Extract from the management statement presented by the Board of Directors to the Annual Shareholders' Meeting

The purpose of this report is to present the income and activity of the Nexans Group and its parent company during the financial year ended December 31, 2001. It is based on the parent company financial statements and consolidated financial statements for the year ended December 31, 2001.

1 OPERATIONS DURING 2001

1.1 NEXANS (GROUP PARENT COMPANY)

The main event of the year was Alcatel's stock market flotation of 80% of the company's share capital *via* an IPO which took place on June 13, 2001. Nexans is listed on the *Premier Marché* of the Paris Stock Exchange and is part of Euronext's SBF 120 index.

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

Nexans has signed a contract with all Group companies covering the sharing of research and development expenses. Pursuant to this contract, Nexans, on behalf of the Group, collects royalty payments from Group companies and redistributes these payments among Group subsidiaries through the implementation of R&D programs of collective importance for the Group.

Furthermore, at its meeting on September 27, 2001 the Board of Directors of Nexans authorized a share buyback program representing a maximum of 10% of the share capital in order to optimize the management of shareholders' equity for the benefit of shareholders.

This program was implemented during the fourth quarter of the year and resulted in the buyback of 1,990,031 shares, representing 7.96% of the issued share capital, for a value of approximately 33 million euros.

1.2 INCOME AND ACTIVITY OF NEXANS, ITS SUBSIDIARIES AND CONTROLLED COMPANIES

1.2.1 Income of Nexans

Income from operations for the year ended December 31, 2001 amounted to 6,755,718 euros and was derived mainly from services invoiced to Group subsidiaries.

Net income for the year was 60,104,873 euros, as compared to 27,769,690 euros in the previous year, and was made up mainly of financial income of 64,807,296 euros, derived mainly from dividends paid by Nexans France and Nexans Participations.

Corporate income tax for the fiscal year totaled 293,475 euros. Shareholders' equity totaled 1,136,912,171 euros, as compared to 1,096,807,317 euros in the previous year.

1.2.2 Income of Nexans, its subsidiaries and controlled companies

Energy

Energy Division sales advanced steadily throughout the year, reaching 2.189 billion euros (an increase of 6.2% compared with 2000, and of 3.7% on a comparable basis).

In the field of land-based infrastructures, Nexans reaped the benefits of buoyant demand in both Europe and North America, markets which saw growth in investments for modernizing, improving and extending low- and medium-voltage networks. Business in the submarine cable sector was significantly impacted by the completion of the Scotland-Ireland link and strong growth in the market for umbilical cables.

In low-voltage cables for the building sector, business held up well overall in volume terms, although the trends varied widely in different markets–market conditions were difficult in France and Germany, while demand was strong in Scandinavia and Canada.

Falling demand in Germany, due to the economic recession, meant that the Industrial Applications Division was unable to achieve its sales growth targets despite a number of major export deals in oil- and shipbuilding-related sectors. By contrast, the health of the top-of-the-range automotive sector in Germany boosted sales of cable harnesses.

Income from operations amounted to 80 million euros at December 31, 2001, an increase of 25% compared with 2000. This performance reflects both the growth of the market and the restructuring measures undertaken in recent years–particularly in the high-voltage sector, which is operating at a profit once again.

Telecom

Sales in the Telecom Division fell by 4.7% to 835 million euros (a decline of 7.5% in like-for-like terms compared with 2000).

Performance in this sector in 2001 fluctuated significantly, showing strongly divergent trends in the two halves of the year: sales increased by 8% during the first six months–only to fall back by 16% in the second half of the year. Sales were impacted in particular by a sharp decline in orders in the fourth quarter in public networks and special cables for telecom equipment manufacturers.

In public network cables, during the first part of the year, Nexans enjoyed a very high level of demand for copper cables and optical fiber cables–to the extent that production capacity was fully utilized. The first signs of the decline became apparent during the summer, when orders from telephone operators in Brazil came to a standstill, followed in September by a rescheduling of some investments in public networks by European operators, leading to a dramatic downturn in orders and in production, mainly affecting the copper cable plants. In response to this situation, the Division took very rapid measures to reduce production capacity (departure of temporary staff, early leave, temporary layoffs, voluntary resignations) halting production in certain sites.

