cost, as there is no intention of use specified by the Board of Directors.

At the balance sheet date, the cost of these shares is compared to the average Nexans share price for the month of December. An impairment loss is recorded if the carrying amount exceeds the average share price.

- Financial assets in progress

Expenses incurred as part of the planned acquisition of an equity interest whose completion is deemed to be highly probable at the balance sheet date are recorded under "Other long-term financial assets".

Receivables

Receivables are stated at nominal value. An impairment loss is recorded when it is doubtful that the receivable will be collected.

Other receivables and other borrowings

"Other receivables" includes surplus cash amounts invested with Nexans Services on a short-term basis. Short-term advances granted to the Company by Nexans Services are included in "Other borrowings".

Receivables, payables and cash denominated in foreign currencies

Receivables and payables denominated in foreign currencies are translated into euros at the exchange rate prevailing at the balance sheet date:

- Hedged foreign currency receivables and payables do not have any impact on the income statement as the gains and losses on the currency hedging instruments are accounted for on a symmetrical basis with the losses or gains on the underlying hedged items (see below).
- Gains and losses arising on the translation of unhedged foreign currency receivables and payables are recorded in the balance sheet under "Unrealized foreign exchange gains" or "Unrealized foreign exchange losses". In accordance with the principle of prudence a provision is recorded for unrealized foreign exchange losses. Unrealized foreign exchange gains have no impact on the income statement.

Cash and cash equivalents denominated in foreign currencies are translated into euros at the year-end exchange rate and any resulting foreign exchange gains or losses are recognized in the income statement.

Financial instruments

Nexans manages market risks – primarily arising from changes in exchange rates – by using derivative financial instruments, notably currency swaps. These instruments are used solely for hedging purposes.

Gains and losses on the hedging instruments are accounted for in the income statement on a symmetrical basis with the losses or gains on the underlying hedged items. At the balance sheet date any unrealized gains are recorded in "Other receivables" and unrealized losses are included in "Other liabilities".

Regulated provisions

The Company allocates amounts under these provisions as authorized by tax law and carries out any reversals in the legally prescribed manner and timeframes.

Provisions for contingencies and charges

Provisions are recognized when Nexans has a present legal or constructive obligation resulting from a past event, where it is probable that an outflow of resources embodying economic benefits will be necessary to settle the obligation and where the amount of the obligation can be reliably measured.

Bonds with redemption premiums

Ordinary and convertible bonds with redemption premiums are recognized as a liability in the balance sheet at their gross value, including the premium. This applies even when the premium payment is contingent on the bonds not being converted into shares.

The redemption premium is recognized as an asset and is amortized on a straight-line basis over the term of the bonds concerned.

Debt issuance costs

Costs incurred on the issuance of debt are recorded under deferred charges on the assets side of the balance sheet and amortized over the life of the debt using the straight line method.

Notes to the balance sheet

Note 3: Intangible assets

This item includes 226,000 euros worth of patents with estimated useful lives of 7 years.

After taking into account 32,000 euros in amortization recorded for the year, the residual value of these patents was 129,000 euros at December 31, 2009.

Note 4: Property, plant and equipment

At December 31, 2009, property, plant and equipment comprised non-depreciable miscellaneous fixtures in the amount of 6,000 euros.

Note 5: Long-term financial assets

(in thousands of euros)	Shares in subsidiaries and associates	Loans to subsidiaries	Loans	Other long-term financial assets	Total
GROSS VALUE					
At December 31, 2008	2,236,806		75,158		2,311,964
Acquisitions – increases	100,286		-		100,286
Disposals – reductions	-		(14,306)		(14,306)
At December 31, 2009	2,337,092		60,852		2,397,944
PROVISIONS					
At December 31, 2008	(19,000)		-		(19,000)
Additions	-		-		-
Reversals	-		-		-
At December 31, 2009	(19,000)		-		(19,000)
NET LONG-TERM FINANCIAL ASSETS					
At december 31, 2008	2,217,806		75,158		2,292,964
At december 31, 2009	2,318,092		60,852		2,378,944

5.1 Shares in subsidiaries and associates

Details of the shares held by Nexans recognized under “Shares in subsidiaries and associates” are provided in the section entitled “Portfolio of transferable securities” above.

The increase in this item in 2009 was primarily due to Nexans SA fully taking up a 100,255,000 euros shares issue carried out by its subsidiary Nexans Participations.

At December 31, 2009 the Company did not reverse any of the 19 million euros in accumulated impairment losses relating to Nexans France shares. No other impairment losses for shares in subsidiaries and associates were recognized during the year.

5.2 Other loans

At December 31, 2009 this item corresponded to loans to:

- Nexans USA for 52,597,000 US dollars, representing 36,510,000 euros.
 - Nexans Inc for 17,533,000 US dollars, representing 12,171,000 euros.
 - Nexans Energy Inc for 17,533,000 US dollars, representing 12,171,000 euros.
- These amounts include accrued interest.

The composition of this item was similar at December 31, 2008, corresponding to loans to:

- Nexans USA for 62,758,000 US dollars, representing 45,094,000 euros.
- Nexans Inc for 20,919,000 US dollars, representing 15,032,000 euros.
- Nexans Energy Inc for 20,919,000 US dollars, representing 15,032,000 euros.

Note 6: Operating receivables

Net values At December 31, in thousands of euros	2009	2008
Prepayments to suppliers	-	-
Trade receivables	10,108	15,367
Other receivables:		
- Prepaid payroll taxes	-	1
- Prepaid and recoverable income taxes	3,268	5,137
- Prepaid and recoverable VAT	2,508	2,844
- Group and associates: tax consolidation	3,591	376
- Group and associates: cash pooling current accounts	220,401	61,450
- Other debtors	3,481	1,944
Sub-total – Other receivables	233,249	71,752
Total	243,357	87,119

Note 7: Receivables by maturity

Net values At December 31, 2009, in thousands of euros	Gross amount	Due within one year	Due beyond one year
FIXED ASSETS			
Other loans	60,852	24,320	36,532
Total	60,852	24,320	36,532
CURRENT ASSETS			
Trade receivables	10,108	10,108	-
Other receivables	233,249	233,249	-
Total	243,357	243,357	-

Note 8: Cash at bank and in hand

This item corresponds to amounts held in bank accounts not invested with Nexans Services at the balance sheet date..

Note 9: Breakdown of share capital

At December 31, 2009, the Company's share capital comprised 28,012,928 shares, each with a par value of 1 euro. All of these shares are fully paid up, in the same class and carry the same rights, except for shares registered in the name of the same holder for at least two years, which carry double voting rights.

There are no founder's shares or other rights of participation in profits.

Note 10: Equity

10.1 Movements during the year

(in thousands of euros)	Share capital	Additional paid-in capital	Legal reserve	Retained earnings	Net income for the year	Regulated provisions	Total
At Dec. 31, 2008 before appropriation of net income	27,937	1,336,269	2,568	200,906	94,461	359	1,662,500
Appropriation of 2008 net income	-	-	226	94,235	(94,461)	-	-
Dividends paid	-	-	-	(55,942)	-	-	(55,942)
Other movements ⁽¹⁾	76	1,956	-	-	-	1,445	3,476
2009 net income	-	-	-	-	61,743	-	61,743
At Dec. 31, 2009 before appropriation of net income	28,013	1,338,225	2,794	239,200	61,743	1,804	1,671,778

(1) Other movements can be analyzed as follows:

- The issue of 75,975 new shares with a premium of 1,956,000 euros following the exercise of stock options.
- A 1,445,000 euros addition to regulated provisions, corresponding to the excess tax amortization of share acquisition costs that are included in the cost of the related investments.

10-2 Dividend payment

At the next Annual Shareholders' Meeting, shareholders will be invited to approve the payment of a dividend of 1 euro per share, representing an aggregate amount of 28,012,928 euros based on the 28,012,928 shares outstanding at December 31, 2009.

The total amount of the dividend may be increased to take account of any additional shares issued as a result of the exercise of stock options between January 1, 2010 and the date of the Annual Shareholders' Meeting called to approve the dividend payment.

Note 11: Stock options

At December 31, 2009 there were 1,497,525 outstanding stock options held by employees, representing 5.35% of the Company's share capital.

Grant date	Number of options outstanding at the year-end	Exercise price (in euros)	Exercise period
April 4, 2003	35,350	€11.62	April 4, 2004 ⁽¹⁾ – April 3, 2011
November 16, 2004	231,250	€27.82	November 16, 2005 ⁽¹⁾ – November 15, 2012
November 23, 2005	260,550	€40.13	November 23, 2006 ⁽¹⁾ – November 22, 2013
November 23, 2006	340,000	€76.09	November 23, 2007 ⁽¹⁾ – November 22, 2014
February 15, 2007	26,000	€100.94	February 15, 2009 ⁽²⁾ – February 14, 2015
February 22, 2008	299,650	€71.23	February 22, 2009 ⁽¹⁾ – February 21, 2016
November 25, 2008	304,725	€43.46	November 25, 2009 ⁽¹⁾ – November 24, 2016
Total	1,497,525		

(1) Vesting at a rate of 25% per year.

(2) 50% vesting after two years and the balance vesting at an annual rate of 25% thereafter.

Changes in the number of options outstanding	Number of options
Options outstanding at the beginning of the year	1,593,100
Options granted during the year	-
Options cancelled during the year	(19,600)
Options exercised during the year	(75,975)
Options expired during the year	-
Options outstanding at the year-end	1,497,525
of which exercisable at the year-end	946,072

Note 12: Provisions

(in thousands of euros)	At Dec. 31, 2008	Increase	Decrease	At Dec. 31, 2009
Regulated provisions	359	1,445	-	1,804
Provisions for contingencies and charges	-	-	-	-

Regulated provisions recorded in 2009 correspond to the excess tax amortization on share transaction costs that are included in the cost of the related investments.

