

# Mexans

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2005 Half Year Results

July 21, 2005

**Gérard Hauser**

This presentation contains forward-looking statements relating to the Group's expectations for future financial performance, including sales and profitability, as well as an estimation of the impact that the IAS / IFRS accounting standards will have on its results.

## Forward looking statements

The forward looking statements contained in this presentation are dependent on known and unknown risks, expectations and assumptions, uncertainties and other factors which may cause the Group's actual results, performance and objectives to be materially different from those indicated by the forward looking statements.

These forward looking statements depend amongst others on the following assumptions and risks : (1) an increase in demand as a result of a marked improvement in the world economy; (2) recovery of the building and winding wire markets; (3) the possibility to pass on to final customers increases in the costs of raw materials, energy and transport; (4) telecom operators returning to normal levels of infrastructure spending, particularly in the Group's export countries; (5) the management of risks associated with sales in turnkey projects; (6) the effect of metal price and currency fluctuations being neutral; (7) the Company being able to reduce its cost base through realization of restructuring actions in the anticipated time frame; (8) the Company being able to achieve productivity improvements; and (9) the Company successfully integrating acquisitions.

## Impact of new accounting standards

The financial information for the year 2004 and first semester 2005 on the expected financial impact of the transition to IFRS was prepared by applying the IFRS standards and interpretations that the Nexans Group considers it will have to apply when preparing the comparative consolidated financial statements as of 31 December 2005. The basis for preparing the financial information set out in the following presentation is thus:

- IFRS standards and interpretations that are of mandatory application as of 31 December 2005 as they are known at this date;
- Those options and exemptions which the Group has applied and which in all likelihood it will use in the preparation of its first IFRS consolidated financial statements in 2005.

Given these facts, it is possible that the audited opening balance sheet may not be the opening balance sheet as of 1 January 2004 on the basis of which the consolidated financial statements for the 2005 financial year will actually be prepared and that the IFRS incomes for the year 2004, and for the first semesters 2004 and 2005, as well as the balance sheet as of 31 December 2004 and as of 30 June 2005 presented below will be changed in the course of the second half of the 2005 financial year.

Investor Relations:

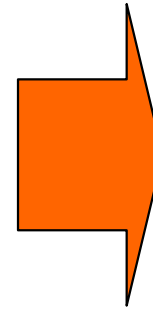
Michel Gédéon

Tel: 33 1 56 69 85 31

E-mail: [michel.gedeon@nexans.com](mailto:michel.gedeon@nexans.com)

Fax: 33 1 56 69 86 35

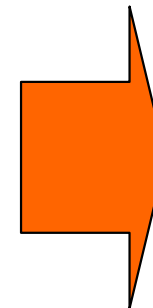
**Sales (IFRS 5) = 2,016 M€**  
**+ 3 % current consolidation scope**  
**+ 1.3 % organic**



**Growth concentrated in cable business (+ 4.2 %) with high margins**

**Electrical wires down (- 10%)**

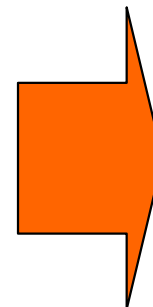
**Op. Margin = 72 M€**  
**+ 36 %**



**Return on sales = 3.6 % versus 2.7 % at HY1 04**

**Operating leverage boosted**

**BUSINESS MIX REORGANIZATION**



**Divestiture of Winding Wires in Europe : final signature imminent**

**Distribution Norway: Sale agreement signed on July 19**

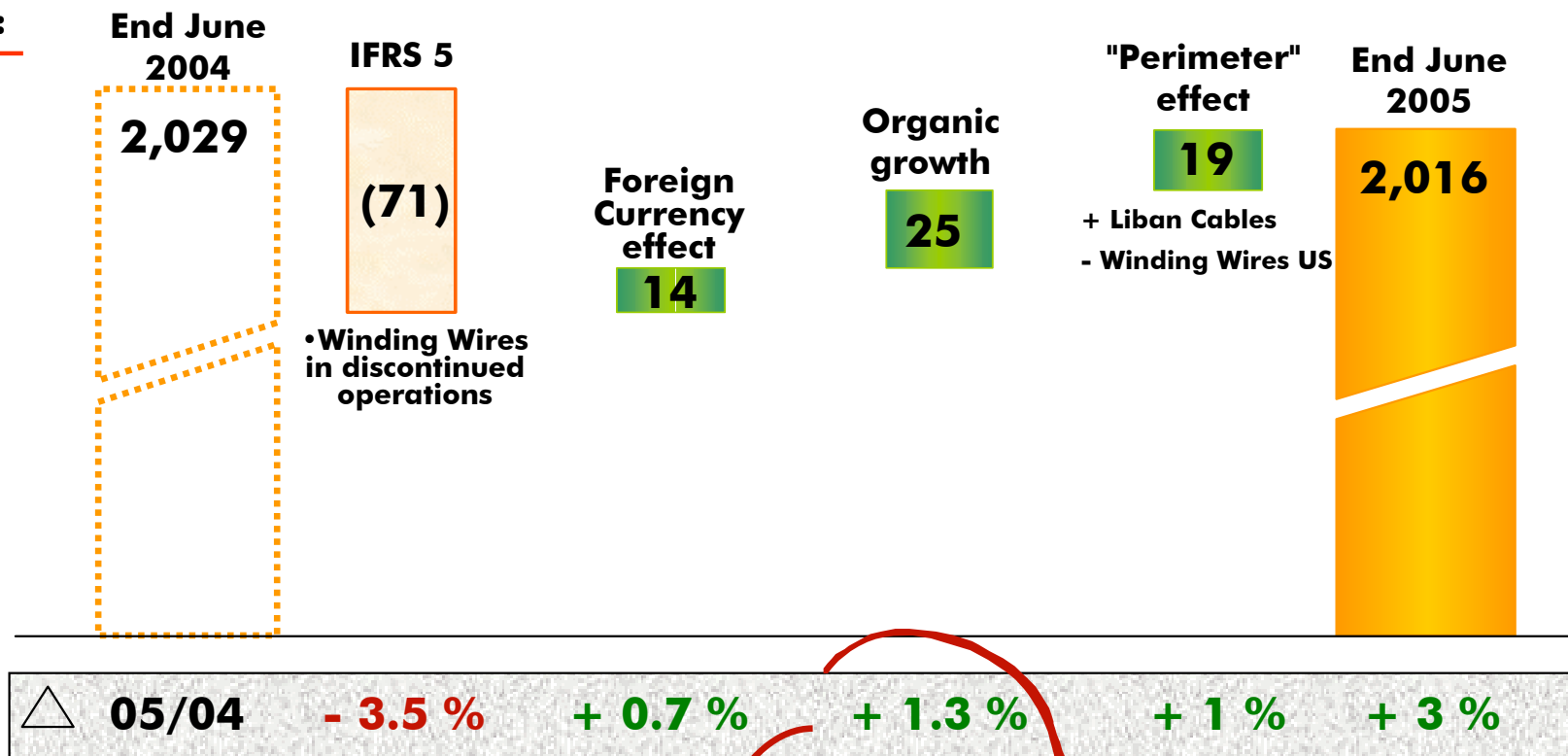
**New investments planned (Russia, Asia)**