In private network cables in the United States, the slowdown in the final quarter of 2000–caused by falling inventories and the weakness of the building sector–gathered pace throughout 2001, causing sales levels to fall by around 30%. In Europe, the market remained weak with a further slowdown at the end of the year reflecting the decline in corporate IT investments. Very significant restructuring measures were rapidly implemented in the United States, and are currently under way in Europe.

In cables for industry, business was very buoyant in the aeronautics sector, although it dipped slightly from October 2001 onward. Sales remained steady in the oil, gas, seismic exploration and ADSL deployment sectors.

Income from operations totalled 30 million euros, a decline of 35% compared with operating income as at December 31, 2000. This trend reflects the weak performance of the private networks (LAN) business in the United States, and later–from the summer onward–in Europe. This was only partially offset by improved profitability in network cables, and in optical fiber cables in particular.

Electrical Wires

Sales in the Electrical Wires Division remained stable in 2001, at 1.102 billion euros. However, this stability conceals a decrease in business as the sales figure needs to be adjusted to reflect the decline in towing services.

The Division suffered the impact of the unprecedented decline in its markets in the winding wires sector, with decreases of 8% in Europe, 15% in the United States and 25% in North Asia.

Sales remained stable in the wirerod sector. The Group prioritized internal sales in order to ensure optimum capacity usage.

The electrical wires segment suffered a significant decrease in volumes (–10%), in large part due to the decline in orders from telecom equipment manufacturers.

Income from operations dropped by 65% to 15 million euros. This decrease mainly reflects the decline in volumes in the winding wires business and falling prices–especially in the United States.

Distribution

Sales in the Distribution Division reached 340 million euros (an increase of 4% over 2000) with income from operations of 17 million euros (42% higher than in 2000). This excellent performance is due on the one hand to steady business levels in Switzerland, and on the other hand to the rapid turnaround of the subsidiary in Norway, bringing about a substantial reduction in organizational costs.

2 PROGRESS MADE AND DIFFICULTIES ENCOUNTERED

Progress was made by the launch by the Group of "Program +", a program designed to improve industrial performance and reduce manufacturing costs.

This program, which is sponsored by the management, is to be deployed in all sites.

After a test period at the end of 2000, it was deployed in 14 sites and resulted in a significant reduction in manufacturing waste. Its impact was more restricted than had been anticipated due to the sharp decline in capacity usage in some units. However, its roll-out will be continued in 2002 because it has demonstrated its effectiveness in improving manufacturing processes and its ability to generate significant savings for the Group.

As part of the improvement in industrial processes outlined above and the drive to reduce Nexans' debt burden, a major initiative was launched targeting more efficient stock management and a significant reduction in the levels of stock carried. The substantial reduction achieved at the end of 2001, primarily in response to the deterioration in the economic environment, demonstrated the Group's ability to react fast as well as its employees' commitment to the initiative.

Following its successful implementation in Belgium and Norway, the SAP cable solution was introduced in the United States at the New Holland and Fuquay-Varina sites and work has begun at Nexans France (where it will come onstream in 2002). This standardized management system for all Nexans plants will ensure the fully integrated management of all operations.

Nexans continued to develop its e.service capability during 2001. Efforts were focused on developing a shared IT platform and on rolling out this system in Switzerland and Sweden. The system allows the Group to present its product catalogue, provide quotations and monitor orders online. It is currently being extended to cover six more European countries and Canada.

The current challenges facing Nexans are those relating to the rapid deterioration in its markets during the second half of the year. In many of the Group's fields of activity, this situation led to a significant decline in capacity usage. This resulted in falling productivity and prompted measures to reduce production capacity.