Note 13: Borrowings

(in thousands of euros)	Bonds	Overdrafts and short-term bank loans	Total
At December 31, 2008	692,958	170	693,128
New borrowings	241,405	473	241,878
Repayments, reductions	(24,325)	(170)	(24,495)
At December 31, 2009	910,038	473	910,511

The Company's liquidity requirements in 2009 were met through proceeds from (i) the OCEANE bond issues carried out in 2006 and 2009, representing amounts of 280 million euros and 213 million euros respectively, and (ii) the 350 million euros ordinary bond issue in 2007.

Since October 1, 2008, following the formation of Nexans Services, Nexans SA is no longer the head of the centralized cash management and financing system for the Group's subsidiaries. Therefore, during 2009 the Company's cash surpluses were invested with Nexans Services, which is now responsible for the Group's financing and treasury management services.

At December 31, 2009 and 2008, Nexans had access to a 580 million euros committed medium-term revolving credit facility (expiring on October 16, 2012), none of which had been drawn down. This multi-currency revolving facility is subject to standard covenants (negative pledge, pari-passu and cross default) as well as financial ratio covenants calculated based on the consolidated financial statements of the Nexans Group (consolidated net debt/EBITDA <2.95, and consolidated net debt/total equity <1.15). These ratios were well within the specified limits at both December 31, 2009 and at the date the Board of Directors approved the financial statements. If any of the revolving facility covenants were breached, any undrawn credit lines would become unavailable and any amounts outstanding would be repayable, either immediately or after a cure period of thirty days depending on the nature of the breach. No drawdowns were made on this facility in 2009.

Note 14: Operating liabilities

At December 31, in thousands of euros	2009	2008
Customer deposits and advances	-	-
Trade payables	11,852	9,518
Accrued taxes and payroll costs:		
- Employee-related payables and accrued payroll costs	2,833	7,531
- Accrued taxes	1,587	2,464
- Tax consolidation suspense account	43,906	38,729
- Group companies: tax consolidation	8,741	952
Sub-total – accrued taxes and payroll costs	57,067	49,676
Miscellaneous liabilities		
- Accrued expenses	100	11
- Other payables	-	-
Sub-total – miscellaneous liabilities	100	11
Total	69,019	59,205

Note 15: Liabilities by maturity

At December 31, 2009, in thousands of euros	Amount	Due within 1 year	Due between 1 and 5 years	Due beyond 5 years
Convertible bonds	546,640	8,680	325,360	212,600
Other bonds	363,398	13,398	-	350,000
Bank borrowings	473	473	-	-
Trade payables	11,852	11,852	-	-
Accrued taxes and payroll costs	57,067	57,067	-	-
Other liabilities	100	100	-	-
Deferred income	464	63	253	148
Total	979,994	91,633	325,613	562,748

Note 16: Prepaid expenses and deferred income

(in thousands of euros)	2009		2008	
	Expenses	Income	Expenses	Income
Financial	-	464	-	528
Other	81	-	25	-
Total	81	464	25	528

Deferred income corresponds to the gain realized on the interest-rate hedge relating to the bonds redeemable in 2017. This gain is being taken to the income statement over the life of the bonds.

Note 17: Deferred charges – Bond redemption premiums

17.1 Deferred charges

(in thousands of euros)	Amount				At Dec. 31, 2009	Method of deferral
	At Dec. 31, 2008	Recognized during the year	Amortized during the year	Charged to the issue premium		
Issue costs for convertible bonds	2,400	3,192	1,056	-	4,536	Straight-line basis over the term of the bonds
Other bond issue costs	2,005	-	223	-	1,782	Straight-line basis over 11 years (2007 to 2017)
Total	4,405	3,192	1,279	-	6,318	

Deferred charges recorded in 2009 related to the June 2009 issue of OCEANE bonds convertible into and/or exchangeable for new or existing shares. These issue costs are being amortized at a rate of 456,000 euros per year on a straight-line basis over the term of the bonds.

17.2 Bond redemption premiums

(in thousands of euros)	Year of recognition	Gross premium	December 31, 2008		December 31, 2009		
			Accumulated amortization	Net premium	Amortization for the year	Accumulated amortization	Net premium
Redemption premium on 2006-2013 1.50% OCEANE bonds	2006	45,360	17,393	27,967	6,992	24,385	20,975
Redemption premium on 2007-2017 5.75% ordinary bonds	2007	2,569	428	2,141	257	685	1,884
Total				30,108	7,249		22,859

Bond redemption premiums are amortized on a straight-line basis over the life of the bonds. The amortization expense for 2009 amounted to 7,249,000 euros.

Note 18: Accrued expenses & income

At December 31, in thousands of euros	2009	2008
Accrued expenses relating to:		
- Interest on bonds	22,078	17,598
- Accrued payables	11,723	9,142
- Group and associates	-	-
- Employee-related liabilities	1,846	4,773
- Payroll taxes	571	2,208
- Other taxes	1,237	2,056
- Other liabilities	100	11
Accrued income relating to:		
- Interest on loans	8,790	6,896
- Trade receivables	7,090	12,961
- Prepaid and recoverable taxes	1,894	1,321
- Group and associates: Interest on other current accounts	97	-
- Other receivables	3,013	1,829

Note 19: Translation adjustments

N/A.

Note 20: Items relating to several balance sheet lines

N/A.

Notes to the income statement

Note 21: Net sales

Nexans' 2009 net sales came to 14,498,000 euros, and primarily related to the invoicing of services provided to its subsidiaries.

Note 22: Income from ordinary activities before tax

22.1 Operating income/(loss)

After taking into account rebillings to subsidiaries, the Company reported an operating loss of 14,173,000 euros for 2009, corresponding to headquarters expenses, Group transverse marketing cost, depreciation, amortization and provisions, and various research costs.

22.2 Financial income and expenses

In 2009, Nexans received dividend payments totaling 108,567,000 euros, and 1,295,000 euros in net investment income from Nexans Services.

Interest received on loans granted to the Company's North American subsidiaries amounted to 3,990,000 euros.

Interest expense on the Company's bonds came to:

- OCEANE bonds redeemable in 2013 (4,200,000) euros,
- OCEANE bonds redeemable in 2016 (4,480,000) euros,
- Ordinary bonds redeemable in 2017 (20,125,000) euros.

Amortization expense on the redemption premiums for the bonds redeemable in 2013 and 2017 amounted to 6,992,000 euros and 257,000 euros respectively (see **Note 17-2**).

Taking into account net foreign exchange losses of 431,000 euros and net other financial expense, the Company ended the year with net financial income of 77,200,000 euros.

Note 23: Non-recurring items

Non-recurring items correspond to the excess tax amortization of transaction costs on share acquisitions (see **Note 12**).

Note 24: Income taxes

(in thousands of euros)	Income from ordinary activities	Non-recurring items and employee profit-sharing	Other tax effects	Total
Pre-tax income	63,027	(1,540)	-	61,487
Income tax:				
- At standard rate	(530)	530	-	-
- Research tax credit	-	-	636	636
- Benefit (charge) from tax consolidation	(381)	-	-	(381)
Income tax	(911)	530	636	256
Net income	62,116	(1,010)	636	61,743

24.1 Notes

In 2009 "Other tax effects" relating to standard rate tax corresponded to the Company's research tax credit.

The tax consolidation charge stemmed primarily from an adjustment to the income tax due by members of the tax group.

24.2 Tax consolidation

Nexans has entered into a tax consolidation agreement with its French subsidiaries in which it directly or indirectly holds an interest of more than 95%. This agreement, which came into force on January 1, 2002, was signed pursuant to the option taken by Nexans to adopt a French tax consolidation group in accordance with Article 223 A et seq. of the French General Tax Code (*Code Général des Impôts*).

This option is automatically renewable every five years and the current expiration date is December 31, 2011. For every taxation period, the contribution of each subsidiary to the corporate income tax payable on the consolidated net income of the tax group corresponds to the corporate income tax and other contributions for which each subsidiary would have been liable if it had been taxed on a stand-alone basis.

As part of the tax consolidation agreement under which Nexans SA is liable for the global tax charge, a tax loss was recognized at the balance sheet date, which represents an unrecognized tax asset of 27,682,000 euros.

No non tax-deductible expenses, as defined in Article 39-4 of the French General Tax Code, were incurred during 2009.

Miscellaneous information

Note 25: Consolidation – Related companies

Nexans publishes consolidated financial statements. Related party transactions primarily concern subsidiaries and associates.

The main items affected are as follows:

Facts regarding related companies (in thousands of euros)

	2009	2008
BALANCE SHEET ITEMS		
Assets		
Shares in subsidiaries and associates, net	2,318,092	2,217,806
Loans, net	60,852	75,158
Trade receivables, net	10,108	15,367
Other receivables, net	220,401	61,450
Current accounts with subsidiaries in the consolidated tax group	3,591	376
Liabilities		
Trade payables	8,252	7,654
Current accounts with subsidiaries in the consolidated tax group	8,741	952
Other borrowings		
INCOME STATEMENT ITEMS		
Financial expenses	122	3,886
Dividend income	108,567	101,918
Financial income	5,407	40,825

Note 26: Number of employees (annual average)

(in number of employees)	2009	2008
Managerial employees	6	6
Other white-collar workers	-	-
Blue-collar workers	-	-
Total	6	6

Note 27: Management compensation

In 2009, the total pre-tax amount of gross compensation, benefits and directors' fees paid to the Chairman and Chief Executive Officer, and the Chief Operating Officer was 3,863,000 euros.

Gérard Hauser held the position of Chairman and CEO until the Shareholders' Meeting of May 26, 2009 when he was replaced by Frédéric Vincent, Nexans' Chief Operating Officer up until that date.

Compensation paid to Gérard Hauser and Frédéric Vincent breaks down as follows:

	2009	2008
Basic salary	1,010 ⁽¹⁾	1,375
Variable compensation	983 ⁽²⁾	1,897 ⁽¹⁾
Exceptional compensation ⁽³⁾	417 ⁽¹⁾	-
Directors' fees ⁽⁴⁾	50	55
Other benefits	7 ⁽¹⁾	8
Total	2,467	3,335

(1) The sum of these amounts corresponds to the total gross pre-tax compensation indicated above.