(in Million €)	HY1 04	HY1 05
Sales at current metal prices	2,307	2,465
Sales at constant metal prices	1,959	2,016
Sales at constant metal prices and exchange rates	1,973	2,016
EBITDA	99	121
EBITDA margin	5 %	6 %
<b>Operating margin</b>	<b>53</b>	<b>72</b>
Operating margin rate	2.7 %	3.6 %
<b>Net income (group share)</b>	<b>35</b>	<b>16</b>
<b>Operating Cash Flow (*)</b>	<b>61</b>	<b>72</b>

(\*) Cash flow provided by operations not including restructuring expenses

(in Million €)

### Sales at constant metal prices :



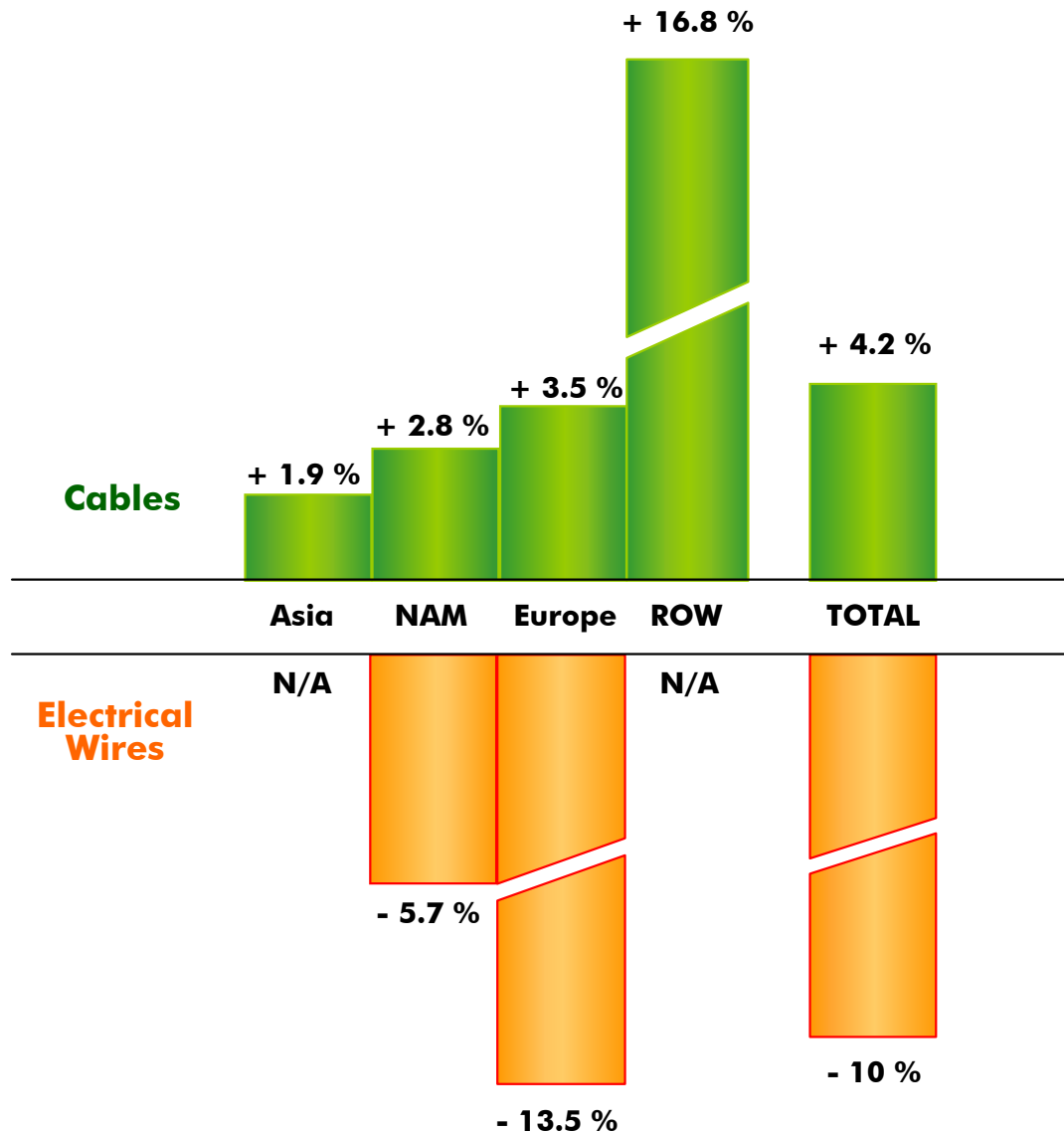
### OPM :

