WORLDWIDE EXPERT
IN THE CABLE INDUSTRY

Nexans

2011 Registration Document

Contents

This Registration document contains Nexans' annual financial report for fiscal year 2011.

This Registration document was filed with the Autorité des Marchés Financiers (French stock market authorities) on April 4, 2012 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*

Worldwide expert in the cable industry

Nexans provides cabling solutions for the Infrastructure, Industry, Building and Local Area Network (LAN) markets. Energy and Transportation are at the core of Nexans' development. The Group's offering is unique in terms of its range and the array of available related services, which cover the entire value chain.
To serve its local and international customers, Nexans draws upon **24,500 employees** in **40 countries**, research and production facilities on five continents and a sales and marketing function that coordinates all the necessary resources worldwide. The Group designs cables and cabling systems for the most complex applications and the most demanding environments. With its **technological leadership, worldwide expertise and local presence**, Nexans operates around the world to satisfy essential needs while maintaining the highest levels of performance, safety, and respect for people and the environment.

Nexans is listed on **NYSE Euronext Paris**.

Nexans is included in the Ethibel Excellence Investment Register and in the ESI Excellence Europe and ESI Excellence Euro indices for investors that take account of companies' economic, social and environmental performances.

As a member of the United Nations Global Compact, Nexans is committed to supporting and implementing ten universally-accepted principles in the areas of human rights, labor, environment and anti-corruption.

Interview
Frédéric Vincent
Chairman and CEO

HOW DID NEXANS PERFORM IN 2011?

We experienced a significant upturn in business at the beginning of the year. During the summer, the European sovereign debt crisis could have sparked a slowdown, but that was not the case and our businesses continued on an upward trend in the second half of the year. Our results were in line with our forecasts, with sales rising 6.5% at constant non-ferrous metal prices and operating margin coming out at 5.6% compared with 4.8% in 2010. At year-end, our net debt stood at 222 million euros, representing less than 12% of equity.

All of our businesses helped spur growth and improved their operating margin, with the exception of Energy Infrastructure, and that was due to the political situation in the Middle East (Lybia in particular). This setback aside, 2011 proved to be a very satisfactory year.

As you are aware, Nexans, along with other cable manufacturers, has been the subject of competition investigations. The European Commission sent us a statement of objections last July and as a consequence, the Group recorded a 200 million euro provision. The Group is still under investigation by the Competition Authorities in other countries in the same sector of activity(1). Given our strong operating results, the Board of Directors nonetheless decided to recommend at the next Annual Shareholders' Meeting to pay a dividend of 1.10 euros per share, which is the same amount as last year.

WHAT HAVE NEXANS' IMPROVEMENT PROGRAMS ACHIEVED?

The results are positive. We continued to improve occupational safety considerably, as reflected by the two-thirds decrease in the accident frequency rate over three years. We also strengthened our quality and process control by standardizing best practices, and achieved a 25% reduction in our scrap rate over two years. We filed a record number of patents in 2011, underscoring the strength of our R&D activities, where we are probably the world leader in our industry. In addition, we launched a major cross-functional program – Customer Orientation – to develop a new corporate culture focused on customer satisfaction. Finally, we defined Nexans' values, which reflect our commitment to excellence and will help us to continue in this direction.

(1) An unfavorable outcome to these various proceedings could have a material adverse effect on the Group's earnings and consequently its financial position. See paragraph 6.1.1 of risk factors in the 2011 Management Report.

"We feel confident about this year despite uncertainties related to the economy."

WHAT'S IN STORE FOR 2012?

We feel confident about this year despite uncertainties related to the economy. Demand should remain strong in energy resources and energy infrastructure, particularly for offshore and submarine projects. At present we have nearly two years of submarine orders on our books.

The outlook is also positive in the aeronautical and railway industries. As for the automotive sector, we are sharing the success of high-end German automakers.

The building industry and certain industrial sectors may be more sensitive to a downturn in activity in Europe. However, overall, our diversification – in terms of our geographic presence and the industries we cover – should help us limit the impact that an economic slowdown could have on our activity.

WHAT ARE THE GROUP'S STRATEGIC OBJECTIVES?

All our initiatives meet two key objectives: efficiently exploiting our manufacturing base in Europe and developing business in the market segments that offer the best prospects for growth and profitability, in both developed and emerging countries.

To achieve these objectives, we have implemented a new organization in Europe modeled on our customers' businesses so that we can better serve them and support them in their development.

We have partnered up with Alstom to expand business activity in the Moroccan railway industry. In addition, we are investing in China, the largest energy infrastructure market in the world, and in the United States, where we are opening a new plant specialized in extra high-voltage solutions, for which demand is expected to more than double by 2020.

We have also just acquired AmerCable, the North American leader in cables for the rapidly developing mining equipment, Oil & Gas, and renewable energy markets.

We aim to succeed in these projects and continue developing our business by enhancing our operating excellence programs that focus, in particular, on customer satisfaction, competitiveness, the professionalism and commitment of our teams, and differentiation of technology and services.

In 2011, Madeco became Nexans' principal shareholder with 20% of the share capital. Madeco's support is an additional asset to our Group's success.

Management

The Executive Committee

The Executive Committee[1] reflects on and discusses the challenges facing the Group. It comprises the members of the Management Committee and the Executive Vice Presidents and Senior Corporate Vice Presidents in charge of market lines, geographic areas and corporate functions.

E_ **Norbert Bluthé**
Executive Vice President,
Europe Industry Market Line

F_ **Giuseppe Borrelli**
Executive Vice President,
Europe Utilities & Operators Market Line

G_ **Jean-Philippe Machon**
Executive Vice President,
Europe Distributors & Installers Market Line

H_ **Paul Nelson**
Executive Vice President,
Europe Infrastructure & Industrial Projects Market Line

I_ **Nicholas Ballas**
Executive Vice President,
Asia-Pacific Area

J_ **William English**
Executive Vice President,
Middle East,
Russia and Africa Area

K_ **Stephen Hall**
Executive Vice President,
North America and South America Areas

L_ **Dirk Steinbrink**
Executive Vice President,
High-Voltage and Underwater Cables

M_ **Nicolas Badré**
Chief Financial Officer

N_ **Antoine Caillault**
Senior Corporate Vice President,
Manufacturing & Logistics

O_ **Benjamin Fitoussi**
Senior Corporate Vice President,
Strategy and Business Development

P_ **Jean-Claude Nicolas**
Senior Corporate Vice President,
Communications

Q_ **Patrick Noonan**
General Counsel,
Senior Corporate Vice President,
General Secretary

R_ **Jacques Villemur**
Senior Corporate Vice President, Human Resources

For detailed profiles go to:
www.nexans.com/excom

(1) Organization at April 2, 2012.

The Management Committee

The Management Committee[1] manages the Group and defines and directs the corporate strategy. The Management Committee is composed of Frédéric Vincent, Chairman and CEO, and three Senior Corporate Executive Vice Presidents – Frédéric Michelland, Pascal Portevin and Yvon Raak.

A_ Frédéric Vincent
Chairman and CEO

B_ Frédéric Michelland
Senior Corporate Executive Vice President, in charge of High-Voltage and Underwater Cables and the North America and South America Areas

C_ Pascal Portevin
Senior Corporate Executive Vice President, in charge of the Europe Area (now organized into four market lines: Industry, Utilities & Operators, Distributors & Installers, and Infrastructure & Industrial Projects) and of the Information Systems Department

D_ Yvon Raak
Senior Corporate Executive Vice President in charge of the Asia-Pacific and Middle East, Russia and Africa Areas and of the Industrial & Logistics, Purchasing and Technical Departments

(1) Organization at April 2, 2012.

The Board of Directors

➔ For detailed profiles go to:
www.nexans.com/board

The Board of Directors

The Board of Directors establishes the strategic plans for the Group's business and oversees the implementation of the plans. At December 31, 2011, the Board of Directors comprised 14 members, including 8 independent directors. Directors hold office for a four-year term at most, which may be renewed.

A_ **Frédéric Vincent**
Chairman and CEO of Nexans

B_ **Robert Brunck**(1)
Chairman of the Board of Directors of CGGVeritas

C_ **Gianpaolo Caccini**(1)
President of COREVE, an Italy-based consortium for glass recovery and recycling

D_ **Georges Chodron de Courcel**
Chief Operating Officer and member of the Executive Committee of BNP Paribas

E_ **François Polge de Combret**(1)
Director of Bouygues Telecom and member of the Supervisory Board of Safran

F_ **Cyrille Duval**(1)
General Secretary of Eramet Alliages

G_ **Jérôme Gallot**(1)
Chief Executive Officer of Veolia Transdev

H_ **Véronique Guillot-Pelpel**
Judge (*juge consulaire*) at the Paris Commercial Court

I_ **Colette Lewiner**(1)
Vice-President, Global Leader Energy, Utilities & Chemicals of Cap Gemini

J_ **Guillermo Luksic Craig**(2)
Chairman of the Board of Directors of Quiñenco

K_ **Francisco Pérez Mackenna**(2)
Chief Executive Officer of Quiñenco

L_ **Hubert Porte**(2)
Executive Chairman of the Ecus Private Equity SA investment fund

M_ **Mouna Sepehri**(1)
Executive Vice President, Office of the CEO of Renault and member of the Executive Committee of Renault

N_ **Nicolas de Tavernost**(1)
Chairman of the Management Board of the M6 Group

Committees of the Board of Directors in 2011

Accounts and Audit Committee

Georges Chodron de Courcel (Committee Chairman)
Cyrille Duval
Jérôme Gallot

Appointments and Compensation Committee

Jérôme Gallot (Committee Chairman)
Robert Brunck
Gianpaolo Caccini
Francisco Pérez Mackenna
François Polge de Combret

(1) Independent directors.
(2) Directors representing the Madeco Group.

Meeting essential needs...

Major markets

Infrastructure

- Electricity production, transmission and distribution
- Railway and motorway networks and tunnels
- Ports and airports
- Telecommunication networks

Industry

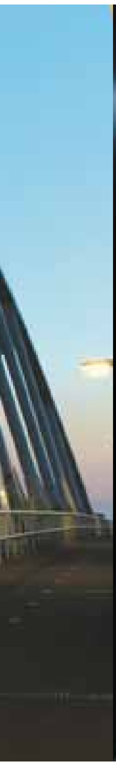
- Oil & gas and nuclear power
- Wind, solar, biomass and hydroelectric power
- Railway rolling stock, ships, airplanes and automobiles
- Material handling equipment and mining equipment
- Automated systems for industry and electronics

Building

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

LANs
(Local Area Networks)

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



To serve its local and international customers, Nexans draws upon **24,500 Employees, 4 Research Centers, 24 Development Networks, Plants located in 40 countries and a Sales and Marketing** function that coordinates all the necessary resources **worldwide**.

...around the world

A local and worldwide partner

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
- Qatar
- Russia
- Turkey

Asia-Pacific

- Australia
- China
- India
- Japan
- Korea
- New Zealand
- Vietnam

North America

- Canada
- Mexico
- United States

South America

- Argentina
- Brazil
- Chile
- Colombia
- Peru

Shared values

Think Customer

We put our customers at the center of our focus, listening relentlessly to them, seeking to understand them fully, anticipating their changing needs and executing flawlessly to deliver superior products, services and value.

Value People

We recognize people as the source of our success. We are reliable, open, honest, trustworthy, and respectful of our colleagues and their diversity.
We commit to Nexans' Values. We expect fair treatment, progression and opportunities to develop our competencies.

Commit to Excellence

We achieve excellence in our products, processes and services through shared knowledge, personal development, continuous improvement, safety and best-in-class execution.

Take Action

We build together a dynamic culture that encourages proactivity, flexibility and innovation in the achievement of our strategic objectives. We anticipate and drive change.

Be Responsible

We demonstrate integrity by taking ownership for what is expected of us and full responsibility for our actions. We conduct business in a safe and ethical manner, respecting the environment and supporting the communities in which we operate.

Work Globally

We recognize the primacy of the group. We work together transversally, collaborating within and across organizational borders. We encourage openness, transparency, and the sharing of information and knowledge.

Nexans and its teams are committed to achieving a sustainable business performance for the benefit of customers, shareholders, the environment and society as a whole.

2011 Key figures

2011 sales by business[1]

Energy: 85%
8% compared with 2010

Telecom: 9%
5% compared with 2010

Electrical Wires : 6%
-8% compared with 2010

2011 sales by geographic area[1], by origin

Europe: 60%
7% compared with 2010

Middle East, Russia and Africa: 7%
6% compared with 2010

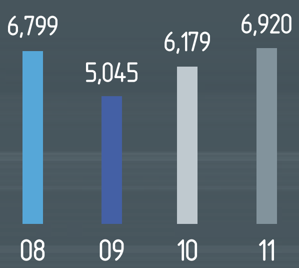
North America: 11%
6% compared with 2010

South America: 10%
12% compared with 2010

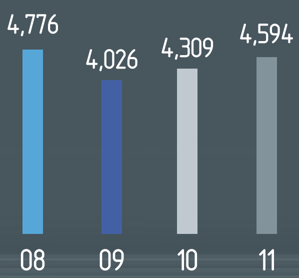
Asia-Pacific: 12%
4% compared with 2010

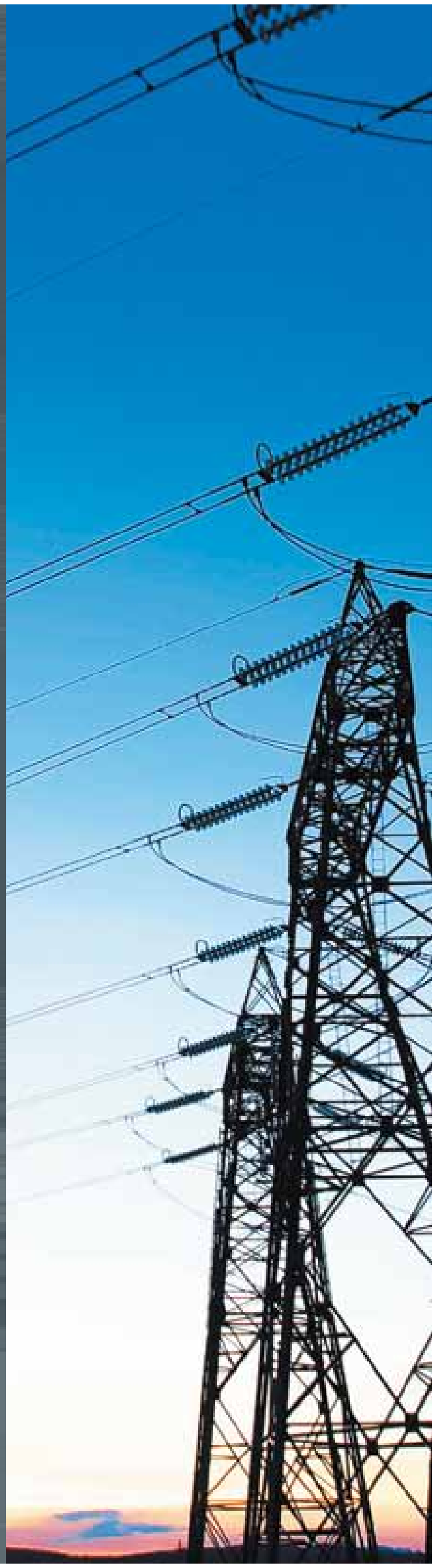
(1) At constant non-ferrous metal prices.

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

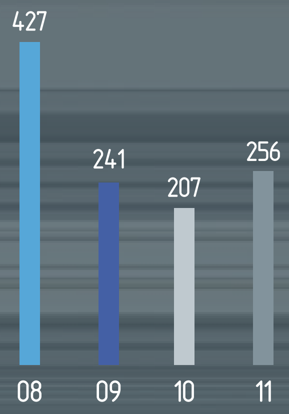


Sales at constant non-ferrous metal prices
(in millions of euros)

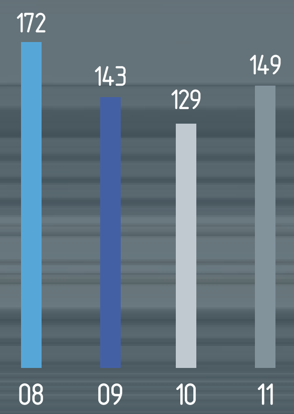




Operating margin
(in millions of euros)

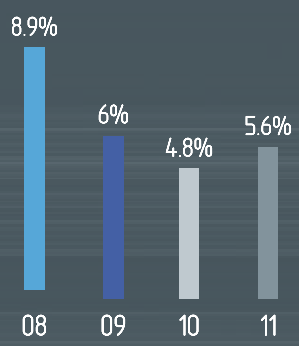


Manufacturing capital expenditure
(in millions of euros)



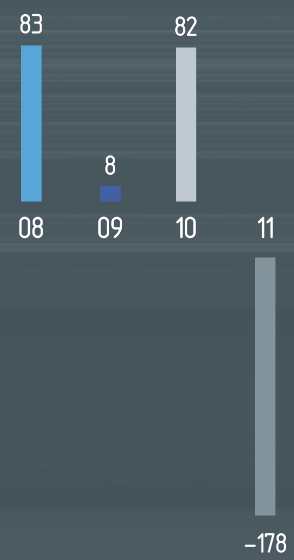
Capital expenditure increased considerably compared with 2010, reflecting the Group's policy of investing in high-growth sectors. In 2011, investment was concentrated on high-voltage submarine cables, an activity in which the Group has doubled its production capacity for extruded cables.

Operating margin at constant non-ferrous metal prices
(in %)



2011 operating margin climbed to 5.6% of sales at constant non-ferrous metal prices, benefiting from stronger sales in all of the Group's businesses.

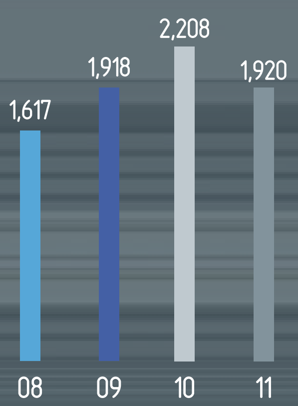
Attributable net income
(in millions of euros)



The marked decline in net income for 2011 compared with the previous year was mainly attributable to the 200 million euro provision set aside in the first half of 2011 to cover the risk related to the fine that may be imposed on Nexans following the Statement of Objections received from the European Commission's Directorate for Competition on July 5, 2011.

Total equity

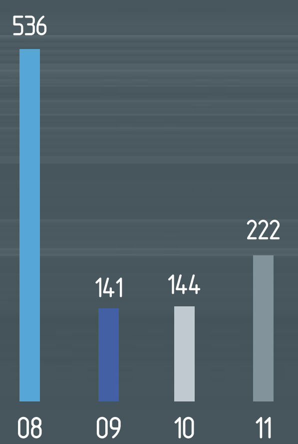
(in millions of euros)



The year-on-year decrease in total equity is primarily the result of the net loss in 2011, as well as the impact on total equity of marking metal derivatives to market at December 31, 2011.

Net debt

(in millions of euros)



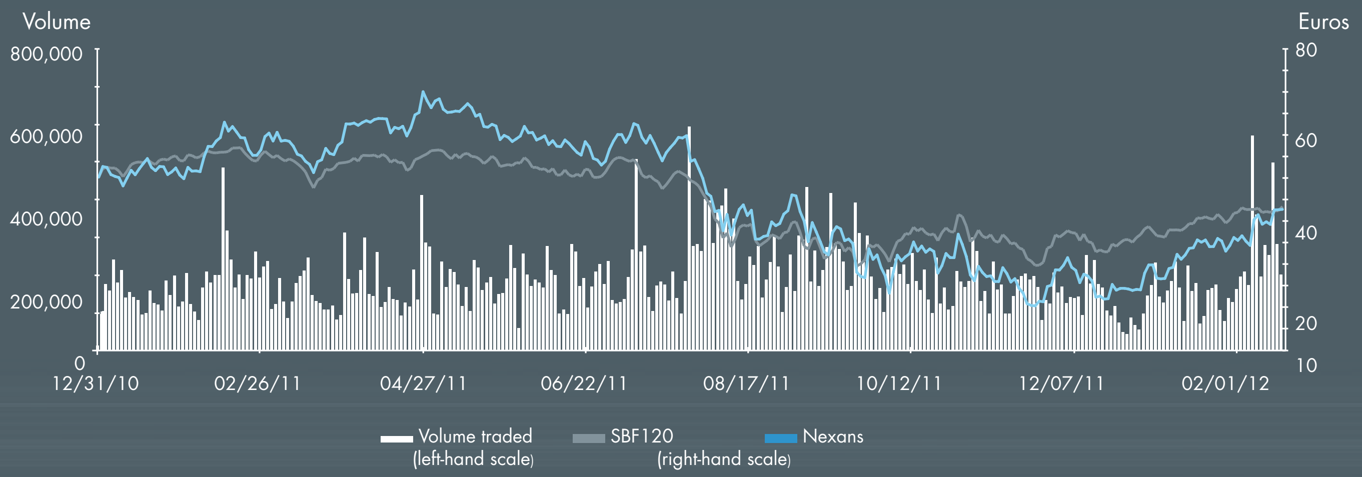
The increase in net debt between 2010 and 2011 is chiefly due to higher working capital requirements resulting from business growth.

The Nexans share

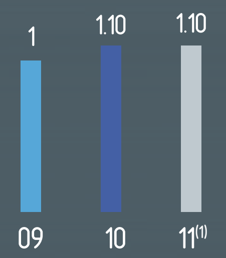
Nexans' share price (in euros, from January 1, 2011 to February 17, 2012)

After an especially positive start to 2011 driven by an optimistic market environment and improving results in 2010, the Nexans share outperformed the SBF120 index by 5.35% in the first half of 2011. This trend reversed in the second half of 2011 during which the share suffered from the backlash of the debt crisis in the United States and Europe, which strongly affected industrial shares such as Nexans. Since the start of 2012, Nexans has benefited from an upsurge in interest in industrial shares. This trend gained momentum on February 8 with the publication of the Group's 2011 annual results considered better than expected. Since January 1, 2012, the Nexans share has gained 29.13%, compared with its reference index the SBF120's 8.45%. The 2011 results and the growth in activity in the final quarter of 2011 allow the Group to view 2012 with a sense of confidence.

Nexans' share price (in euros, from January 1, 2011 to February 17, 2012)

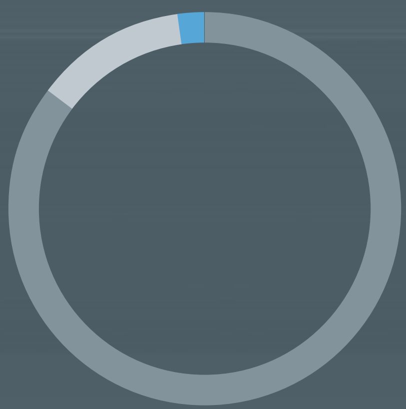


Net dividend
(in euros)



(1) To be proposed at the Annual Shareholders' Meeting on May 15, 2012 for payment on the sixth trading day following the Annual Shareholders' Meeting.

Estimated ownership structure at December 31, 2011



Institutional investors: 85.4%, of which:

- Madeco group (Chile): 19.9%
- Strategic Investment Fund (France): 5.6%
- Manning & Napier (USA): 5.2%
- France: 19.1%
- UK & Ireland: 6.9%
- Other European countries: 9.4%
- North America: 19.1%
- Rest of the world: 0.2%

Individual shareholders and employees: 12.6%

Unidentified shareholders: 2%

Stock market data

Share price in euros (except ratios)	2011	2010	2009
High	73.10	66.00	59.31
Low	37.43	45.55	26.12
End-of-year closing price	40.10	58.86	55.82
Change over the year	-31.87%	5.45%	31.19%
Change in the SBF120 over the year	-16.21%	0.06%	23.73%
Change in the CAC 40 over the year	-16.95%	-3.34%	22.32%
Market capitalization at December 31(1)	**1,151.79**	**1,683.65**	**1,563.68**
Average daily trading volume(2)	192,747	185,101	228,532
Number of shares issued at December 31	28,723,080	28,604,391	28,012,928
Share turnover(3)	**0.67%**	**0.65%**	**0.82%**

(1) In millions of euros.
(2) In number of shares.
(3) Daily average over the year.

Nexans is listed on NYSE Euronext Paris (Compartment A)

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

Market capitalization

1,151.79 million euros at December 31, 2011

Average daily trading volume

192,747 shares in 2011

Indexes

SBF120: 0.12% of the index at December 31, 2011
ESI Excellence Europe, ESI Excellence Euro

Per share data

In euros (except ratios)	2011	2010	2009
Net assets(1)	65.62	75.66	66.98
Basic EPS(2)	(6.21)	2.92	0.29
Diluted EPS(3)	(6.21)	2.84	0.71
PER(4)	-	20.16	-
Net dividend(4)	1.10	1.1	1.0
Dividend yield(5)	2.7%	1.9%	1.8%

(1) Equity attributable to owners of the parent divided by the number of shares outstanding at December 31.
(2) Based on the weighted average number of shares outstanding.
(3) Earnings per share if all convertible securities (warrants, convertible bonds, stock options and rights) are exchanged for common shares, thereby increasing the total number of shares outstanding.
(4) 2011 dividend to be proposed at the Annual Shareholders' Meeting on May 15, 2012.
(5) Based on the December 31 share price.

Changes in capital in 2011

Number of shares at December 31, 2010	**28,604,391**
Cancelled shares	-
- New shares issued	-
- Shares resulting from the exercise of stock options	118,689
Number of shares at December 31, 2011	**28,723,080**
Stock options	1,579,665
Free and performance shares	160,635
OCEANE 2013 and OCEANE 2016 convertible/exchangeable bonds	7,869,918
Number of fully diluted shares at December 31, 2011	**38,333,298**
Average number of shares in 2011 used to calculate:	
- Basic EPS	28,698,239
- Fully-diluted EPS	28,698,239

Shareholder information

Nexans strives to earn the trust of shareholders by engaging openly with them and providing them with transparent information.

A wide range of financial information

Each year, the Group publishes an Annual Report, a Registration Document and four Shareholder Newsletters (including a special themed edition, published in December). All economic and financial information is available on the Group's website at www.nexans.com, which has a Shareholders' Corner under "Finance" on the home page. A selection of information is available on the mobile website www.nexans.mobi

All queries may be submitted for swift handling via a N° Vert 0800 898 898 toll-free service in France only or via e-mail to **investor.relation@nexans.com**

Direct dialog

In 2011, Nexans held three information meetings for individual shareholders in Nancy, Nice and Toulouse.

To raise the profile of its shareholder club and prepare the creation of the E-Club, Nexans organized four panels of individual shareholders at Group headquarters in October 2011. The panels were each composed of about 10 shareholders and enabled individual shareholders to express their comments and proposals regarding the Group's existing communication channels and their expectations with respect to information concerning the Group.

A questionnaire issued in April 2011 revealed that 73% of the 2,317 individual shareholder-respondents had owned their shares in Nexans for more than five years and that 46% owned more than 100 shares. The Group's strategy and prospects were the primary areas of interest (64%). The Annual Report and Shareholder Newsletters were judged the most useful sources of information by more than 80% of respondents.

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

Three Shareholders' Meetings were held during 2011:

- the Annual Shareholders' Meeting was held on May 31 at the Quai Branly museum in Paris. The meeting was broadcast live and subsequently repeated on the Group's website at www.nexans.com
- A combined Shareholders' Meeting followed by a Special Meeting were held on November 10, in accordance with the commitments made by Nexans under the agreement entered into on March 27, 2011 with the Group's major shareholder, Madeco. Among the purposes of the meetings were the updating of Nexans' bylaws and the appointment of a third director to represent the Madeco group, which held 19.86% of Nexans' share capital at end-2011.

Securities services

Advantages of holding shares in registered form

Shares in Nexans may be held in registered form (that is to say, with the owner's name recorded) as an alternative to bearer form.

This gives the Company the opportunity to get to know shareholders and keep them better informed. Other advantages are the prompt receipt of all corporate information (for example, Shareholder Newsletters, notices of Shareholders' Meetings and press releases). Shareholders may also opt to have their shares registered directly with Nexans. This would entail the transfer of shares from the shareholder's usual bank to Nexans' share account at Société Générale.
If you wish to convert your shares to registered form, please contact:

Société Générale
Service des Titres
32, rue du Champ de Tir - BP 81236
44312 Nantes Cedex 3
Tel: +33 (0)2 51 85 67 89
then press * 1 2 2
Fax: +33 (0)2 51 85 53 42

SHAREHOLDER E-CLUB

Nexans has created a Shareholder E-Club to help strengthen its relationship of trust with individual shareholders and forge closer ties with them by providing regular, rigorous and transparent information in digital presentation format. The E-Club is intended to help shareholders get better acquainted with the Group and its businesses through multimedia presentations. Regular news updates concerning Nexans are also provided. E-Club membership is free of charge and without obligation. The sole requirements are ownership of at least one Nexans share, in registered or bearer form, and a valid e-mail address. For further information, go to www.eclub.nexans.com

Management Report

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, 2011. It is based on the parent company's financial statements and consolidated financial statements at December 31, 2011.

In an attached document prepared in compliance with Article L.225-37, paragraph 6, 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 and based on disclosure statements received by the Company – was as follows at December 31, 2011: Institutional investors: 85.7%, of which 19.86% held by the Madeco group (Chile), 5.6% by *Fonds Stratégique d'Investissement* (France) and 5.18% by Manning & Napier (USA); Private investors and employees: 11.2%; Unidentified shareholders: 3.1%.

1. Operations during 2011

1.1 Consolidated results of the Nexans Group

1.1.1 Overview

Sales for 2011 totaled 6,920 million euros versus 6,179 million euros in 2010. At constant metal prices, the 2011 sales figure came in at 4,594 million euros compared with 4,309 million euros the previous year.

Based on constant exchange rates and a comparable scope of consolidation, total organic sales growth totaled 6.5%, reflecting improved market conditions for all of the Group's businesses. The Group did not note any signs of a major slowdown in demand at end-December 2011.

All of the Group's geographic areas reported year-on-year organic growth in 2011. In Europe sales were 6.5% higher than in 2010, primarily driven by a very strong recovery for industrial cables. Sales in North America climbed by over 6.0% fueled by a very buoyant performance from power cables for the building sector in both the United States and Canada. South America reported 12% growth, reflecting brisk momentum across all of the region's countries and market line. Despite a temporary slowdown during the second half of the year in China's railway market, Asia-Pacific posted an overall increase of close to 4%, spurred by a very good year in South Korea and a turnaround of the situation in Australia. The MERA Area (Middle East, Russia and Africa) also achieved growth in 2011 in spite of the political turmoil in North Africa and the Middle East during the first half of the year.

For the full twelve months, MERA sales were up 5.5%, powered by an accelerated pace of business in the second half. A dynamic market in Lebanon and robust sales of energy infrastructure cables in Russia offset the pronounced slowdown in business in Egypt. At the same time, Morocco held firm thanks to good domestic sales.

Consolidated operating margin advanced to 256 million euros, representing 5.6% of sales at constant metal prices, compared with 207 million euros, or 4.8% of sales at constant metal prices in 2010. This year-on-year rise was attributable to higher sales volumes and prices, especially in segments such as distribution cables and cables for the building sector.

EBITDA (operating margin before depreciation and amortization) came to 392 million euros in 2011 against 345 million euros in 2010.

The Group ended the year with an operating loss of 48 million euros (versus operating income of 195 million euros in 2010), including restructuring charges and asset depreciation, and after taking into account a 200 million euro provision recorded to cover the risk relating to the fine that may be imposed following the Statement of Objections received from the European Commission's Directorate General for Competition on July 5, 2011 for alleged anticompetitive behavior by Nexans France SAS in the sector of submarine and underground power cables as well as the related accessories and services.

After net financial expense of 106 million euros (compared with 84 million euros in 2010) and income tax expense totaling 31 million euros (versus 26 million euros the previous year), the Group reported a 178 million attributable net loss in 2011, against attributable net income of 82 million euros in 2010.

1.1.2 Analysis by market line

ENERGY

The Energy business posted 3,852 million euros in sales in 2011 versus 3,568 million euros one year earlier. The strong trends observed during the first half of the year continued into the second half, resulting in full-year organic growth of over 7%. The 2011 sales performance can be analyzed as follows for each of the Energy business's different segments:

Energy Infrastructure

Energy Infrastructure reported overall organic sales growth of 6.4%, with the year-on-year increase reaching close to 8% in the second half of 2011. Performance was mixed across the various business sectors, however, as described below:

- Low- and medium-voltage cables and accessories saw sustained growth.
- High-voltage terrestrial cables reported low sales volumes for the first three quarters of 2011 due to the suspension of contracts in Libya and the delayed launch of projects in the Gulf countries.
- Sales of high-voltage submarine cables were higher than in 2010, despite difficulties encountered concerning a project in Norway during the second half of the year.