(2) Compensation due for 2009 but paid in 2010, except for a 500,000 euros termination settlement paid to Gérard Hauser in 2009, which is included in his 2009 compensation declaration.

(3) This item corresponds to (i) an exceptional bonus of 140,000 euros paid to Gérard Hauser in his capacity as an executive corporate officer, (ii) a retirement bonus paid to Gérard Hauser pursuant to the applicable collective bargaining agreement, amounting to 184,000 euros, of which 181,000 euros were subject to income tax, and (iii) 94,000 euros paid to Frédéric Vincent and Gérard Hauser for accrued vacation pay due pursuant to their former employment contracts.

(4) Including 34,000 euros paid to Frédéric Vincent and 16,000 euros to Gérard Hauser in their capacity as Chairman and CEO (paid in January 2010).

Nexans' directors received 519,000 euros in directors' fees for 2009.

Note 28: Off-balance sheet commitments

28.1 Reciprocal commitments

Reciprocal commitments in 2009 related to forward sales of currencies (mainly US dollars) whose fair value totaled 1,818,000 euros at the balance sheet date.

28.2 Commitments given

The Company has granted parent company guarantees covering the contractual obligations of certain subsidiaries, amounting to 2,031 million euros at December 31, 2009.

In addition, when it acquired Madeco's cables business, Nexans granted Madeco a seller's warranty with respect to the 2.5 million Nexans shares issued as part of the consideration for the transaction. This warranty expired on December 31, 2009 and no related claims had been received by Nexans at that date.

28.3 Commitments received

Commitments received correspond to the Company's 580 million euros unused revolving credit facility.

28.4 Property lease commitments

N/A.

Note 29: Fees paid to the Statutory Auditors

Fees paid by the Company to the Auditors in 2009 for their statutory audit work break down as follows (in thousands of euros):

	Audit of the parent company financial statements	Audit of the consolidated financial statements	Total
KPMG 1, cours Valmy 92923, Paris - La Défense	18	179	197
PricewaterhouseCoopers Audit 63, rue de Villiers 92208, Neuilly-sur-Seine	16	265	281
	34	444	478

Note 30: Other information

In late January 2009 investigations were launched against Nexans and other cable manufacturers concerning alleged cartel behavior in the sector of submarine and underground power cables and associated equipment and services. These investigations – which are still ongoing – are being conducted by the European Commission, as well as competition authorities in Australia, New Zealand, Japan, South Korea (in addition to an investigation into the Group's local operations) and the United States. They relate to the sector of submarine and underground power cables and associated equipment and services.

The Group is not in a position to evaluate the possible outcome of these investigations. Nonetheless, given the level of fines imposed by American and European authorities in recent cases and the possible direct and indirect consequences of this type of investigation, it is possible that these investigations may have a material adverse effect on the results and consequently the financial condition of the Group.

Statutory Auditors' report on the financial statements

(Year ended December 31, 2009)

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meetings, we hereby report to you, for the year ended December 31, 2009, on:

- the audit of the accompanying financial statements of Nexans S.A.;
- 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.

Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2009 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion, we draw your attention to the matter set out in Note 30 "Other information" to the financial statements, which reports that investigations were launched against the Company in late January 2009 in relation to alleged cartel behavior.

Justification of our assessments

The accounting estimates used in the preparation of the financial statements for the year ended December 31, 2009 were made against a backdrop of economic crisis which lent uncertainty to forecasts. It is in this context that, in accordance with Article L.823-9 of the French Commercial Code (Code de commerce), we bring to your attention to our own assessments.

The Company records a provision for impairment of its equity investments when their carrying amount exceeds their fair value, which is estimated on the basis of their value in use, as described in the section "Long-term financial assets" of Note 2 "Summary of significant accounting policies" to the financial statements. Our work consisted of assessing the data and assumptions on which those estimates are based, reviewing the calculations made by the Company, and reviewing the management's process for approving those estimates.

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

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Specific verifications and information

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given 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.

Concerning the information given in accordance with the requirements of Article L.225-102-1 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of shareholders and holders of the voting rights has been properly disclosed in the management report.

The Statutory Auditors

Paris La Défense and Neuilly-sur-Seine, April 2, 2010

KPMG Audit
Department of KPMG S.A.



Valérie Besson
Partner

PricewaterhouseCoopers Audit



Dominique Ménard
Partner



Additional information

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Information about Nexans SA and the Group

Simplified organizational structure*



* Simplified operational structure at December 31, 2009. Nexans' main subsidiaries are described in Note 32 to the 2009 consolidated financial statements on pages 199 to 201 of this Registration document.

Main shareholders

Estimated breakdown of share capital and voting rights at December 31, 2009

	Share capital		Voting rights*	
	Number of shares	%	Number of voting rights	%
Madeco (Chile)	2,568,726	9.2%	2,568,726	9.0%
Fonds Stratégiques d'Investissement (Caisse des Dépôts)	1,417,700	5.1%	1,417,700	5.0%
Other institutional shareholders	19,142,332	68.3%	19,171,580	67.5%
Employees	478,243	1.7%	720,891	2.5%
Other private individuals	3,445,854	12.3%	3,576,630	12.6%
Unidentified shareholders	960,073	3.4%	960,073	3.4%
Total**	28,012,928	100%	28,415,600	100%

Sources: Euroclear France, shareholders in registered form, shareholder identification survey and threshold disclosures filed with the AMF (French financial markets authority).

* Shares registered in the name of the same holder for at least two years carry double voting rights. In accordance with the Company's bylaws, 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 held by shareholders present or represented when voting on resolutions at a Shareholders' Meeting.

** The estimated total number of shareholders at December 31, 2009 was approximately 55,000 (based on a survey performed at end-2009).

As the Company's ownership structure changes frequently, the estimated breakdown above is not necessarily representative of the situation at the date this Registration document was published.

To the best of the Company's knowledge, no legal thresholds other than those mentioned above were crossed between the date of the 2009 Management Report (February 9, 2010) and the date this Registration document was published.

At December 31, 2009, Board members held 0.2% of the Company's share capital and voting rights.

To the best of the Company's knowledge, no shareholder other than those cited above holds more than 5% of the share capital or voting rights.

The Company does not hold any treasury shares and each member of the Board holds at least the number of shares recommended in the Company's bylaws.

Nexans is not aware of the existence of any individual or legal entity that, directly or indirectly, acting alone or in concert, exercises control over Nexans' share capital, nor of any agreement that if implemented could trigger a change of control of the Company.

Estimated ownership structure by geographic area

At December 31, 2009, Nexans' estimated ownership structure by geographic area was as follows:

Institutional investors – France	18.6%
Institutional investors – United States	28%
Institutional investors – UK and Ireland	15%
Institutional investors – Other European countries	11.2%
Institutional investors – Other countries (incl. South America)	9.8%
Private individuals	12.3%
Employees	1.7%
Unidentified shareholders	3.4%

Changes in Nexans' ownership structure over the last three years

Shareholders	Estimated situation at December 31, 2007			Estimated situation at December 31, 2008			Estimated situation at December 31, 2009		
	Number of share	% ownership	% voting rights	Number of shares	% ownership	% voting rights	Number of share	% ownership	% voting rights
Institutional investors	21,519,198	83.8	83	23,440,092	83.9	83	23,128,758	82.6	81.5
Employees	265,185	1	1.8	395,680	1.4	2.2	478,243	1.7	2.5
Members of the Board of Directors	22,705	0.1	0.1	28,361	0.1	0.1	52,891	0.2	0.2
Other private individuals	2,869,605	11.2	11.2	3,930,973	14.1	14.2	3,392,963	12.1	12.4
Treasury stock									
Unidentified shareholders	1,001,662	3.9	3.9	141,847	0.5	0.5	960,073	3.4	3.4

See also Section 8 of the 2009 Management Report ("Information concerning the Company and its capital"), particularly relating to the share capital at December 31, 2009, securities carrying rights to shares in the Company, changes in Nexans' share capital over the last five years, disclosure thresholds crossed in 2009 and employee share ownership (pages 53 to 58 of this Registration document).

General information

Company profile

Corporate name and registered office:
Nexans
8 rue du Général Foy, 75008 Paris, France
Tel: +33 (0)1 73 23 84 00

Legal form and governing law

Nexans is a French *société anonyme*, subject to all the laws governing corporations in France, and in particular the provisions of the French Commercial Code.

Trade register number

The Company is registered in the Paris Trade Register under number 393 525 852. Its APE business identifier code is 7010Z.

Documents available to the public

Nexans' bylaws, the financial statements of the Company and the Group, reports submitted to the Shareholders' Meetings by the Board of Directors and the Statutory Auditors, and all other corporate documents that may be consulted by shareholders in accordance with the applicable laws and regulations are available at the Company's registered office and, in some cases, on Nexans' website at www.nexans.com. This website also contains the legal and financial information that has to be published in accordance with Articles 221-1 et seq. of the General Regulations of the AMF, the Internal Regulations of the Board of Directors, and Nexans' Code of Ethics and Business Conduct.

Date of incorporation and term

The Company was incorporated on January 5, 1994, under the name "Atalec" (changed to "Nexans" at the Shareholders' Meeting held on October 17, 2000), for a term of 99 years which will expire on January 7, 2093. Nexans was formed from most of Alcatel's cable activities and was floated on the Paris stock market in 2001. Alcatel no longer holds any ownership interest in Nexans.

Corporate purpose (summary of Article 2 of the bylaws)

The Company's purposes in all countries are the 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 electricity, 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 their form, associations, French and foreign groups, regardless of their corporate purpose and activity, as well as, in general, any and all industrial, commercial and financial transactions, involving both securities and real estate, related either directly or indirectly, in whole or in part, to any of the purposes of the Company indicated in the bylaws or to any similar or related purposes.