53

+ 36 %

72

## Organic annual growth (HY1 05 / HY1 04)



- **Cable growth : + 4.2 %**

- High value added products with lower copper content

➡ High impact on margin

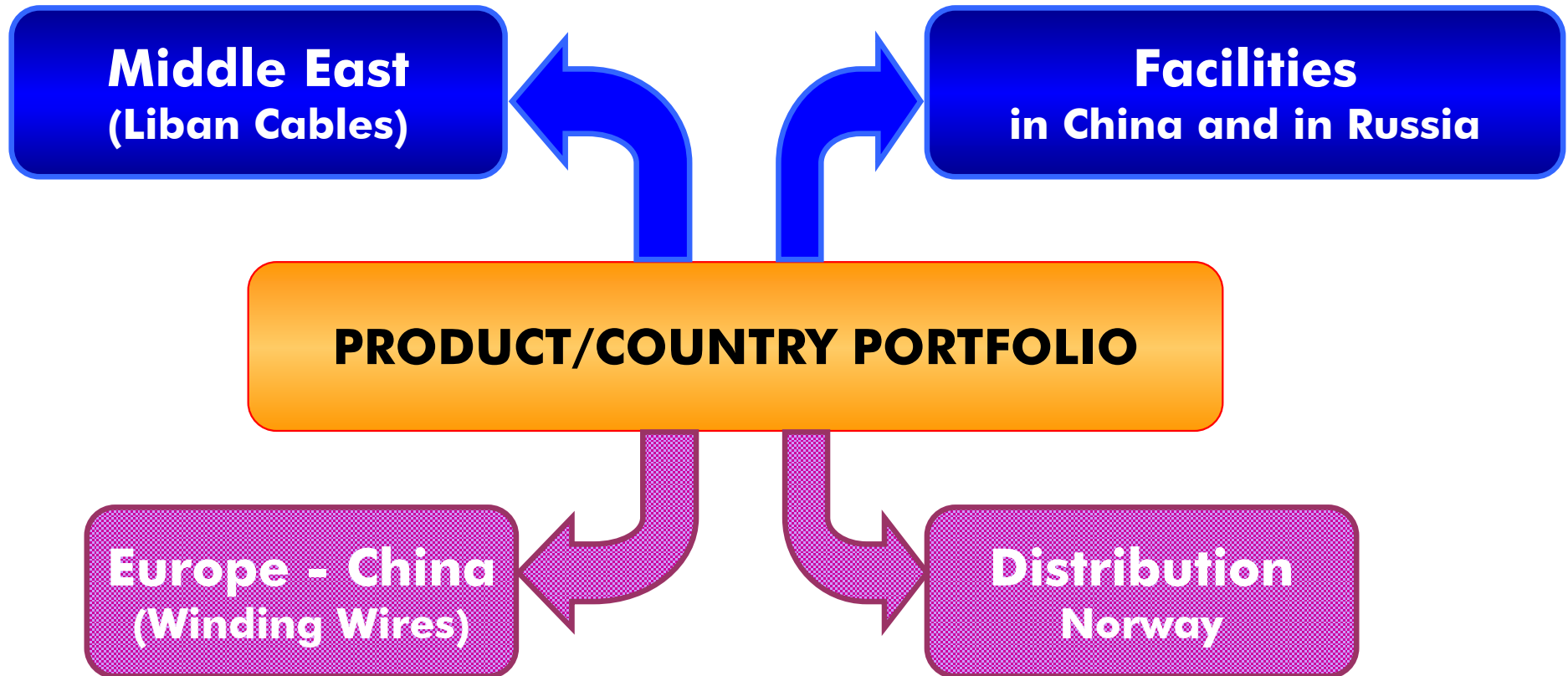
**OPM : + 23 M€**  
(mainly organic)

- **Electrical wires down**

- Low value added products with higher copper content

➡ Low impact on margin

**OPM : - 2 M€**



- **Announced**

- ▶ Includes the bulk of the activity in Europe and the shareholding in Nexans Tianjin in China (80%)
- ▶ Creation of a Joint-Venture with majority-owned by Superior Essex (removal from consolidation scope)
- ▶ Reduction of the debt by 40 to 50 M€ (8 M€ China – 32 / 42 M€ Europe)