Low- and medium-voltage cables and accessories

The recovery observed in this sector as from the second half of 2010 continued into 2011 at an even stronger pace. The overall picture was mixed, however, depending on the geographic area concerned.

Europe – which accounted for 45% of the sector's sales – registered growth of over 5%, boosted by buoyant sales of power accessories. Sales of low-and medium-voltage cables rose 5%, with contrasting figures for the region's different countries and an upturn in business during the second six months of the year. Italy reported a sales rise whereas Switzerland, Greece and Spain all saw a decline. In Germany, sales improved in the second half of the year but operators in the country are still hesitant about how to react to the government's decision to phase out nuclear power. Meanwhile, the sector's performance was stable for the year as a whole in both France (which reported robust sales figures for the second half) and Scandinavia.

Sales of power accessories climbed more than 10% on an organic basis. This performance reflects a first half marked by high sales volumes with France's national operator and the gradual extension of the Group's product range to sectors such as wind-power, whose growth is higher than the market average.

South America – which contributed 16% of the sector's sales – posted double digit growth for the full twelve months, fueled by a buoyant market for overhead power lines in both Brazil and Argentina. However, in Brazil the pace of projects slowed in the last few months of 2011 following a fast acceleration in the first three quarters.

In North America – which represented just under 6% of the sector's sales – sales in Canada (Nexans' principal market in the region) were on a par with 2010 in value terms despite an increase in sales volumes particularly in the second half. This situation notably reflects the tough competitive environment in the country during the year.

The Asia-Pacific Area (accounting for around 16% of sales) also reported double-digit growth, due to a strong performance in South Korea and, to a lesser extent, in Australia and New Zealand.

Lastly, the MERA Area – which represented 15% of the sector's sales – posted year-on-year growth of 7%. This performance was achieved despite an especially difficult first-half which saw a decline in business volumes in Egypt as a result of the country's unstable political context. Against this unsettled backdrop, Morocco delivered an extremely robust domestic sales performance which offset the impact of the falloff in its export trade. Strong domestic demand also boosted business levels in Lebanon during the second half of 2011. In Russia, the Group reaped the benefits of the ramp-up of its Ouglich plant, once again posting double-digit growth in spite of an increasingly competitive market.

Thanks to the gradual improvement in sales volumes, operating margin for low-and medium-voltage cables and accessories recovered overall during the second half of the year, coming in at a level equivalent to that achieved in 2010.

High-voltage terrestrial cables

High-voltage terrestrial cables reported a sharp year-on-year contraction in sales in 2011, reflecting the suspension of two major contracts in Libya as from the first quarter of the year. However, the Group expects business levels to pick up again in Libya now that the country's situation has improved following the end of the armed conflict.

The year 2011 was also marked by delays in the launch of certain contracts in the Gulf countries. The projects concerned finally got off the ground in the third quarter.

All of these events resulted in a lag in the recognition of sales and margins and at the same time caused significant disruption to workloads of the plants concerned. The overall unfavorable context weighed on the sector's operating margin for 2011.

The high-voltage terrestrial cables sector responded to a large number of invitations to tender in 2011, with Europe gradually accounting for a higher proportion of bids submitted, to the detriment of the Middle East where competition has heightened. At end-December 2011, the sector's order book represented around one year's worth of sales.

High-voltage submarine cables

Sales of high-voltage submarine cables jumped by more than 15% in 2011, as the positive effects began to feed through from the Group's increased production capacity at its Halden plant in Norway. Following Nexans' decision to invest further in this plant in 2010 the additional machinery came on stream during 2011.

The year 2011 also saw the completion of major projects such as the "COMETA" 250 kV HVDC undersea power link between the Spanish mainland and the Balearic Islands covering over 240 kilometers in length and at depths of up to 1,400 meters. In addition, the Group supplied cables with a capacity of 630 MW for the London Array wind farm located off the UK coast and laid the HVDC submarine power cable for the Fenno-Skan 2 project, creating a new 800 MW, 500 kV subsea electricity transmission connection between Sweden and Finland.

During the second half of the year, however, the Group decided to postpone the installation of certain cables for a large-scale project in Norway as they did not comply with all of the applicable contractual specifications. This situation had a negative effect on the sector's operating margin.

Thanks to a high number of responses to invitations to tender during 2011, at the year-end the overall order book for the sector represented nearly two years' worth of sales – a figure that is on a par with end-2010 despite the sales increase recorded in 2011. The main contracts won in 2011 were the Skagerrak IV project in Norway and the project to create a submarine power link between the Balearic Islands of Mallorca and Ibiza.

Overall, operating margin for the Energy Infrastructure segment amounted to 124 million euros, or 6.3% of sales at constant metal prices, compared with 138 million euros, or 7.6% of sales, in 2010.

Industry

Sales of industrial cables advanced by close to 11% in 2011. Following an upswing of over 50% between 2009 and 2010, the automotive cable harnesses business recorded organic growth of more than 20% in 2011. This increase was mainly due to sales to high-end European automakers as well as market share gains in North America, which together led to an increase in order volumes. At end-December there were no signs of a slowdown in demand from this sector's principal customers, although organic growth was comparatively lower in the second half of the year as a result of the strong increase in sales seen throughout 2010.

Sales of special cables for the transport market were down slightly on 2010 reflecting the combined impact of the mixed performances turned in by the sector's various sub-segments. After several quarters of contraction, sales of cables for shipbuilding increased in the third and fourth quarter of 2011, driven primarily by strong business volumes in South Korea. Nevertheless, the overall sales figure was around 5% lower than in 2010 as a result of the tougher competitive landscape. The order book has, however, been replenished, particularly for cables for ships intended for the offshore oil market. Sales of special cables for railway rolling stock grew rapidly in the first six months of 2011 but were weighed down in the second half by a steep falloff in demand in China following several incidents that affected the country's railway industry. However, the full-year sales figure was slightly up on 2010 overall, spurred by a sharp rise in sales volumes in Europe. Meanwhile, sales of special cables for aeronautical applications climbed significantly in 2011, led by the ramp-up of production volumes for the Group's customers.

The other sectors in the Industry segment posted growth of close to 9%. In the robotic cables market in Europe, the Group's strong positioning enabled it to benefit from sustained demand. In the energy resources sector, sales of cables for the oil and gas industries expanded considerably, boosted by an upturn in capital expenditure projects in early 2011. The renewable energies sector also had a good year, with continued growth in cables for wind turbines. Lastly, sales of special cables for mining applications likewise rose sharply, buoyed by new projects in Australia, Canada, Peru, Colombia and Brazil.

Overall, the higher sales volumes registered during the year led to an increase in the Industry segment's operating margin, which came in at 35 million euros or 3.7% of sales at constant metal prices, versus 22 million euros in 2010, or 2.6% of sales in 2010.

Building

Sales of cables for the Building sector were up by 7% on 2010, with the majority of the Group's geographic areas and countries contributing to the increase.

Europe – which accounted for almost half of the Building segment's sales – reported total sales growth of over 5% although the figures varied across the region's different countries. France saw a sharp upturn in business levels, chiefly driven by the industrial building sector whereas the commercial and residential sectors remained lackluster. Sales were also up in the United Kingdom and, albeit to a lesser degree, in Scandinavia, which had remained relatively unaffected by the industry's overall falloff in demand in 2009 and 2010. However, sales in Greece, Spain and the Netherlands retreated significantly during the year.

North America, which contributed around 15% of the Building segment' sales, posted double-digit growth. This strong performance can be explained by two factors: first, in 2011 Nexans implemented a sales policy specifically focused on the US market where it enjoys a niche-player status. Second, in Canada – where the Group has a solid positioning – there was strong demand in the residential and industrial sectors (notably the mining industry), which fueled a sharp increase in business.

Organic sales growth in South America (which accounted for around 15% of the segment's sales) was in line with the average growth figure for the Building segment as a whole. In this region the Group serves the Brazilian, Peruvian, Colombian, Chilean and – to a lesser extent – Argentinean markets. Growth slowed in Brazil during the second half of 2011, which led to a slight sales decline in the country for the full year. By contrast, the region's other countries turned in a very good performance, thanks to a buoyant residential building market (particularly in Peru) as well as high demand for cables for large-scale mining projects.

Sales in the Asia-Pacific Area – which represented 11% of the segment's total – were stable compared with 2010, with strong demand from certain industrial customers offsetting the impact of the weak residential market in Australia.

Business levels were also stable year on year for the MERA Area (which accounted for 11% of the segment's sales). In the first half of 2011 business volumes contracted in Turkey but the impact of this downturn was offset by a sales rise in Lebanon.

In general, the organic growth reported by the Group reflects both higher sales volumes and prices. In line with this, total operating margin for the Building segment increased sharply to 64 million euros, or 6.8% of sales at constant metal prices, versus 28 million euros, or 3.2% of sales in 2010. Nevertheless, business volumes in 2011 were still well below the record level of 2007.

TELECOM

Sales generated by the Telecom business rose by more than 5% year on year to 446 million euros from 426 million euros. This increase stemmed from buoyant demand in the Telecom Infrastructure segment and was achieved despite lower demand for LAN cables following the sharp upturn experienced in 2010.

Local Area Networks (LAN)

Sales of LAN cables in 2011 were on a par with the 2010 figure. In North America – which represented around 55% of the segment's total – the figure was equivalent to 2010, having climbed by around 15% between 2009 and 2010. In both 2009 and 2010, sales in the region were boosted by numerous data center projects.

In Europe, which is the segment's second largest market accounting for some 30% of its total sales, demand edged down, with the moderate upturn in the data center market not being sufficient to offset the sluggish commercial real estate market.

On the other hand, sales momentum was brisk in the Middle East, Asia (excluding China) and South America but these regions contribute less than 15% of the segment's total sales.

Operating margin for the LAN segment was up on 2010, amounting to 17 million euros, or 7.2% of sales at constant metal prices.

Telecom Infrastructure

Sales of cables for the Telecom Infrastructure market were up by almost 12% in 2011. Copper cables, which is a niche market for Nexans, accounted for nearly half of the segment's sales during the year, as business was propelled by sustained demand in Europe and very high sales volumes in South America due to contracts won with major telecom operators.

Optical fiber cables and accessories – which contributed the other half of the segment's sales – reported growth of around 8%, fueled by rapid expansion in the optical fiber components market in Europe.

As a result of the higher sales volumes and a more favorable geographical sales mix, operating margin for the Telecom Infrastructure segment totaled 13 million euros, or 6.4% of sales at constant metal prices, compared with 9 million euros, or 5.1% of sales, in 2010.

ELECTRICAL WIRES

For the Electrical Wires business, external sales correspond to products that are upstream from the cable manufacturing process. The Group's strategy consists of allocating its metal processing capacity first and foremost to its own needs.

In 2011, external sales of electrical wires decreased by around 6% year-on-year based on a comparable scope of consolidation, from 289 million euros to 266 million euros. This decline was mainly due to the situation in South America where a larger proportion of local production of wirerods was taken on in-house in order to meet the region's sharp increase in cable sales. The winding wires activity in Brazil also reported a slight downturn.

Operating margin for the Electrical Wires business as a whole came to 11 million euros in 2011, or 4.3% of sales at constant metal prices, versus 7 million euros, or 2.4% of sales, in 2010.

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 business levels.

In addition, certain income and expense items cannot be directly allocated to a specific operating activity and are therefore not allocated to the market line concerned. For example, in both 2011 and 2010, the Group incurred expenses for the organization of its legal defense following antitrust investigations launched against it.

Operating margin for unallocated operations represented a negative 9 million euros in 2011 versus a negative 13 million euros in 2010.

1.2 Other items of 2011 consolidated results

1.2.1 Core exposure effect

This line of the consolidated income statement includes the following two components (see Note 26. d to the 2011 consolidated financial statements for further details):

- A "price" effect: In the Group's IFRS financial statements non-ferrous metal inventories are measured at the weighted average unit cost method, leading to the recognition of a temporary price difference between the accounting value of the copper used in production and the actual value of this copper as allocated to orders through the hedging mechanism. This difference is reinforced by the existence of a permanent inventory of metal that is not hedged (called "core exposure")

  The accounting impact related to this difference is not included in operating margin and instead is accounted for in a separate line of the consolidated income statement, called "Core exposure effect". Within operating margin – which is a key performance indicator for Nexans – inventories consumed are valued based on the metal price specific to each order, in line with the Group's policy of hedging the price of the metals contained in the cables sold to customers.

- A "volume effect": At the level of operating margin (which is a performance indicator), Core exposure is measured at a historic cost, which is close to its LIFO value, whereas at operating income level it is valued at weighted average cost (see Note 1.o to the 2011 consolidated financial statements) in accordance with IFRS. The adjustments recognized between the level of operating margin and operating income to reflect any changes in volumes of Core exposure during the period (i.e., sales of Core exposure inventories) are also recorded under "Core exposure effect" in the consolidated income statement.

For the year ended December 31, 2011, the Core exposure effect was a negative 40 million euros, with the volume effect not deemed to be material. In 2010, the Core exposure effect amounted to a positive 89 million euros, net of the 37 million euro impact of a reduction in inventory volumes, following a sharp rise in copper prices during that year.

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 provided by its market lines.

The tests conducted in 2011 resulted in the recognition of a 34 million euro net impairment loss. This charge mainly concerned property, plant and equipment held by the "Turkey" cash-generating unit (CGU), which were fully written down in the second half of the year. The Turkish domestic market has become saturated as all of the industry's main players have taken steps in recent years to develop new large-scale production capacity for medium-voltage cables, which has led to a much lower price environment. The Group considers that in view of the uncertainties the market there has no short- or medium-term prospects of this situation changing. In addition, there has not been sufficient expansion in either the export trade – especially to the United Kingdom – or sales of instrumentation cables to offset the impact of these more difficult operating conditions in the Turkish domestic market.

The net impairment loss for 2011 also includes a writedown recorded in the first half of the year of assets held by the "North America Industrial Cables" CGU following a falloff in this CGU's performance and the difficulties experienced in maintaining a satisfactory margin in view of the current product mix.

The remainder of the impairment loss for 2011 relates to capital expenditure – mainly maintenance outlay – incurred for Group operations that had already been fully written down in prior years and for which the outlook at December 31, 2011 did not justify a reversal of the corresponding impairment losses at that date.

The 43 million euro net impairment loss recorded in 2010 primarily corresponded to the partial writedown of goodwill and customer relations included in the "Australia" CGU, which has grouped Nexans' operations in Australia and New Zealand since the acquisition of the Olex group in December 2006. The global economic downturn, whose main effects only hit Australia and New Zealand as from the second half of 2009 led to fierce competition in several market segments, with a sharp increase in imports from foreign competitors which resulted in Olex losing market share with a number of key customers and a general reduction in profitability in certain market segments. A specific value was allocated to these customer relationships when Olex was acquired.

The remainder of the impairment losses for 2010 mainly concerned goodwill allocated to the Spain CGU, recognized as a result of the difficult local market conditions, as well as capital expenditure – mainly maintenance outlay – incurred for Group operations that had already been fully written down in prior years.

1.2.3 Restructuring costs

Restructuring costs came to 22 million euros in 2011 (see the breakdown provided in Note 23 to the consolidated financial statements) compared with 67 million euros in 2010.

The 2011 figure primarily relates to the new restructuring plan put in place for the Münchengladbach plant in Germany due to a prolonged decline in demand for certain specialty cables that the plant manufactures and its resulting overcapacity. The remainder of the restructuring costs for 2011 correspond to other, less extensive, restructuring plans as well as to costs recorded as they are incurred (in compliance with IFRS) for restructuring plans launched in 2009 and 2010 in France, Brazil and Italy (e.g. asset relocation and employee redeployment costs etc.).

The 67 million euros in restructuring costs recorded in 2010 mainly reflected provisions set aside for plans to close two cable manufacturing plants (Latina in Italy and Lorena in Brazil) which chiefly served the energy infrastructure market.

As was the case in 2010, all of the restructuring plans put in place in 2011 will include assistance measures negotiated with employee representative bodies aimed at reducing the impact of the closures on the employees concerned.

1.2.4 Changes in fair value 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 specific to cash flow hedge accounting, 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 and included in operating margin in the period in which the hedged item (e.g., the purchase of copper cathodes) affects income. This mechanism neutralizes the impact on operating margin of changes in the fair value of hedged metals.

At end-December 2011, only a few of the Group's units – for which the amounts concerned are not considered material – did not 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 are recognized in the income statement under "Changes in fair value of non-ferrous metal derivatives".

1.2.5 Net gains on asset disposals

The net gain recorded under this item in 2011 was not material (3 million euros), as there were no major changes in the scope of consolidation during the period. The sale carried out in the fourth quarter of the year of the UK based company Tri Wire Ltd, which was wholly owned by the Group, did not have a material impact on Nexans' consolidated financial statements.

The Group recorded a 15 million euro net gain on asset disposals in 2010, half of which corresponded to gains realized on two transactions: (i) the sale of Nexans Morocco's battery manufacturing business in the first quarter of the year, and (ii) the sale of Nexans' majority stake in the Vietnam-based company LIOA. The remaining primarily related to gains realized in 2010 on the sale of various plots of land.

1.2.6 Provision relating to antitrust investigation

In the first half of 2011, the Group set aside a 200 million euro provision for a fine that may be imposed on it following the Statement of Objections received from the European Commission's Directorate General for Competition on July 5, 2011 for alleged anticompetitive behavior by Nexans France SAS in the sector of submarine and underground power cables as well as the related accessories and services. See section 1.2.11 below for further details.

In view of the exceptional nature of this provision and its highly material amount, in accordance with IFRS it has been presented in a separate line of the income statement ("Provision relating to antitrust investigation of the European Commission") between operating margin and operating income.

1.2.7 Net financial expense

The Group recorded a net financial expense of 106 million euros in 2011, compared with 84 million euros the previous year.

The cost of net debt rose by 4 million euros to 72 million euros in 2011, due notably to the increase in the Group's total net debt during the year. This rise was mainly attributable to a higher working capital requirement resulting from the economic situation (see section 1.2.9 below).

Other financial expenses totaled 34 million euros, up 18 million euros on 2010 mainly stemming from non-recurring foreign exchange losses caused by the economic environment.

1.2.8 Income taxes

Nexans reported an income tax expense of 31 million euros in 2011, despite posting a 155 million euro pre-tax loss. This was chiefly attributable to the non-deductible nature of the 200 million euro provision set aside for the fine that may be imposed on the Group following the Statement of Objections received from the European Commission's Directorate General for Competition on July 5, 2011 (see section 1.2.6 above for further details).

In 2010 Nexans' income tax expense amounted to 26 million euros, representing 23.6% of consolidated income before taxes.

The effective tax rate for profit-making entities at December 31, 2011 was 12.5% compared with 18.1% at December 31, 2010.

1.2.9 Principal cash flows for the period

Cash flows from operations before gross cost of debt and tax came to 295 million euros in 2011. This figure reflects the fact that the Group ended the year with a slightly positive net income figure before taking into account the 200 million euro provision set aside for the fine that may be imposed following the Statement of Objections received from the European Commission's Directorate General for Competition on July 5, 2011 (see section 1.2.6 above) as well as 172 million euros in depreciation, amortization and impairment of assets.

The contained rise in working capital requirement in 2011 chiefly derived from (i) the strong recovery experienced by a number of the Group's businesses and (ii) the improved but still unsettled geopolitical situation in certain North African and Middle Eastern countries which had a significant adverse effect on operations in the areas concerned.

Net cash used in investing activities came to 44 million euros in 2011, with for the most part, 147 million euros in purchases of property, plant and equipment being partially offset by 102 million euros in proceeds from sales of short-term cash management instruments (see Note 24 to the 2011 consolidated financial statements).

Net of the proceeds from new short-term borrowings put in place during the year, net cash used in financing activities totaled 70 million euros in 2011, taking into account interest paid by the Group and dividends paid by Nexans in the second quarter (32 million euros).

Overall, taking into account the effect of currency translation differences, net cash and cash equivalents increased by 57 million euros during the period and stood at 840 million euros at December 31, 2011 (including 859 million euros in cash and cash equivalents recorded under assets and 19 million euros corresponding to short-term bank loans and overdrafts recorded under liabilities).

1.2.10 Statement of financial position

Nexans' total consolidated assets remained largely stable between December 31, 2010 and December 31, 2011, amounting to 5,544 million euros at the 2011 year-end, against 5,513 million euros at December 31, 2010.

Changes in the structure of the Group's statement of financial position between those two reporting dates were as follows:

- Non-current assets were more or less unchanged, totaling 1,915 million euros at December 31, 2011 versus 1,897 million euros at December 31, 2010.
- Operating working capital requirement (trade receivables plus inventories less trade payables and accounts related to long-term contracts) increased by a contained 47 million euros in 2011, reflecting various economic factors as described in section 1.2.9 above. This rise is the main reason for the overall increase in consolidated net debt from 144 million euros at December 31, 2010 to 222 million euros at December 31, 2011, after having peaked at 378 million euros at September 30, 2011.

- Provisions for contingencies and charges – including for pensions and other retirement benefit obligations – increased by 157 million euros to 631 million euros at December 31, 2011, mainly due to the 200 million euro provision set aside for the fine that may be imposed on the Group following the Statement of Objections received from the European Commission's Directorate General for Competition on July 5, 2011 (see section 1.2.6 above).

- Total equity decreased to 1,920 million euros at December 31, 2011, taking into account the net loss for 2011 and the negative impact of cash flow hedges during the year. The Group's financial structure is still particularly solid, however, with a gearing ratio of less than 12% at December 31, 2011.

1.2.11 Other significant events of the year

Agreement with the Shandong Yanggu Cable Group in China to acquire a majority stake in its power cable business

On June 20, 2011, Nexans signed an agreement with Shandong Yanggu Cable Group ("Shandong Yanggu") to create a joint venture based on Shandong Yanggu's power cable business in China. Nexans will hold 75% of the joint venture and Shandong Yanggu will hold the remaining 25%.

Founded in 1985 and located in Shandong province in Northern China, Shandong Yanggu is one of China's leading manufacturers of power cables. In 2010, the sales of its power cable business totaled 1.3 billion RMB (approximately 150 million euros). The company has an industrial complex which produces high-, medium- and low-voltage power cables and employs around 1,200 people. It has also recently completed a major investment program to enhance its production capacity, principally for high-voltage cables.

One of Shandong Yanggu's major customers for energy infrastructure cables is the State Grid Corporation of China (SGCC). Nexans is expected to take over effective control of the joint venture in the first half of 2012 in light of the talks currently in process to finalize the agreements and the clearance that still needs to be obtained from the Chinese regulatory authorities.

Creation of a joint venture with Alstom in Morocco to manufacture cable harnesses for the railway market

On June 8, 2011, Nexans signed a memorandum of understanding with the Alstom group in order to set up a joint venture in Morocco to manufacture cable harnesses for the railway market. The definitive agreements were subsequently signed and the joint venture was formed on December 21, 2011. The new outfit is owned on a 50-50 basis by Alstom Transport – which will bring in the initial workload and will be responsible for designing the sub-assemblies – and Nexans Harnesses, a wholly-owned Nexans subsidiary that is based in Belgium and specializes in the manufacture and production of cable harnesses.

The joint venture will initially work on manufacturing cable harnesses and electrical equipment boxes (sub-assemblies integrated into train control systems) that will be fitted into certain Alstom rolling stock sold both to the Moroccan and worldwide markets. It will then diversify its business in order to serve other customers in the railway market as well as customers in other sectors.

Agreement with Madeco to strengthen Madeco's position as the Group's principal shareholder

On March 27, 2011 Nexans announced that it had signed an agreement with its principal shareholder, the Chilean group Madeco. This agreement – which has a ten-year term effective from August 26, 2011 (the date on which Madeco's interest in Nexans reached 15% of its issued shares) – aims to give Madeco a leading position in Nexans' share capital by increasing its ownership interest from 9% to 20%. The agreement, which can be viewed on Nexans' website, also provides for the strengthening of Madeco's representation on Nexans' Board of Directors by giving it a second and then a third seat on the Board. The two Madeco representatives concerned were elected as directors by Nexans' shareholders at General Meetings held on May 31 and November 10, 2011. At the November 10, 2011 General Meeting, Nexans' shareholders also approved (i) the removal from the articles of association of double voting rights and of the 8% voting rights limit and (ii) an amendment to the articles of association to provide for a 20% limit on the voting rights that may be cast on any resolution relating to major transactions, including mergers and significant capital increases. Given the quorum levels at past Shareholders' Meetings, this provision aims to prevent any shareholder holding more than 20% of the Company's capital from having a de facto veto right and is therefore in the interest of all shareholders.

The agreement also provides for lock-up and standstill undertakings from Madeco which will apply for a three-year period as from August 26, 2011. Madeco may, at its option, decide to terminate these undertakings in the event of a public tender offer for the Company. Following the expiration of this three-year period Nexans may terminate the agreement if Madeco's interest in the Company falls below 20% or exceeds 22.50%, in accordance with the conditions specified in the contract.

At December 31, 2011, the Madeco group held 19.86% of Nexans' share capital.

Antitrust investigations

On July 5, 2011, Nexans and its subsidiary Nexans France SAS received a Statement of Objections[1] from the European Commission's Directorate General for Competition relating to alleged anticompetitive behavior by Nexans France SAS in the sector of submarine and underground power cables as well as the related accessories and services. As a result, the Group recorded a 200 million euro provision in its consolidated financial statements at June 30, 2011, which was maintained at the year-end. Being an estimate, the definitive financial consequences for the Group may differ.

The amount of the provision corresponds, at this stage of the proceedings, and by application of the principle of prudence, to the Group's estimate of the fine which could be imposed on it taking into account the Commission's fining policy and the methodology and elements on which the Commission indicated its intention to base its fine, as well as certain challenges that Nexans and its subsidiary Nexans France SAS made in their response to the Statement of Objections which was submitted to the European Commission on October 26, 2011.

See also section 6.1.1 below ("Antitrust investigations") and Note 31 to the 2011 consolidated financial statements for information on antitrust investigations in other countries.

(1) A Statement of Objections is a procedural document in competition investigations whereby the European Commission informs parties concerned of its preliminary view in relation to a possible infringement of EU competition law. The recipient of a Statement of Objections may respond in writing, by presenting all elements and information in its favor which may limit the accusations made by the Commission. The recipient may also ask to be heard to present its arguments on the investigation. The sending of a Statement of Objections does not prejudge the European Commission's final decision in the proceedings.

1.3 Nexans Parent Company

1.3.1 Business overview

Nexans reported sales of 17.9 million euros for the year ended December 31, 2011, derived primarily from services billed to its subsidiaries (versus 12.9 million euros in 2010).

After taking into account operating costs and net financial expenses amounting to respectively 34.3 million euros and 41.8 millions euros and dividends received of 86.0 millions euros, Nexans Net income for the year totaled 35.4 million euros, against 28.7 million euros in 2010.

The Company's equity at December 31, 2011 was 1,704.8 million euros, compared with 1,695.8 million euros at December 31, 2010.

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 Nexans SA had outstanding trade payables of 1,148,075 euros at December 31, 2010 and 981,784 euros at December 31, 2011 (invoices not payable as of end 2011 but payable in full in the first quarter of 2012).

1.3.2 Proposed appropriation of 2011 net income and dividend payment

The Annual Shareholders' Meeting to be held in the first half of 2012 will be asked to approve the appropriation of net income for the year – totaling 35,421,962 euros – as follows:

- Retained earnings brought forward	269,875,969 euros
- 2011 net income	35,421,962 euros
- Legal reserve	(11,869) euros
- Total distributable income	305,286,062 euros

Appropriation of income

(based on the number of shares comprising the share capital at December 31, 2011, i.e., 28,723,080 shares)

- Dividend payment of 1.10 euros per share,	
- representing a total dividend of	31,595,388 euros
- Retained earnings	273,690,674 euros
- Total	305,286,062 euros

The Annual Shareholders' Meeting will be invited to approve the payment of a dividend of 1.10 euros per share, representing a total payout of 31,595,388 euros based on the number of shares making up the Company's capital at December 31, 2011. However, this dividend amount could potentially be increased (and retained earnings correspondingly reduced) by a maximum of 473,620.50 euros in order to take into account the 1,339,655 maximum number of additional shares that could potentially be created between January 1, 2012 and May 15, 2012 (the scheduled date of the Annual Shareholders' Meeting to be held in the first half of 2012) as a result of the exercise of stock options.[1]

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 will be allocated to the retained earnings account.

In compliance with Article 243 bis of the French Tax Code (Code général des impôts), it is specified that all of the Company's shares are of the same category and that all dividends paid will be eligible for the 40% tax relief referred to in Article 158, section 3, subsection 2 of said Code.

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

	2010 (paid in 2011)	2009 (paid in 2010)	2008 (paid in 2009)
Dividend per share	€1.1	€1	€2
Number of shares qualifying	28,710,443	28,101,995	27,970,803
Total payout	€31,581,487	€28,101,995	€55,941,606

(1) Also subject to any stock options that may be exercised between May 15, 2012 (the scheduled date for the 2012 Annual Shareholders' Meeting) and the dividend payment date, as the shares received on the exercise of these options will also qualify for any dividend voted at the 2012 Annual Shareholders' Meeting.

2. Progress made and difficulties encountered in 2011

2.1 Progress made

The committed drive of Nexans' employees enabled the Group to capitalize on the business recovery fueled by the generally improved economic context in 2011. In emerging countries, the Group pursued its policy of closely partnering its newest sites by giving them access to technologies developed in Europe.

The Group's key priorities in 2011 were once again to achieve operational excellence and tightly control sourcing and production costs as well as working capital requirement against a backdrop of rising non-ferrous metal prices and an upturn in business. At the same time, following on from the closure of two production facilities in 2010 (one in Italy and the other in Brazil), Nexans continued to streamline its manufacturing base in 2011 notably through a selective capacity investment policy and specific downsizing plans.

This constant quest for ever-greater efficiency and effectiveness also led to the creation of a new organizational structure for the Group's European activities in 2011 as well as ongoing steps to strengthen information systems.

A new Group organizational structure

In the last few years the Group's business has developed in a rapidly-changing environment:

- Numerous European customers have become more regional and even global, rather than being simply national players.
- Projects in the infrastructure and energy resources sectors have become increasingly complex, especially in emerging countries.
- The high growth areas of high-voltage terrestrial and submarine cables are increasingly experiencing the same issues, especially concerning project management and the technologies required.

The Group is committed to stepping up its efforts to meet these new requirements by:

- Strengthening Nexans' distinctive expertise by intensifying our commercial culture and developing more customer-centric products and solutions.
- Pursuing our profitability drive, notably by enhancing operational efficiency and reducing costs in order to finance the Group's numerous development projects.

To this end, in the second quarter of 2011 Nexans announced its intention to reorganize a number of its businesses. Consequently, the following have been created:

- A "Europe" Area, based on an integrated management structure and organized around the following four market lines:
  - "Distributors & Installers", covering the "General Market";
  - "Utilities & Operators", responsible for business with power distribution operators and telecoms operators;
  - "Industry", dedicated to specialty cables delivered to the Group's industrial customers;
  - "Infrastructure & Industrial Projects", for managing and overseeing large-scale projects entailing a multi-product/multi-facility offering.

Currently, each of these market lines is separating out its commercial functions – which are fundamentally customer-focused – from its industrial functions (dedicated to production).

- A worldwide "business group" called HVUC (High Voltage and Underwater Cables), which brings together Nexans' high-voltage terrestrial and submarine cables businesses as well as cables for submarine applications. The HVUC business group has a commercial and/or industrial presence in all of the Group's geographical areas.

Controlling costs and securing supplies

In 2011, the Purchasing Department refocused its strategic actions and objectives on securing supplies and ensuring that the Group will be able to continue its business activities in an environment characterized by rising cost pressure and ever-scarcer raw materials. The tight supply conditions for certain plastics raw materials experienced in 2010 continued into 2011. However, thanks to its policy of diversifying supply sources, Nexans was able to avoid any supply shortages during the year, even following the earthquake in Japan which led to production stoppages for certain components.