Financial year

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

Specific provisions of the bylaws

Shareholders' meetings (Article 20 of the bylaws)

Shareholders' meetings are convened and conduct business in accordance with the provisions set forth by law. When the required quorum is reached, the Shareholders' Meeting represents all the shareholders. Its resolutions are binding on all shareholders, including those who were absent or dissenting at the meeting concerned. In addition, if decided by the Board of Directors, shareholders may participate in and vote at meetings by videoconference or any other remote transmission method that enables them to be identified, in accordance with the terms and methods set forth by law.

For shareholders to be eligible to attend General Meetings, cast a postal vote or be represented by proxy the following conditions must be met:

- registered shares must be recorded in the name of their owner in the share register managed by the Company or by its accredited intermediary;
- holders of bearer shares must provide a certificate evidencing ownership of their shares, in accordance with the law.

In order for postal votes to be taken into consideration they must be received by the Company at least one business day before the meeting (by 3 p.m. Paris time at the latest), unless a shorter timeframe is provided for under the applicable laws and regulations.

Form of shares and disclosure thresholds (Article 7 of the bylaws)

Fully paid-up shares may be held in either registered or bearer form, at the shareholder's discretion.

In addition to the legal requirement to inform the Company of holdings exceeding certain fractions of the Company's share capital, any individual or legal entity and/or any existing shareholder whose interest in the Company attains or exceeds 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 sent by registered letter with return receipt requested. The same disclosure formalities must be carried out each time the threshold of a multiple of 2% of the share capital or voting rights is crossed. To determine the thresholds, all shares held indirectly shall be taken into account as well as all the forms of shareholding covered by Articles L.233-7 et seq. of the French Commercial Code.

In each notification filed as set forth above, the party making the disclosure must certify that it covers all shares held or deemed to be held pursuant to the foregoing paragraph. They must also disclose the relevant acquisition date(s).

In the event of non-compliance with these disclosure obligations and subject to applicable law, the shareholder shall forfeit the voting rights corresponding to any shares that exceed the thresholds which should have been disclosed. Any shareholder whose stake in the share capital falls below any of the above-mentioned thresholds must also notify the Company within fifteen days, in the same manner as described above.

Ownership of shares is evidenced by an entry in the shareholder's name in the share register held by the issuer or by an accredited intermediary. Transfers of registered shares are made by inter-account transfer. All share registrations, payments and transfers shall be made in accordance with the applicable law and regulations. Unless the shareholders concerned are exempted by law, the Company may require that the signatures on disclosures or transaction or payment orders be certified in accordance with the prevailing law and regulations.

In accordance with the applicable laws and regulations the Company may request from any accredited intermediary or other body any information on its shareholders or holders of securities carrying immediate or deferred voting rights, including their identity, the number of securities held and any restrictions on the securities.

Voting rights (Article 21 of the bylaws)

Subject to applicable law and the Company's bylaws, each shareholder shall have a number of votes equal to the number of shares that he or she holds or represents. Voting rights are exercisable by the beneficial owner at all Ordinary, Extraordinary and Special Shareholders' Meetings.

Double voting rights (Article 21 of the bylaws)

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

Any registered shares that are converted to bearer shares or whose ownership is transferred automatically lose their double voting rights. However, registered shares will not lose their double voting rights, and the above-mentioned two-year qualifying period shall continue to run, following the transfer from one registered shareholder to another as part of a transfer of shares included in the estate of a deceased shareholder, or in connection with the settlement of the marital estate or an inter vivos donation to a spouse or relative in the direct line of succession.

Restrictions on voting rights (Article 21 of the bylaws)

Regardless of the number of shares held directly and/or indirectly, when voting on resolutions at Shareholders' Meetings either in person or by proxy, a shareholder with single voting rights may not exercise a number of voting rights representing more than 8% of the voting rights of all shareholders present or represented at the meeting concerned. If a shareholder is also entitled to double voting rights either when voting in person or by proxy, this limit may be exceeded taking into account only the additional voting rights. However, the total voting rights exercised may not under any circumstances represent more than 16% of the voting rights of all shareholders present or represented.

To determine this limitation, all shares held indirectly shall be taken into account, as well as all the forms of shareholding covered by articles L.233-7 et seq. of the French Commercial Code. The limitation determined in the foregoing paragraph shall not apply to the Chairman of a meeting when voting pursuant to proxies received in accordance with the legal obligations contained in Article L.225-106 of the French Commercial Code.

Appropriation of income (Article 23 of the bylaws)

The difference between revenue and expenses for the year, net of any provisions, constitutes the net income or loss for the year as recorded in the income statement. Five percent of the net income, less any losses brought forward from prior years, is transferred to the legal reserve until such time as the legal reserve represents one tenth of the share capital. Further transfers are made on the same basis if the legal reserve falls below one-tenth of the share capital, whatever the reason. Income available for distribution consists of net income for the year less any losses brought forward from prior years and any transfer made to the legal reserve as explained above, plus retained earnings brought forward from prior years. On the recommendation of the Board of Directors, shareholders in a General Meeting may appropriate all or part of said income to retained earnings or to general or special reserves, or decide to pay all or part of the amount to shareholders in the form of a dividend. In addition, the shareholders may resolve to distribute amounts taken from discretionary reserves either to pay all or part of a dividend or as an exceptional dividend. In this case, the resolution shall indicate specifically the reserve account from which the payments are to be made. However, dividends will first be paid out of distributable income for the year.

Shareholders at an Ordinary General Meeting may decide to offer each separate shareholder the option of receiving all or part of the final dividend or any interim dividend in the form of shares instead of cash.

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

Material contracts

In the two years immediately preceding the publication of this Registration document, Nexans entered into three agreements that are outside its normal course of business.

- On February 21, 2008, Nexans signed an agreement with the Chile-based group Madeco with a view to purchasing Madeco's cables business in South America (Chile, Peru, Colombia, Argentina and Brazil). The transaction was completed on September 30, 2008. Following the issuance of 2.5 million Nexans shares to Madeco, the Madeco group holds approximately 9% of Nexans' share capital. As part of the acquisition Madeco undertook not to sell over 50% of its initial stake in Nexans until March 31, 2010. In addition, under the acquisition agreement, Nexans undertook to recommend at the Annual Shareholders' Meeting that a director nominated by Madeco be elected as a director and that Madeco should continue to have a seat on the Board for as long as it retains 50% of its initial stake in Nexans. Guillermo Luksic, Chairman of Madeco, was appointed as a member of Nexans' Board of Directors for a four-year term, effective from September 30, 2008.
- On December 4, 2008, Nexans entered into a joint venture agreement with the Japanese company Sumitomo Electric Industries in order to provide optical fibers for European terrestrial telecommunication networks through Opticable – an existing Nexans subsidiary. The transaction was cleared by the European Commission on January 16, 2009 and was closed on January 30, 2009. At that date Sumitomo acquired a 40% stake in Opticable, with Nexans retaining the residual 60% interest. A framework agreement was signed at the same time between the parties concerning the supply of optical fiber. Under the joint venture agreement, each party may be required to sell its shares to the other party in certain circumstances.
- On March 3, 2009, Nexans announced that it had signed a final agreement with Polycab Wires Private Limited ("Polycab"), India's largest cable company, for the creation of a joint venture to be majority-held by Nexans. In December 2009 Nexans received clearance from the relevant Indian authorities concerning the procedures for transferring Nexans' technology to the future joint venture company. The plans for setting up the joint venture company have therefore been put in motion and manufacturing operations are scheduled to start up by the end of 2011. (See also Section 1.2.10(b) of the 2009 Management Report on page 30 of this Registration document).

In addition:

- In 2006, Nexans signed an agreement with the Japanese company Viscas Corporation in order to form a joint venture in Japan for manufacturing high-voltage cables. Cables made by the new company, Nippon High-Voltage Cable Corporation, or NVC, are sold only to its direct and/or indirect shareholders. NVC does not conduct sales to other parties nor does it carry out any other commercial activities. NVC is 66%-owned by Nexans Participations and 34%-owned by Viscas Corporation. NVC purchased the equipment and machines necessary for its operations from Viscas, and is leasing its plant from Viscas. Neither party may sell its shares in NVC without prior approval from the other party. However, under certain circumstances, Viscas will be entitled, or even required, to sell all its NVC shares to Nexans at a price corresponding to the percentage of NVC's net asset value they represent. These circumstances include a refusal by Viscas to provide additional financing to NVC in an aggregate amount exceeding 3,420 million yen, failure to comply with an essential clause of the agreement, and expiration of the agreement.

Nexans is not aware of any other contracts (other than (i) the contracts entered into in the normal course of business, including the commodities purchase agreements described in Section 6.2.3 of the 2009 Management Report, and (ii) the financial commitments described in **Note 24** to the 2009 consolidated financial statements) executed by any member of the Group that include provisions imposing upon any member of the Group a significant obligation or commitment for the entire Group.

Investments

Nexans' gross capital expenditure in 2009, 2008 and 2007 came to 148 million euros, 192 million euros, and 174 million euros respectively. The reduction in capital expenditure between 2008 and 2009 reflects the Group's measures undertaken in response to the global economic crisis, with capital expenditure programs for 2009 focused on Nexans' strategic priorities as well as on markets that were the least affected by the adverse economic context.

In 2009, capital expenditure broke down as follows:

- By market: Energy Infrastructure accounted for 52% of total capital outlay, used for the purpose of completing projects to increase capacity for very high-voltage cables. Capital expenditure incurred for the Industry market represented 22% of the total and was primarily devoted to the aeronautical and marine segments. Nexans also incurred capital expenditure during the year to maintain its manufacturing base in its other markets which were more severely affected by the crisis – Building (14% of the total), Local Area Networks (2%), Telecom Infrastructure (3%), Electrical Wires (3%) and other markets (4%).
- By geographic area: Capital expenditure levels remained robust for high-growth areas, with the Asia-Pacific region accounting for 17% of the total, the MERA region representing 8% and South America 7%. At the same time capital expenditure was sharply scaled back in Europe (which accounted for 63% of the total) and North America (5%) with investment focused on streamlining manufacturing facilities.