- **Achieved**

- ▶ Agreement on the European perimeter (imminent signature)
- ▶ Joint-Venture held 60 % by Superior Essex and 40 % by Nexans
- ▶ Selling price of 35 M€ (Europe only)

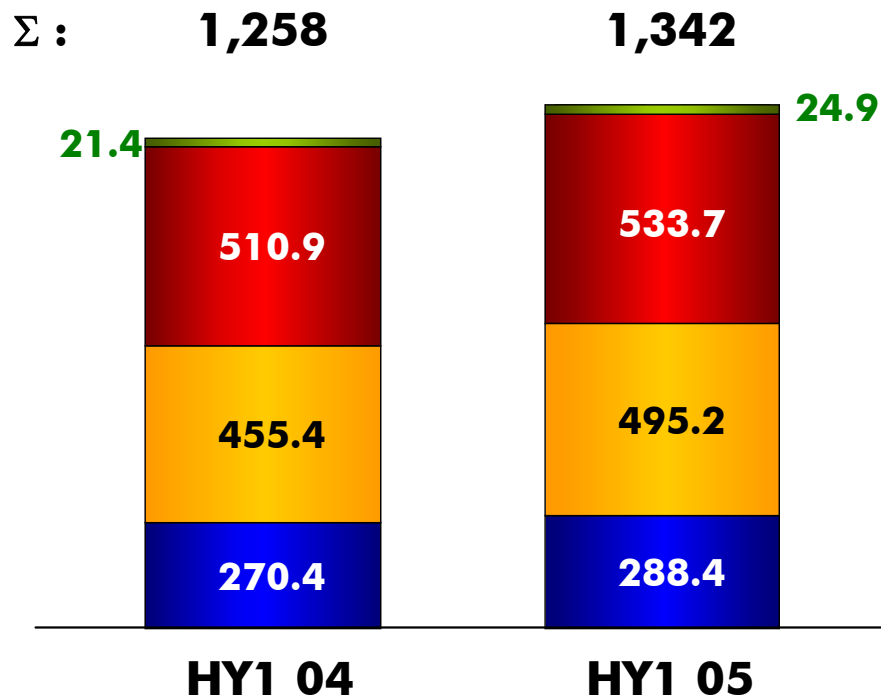
- **Impacts**

- ▶ Application of IFRS 5 (single line presentation)
- ▶ Impact on net income of – 19 M€ recorded in "discontinued operations"
- ▶ Still to complete : Nexans Tianjin

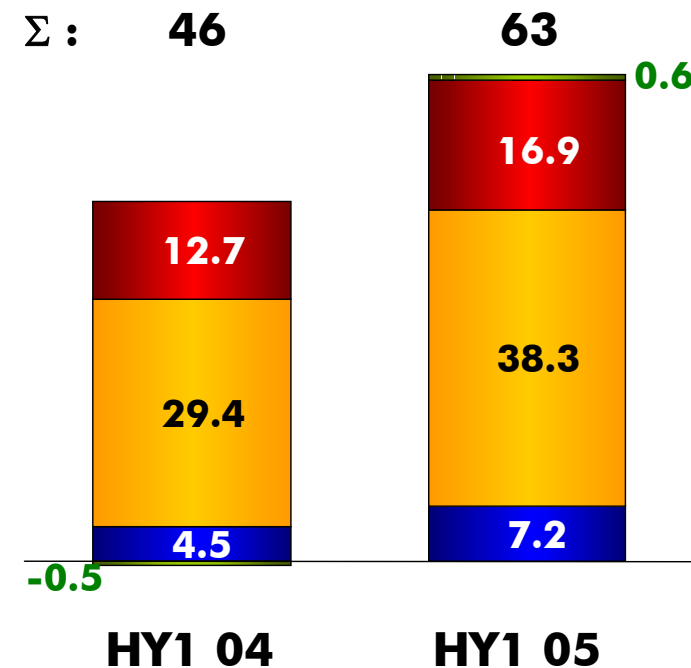
- Nexans Distribution (Norway) sold to Ahlsell
- Signed on July 19, 2005
- "Closing" planned on September 2005
- Sales : 118 M€ in 2004
- Headcount : 290
- Selling price : 45 M€
- Capital gain : approximately 34 M€ to be booked in HY2 05

(in Million €) Sales at constant metal prices and exchange rates	<b><u>HY1 04</u></b>			<b><u>HY1 05</u></b>		
	<b>Sales</b>	<b>OPM</b>	<b>%</b>	<b>Sales</b>	<b>OPM</b>	<b>%</b>
Energy	1,258	46	3.7 %	1,342	63	4.7 %
Telecom	273	4	1.5 %	292	10	3.4 %
Electrical wires	437	5	1 %	377	3	0.7 %
Other	5	(2)	-	5	(4)	-
<b>Total</b>	<b>1,973</b>	<b>53</b>	<b>2.7 %</b>	<b>2,016</b>	<b>72</b>	<b>3.6 %</b>

