

Factors relating to risks, non-recurring events and disputes

RISKS RELATING TO NEXANS' BUSINESS

Risks relating to the seasonal nature of Nexans' business

Nexans' activities are subject to seasonal fluctuations. In consequence, income generated during the first six months of the year is generally lower than in the second half of the year. Historically this difference can be largely explained by the following factors:

- A large number of Nexans products are connected with the construction of outdoor infrastructures. Orders relating to these products therefore tend to be placed when climatic conditions are more favorable – in the second and third quarters of the year in particular.
- Customers generally place major orders for delivery during the fourth quarter, at the end of the annual budget period, for public projects in particular.
- Nexans' working capital requirement increases significantly during the first quarter of each year due to the increase in stocks necessary to carry out orders already booked or anticipated for the second and third quarters. This increase in working capital requirement during the first and second quarters generally leads to an increase in debt levels and thus in financial expenses. During the third and fourth quarters a decrease in Nexans' working capital requirement and debt levels is generally observed.

Risks relating to commercial operations

Nexans' activities expose it to claims for liability relating to products and to allegations that its products are responsible for damage caused to third parties or property. Nexans currently holds product liability insurance that it considers to be in line with current practice within its sector, but it cannot guarantee that this insurance is sufficient to cover liability actions that may be brought against it.

A significant proportion of Nexans' sales are derived from contracts for supplying and installing cables as part of turnkey infrastructure projects. These contracts relate primarily to the high-voltage products of the Energy division and the submarine

installations operations conducted from Norway. Individual contracts often have a high value and include penalty and liability clauses in the eventuality Nexans is not able to fulfil its commitments in terms of time schedule and quality. The potential application of these clauses, due to the amount of penalties which may be incurred or claims for damages, or through the effect of delays on the financial structure of the projects involved, may have a significant negative impact on Nexans' financial situation and income.

It should also be noted that some clients (EDF in France, for example, or Sonepar for general market products) represent a significant proportion of the Group's sales. However, no individual client represents more than 2 % of the Group's sales overall.

Nexans issues guarantees relating to the performance of its products, which may cover long periods. Furthermore, the guarantees issued to Nexans under supply contracts for the materials or components used by Nexans in the products or services it offers its clients do not always match those granted by Nexans to its clients.

Risks relating to interest-rate and exchange-rate fluctuations

Management of interest-rate risk

Nexans pursues a policy of active management of the interest-rate risk to which it is exposed. Debts falling due within one year account for more than 96% of the Group's total debt and most of this debt is set at variable interest rates based on the key monetary indices (EONIA, EURIBOR, LIBOR). As of December 31, 2011 Nexans was not using any interest-rate hedging instruments.

Exchange rate risk

Nexans hedges the exchange rate risk relating to its anticipated contractual business and to some items in its budgets. The resulting exchange rate operations can lead to open positions. Where this is the case these positions are limited in terms of the amounts and periods involved. At the end of the financial year, Nexans had no significant unhedged exchange rate positions.

Risks relating to price fluctuations and the non-availability of raw materials

Copper, aluminum and plastics are the main raw materials used by Nexans. Fluctuations in the prices and availability of these products therefore have a direct impact on the Group's business. The non-availability of raw materials at commercially sustainable prices can therefore have a negative impact on Nexans' operations and income. The three major suppliers of non-ferrous metals are Codelco, Noranda and HMGS, which together account for around 41% of the metal purchased by Nexans. To date, Nexans has always been able to obtain sufficient supplies at commercially sustainable prices.

Although prices of copper and aluminum are especially volatile, Nexans considers that its gross operating margin is not significantly exposed to these prices, due to the dual effect of passing on variations in non-ferrous metals prices to customers and hedging measures on the LME. Nexans' margins are exposed to variations in the price of copper in some product lines – such as copper cables in the cable systems business and to a lesser extent the products in the general market sector of the Energy Division. Overall Nexans considers that the risk relating to metal prices has no significant influence on its margins. However, the Group cannot be sure that this will not be the case in the future.

By contrast, fluctuations in the prices of copper and aluminum have a significant impact in terms of financing requirements, as an increase in the price of copper leads to an increase in working capital requirements. Prices have undergone substantial variations over the past five years. These changes have had a significant impact on the Group's net debt level and financial expenses.

Finally, despite its stringent selectivity as regards the partners it works with on the LME, Nexans may be exposed to counterparty risk in the context of hedging contracts concluded on the LME.

Analysis of sensitivity for the year 2002

Impact of an increase of 50 bp in interest rates on the Group's financial expenses for the year.