The main capital expenditure programs in 2009 concerned the following:

- Increasing production capacity for very high voltage terrestrial cables (220 and 400kV) in Australia and Europe, notably by completing projects launched in 2008.
- Adapting the Skagerrak ship used for laying submarine cables.
- The successful start-up of aeronautical cables manufacturing operations in Morocco to partner customer projects in France and North Africa.
- Increasing production capacity for marine rubber cables in South Korea with production facilities for rubber compounds coming fully on stream.
- Streamlining manufacturing operations in the automobile sector (Eastern Europe), the building segment (Germany), the metallurgy segment (France) and the Energy Infrastructure market (North America). Following the closure of certain sites all or part of their production operations were transferred to other manufacturing facilities.
- The transfer of the Group's head office to new renovated premises.

The Group's three-year capital expenditure plan is focused on (i) sites in high-growth regions, including a new manufacturing facility in India as well as expansion in China (elastomer cables) and the Middle East (high-voltage cables), and (ii) production of high value-added products in Europe, including expanding Opticable – the joint venture set up with Japan-based Sumitomo to manufacture optical fiber cables – and extending the Group's range of special sub-marine cables.

Property, plant and equipment

The Group's plants and facilities are located in 55 countries around the world, and they represent a wide range of sizes and types of business. None of the Group's property, plant or equipment individually represents a material amount for the Group as a whole (i.e., an amount exceeding 6% of the Group's total gross property, plant, and equipment – replacement value). As an industrial group, Nexans does not own significant non-operating real estate assets. No material acquisitions of property, plant and equipment took place in 2009. The Group plans to build a manufacturing site in India as part of its joint venture with Polycab (see the section on "Material contracts" above).

The environmental issues raised by the use of property, plant and equipment are addressed in Section 9.4.2 of the 2009 Management Report ("Environmental consequences of the Group's operations and measures taken to limit their impact") on page 76 of this Registration document.

Legal and arbitration proceedings

Apart from the cases described in (i) Section 1.2.9 of the 2009 Management Report, (ii) the items mentioned in the section of the 2009 Management Report entitled "Risk factors", pages 35 et seq. of this Registration document, and (iii) Note 31 to the consolidated financial statements ("Disputes and contingent liabilities") – particularly the risk relating to antitrust investigations launched in late January 2009 – on pages 197 and 198 of this Registration document, to the best of the Group's knowledge there are no other governmental, legal or arbitration proceedings that may have a material impact on its financial position or profitability.

Significant events since the year-end and approval of the 2009 management report

Significant changes in the Group's financial or commercial position

The first few months of 2010 saw continuing hesitancy in the initial steps toward economic recovery. However, this has not called into question the Group's strategic priorities for the medium term.

As far as the Group is aware, there have been no significant changes to the Group's financial or commercial position since December 31, 2009.

Significant events

On February 9, 2010 the Board of Directors decided to launch an employee shareholding plan entitled "Act 2010", involving the issuance of a maximum of 400,000 shares to members of an employee savings plan. Wherever possible under local regulations, employees will subscribe shares through mutual funds (*Fonds Communs de Placement d'Entreprise*), which were approved by the *Autorité des Marchés Financiers* on March 5 and 17, 2010. This issue is still subject to the approval or notification of local regulatory authorities in certain countries as well as the completion of consultation procedures with employee representatives as required under the applicable laws. The terms and conditions of this offering – which is scheduled to take place by the end of the third quarter of 2010 – will be given in a press release at a later date.

Summary of off-balance sheet commitments

The following table presents the Group's main contractual obligations and other commitments at December 31, 2009.

	2009	2008	2007
Total commitments given			
Forward foreign currency purchase commitments	1,738	2,235	N/A
Forward copper purchase commitments (net position)	347	274	339
Firm commitments to purchase non-current assets	15	57	39
Pledges and collateral given	5	5	5
Total commitments received			
Forward foreign currency sale commitments	1,725	2,260	N/A
Bank financing facility	580	580	580

The Group also enters into commitments in connection with acquisition, disposal and restructuring transactions, gives customers warranties on the quality of products sold, and enters into firm commitments with clients and suppliers (notably under Take or Pay contracts, the largest of which concern copper supplies).

Off-balance sheet commitments given and received by the Group are described in Notes 13 (Property, plant and equipment), 24 (Net debt), 26 (Financial risks) and 27 (Derivative instruments) to the 2009 consolidated financial statements.

On behalf of its subsidiaries, the Group also grants parent company guarantees to third parties (see Note 28.2 to the 2009 parent company financial statements).

Related-party agreements and Statutory Auditors' Special Report

List of related-party agreements

1. Prior agreements remaining in force in 2009

1.1. Corporate officer involved:

Georges Chodron de Courcel, Nexans Board Member and Chief Operating Officer of BNP Paribas

- **Global underwriting agreement for OCEANE bonds issued in 2004**

As part of the issue of Nexans' 3.125% July 15, 2004/January 1, 2010 OCEANE bonds (bonds convertible into new shares and/ or exchangeable for existing shares), a global underwriting agreement authorized by the Board of Directors on July 5, 2004, was executed on July 6, 2004 with a bank syndicate (including BNP Paribas). Pursuant to this agreement, Nexans undertook to issue OCEANE bonds representing a maximum nominal value of 135 million euros, and the bank syndicate undertook to place the bonds or subscribe the bonds itself on the basis of certain representations and warranties given by Nexans and in return for 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.

- **Syndicated loan agreement of December 28, 2004 and the first amendment thereto**

The Board of Directors resolved on November 16, 2004 to authorize a syndicated loan, and a syndicated loan agreement was executed on December 28, 2004. This "€150,000,000 multi-currency revolving facility agreement" was executed by Nexans (as borrower) and 14 credit institutions including BNP Paribas (as lender and swingline lender). BNP Paribas was also appointed as the syndicate agent.

The fee paid for 2004 and shared among the lenders in proportion to their contributions was 780,400 euros. BNP Paribas also receives an annual agency fee of 12,500 euros before tax.

An amendment to the cost and structure of the agreement was authorized by the Board of Directors on September 26, 2005, and executed on October 17, 2005. Under this amendment, the term of the loan agreement was extended to 5 years from the date the amendment was executed, with the possibility of extending it to 7 years, and the spreads and commitment fees payable under the agreement were decreased. The fee paid for 2005 and shared among the lenders in proportion to their contributions was 215,000 euros.

- **Second amendment to the syndicated loan agreement of December 28, 2004**

A second amendment to the syndicated loan agreement was required following the Group's transition to IFRS. This amendment, approved by Nexans' Board of Directors on May 15, 2006 and executed on June 30, 2006, changed the method and basis used to calculate the financial ratio covenants and commitment fees, and clarified Nexans' reporting obligations to the lenders. The amendment also modified the commission fee schedule.

- **Global underwriting agreement for OCEANE bonds issued in 2006**

As part of the issue of Nexans' 1.50% July 7, 2006/January 1, 2013 OCEANE bonds (bonds convertible into new shares and/ or exchangeable for existing shares), a global underwriting agreement authorized by the Board of Directors on June 26, 2006, was executed on June 29, 2006 with two banks (including BNP Paribas). Pursuant to this agreement, Nexans undertook to issue OCEANE bonds representing a maximum nominal value of 280 million euros, and the bank syndicate undertook to place the bonds or subscribe the bonds itself on the basis of certain representations and warranties given by Nexans and in return for payment by Nexans.

The guarantors are BNP Paribas and Société Générale Corporate & Investment Banking. The fee paid for 2006 and shared among the guarantors was 4,200,000 euros.

- **Third amendment to the syndicated loan agreement of December 28, 2004**

A third amendment to the syndicated loan agreement, approved by Nexans' Board of Directors on September 27, 2006 and executed on October 30, 2006, increased the amount available under the credit facility by 130 million euros to a total of 580 million euros. The fee paid for 2006 and shared among the lenders in proportion to their contributions was 405,000 euros.

- **Global underwriting agreement for ordinary bonds maturing in 2017**

As part of the issue of Nexans 5.75% 2017 ordinary bonds, an underwriting agreement authorized by the Board of Directors on March 27, 2007 was executed on April 25, 2007 with a bank syndicate (comprising BNP Paribas as lead bank, participating jointly and for equal amounts with Société Générale and UBS Limited). Pursuant to this agreement,

Nexans undertook to issue bonds representing a maximum nominal value of 350 million euros, and the bank syndicate undertook to place the bonds or subscribe the bonds itself on the basis of certain representations and warranties given by Nexans and in return for payment by Nexans.

The guarantors are BNP Paribas, Société Générale and UBS. The fee paid for 2007 was 2,450,000 euros.

- **Fourth amendment to the syndicated loan agreement of December 28, 2004**

The purpose of this fourth amendment, approved by the Board of Directors on July 23, 2008 and executed on August 20, 2008, was to include Nexans Services – Nexans' newly-created financing company – as a joint borrower for the purposes of the December 28, 2004 syndicated loan agreement.

1.2. Corporate officer involved: Frédéric Vincent (Nexans' Chief Operating Officer until May 26, 2009 and Chairman and Chief Executive Officer since that date)

- **First amendment to Frédéric Vincent's employment contract**

On May 15, 2006, the Nexans Board of Directors approved and executed an amendment to Frédéric Vincent's employment contract in order to ensure that he was protected under the same conditions as previously during his term of office as Chief Operating Officer.

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code, Frédéric Vincent's employment contract was terminated when he was appointed Chairman and Chief Executive Officer of Nexans in May 2009. Consequently, the provisions of said employment contract and the amendments thereto became null and void at that date.

- **Termination benefit payable to Frédéric Vincent and second amendment to his employment contract**

On February 22, 2008 the Board of Directors approved the allocation of a termination benefit to Frédéric Vincent in the event that he was removed from his position as Chief Operating Officer, and authorized the execution of a second amendment to his employment contract.