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



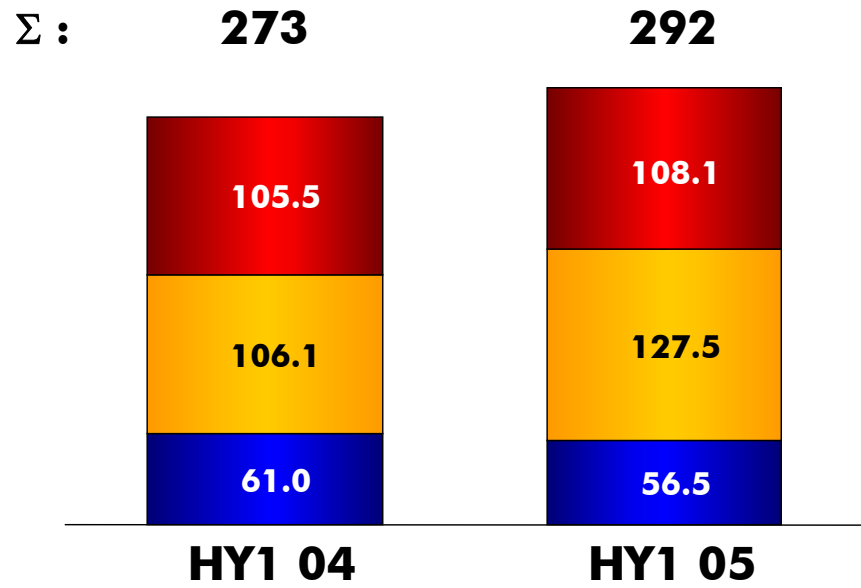
### Operating Margin (M€)



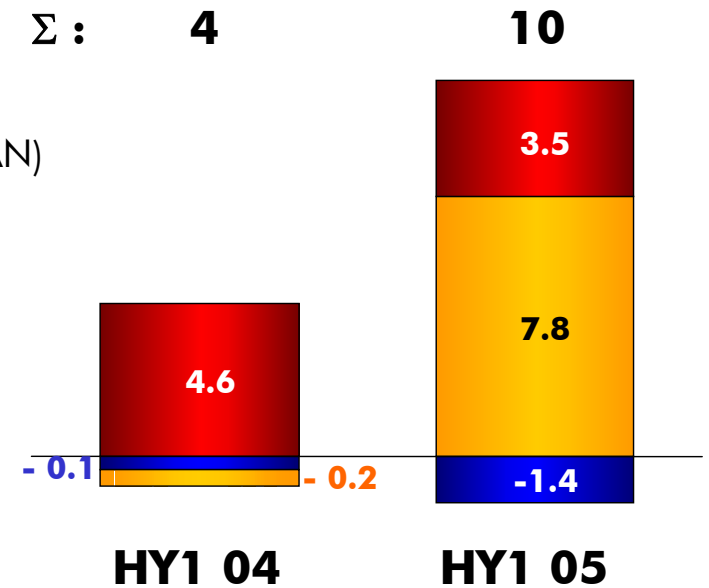
- OEMs : Further recovery in industry in a flat European context
- Building : Healthy market in a context of rising prices
- Infrastructure : Markets doing well

(\*) Annual change in sales = + 4.5 % at constant consolidation scope

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



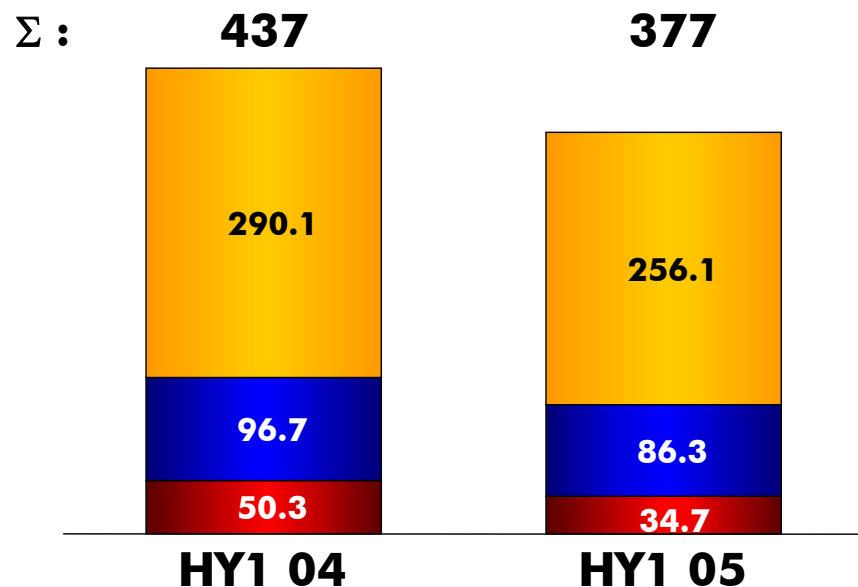
**Operating Margin (M€)**



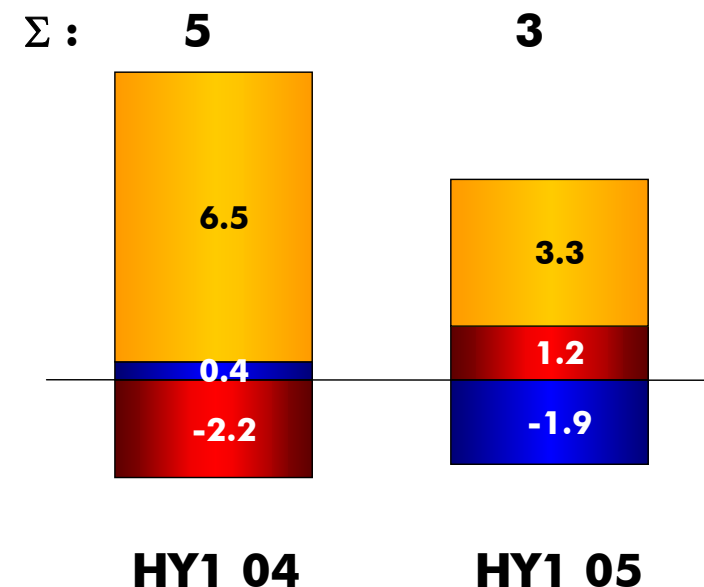
- Infrastructure : Good performance driven by XDSL / Triple Play applications
- Private networks : Steady in Europe but slightly less favorable mix in the United States
- OEMs : Weak European industrial context despite an acceleration in the aerospace sector