In parallel, the Purchasing Department stepped up its efforts in the following areas:

- Seeking out new suppliers, particularly in the Asia-Pacific region, by launching invitations to tender aimed at covering the Group's needs worldwide.
- Identifying substitution solutions for certain materials and products, as well as taking steps to reduce costs and gain a better understanding of supplier markets in order to incorporate their know-how into our manufacturing processes.
- Implementing "green" purchasing initiatives, notably for cable drums, pallets, transport, business travel and energy consumption (for example, the Group has launched a program to replace our current engines by low-energy engines).
- Avoiding regional supplier monopolies (notably for plastics, cable drums and transport).
- Cutting service costs, such as for travel, temporary work and information technology.

Support processes and industrial coordination

The "Nexans Excellence Way" program is now up and running at 64 manufacturing sites, versus 57 at December 31, 2010. Within the overall rollout process, careful attention is paid to achieving a balance between integrating new sites and developing the abilities of sites that already form part of the program, with the overriding objective of tangibly and sustainably enhancing performance.

- **Health and Safety:** Improving health and safety conditions is a key priority for the Group. The work accident frequency rate dropped by 20% in 2011, to 8.3 (work accident frequency rate = number of work accidents involving sick leave per million hours worked). The measures taken by the Group during the year to achieve this reduction included providing health and safety training, raising employee awareness of the issues involved and ensuring all employees are fully committed to the health and safety drive (see section 9.3.6 below "Health and Safety").

- **Operating efficiency:** This covers essential areas such as containing direct costs, reducing inventory levels and delivering best-in-class customer service. In 2011 there was a concerted effort to reduce waste and improve On-Time-In-Full (OTIF) performance.

  - Monitoring consumption of raw materials – By working on both routine performance management and targeted actions for specific sites that consume the highest amounts of raw materials, losses due to scrap were once again significantly reduced in 2011.
  - Enhancing customer service was another of the Group's priorities during the year, and formed part of the customer orientation program launched in all of Nexans' market lines. Steps to reduce lead times were also taken for critical products, which enabled Nexans to further improve its OTIF performance in 2011.

- **Technology networks:** In order to achieve its objective of continually enhancing its operational excellence Nexans relies on both its management (Nexans Excellence Way) and its technologies (Nexans Excellence Technologies).

To this end, a Technologies Department has been set up with a view to leading a global program aimed at leveraging the best manufacturing processes. Ten internal technology networks were launched in 2011 structured around the key areas of our manufacturing performance in terms of quality, flexibility and cost control.

Use of optimized information systems

- **Rollout of "Core Models" and optimizing reporting processes**

  - The Group has launched a project to migrate towards a Group-wide management model ("Core Model"), using a shared systems platform (SAP ECC6):

    ✓ The Core Model integrates the best processes for financial and operating functions, such as logistics, production and purchasing, forming a smooth fit with the Nexans Excellence Way program.

    ✓ It includes new commercial functions enabling teams to enhance customer relations and propose new services.

    ✓ The Group's Swiss subsidiary will be the pilot for the project and the system will be up and running at that site in the second quarter of 2012 before being gradually extended to Nexans' other main subsidiaries.

    ✓ The underlying aim is to make it easier to manage the operational requirements of the Group's new organizational structure (European market lines and worldwide business structure).

  - For the Group's less complex sites, Nexans has set up a new Core Model based on Microsoft NaV software. Lebanon will be the pilot site for this Core Model in 2012 and the plan is to roll it out to other countries in the short term.

  - In order to optimize the Group's reporting processes, Nexans has launched a decision support system project structured around specific databases (a data warehouse and business intelligence). The first stage of the project involved carrying out a segmentation of product references and customers within a reference data management system. The new data base will be delivered to the Swiss subsidiary during the second quarter of 2012.

  - In addition, the Group continued to roll out its Customer Relationship Management program in 2011 and over 900 people can now manage invitations to tender within a single system.

  - Also during the year, Nexans continued to put in place shared systems for the detailed planning of cable production and sales forecasts. These systems have now been set up in Europe, the Asia-Pacific Area, South America and the Middle East.

- **Optimizing the structure of information systems**

  - In 2011, Nexans continued to upgrade and increase the security of its information systems with a view to providing the necessary support in light of changing business trends and the Group's external growth plans. A total of 168 sites worldwide are now connected up with one another and various types of secure remote access services (RAS) are available for the Group's servers.

  - Also during the year, Nexans pursued the project launched in 2010 to overhaul the IT services offered Group-wide in order to create shared services for running key applications from a single data center. This data center is based on private cloud computing technology, which uses remote servers to store and process data rather than local servers or users' workstations. The use of virtual servers and data storage solutions is expected to generate substantial savings in terms of capital expenditure and operating costs.

  - Following developments carried out on the Group's web and e-service portals, customers now have increased access using a market-based approach. They can have a personalized extranet for their commercial relations with Nexans, including for tracking orders and checking product availability. The number of customer visits is steadily increasing.

  - Disaster Recovery Plans have been successfully set up in France, Norway, Switzerland, Germany, South Korea, Sweden and Turkey.

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 innovation measures related to mobility and new services while at the same time benefiting from the experience of other major French corporations.

2.2 Main difficulties encountered in 2011

The Group saw a strong recovery in sales for most of its businesses during 2011. This move from several quarters of slack workload to a sudden upturn in orders and the start-up of postponed projects constituted a challenge for the Group during the year.

A significant proportion of the Group's sales growth stemmed from higher business volumes in a global environment where pressures on prices remain strong.

Nexans was also faced with difficulties as a result of the political unrest in certain countries in North Africa and the Middle East, which are major export regions, particularly for the Group's high-voltage terrestrial cables business. For example, the Group had to suspend deliveries and installation works for two cable projects in Libya, and other projects and export sales were delayed in North Africa and the Middle East.

Fiercer competition in the high-voltage markets in the Middle East also had an adverse effect on profitability and order volumes in 2011.

In high-voltage submarine, Nexans decided during 2011 second half, to postpone the installation of certain cables for a large-scale project in Norway as the cables involved did not comply with all of the contractual specifications.

3. Research and Development

Nexans places a particular focus on innovation and to this end has research teams dedicated to developing new materials, products and technologies. One illustration of this was the discussion on innovation at the 2011 Annual Managers Meeting, which formed one of the key moments of the event.

Despite the global economic crisis, a high level of financial resources was once again allocated to R&D activities in 2011 (75 million euros for the Group overall, versus 71 million euros in 2010).

Nexans' R&D organizational structure is underpinned by 4 Research Centers and 24 Development Networks:

- The 4 Nexans Research Centers have been entrusted with carrying out upstream research activities in their specific area of expertise, in conjunction with external partners such as universities and external research centers and organizations. These 4 Centers are also responsible for fine-tuning new technologies and providing technical support in the various development areas in which the Group is involved. They work for all of Nexans' market lines and are therefore fully financed by the Group. Two are based in France – at Lens for metallurgy and Lyon for other cross-linked materials as well as simulation activities. A third Center – for thermoplastic materials – is based in Nuremberg in Germany and the fourth Research Center – which specializes in elastomers – is located in Jincheon County in South Korea.

  The Group's development programs for new materials for medium- and high-voltage cables were stepped up in 2011 at the Lyon Research Center and new high-voltage test systems were installed.

  The Research Center in Jincheon County – which was created in line with the Group's aim of internationalizing its research and development activities – is now fully operational.

- The 24 Development Networks correspond to the various market segments identified by the Group as strategic in terms of growth. Each of these networks is responsible – in its own specific area of expertise – for designing product development programs, coordinating the work conducted on the programs by the various units concerned and ensuring that the work is performed effectively. They are also tasked with identifying new technologies relating to their market segments as well as regularly liaising with the Group's marketing teams in order to ensure that Nexans' development activities are in line with customer demand.

In 2011 Nexans also continued to implement the procedure put in place in 2010 for managing major R&D projects. Some twenty strategically important projects have been financed and overseen by the Technical Department under this procedure, which enables key Group projects to be more readily identified and priority action areas defined with a view to speeding up the rollout of new solutions.

The Group's main R&D successes in 2011 included the following:

- Innovative high-voltage direct current solutions.
- Certification of a full 420 kV submarine cable system with XLPE (cross-linked polyethylene) insulation.
- Development and on-site testing of new products for smart grids (intelligent networks).
- A pilot installation at Rio de Janeiro in Brazil of new-generation composite core overhead power lines.
- The launch of innovative product ranges and solutions to facilitate the installation of cables in buildings (e.g. Easyfil®, and Lift&Go®).
- Reinforcement of the ALSECURE® range of fire-resistant cables, thanks to products that are more flexible and easier to strip.
- Development of higher-performing LAN cables to increase data transfer rates in data centers and reduce overheating.
- Numerous projects in the Industry segment, including the launch of the ENERGYFLEX BE-FAST™ range of photovoltaic power cables, the extension of the low- and medium-voltage cable and accessories range for wind turbines, higher-performing cables for nuclear power plants, and the development of new servo motor cables.

In addition, the Group retained its leading position in the cutting-edge area of superconductor systems for electrical networks. For example, a contract was signed in 2011 for a new project in Germany whereby Nexans will develop, manufacture and install a 1 km-long 10 kV superconductor cable at Essen which will replace the old 110 kV traditional cable. A 10 kV superconducting fault current limiter will also be installed at the same site as part of the overall project. Also in 2011, Nexans took part in events to celebrate the hundredth anniversary of the discovery of superconductivity, and in December organized a conference in Paris on superconductor applications for electrical networks.

Lastly, Nexans filed 89 patents in 2011, establishing a new record for the Group (which was previously 75). This achievement testifies to the creative abilities of Nexans' technical teams and will enable the Group to strengthen its market positioning by protecting its intellectual property.

4. Significant events after the reporting period

The Group is not aware of any significant events that occurred after the end of the reporting period[1].

5. Trends and outlook for 2012

Despite a troubled macro-economic environment in Europe and in the United States during second-half, the activity of the Group's various businesses continued to grow in the third and fourth quarters of 2011. This enables Nexans to report results in line with its guidance. In 2011, Nexans pursued its expansion with strategic initiatives, such as the agreement to acquire a majority participation in the Medium and High Voltage power cable business of Shandong Yanggu Cables in China.

In this context and despite an uncertain environment, we are approaching 2012 with confidence in the Group's capacity to grow further, should the current economic environment remain the same. Initiatives in the areas of industrial rationalization, the Group's redeployment to growth areas and businesses, and the reorganization of our European operations will contribute positively to 2012.

(1) Please refer to the information set out in the section "Additional information", "Significant events since the year-end and approval of the 2011 Management Report" of this Registration Document, in particular regarding Nexans' acquisition of AmerCable Holdings Inc. announced on February 13, 2012.

6. Risk factors

The 2011 report of the Chairman of the Board of Directors prepared in accordance with paragraph 6 of Article L.225-37 of the French Commercial Code describes the organizational structures and procedures in place within the Group relating to risk management, in addition to those measures put in place to manage the risk related to the antitrust investigations described in section 6.1.1 below.

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 earnings, financial position and outlook if they occurred. Nexans may be exposed to other risks that were unidentified at the date of this report, or which are not currently considered significant.

6.1 Legal risks

The Group is not subject to any specific regulations as a result of its business activity. However, in view of its wide geographic reach, in the same way as all other industrial players, 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.

6.1.1 Antitrust investigations

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

In late January 2009 antitrust investigations were launched against Nexans and a number of other cable manufacturers. In connection with the investigations, on July 5, 2011, Nexans and its subsidiary Nexans France SAS received a Statement of Objections from the European Commission's Directorate General for Competition relating to anticompetitive behavior by Nexans France SAS in the sector of submarine and underground power cables as well as the related accessories and services. As a result, the Group recorded a 200 million euro provision in its consolidated financial statements since June 30, 2011. Being an estimate, the definitive financial consequences for the Group may differ.

The amount of the provision corresponds, at this stage of the proceedings, and by application of the principle of prudence, to the Group's estimate of the fine which could be imposed on it taking into account the Commission's fining policy and the methodology and elements on which the Commission indicated its intention to base its fine, as well as certain challenges that the Company and its subsidiary Nexans France SAS made in their response to the Statement of Objections which was submitted to the European Commission on October 26, 2011.

The Group is also under investigation by the Competition Authorities of Australia, South Korea (in addition to an investigation into the domestic market), the United States, Brazil, and Canada, in the same sector of activity. The Group is unable to determine at this stage the outcome of these other proceedings and therefore did not make any provision in its accounts for any investigations other than those conducted by the European Commission. Investigations in Japan and New Zealand have been closed without any sanctions imposed on the Group.

In its press release of February 12, 2009 and in its subsequent communications, the Group had indicated that an unfavorable outcome of these procedures as well as the associated consequences could have a material adverse effect on the results and thus the financial situation of the Group.

The Group is continuing to take measures to ensure that it complies with all applicable laws and regulations, notably including those concerning competition. One illustration of these measures are the updates it carried out in 2008 and 2010 to the Group's Code of Ethics and Business Conduct, which is distributed widely throughout the Group and sets out the principles that the Group's employees are expected to respect in the course of their work. All new employees taken on by the Group are required to sign a written undertaking to comply with this Code.

In addition, in the first half of 2009 the Group rolled out a Competition Compliance Program which describes the underlying principles for ensuring that Nexans' employees strictly respect all the provisions of the applicable competition laws. The principles adopted included making Management accountable for rolling out the Program, effectively relaying Group compliance procedures and standards to commercial staff, and requiring commercial employees to sign a written undertaking to comply with these procedures. The Program also provides for a continuation of in-house training within the Group's entities in the aim of raising the awareness of the Group's commercial teams about the risks relating to unfair competitive practices as well as training on sensitive situations and compliance rules and best practices.

An internal audit was performed in 2010 on the Annual Action Plan included in the Competition Compliance Program in May 2009 and a further internal audit was carried out in 2011 on the 2010 Annual Action Plan. The audit report for both years stated that the Action Plans were progressing and at the same time set out recommendations aimed at strengthening the systems and processes used for monitoring the Plans' implementation. The findings of the reports were submitted to the Accounts and Audit Committee as well as to the Board of Directors in July 2011 and September 2011 respectively.

A new Annual Action Plan was adopted and relayed to all of the Group's local managers on September 1, 2011. As was the case for the previous plans, the objectives of this new plan are, among others, to ensure that all of the Group's commercial teams and their managers sign an annual certificate confirming that they will comply with the rules set out in the Group Competition Law Compliance Guidelines, pursue measures to train the Group's commercial teams on competition law issues, and perform an annual audit aimed at monitoring the implementation of the 2011 Action Plan.

The 2011 Plan included setting up a procedure in September 2011 for signaling any incidents related to certain rules contained in the Code of Ethics, notably those concerning competition law.

In spite of the internal control rules and procedures in place within the Group, which have been regularly strengthened over the past several years, Nexans cannot guarantee that the risks and problems relating to anticompetitive practices will be fully controlled or eliminated.

6.1.2 Compliance risk

The Group has put in place rules and procedures for managing compliance risks which have been regularly strengthened over the past several years, particularly the Code of Ethics and Business Conduct and the internal procedure on agents and consultants (see the Internal Control section of the 2011 Report of the Chairman of the Board of Directors). The procedures and processes put in place by the Group cannot, however, provide an absolute guarantee that all compliance risks and issues will be completely eliminated or entirely brought under control.

Concerning regulatory compliance, 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 Regulation (Registration, Evaluation and Authorization of Chemicals). The project's rollout to the Group's European sites involved setting up a number of procedures and best practices aimed at incorporating regulatory requirements into the processes used for purchasing raw materials, designing new products and manufacturing and selling cables.

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 as well as section 6.2.8 on environmental risks).

Disputes and contingent liabilities are also described in Note 31 ("Disputes and contingent liabilities") and Note 23 ("Provisions") to the consolidated financial statements.

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 materials and components used in the Group's products may be less extensive than the warranties Nexans gives to its customers (for example steel tubes in umbilical cables and the optical fiber in 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 harness 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 automaker's technical specifications. The automaker 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 of its customer, i.e. 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 identify the technical cause of the problem. Nexans was involved in this procedure, during which the automobile equipment manufacturer claimed that the cables supplied did not comply with the technical specifications of the harness manufacturer, an allegation both the harness manufacturer and Nexans contest. The court's opinion on the expert's technical report following this procedure is expected in 2012. The automaker allegedly undertook a recall affecting around 350,000 installed switches. Finally, the automobile equipment manufacturer confirmed that in 2007 its customer, the automaker, filed a 17 million euro claim against it based on the number of vehicles returned at that date. Nexans notified its insurer of this claim at the time.

Another dispute concerns the delivery by one of Nexans' production facilities of cables intended for the US Navy and other US government customers without previously carrying out the required exhaustive tests. In some cases, certain of these cables may not meet all of the customer specifications. Consequently, Nexans has recorded a provision – which currently represents a non-material amount – to cover the cost of recalling products that have not yet been installed in ships and vessels as well as the corrective measures that may need to be taken and the limited number of customer claims that have been received so far. Nexans submitted a voluntary report on the facts and circumstances of the situation but is not currently in a position to express an opinion on either the possibility of the Office of the Inspector General imposing any financial penalties or on the amount that any such penalties could represent. Consequently, no provision has been recorded to cover the amount of any potential fine relating to this case.

Although it is not yet possible to ascertain the impact of the above-described cases, Nexans currently does not consider that they 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. The sales figure generated on such projects varies from one year to another, but can reach up to 15% 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 Group and a manufacturer and/or service provider or with the large-scale involvement of a 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 concerned may have to be replaced (with replacement sometimes required prior to delivery), (iii) claims may be lodged for compensation, (iv) warranty periods may have to be extended, and/or (v) delays may be caused to other projects[1].

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.

By way of example, in late 2009 the Group encountered difficulties relating to a contract for high-voltage submarine cables. In the first half of 2010 Nexans recorded a provision in its financial statements, covering the amounts provided for in the settlement agreement signed in early 2011 with the customer, a Chinese State-owned company. The work undertaken for this customer was completed at end-2011. However, the project also led to a dispute with the Chinese sub-contractor involved in the cable-laying process, which accidentally damaged a submarine optical fiber link owned by the Chinese army. The Chinese army then impounded the ship concerned and would not allow Nexans' equipment on board to be unloaded. The subcontractor is claiming the payment of invoices for the leasing costs of its equipment during the period when it was impounded by the Chinese army. Conversely, Nexans is claiming from the subcontractor compensation for losses caused by the accident (notably delays in the project). This dispute has been referred for arbitration in Singapore, which is scheduled to take place in the first half of 2012.

At end-2011, Nexans considered that certain of its contracts could give rise to performance difficulties but these were not sufficiently significant for the Group to recognize provisions in the financial statements or disclose them as contingent liabilities.

(1) The following should be noted: the decreased performance in the power transmission business due to the political situation in the Middle East/North Africa (particularly in Lybia) and the postponement of the installation of under sea-cables in Nothern Europe, which were both mentioned in the results press release on February 8, 2012.

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 set up 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 5% of consolidated net sales in 2011.

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 markets with a small number of players, such as shipbuilding, aeronautics, or the automotive industry, could affect Nexans' earnings.

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 plastics 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. A global copper shortage or interruptions of supplies could have an adverse effect on Nexans' earnings, 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 byproducts such as polyethylene, PVC and plasticizers. The inability to source raw materials at reasonable prices could therefore negatively affect Nexans' business and earnings. In order to attenuate this risk, the Group has introduced a strategy of setting up close but non-exclusive partnerships with a certain number of key suppliers. This strategy will be pursued and extended in 2012.

The Group's policy is to have at least two suppliers for any raw material or component used in manufacturing its products. Programs launched in 2008 in conjunction with the Research and Development Department in order to reduce situations where the Group is dependent on a sole supplier have enabled Nexans to make major headway in this area. Consequently, in 2011 the Group did not experience any raw materials shortages, despite the fact that sourcing was sometimes difficult due to both the general economic environment and the earthquake in Japan.

Copper consumption in 2011 amounted to 468,000 tons (excluding the 64,000 tons processed on behalf of customers). To cover its main requirements, the Group enters into annual contracts with various copper producers for the purchase of pre-determined amounts of cathodes and wirerods. Nexans' commitments under these contracts correspond to approximately 320,000 tons of copper for 2012.

The Group's aluminum consumption in 2011 totaled 155,000 tons. In order to secure its supplies of aluminum wires 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.

The long-term contracts set up by the Group for copper and aluminum wires are due to expire at end-2012 and new contracts will be put in place for these two commodities.

As these products are quoted on regulated markets, any hypothetical surplus quantities purchased but not subsequently used can then be sold, although the Group may incur a potential cost resulting from price differentials. At end-2011, the Group did not have any commitments under take-or-pay contracts.

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.

Contracts entered into by Nexans for other raw materials are generally negotiated annually without any firm purchase commitments, and orders are placed 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. The new purchasing strategy based on partnerships with a number of key suppliers is aimed at reducing the Group's exposure to shortages of supplies that are essential for its business activities, including metals, plastics, equipment and services.

6.2.4 Risks related to external growth

The Group carries out external growth transactions as part of its overall expansion strategy. These include acquiring new business activities and companies, setting up joint ventures and entering into partnerships.

Aside from the difficulties involved in carrying out acquisitions or forging partnerships under satisfactory conditions, the Group may encounter difficulties with integrating acquired companies or in realizing the full potential of partnerships. In turn, this can limit the benefits expected from such transactions. In addition, the Group may have to assume costs or liabilities that were not revealed during the acquisition phase if they are not covered by sellers' warranties or if the seller refuses to assume them itself. Likewise, integrating new businesses and teams may prove difficult and/or give rise to higher costs than initially envisaged.

The Group has set up specific processes for controlling these transactions, which are mainly carried out by the Mergers and Acquisitions Committee. This Committee is responsible for examining and approving all of Nexans' acquisition and divestment projects as well as possible strategic alliances or partnerships (see the Internal Control section of the 2011 Report of the Chairman of the Board of Directors). When entering into the agreement in June 2011 to acquire a majority stake in the power cables business of the Shandong Yanggu Cables Group in China, Nexans drew up a map of the risks related to integrating the business in order to anticipate any difficulties that may arise.

6.2.5 Geopolitical risks and risks related to the general context

Certain high-growth regions are important for the Group's development but some of these areas are exposed to major geopolitical risks. In 2011, some 10% of the Group's sales at current non-ferrous metal prices were generated in the MERA Area, and 3% in countries which are classified by Coface as having a very unsettled economic and political environment or representing a very high risk.

In the second quarter of 2011 the Group performed an evaluation of the potential consequences of the events that had taken place in North Africa, the Middle East and Japan, particularly concerning financial impacts and the effect on supplies. The findings of the evaluation process were that these events would not jeopardize the objectives that the Group had set itself for 2011. However, a provision was recorded in the June 30, 2011 consolidated financial statements in view of the difficulty in comprehensively and precisely assessing the situation in certain countries in the Middle East[1]. The gradual return to normality in the Group's main host countries in North Africa and the Middle East during the second half of the year led Nexans to reverse the provision at the year-end as at that date it considered that it was no longer exposed to significant risks in these countries. The Group is continuing to carefully monitor political developments, especially in North Africa and the Middle East (and more recently the overall situation in Russia) and will keep a vigilant eye on the impacts that any such developments may have on the performance of major contracts signed in these regions.

(1) The following should be noted: the decreased performance in the power transmission business due to the political situation in the Middle East/North Africa (particularly in Lybia) and the postponement of the installation of under sea-cables in Nothern Europe, which were both mentioned in the results press release on February 8, 2012.

6.2.6 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 around 50% of its sales, Nexans' main competitors are Prysmian-Draka and General Cable.

At the same time, growing demand in emerging markets has resulted in new players and increased capacity in the Middle East for energy infrastructure cables and an increase in the export activities of certain manufacturers in South Korea.

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. Meanwhile, 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, innovation 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 its competitive edge in certain markets. In addition, the Group is continuing to focus on the R&D, 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, it is striving to reduce costs by continuously streamlining its production processes, as well as through plans to boost its manufacturing performance.

6.2.7 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 well as value-for-money 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 the Group undertakes research providing it with access to the technologies that are required and valued by the market.

Nexans takes steps to protect its innovations by filing patent applications in key countries. However, if it does not obtain intellectual property rights in countries where there are market development prospects, or if it is unable to defend its rights, the Group's competitors could develop and use similar technologies and products to those developed by Nexans which are insufficiently protected. Such events could have an impact on the Group's business, image and financial results.

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. In the event of a patent infringement case, Nexans could be compelled to stop using the disputed intellectual property rights.

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 but it cannot be ruled out that new legal proceedings could have a major impact on Nexans' resources and lead to significant expenses.

6.2.8 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 with a view to preventing such risks. In addition, it has set up cost-reduction and restructuring programs at certain sites, which could be problematic to implement or may not generate all the anticipated cost-savings.

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 required timeframes. 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 waste and materials, 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 (e.g. for liability with respect to current or past activities or related to assets sold).

In the majority of the countries where the Group operates, specific environmental permits or authorizations are required for manufacturing sites. Internal studies are carried out to ensure that the sites have sufficient resources to identify and track regulatory developments that concern them, as well as the financial resources to ensure regulatory compliance (see section 9.4 below for a description of the Group's environmental management system). Regulatory monitoring is carried out either at country level or directly by the sites themselves.

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

There is also a risk that current or former facilities may have been contaminated in the past.

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 the Group's evaluation of the risks involved and its provisioning policy, Nexans believes that there is little risk that these claims will have a material adverse effect on its future earnings or financial position.

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 material adverse effect on its business, earnings or financial position.

6.2.9 Human resources management

In order to limit the risks related to human resources – particularly the risk of talent loss – the Group has put in place procedures, programs and specific measures with a view to fostering employee loyalty and building the skill sets required for the Group's development. See section 9.3 below for further information ("CSR and human resources data").

6.2.10 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.

At end-2011, 63 people in France had been classified as suffering from an asbestos-related occupational illness, of whom ten had filed lawsuits against their employers that are still in progress. Outside France, a number of employees have been classified as suffering from an asbestos-related occupational illness in the past and the Group is aware of four lawsuits that have been filed concerning such illnesses. Management does not believe that this risk is likely to have a material adverse effect on the Group's earnings or financial position.

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 2011.

Please also refer to Note 1 n to the consolidated financial statements as well as Note 7 ("Net asset impairment"), which sets out the assumptions used for the purpose of impairment testing.

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, (iii) a trade receivables securitization program set up by two subsidiaries, and (iv) to a lesser extent, short-term debt taken out by a number of the Group's subsidiaries;
- the Group's future financing requirements; and
- compliance with the financial ratios provided for in the new syndicated credit agreement entered into by the Group on December 1, 2011, and the cross default clauses applicable to the above-described bonds.

Details of the Group's cash resources and requirements (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). Apart from in relation to non-ferrous metals transactions (see below), 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. Nexans also hedges currency risks arising on its non-ferrous metal transactions, which are mainly carried out in US dollars.

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.

Credit risk and counterparty risk

The nature of the Group's business activity exposes it to three main types of credit risk:

- Customer credit risk relating to its trade receivables portfolio.
- Counterparty risk arising from derivatives set up to hedge currency risks and non-ferrous metal price risks.
- Counterparty risk arising from deposits or investments made with financial institutions.

These different types of credit risk are described in 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/or over which the Group exercises managerial powers. Entities acquired by Nexans are gradually incorporated into the majority of these programs. In view of the difficulties in applying some of the programs in certain countries, insurance policies are sometimes taken out locally in conjunction with the Group Insurance Department, such as in Brazil and Nigeria.

The insurance programs are negotiated with front-ranking insurers in the form of multi-year policies whenever possible; they include exit clauses for the insurer. Their coverage limits are based on a historical analysis of Nexans' claims experience and the advice of the Group's brokers and generally exceed the maximum amount of insured losses incurred by the Group in the past. However, the policies do not always cover the entire risk as they may be capped in terms of insured amounts or not include certain types of coverage (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 the directors and officers liability policy, the main insurance programs set up by the Group to cover its manufacturing and operating activities are described below.

Property damage – business interruption

The Group is covered for non-excluded property 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, Turkey, Japan, Lebanon, Chile and Peru).

Nexans has 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 insurer. These advisers regularly visit Nexans' manufacturing sites, making targeted recommendations on how to improve risk prevention and health and safety procedures, as well as subsequently monitoring that the recommendations have been implemented.

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

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, aeronautical and aerospatial 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 types of liability. It is possible that an extremely rare but highly serious claim could considerably exceed the insured amounts (or the policy's coverage) and could therefore significantly affect Nexans' earnings.

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 that are covered by insurance concern supplies, deliveries and transfers between sites, irrespective of the type of transport used.

Comprehensive construction insurance for laying terrestrial and submarine cables

Site work relating to the laying of both terrestrial and submarine cables is covered by two specific insurance programs. The after-delivery warranties requested by certain customers sometimes exceed the coverage periods available in the insurance market.

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.

Short-term credit risk insurance covering receivables owed by certain domestic and export customers

As part of a renewable annual program, Nexans has set up a short-term credit risk policy, which is gradually being rolled out to the Group's entities based on a portion of their sales. At end-2011 around 78% of the Group's countries were included in this program.

Captive re-insurance company

Nexans has set up a captive reinsurance entity – Nexans Ré – 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 risks and transport risks. It operates on a program-by-program basis, with maximum coverage amounts per loss and a 4 million euro cumulative cap per insurance year.

7. Corporate officers and senior managers

See also section 1 (Composition of the Board of Directors) in the corporate governance section of the 2011 Report of the Chairman of the Board of Directors.

7.1 Directorships and other positions held by members of the Board of Directors

In accordance with Article L.225-102-1 of the French Commercial Code, the following table lists, at December 31, 2011, the directorships and other positions held by the members of Nexans' Board of Directors in all companies during 2011. It also sets out directorships and other positions previously held but which have expired within the last five years.

	Directorships and other positions held during fiscal 2011 (and still in force at the year-end)	Directorships and other positions that have expired in the last five years
Frédéric Vincent Chairman and CEO	– Chairman of the Board of Directors of Nexans Morocco	– Director of Electro-Banque, International Cable Company*, Essex Nexans Europe, Nexans Hellas*, Liban Câbles Contracting SAL*, Liban Câbles Holding SAL*, Liban Câbles Packing SAL*, Liban Câbles SAL*, Nexans Energy USA Inc.*, Nexans Magnet Wire Redevelopment Corporation* and Nexans Canada* – Chairman of the Board of Nexans USA Inc.* – Chief Operating Officer of Nexans
Robert Brunck Director	– Chairman of the Board of Directors of CGGVeritas – President of l'Association pour la Recherche et le développement des Méthodes et Processus Industriels (ARMINES) – Director of Centre Européen d'Education Permanente (CEDEP), Ecole Nationale Supérieure de Géologie (ENSG) and Bureau de Recherches Géologiques et Minières (BRGM) – Director of Groupement des Entreprises Parapétrolières et Paragazières-Association Française des Techniciens du Pétrole (GEP-AFTP)	– Chief Executive Officer of CGGVeritas – Chairman of the Board of Directors of CGG Americas Inc. – Chairman of the Supervisory Board of Sercel and CGGVeritas Services Holding B.V. – Member of the Supervisory Board of Sercel Holding S.A. – Outside the Nexans Group: Director of Thalès, L'Institut Français du Pétrole (IFP), Le Consortium Français de Localisation and Le Conservatoire National des Arts et Métiers (CNAM)
Gianpaolo Caccini Director	– President of COREVE, the Italian Consortium for the recovery and recycling of glass. – Chairman of Saint-Gobain Corporation*	– President of Assovetro, – Director of Saint-Gobain, Nybron Flooring International* and JM Huber Corporation* – Chief Operating Officer of Saint-Gobain Group

* Positions held in foreign companies or foreign institutions.