These two agreements have not been applicable since end-May 2009 for the following reasons:

- In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code, Frédéric Vincent's employment contract was terminated when he was appointed Chairman and Chief Executive Officer of Nexans in May 2009. Consequently, the provisions of said employment contract and the amendments thereto became null and void at that date.
- Frédéric Vincent's entitlement to a termination benefit in the event of the loss of his office as Chief Operating Officer ceased to apply following his appointment as Chairman and Chief Executive Officer in May 2009.

- **Amendments to the defined benefit pension plan set up by the Group**

On October 1, 2008 and November 25, 2008 the Board of Directors amended the top-up pension scheme set up by the Group for certain employees and corporate officers, including Frédéric Vincent. This plan has been renamed the Group defined benefit pension plan.

The main amendments made on October 1, 2008 were as follows:

- The conditions relating to reversionary benefits were changed to enable annuities to be paid to the surviving spouse upon a beneficiary's death.
- The requirement for a minimum seniority period within the Group was removed.
- The payment of the supplementary pension will only now be suspended for a beneficiary who returns to a professional activity after retirement if that beneficiary was originally dismissed.
- A new provision was introduced enabling beneficiaries to opt to receive a lower annuity in return for a guarantee for the payment of at least ten annuities.

Following the October 6, 2008 publication of the AFEP-MEDEF recommendations on executive directors' compensation, at its November 25, 2008 meeting, the Board decided to amend the rules of the defined benefit pension plan in order to require new corporate officers to have at least 5 years' seniority to be eligible for benefits under the plan.

1.3. Corporate officer involved: Gérard Hauser (Chairman and CEO until May 26, 2009)

On October 1, 2008 and November 25, 2008, the Board of Directors amended the top-up pension scheme, as described in the terms in point 1.2 below. The pension scheme (renamed the Group defined benefit pension plan) was set up by the Group for certain employees and corporate officers, including Gérard Hauser, Chairman and CEO until the Shareholders' Meeting of May 26, 2009.

Following the retirement of Gérard Hauser at the end of May 2009, as from that date the agreement no longer constitutes a related-party agreement.

2. Agreements executed in 2009

2.1. Corporate officer involved: Frédéric Vincent (Nexans' Chief Operating Officer until May 26, 2009 and Chairman and Chief Executive Officer since that date)

• Termination

On April 3, 2009, the Board of Directors approved the allocation of a termination indemnity to Frédéric Vincent in the event that he is removed from his position as Chairman and Chief Executive Officer.

The termination indemnity payable to the Chairman and Chief Executive Officer will be equal to one year of his total compensation, i.e., 12 times his most recent monthly base salary plus the corresponding percentage of his bonus.

It will be paid only if the Board of Directors notes that two performance conditions have been met. The first of these is based on the Group's financial performance by reference to quantitative targets set by the Board of Directors at the beginning of each year as part of the performance criteria on which the variable portion of Frédéric Vincent's compensation is based, as recorded for a given year by the Board of Directors at the beginning of the following year. The second condition is based on the Company's share performance compared to the SBF 120 index.

• Non-compete indemnity

On April 3, 2009, the Board of Directors approved the allocation of a non-compete indemnity to Frédéric Vincent.

As compensation for an undertaking not to exercise any business that would compete either directly or indirectly with one of the Company's businesses for a period of two years from the end of his term of office as Chairman and Chief Executive Officer, Frédéric Vincent will receive a non-compete indemnity, regardless of the cause of termination of his duties. Said indemnity will be equal to one year of his fixed and variable compensation, i.e., 12 times his most recent monthly base salary plus the corresponding percentage of his bonus, paid in 24 equal and successive installments.

The total amount of termination indemnities payable to Frédéric Vincent (i.e. his termination benefit and non-compete indemnity) may not represent an amount exceeding two years worth of his fixed and variable compensation.

• Welfare scheme and pension plan

On April 3, 2009, the Board of Directors authorized Frédéric Vincent, as Chairman and Chief Executive Officer of Nexans, to register with the Group's welfare scheme (death, disability, incapacity and medical expenses) open to Nexans' employees and the defined pension benefit plan set up by the Group for certain employees and corporate officers.

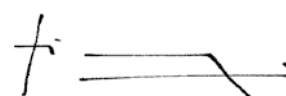
2.2. Corporate officer involved: Georges Chodron de Courcel, Nexans Board Member and Chief Operating Officer of BNP Paribas

• Global underwriting agreement for OCEANE bonds issued in 2009

As part of the June 23, 2009 issue of 4 million OCEANE bonds convertible into new shares and/or exchangeable for existing shares redeemable on January 1, 2016 (the OCEANE 2016 bonds), a global underwriting agreement authorized by the Board of Directors on June 12, 2009, was executed on June 15, 2009 with a bank syndicate (including BNP Paribas). Pursuant to this agreement, Nexans undertook to issue OCEANE bonds representing a maximum nominal value of 212,600,000 euros, and the bank syndicate undertook to place the bonds or subscribe the bonds itself on the basis of certain representations and warranties given by Nexans and in return for payment by Nexans.

The guarantors are BNP Paribas, ABN Amro Bank N.V., Calyon, UBS Limited and Société Générale. The fee paid for 2009 and shared among the guarantors was 3,189,000 euros.

February 9, 2010



Frédéric Vincent
Chairman and CEO

Statutory Auditors' special report on related-party agreements and commitments

To the Shareholders,

In our capacity as Statutory Auditors of Nexans, we hereby present our report on related-party agreements and commitments.

1. Agreements and commitments authorized in 2009

In accordance with article L.225-40 the French Commercial Code (Code de commerce), we have been advised of the agreements and commitments that were previously authorized by your Board of Directors.

Our responsibility does not include identifying any undisclosed agreements or commitments. We are required to report to shareholders, based on the information provided, on the main terms and conditions of the agreements and commitments that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of article R.225-31 of the French Commercial Code, it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

We carried out our work in accordance with the professional standards applicable in France. These standards require that we perform procedures to verify that the information given to us agrees with the underlying documents.

Agreement entered into with BNP Paribas, Georges Chodron de Courcel serving as a Nexans Board Member and Chief Operating Officer of BNP Paribas

- **Global underwriting agreement for OCEANE bonds issued in 2009**

Nature and purpose

On June 12, 2009, Nexans' Board of Directors approved a global underwriting agreement with a bank syndicate (of which BNP Paribas is a member) in connection with the issuance of bonds convertible into new shares and/or exchangeable for existing shares (OCEANE bonds).

Terms and conditions

Pursuant to this agreement executed on June 15, 2009, Nexans undertook to issue OCEANE bonds, and the bank syndicate undertook to place the bonds or subscribe the bonds itself on the basis of certain representations and warranties given by Nexans and in consideration for payment by Nexans. The guarantors are BNP Paribas, ABN AMRO Bank N.V., Calyon, UBS Limited and Société Générale. The fee paid for 2009 and shared among the guarantors was 3,189,000 euros.

2. Agreements and commitments authorized in 2009, already approved by the shareholders and remaining in force

We hereby remind you that the agreements and commitments described below, set out in our report of April 6, 2009, were approved by the Shareholders' Meeting of May 26, 2009.

Agreements entered into with Frédéric Vincent as future Chairman and Chief Executive Officer of Nexans

- **The Group's welfare scheme and defined benefit pension plan**

Nature and purpose

On April 3, 2009, the Board of Directors authorized Frédéric Vincent, as future Chairman and Chief Executive Officer of Nexans, to register with the Group's welfare scheme (death, disability, incapacity and medical expenses) open to Nexans' employees and the defined pension benefit plan set up by the Group for certain employees and corporate officers.

- **Termination benefit payable to Frédéric Vincent – Performance conditions**

Nature and purpose

On April 3, 2009, the Board of Directors recalled that Frédéric Vincent is eligible for a termination benefit in the event that he is removed from his position as Chief Operating Officer, which will be forfeited when he takes up the position of Chairman and Chief Executive Officer. The Board of Directors approved the allocation of a termination benefit to Frédéric Vincent in the event that he is removed from his position as Chairman and Chief Executive Officer, subject to the same performance conditions, set out below, as those previously approved by the Board of Directors in the event that he is removed from his position as Chief Operating Officer.

Terms and conditions

- The termination indemnity payable to the Chairman and Chief Executive Officer will be equal to one year of his total compensation, i.e., 12 times the amount of his monthly base salary plus the corresponding percentage of his bonus. The payment of this benefit will be subject to two performance conditions, as follows:

1) an average achievement rate for quantitative objectives relating to the Group's financial performance set by the Board of Directors at the beginning of each year as part of the performance criteria on which the variable portion of Frédéric Vincent's compensation is based, as recorded for a given year by the Board of Directors at the beginning of the following year and published by the Company; the average rate corresponds to the arithmetic mean of the performance rates recorded over the last three years preceding the year of departure.

2) the average rate of comparative stock market performance. Nexans stock market performances will be compared to those of the SBF 120 index (index composed of all component stocks of the CAC 40 index plus the 80 most highly-traded stocks of the premier marché and second marché quoted on Euronext Paris among the 200 largest French companies in terms of market capitalization) or any equivalent index substituted therefore. The average rate corresponds to the arithmetic mean of the stock market performance rates over three periods, i.e., each of the two calendar years preceding the year of departure and the current year between January 1 and the date of the removal decision. The comparative stock market performance rate for a given period will be equal to the ratio between (a) in the numerator, the average price of the Nexans share over the period divided by the average price of the Nexans share over the previous period and (b) in the denominator, the average value of the SBF 120 index over the period divided by the average price of the same index over the previous period.

For example, a 15% average increase of Nexans share price and a 15% average increase of the SBF 120 index would result in a share price performance of 100% for the period.

If for a given period, the rate thus calculated is lower than 70%, the stock market performance will be considered equal to zero for the period.

To determine the performance index, the rates as calculated in points (1) and (2) will be weighted at 65% and 35%, respectively.