Hypothetical interest rates: (3 month variable)

EUR: 4.25%

USD: 3.5%

Hypothetical average debt:

USD: 100 million

EUR: 150 million

Impact of a delta of 50 bp on the Group's financial expenses:

USD: 500,000

EUR: 650,000

Impact of an increase of USD 100 in the price of copper on the Group's financial expenses for the year:

Hypotheses:

Average stock of copper on the Group's balance sheet: 130,000 metric tons

Average price of copper USD: 1,592 per metric ton

Cost of financing in USD: 3.5% pa

Impact on financial expenses: USD 455,000

Risks relating to environmental regulations

Nexans is subject to many environmental regulations, at the local, national and international level (relating in particular to the storage, transport, disposal and emission of dangerous materials and waste).

Taking risks is the key to the success of our business. However, this process must be carefully monitored and based on sound strategies, and so Nexans is committed to a strategy of dynamic risk management designed to protect its staff, its property and the environment while ensuring that the company survives and prospers.

The major environmental risk for Nexans is atmospheric and aquatic pollution resulting from the combustion of chemical products involved in the manufacture of cables and components – products such as PVC, resins, etc. – in the case of a fire in one of its plants.

In order to avoid the risk of fire, Nexans applies the internationally recognized HPR (Highly Protected Risk) method. This method is based on a program of annual systematic audits at the Group's major plants. In 2001, for example, 87 plants were visited by a specialist consultant and 57% of these sites achieved HPR classification.

In addition, in order to prevent environment-related risks, the HPE (Highly Protected Environment) method, based on the HPR method, and in line with the ISO 14001 standard for environment

management systems, is applied in 75% of the Group's manufacturing plants.

The Group continues to pursue its strategy of auditing and inspecting its various sites in order to detect potential non-conformities and to prevent future risks more effectively. Environmental assessments of its sites are carried out on a systematic basis, particularly in the case of disposals or acquisitions, when the assistance of external consultants is regularly called in.

In 2001, a detailed environmental assessment was carried out in the context of Nexans' public offering.

Furthermore, in 2002 Nexans obtained third-party liability insurance to cover certain environmental risks. However, this insurance does not cover the costs of reinstatement or cleanup measures which may be required by the relevant authorities.

Nexans does not generally make provision for cleanup expenses in its accounts but books them as expenses as and when they are incurred.

As a result, although Nexans considers that it conducts its business in such a way as to reduce risks relating to the environment, and that it has put in place appropriate systems to identify and manage the risk of claims against any liability it may incur, it cannot guarantee that all sources of risk relating to the environment have been identified and covered. This is all the more pertinent given the current trend toward stricter environmental legislation and regulations. It cannot therefore be guaranteed that Nexans will not incur losses relating to the environment or that these losses will not have a negative impact on its operating results or its financial situation.

Insurance against risks

Nexans is currently insured for all its national and international operations through Group insurance programs negotiated and managed by the Alcatel Group up until the end of the period terminating December 31, 2002. Nexans has the option to extend these programs for an additional year. The economies of scale generated in this way give Nexans the benefit of extended cover at a competitive price. The main areas covered by Nexans' insurance, which is placed with the global leaders in the insurance market and is reinsured by the leading reinsurers, are fire-loss of business, general third-party and product liability, transport, vehicle fleet insurance, contractor's all risks

insurance for land, sea and submarine works, credit and political risks, group insurance, and industrial accidents in North America. Nexans regards this insurance as being in line with the standard practices in its sector.

The Nexans Group calls on the expertise of global insurance brokerage networks to help it manage the risks to which it is exposed in all countries where it is present. In addition, its principal industrial sites are visited annually by an independent specialist organization which makes recommendations relating to prevention and safety.

Disputes

Nexans is involved in various claims, mainly concerning contractual matters, arising from the normal conduct of its business. It is also subject to product liability claims in the course of the normal conduct of its business. In view of its provisions policy, its insurance coverage, the evaluation of the probability of being convicted, and the sums in question, Nexans does not consider that the present or future risks associated with these disputes will have any significant impact on its financial situation.

In Norway, the Norwegian Competition Authority submitted a file to the criminal jurisdiction investigators during the first half of 2001 that apparently involves several companies, including Nexans Distribusjon, a subsidiary of Nexans Norway, in relation to alleged illegal price fixing. The Competition Authority stated its desire to see heavy fines inflicted on the companies involved. If the criminal jurisdiction takes this case to court, Nexans intends to contest strongly any allegations that might be made against it. At this stage of the investigation, and considering the lack of precise information on the accusations made against Nexans Distribusjon and that formal charges have still not been brought, no provisions have been made.