	Directorships and other positions held during fiscal 2011 (and still in force at the year-end)	Directorships and other positions that have expired in the last five years
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, CNP (Compagnie Nationale à Portefeuille)*, Erbé SA*, GBL (Groupe Bruxelles Lambert)*, Scor Holding (Switzerland) AG*, Scor Global Life Rückversichering Schweiz AG* and Scor Switzerland AG* – Member of the Supervisory Board of Lagardère SCA – Non-voting director of Exane and Scor SE	– Chairman of BNP Paribas UK (Holdings) Ltd* – Director of BNL* (Banca Nazionale del Lavoro) and BNP Paribas ZAO* – Non-voting director of Safran
Cyrille Duval Director	– Corporate Secretary of Eramet Alliages branch – Chief Operating Officer of SIMA (Eramet group) – Chief Executive Officer of CEIR SAS – Chairman of Forges de Monplaisir (Eramet group) and Brown Europe (Eramet group) – Legal Manager of Transmet (Eramet group) and Sorame SCA – Director of Eramet, Comilog (Eramet group) and Metal Securities (Eramet group)	– Director of Stard SA
Jérôme Gallot Director	– Chief Executive Officer of Veolia Transdev – Member of the Management Committee of the Caisse des Dépôts Group – Director of Caixa Seguros* and Plastic Omnium – Member of the Supervisory Board of Schneider Electric SA – Non-voting director of NRJ Group	– Director of ICADE, Schneider Electric SA, Crédit Foncier de France, Galaxy Fund, Galaxy Management Services, Informatique CDC SA and CNP Assurances – Member of the Supervisory Board of NRJ Group, CNP Assurances and Compagnie Nationale du Rhône (CNR) – Chairman of CDC Entreprises and Sicav Austral – Non-voting director of Oseo
Véronique Guillot-Pelpel Director	– Judge (juge consulaire) at the Paris Commercial Court	(n.a.)
Colette Lewiner Director	– Vice-President, Global Leader Energy, Utilities & Chemicals of Cap Gemini – Director of Eurotunnel SA, Lafarge, Bouygues, Colas (Bouygues subsidiary) and TGS-NOPEC Geophysical Company ASA* – Non-executive Chairman of TDF – Member of the Académie des Technologies – Member of the European Commission's Advisory Group on Energy	– Director of La Poste and Ocean Rig ASA*

* Positions held in foreign companies or foreign institutions.

	Directorships and other positions held during fiscal 2011 (and still in force at the year-end)	Directorships and other positions that have expired in the last five years
Guillermo Luksic Craig Director proposed by Madeco	– Chairman of the Board of Quiñenco* and the following Chilean companies belonging to the Quiñenco group: Madeco*, CCU* (Compañía Cervecerias Unidas S.A.), Compañía Sudamericana de Vapores S.A.* (CSAV) and Viña San Pedro Tarapacá* – Director of the following Chilean companies belonging to the Quiñenco group: Banco de Chile*, SM Chile S.A.*, LQ Inversiones Financieras S.A.*, Embotelladoras Chilenas Unidas*, Compañia Pisquera de Chile S.A.*, Empresa Nacional de Energía ENEX S.A., and Sudamericana Agencias Aereas y Maritimas S.A. – Director of the following related companies: Antofagasta plc*, Antofagasta Minerals S.A.* and Inmobiliaria e Inversiones Río Claro S.A.* – Advisor to and member of the management bodies of the Ena Craig foundation* and the Centro de Estudios Publicos* (non-profit organizations) – Trustee of the University of Finis Terrae*	– Chairman of the Board of CNT Telefónica del Sur* and Compañía de Teléfonos de Coyhaique S.A.
Francisco Pérez Mackenna Director proposed by Madeco	– Chief Executive Officer of Quiñenco S.A.* – Director of the following Chilean companies belonging to Quiñenco group: Banco de Chile* (and a 100% holding subsidiary), Madeco* (and various of its 100% holding subsidiaries), CCU* (Compañia Cervecerías Unidas S.A.), Compañia Sud Americana de Vapores* (CSAV) and its subsidiary Sudamericana Agencias Aéreas y Marítimas S.A.* (SAAM), Empresa Nacional de Energía Enex S.A.* (ENEX)	– Advisor to the Board of Viña San Pedro Tarapacá* (Quiñenco group) – Director of Banchile Corredores de Bolsa*
François Polge de Combret Director	– Director of Bouygues Telecom	– Director of Renault, Fonds Partenaires Gestion and Sagem – Member of the Supervisory Board of Safran
Hubert Porte Director proposed by Madeco	– Executive Chairman of Ecus Private Equity S.A.* – The following positions in Chilean companies whose financial investments are managed by Ecus Private Equity: – Chairman of the Board of Albia*, Central Frenos* and Loginsa* – Director of Vitamina* – Director of Plastic Omnium S.A. Chile*, the Chilean subsidiary of the Plastic Omnium group – Managing Partner of Latin America Asset Management Advisors* – Joint Legal Manager of SCI du Chêne Brûlé	(n.a.)

* Positions held in foreign companies or foreign institutions.

	Directorships and other positions held during fiscal 2011 (and still in force at the year-end)	Directorships and other positions that have expired in the last five years
Mouna Sepehri Director	– Executive Vice-President, Office of the CEO, at Renault – Member of Renault's Executive Committee	(n.a.)
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* and GL Events SA as well as the following companies in the M6 Group: 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 in foreign companies or foreign institutions.

7.2 Transactions in Nexans securities 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 Nexans securities carried out during fiscal 2011 by corporate officers and senior managers, as designated by Article L.621-18-2 of the French Monetary and Financial Code *(Code monétaire et financier)* are listed in the following table.

	Date of transaction	Type of transaction	Financial instrument	Unit price (in euros)	Total gross amount (in euros)
Frédéric Vincent Chairman and CEO	03/08/2011	Purchase	Shares	64.83	97,245
Robert Brunck Member of the Board of Directors	09/23/2011	Purchase	Shares	40.9630	20,481.50
Véronique Guillot-Pelpel Member of the Board of Directors	03/28/2011 03/28/2011	Exercise of stock options Sale	Shares Shares	27.82 66	139,100 330,000
Gérard Hauser Member of the Board of Directors	02/16/2011 02/16/2011	Exercise of stock options Sale	Shares Shares	27.82 66.9702	69,550 167,425.66
Frédéric Michelland Member of the Management Committee	03/28/2011 03/30/2011 06/20/2011	Sale Sale Purchase	Shares Shares Employee mutual fund units*	68.04 68 62.5303	13,608 4,760 15,911.40
Jean-Claude Nicolas Member of the Executive Committee	06/20/2011	Purchase	Employee mutual fund units*	62.5303	15,911.40
Pascal Portevin Member of the Management Committee	06/20/2011	Purchase	Employee mutual fund units*	62.5303	15,911.40
Yvon Raak Member of the Management Committee	06/20/2011	Purchase	Employee mutual fund units*	62.5303	15,911.40
Jacques Villemur Member of the Executive Committee	03/01/2011 06/20/2011	Subscription Purchase	Stock options Employee mutual fund units*	27.82 62.5303	41,730 8,911.40

* Transactions related to profit-sharing payments and top-up contributions invested in FCPE Actionnariat Nexans (employee mutual fund).

7.3 Directors' compensation

At December 31, 2011 the Company's Board of Directors comprised 14 members.

The annual amount of directors' fees was set at 600,000 euros at the Annual Shareholders' Meeting held on May 26, 2009, effective from the fiscal year that 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 set the amount of directors' fees to be allocated between the individual directors as follows:

- a fixed portion of 20,000 euros for each director, including the Chairman;
- an additional 2,000 euros for each director, including the Chairman, for each Board meeting attended, capped at 14,000 per director;
- 3,000 euros for each member of the Accounts and Audit Committee, per meeting attended, capped at 12,000 euros per year (6,000 euros per meeting for the Committee Chairman, capped at 24,000 euros per year); and
- 3,000 euros for each member of the Appointments and Compensation Committee, per meeting attended, capped at 12,000 euros per year (4,500 euros per meeting for the Committee Chairman, capped at 18,000 euros per year).

The total amount of directors' fees allocated for 2011 to Directors present at the end of 2011, was 493,168 euros. The table below shows the allocation between the individual directors for 2011 and 2010 (in euros).

Board member	Directors' fees allocated in 2010 (for 2010)	**Directors' fees allocated in 2011 (for 2011)**
Frédéric Vincent (Chairman)	34,000	34,000
Robert Brunck*	N/A	30,667
Gianpaolo Caccini	46,000	46,000
Georges Chodron de Courcel	52,000	58,000
Cyrille Duval*	N/A	32,667
Jérôme Gallot	61,000	64,000
Véronique Guillot-Pelpel	21,667	34,000
Colette Lewiner	34,000	34,000
Guillermo Luksic Craig	24,000	28,000
François Polge de Combret	46,000	46,000
Francisco Pérez Mackenna*	N/A	23,667
Hubert Porte**	N/A	4,500
Mouna Sepehri*	N/A	23,667
Nicolas de Tavernost	34,000	34,000
Total	**495,667**(1)	**493,168**(2)

(1) This total includes the following amounts of fees received by directors who left the Board in 2011 : Jean-Marie Chevalier: 34,000 euros; Jacques Garaïalde: 41,000 euros; Gérard Hauser: 34,000 euros; Ervin Rosenberg: 34,000 euros.
(2) This total excludes the following amounts of fees received by directors who left the Board in 2011 : Jean-Marie Chevalier: 14,333 euros; Jacques Garaïalde: 20,333 euros; Gérard Hauser: 29,000 euros; Ervin Rosenberg: 14,333 euros.
* Directors elected for the first time on May 31, 2011
** Director elected for the first time on November 10, 2011

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

7.4 Compensation and benefits payable to the Chairman and CEO

Nexans has adopted the AFEP/MEDEF Corporate Governance Code applicable to listed companies in France. The Internal Regulations of the Board of Directors, which can be viewed in full on the Nexans website, include an Appendix setting out Nexans' policy on executive directors' compensation, whose principles are based on the recommendations in the AFEP/MEDEF Code.

The Appointments and Compensation Committee recommends to the Board of Directors the compensation payable to the Chairman and CEO, based on rules set by the Committee and ensuring that said rules are consistent with the Chairman and CEO's annual performance appraisal, the Company's medium-term strategy and market practices. When setting the overall structure of the Chairman and CEO's compensation, the Committee draws on reports by independent consultants on market practices for comparable companies.

The criteria used to calculate the variable portion of the Chairman and CEO's compensation is determined at the beginning of each year, for that year, by the Board of Directors, based on recommendations by the Appointments and Compensation Committee. The Board also decides on the amount of variable compensation to be allocated for the prior year based on the achievement of pre-determined criteria.

The variable portion of the Chairman and CEO's compensation is determined as follows:

- Partly by reference to quantitative objectives, based on the Group's operating and financial performance. These objectives are identical to those applied to Group senior managers for the purpose of determining the variable portion of their compensation.
- Partly on a qualitative basis, by reference to specific pre-determined objectives.

For 2011, the quantitative component of the variable portion of compensation payable to the Group's senior managers, including the Chairman and CEO, was based on three financial objectives weighted as follows: (1) operating margin: 60%, (2) working capital requirement: 30%; and (3) return on capital employed: 10%.

Summary

	2010	2011
Compensation due for the year	€1,487,412	€1,709,207
Valuation of stock options granted during the year	€799,425[1]	-
Valuation of performance shares granted during the year[2]	-	€316,188
Total	**€2,286,837**	**€2,025,395**

(1) Valuation carried out in 2010.
(2) As at December 31, 2010 Nexans had never set up a performance share plan.

Breakdown of compensation and benefits paid to the Chairman and CEO

	2010		2011	
	Amounts due for 2010	Amounts paid in 2010	Amounts due for 2011	Amounts paid in 2011
Fixed compensation	€750,000	€750,000	€800,000	€800,000
Variable compensation	€697,340	€482,917	€869,135	€697,340
Extraordinary compensation	-	-	-	-
Directors' fees[1]	€34,000	€34,000	€34,000	€34,000
Other benefits[2]	€6,072	€6,072	€6,072	€6,072
Total	**€1,487,412**	**€1,272,989**	**€1,709,207**	**€1,537,412**

(1) See section 7.3 above (Directors' compensation).
(2) Company vehicle.

Variable compensation

The variable compensation due to the Chairman and CEO for 2011 (which will be paid in 2012) may represent between 0% and 150% of his basic remuneration and the weighting of the quantitative objectives, determined in accordance with Group policy, represents 65%. On February 7, 2012 the Board decided that, for the purpose of calculating Frédéric Vincent's variable compensation, the achievement rate of Group quantitative objectives for 2011 was 113.30%. Consequently, following an assessment of the achievement of his specific and pre-determined qualitative objectives – which are not publicly disclosed for confidentiality reasons – the Board decided to pay Frédéric Vincent variable compensation totaling 869,135 euros for 2011.

Payment received under the long-term incentive plan (LTIP) linked to Stock Option Plan No. 9

In accordance with the Group's management incentive policy adopted in 2007 and applied until 2010, the stock options granted under Plan no. 9 – which was set up on March 9, 2010 and whose 240 beneficiaries included the Chairman and CEO – were associated with a long-term incentive plan (LTIP). This plan has a two-year term and provides for a payment to the Chairman and CEO at the beginning of 2012 equal to no more than two thirds of the nominal bonus based on the achievement of four objectives set for end-2011. One of these objectives is based on Nexans' share performance, two are linked to the Group's financial performance by reference to its 2009/2011 strategic plan, and the fourth is based on the achievement of the qualitative objectives set out in the 2009/2011 strategic plan. For information purposes, Frédéric Vincent did not receive any payments under the LTIPs attached to Stock Option Plans no. 7 and 8.

On February 7, 2012 the Board decided that the required achievement rate for the preestablished quantitative objectives under the LTIP attached to Stock Option Plan no. 9 had been reached and provided that the applicable qualitative objectives had been met, the relevant beneficiaries could receive the LTIP payment. In particular, acknowledging achievement by the Chairman and CEO of his qualitative objectives, the Board confirmed that the Chairman and CEO was therefore entitled to a payment of 455,000 euros under the "LTIP".

Stock options and performance shares

Since it adopted the AFEP-MEDEF Corporate Governance Code, Nexans has complied with the recommendation that performance conditions should apply to stock options and performance shares granted to senior managers. Consequently, since November 2008 all of the stock options and performance shares granted to the Chairman and CEO have been subject to performance conditions whose attainment is assessed over several years.

Stock options received or exercised by the Chairman and CEO in 2011

The Chairman and CEO did not receive or exercise any stock options in 2011.

Performance shares granted to the Chairman and CEO in 2011(1)

Plan date and number	Number of shares granted in 2011	Value of shares based on the method used in the consolidated financial statements	Vesting date	End of lock-up period	Performance conditions
Long-Term Compensation Plan no. 10 dated November 15, 2011	12,500 if target performance reached 17,000 if maximum performance reached	€316,188	11/15/2014	11/15/2016	Yes (see below)

The performance shares granted under Long-Term Compensation Plan no. 10 to the Chairman and CEO, other members of the Executive Committee and certain senior managers (representing a total of 179 beneficiaries) are subject to the following performance conditions: (1) a stock market performance condition, based on Nexans' share performance over a three-year period compared with the share performance of a benchmark panel of companies over the same period; and (2) a financial performance condition, corresponding to the change in Nexans' operating margin on sales measured over a three-year period (at actual metal prices) compared with the change in the operating margin on sales over the same period for the same benchmark panel of companies as used for the stock market performance condition.

Based on the achievement rate for these performance conditions calculated at the end of the vesting period, the number of shares actually acquired by the Chairman and CEO may vary between 0 and 17,000 (in the event that the maximum performance scenario is achieved).

The total maximum number of performance shares that may vest for the Chairman and CEO represents less than 0.06% of the Company's capital at end-2011 and less than 12% of the total number of performance shares granted.

See section 7.5 below for a more detailed description of Long-Term Compensation Plan no. 10 and the stock options and performance shares granted to the Chairman and CEO.

(1) In accordance with its new long-term compensation policy for senior managers, the Company did not grant any stock options in 2011.

Commitments towards the Chairman and CEO

Appointment as Chairman and CEO: May 26, 2009
End of current term of office as director : Annual Shareholders' Meeting to be held in 2012 to approve the financial statements for the year ended 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.

Termination payments

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

In accordance with the Internal Regulations of the Board of Directors, termination payments – i.e. termination 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:

- 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 achievement rates recorded over the last three years preceding the year of departure.

- 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 will correspond to the arithmetic mean of the stock market performance rates over three periods, corresponding to (a) each of the two calendar years preceding the year of departure and (b) the period between January 1 of the year when his entitlement to the indemnity is assessed and the date of the decision to terminate his position. 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 value 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 will be based on the level of performance achieved:

- If the performance index is higher than or equal to 100%, the termination indemnity is paid in full.
- If the performance index ranges between 30% and 100%, the termination indemnity is paid in the same percentage (for example, if the performance index is equal to 70%, the termination indemnity paid is equal to 70% of its maximum amount).
- No termination indemnity 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 will be deemed to be the case unless specifically decided otherwise in accordance with the Board of Directors' Internal Regulations and before the Board of Directors' official recording of the achievement of the above-mentioned performance conditions.

Non-compete indemnity

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 is a member of the supplemental retirement plan set up by the Group for certain employees and corporate officers. The regulations for this defined benefit plan were adopted by the Board of Directors in 2004 (and amended on October 1, and November 25, 2008), and make the plan's benefits conditional upon the beneficiary ending his professional career while employed at the Company. The lifetime pension amount, with survivor benefits, is based on the beneficiary's average annual 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. At its meeting on November 25, 2008, the Board of Directors amended the plan regulations by making plan benefits for new corporate officers conditional upon five years' seniority 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 used for calculating plan benefits.

The total amount of the obligations assumed by the Group for pensions and similar benefits to which Frédéric Vincent is entitled amounted to 6,761,367 euros at December 31, 2011 (including payroll taxes).

Welfare scheme

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

7.5 Stock options and performance shares

The Group's long-term compensation policy

Up to and including 2010, the long-term compensation policy set up by the Group consisted of annual grants of stock options. 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, as from 2007 stock option grants were associated with a long-term incentive plan ("LTIP"), available to a greater number of managers. This combination of cash payments (subject to performance conditions) and stock options and the introduction of annual stock option grants made it possible to reduce the number of options granted each year and therefore, to reduce the dilution of capital.

On February 11, 2011 the Board of Directors decided to adopt an amended Group long-term compensation policy, which was approved at the 2011 Annual Shareholders' Meeting. The new policy – which was ratified by the Board in early 2012 – involves granting performance shares to the Group's key managers (including members of the Executive Committee), as well as a restricted number of free shares to certain high-potential managers. (See below for a description of Long Term Compensation Plan no. 10.).

Any shares granted to the Chairman and CEO in accordance with the Group's new long-term compensation policy will comply with the recommendations of the AFEP-MEDEF Corporate Governance Code, and particularly with the description set out below.

Description of grants of performance shares and/or stock options to the Chairman and CEO

Since the Company adopted the AFEP-MEDEF Corporate Governance Code, any grants of performance shares and/or stock options to executive directors have complied with the recommendations set out in said Code and all such grants are now subject to performance conditions:

Timing	Annual grants, except where decided otherwise by the Board (and appropriately justified), and in exceptional circumstances.
No discount	No discounts are applied on grants of stock options.
Performance conditions	Performance shares and/or stock options granted to Executive Committee members will only vest/be exercisable if the Appointments and Compensation Committee decides that the performance conditions set by the Board at the grant date have been met. Under the terms of the Company's two most recent stock option plans (nos. 8 and 9), the stock options granted to members of the Executive Committee may only be exercised subject to the achievement, during the vesting period, of performance conditions linked to Nexans' average comparative share performance and the Free Cash Flow generated by the Company. Under Long-Term Compensation Plan no. 10 – which includes performance shares granted to the Chairman and CEO – the shares will only vest if the performance conditions described in section 7.4 above are achieved.
Custody obligation	The Chairman and CEO is required to keep a portion of any shares he receives on the exercise of stock options and must keep a significant and increasing number of any shares acquired on the exercise of stock options or the vesting of performance shares. Under the terms of Plan nos. 7, 8 and 9, executive directors are required to hold one quarter of the shares resulting from the exercise of stock options until the end of their term of office. Under the terms of Long-Term Compensation Plan no. 10, the Chairman and CEO is required to hold, in registered form and for as long as he remains in office, one quarter of the performance shares that he acquires at the end of the vesting period. This requirement applies unless the Board of Directors decides otherwise in view of the Chairman and CEO's situation and particularly taking into account the objective of holding an increasing number of shares acquired under such plans.
Purchase obligation	Under the terms of Long-Term Compensation Plan no. 10, at the end of the applicable lock-up period the Chairman and CEO is required to purchase a number of shares equivalent to 10% of the performance shares that he acquires at the end of the vesting period.
Prohibition of hedging instruments	Stock options and performance shares granted to members of the Executive Committee (including the Chairman and CEO) as well as shares resulting from the exercise of stock options may not be hedged[1].
Recommended "black out" periods	Group procedure on insider trading.

(1) The restrictions on performance shares apply for the entire vesting period, and for French resident beneficiaries, from the grant date to the end of the lockup period.

Stock options

Summary of stock option plans in effect at end-2011

	Plan no. 3	Plan no. 4	Plan no. 5	Plan no. 6	Plan no. 7	Plan no. 8	Plan no. 9
Date of Shareholders' Meeting	06/05/03	06/05/03	05/15/06	05/15/06	05/10/07	04/10/08	05/26/09
Grant date	11/16/04	11/23/05	11/23/06	02/15/07	02/22/08	11/25/08	03/09/10
Number of options granted	403,000	344,000	343,000	29,000	306,650	312,450	335,490
To corporate officers	125,000	-	120,000	-	65,000	45,000	41,800
To the ten employees who received the most options	209,000	91,000	166,000	29,000	77,500	75,200	87,000
Total number of beneficiaries	18	96	29	5	180	216	240
Start date of exercise period	11/16/05	11/23/06	11/23/07	02/15/09	02/22/09	11/25/09	03/09/11
Expiration date	11/15/12	11/22/13	11/22/14	02/14/15	02/21/16	11/24/16	03/08/18
Subscription price	€27.82	€40.13	€76.09	€100.94	€71.23	€43.46	€53.97
Exercise terms	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	One quarter each year
Number of shares purchased at Dec. 31, 2011	238,750	177,684	-	-	-	13,812	2,289
Number of options cancelled	-	19,625	3,000	10,000	10,900	13,275	4,590
Options outstanding at Dec. 31, 2011	164,250	146,691	340,000	19,000	295,750	285,363	328,611

Shares subscribed in 2011 following the exercise of stock options by the ten employees exercising the most options (excluding corporate officers)

	Number of shares purchased	Exercise price
Plan no. 2 – April 4, 2013	15,500	€11.62
Plan no. 3 – November 16, 2004	25,000	€27.82
Plan no. 4 – November 23, 2005	10,000	€40.13
Plan no. 8 – November 25, 2008	3,000	€43.46
Plan no. 9 – March 9, 2010	1,387	€53.97

Performance shares and free shares

Long-Term Compensation Plan no. 10 – November 15, 2011

On November 15, 2011 the Board of Directors set up Long-Term Compensation Plan no. 10, which primarily involves the award of performance shares but also includes a restricted number of free shares that are not subject to performance conditions. The performance share section of the plan has 179 beneficiaries (including the Chairman and CEO) and the total number of performance shares that may be granted is 147,215 if the maximum performance target is achieved.

The applicable performance conditions are as follows: (1) a stock market performance condition, based on Nexans' share performance over a three-year period compared with the share performance of a benchmark panel of companies over the same period; and (2) a financial performance condition, corresponding to the change in Nexans' operating margin on sales measured over a three-year period (at actual metal prices) compared with the change in the operating margin on sales over the same period for the same benchmark panel of companies as used for the stock market performance condition.

The Plan's other main features are as follows:

	Long-Term Compensation Plan no. 10
Date of Shareholders' Meeting	05/31/11
Grant date	11/15/11
Total number of beneficiaries	256
Number of performance shares granted (based on target performance)	99,310
Number of performance shares granted (based on maximum performance)	147,215
To corporate officers (based on maximum performance)	17,000
To the ten employees (non-corporate officers) receiving the most shares	30,700
Number of free shares (with no performance conditions attached) granted to non-Executive Committee members	13,420
Vesting period (French residents)	11/15/11 - 11/15/14
Vesting period (non-French residents)	11/15/11 - 11/15/15
Lock-up period (French residents only)	11/15/14 - 11/15/16

The dilutive impact of Long-Term Compensation Plan no. 10 was less than 0.60% at December 31, 2011.

8. Information concerning the Company and its capital

8.1 Share capital

Share capital at December 31, 2011

At December 31, 2011, the Company's share capital was 28,723,080 euros, divided into 28,723,080 shares with a par value of one (1) euro each. This amount includes the impact of 118,689 stock options exercised between January 1 and December 31, 2011.

Following the removal of double voting rights approved at a General Shareholders' Meeting and a Special Meeting of holders of shares with double voting rights held on November 10, 2011, the number of voting rights is the same as the number of shares making up the Company's capital.

Changes in Nexans' share capital over the last five years*

Date	Transaction	Number of shares issued/canceled	Par value of transaction	Total amount of share capital (in euros) and number of shares
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	Capital increase following the exercise of stock options	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
July 27, 2010	Capital increase following the exercise of stock options	89,067	€89,067	28,101,995
August 5, 2010	Employee share issue	482,467	€482,467	28,584,462
January 14, 2011	Capital increase following the exercise of stock options	19,929	€19,929	28,604,391
July 26, 2011	Capital increase following the exercise of stock options	115,639	€115,639	28,720,030
January 11, 2012	Capital increase following the exercise of stock options	3,050	€3,050	28,723,080

* *This table does not include new shares issued since January 1, 2012 following the exercise of stock options as the Board of Directors had not made the required amendments to the Company's bylaws at the publication date of this report.*

Potential share capital at December 31, 2011[1]

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 bonds was set at six years and 178 days. If the bonds run until their scheduled redemption date they will be redeemed in full on January 1, 2013 at a price of 85.7556 euros per bond, representing 116% of their total face value. However, the Company has an option under which it is entitled to require the bondholders to convert their bonds into shares if the Nexans share price exceeds a certain level. 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.

On June 3, 2009, the conversion ratio of the 1.5% 2013 OCEANE bonds was adjusted in accordance with the provisions of the prospectus reviewed by the AMF. As from that date, if bondholders opt to convert these bonds they will receive 1.02 Nexans shares instead of 1.0 Nexans shares, for each bond converted.

At December 31, 2011, all of the 1.50% 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 bonds was set at six years and 192 days. If the bonds run until their scheduled redemption date they will be redeemed in full on January 1, 2016 at their face value, i.e. at a price of 53.15 euros per bond. However the Company has an option under which it is entitled to require the bondholders to convert their options into shares if the Nexans share price exceeds a certain level. 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, 2011, all of the 4% 2016 OCEANE bonds were still outstanding.

(3) 1,579,665 outstanding employee stock options, representing 5.49% of the Company's capital and exercisable for one Nexans share each.

(4) 13,420 free shares (with no performance conditions attached) granted to certain employees, representing 0.046% of the Company's share capital at December 31, 2011.

(5) 147,215 performance shares (based on the achievement of maximum performance targets) granted to employees and corporate officers, representing 0.51% of the Company's share capital at December 31, 2011.

Except for the above-mentioned instruments, at December 31, 2011 there were no securities that are convertible, redeemable, exchangeable or otherwise exercisable for the Company's shares.

At end-2011, the Company's potential share capital – corresponding to its existing capital plus any shares issued on the exercise of rights to Nexans shares – represented approximately 133% of the Company's capital at December 31, 2011 based on (i) the 28,723,080 shares making up Nexans' capital, (ii) 3,869,917.74 shares that could be issued on the conversion of the 3,794,037 1.5% 2013 OCEANE bonds (taking into account the above-mentioned conversion ratio for these bonds), (iii) 4,000,000 shares that could be issued on the conversion of the 4% 2016 OCEANE bonds, (iv) 1,579,665 shares issuable on the exercise of stock options, and (v) 13,420 free share grants and 147,215 performance shares (based on the achievement of maximum performance targets) that could be issued at the end of the applicable vesting period.

See also section 7.5 of this Management Report (Stock options and performance shares).

(1) Please refer to the information set out in the section "Additional information", "Significant events since the year-end and approval of the 2011 Management Report" of this Registration Document, regarding the issue of 2.5% OCEANE bonds maturing in 2019 and the redemption of OCEANE bonds maturing in 2013 carried out subsequent to the approval of the 2011 Management Report.

8.2 Breakdown of share capital and voting rights(1)

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, 2011 were:

- Madeco SA (Chile), which held 19.86% of Nexans' capital at end-2011;
- Caisse des Dépôts et Consignation (CDC) through the Fonds Stratégique d'Investissement (FSI);
- Manning & Napier Advisors, LLC (United States).

The following threshold disclosures were filed with the AMF in 2011:

Date threshold crossed	Date of disclosure	Declarant company or intermediary	Number of shares and voting rights held	% capital	% voting rights	Disclosure event
05/20/2011	05/26/2011	Madeco SA	4,335,126	15.10% (deemed)	14.87% (deemed)	Upward crossing of 15% share ownership threshold and 10% voting rights threshold*
08/22/2011	08/25/2011	Madeco SA	4,376,126	15.24% (deemed)	15.00% (deemed)	Downward crossing of 15% voting rights threshold*
09/16/2011	09/21/2011	Dodge & Cox	1,414,603	4.92%	4.85%	Downward crossing of share ownership and voting rights threshold
11/03/2011	11/07/2010	Axa	1,435,465	4.99%	4.92%	Downward crossing of share ownership and voting rights threshold
12/14/2011	12/19/2011	Manning & Napier Advisors, LLC**	1,486,819	5.18%	5.18%	Upward crossing of share ownership and voting rights threshold

* Deemed ownership through a future agreement giving right to the delivery of shares.
** Manning & Napier Advisors, LLC (US) acting on behalf of funds and clients.

In addition, Madeco notified the Company of the delivery, on August 26, 2011, of the Nexans shares previously acquired through a future agreement, which delivery led Madeco to cross the threshold of 15% of the shares of the Company at the same date.

(1) See Section V.1 "Additional information - Principal Shareholders" in this document which describes the breakdown of the share capital on January 31, 2012.

8.3 Share buybacks

The Annual Shareholders' Meeting on May 31, 2011 authorized the Company to trade in its own shares subject to terms and conditions set by shareholders at the Meeting. At December 31, 2011 no share buyback program had been initiated by the Board of Directors and therefore the Company had none of its own shares at that date.

8.4 Employee share ownership plan

On November 15, 2011, the Board of Directors approved an employee share issue to be carried out in 2012 involving the issuance of a maximum of 400,000 shares to members of a Nexans Group employee share ownership plan. This operation will be the fifth international employee share issue to be carried out by the Group. The issue is expected to include a "leveraged" structure that provides employees with a capital guarantee. Subject to approval by the AMF, the shares will be subscribed via an employee mutual fund at a unit price representing a 20% discount on the reference share price (except in specific cases due to local rules and regulations)[1].

The precise terms and conditions of this employee share issue – which will be entitled "Act 2012" and is expected to be carried out by the end of the third quarter of 2012 – will be announced to the Group's employees and the market at a later date. The issue may not be carried out until (i) the relevant regulatory authorities in each country have been notified or their approval obtained, including the AMF in France, and (ii) the consultation procedures with employee representatives as required by the applicable laws have been duly completed. The issuance of shares under this plan to Group employees in the USA has not been and will not be registered with the Securities and Exchange Commission. The Company reserves the right to change the terms and conditions and/or timing of the issue as well as to suspend its launch.

At December 31, 2011, the proportion of the Company's share capital owned by employees –calculated in accordance with Article L.225-102 of the French Commercial Code – was 2.93% (of which 96% through FCPE).

(1) See additional information contained in note 2(f) to the notes to the 2011 consolidated financial statements regarding a planned capital increase reserved for employees.

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

In addition to the commitments to Frédéric Vincent as Chairman and CEO described in section 7.4 above, certain salaried members of Nexans' Executive Committee are entitled, in the event of termination of their employment contract (for any reason other than gross negligence or misconduct), to an indemnity representing one or two years of their total gross compensation.

On March 27, 2011 Nexans signed an agreement with its principal shareholder, the Chilean group Madeco. This agreement – which has a ten-year term effective from August 26, 2011 (the date on which Madeco's participation exceeded 15% of Nexans shares) – aims to give Madeco a leading position in Nexans' share capital by increasing its ownership interest from 9% to 20%. In accordance with the terms of the agreement, which can be viewed on Nexans' website: (1) Madeco is subject to a lock-up and standstill undertaking under which its interest in Nexans must remain at 22.5% for a three-year period as from August 26, 2011; (2) Madeco is entitled to three seats on Nexans' Board of Directors throughout the term of the agreement; and (3) Nexans or Madeco may terminate the entire agreement or certain of their obligations in the event of a public tender offer for the Company.

Furthermore, the following four commitments contain provisions relating to a change in control of Nexans:

- A multi-year securitization plan set up in April 2010 under which the amount of receivables that may be sold has been capped at 250 million euros. The receivables sales are carried out through two programs: (i) an "On Balance Sheet" program, under which the sold receivables are not derecognized and the level of outstandings is currently capped at 85 million euros worth of receivables; and (ii) an "Off Balance Sheet" program, under which the sold receivables are derecognized and the level of outstandings is currently capped at 25 million euros worth of receivables. At December 31, 2011, the amounts of financed receivables under the "On Balance Sheet" and "Off Balance Sheet" programs were around 44 million euros and 21 million euros respectively. According to the terms of this securitization plan, the receivables sales and the programs themselves may be terminated in the event of a change in control of Nexans.