- The total amount of termination indemnity paid shall be based on the level of performance achieved:

- If the performance index is higher than or equal to 100%, the termination benefit is paid in full.
- If the performance index ranges between 30% and 100%, the termination benefit is paid in the same percentage (for example, if the performance index is equal to 70%, the termination benefit paid is equal to 70% of its maximum amount).
- No termination benefit is payable if the performance index is below 30%.

The rates for calendar years 2007, 2008 and 2009 were as follows:

Rate of achievement of quantitative Group objectives used to calculate Frédéric Vincent's variable compensation	
Year	
2007	175
2008	118.21
2009	53.36

The termination indemnity will be payable only (i) in the event of a forced departure resulting from a change of strategy or control which is assumed in accordance with paragraph 3 of the Annex to the Board of Director's Internal Regulations and (ii) after the Board of Directors' official recording of the achievement of the above-mentioned performance conditions at the time of or subsequent to the termination of the term of office of Chairman and Chief Executive Officer or change in function, in accordance with Article L.225-42-1 of the French Commercial Code.

• Compensation for a non-compete undertaking payable to Frédéric Vincent

Nature and purpose

On April 3, 2009, the Board of Directors authorized the payment of compensation for a non-compete undertaking to Frédéric Vincent.

Terms and conditions

Frédéric Vincent undertakes not to engage in an activity competing with that of the Company for a period of two years following the expiration of his term of office as Chairman and Chief Executive Officer. As compensation for this undertaking, Frédéric Vincent will be paid an amount equal to one year of his fixed and variable compensation, i.e., 12 times his most recent monthly base salary plus the corresponding percentage of his bonus, paid in 24 equal and successive installments.

3. Prior agreements and commitments remaining in force in 2009

In accordance with the provisions of the French Commercial Code, we were advised that the following agreements and commitments approved in prior years remained in force in 2009.

Agreements entered into with BNP Paribas, Georges Chodron de Courcel serving as a Nexans Board Member and Chief Operating Officer of BNP Paribas.

- **Global underwriting agreement for OCEANE bonds issued in 2004**

Nature and purpose

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

Terms and conditions

Pursuant to the agreement executed on July 6, 2004, Nexans undertook to issue OCEANE bonds, and the bank syndicate undertook to place the bonds or subscribe the bonds itself on the basis of certain representations and warranties given by Nexans and in consideration for payment by Nexans. The guarantors are BNP Paribas, Goldman Sachs International, and Lazard-Ixis. The fee paid in respect of 2004 and shared among the guarantors was 2,227,000 euros. No fee was paid in respect of 2009.

- **Medium-term syndicated loan agreement of December 28, 2004**

Nature and purpose

On November 16, 2004 Nexans' Board of Directors approved a medium-term syndicated loan agreement for 450 million euros. This "€450,000,000 Multi-currency revolving facility agreement" was signed on December 28, 2004.

Terms and conditions

The fee paid for 2004 and shared among the lenders in proportion to their contributions was 780,400 euros. BNP also receives an annual agency fee of 12,500 euros before tax and an annual commitment fee shared among the lenders which amounted to 487,804 euros in 2009.

- **First amendment to the medium-term syndicated loan agreement**

Nature and purpose

On September 26, 2005, Nexans' Board of Directors approved an amendment to the medium-term syndicated loan agreement for 450 million euros executed on December 28, 2004. This amendment extended the term of the loan to five years from the date it was signed, with the option of a further extension to seven years, and decreased the spreads and commitment fees payable under the agreement.

Terms and conditions

The amendment was executed on October 17, 2005. The amendment fee paid in respect of 2005 and shared among the lenders in proportion to their contributions was 215,000 euros.

- **Second amendment to the medium-term syndicated loan agreement**

Nature and purpose

On May 15, 2006, Nexans' Board of Directors approved an amendment to the medium-term syndicated loan agreement for 450 million euros signed on December 28, 2004. The amendment, required following the Group's transition to IFRS, changed the method and basis used to calculate the covenants and commitment fees, and clarified Nexans' reporting obligations to the lenders. The amendment also modified the commission fee schedule.

Terms and conditions

The amendment was executed on June 30, 2006.

- **Third amendment to the medium-term syndicated loan agreement**

Nature and purpose

On September 27, 2006, Nexans' Board of Directors approved an amendment to the medium-term syndicated loan agreement for 450 million euros signed on December 28, 2004. The amendment increased the amount available under the credit facility by 130 million euros to a total of 580 million euros.

Terms and conditions

The amendment was executed on October 30, 2006. The amendment fee paid in respect of 2006 and shared among the lenders in proportion to their contributions was 405,000 euros.

- **Fourth amendment to the medium-term syndicated loan agreement**

Nature and purpose

On July 23, 2008, Nexans' Board of Directors approved a fourth amendment to the medium-term syndicated loan agreement executed on December 28, 2008. Its purpose is to include Nexans Services – Nexans' newly-created financing company – as a joint borrower for the purposes of the syndicated loan agreement.

Terms and conditions

The amendment was executed on August 20, 2008. The amendment fee paid in respect of 2008 and shared among the lenders in proportion to their contributions was 332,000 euros.

- **Global underwriting agreement for OCEANE bonds issued in 2006**

Nature and purpose

On June 26, 2006, Nexans' Board of Directors approved a global underwriting agreement with two financial institutions, including BNP Paribas, for the issuance of OCEANE bonds in 2006.

Terms and conditions

Pursuant to the agreement executed on June 29, 2006, Nexans undertook to issue OCEANE bonds representing a maximum nominal value of 280 million euros, and the bank syndicate undertook to place the bonds or subscribe the bonds itself on the basis of certain representations and warranties given by Nexans and in consideration for payment by Nexans. The guarantors are BNP Paribas and Société Générale Corporate & Investment Banking. The fee paid for 2006 and shared among the guarantors was 4,200,000 euros. No fee was paid in respect of 2009.

- **Global underwriting agreement**

Nature and purpose

On March 27, 2007, as part of the issuance of Nexans 5.75% bonds maturing in 2017, Nexans' Board of Directors approved a global underwriting agreement with a bank syndicate (comprising BNP Paribas as lead manager, participating jointly and for equal amounts with Société Générale and UBS Limited).

Terms and conditions

Pursuant to the agreement executed on April 25, 2007, Nexans undertook to issue bonds representing a maximum nominal value of 350 million euros, and the bank syndicate undertook to place the bonds or subscribe the bonds itself on the basis of certain representations and warranties given by Nexans and in consideration for payment by Nexans. The guarantors are BNP Paribas, Société Générale and UBS. The fee paid for 2007 was 2,450,000 euros. No fee was paid in respect of 2009.

Agreements entered into with Frédéric Vincent as Nexans' Chief Operating Officer until May 26, 2009 and Chairman and as Chief Executive Officer since that date

- **Amendment to the defined benefit pension plan**

Nature and purpose

On October 1, 2008 and November 25, 2008, the Board of Directors amended the top-up pension scheme set up by the Group for certain employees and corporate officers. This plan has been renamed the Group defined benefit pension plan.

Terms and conditions

The main amendments made on October 1, 2008 were as follows:

- The conditions relating to reversionary benefits were changed to enable annuities to be paid to the surviving spouse upon a beneficiary's death.
- The requirement for a minimum seniority period within the Group was removed.
- The payment of the supplementary pension will only now be suspended for a beneficiary who returns to a professional activity after retirement if that beneficiary was originally dismissed.
- A new provision was introduced enabling beneficiaries to opt to receive a lower annuity in return for a guarantee for the payment of at least ten annuities.

On November 25, 2008, the Board of Directors decided to amend the rules of the defined benefit pension plan in order to require new corporate officers to have at least five years' seniority to be eligible for benefits under the plan.

- **Amendment to Frédéric Vincent's employment contract (until May 26, 2009)**

Nature and purpose

On May 15, 2006, Nexans' Board of Directors approved an amendment to the employment contract between Nexans and Frédéric Vincent. The amendment was executed on the same day.

Terms and conditions

Frédéric Vincent's employment contract is suspended during his term of office, but will come back into force by operation of law if his corporate office is terminated for any reason whatsoever. In addition, if he is dismissed for reasons other than gross negligence or misconduct, he will be entitled to the severance payment provided for in the collective bargaining agreement plus an additional amount equal to 24 times his most recent monthly salary (including bonus) prior to the termination of his term of office. Frédéric Vincent's employment contract was terminated when he took up the position of Chairman and Chief Executive Officer.

- **Termination benefit payable to Frédéric Vincent and second amendment to his employment contract (until May 26, 2009)**

Nature and purpose

On February 22, 2008, the Board of Directors approved the allocation of a termination benefit to Frédéric Vincent in the event of his removal from his position as Chief Operating Officer, and authorized the execution of a second amendment to his employment contract.

Terms and conditions

The termination benefit will be equal to twenty-four times Frédéric Vincent's most recent gross monthly salary (defined as his most recent fixed monthly salary plus the corresponding percentage of his bonus) prior to the termination of his duties. It will be paid only if the Board of Directors notes that specific pre-defined conditions linked to the Group's financial and share performance have been met.

The second amendment to Frédéric Vincent's employment contract executed on March 1, 2008, states that the contractual severance pay to which he is entitled in the event of dismissal (for reasons other than gross negligence or misconduct committed during the performance of either his employment contract or his duties as corporate officer), will be subject to the same Group performance conditions as those applicable to the above-mentioned termination benefit. In addition, Frédéric Vincent will not be entitled to his contractual severance payment – which represents the same amount as his corporate officer's termination benefit – if he is paid said benefit. Frédéric Vincent's employment contract expired when he took up the position of Chairman and Chief Executive Officer.

Agreement entered into with Gérard Hauser, as Chairman and Chief Executive Officer of Nexans (until May 26, 2009)

- **Amendment to the defined benefit pension plan**

Nature and purpose

On October 1, 2008 and November 25, 2008, the Board of Directors amended the top-up pension scheme set up by the Group for certain employees and corporate officers. This plan has been renamed the Group defined benefit pension plan.