(\*) Annual change in sales = 3.3 % at constant consolidation scope

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



Operating Margin (M€)



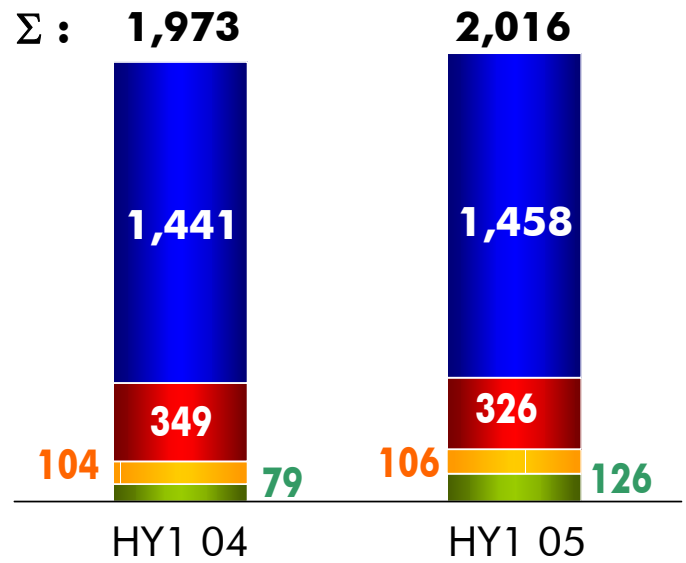
■ Wirerod and bare conductors

- Competitiveness impacted by the change in the CAD/USD exchange rate
- End of a captive outlet after the disposal in 2004 of the Winding Wire business in the US
- European volumes down mainly external

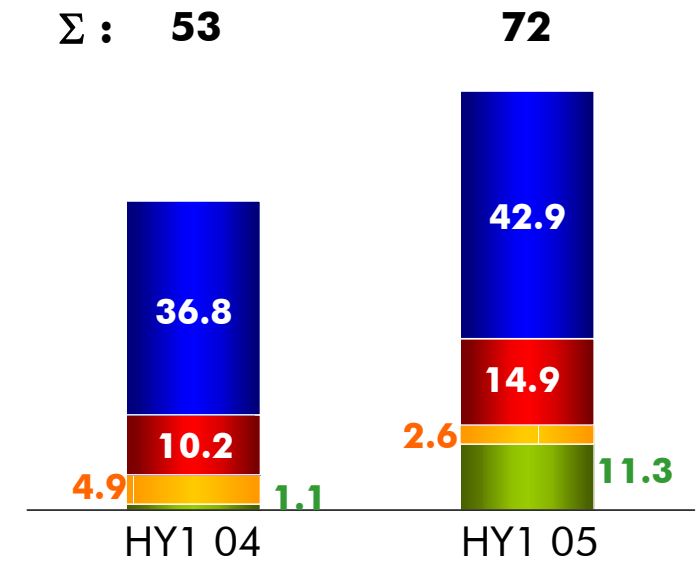
■ Winding Wires not discontinued (basically Canada)

- Improved profitability

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



**Operating Margin (M€)**



- Europe :
  - Products with higher value added and significantly restructured production facilities
- North America :
  - Very high basis effect (HY1 2004 = + 13%) explaining slower but still very profitable growth
- Asia :
  - Stronger competition and Chinese activity in launch phase
- Rest of World :
  - Strong growth in energy networks (Brazil, Turkey, Morocco)
  - Successful integration of Middle East acquisitions

Financial Results

**Frédéric Vincent**

Main effects

- **Sales : "Removal" (IFRS 5) of winding wires business**
  - **Copper positions marked to market**
- } Very little impact on income
- **Booking of discounted receivables in financial debt**
  - **Reclassification of core exposure as fixed assets**
- } Reclassification with no impact on income or shareholders' equity
- **Restatement of pension plans and booking of actuarial differences**
  - **Other**
- } Net impact on shareholders' equity = 67 M€

(in Million €)	<b>HY1 2004(*)</b>	<b>2004 (*)</b>	<b>HY1 2005</b>
Sales at constant metal	1,959	4,034	2,016
Margin on variable costs	493 <b>25.1 %</b>	1,021 <b>25.3 %</b>	527 <b>26.1 %</b>
Indirect costs	(394)	(800)	(406)
EBITDA(**)	99 <b>5 %</b>	221 <b>5.5 %</b>	121 <b>6 %</b>
Depreciation	(46)	(90)	(49)
<b>Operating margin</b>	<b>53</b>	<b>131</b>	<b>72</b>
<i>Operating margin rate (%)</i>	<i>2.7 %</i>	<i>3.3 %</i>	<i>3.6 %</i>
Income from metal trading	-	-	0
Financial charge	(8)	(35)	(16)
Restructuring	(11)	(36)	(7)
Other revenue	10	16	1
Income before tax	44	76	50
Income tax	(10)	(19)	(12)
<b>Net income from operations</b>	<b>34</b>	<b>57</b>	<b>38</b>
Net income from discontinued operations	4	6	(19)
Minority interests	(3)	(5)	(3)
<b>Net income (group share)</b>	<b>35</b>	<b>58</b>	<b>16</b>