- The 540 million euro new syndicated loan agreement signed on December 1, 2011 (Multicurrency Revolving Facility Agreement), which contains a clause for accelerated repayment in certain circumstances, including in the event of a change in control of Nexans.

- The prospectus for the issuance of the "2017 Notes" (2007–2017 5.75% bonds, 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 here above), which provides bondholders with an early redemption option in the event of a change in control of Nexans[2].

(2) Please refer to the information set out in the section "Additional information", "Significant events since the year-end and approval of the 2011 Management Report" of this Registration Document, regarding the issue of OCEANE bonds maturing in 2019.

9. CSR – Environmental and human resources data

9.1 Organization of Nexans' commitment to CSR

A CSR[1] Committee 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 Europe Area, the High Voltage and Underwater Cables business group, the Asia-Pacific Area and the MERA Area (Middle East, Russia and Africa), as well as representatives from the various corporate departments (the Industrial & Logistics, Purchasing, Technical, and Information Systems Departments), the Corporate Secretary/General Counsel, the heads of Human Resources and Communications, the Head of the Risk Management Department, and the Group's CSR Officer 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
  - Governance
  - Skills development and training
  - Labor relations
  - Corporate sponsorship projects
  - Community relations
  - Human resources indicators
- Environment & Products 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 and eco-declarations
  - Sustainable products and solutions
  - Environmental indicators

The specialized committees also meet twice a year.

(1) Corporate Social Responsibility.

9.2 Ethics and business conduct

In 2011 the Group updated its Code of Ethics and Business Conduct, putting in place a system for (i) dealing with notification of serious unethical behavior in the Group's accounting, financial and banking domains, (ii) combating corruption, and (iii) ensuring compliance with antitrust regulations. A Group Ethics Correspondent has been appointed as part of this new system.

The Code of Ethics and Business Conduct is given to all employees and all of the Group's stakeholders are informed of its contents. It sets out the values, principles of behavior and rules of conduct which Nexans' executives and more generally all managers of the Group's market lines and subsidiaries are responsible for applying and implementing. The application of the Code is one of the issues verified in the Group's audit processes.

The purpose of the Code is to help individuals to act on behalf of the Group in their everyday work in a manner that is beyond reproach. It forms 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.

In 2011, a particular focus was placed on fostering awareness among sales and purchasing teams in order to make sure that the Code's principles are applied in all dealings with customers and suppliers. A self-assessment procedure was also carried out among the Group's managers to ensure that they have a good understanding of the Code's purpose and content.

The Code has been translated into 16 languages and may be viewed on Nexans' website or on the Group or country intranets. It is given to each new employee when they join the Group.

9.3 CSR and human resources data

Methodology:

The Group's human resources data is tracked, analyzed and consolidated by the Group Human Resources Department.

The data provided in this section is based on the following:

- Quantitative human resources data, which the various Human Resources departments in each country compile on a quarterly basis using an internal system. These indicators – certain of which relate to performance – can be accessed by all of the Group's HR managers through a business intelligence system.
- Qualitative data, which is reported monthly. A summary by topic (excluding any personal information) is passed on to all HR managers through a Group HR collaborative workplace.
- Discussions with country-level HR teams during site visits.
- Analysis of an annual qualitative report on the Group's various HR processes.

The scope of consolidation used for compiling human resources data is the same as that applied for Nexans' consolidated financial statements.

A Group-wide timeline is used for monitoring and analyzing human resources data. Similarly, the indicators used are based on standard Group definitions.

The Statutory Auditors review the process used to consolidate HR data, even though the information is not of a financial nature.

The main difficulty of the overall process is the differences that exist in the level of detail provided in the collected data. For example, North America and Turkey report detailed information by site with a view to being able to more closely monitor performance, whereas other countries, such as France, South Korea, Italy, China and Morocco report their data by legal entity.

HR strategy:

Nexans' HR strategy forms part of the Group's overarching corporate strategy and is underpinned by two main objectives:

- Acting as a support for furthering the efficiency and effectiveness of the Group's organizational structure (e.g. through a job families framework, competency models, business processes and performance indicators);
- Improving the effectiveness of the HR function.

The following initiatives have been adopted for the purpose of achieving the two above-described objectives:

- Designing competency models for all of the Group's functions;
- Promoting excellence by rolling out these competency models as well as development programs;
- Bolstering the Nexans University training programs;
- Setting up succession plans for all of the Group's key positions;
- Drawing up an overall compensation policy;
- Putting in place a job grading system;
- Taking steps to professionalize HR teams by rolling out an HR competency model and developing specific HR systems and processes.

Several Group procedures were drawn up and put in place in 2011 with a view to strengthening the impact of these various initiatives and more effectively monitoring their results. One example was the grading procedure that was set up during the year. All of these HR procedures were analyzed and approved by Nexans' internal auditors.

The Group's HR teams also have access to various tools and systems to ensure that Nexans' HR policy and processes are effectively applied. In 2011 the Group decided to add to these by:

- Increasing the use of the HR information system (HRIS) as part of the process for tracking the rollout of the Group's competency models and performance project.
- Extending the population coverage of the HRIS to include all employees in the Group's cables business.

A three-year rollout plan by country is currently being drawn up for this project.

In 2011 the use of the internal and external recruitment platform was extended to include Asia and South America.

At the same time, the preparatory stages of a Learning Management System project are completed which is aimed at:

- offering access to the training courses proposed in the Nexans University catalog;
- increasing the use of e-learning;
- creating evaluation quizzes in order to guide users in their choice of training courses and enable the Group to measure the quality of the training delivered;
- enhancing the capitalization and transfer of knowledge;
- encouraging the creation of networks and exchanges.

This Learning Management System will play a key role in helping to implement and track the development plans drawn up based on individual development interview held with employees using competency models.

Our overall HR strategy, which is applied taking into account local legal requirements, has the four-fold aim of (i) anticipating and satisfying the requirements of our various customers; (ii) helping employees to develop their careers in line with the needs of their respective businesses, (iii) building the employability of the Group's people, and (iv) promoting workplace health and safety.

9.3.1 Headcount

• Headcount by geographic area (number of people holding a contract with a consolidated Group entity in the year indicated)

	Europe	Asia-Pacific	North America	South America	MERA	Nexans Group
2009	14,277	2,437	1,662	2,203	2,137	22,716
2010	14,618	2,153	2,038	2,403	2,436	23,648
2011	**14,896**	**2,214**	**2,395**	**2,309**	**2,747**	**24,561**

(MERA: Middle East, Russia and Africa)
Employee figures for the harness business in Tunisia, which were included in "Europe" in 2009 (representing 204 people), were reclassified to "MERA" in 2010

In 2011, total headcount increased by 3.9%, primarily due to growth in the harness business in Mexico, Tunisia, Ukraine and Romania. The number of employees working in the Group's cables business was on a par with 2010.

The Group operates across the globe and the weighting of headcount by geographic area is moving slightly towards the North America and MERA Areas, primarily due to the rise in employee numbers in the harness business in Mexico and Tunisia.

EUROPE

The number of employees based in Europe rose by 1.9% in 2011 and represented 60.6% of total Group headcount versus around 62% in 2010.

Headcount in the harness business increased by 6.1%, with Romania and Ukraine reporting the biggest rises.

Excluding the harness business, headcount in Europe was stable year-on-year, reflecting the combined impact of:
- higher overall employee numbers, mainly for the high-voltage and accessories businesses in Norway (the Halden plant) and the high- and medium-voltage and accessories businesses in both Germany (the Hof and Hanover plants) and Belgium (the Erembodegem plant);
- a reduction in headcount in France and Italy (at the Chauny and Latina sites) as a result of restructuring plans, as well as the sale of a business in the United Kingdom.

ASIA-PACIFIC

Nexans' employees in the Asia-Pacific Area accounted for 9% of the Group's total headcount in 2011, up 2.8% on the 2010 figure.

NORTH AMERICA

Staff in North America represented 9.8% of the Group's employees in 2011, representing a higher weighting than in 2010. Headcount in the Area rose by 17.5% year-on-year, due entirely to the near-53% increase in employee numbers in the harness business in Mexico. Meanwhile, the headcount of cables business sites edged back slightly.

SOUTH AMERICA

The South America Area employed 9.4% of the Group's total headcount in 2011, a lower proportion than in 2010. The overall number of employees in this geographic area contracted by 3.9% reflecting the closure of the Lorena site in Brazil. Employee numbers were stable year-on-year in the Area's other countries, apart from in Argentina where headcount was up.

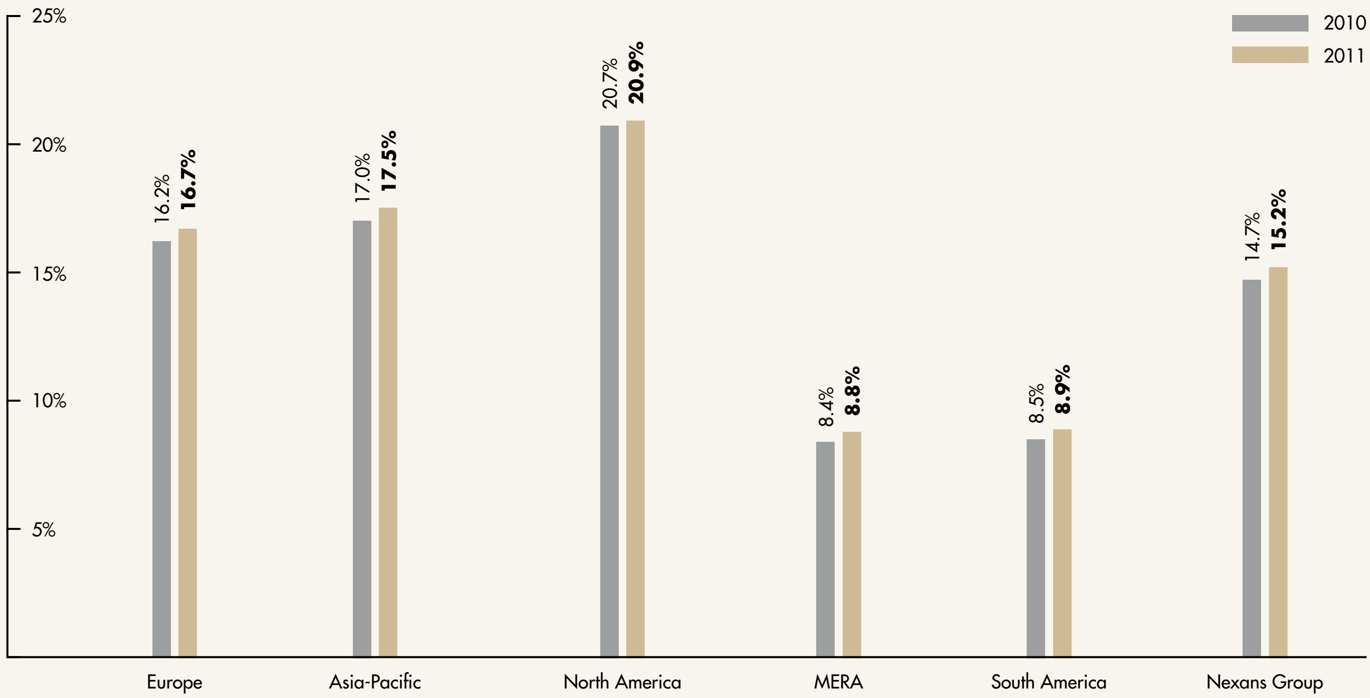
MERA

The number of employees in the MERA Area was 12.8% higher than in 2010 and accounted for 11.2% of the Group total.

Overall increases were reported by:
- the Ouglich plant in Russia (created in 2008);
- the Casablanca plant in Morocco, following the reorganization and strengthening of the sales and supply chain team;
- the Ksar Hellal plant (up 65% on 2010) used by the harness business in Tunisia.

The analysis of indicators provided below does not include the harness business which has different management features and headcount trends than the Group's other activities. Indicators for the harness business are set out in section 9.3.12 below.

• Percentage of female employees at December 31, 2011



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

The proportion of female employees within total Group headcount rose to 15.2% in 2011 with all geographic areas contributing to the increase.

The countries that employ the highest proportion of female workers are China (36%), Vietnam (25%), the United States (27%) and France (23.2%). Over half of the Group's female employees (54%) are based in France, Germany, the Benelux countries, Norway and Sweden, with 29% of Nexans' total female headcount working in France.

The proportion of women occupying management positions represented 19% in 2011 (increase compared to 2010), with proportions of over 25% recorded in Colombia, China, Vietnam, Sweden, Greece and Peru.

• Promotion of equality and diversity

The promotion of equality and diversity reflects the policy of non-discrimination applied to all people in all of Nexans' entities, regardless of country of origin or culture, and enshrined in the Group's Code of Ethics and Business Conduct.

Nexans' recruitment policies are solely based on candidates' skills and their ability to perform the job concerned and do not involve any form of discriminatory practices whatsoever. For example, in France where Nexans participates in the national think-tank on equal employment opportunities since 2005 and is currently working on putting in place progress indicators on gender equality. Similarly, in Sweden an equality plan has been drawn up and in Australia, the Group's businesses comply with the guidelines issued by the Equal Employment Opportunity Commission (EEOC).

• Personnel changes by geographic area

	Europe	Asia-Pacific	North America	South America	MERA	Nexans Group
Natural departures	(812)	(331)	(107)	(324)	(130)	(1,704)
Restructuring	(302)	0	0	(241)	(11)	(554)
Recruitment	1,150	349	103	470	197	2,269
Changes in scope	(32)	42	0	0	0	10
Transfers	(4)	1	0	1	0	(2)
Total	**0**	**61**	**(4)**	**(94)**	**56**	**19**

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

"Natural departures" include resignations, retirements, individual voluntary departures and terminations, death and the expiration of fixed-term contracts.
The "Restructuring" line concerns persons leaving the Group as part of a redundancy plan (both fixed-term and permanent positions).
"Recruitment" corresponds to persons recruited outside the Nexans Group on fixed-term or permanent contracts as well as persons employed by the Group who previously held temporary contracts.
"Changes in scope" include persons joining or leaving the Group due to the acquisition or disposal of a business or company (fixed-term and permanent positions).
"Transfers" include persons who have changed employer within the Group (fixed-term and permanent positions).

In 2011, the number of persons recruited significantly outstripped the number of natural departures. 9% of total natural departures were due to retirement and most of the natural departures occurred in Europe, the Asia-Pacific Area and South America.

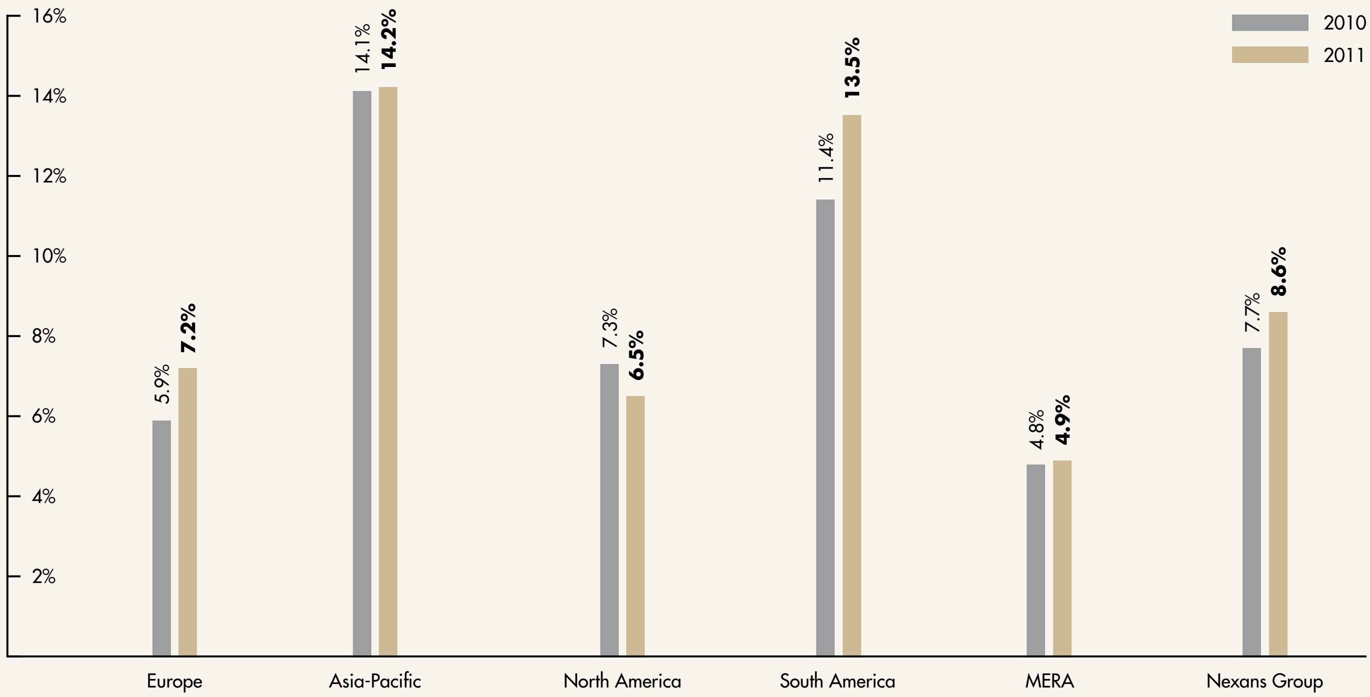
Departures due to restructuring in Europe and South America were primarily attributable to the site closures at Chauny in France, Latina in Italy and Lorena in Brazil.

The Group's manufacturing facilities recruited additional employees in 2011 in order to deal with the increase in workload and/or to refresh their age pyramid. Around half of these new hires were on fixed-term contracts with the percentage of employees recruited under such contracts totaling 57% in Europe (over half of which were in Norway and Germany) and 53% in the Asia-Pacific Area (mainly in China which accounted for 72% of the total).
Of all the recruitments carried out by the Group's manufacturing facilities, half were in Europe (Norway, Germany and France) and 21% were in South America (Brazil and Chile). For example, in Brazil production capacity at a number of sites was increased as a result of a rise in workload for LAN cables.

Movements in personnel due to "Changes in scope" in 2011 reflected the consolidation of Nexans Singapore and the sale of Tri Wire in the United Kingdom.

The overall net variation of employees was positive except for North and South America.

• Personnel turnover rate



Figures do not include the harness business
(MERA: Middle East, Russia and Africa)
Personnel turnover rate = number of departures (resignations, contract expirations, individual terminations, death) excluding departures due to retirement, restructurings, business disposals and employee mobility transfers/average headcount x 100.

Group-wide, the personnel turnover rate was 8.6% in 2011, up on the rate recorded for 2010. This turnover rate increased in all areas except for North America.

The wide disparity between the figures reported by the various geographic areas reflects the different job markets and organizational structures concerned. For example, in Europe a large proportion of the departures was voluntary (34%) or due to the expiration of fixed-term contracts (46%), such as in Norway. In the Asia-Pacific Area, 81% of departures were voluntary and mainly took place in China (primarily due to the extremely tight job market) and in Australia.

Consequently the strategies applied differ from one country to another and take into account local job markets, such as in China where talent retention is a key focus.

• Identifying candidates for mobility and recruitment

The Group offers its employees 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 for both the Group and its employees.

Nexans continues to support and promote global mobility as a way of transferring expertise, enhancing employees' personal and professional development, fostering business growth, and relaying the Group's corporate culture throughout the world.

Global mobility is an important means of retaining key talent and is being offered to an increasing number of employees from all countries.

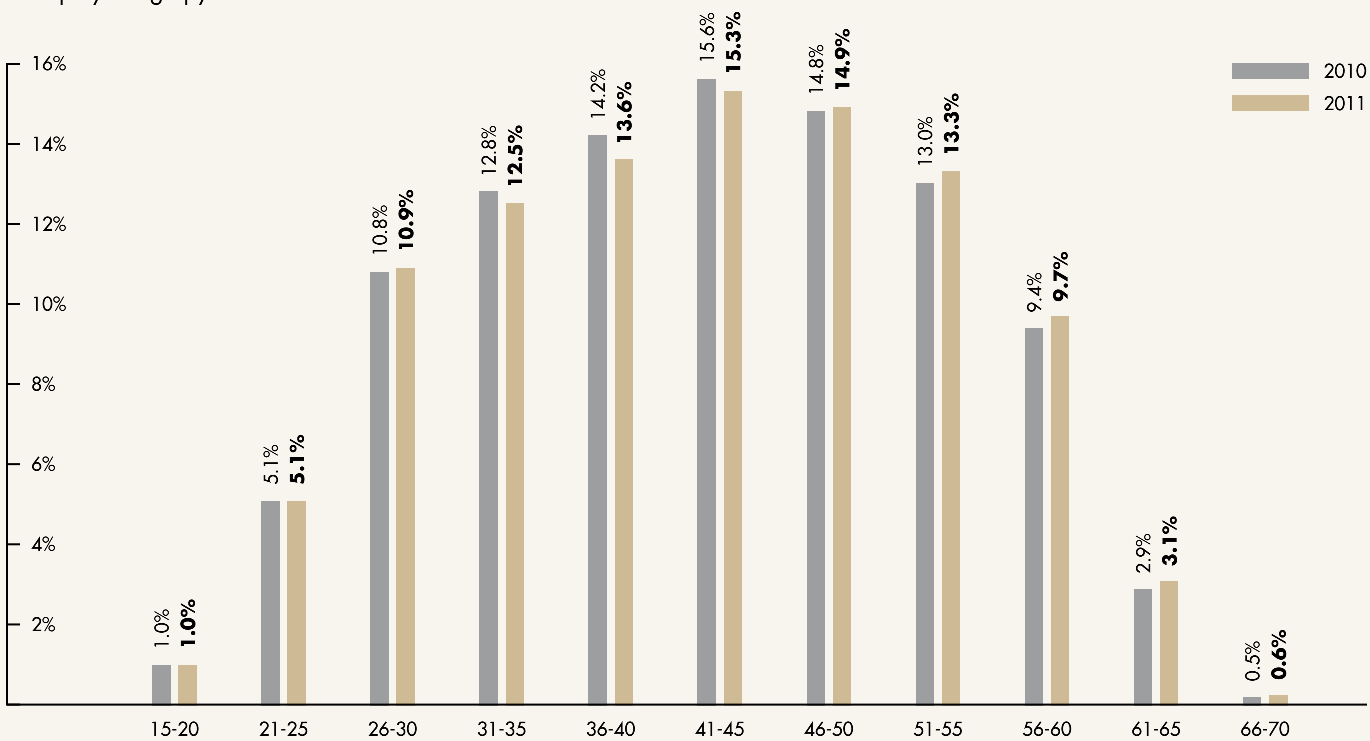
For example, in China the Group's recruitment policy encourages inter-site and inter-business mobility by widely relaying vacant positions, particularly through the online recruitment system, "Job Way".

New young talents are recruited every year in order to meet the Group's need for cross-functional skills and to create a talent pool of future managers. These young people must be able to relay Nexans' values and corporate culture and be a vector for implementing the Group's policies and processes. They are trained to take on operational responsibilities within different Group market lines and mobility forms a key part of their career development.

The "Job Way" online recruitment system introduced in 2009 enables each and every employee to find out about the Group's vacancies and to apply online for a different post or a job in another country. The use of Job Way reinforced the knowledge of candidates interested by mobility. The Group Human Resources Department ensures that each individual case remains confidential until the candidate officially makes an application.

In addition, the Group attends numerous college and university forums – such as in Norway, Chile, France, Germany, Switzerland, Belgium and Sweden – as well as recruitment fairs, for example in Belgium and South Korea, where there is a fair specially dedicated to foreign companies. By participating in these events future employees are identified and our brand image is developed.

• Employee age pyramid



Figures do not include the harness business

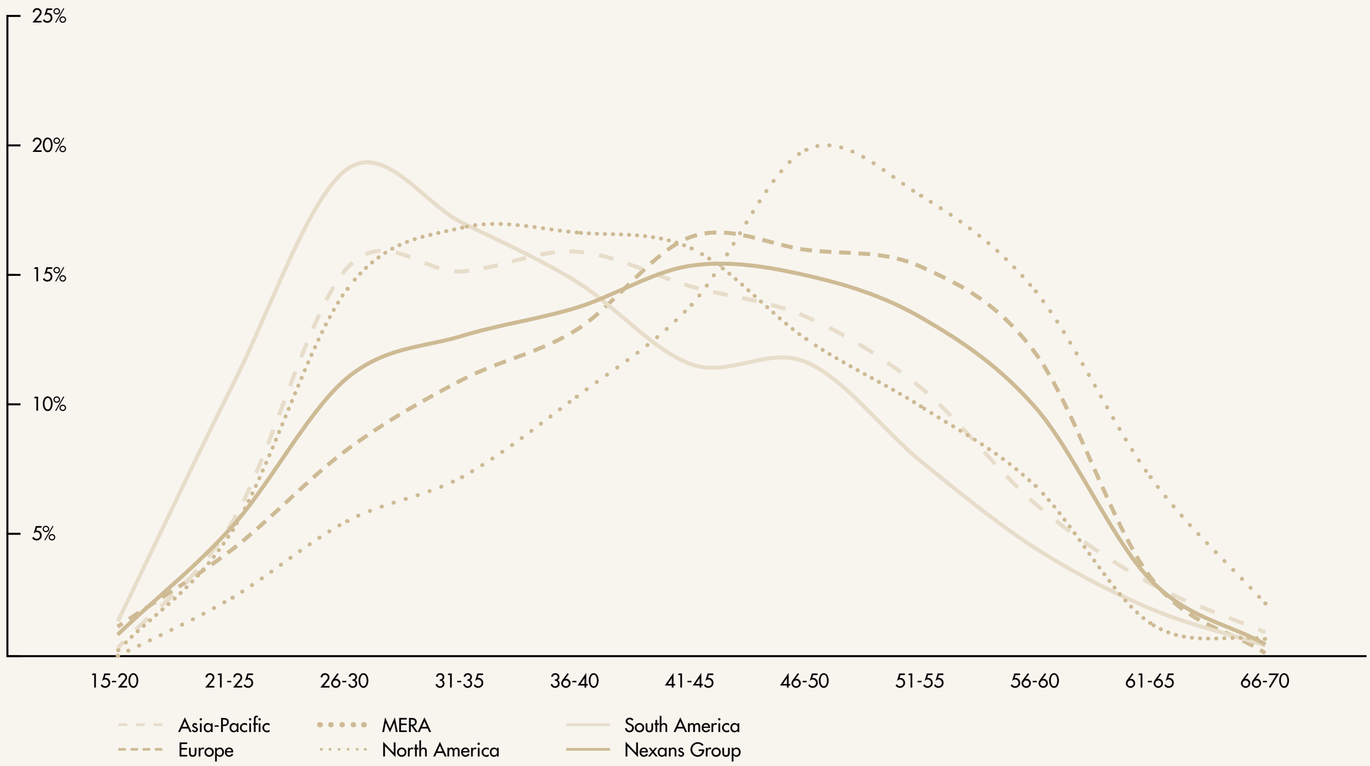
• Average age of employees by geographic area

	2010	2011
Europe	43.6	43.6
Asia-Pacific	40.5	40.6
North America	46.9	47.1
MERA	40.0	40.2
South America	37.7	37.7
Nexans Group	**42.3**	**42.4**

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

The average age of Nexans' employees was stable in 2011 reflecting the lower overall age of new recruits during the year as well as the measures taken by the Group in Europe to refresh the age pyramid. One such example is the work carried out in France to develop the Group's apprenticeship policy. At the same time, with a view to ensuring and strengthening knowledge transfer, in China, Nexans has set up a system for young technicians to be mentored by more experienced employees. A similar system (patronage) for newly-hired young employees has also been put in place in Morocco.

• Age pyramid by geographic area

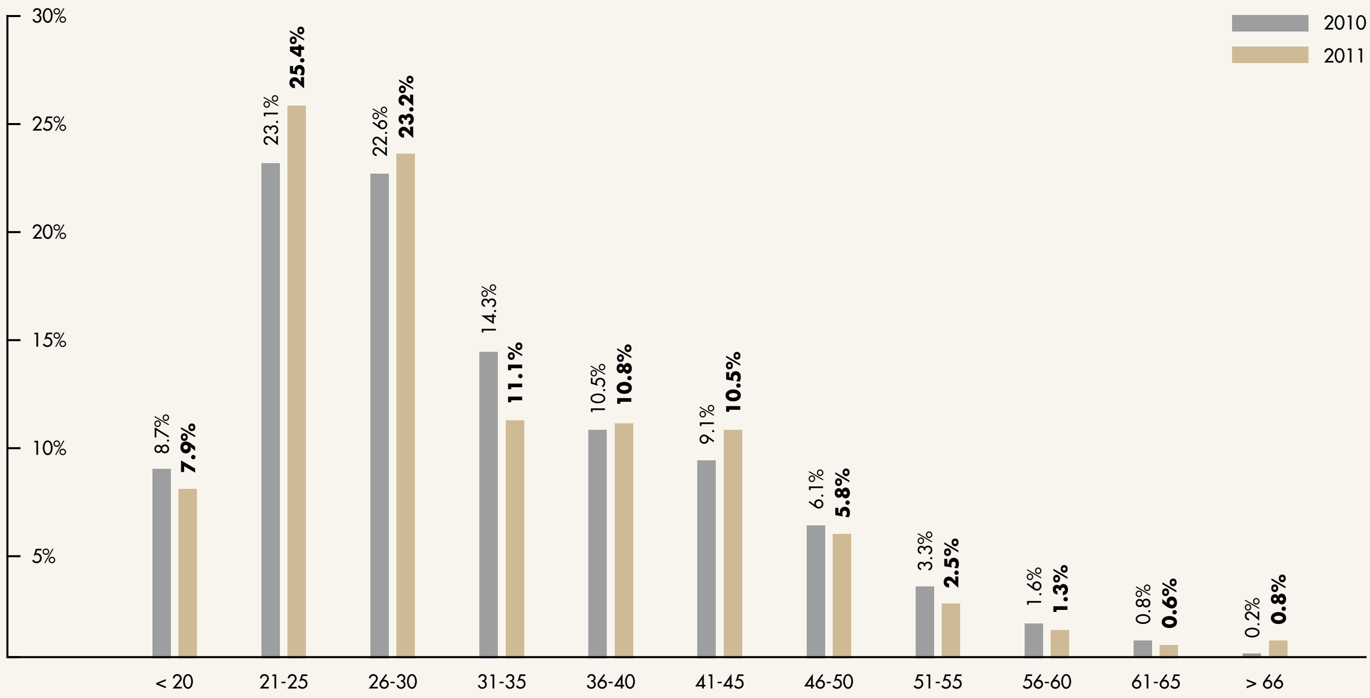


Figures do not include the harness business
(MERA: Middle East, Russia and Africa)

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

In light of the differing market contexts across Nexans' host countries, the Group factors in local considerations in order to draw up appropriate strategies for talent retention and targeted recruitment of young employees and/or developing the careers of existing employees with a view to promoting them to new positions as part of succession planning.