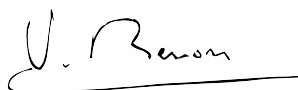
Terms and conditions

As a beneficiary of the pension plan set up by the Group, Gérard Hauser, like Frédéric Vincent, is affected by the above-mentioned amendments to the defined benefit pension plan made by the Board of Directors on October 1, 2008 and November 25, 2008.

The Statutory Auditors

Paris La Défense and Neuilly-sur-Seine, April 2, 2010

KPMG Audit
A Division of KPMG S.A.



Valérie Besson
Partner

PricewaterhouseCoopers Audit



Dominique Ménard
Partner

2010 Annual Shareholders' Meeting

The notice for Nexans' Annual Shareholders' Meeting to be held on May 25, 2010 – containing the agenda, draft resolutions and the Board of Directors' report on the resolutions – is available on Nexans' website at www.nexans.com.

At this meeting, shareholders will be invited to re-elect as **directors** Gérard Hauser and François Polge de Combret whose terms of office are due to expire. In addition, as one of the Company's directors passed away in 2009, shareholders will be asked to elect Véronique Guillot-Pelpel as a new member of the Board. As Nexans' bylaws provide that directors are elected for terms of four years, the terms of the directors elected and re-elected at the 2010 meeting would expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ending December 31, 2013.

The table below provides a summary of the conditions and limits applicable in the **resolutions** to be submitted for approval at the Annual Shareholders' Meeting to allow the Board of Directors **to issue shares and/or securities** carrying rights to shares, at its sole discretion and within the framework set by the Shareholders' Meeting.

Resolutions 10 to 20 ⁽¹⁾	Limit for each resolution ⁽²⁾	Sub-limits applicable to several resolutions	Limits applicable to several resolutions ⁽²⁾	Global limit
Issue of ordinary shares with pre-emptive subscription rights (R10) with a greenshoe option if oversubscribed (R14)	€14,000,000	-	€14,000,000	€24,800,000
Issue of shares and/or debt securities carrying rights to shares (convertible bonds, equity notes, bonds with stock warrants, OCEANE bonds etc.) without pre-emptive subscription rights, through a public offering (R11) or a private placement (R12) with a greenshoe option if oversubscribed (R14)	Actions = 4,000,000 € (< 15% of the Company's capital) Debt securities = €300,000,000	€4,000,000 (< 15% of the Company's capital)		
Issue of shares and/or securities carrying rights to shares in the event of a public exchange offer initiated by the Company either for its own shares or the shares of another company, without pre-emptive subscription rights (R13), with a greenshoe option if oversubscribed (R14)	€4,000,000 (< 15% of the Company's capital)			
Issue of shares and/or securities reserved to a category of beneficiaries in connection with an employee share plan (R18)	€100,000			
Issue of shares in payment for securities transferred to the Company (R15)	5% of the Company's capital	-		
Share issue to be paid up by capitalizing reserves, income or additional paid-in capital (R16)	€10,000,000	-		
Issue of shares and/or securities carrying rights to shares, to members of an employee savings plan (R17)	€400,000	-	-	
Stock options (R19)	€400,000	-	-	

(1) The abbreviation "R..." stands for the number of the resolution submitted for approval at the Annual Shareholders' Meeting of May 25, 2010.

(2) The maximum par value of the capital increases which could take place corresponds to the maximum number of shares that could be issued as the par value of one Company share is equal to 1 euro.



Statutory Auditors

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Statutory Auditors

KPMG

(member of the Compagnie Régionale des Commissaires aux Comptes de Paris).

3, Cours du Triangle, 92939 Paris-La Défense Cedex, France, represented by Valérie Besson

Appointed on May 26, 2009*

Term expires at the 2015 Annual Shareholders' Meeting

PricewaterhouseCoopers Audit

(member of the Compagnie Régionale des Commissaires aux Comptes de Versailles).

63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex, France, represented by Dominique Ménard

Appointed on May 15, 2006

Term expires at the 2012 Annual Shareholders' Meeting

*Until May 26, 2009, the Statutory Auditor was Salustro Reydel (appointed on June 5, 2003).

Substitute Auditors

Denis Marangé

1, Cours Valmy, 92923 Paris-La Défense Cedex

Appointed on May 26, 2009**

Term expires at the 2015 Annual Shareholders' Meeting

Étienne Boris

63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex

Appointed on May 15, 2006

Term expires at the 2012 Annual Shareholders' Meeting

**Until May 26, 2009, the Substitute Auditor was François Chevreux (appointed on June 5, 2003).

Fees paid by Nexans to the Statutory Auditors

	KPMG International				PricewaterhouseCoopers Audit			
	Amount (excl. taxes)		%		Amount (excl. taxes)		%	
in thousands of euros	2009	2008	2009	2008	2009	2008	2009	2008
Audit services								
Statutory and contractual audits								
Parent company	197	193	13%	12%	281	276	13%	10%
Fully-consolidated companies	1,148	1,152	75%	74%	1,697	1,590	77%	60%
Other audit-related services								
Parent company	40	0	3%	0%	80	717	4%	27%
Fully-consolidated companies	102	171	7%	11%	71	0	3%	0%
Sub-total	1,487	1,516	97%	98%	2,129	2,583	96%	97%
Other services								
Tax, legal and labor-related services	27	5	2%	0%	38	20	2%	1%
Other	19	28	1%	2%	48	52	2%	2%
Sub-total	46	33	3%	2%	86	72	4%	3%
Total	1,533	1,549	100%	100%	2,215	2,655	100%	100%

Statement by the person responsible for the Registration document

Statement by the person responsible for the Registration document // p.253

Statement by the person responsible for the Registration document containing an annual financial report

Paris, April 8, 2010

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further declare that to the best of my knowledge, (i) the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of operations of the Company and its subsidiaries, and (ii) the Management Report on pages 18 to 79 provides a fair review of the business, results of operations and financial position of the Company and its subsidiaries, as well as a description of the principal risks and uncertainties to which they are exposed.

I obtained an end-of-audit statement from the Statutory Auditors confirming that they have read the Registration document in its entirety and verified the information contained therein relating to the Group's financial position and accounts.

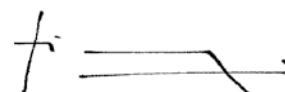
The Statutory Auditors' report presented on page 181 of the Registration document filed with the AMF on March 5, 2008 under number D.08-0090 relating to the parent company financial statements for 2007 contains the following observation: "Without qualifying the above opinion, we bring your attention to Note 2 "Summary of significant accounting policies: Share Acquisition Costs", which addresses the change in the tax option used by the Company when accounting for share acquisition costs."

The Statutory Auditors' report presented on pages 298 and 299 of the Registration document filed with the AMF on April 16, 2009 under number D.09-0255 relating to the parent company financial statements for 2008 contains the following observation: "Without qualifying our opinion, we draw your attention to Note 30 "Events after the balance sheet date" which reports that investigations were launched against Nexans in late January 2009 in relation to alleged cartel behavior."

The Statutory Auditors' report presented on pages 271 and 272 of the Registration document filed with the AMF on April 16, 2009 under number D.09-0255 relating to the consolidated financial statements for 2008 contains the following observation: "Without qualifying our opinion, we draw your attention to the section "Contingent liabilities relating to disputes and proceedings" of Note 31 "Contingent liabilities and disputes" to the consolidated financial statements which reports that investigations were launched against Nexans in late January 2009 in relation to alleged cartel behavior."

The Statutory Auditors' report presented on pages 227 and 228 of this Registration document relating to the parent company financial statements for 2009 contains the following observation: "Without qualifying our opinion, we draw your attention to the matter set out in Note 30 "Other information" to the financial statements, which reports that investigations were launched against the Company in late January 2009 in relation to alleged cartel behavior."

The Statutory Auditors' report presented on pages 202 and 203 of this Registration document relating to the consolidated financial statements for 2009 contains the following observation: "Without qualifying our opinion, we draw your attention to the section "Contingent liabilities relating to disputes and proceedings" of Note 31 "Disputes and contingent liabilities" to the consolidated financial statements which reports that investigations were launched against Nexans in late January 2009 in relation to alleged cartel behavior."



Frédéric Vincent,
Chairman and CEO

Concordance table

Concordance table for the Registration document // p.255

Concordance table for the annual financial report // p.257

Concordance table for the Registration document

Pursuant to Article 28 of European regulation no. 809/2004 of April 29, 2004, the following are incorporated by reference in this Registration document:

- The Group's consolidated financial statements, the Statutory Auditors' reports for the year ended December 31, 2008 and the information contained in the Management Report, presented on pages 163 et seq. and 89 et seq., respectively, of the 2008 Registration document filed with the AMF (the French financial markets authority) on April 16, 2009 under no. D.09-0255.
- The Group's consolidated financial statements, the Statutory Auditors' reports for the year ended December 31, 2007 and the information contained in the Management Report,

presented on pages 78 et seq. and 38 et seq., respectively, of the 2007 Registration document filed with the AMF (the French financial markets authority) on March 5, 2008 under no. D.08-0090.

The sections of the 2008 and 2007 Registration documents not included are either not applicable for investors or are covered by another section in this Registration document.

The pages in the table below refer to this Registration document filed with the AMF, unless stated otherwise.

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Notes







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Shareholders' calendar

April 22, 2010: First-quarter 2010 financial information

May 25, 2010: Annual Shareholders' Meeting

June 2, 2010: Payment of the dividend

July 28, 2010: 2010 half-year results

Individual shareholders' information meetings

May 31, 2010: Biarritz

December 2, 2010: Rennes

⁽¹⁾ These dates are subject to change.

For further information

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Nexans, the world's leading cable supplier, demonstrated the solidity of its business model and the resilience of its operations during 2009. We have enhanced our competitiveness and our financial structure. We have improved and enriched the services offered to our customers. We have successfully invested in innovation and strengthened our resources in emerging markets to benefit from regional growth over the long term. 2010 will be another year of challenges for all and we are confident in our capacity to take our business forward.

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