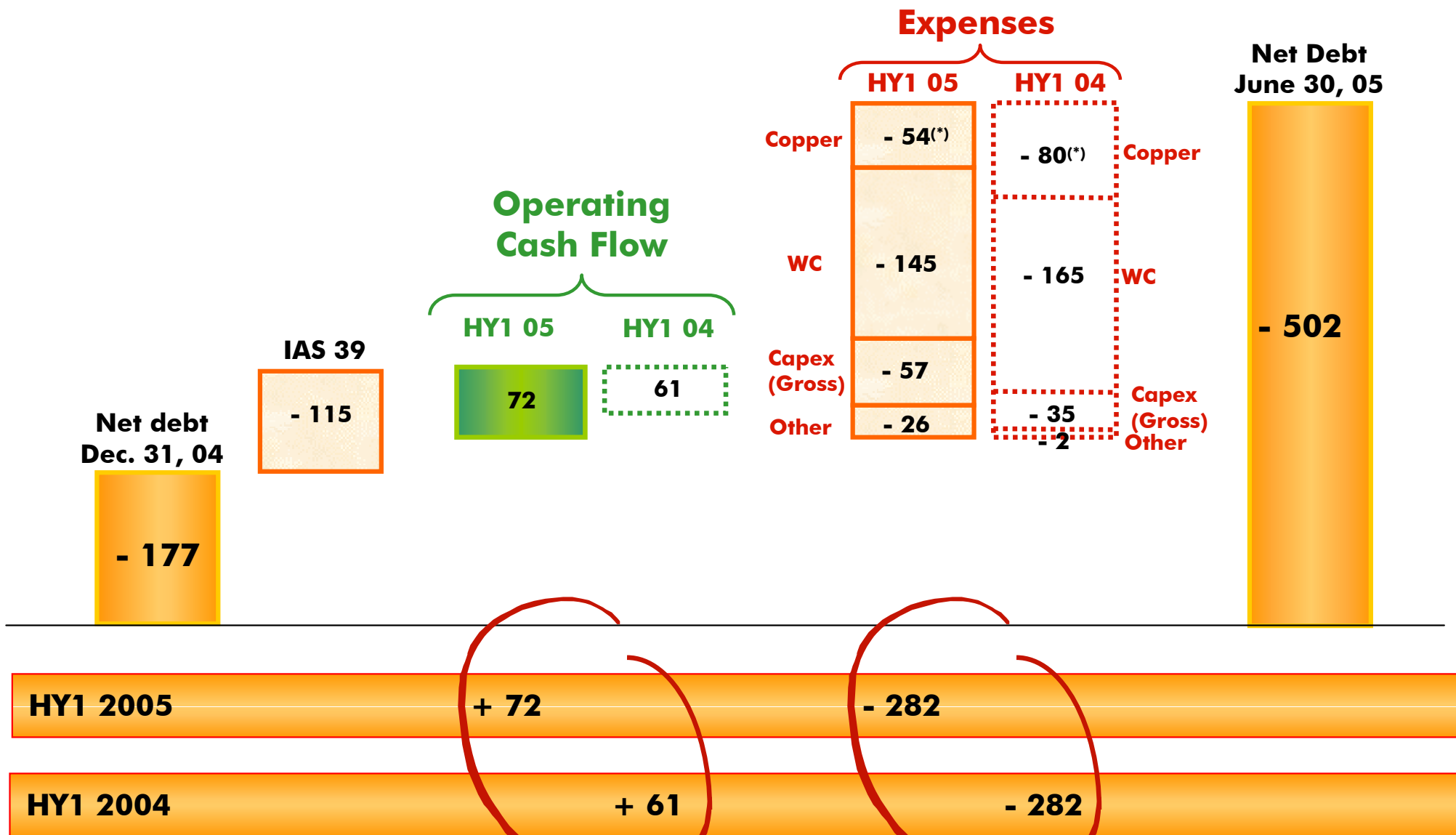
(\*) Excluding IAS 32 and 39 implemented as of January 1st, 2005