• Age pyramid for new hires



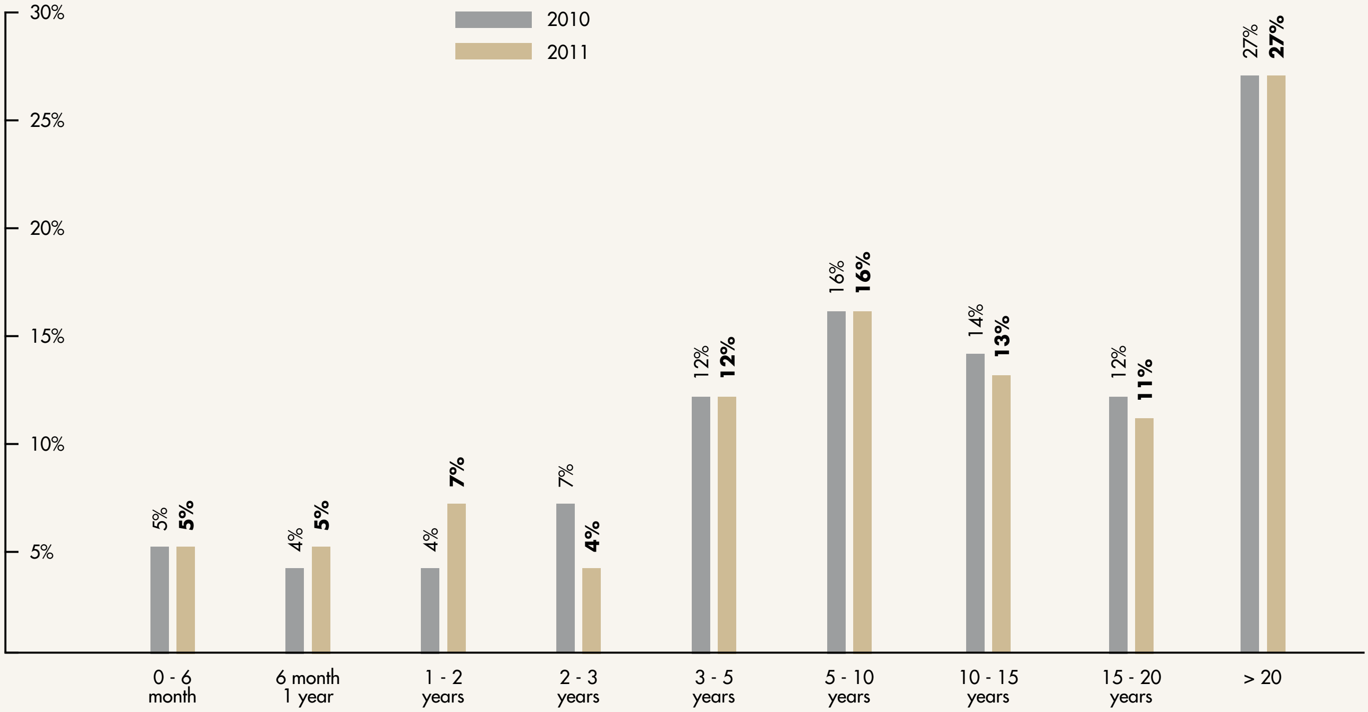
Figures do not include the harness business

Recruitment initiatives undertaken by the Group take into account the need to manage generational changes within the workforce such as in North America.

The average age of new entrants in 2011 was 32, unchanged from 2010. At 56.5%, the proportion of new hires under 30 was up compared to 2010, which explains why the overall average age of the Group's employees was more or less the same year on year.

The majority of these recruitments were for non-managerial positions (85%), with just over half of the new hires (54%) employed under permanent contracts although the picture was mixed across the Group's geographic areas. For example, a significant percentage of new recruits are employed under permanent contracts in the MERA Area, North America and South America.

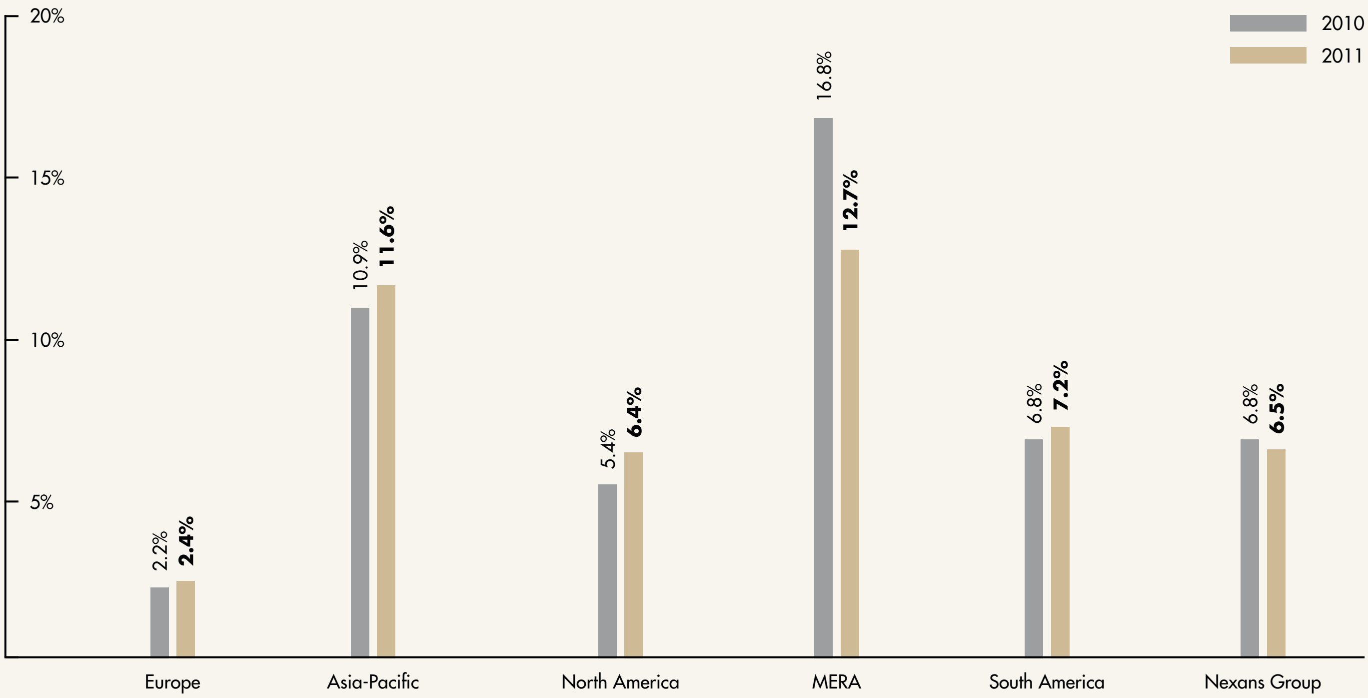
• Length of service



Figures do not include the harness business

The average length of service within the Group was 12.8 years in 2011, slightly lower than in 2010. It is particularly high in Europe (17.1 years in France for example) and in North America (15.5 years in Canada).
The Group's high average length of service figure reflects a strong sense of belonging and the outcome of programs to foster loyalty among personnel. In addition, the stability of our employee base helps to retain know-how within the Group.

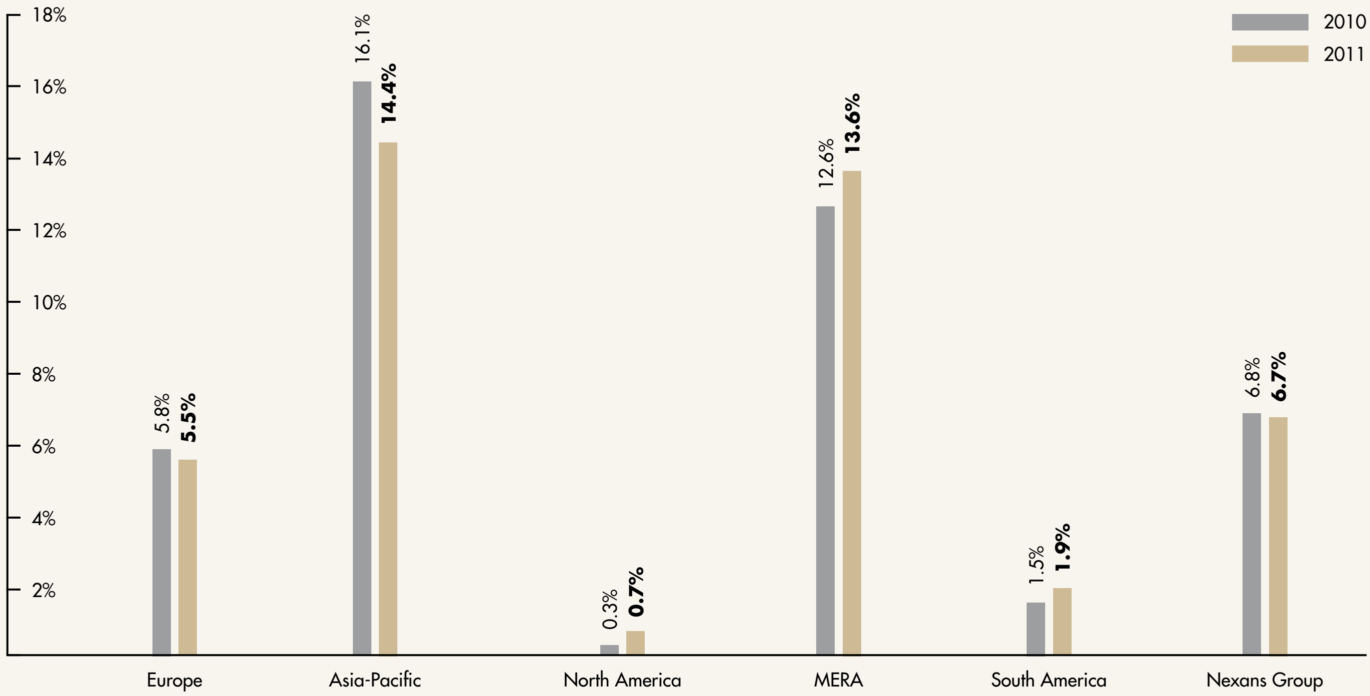
• Overtime



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 is used to tailor workforce requirements to production cycles. In 2011, as in 2010, the use of overtime helped the Group's plants to adapt and have the flexibility required as a result of the difficult economic climate. Overtime represented 6.5% of total hours worked in 2011 (excluding the harness business), against 6.8% in 2010. A total of 57% of these overtime hours were worked in the MERA and Asia-Pacific Areas.

- Temporary employees



Figures do not include the harness business
(MERA: Middle East, Russia and Africa)
Number of full-time equivalents for the last quarter holding a contract with a temporary work agency/total Nexans headcount at the year-end.

At end-2011, temporary personnel represented 6.7% of total headcount against 6.8% in 2010.

The proportion of temporary staff in Asia and the MERA Area was once again high in 2011, located mainly in China and Morocco.

The picture varies widely between the various geographic areas due to differences in local recruitment policies (in China, for example).

During the year a working group made up of HR and Purchasing representatives (primarily from Europe) was set up to determine a formal framework for the temporary work agencies Group's requirements. A large-scale bid process was launched and three companies were pre-selected based on a detailed analysis matrix. One of them was selected as the winning bidder to become the Group's main supplier for the countries concerned, thanks to its proposal that was focused on creating a strong partnership with the Group and providing Nexans with real added value, in terms of services, training and health and safety issues tailored to the Group's needs. This contract is currently being put in place with a view to coming into effect in early 2012.

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.

The total number of departures as a result of restructuring plans amounted to 554 in 2011.

- The restructuring plans launched in 2009 involving the loss of 1,800 jobs led to 942 departures in 2009, 423 in 2010 and 230 in 2011, with the remainder scheduled to occur in 2012. Most of these job losses related to the closure of plants in France, Romania, Germany and Canada, as well as to reductions in headcount in Europe, Egypt, Australia and North and South America.

During 2011 the Group also continued to implement the plans it announced in late 2009 to streamline operations at Nexans France and Nexans Copper France (with the closure of the Chauny plant) and to reduce headcount at Nexans Network Solutions' Euromold Division in Belgium. These measures accounted for 156 departures out of the total 230 that were due to restructuring plans in 2011.

- In 2010 Nexans announced the closure of its sites at Latina in Italy and Lorena in Brazil which will involve 422 people: 45 employees in Brazil left the Group in 2010 as a result of the site closure and 324 people left in 2011.

A voluntary redundancy plan has been put in place at the Dour site in Belgium providing for early retirement at the age of 58 for employees who have already reached that age or who will reach it in 2012.

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

Number of part-time staff (employees whose contractual working time is less than the statutory number of working hours)

	2010	2011
Europe	387	391
Asia-Pacific	18	27
North America	1	0
MERA	0	0
South America	2	1
Nexans Group	**408**	**419**

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

Part-time working arrangements mainly concern Benelux, France, Germany, Switzerland, Norway, Sweden and Australia and in 2011 represented 2.3% of total Group headcount excluding the harness business (slightly up on 2010).

41% of part-time staff in Europe are based in Belgium, where a time credit scheme allows employees to either take a complete career break or partially reduce their working time.

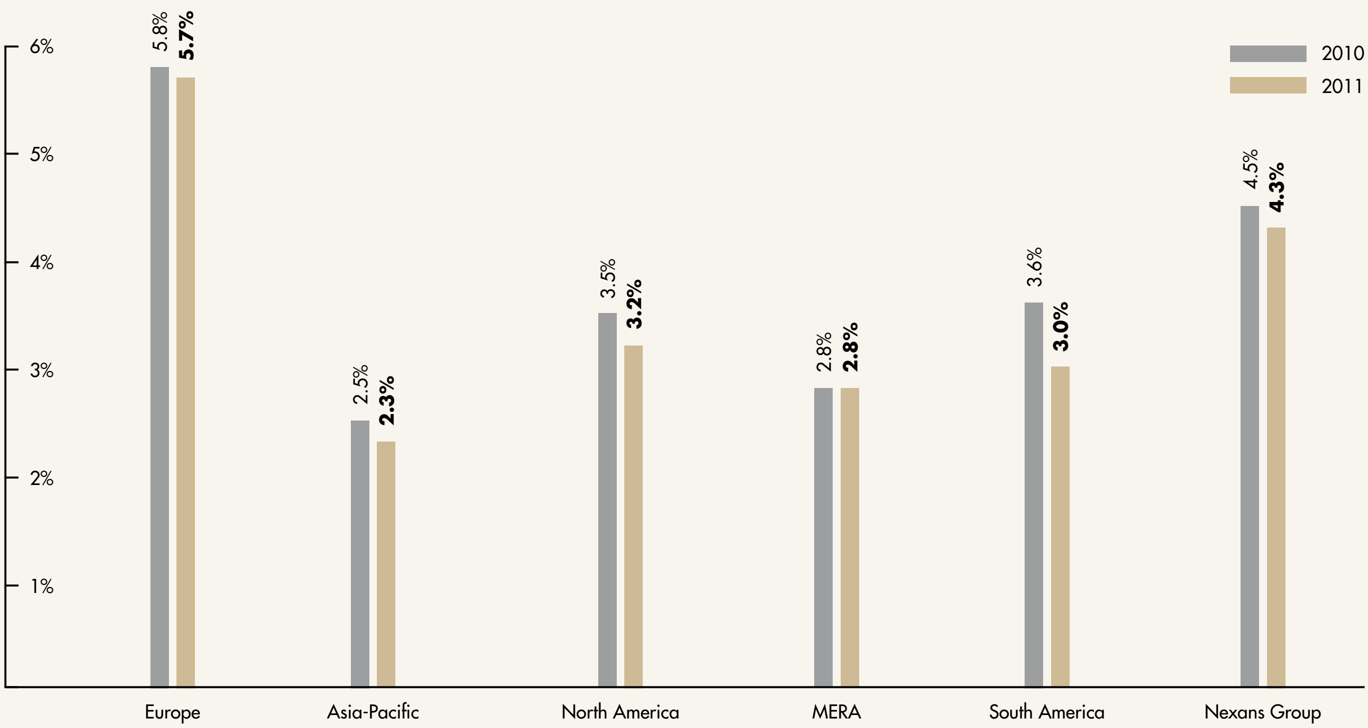
• Fixed-term contracts (FTC)/Permanent contracts (PC)

	2010		2011	
	PC	FTC	PC	FTC
Europe	96%	4%	95%	5%
Asia-Pacific	73%	27%	75%	25%
North America	100%	0%	100%	0%
MERA	98%	2%	97%	3%
South America	95%	5%	97%	3%
Nexans Group	**94%**	**6%**	**94%**	**6%**

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

The overall percentage of employees on fixed-term contracts remained stable year on year at 6%. The Europe and MERA Areas reported a rise in 2011, with increases in Germany, Belgium, France and Morocco. These year-on-year changes reflected additional flexibility required to meet higher workloads as well as the end of a partnership agreement with a job agency in Morocco which led the Group to hire staff on fixed-term contracts. 58% of the Group's fixed-term contracts are held by employees in China and Germany, due to local legislation and the need to apply a prudent policy in view of the economic situation.

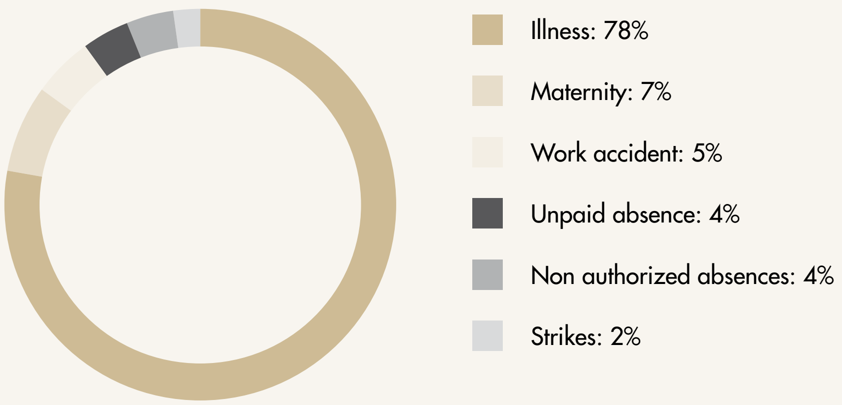
• Absenteeism



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 2011, the overall absenteeism rate edged down to 4.3% from 4.5%.

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 2011.

Thanks to workplace safety initiatives implemented during the year, absence due to work accidents decreased once again, corresponding to 5%, versus 6% in 2010.

Absence due to strikes – which accounted for 2% of total absences – primarily related to the following:

- a salary dispute in France (at the Bourg-en-Bresse site);
- a dispute over salaries, early retirement and a new national collective bargaining agreement in Belgium;
- a restructuring plan in Italy; and
- the austerity measures in Greece.

9.3.4 Compensation

The Group's compensation policy is aimed at further strengthening the commitment of its employees, helping build their skill sets and encouraging their individual and team performance.

Designed and rolled out on a global scale and based on objectives of competitiveness, fairness and transparency, this policy is fine-tuned at a local level by Nexans' various entities in line with their specific cultural, organizational and operational requirements.

When putting together compensation packages for its senior managers and key employees in its main host countries, Nexans draws extensively on the use of salary surveys in order to ensure that the packages are in line with market practices. The Group's salary policy in 2011 was aimed first and foremost at ensuring its packages were in line with market trends, as well as offsetting the effects of inflation on a local basis. Collective bargaining agreements on salaries were signed in several countries during the year, including Brazil, Norway, Greece, Belgium (for certain sites or companies), South Korea and Canada. A new collective bargaining agreement on salaries was also signed in France, reflecting the quality of the social dialogue with Unions.

Individual salary rises were granted based on the relevant budgets and job markets and taking into account assessments of employees' actual and potential performance as well as the skills they have acquired and demonstrated.

Short-term variable compensation (for managerial and specialist staff) is based on target amounts which may represent up to 50% of the employee's basic annual salary (depending on his or her level of responsibility). The amount of variable compensation actually paid is calculated by reference to the achievement of both individual and Group objectives.

Between 2007 and 2010, the Group's long-term compensation policy for its senior managers was structured around stock option grants and associated long-term incentive plans (LTIP). The aim of this approach was to build senior managers' loyalty and to encourage them to actively contribute to the Group's long-term performance.

In 2011 the Group restructured this long-term compensation policy and it is now based on the following:

- Performance shares granted to senior managers. The vesting of these shares is subject to strict and transparent conditions based on the Group's stock market and financial performance;
- Free shares granted to young managers who have a high potential and/or have made an exceptional contribution to the Group. The aim of these awards is to give young managerial talent a stake in the Group's future and to provide them with a differentiated form of compensation.

9.3.5 Labor relations

• Open and constructive social dialogue

Labor relations in the Group are based on respect and dialogue. In this spirit, employee representatives and company management meet regularly to exchange views, negotiate, and adopt agreements.

Nexans enjoys high quality labor relations thanks to a shared willingness to communicate, discuss and negotiate. Thanks to the frequent discussions that have taken place over the past few years with local employee representative bodies, the Group has built up constructive labor-management relations and has been able to draw up a number of formal agreements. Discussions generally focus on salaries, employability, the economic situation, work organization (and notably the Group's new organizational structure in Europe), health and safety, and changes in the working environment.

A particular focus is placed on improving working conditions and work-life quality, as well as raising awareness about safety issues and healthcare matters – such as alcohol and tobacco addiction – and psychosocial risks, including stress.

Local management has regular, fruitful meetings with employee representative bodies and most of the Group's sites have labor representatives.

In addition, measures are implemented to more closely involve employees in their market line's performance, notably through regular meetings on financial performance, development projects and market trends.

Another contributor to achieving the Group's aim of open and constructive dialogue is Nexans' European Works Council which represents the Group's employees at European level and is presided by the Chairman and CEO. This body, which was created in 2003, meets twice a year. Its most recent meeting – which took place in November 2011 – was devoted to discussing the Group's performance, development strategy and human resources policy.

Nexans has signed some 90 agreements with employee representative bodies in 13 countries.

The main agreements signed in 2011 were as follows:

- Pay agreements in France, South Korea, Greece, Norway, Canada, Belgium and Brazil.
- An agreement relating to psychosocial risks, the payment of an additional profit-sharing bonus and a collective retirement savings plan in France.
- An agreement on bonuses in Belgium.
- Agreements concerning the Nexans Excellence Way program in Belgium and Germany.
- Measures relating to working time and short-time working arrangements in Germany.
- Agreements concerning the Group's new organizational structure in Europe (Sweden).
- Various agreements on employee vacation conditions in Italy, Sweden and Brazil, certain employee benefits in Morocco and working conditions in Norway.

Numerous consultation meetings also took place during the year on a range of topics, including:

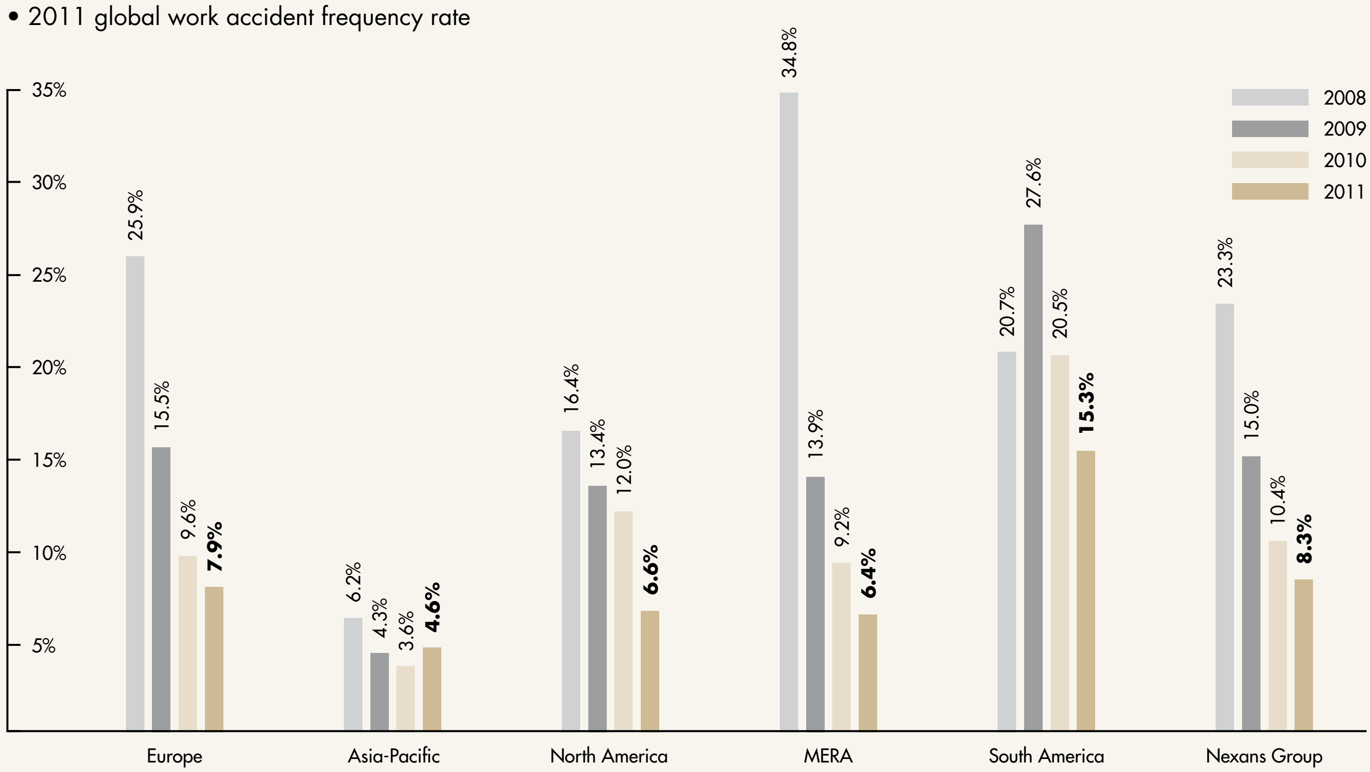
- In Brazil, additional benefits for transport and medication (at the Rio de Janeiro and Americana sites).
- In Morocco, the building and fitting out of a restaurant at the Casablanca manufacturing facility and refitting the restaurant at the Mohammedia site.
- In North America, the production workload, the use of overtime, vacant positions, etc.
- In Vietnam, salaries.
- In New Zealand, a drugs and alcohol prevention policy.
- In South Korea, sales, financial results, workplace health and safety, etc.
- In Sweden, the Nexans Excellence Way program and the introduction of new jobs types.
- In France, hard working conditions, dependency and gender equality.

Lastly, some of the Group's collective agreements expired at end-2011 or in early 2012. Discussions concerning the renewal of these agreements are in process at a number of sites, e.g. in North America and Turkey.

9.3.6 Health and safety

Ensuring that its employees have a safe working environment is a key priority for Nexans, which is why in mid-2008 the Group launched a broad-based program to improve workplace health and safety. Since that date Nexans has unceasingly continued to implement health and safety measures and initiatives, and at end-2011 the global work accident frequency rate stood at 8.3, representing a 20% reduction on 2010 overall and a 21% decrease in the number of accidents involving day lost.

• 2011 global work accident frequency rate



Figures do not include the harness business
(MERA: Middle East, Russia and Africa)
Global work accident frequency rate = Total number of work accidents involving leave in excess of 24 hours/Total number of hours worked x 1,000,000.

As shown in the above graph, the initiatives taken by the Group have led to a significant decrease in the global work accident frequency rate, from 23.3 in 2008 to 8.3 in 2011.

In 2011, 30 sites did not record any work accidents involving leave in excess of 24 hours, compared with 35 sites in 2010.

Safety at work is an absolute priority for the Group and is used as the main performance indicator for all plant managers.

All of the Group's entities carry out the following preventive actions with a view to continuing to change behaviors with regard to risks:

- 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.

Measures taken in 2011 with the aim of achieving a further reduction in the number of accidents included:

- creating a Health, Safety and Environmental Unit within the Group's Industrial Management Department;
- extending the reporting and analysis process for manufacturing facilities to all types of accident, from accidents involving day lost right down to near-accidents;
- organizing on-site health and safety days with management;
- carrying out health and safety audits concerning the risks related to electrical tests;
- drawing up a Group self-assessment chart to evaluate on-site health and safety ;
- putting in place a platform for automatically reporting and sharing best practices;
- setting up training courses for analyzing causes of accidents (training in this domain has already begun in the Asia-Pacific Area);
- creating a training module for analyzing the safety of work stations (training courses have already been delivered in South America, North America, Benelux, Switzerland, Italy and France);
- introducing specific training for Plant Managers;
- implementing a global certification program with the assistance of a single certified body with a worldwide presence, which has enabled the Group to strengthen its health and safety procedures (in 2011, 20 Nexans sites were OHSAS 18001 certified);
- determining new standards for both processes and methodology;
- designing a new system for automatically and more easily reporting serious accidents within the Group's various entities.

9.3.7 Training

Nexans University

In 2011, 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. Nexans University's mission is to receive, enrich and transfer knowledge.

In its fourth year of existence, Nexans University offered a catalogue of 70 training courses (more than 100 sessions a year) of which 20 e-learning modules. Nexans University enrolled over 5,000 employees in 2011 and provided more than 30,000 hours of training during the year. The training offering is gradually being enriched to offer employees the skills they require in a local context and to closely factor in the Group's strategic objectives including the rollout of competency models and development plans, a customer-centric approach, continuous improvement, operating excellence, cross-business teamwork projects and real educational expertise.

Nexans University 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 330 employees across the globe (in 10 languages) in the skills of facilitating and designing courses. This approach also helps develop cross-business networks of experts throughout the Group.

The underlying concept of Nexans University is based on technical knowledge sharing networks that optimize the process of transferring know-how.

Nexans University designs numerous new training courses each year. For example, in 2011 a specific "Cables" training course was introduced (including details on the materials used to make cables as well as their structure and production), which is easily translatable into all of the languages used in the Group's host countries.

A new training program for plant managers was also developed during the year by the Industrial Management Department in conjunction with Human Resources teams and Nexans managers who are specialists in their field. The 12-day program is delivered by in-house trainers and is structured around 30 different modules.

Training programs

In 2011, the total number of hours devoted to training (in the workplace or outside the company) was 379,000, representing a decrease compared with 2010. 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.

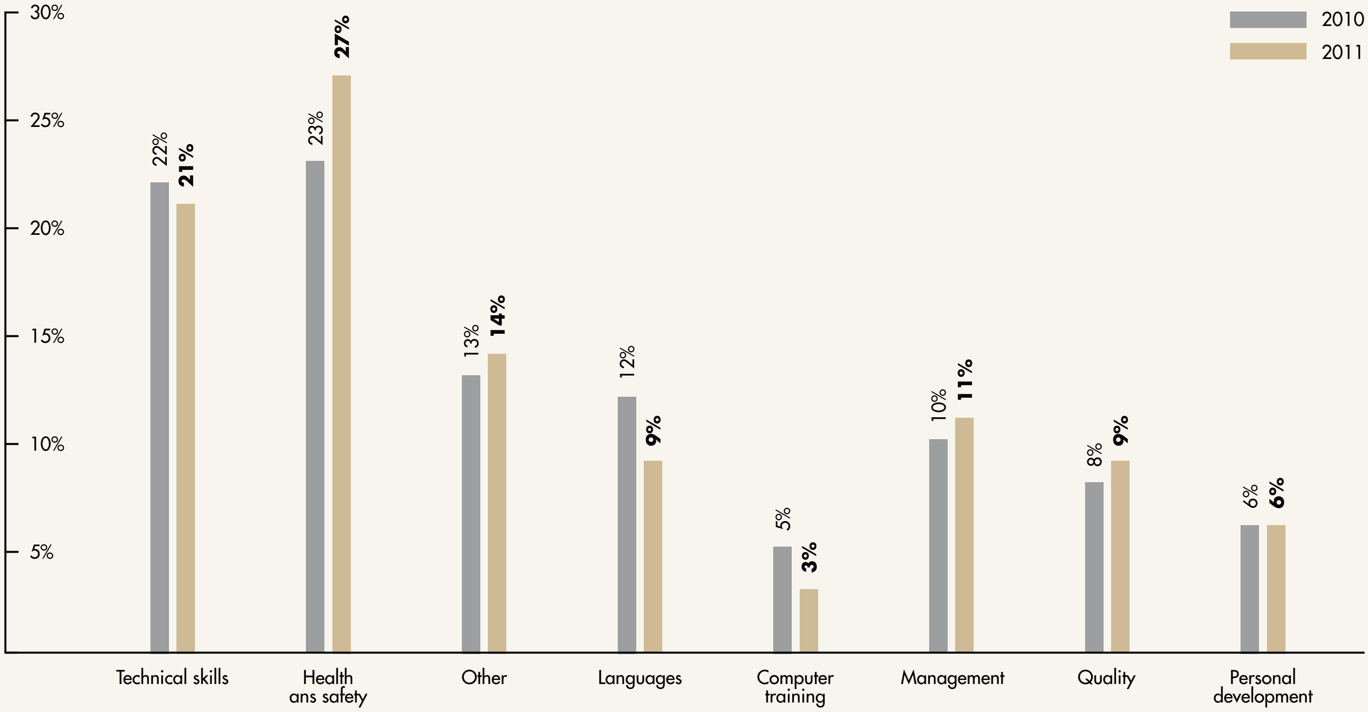
Training is a key growth vector and the Group intends to continue its investment in this area in order to keep up with market developments, notably through the rollout of competency models and the resulting development plans.