MAIN INVESTMENTS

The Group's net capital expenditure for fiscal 2001 totaled 195 million euros, 52 million euros more than the total amount of depreciation/ amortization for the same period.

These investments were primarily focused on the Energy Division (95 million euros – capacity expansion and modernization), the Electrical wires Division (42 million euros – for refocusing individual plants on specific processes) and the Telecom Division (38 million euros – increasing capacity for public networks and developing new products).

After two years of high capital expenditure, the Group's goal is for capital expenditure in the next two financial years to be lower than the total amount of depreciation/amortization.

RELATIONS WITH ALCATEL

Prior to Nexans being listed on the stock exchange in June 2001, Nexans and its subsidiaries formed part of the Alcatel Group.

In preparation for the stock market listing, various agreements were entered into by Alcatel and Nexans to cover a transitional period until the Nexans group became fully independent. Of the agreements which were previously described in the Offering Circular, the following remain in force:

- Alcatel still supplies Nexans with optical fiber pursuant to a frame agreement. Nexans no longer has any firm purchase commitments under this agreement but simply places orders to purchase optical fiber for the quantities it requires and at prices which are aligned on market prices.
- In Brazil, Nexans is the owner of certain industrial equipment dedicated to copper public network cables, and has delegated the manufacture and marketing thereof to Alcatel Brazil, under the supervision however of Nexans. The agreement came into force on December 1st, 2000 for an initial 2 year period, and is automatically renewable every year until 2005, save if Nexans decides to terminate the agreement and transfer its business to another site. Alcatel receives remuneration equivalent to 3% of the total manufacturing cost base.
- In Switzerland, pursuant to an agreement entered into for a 2 year period from December 1st, 2000 Nexans undertook to make available exclusively to Alcatel its whole fiber capacity and not to manufacture on its own behalf without the consent of Alcatel. This agreement can be renewed at the option of Alcatel who can also request the halt of fiber production.
- In Germany, Nexans rents to Alcatel its equipment used in the armoring of overhead OPGW cables

Nexans considers that the business covered by these industrial and commercial agreements is not significant compared to the income from operations of Nexans.

- Intellectual property rights: following the creation of the Nexans group, Alcatel granted Nexans a non-exclusive and royalty free license with a right to sub-license pursuant to an agreement dated December 1st, 2000 to use Alcatel patents related to the business activity of Alcatel but which are also

necessary for the operation of the business of Nexans. Alcatel also granted to Nexans, pursuant to the same agreement, a non-exclusive and royalty free license, with no right to grant sub-licenses, to use Alcatel patents relating to single mode optical fiber cables exclusively for products and manufacturing processes already used by Nexans prior to January 1st, 2001. Use is also limited to certain designated sites falling within the scope of the Nexans business but also related to the business of Alcatel (including, inter alia, the single mode optical fiber cable activities). Nexans has granted similar rights to Alcatel under Nexans patents. Neither party gives any warranties on the validity or the scope of the rights it grants, nor is either party required to defend its patents in the event of any third party infringement. This agreement remains in force for the life of the rights covered by this agreement.

- In the process of the creation of the Nexans group, Nexans and certain of its subsidiaries in Germany, Spain and Canada, spun off and sold to Alcatel certain of their business and assets relating to the business of Alcatel. On the other hand, in France and the United States, Alcatel and certain of its subsidiaries spun off certain of their business and assets relating to the business of Nexans and sold them to Nexans. Alcatel and Nexans agreed to indemnify each other for a minimum period of 3 years against any liabilities arising in any subsidiary of the other party in relation to an activity which is no longer part of its business.

In addition, Nexans and Alcatel entered into an agreement which provides for the sale to Nexans of a 10% shareholding held by Alcatel in the Japanese company, ODD, which was not transferred to Nexans prior to its listing on the stock market.

- An agreement also exists relating to the participation of Nexans in the insurance programmes of Alcatel, as referred to above (in the section on "Insurance against risks").

The undertaking to retain securities given by Alcatel and Nexans (in relation to the issuance of securities) to the banks involved in the listing of Nexans on the stock market has now expired. On July 17, 2001 Alcatel certified that it owned 5.000.484 shares in Nexans. To the best knowledge of the company, no sale has taken place since this date. The shareholding of 22% owned by Alcatel in the share capital of Nexans does not give Alcatel any control over Nexans, in the absence of any specific agreement and in view of the limitation on voting rights at shareholders' meetings contained in the bylaws of Nexans.