3 RESEARCH AND DEVELOPMENT

Nexans pursues an active research and development strategy targeted at developing new products and improving the quality and control of manufacturing processes with the goal of maintaining and expanding the Group's position in the marketplace. In 2001, the Group allocated 49.7 million euros –just over 1% of net sales–to its research and development programs, as compared with 38.5 million euros (less than 1% of net sales) in 2000. Nexans' R&D teams–some 450 people in all–are dedicated to long-term fundamental research, to the creation and approval of new products and systems as well as to reducing costs for existing products. In all, these teams have filed some 48 patents across the Group's various fields of activity.

Key events in 2001 include the creation of the Nexans Research Center (NRC) in Lyons, which went into operation early in 2002. This facility brings together more than thirty international researchers and postgraduates and is primarily dedicated to specialist research into polymer materials and their applications across the full range of Nexans products and processes: in energy and telecom cables and winding wires. More specifically, the NRC will also be devoting a major effort to research in plastic optical fibers (POF).

4 OUTLOOK

In the Energy Division, business looks set to remain stable in 2002, with some improvement expected in the second half of the year, driven mainly by investments in energy transport networks. Within this context, the turnaround of Nexans' business in Italy should help to maintain or possibly improve the Group's profitability in this field.

In the Telecom sector, market conditions will continue to be extremely difficult, at least during the first half of the year, and especially in public network cables. However, sales should be sustained partially by the ongoing deployment of ADSL in Europe, with continuing growth in demand for bandwidth, and by the development of business relating to oil exploration. Overall, this division is likely to have negative income from operations during the first half of 2002.

Moreover, even if there is no recovery in cables for private networks, in 2002 Nexans will benefit from the restructuring measures undertaken in the United States, which have brought about a significant reduction in the breakeven point for this business.

In the Electrical wires sector, demand for wirerods should not see any slowdown. The markets for electrical wires and winding wires may see an improvement in the second half of the year.

Based on these premises, sales should remain more or less stable. In the absence of an improvement in the economic environment, income from operations will probably be lower than in 2001, and as a result, net income may well be negative after restructuring provisions are taken into account.

In terms of its overall strategy, Nexans continues to pursue its ambition of being a global player in the cables industry with a balanced portfolio of products and geographic spread of business, with its business in the United States representing a source of long-term growth. In order to achieve this goal, Nexans will continue to prioritize growth in the infrastructure markets and in specialty products.

However, current market conditions have led Nexans to delay to 2004 its objective of achieving an operating margin of 5% of sales with a return on capital employed of 16% to 20%.

5 SIGNIFICANT EVENTS OCCURRING SINCE THE END OF THE FINANCIAL YEAR

The economic environment continues to be difficult in 2002, and the turnaround of our loss-making businesses requires us to pursue our restructuring initiatives on a global scale: further restructuring plans are being drawn up in a number of countries. These plans will probably affect around 1,000 employees and will represent a total expense of around 120 million euros for 2002 and 2003 combined–comprising 80 million euros in disbursements and 40 million euros in depreciation of plant and equipment.

6 SIGNIFICANT ACQUISITIONS DURING THE FINANCIAL YEAR

During 2001, Nexans took control of the South Korean company, Daesung, which has since changed its name into Nexans Korea. Nexans holds 51% of the share capital of this company, which is listed on the South Korean Stock Exchange and has annual sales in excess of 100 million euros.

As at December 31, 2001, Nexans held 99.99% of Nexans Participations and 99.99% of Nexans France.

7 PROPOSED APPROPRIATION OF INCOME

The Annual General Meeting will be invited to approve the appropriation of net income for the year, totaling 60,104,873 euros, as follows:

– Prior year's retained earnings	6,379,502	euros
– Net income for the year	60,104,873	euros
– Appropriation to legal reserve	(912,601)	euros
Total distributable profit	**65,571,774**	**euros**

Appropriation of income

– Distribution of dividends (at 0.43 euro per share)	9,942,232.96	euros
– Retained earnings after appropriation	55,629,541.04	euros
Total	**65,571,774.00**	**euros**

A tax credit of 0.215 euro per share is attached to the dividend of 0.43 euro per share, for those shareholders eligible to receive it, bringing the total dividend per share to 0.645 euro. The net dividend of 0.43 euro will be paid on July 4, 2002.