A number of training programs were launched or continue to be deployed in 2011, including:

- Nexans Excellence Way programs – including sessions on the "5S", "autonomous teams", visual management, "Settle Quickly Eradicate Control", holding 5-minute team meetings, problem-solving and "Single Minute Exchange of Die (SMED)".
- on-the-ground training for managers in order to back up the industrial excellence program;
- programs on maintenance, Inventory Reduction and Improved Services (IRIS), and reducing the consumption of raw materials;
- Facilitation Skills and Design Skills programs, provided through Nexans University to help trainers create and deliver training courses;
- leadership training for potential Group managers;
- health and safety training programs (including "Job Safety Analysis");
- a program for training human resource staff/managers in the use and deployment of competency models;
- "customer orientation" programs, such as a "We Are All Salespeople" course in Peru;
- training in the various IT systems used within the Group;
- technical training courses devoted to communications, purchasing and sales;
- e-learning courses on legal matters.

The theme-based breakdown of training time in the following graph highlights the predominance in 2011 of courses concerning workplace health and safety, which illustrates how all of Nexans' employees are involved in these vital issues.

Training time in 2011 by theme



Figures do not include the harness business

In 2011, the Group continued to enhance its training courses on safety, competency models and leadership programs.

A particular focus was also placed on providing training to Sales & Marketing staff as part of the overall programs concerning customer orientation and competency models.

In France, 2011 saw an increase in the number of management training courses delivered as well as in modules on how to conduct the interview process related to competency models.

9.3.8 Career development

In line with past years, the Group further extended the practice of organizing individual career development meetings with employees with a view to helping them build their skill sets by identifying their training needs and encouraging discussion about their career paths. The rollout of these meetings has been boosted by the implementation of industrial excellence approaches (Nexans Excellence Way) as well as the application of competency models.

In 2011, the Group extended its use of individual development interviews from production staff to functions such as Sales & Marketing and they now form part of the overall performance appraisal process. The underlying objective of the interview is to develop employees' behavioral skills in order to help them further improve their performance and prepare their career path.

Nexans seeks to develop its talent pool at all levels as a means of enhancing Group performance and nurturing future growth.
Three core trends were 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 cables 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;
- individual profiles that can adopt a more cross-functional way of working within the Group.

In order to respond to these emerging requirements Nexans continued to formalize its career development processes in 2011 – with strong involvement from the Group's Executive Committee and the Management Committees in all of its host countries – around the following themes:
- Drawing up competency models for each business, incorporating performance expectations by function and describing each targeted competency in a practical, operations-based way. This process is now complete for the purchasing, sales and marketing, research and development, production, communications and human resources functions. Competency models for the Group's IT, legal and supply chain functions are currently being drawn up;

- Training human resources teams and management in conducting interviews with employees and preparing development plans;
- Succession Planning and Individual Development (SPID), which is a process to identify potential successors to key positions within the Group as well as key talents. This approach – which is applied in all of the Group's countries and at Headquarters level – is used for a range of different target profiles, including Group potential, local potential, young talent and experts. A country talent review has been launched with the heads of the Group's Corporate functions with a view to raising the visibility of this process and encouraging discussion of the issues involved;
- The identification of Group experts, with the creation of a knowledge transfer program at Nexans University;
- The Careers Committee, which brings together members of the Executive Committee every month to address appointments and successions, as well as to identify talent and monitor and partner the development of the employees concerned. The Committee is currently placing particular emphasis on strengthening and developing talent in emerging countries;
- The "Management Competency Model," which indicates what is expected from the Group's principal managers. Nexans evaluates their competencies in terms of operational excellence, taking responsibility, "customer/market" focus, people leadership, and being a global team player in an international environment;
- Leadership training, based on the "Management Competency Model", which currently comprises four targeted programs: "Introduction for New Leaders" (for new hires in their first 18 months within the Group); "Leading in a Global Nexans" (for high potential executives), "Leading across Nexans" (for people who manage cross-business teams without a direct reporting relationship), and "From Management to Leadership" (a new program for managers introduced in 2011).

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

9.3.9 Group satisfaction survey

The satisfaction survey performed among the Group's managers in 2010 to assess their level of commitment to Nexans led to the implementation of various country-level action plans in 2011 including:

- measures to increase managers' understanding of the Group's HR systems and processes (competency models and Nexans University);
- initiatives to raise managers' commitment to the Group (through a change management project for Nexans' new organizational structure in Europe);
- other specific local actions and initiatives.

Other surveys have also been carried out on a local basis, including in the following countries:

- Norway, where specific steps have been taken to facilitate information exchange. A new survey has been launched in order to ensure that user satisfaction levels have increased and to evaluate the results of the action plans put in place;
- Chile, where an action plan has been drawn up in connection with the satisfaction survey performed among the Group's managers. The main focuses of the plan are enhancing communication and building leadership skills;
- New Zealand, where an action plan is due to be drawn up, notably in the aim of enhancing team-work;
- Australia, where the priority is on improving general communication.

9.3.10 Disabled employees

The Group directly employed 323 disabled people throughout the world in 2011[1] – a figure that is down on 2010 primarily due to a reduction in the number of disabled workers employed by Nexans in France. 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.

9.3.11 Community activities and corporate sponsorship

In most of the countries in which it is present, the Group contributes both financial and human resources to supporting associations, aid programs, voluntary work, and partnerships with schools.

The Group supported numerous initiatives in 2011, including through:

- Local economic and industrial development projects in South Korea, Russia and Sweden, organized through employer federations, chambers of commerce and industry and cooperatives. Examples include the Group's participation in a project concerning manpower and infrastructure issues in Sweden;
- Awareness-raising campaigns among Nexans' young recruits in South Korea through the Group's induction program in which participants are reminded of the needs of disadvantaged populations and encouraged to react appropriately;
- A rugby school sponsored by the Group in New Zealand;
- Monthly assistance provided to a nursery near the Rio de Janeiro plant in Brazil in the form of school supplies and donations of toys and food;
- In Germany, educational support programs for students and career-aid programs for young engineers with a view to raising their awareness of and interest in Nexans' local manufacturing facilities;
- Helping several charities in Italy, including a food aid charity and an organization that helps families of children who have cancer;
- Sponsoring municipal projects in Sweden, including drama programs and a music school;
- Participating in the construction of a university in Lebanon and financing four-year training courses for employees wishing to become electro-mechanical engineers;
- University sponsoring in Greece and Switzerland (R&D programs, student prizes);
- Supporting children's programs in Norway, Ghana and Peru;
- Participation in a beach clean-up operation in Qatar.

(1) This figure does not take into account countries where this information is not disclosed due to local regulations.

In addition, the Group organizes internships for young students in many of its host countries, including in China, Sweden, France, Chile and Australia, etc.

In Norway, the Group has supported SOS Children's Villages,an international environmental organization, Bellona, since 2008. In 2011 Nexans gave a financial donation to assist with building houses for the Children's Village at Jos in Nigeria.

Nexans also acts as a private sponsor of cultural projects such as the construction of the Louvre Museum in the city of Lens, which started in 2010. As part of this project Nexans is providing free of charge all of the museum's low- and medium-voltage cables as well as all of the cables and data transmission systems that will be fitted in the 28,000 m² building and its 28 hectare park.

In addition, Nexans has been a sponsor of the Palace of Versailles since 2007 and has donated over 200 km of cables for the renovation of its technical networks. For the Palace's various renovation projects the Group supplies, free of charge, low- and medium-voltage electric cables as well as telecommunication cables and optical fiber cables. The provision of these cables allows the Palace to modernize its infrastructure and fire safety equipment, particularly thanks to Nexans' ALSECURE® cables.

As part of the restoration work being carried out on the roof of the central section of the Palace, an enormous scaffolding was set up in the Royal Courtyard in 2011, which will remain in place until June 2012. The Palace decided to decorate the structure – which covers over 1,000 m². – with a monumental and surprising canvas artwork that catches the eye of visitors and complements the architecture of both the building and its gardens. Nexans financed the creation of this work and in so doing is also participating in the promotion of the campaign for people to adopt trees, benches and statues in the grounds of Versailles.

Also in 2011, Nexans signed a three-year sponsorship agreement with the international NGO Electricians without borders - Electriciens Sans Frontières (ESF), which aims to improve the daily lives of disadvantaged populations and participates in sustainable development projects in the world's poorest regions by helping to provide access to vital resources such as electricity and drinking water. Under the terms of this agreement Nexans will supply 50% of ESF's annual needs for low- and medium-voltage power cables. These cables will enable ESF to carry out numerous development projects, notably in the fields of education and healthcare, such as bringing electricity to schools and health centers. The cables donated by Nexans will also be used by ESF for emergency humanitarian operations.

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, various measures were organized in South Korea in 2011 as in the past in order to strengthen the corporate culture, communications and the relationship of trust between members of the company.

9.3.12 The harness business

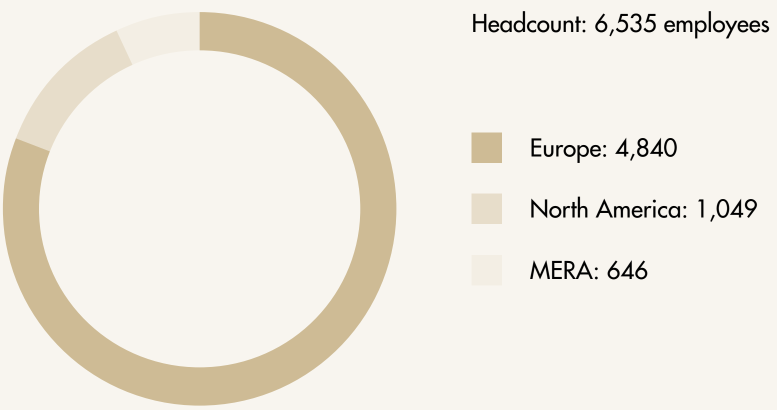
In view of the specific characteristics of the harness business – which has a high degree of labor intensity – employee data for this business is presented separately.

Headcount for the harness business rose once again in 2011, up by 15.8%.

The year-on-year increase was primarily attributable to:

- North America, where improved market conditions led to higher demand from Daimler, and
- the MERA Area, as in Tunisia higher demand from European automakers for car engines led to strong growth in harness production in the country.

A high proportion of employees in the harness business (43%) are on fixed-term contracts.



(MERA: Middle East, Russia and Africa)
Headcount by geographic area (number of people holding a contract with a consolidated Group entity at the date indicated)

The harness business recruited new staff throughout the entire course of 2011 and across all of the Group's geographic areas. Half of the new hires were made in Europe, notably Romania.

A large proportion of the natural departures during the year were due to the expiration of fixed-term contracts and 59% of these departures were in Europe, particularly Romania and Slovakia.

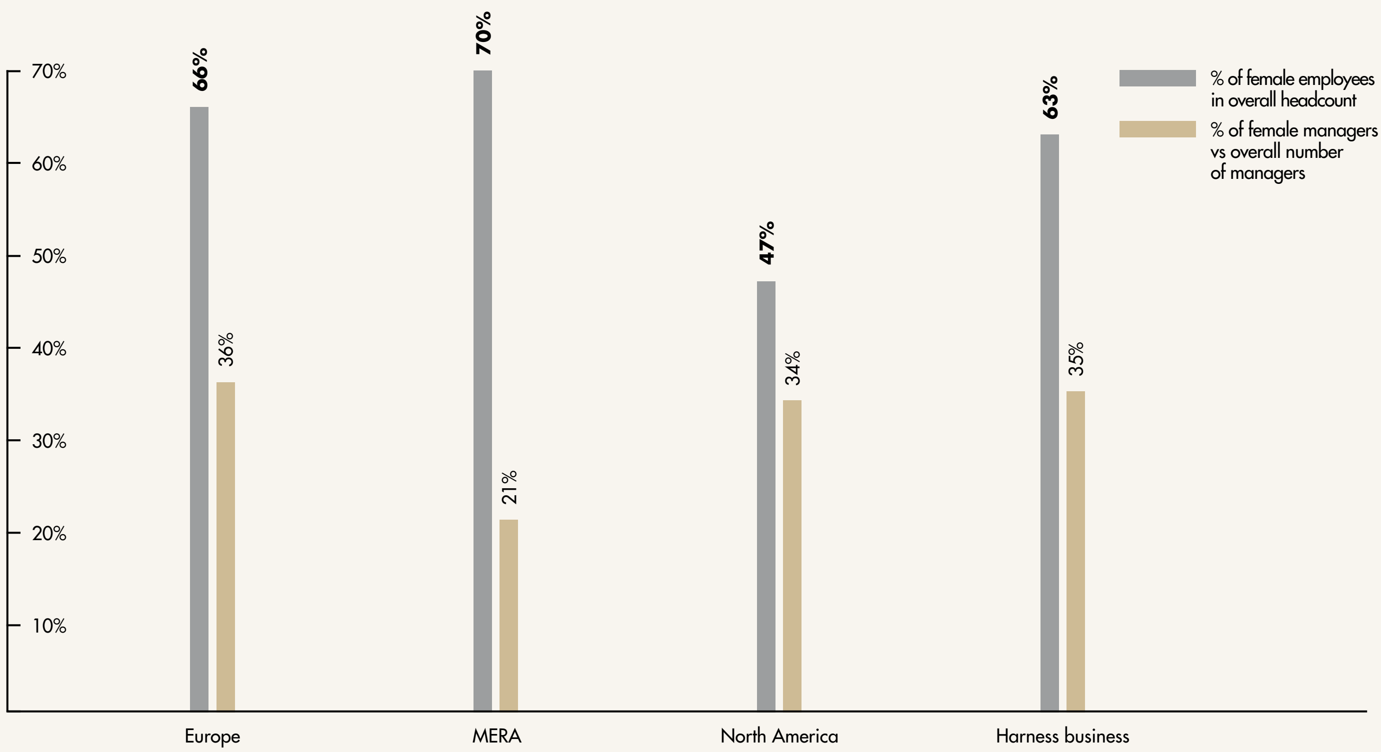
Overall, there was a marked net increase in headcount in 2011, reflecting the continued strong market momentum.

	Europe	North America	MERA	Harness business
Natural departures	(1,217)	(543)	(318)	(2,078)
Restructuring	0	0	0	0
Recruitment	1,495	904	573	2,972
Changes in scope	0	0	0	0
Transfers	0	0	0	0
Total	**278**	**361**	**255**	**894**

(MERA: Middle East, Russia and Africa)

"Natural departures" include resignations, retirements, individual voluntary departures and terminations, death and the expiration of fixed-term contracts.
The "Restructuring" line concerns persons leaving the Group as part of a redundancy plan (both fixed-term and permanent positions).
"Recruitment" corresponds to persons recruited outside the Nexans Group on fixed-term or permanent contracts as well as persons employed by the Group who previously held temporary contracts.
"Changes in scope" include persons joining or leaving the Group due to the acquisition or disposal of a business or company (fixed-term and permanent positions).
"Transfers" include persons who have changed employer within the Group (fixed-term and permanent positions).

The majority of employees in the harness business are women, as illustrated in the graph below.

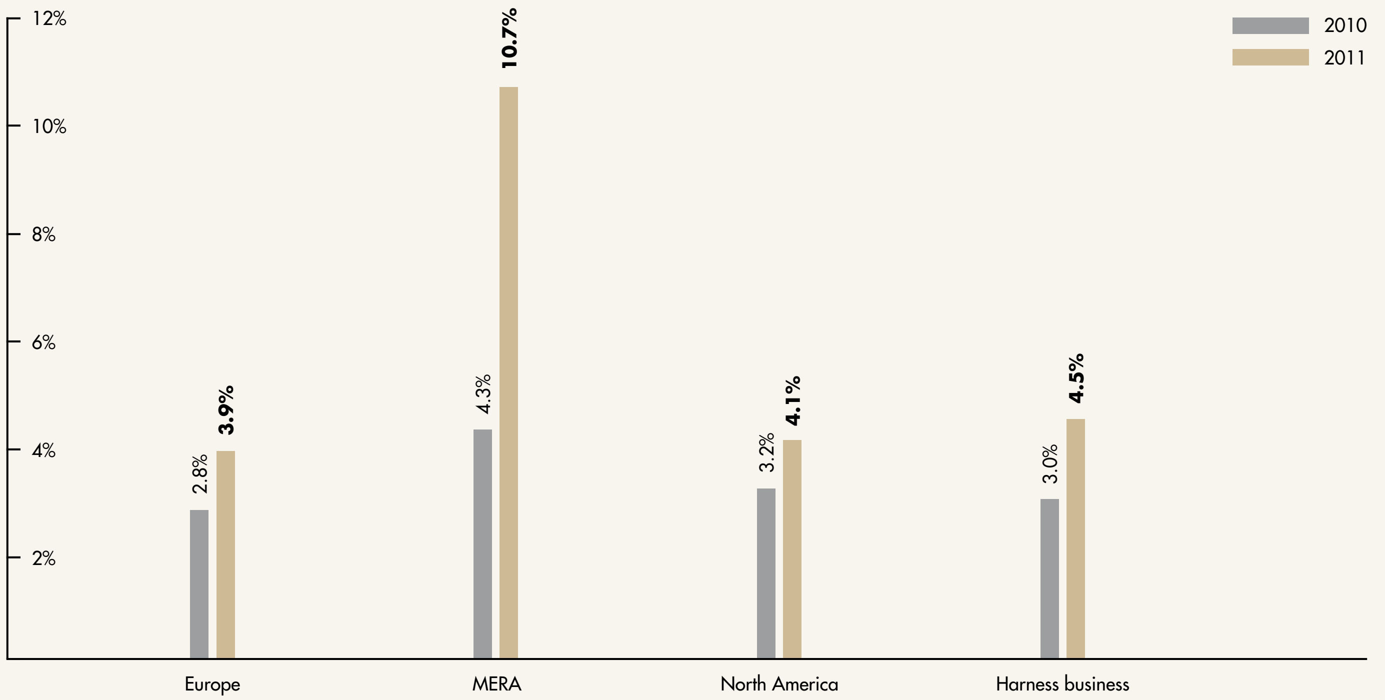


(MERA: Middle East, Russia and Africa)

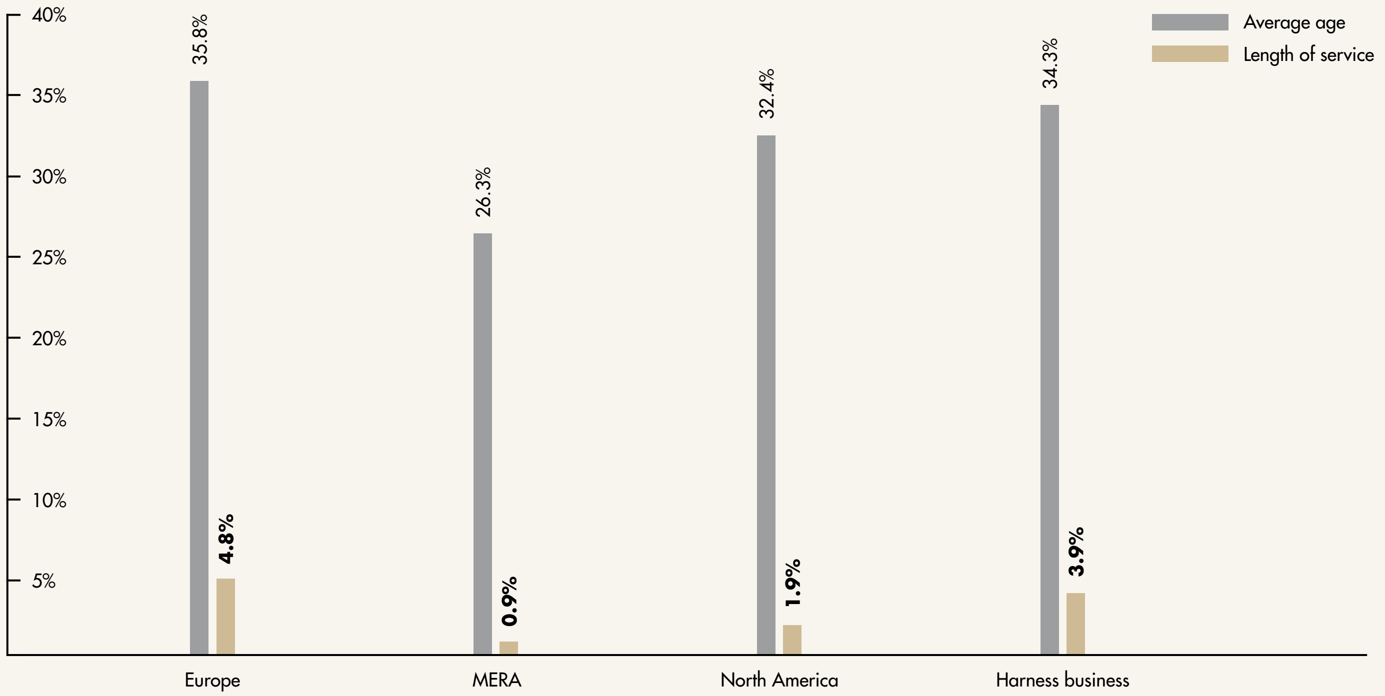
In 2011, women accounted for 63% of the business's total headcount, which was on a par with the 2010 figure.

The proportion of women holding managerial positions was slightly down on 2010 except in Europe where the percentage remained stable.

The overall global work accident frequency rate in the harness business is less than 5:



(MERA: Middle East, Russia and Africa)
Global work accident frequency rate = Total number of work accidents involving leave in excess of 24 hours/Total number of hours worked x 1,000,000.



(MERA: Middle East, Russia and Africa)

At 34.3 years, the average age of employees in the harness business is relatively low. The overall average length of service is 3.9 years.

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 at production sites through audits 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 and Logistics 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 plant 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.

The continuous performance improvement program for production sites is steered by the Environment and Products Committee, which comprises two members of the Management Committee as well as members from the Industrial Management and Logistics, 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 set up when Nexans was formed and has been rolled out to all of the Group's sites in each of its countries and businesses. The objective of this system is to reduce pollution risks and control environmental costs (consumption of energy, water, raw materials and hazardous substances, as well as waste disposal and recycling).

In accordance with ISO 14001, this system is based on 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 is accessible via the Group's intranet – is used to input all environmental data concerning Nexans' sites and to monitor the environment-related investments made during the year.

The scoring grid breaks down as follows: a score of 4 indicates situations that the Group considers unacceptable; a score of 3 is given where a situation needs improvement; and a score of 2 or 1 is used where the situation is acceptable. It changes each year in line with regulatory developments and the areas that the Group wishes to improve. In 2011, as in 2010, 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, crisis management plans and tools available at each site, and serves as a reference document for the plants' environmental management systems. It also describes the Group's organization and the role of country-level management in implementing the Group's environmental policy.

Once the questionnaires have been analyzed, recommendations are sent to the sites in the form of summaries and graphs so that problems can be solved through action plans tailored to improved the sites' environmental management. Recommendations follow up is done annually. Where sites have practices that do not comply with the Group's environmental policy (i.e. those that are rated 4 in the scoring grid) specific investments are made and their situation is reviewed by the Environment Committee which holds meetings twice a year.

Since 2003, the Group has put in place an annual environmental audit program to review all of the issues covered in the questionnaire. These audits – which are performed by the Group's Health, Safety and Environment (HSE) Department – are performed for each site at least once every three years and are a useful addition to any ISO 14001 certification processes carried out for the Group's sites.

In 2011, 25 sites were audited and those that were found to be well-managed environmentally were awarded the EHP *(Environnement Hautement Protégé,* Highly Protected Environment) label. At end-2011, 71 sites – or 77% of those evaluated – 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.

This environmental program, which is the same for all of the Group's sites, 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 have launched a process to obtain ISO 14001 certification. At end-2011, a total of 56 Group sites were ISO 14001 certified.

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 used by metallurgy operations (casting and drawing) are energy (natural gas) and water, which is used for emulsions, steam and cooling. Most of the water consumed as part of the manufacturing process is recycled (95%).

Emulsions used for drawing purposes are treated and filtered in order to extend their duration of use and are subsequently eliminated by specifically authorized service providers.

The Group's copper and aluminum continuous casting facilities (4 sites) also use stripping and passivation products (alcohol and acid). These hazardous products are stored and transported in accordance with both the applicable local regulations and Group standards.

Smoke generated by the casting furnaces is treated and monitored based on the thresholds set in the applicable regulations.

• Power cables and copper telecom cables

Conductor manufacturing (stranding) consumes electrical power for annealing and water for cooling. Most of the water consumed as part of the manufacturing process is recycled (95%).

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).

The production of compounds (such as PVC, rubber and HFFR) – which are used as raw materials for insulating cables – requires the use of certain products that are potential pollutants (peroxide, silane and plasticizing agents) and which require the 26 sites concerned to take particular precautions for their storage, transport and utilization in accordance with the specific regulations in force in each country (e.g. ventilation of premises, storage with adequate retention facilities and the use of spill pallets for on-site transport).

• Waste recycling:

Sorting and recovery:
The Group monitors two major categories of waste – hazardous waste and non-hazardous waste (including production waste). All of the sites have put in place a waste sorting program at source and wherever possible production waste is re-used directly by the site as a secondary raw material (PVC purge, for example). Production waste is monitored on a monthly basis. In 2011 Nexans achieved its objective of 4.8% production waste per tonne of cable produced. It is the responsibility of each site to put in place the necessary measures to achieve this objective.

Treatment and recycling:
The Nexans Group is highly committed to recycling its manufacturing waste, notably through Recycable, a company in which it owns a 36% interest. Also in 2011 Nexans sent 15,371 tonnes of cable waste from its manufacturing sites to Recycable for recycling.

In addition, some 10,000 tonnes of recycled copper were recovered in 2010 and 2011 into the Lens copper casting.

By 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 re-used in some way.

• Environmental indicators

	2009	2010	**2011**
Number of sites monitored	95	92	92
Energy consumption	1,407,000 MWh	1,425,400 MWh	1,442,089 MWh
of which electricity	794,000 MWh	821,300 MWh	842,225 MWh
of which fuel oil	85,500 MWh	83,100 MWh	75,786 MWh
of which gas	516,100 MWh	504,400 MWh	523,049 MWh
Water consumption	4,400,000 m³	3,000,000 m³	3,011,044 m³
Solvent consumption	810 t	720 t	757 t
Copper consumptiont	546,000 t	510,000 t	468,000 t
Aluminum consumption	139,000 t	149,000 t	155,000 t
Number of sites equipped with water recycling systems(1)	76	86	86
Waste tonnage	91,910 t	97,280 t	99,337 t
of which special waste	6,360 t	6,580 t	7,166 t
Amount of recycled cable manufacturing waste (in tonnes)(2)	18,335 t	14,123 t	15,371 t
CO_2 emissions(3)	541,000 t eq CO_2	445,000 t eq CO_2	416,000 t eq CO_2
Number of EHP-certified sites	60	67	71
Number of ISO 14001-certified sites	56	54	56

(1) Sites where at least 75% of machines are equipped with a water recycling system.
(2) Tonnes of waste processed by Recycable, Zirec and Cupral.
(3) Direct and certain indirect emissions of CO2 (from electricity and steam consumption, power line losses, use of fossil fuels, use of packaging and land filling).

These figures, which are estimated based on the data collected, pertain to the Group's scope of consolidation at December 31, 2011.

• Environment-related investments

Investments

Environment-related investments in 2011 can be broken down as follows:

(in thousands of euros)	Soil and water protection	Air protection and energy savings	Waste reduction and miscellaneous	Noise	Elimination of PCB transformers (in France)	**Total**
Amount	1,422	2,932	678	154	0	**5,186**

In 2010, environment-related investment totaled some 4.6 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. In 2011 Nexans continued to invest in systems and facilities (such as the installation of cooling units) aimed at improving the recycling of cooling water in order to reduce the Group's overall water consumption.

Nexans is involved in various thought processes and initiatives relating to this issue and in 2011 continued to dismantle its underground storage tanks and closely monitor the retention facilities used for pollutant liquids in both storage and operational areas.

In addition, all of the Group's sites are required to draw up an environmental crisis management plan so that they can act swiftly in the event of an accident (e.g. a spill of hazardous products or potentially polluted fire extinction water). In 2011 the sites continued to put in place procedures related to such plans and invested in protective equipment such as retention basins and valves to avoid any external pollution, as well as emergency intervention kits (contaminant booms, mobile valves etc.).

Air protection and energy savings

Saving energy is a major preoccupation for the Group. Various investments have therefore been made in this area. For example, in the Group's plants air compressors have been replaced with modern equipment that consumes less energy and initiatives have been taken concerning the Group's products such as improving the power factor (i.e., reducing idle power) and improving electrical networks.

• Provisions for environmental risks

At December 31, 2011, the Group's main provisions for environmental risks amounted to 9.949 million euros. Nexans believes that any unprovisioned costs for potential site rehabilitation should not have a material adverse effect on its earnings.

• Environmental expenditure

In 2011, environment-related expenditure amounted to 5.820 million euros (versus 5.5 million euros in 2010) and mainly concerned the following items: environmental taxes (e.g., water tax), maintenance (purchase of filters, for example), analyses, tests, royalties and licenses.

Other potential expenditure

Additional expenses may 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.

The Environment & Products Committee has decided to allocate a budget of 500,000 euros per year for a three-year period in order to enable certain sites to undertake the necessary investments to obtain the internal EHP label.

Appendix 1

Parent company results for the last five years

	2011	2010	2009	2008	2007
I- Share capital at the end of the fiscal year					
a) Share capital (in thousands of euros)	28,723	28,604	28,013	27,936	25,678
b) Number of shares issued	28,723,080	28,604,391	28,012,928	27,936,953	25,678,355
II- Results of operations (in thousands of euros)					
a) Sales before taxes	17,922	12,882	14,498	18,262	13,263
b) Income before taxes, employee profit-sharing, depreciation, amortization and provisions	45,072	38,136	71,586	106,864	92,939
c) Income taxes	(824)	(672)	(256)	3,199	672
d) Employee profit-sharing due for the fiscal year	138	121	95	124	74
e) Income after tax, employee profit-sharing, depreciation, amortization and provisions	35,422	28,684	61,743	94,461	110,031
f) Dividends		31,581	28,101	55,942	50,744*
III- Income per share (in euros)					
a) Income after tax and employee profit-sharing, but before depreciation, amortization and provisions	1.57	1.33	2.56	3.71	3.59
b) Income after tax, employee profit-sharing, depreciation, amortization and provisions	1.23	1.00	2.20	3.38	4.28
c) Dividend per share		1.10	1.00	2.00	2.00
IV- Personnel					
a) Average headcount during the year	7	6	6	6	6
b) Total fiscal year payroll (in thousands of euros)	3,605	3,101	4,924	4,719	3,351
c) Total amount paid for employee benefits during the fiscal year (in thousands of euros)	1,206	1,023	1,641	1,573	1,117

* This amount does not include an additional dividend of 10,650 euros relating to 2006 and paid on February 22, 2008.

Appendix 2

Summary of authorizations to increase the Company's share capital and their use during fiscal 2011

Resolutions approved at the Shareholders' Meetings of May 25, 2010 and May 31, 2011	Limit for each resolution[1]	Sub-limits applicable to several resolutions	Limits applicable to several resolutions	Use during fiscal 2011
Issue of ordinary shares with pre-emptive subscription rights **(R10 – 2010 Annual Shareholders' Meeting)** with a greenshoe option if oversubscribed **(R14 - 2010 Annual Shareholders' Meeting)**	€14,000,000	-		/
Issue of 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 - 2010 Annual Shareholders' Meeting)** or a private placement **(R12 - 2010 Annual Shareholders' Meeting)** with a greenshoe option if oversubscribed **(R14 - 2010 Annual Shareholders' Meeting)**	Shares €4,000,000 (< 15% of the share capital) Debt securities €300,000,000	€4,000,000 (< 15% of the share capital)	€14,000,000	/
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 of the shares of another company, without pre-emptive subscription rights **(R13 - 2010 Annual Shareholders' Meeting)**, with a greenshoe option if oversubscribed **(R14 - 2010 Annual Shareholders' Meeting)**	€4,000,000 (< 15% of the share capital)			/
Issue of shares in payment for securities transferred to the Company **(R15 – 2010 Annual Shareholders' Meeting)**	5% of the share capital	-		/
Issue of shares to be paid up by capitalizing reserves, income or additional paid-in capital **(R16 – 2010 Annual Shareholders' Meeting)**	€10,000,000	-	-	/
Allocation of performance shares **(R14 – 2011 Annual Shareholders' Meeting)**	€156,000	-	-	Allocation of 147,890 performance shares (if maximum performance achieved) decided by the Board of Directors on November 15, 2011
Allocation of free shares **(R15 – 2011 Annual Shareholders' Meeting)**	€14,000	-	-	Allocation of 13,420 free shares (with no performance conditions attached) decided by the Board of Directors on November 15, 2011
Issue of shares and/or securities carrying rights to shares, to members of an employee share ownership plan **(R16 – 2011 Annual Shareholders' Meeting)**	€400,000	-	-	/
			Total limit €24,800,000	

In the above table, the abbreviation "R..." stands for the number of the resolution submitted for approval at the Annual Shareholders' Meetings of May 25, 2010 and May 31, 2011.