(\*\*) Operating margin before depreciation

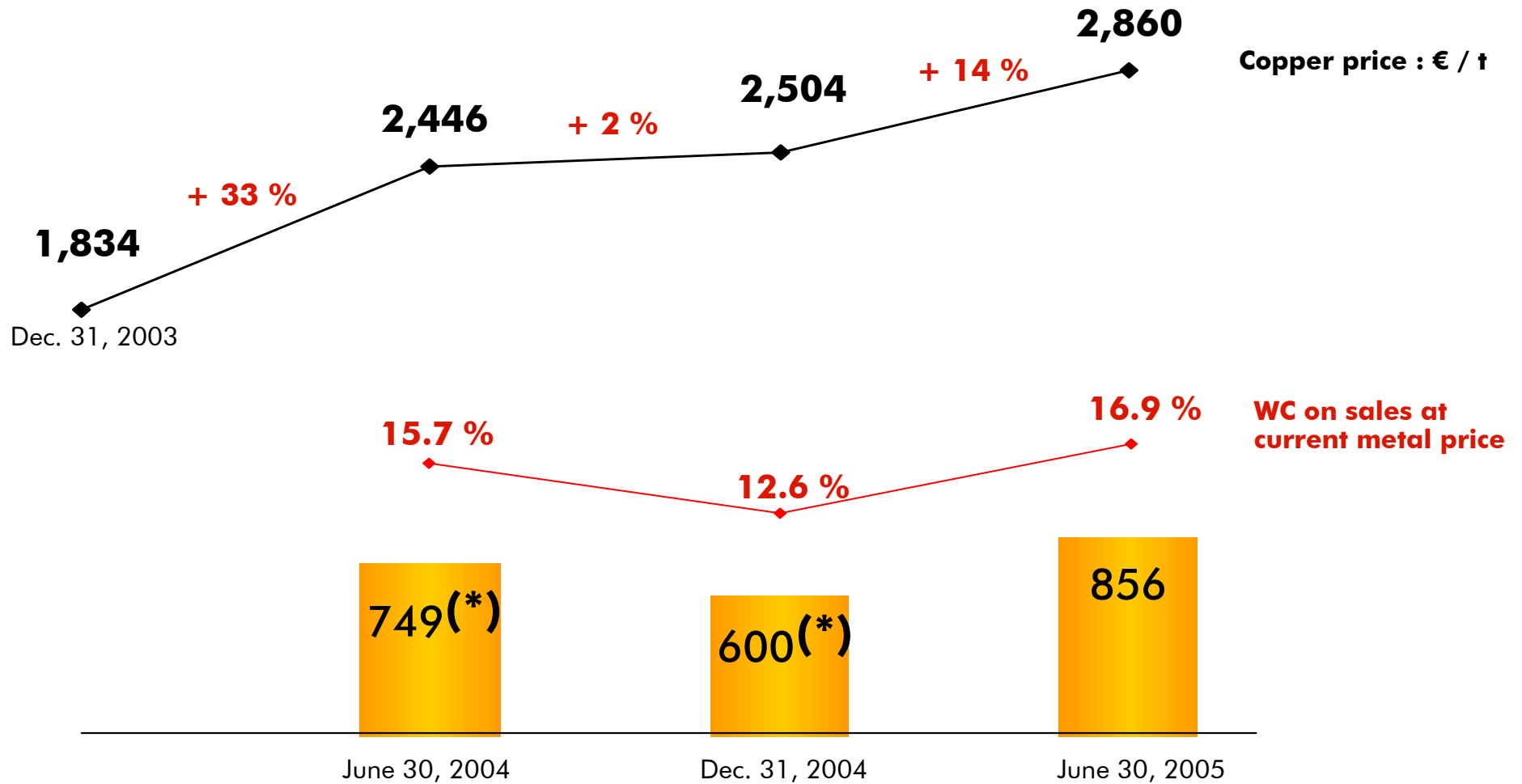
	HY1 2005
(in Million €)	
Sales at constant metal	120
Inter-company sales	(48)
<b>Net sales</b>	<b>72</b>
Operating Margin	2
"Impairment" / Restructuring	(21)
<b>Net income from discontinued operations</b>	<b>(19)</b>
Headcount	1,032
Capital employed (M€)	57

(in Million €)	<b>HY1 2004</b> Proforma	<b>HY1 2005</b> IFRS
Net income (incl. Minority interests)	37	19
Net income from discontinued operations		19
Depreciation and Amortization	46	47
Other non-cash items	(22)	(13)
<b>Operating Cash Flow (*)</b>	<b>61</b>	<b>72</b>
Capital expenditure (net of disposals of 17 M€ in 04 et 6 M€ in 05)	(18)	(51)
Change in Working Capital	(245)	(199)
Cash impact of acquisitions	(4)	(7)
Restructuring cashed-out	(13)	(19)
Dividend paid	(9)	(10)
Other	6	4
<b>Net (increase)/decrease in Debt</b>	<b>(222)</b>	<b>(210)</b>
IAS 32 and 39 FTA (of which 130 M€ sales of receivables)	n/a	(115)
<b>Change in Balance Sheet Debt (increase)</b>		<b>(325)</b>

(\*) Cash flow provided by operations not including restructuring expenses



(\*) Estimate



**(\*) Estimate after applying the IFRS standards**

(in Million €)	Dec. 31, 04	June 30, 05
Long-term fixed assets	1,050	1,069
Deferred tax assets	66	63
<b>Non-current assets</b>	<b>1,116</b>	<b>1,132</b>
Working Capital	470	856
Assets (net) held for sale	71	57
<b>Total to finance</b>	<b>1,657</b>	<b>2,045</b>
Net Debt		
Current	31	370
Non-current	146	132
Reserves		
Current	132	105
Non-current	346	359
Deferred tax liabilities	32	29
Shareholders' equity and Minority interests	970	1,050
<b>Total financing</b>	<b>1,657</b>	<b>2,045</b>

- Organic growth between 1.5 % and 2 %
- Operating margin rate between 3.8 % and 4.1 %
- Restructuring  $\leq 40$  M€
- Capex  $\leq 140$  M€
- Income from divestiture (Winding Wires & Distribution)  $\cong 80$  M€
- Net debt of around 320 M€ after divestiture

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