The dividends and the corresponding tax credit paid out over the last three financial years, were as follows:

(in euros)	Net dividend	Tax credit	Gross dividend
1998	0.0	0.0	0.0
1999	0.0	0.0	0.0
2000	0.8	0.4	1.2

No dividends were paid out in 1996 and 1997.

Non tax-deductible expenses

Appended to the present report, in accordance with the provisions of article 148 of the decree of March 23, 1967, is a table presenting the company's income for the five previous financial years.

In accordance with article 223 of the French Tax Code, no non-tax deductible expenses, as governed by article 39 of the French Tax Code, were incurred during fiscal year 2001.

8 BOARD OF DIRECTORS

In 2001, the gross remuneration paid to the Chairman, before tax and including benefits, was 819,277.98 euros, plus 55,000 stock options. The members of the Board of Directors were granted Directors' fees in respect of their duties on the Board of Directors, the Accounts Committee and the Remuneration Committee. Directors' fees paid in 2001 were as follows: Georges Chodron de Courcel, Patrick Puy, Ervin Rosenberg and Jean-Louis Vinciguerra received 23,000 euros; Gérard Hauser and Bertrand Durrande received 20,000 euros; Gianpaolo Caccini and Robert Mahler received 18,000 euros; Jacques Garaïalde received 14,000 euros.

These Directors' fees were paid to the members of the Board of Directors on January 29, 2002.

9 INFORMATION ON SHARE OWNERSHIP AND TREASURY STOCK

To the company's knowledge, the shareholders holding more than 5% of the company's share capital at December 31, 2001 were as follows:

Shareholders	% of share capital at December 31, 2001
Alcatel	20.00
K Capital Partners	5.07
Voltaire Fund	5.02
Treasury stock	7.96

For information purposes, following the increase in share capital reserved for employees, employee share ownership now stands at 0.5% of the share capital.

Each share carries a single voting right, with a ceiling of 8% of the votes cast at any General Meeting of Shareholders.

10 SHARE BUYBACK PROGRAM

In accordance with the authorization granted by the Annual Ordinary and Extraordinary Meeting of Shareholders on April 2, 2001, and transaction note No. 01-773 issued by the *Commission des Opérations de Bourse* (the French stock market regulatory authority), Nexans launched a share buyback program pursuant to article L. 225-209 of the *Code de Commerce*, based on the decision of the Board of Directors dated September 27, 2001.

Pursuant to this program, Nexans purchased a total of 1,990,031 shares at an average price of 16.92 euros per share, for a total value of 33.7 million euros.

At December 31, 2001, the company held 1,990,031 of its own shares, representing 7.96% of the issued share capital.

On February 12, 2002, the Board of Directors decided to cancel all of the shares purchased under the buyback program, reducing the share capital to 23,009,969 euros divided into 23,009,969 shares with a par value of 1 euro each.

11 REPORT ON THE USE MADE OF AUTHORIZATIONS TO INCREASE THE SHARE CAPITAL

Pursuant to the authorization granted by the General Annual Shareholders' Meeting on April 2, 2001, on November 16, 2001 the Board of Directors decided to increase the share capital by issuing new shares reserved to employees of Group companies belonging to a *Plan d'épargne entreprise* (Group savings plan). A total of 111,503 shares were subscribed for during the subscription period (March 14–28, 2002). The share capital was increased accordingly on April 17, 2002, thus increasing the issued share capital to 23,121,472 euros divided into 23,121,472 shares, with a par value of 1 euro each.

Pursuant to a further authorization also granted by the General Annual Shareholders' Meeting on April 2, 2001, the Board decided to adopt a stock option plan for the grant of options giving holders the right to subscribe to new shares in the company, issued by way of an increase in the company's share capital. The aim of this plan is to give managers and employees who play a key role–directly or indirectly–in the company's performance, a stake in improving the Group's profitability.

At December 31, 2001, 531,500 options to subscribe for Nexans shares had been granted under this plan. Each option gives the right to subscribe to one Nexans share.

The Board of Directors