(1) 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.

Report of the Chairman

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

This report has been prepared in compliance with Article L.225-37 of the French Commercial Code, as amended by French Laws No. 2008-649 of July 3, 2008 and No. 2011-103 of January 27, 2011.

It presents the composition of the Board and application of the principle of equal representation of men and women, the preparation and organization of the Board's work, principles and rules approved by the Board of Directors for determining the compensation and benefits payable to the Company's officers and the internal control and risk management procedures set up by the Company, in particular those governing the preparation and processing of financial and accounting information for the financial statements of the Company and the Group.

This report, which was presented to the Accounts and Audit Committee and approved by the Board of Directors on February 7, 2012, 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 for the year ending on December 31, 2011, presented by the Board of Directors.

I. Corporate governance

The reference framework applied by Nexans when preparing this report is the Corporate Governance Code applicable to listed companies published by the Association Française des Entreprises Privées (AFEP) and Mouvement des Entreprises de France (MEDEF) (the **"AFEP-MEDEF Corporate Governance Code"**). The AFEP-MEDEF Corporate Governance Code is available on the MEDEF's website (www.medef.fr). In view of the information disclosed herein, the Company considers that it applies all of the recommendations of the AFEP-MEDEF Corporate Governance Code as of the publication date of this report.

1. Composition of the Board of Directors

As of December 31, 2011, the Board of Directors comprised 14 members from diverse backgrounds. Members are selected for their expertise and experience in various fields.

In order to comply with the best corporate governance practices, the Company is committed to maintaining a high number of **independent Board members, 57%** at the close of 2011, and to promoting the diversity of its members, including in terms of nationality. At the end of year 2011, the Board included **three foreign nationals.**

Three women, i.e., **21% of its members,** sat on the Board of Directors as of the end of year 2011. The Company therefore meets the 20% of women directors' requirement of French Law of January 27, 2011 on equal representation between men and women on Boards of Directors.

In accordance with the agreement between the Company and Madeco signed on March 27, 2011, the Board had three members proposed by the principal shareholder.

Directors hold office for a four-year term, which may be renewed. For a smoother re-election of Board members and in compliance with the recommendations of the AFEP-MEDEF Corporate Governance Code, the Company's bylaws were amended at the Annual Shareholders' Meeting held on May 31, 2011 to allow directors to be appointed for terms of one, two or three years, thus staggering their expiration.

The current directors' terms of office expire as follows:

2012 Shareholders' Meeting	Frédéric Vincent, Colette Lewiner, Guillermo Luksic
2013 Shareholders' Meeting	Gianpaolo Caccini, Jérôme Gallot, Francisco Pérez
2014 Shareholders' Meeting	Véronique Guillot-Pelpel, François Polge de Combret
2015 Shareholders' Meeting	Robert Brunck, Georges Chodron de Courcel, Nicolas de Tavernost, Cyrille Duval, Hubert Porte, Mouna Sepehri

1.1 Members of the Board of Directors

In 2011, four directors were replaced (Jean-Marie Chevalier, Jacques Garaïalde, Gérard Hauser and Ervin Rosenberg), and four directors were re-elected (Gianpaolo Caccini, Georges Chodron de Courcel, Jérôme Gallot and Nicolas de Tavernost). Five new directors were elected, including two members proposed by the principal shareholder Madeco: Robert Brunck, Cyrille Duval, Francisco Pérez (proposed by Madeco), Hubert Porte (proposed by Madeco) and Mouna Sepehri.

At the publication date of this report, there is no employees' shareholders representative sitting on the Board. However, further to the upward crossing of employee share ownership over 3% of the share capital, acknowledged at the Annual Shareholders' Meeting held on May 31, 2011 and the downward crossing of the same threshold at the end of 2011, the Board plans to introduce the system described in Article L.225-23 of the French Commercial Code and, at the Annual Shareholders' Meeting held to approve the 2011 financial statements, propose an amendment to the bylaws to appoint an employee who is a member of the Supervisory Board of a mutual fund as a member of the Board of Directors.

- At December 31, 2011 the members of the Board of Directors were as follows:

Frédéric Vincent Chairman and CEO	57 years old, French nationality
	8 rue du Général Foy, 75008 Paris
Number of shares held	7,836 (including 1,000 held by his wife)[1]
Number of corporate mutual fund units invested in Nexans shares	3,689 (value of one unit = value of one share)
First appointed as a director	April 10, 2008
Appointment as Chairman and CEO	April 3, 2009 (taking effect on 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.

(1) As of the date of this Registration Document, Frédéric Vincent held 12,836 Nexans shares.

Robert Brunck Independent director	62 years old, French nationality Chairman of the Board of Directors of CGGVeritas Tour Maine-Montparnasse 33, avenue du Maine, B.P. 191 75755 Paris Cedex 15, France
Number of shares held	500
First appointed as a director	May 31, 2011
Expiration of current term	2015 Annual Shareholders' Meeting
Expertise/Experience	Robert Brunck began his career at the Compagnie Générale de Géophysique (CGG) in 1985. He was named Deputy Executive Officer in 1987, Chief Financial and Legal Officer in 1989, and Vice President of Administration and Development in 1991. In 1995, Robert Brunck was appointed CEO of CGG, and subsequently Vice Chairman and CEO and Director in September 1998, and Chairman and CEO in May 1999. Upon acquisition of Veritas on January 12, 2007, CGG became the Compagnie Générale de Géophysique-Veritas (CGGVeritas), where he was appointed Chairman and Chief Executive Officer then Chairman of the Board of Directors. He also holds several offices at a number of academic and professional organizations, such as the Centre Européen d'Education Permanente (CEDEP), the Ecole Nationale Supérieure de Géologie (ENSG) and the Bureau of Geological & Mining Research (BRGM).
Gianpaolo Caccini Independent director	73 years old, Italian nationality President of COREVE, a consortium for glass recovery and recycling in Italy Via Sardegna 19, 20146 Milan, Italy
Number of shares held	487
First appointed as a director	June 15, 2001
Expiration of current term	2013 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 was the President of Assovetro (the Italian Association of Glass Manufacturers) from 2004 to 2011 and in April 2011 became President of COREVE, a consortium for glass recovery and recycling in Italy.
Georges Chodron de Courcel Director	61 years old, French nationality Chief Operating Officer of BNP Paribas Member of the Executive Committee 3 rue d'Antin, 75002 Paris, France
Number of shares held	229
First appointed as a director	June 15, 2001
Expiration of current term	2015 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.

Cyrille Duval Independent director	63 years old, French nationality General Secretary of Eramet Alliages (Alloys division of Eramet Group) Tour Maine-Montparnasse 33, avenue du Maine 75755 Paris Cedex 15, France
Number of shares held	500
First appointed as a director	May 31, 2011
Expiration of current term	2015 Annual Shareholders' Meeting
Expertise/Experience	Cyrille Duval was appointed Chief Executive Officer of Aubert et Duval (A&D) in 1987. Following the merger between A&D and Eramet Group in 1999, he became the General Secretary of A&D in 2001, overseeing A&D's Information Systems, Quality and Legal departments, before being named Chief Administrative and Financial Officer of A&D in 2004. He has served as General Secretary of Eramet Alliages since 2007. Cyrille Duval was also appointed director and member of the Finance Committee of Metal Securities (Eramet's centralized cash management company) in 2005, director of Comilog (main mining subsidiary of Eramet's manganese business) in 2006 and member of Eramet's Nickel Committee (in charge of the hedging policy for the nickel business) in 2007.
Jérôme Gallot Independent director	52 years old, French nationality Chief Executive Officer of Veolia Transdev 17 bis rue La Pérouse, 75773 Paris Cedex 16, France
Number of shares held	920 (jointly with his wife)
First appointed as a director	May 10, 2007
Expiration of current term	2013 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. He was Chairman of CDC Entreprises from 2006 to March 2011, and since 2009, he has been a member of the Executive Committee of Fonds Stratégique d'Investissement. On March 3, 2011, he was appointed Chief Executive Officer of Veolia Transdev.

Véronique Guillot-Pelpel Director	61 years old, French nationality Judge at the Paris Commercial Court 8 rue de Tocqueville, 75017 Paris, France
Number of shares held	3,885
Number of corporate mutual fund units invested in Nexans shares	2,974 (value of one unit = value of one share)
First appointed as a director	May 25, 2010
Expiration of current term	2014 Annual Shareholders' Meeting
Expertise/Experience	From 1971 to 1990, Véronique Guillot-Pelpel held various public relations positions and went on to become Head of Communications of the BASF Group and La Compagnie Bancaire. In 1990, she joined Paribas as Head of Communications, and then in 1997 she became Head of Human Resources and Communications and a member of the Paribas Group's Executive Committee. She joined the Nexans Group in 2000 as Head of Communications and held the position of Head of Human Resources and Communications from 2006 to 2008. She was a member of Nexans' Executive Committee from October 2001 until she left the Group in 2008. Véronique Guillot-Pelpel is a judge at the Paris Commercial Court.
Colette Lewiner Independent director	66 years old, French nationality Vice President, Global Leader Energy, Utilities & Chemicals of Cap Gemini Tour Europlaza – La Défense 4 20 avenue Andre Prothin 92927 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 (Maître de conférences at the University of Paris VII), 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 also set up the Global Marketing Department of Cap Gemini which she managed until 2007. In September 2010, in addition to her role at Cap Gemini, Colette Lewiner became non-executive Chair of TDF. She is a director of several major industrial groups, including Lafarge and Bouygues.

Guillermo Luksic Craig Director proposed by Madeco	56 years old, Chilean nationality
	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 and was appointed Chairman of the Board in 1982. He holds several offices at Chilean companies within the Quiñenco group, as Chairman of the Board of Directors (Madeco, CCU and Viña San Pedro Tarapacá) and as director (Banco de Chile, SM Chile S.A., LQ Inversiones Financieras S.A., Embotelladoras Chilenas Unidas, Compañia Pisquera de Chile, Empresa Nacional de Energía Enex S.A., and Sudamericana Agencias Aereas y Maritimas S.A.). In 2005, he was appointed a director of Antofagasta Plc., a company affiliated with the Quiñenco group. He is an advisor to and member of the management bodies of various non-profit organizations, including the Ena Craig foundation and the Centro de Estudios Publicos. He is also a trustee of the University of Finis Terrae in Chile.
Francisco Pérez Mackenna Director proposed by Madeco	53 years old, Chilean nationality
	Chief Executive Officer of Quiñenco Enrique Foster Sur 20, piso 14, Las Condes Santiago, Chile
Number of shares held	0(1)
First appointed as a director	May 31, 2011
Expiration of current term	2013 Annual Shareholders' Meeting
Expertise/Experience	Francisco Pérez Mackenna has served as Chief Executive Officer of the Chilean company Quiñenco S.A. since 1998. He is also a director of some Quiñenco group companies, including Banco de Chile, Madeco, CCU (Compañía Cervecerías Unidas S.A.), CSAV (Compañía Sud Americana de Vapores), SAAM (Sudamericana Agencias Aéreas y Marítimas S.A) and ENEX (Empresa Nacional de Energía Enex S.A.). Before joining Quiñenco, between 1991 and 1998 Mr. Pérez Mackenna was Chairman and Chief Executive Officer of CCU. He is also on the consultative board of the Booth School of Business at the University of Chicago (USA) and of the EGADE Business School of the Monterrey Institute of Technology (Mexico). Mr. Pérez Mackenna teaches at the Catholic University of Chile.
François Polge de Combret Independent director	70 years old, French nationality
	Chemin des Ramiers 8 1009 Pully, Switzerland
Number of shares held	500
First appointed as a director	May 15, 2006
Expiration of current term	2014 Annual Shareholders' Meeting
Expertise/Experience	François Polge de Combret was Advisor to the Cour des Comptes before being appointed 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 then Calyon (Crédit Agricole CIB) from 2010 to 2011.

(1) As of the date of this Registration Document, Francisco Pérez Mackenna held 100 Nexans shares.

Hubert Porte Director proposed by Madeco	47 years old, French nationality
	Executive Chairman of Ecus Private Equity S.A. Av. Providencia 1760 23rd floor, Providencia Santiago, Chile
Number of shares held	(As of the end of 2011, no purchase finalized yet following the November 2011 nomination)[1]
First appointed as a director	November 10, 2011
Expiration of current term	2015 Annual Shareholders' Meeting
Expertise/Experience	Hubert Porte is Executive Chairman of the investment fund Ecus Private Equity SA, which was founded in 2004 and is dedicated to investments in Chile through private equity fund Axa Capital Chile I. He is Chairman of the Board of Directors of Chilean companies Albia, Central Frenos and Loginsa and is a director of Vitamina. He is also general partner of Latin American Asset Management Advisors Ltd (LAAMA), also founded in 2004, and currently the exclusive distributor for Chilean pension funds of Axa Investment Managers' mutual funds and for which LAAMA currently manages over US$1 billion.
Mouna Sepehri Independent director	48 years old, French nationality
	Executive Vice-President, Office of the CEO of Renault 13-15 quai le Gallo 92513 Boulogne Billancourt Cedex, France
Number of shares held	500
First appointed as a director	May 31, 2011
Expiration of current term	2015 Annual Shareholders' Meeting
Expertise/Experience	Mouna Sepehri joined Renault in 1996 as Deputy General Counsel. She was an integral part of Renault's strong international growth and was a leader in the Renault-Nissan Alliance from its founding in 1999. Mouna Sepehri joined the Office of the CEO in 2007, where she was in charge of managing the Cross-Functional Teams. She was appointed Executive Vice-President of this function in 2009, mainly responsible for overseeing cross-border projects, coordinating alliance strategies and developing synergies with a team of about 100 people across three countries. On April 12, 2011, Mouna Sepehri was named Executive Vice-President at the Office of the CEO, overseeing the functions that previously reported to the Corporate Secretary, as well as the Legal and Corporate Services departments. On the same date, she became a member of the Renault Group Executive Committee. She also coordinates Communication strategy.
Nicolas de Tavernost Independent director	61 years old, French nationality
	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	2015 Annual Shareholders' Meeting
Expertise/Experience	Nicolas de Tavernost began his career in 1974 as head of mission for the French Ministry of International Trade (Commerce Extérieur). He was later appointed as head of mission for the Secretary of State for Post and Telecommunications in 1977. 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.

(See section 7.1 of the 2011 Management Report for the list of corporate offices and positions held by the corporate officers during 2011 as well as the list of the corporate offices ended during the last five years).

(1) As of the date of this Registration Document, Hubert Porte held 110 Nexans shares.

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.

After Madeco group crossed the 19% threshold for share ownership and voting rights, the Board of Directors noted at its meeting on September 30, 2011 that, under the criteria set out in the AFEP-MEDEF Corporate Governance Code, Guillermo Luksic, Francisco Pérez and Hubert Porte (candidate director at the Shareholders' Meeting of November 10, 2011) no longer qualify as independent directors. The Board also noted that, following his departure from Crédit Agricole CIB, François Polge de Combret now qualifies as an independent director.

As part of its annual review, on January 11, 2012 the Board of Directors examined the individual status of each of its members in relation to the independence criteria defined in the AFEP-MEDEF Corporate Governance Code. The Board subsequently deemed that:

- Robert Brunck, Gianpaolo Caccini, Cyrille Duval, Jérôme Gallot, Colette Lewiner, François Polge de Combret, Mouna Sepehri and Nicolas de Tavernost are independent directors. Jérôme Gallot is deemed to be independent as he is Chief Executive Officer of Veolia Transdev, an independent entity without any direct ties to the FSI (5% shareholder of Nexans), although both companies have ties with Caisse des Dépôts et Consignations.

- The following directors are not independent: Frédéric Vincent, in view of his position as Chairman and CEO of the Company; Véronique Guillot-Pelpel, in view of her positions within Nexans between 2001 and 2008; Georges Chodron de Courcel, due to his position within BNP Paribas, with which the Group has business relations; and Guillermo Luksic Craig, Francisco Pérez Mackenna and Hubert Porte, as members proposed by Madeco, the principal shareholder which held more than 19% of the Company's share capital and voting rights at the end of 2011.

At December 31, 2011, eight of Nexans' fourteen directors were therefore considered to be independent, representing **more than 57% of the Board.** This exceeds the proportion of 50% recommended by the AFEP-MEDEF Corporate Governance Code for widely held companies and the rule applied by the Board in its Internal Regulations.

Independence criteria for directors (Extract of Article 1 of the Internal Regulations of Nexans Board of directors, referring to the AFEP-MEDEF Code) :

- Not to be an employee or corporate officer of the Company or an employee or director of any Company in the consolidated group, and not to have occupied a position as such during the past five years.
- Not to be a corporate officer of an entity in which the Company directly or indirectly holds the office of Board Member, or in which an employee designated as such or as a corporate officer of the Company (currently or within the past five years) holds the office of Board Member.
- Not be (or be bound directly or indirectly to) a customer, supplier, investment banker or commercial banker:
  - That is material for the Company or its group,
  - Or for a significant part of whose business the Company or its group accounts.
- Not to have any close family ties with a corporate officer.
- Not to have been an auditor of the Company during the past five years.
- Not to be a Member of the Company's Board of Directors for more than twelve years.

Board Members representing significant stockholders of the Company may be considered independent as long as they do not take part in the control of the Company. Above a threshold of 10% of the capital or voting rights, the Board enquires as to the qualification of independent Board Member, taking into account the composition of the Company's capital and whether or not there exist potential conflicts of interest.

2. Operation and work of the Board of Directors

2.1 Board decisions and Internal Regulations

The Board of Directors adopted Internal Regulations in 2003. Their purpose 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 AFEP-MEDEF Corporate Governance Code, which serves as the Company's reference framework. The Internal Regulations have been updated regularly. The most recent update was on November 15, 2011.

The Board's Internal Regulations – which can be viewed in full on Nexans' website – stipulate that, in addition to the cases set out in applicable legal provisions, some decisions require prior approval from the Board, in particular the following deals/plans:

(i) Any merger, acquisition, divestment, restructuring or other industrial or finance projects with a unit value of more than €50 million (enterprise value for mergers, acquisitions or divestments).

(ii) Opening the capital of a subsidiary through a joint venture or initial public offering amounting to an inflow of more than €25 million.

These regulations also cover:

- information provided to directors and the directors' code of conduct;
- the internal regulations of the Board Committees;
- rules governing stock option and performance share plans.

Nexans has also adopted a Group-wide insider trading policy whereby executives or any person with access to non-public information is required to refrain from trading, either directly or indirectly, in Nexans securities. The policy also includes a simplified calendar of recommended non-trading periods.

2.2 Board meetings in 2011

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

The Board met nine times in 2011 with an **average annual attendance rate of 92.7%**(1). The high attendance rate reflects the involvement of its members.

The number of 2011 meetings attended by each member as of the end of 2011 is indicated in the table below. This list includes four new directors elected on May 31, 2011 and one director elected on November 10, 2011(2):

Director	Number of meetings attended
Frédéric Vincent	9
Robert Brunck (since May 31, 2011)	5
Gianpaolo Caccini	8
Georges Chodron de Courcel	9
Cyrille Duval (since May 31, 2011)	6
Jérôme Gallot	9
Véronique Guillot-Pelpel	9
Colette Lewiner	8
Guillermo Luksic Craig	4
Francisco Pérez Mackenna (since May 31, 2011)	6
François Polge de Combret	9
Hubert Porte (since November 10, 2011)	1
Mouna Sepehri (since May 31, 2011)	6
Nicolas de Tavernost	8

(1) Annual attendance rate determined based on the number of directors in office present at the Board meeting in question.

(2) The three outgoing Board members in May 2011 – Jean-Marie Chevalier, Jacques Garaïalde and Ervin Rosenberg – each attended three Board meetings held in early 2011. Gérard Hauser, who stepped down from the Board in September 2011, attended eight Board meetings in 2011.

The internationalization of the Board presented organizational constraints for the active participation of foreign members of the Board, in particular candidates nominated by Madeco who are based in Chile. The candidates proposed by Madeco are expected to attend more Board meetings and therefore increase the involvement of the largest shareholder.

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 2011 were as follows:

Monitoring the Group's key strategic areas	- 2011/2013 strategic plan - Decision on acquisitions, notably the joint venture with Shandong YangGu Cables, approval to build a new high-voltage plant in the United States and review of various opportunities
The Group's financial position, including cash flow and commitments	- 2011 budget - Approval of the parent company and consolidated financial statements for the year ending on December 31, 2010 and the six months ending on June 30, 2011, after hearing the presentation of the Statutory Auditors and the report of the Chairman of the Accounts and Audit Committee - Presentations on business trends and the financial and/or net debt position of the Company and the Group and reports by the Chairman of the Accounts and Audit Committee on topics reviewed by the Committee - Review and approval of press releases on the annual and interim consolidated financial statements - Assessment after receiving a Statement of Objections from the European Commission on July 5, 2011 recording a €200 million provision in the interim consolidated financial statements to cover the European Commission's antitrust investigation
Executive Management	- CEO Compensation - Quantitative objectives for 2011 used as a basis for determining the variable compensation payable to Group senior managers - Long-term compensation policy for senior managers - Performance share and free share plan
Corporate governance	- Self-assessment (end-2010) of the operating procedures of the Board and its Committees (summary and proposals) - Formal assessment of the operating procedures of the Board with the assistance of an outside consultant (end-2011) - Resignation, re-election and appointment of directors - Assessment of the independence of directors - Agreement with Madeco (Nexans' principal shareholder) - Composition of Board Committees - Updating the Board's Internal Regulations - Internal Audit report and risk mapping
Market transactions	- Approval of a new syndicated loan - Review of a draft employee share ownership plan for 2012
Other	- Notice of the Annual Shareholders' Meeting - Notice of Shareholders' Meetings and Special Shareholders' Meetings for shareholders with double voting rights (in accordance with the agreement between Nexans and Madeco) - Review of antitrust investigations - Review of the consolidation of recently-acquired companies

Reports are also presented to the Board of Directors on a regular basis by the Management Committee and the various managers in charge of corporate departments. These reports enable directors to learn more about Nexans' businesses and gain further insight into how the Group operates.

In November 2011, directors were also able to visit Nexans Americana (Brazil) and Nexans Chile sites. They received a general report on the Group's business activities in South America followed by a more detailed review on Brazil and Chile, particularly on Nexans' development plans in these countries. Directors were also given a detailed presentation on the consolidation of Madeco Group entities within Nexans, to complement the information presented on September 30, 2011.

2.3 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, which are based on legal requirements and apply the recommendations of the AFEP-MEDEF Corporate Governance Code.

2.3.1 The Accounts and Audit Committee

At December 31, 2011, the Accounts and Audit Committee comprised the following three members, who are all non-executive directors:

Georges Chodron de Courcel	Chairman	Not independent
Cyrille Duval (since May 31, 2011[1])	Member	Independent
Jérôme Gallot	Member	Independent

(1) Cyrille Duval was appointed as a member of the Accounts and Audit Committee at the Annual Shareholders' Meeting held on May 31, 2011 to replace Jacques Garaïalde, whose term of office expired at said meeting.

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code, two-thirds of the Accounts and Audit Committee members are independent.

All three members of the Accounts and Audit Committee have training and experience in finance and accounting that surpass the obligations laid down in paragraph 2 of Article L.823-19 of the French Commercial Code, which require the appointment of at least one Committee member with finance and accounting expertise:

- Georges Chodron de Courcel, with extensive experience in finance positions since joining the BNP Paribas Group in 1972 and as Chief Operating Officer of BNP Paribas since 2003 and head of the Finance and Investment Bank.

- 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 Chief Executive Officer of Veolia Transdev since 2011.

- Cyrille Duval, in view of the range of financial positions he has held at Aubert et Duval and Eramet Group, and his current duties as General Secretary of Eramet Alliages.

The Chairman of the Accounts and Audit Committee does not qualify as independent according to the AFEP-MEDEF Corporate Governance Code. However, the Company deems that his extensive professional experience, his excellent knowledge of the Group and his active contribution to the Accounts and Audit Committee since its setup in 2001 fully justify its decision to elect him as Chairman of this Committee.

For the implementation of the assignments of the Accounts and Audit Committee, the Company applies the recommendations of the Report of the Working Group on Audit Committees published by the French financial markets authority (AMF) on July 22, 2010.

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, the presentation to the Committee of a description of internal procedures for identifying off-balance sheet commitments and risks,
- examines the work of the Internal Audit Department,
- participates in the selection of Statutory Auditors and 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 reports to the Board of Directors.

The Accounts and Audit Committee met six times in 2011, with an **average attendance rate of 94.4%**[1]. The meetings were also attended by the Chief Financial Officer, the Head of Internal Audit and Nexans' Statutory Auditors.

The number of 2011 meetings attended by each Committee member as at end-2011 was as follows[2]:

Director	Number of meetings attended
Georges Chodron de Courcel	6
Cyrille Duval (appointed May 31, 2011)	3
Jérôme Gallot	6

In 2011, the Committee discussed the following main issues:

Financial information	- Detailed presentation of the annual and interim financial statements by the Finance Department, review of provisions for pending disputes - Presentation by the Statutory Auditors on their work - Presentation by the Head of Consolidation on the construction process and monitoring of actual and estimated data - Management of pension obligations and description of measures taken by the Group to limit its exposure to defined benefit plans - Review of draft press releases on annual and interim earnings
Internal audit and risk management:	- Presentation by the Head of Internal Audit of the interim and annual status report on the 2010-2011 internal audit plan, follow-up on the measures taken, submission of the 2011-2012 internal audit plan for approval - Risk map for 2011 - Presentation by the Head of the Group Risk Management Department on the risk analysis and management procedures and handling of alerts concerning the Group's Code of Ethics and Business Conduct
Other	- Assessment of investigations conducted by the antitrust authorities in January 2009 and recommendation on the provision recorded after receiving the Statement of Objections from the European Commission on July 5, 2011 - Review of renewal of a Statutory Auditor (PricewaterhouseCoopers)

2.3.2 The Appointments and Compensation Committee

At the end of year 2011, the Appointments and Compensation Committee comprised the following five members, who are all non-executive directors:

Jérôme Gallot	Chairman	Independent
Robert Brunck	Member (appointed May 31, 2011)	Independent
Gianpaolo Caccini	Member	Independent
François Polge de Combret	Member	Independent
Francisco Pérez Mackenna(*)	Member (appointed November 15, 2011)	Not independent

(*) Francisco Pérez Mackenna was appointed to the Appointments and Compensation Committee pursuant to the agreement between the Company and Madeco signed on March 27, 2011.

The **high proportion of independent members, 80%,** on the Appointments and Compensation Committee exceeds the recommendations of the AFEP-MEDEF Corporate Governance Code and the Board's Internal Regulations, which call for a proportion of at least 50%.

(1) Annual attendance rate determined based on the number of acting Committee members present at the Committee meeting in question.

(2) Jacques Garaïalde attended two meetings of the Accounts and Audit Committee in early 2011 before he was replaced by Cyrille Duval as of May 31, 2011.

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.
- It examines the qualification of independence 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 the Executive Director's compensation based on short- and medium-term strategy and market practices.
- It examines the policy concerning stock option or performance share 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 Management.

During 2011, the Appointments and Compensation Committee met seven times with an **average annual attendance rate of 88%.**

The number of 2011 meetings attended by each Committee member as of the end of year 2011 was as follows:

Director	Number of meetings attended
Jérôme Gallot	7
Robert Brunck (appointed May 31, 2011)	3
Gianpaolo Caccini	7
Francisco Pérez (appointed November 15, 2011)	(N/A)
François Polge de Combret	4

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

Directors	- Review of the nomination of directors and qualification of their independence - Review of the staggering of terms of office - Review of the composition of Board Committees - Qualification of the independence of Board members
Compensation	- Variable portion of the Chairman and CEO's compensation paid for 2010 - Chairman and CEO's compensation in 2011: fixed and variable portions (examination of the calculation methods used for Group and individual performance objectives) - Acknowledgment of the lack of payment due under the Long-Term Incentive Plan (LTIP) attached to Stock Option Plan No. 8 - Long-term compensation policy for Group senior managers: Terms of Long-Term Compensation Plan No. 10 – Conditions applicable to the Chairman and CEO
Other	- Acknowledgment of achievement of the performance conditions for vesting of stock options granted under Long-Term Compensation Plans No. 8 and No. 9 - Acknowledgement of the achievement rate for the Group's quantitative objectives used to determine the Chairman and CEO's termination benefits - Review of a draft employee share ownership plan for 2012 - Launch of a Board appraisal

2.4 Directors training

Directors receive all information necessary to complete their duties upon taking office and may request any documents they deem useful.

The Board's Internal Regulations stipulate that each director may benefit from additional training, should it be deemed necessary, on specific Company operating procedures, its businesses or business sector.

One of the areas of improvement identified in the Board appraisal of 2009 presented at the beginning of 2010 involved the process for taking on and preparing new directors. Initiatives were taken on this matter in 2011: new directors appointed at the Board meeting held on May 31, 2011 (Robert Brunck, Cyrille Duval and Mouna Sepehri) attended two half-day training sessions during which members of the management team and representatives from the main corporate departments presented the Nexans Group, its manufacturing businesses, strategy, financial and accounting matters, stock market information, corporate governance and human resources.

Hubert Porte, appointed by the Board on November 10, 2011 and present at the Board meetings held in Chile in mid-November 2011, attended a training session on corporate governance, stock market information and human resources.

Lastly, Francisco Pérez, elected to the Board in May 2011 and the Appointments and Compensation Committee on November 15, 2011, was given a personalized presentation at the beginning of 2012 on the role of the Appointments and Compensation Committee under French law and topics discussed by Nexans' specialized Committee.

In the continuous improvement of their knowledge of the Group, directors are given regular presentations by the main representatives from the corporate departments or geographic areas and participate in an annual on-site meeting (see section 2.2 above on the on-site visit organized in November 2011).

2.5 Evaluation of the Board of Directors

An annual appraisal procedure has been set up since 2003 concerning the Board's operating procedures, composition and organization. This appraisal is carried out to assess the contribution and the involvement of directors, and to ensure that significant issues are properly prepared, dealt with and discussed at Board meetings.

The Board's appraisal is conducted in one of two ways. Either a detailed questionnaire is sent to each director and the Appointments and Compensation Committee then prepares a synthesis of the results that is reviewed at a Board meeting; or individual interviews are held with the assistance of specialized consulting firms (Spencer Stuart in 2006 and 2011 and Egon Zehnder in 2009). The recommendations for improvement in the outcome of these appraisals are then implemented. For example, among the measures taken following the formal appraisal conducted in 2009 are the training programs described in section 2.3 above (Director training).

The appraisal carried out at the end of 2011 based on individual interviews was presented to the Appointments and Compensation Committee then the Board at the beginning of 2012. This appraisal highlighted directors' very positive evaluation of Nexans' governance, the relationship quality with the Chairman and CEO and his extensive respect for transparency. The Directors further expressed the desire that the Board devote an entire annual meeting to strategy with presentations by the Management Committee. A summary completed by Spencer Stuart can be found on the website www.nexans.com under the header Finance / Corporate Governance / Board of Directors.

The conclusions drawn from this appraisal have been confirmed by an independent comparative analysis of governance practices conducted by Ernst & Young that surveyed a broad sample of more than 200 listed companies, which classified Nexans among the companies whose level of governance in light of applicable criteria is judged to be "very good" (see the website www.nexans.com, heading Finance / Corporate Governance).

3. 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.

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).

4. 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. The Internal Regulations 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 2011 is provided in section 7.2 of the 2011 Management Report.

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, Corporate Governance section).

At the Shareholders' Meeting held on November 10, 2011, the "one-share-one-vote rule" was adopted to replace the double voting rights attached to shares owned by a single shareholder for more than two years. At the same meeting, shareholders raised the 8% limit on shareholder's total voting rights in a Shareholders' Meeting to 20%, applicable only to decisions made at Extraordinary Shareholders' Meetings on major transactions affecting the structure of the Group. This limit prevents the right to veto by any single major shareholder on strategic decisions and is therefore in the interest of all shareholders.

6. Compensation and benefits paid to corporate officers

Nexans' corporate officers are the fourteen members of the Board of Directors at December 31, 2011. Frédéric Vincent, as Chairman and CEO, is Nexans' sole executive corporate officer.

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 (Compensation of directors) and section 7.4 (Compensation and benefits of the Chairman and CEO) of the 2011 Management Report. 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 the Chairman and CEO and the termination benefits that could be payable in the event of a loss of office, as decided by the Board, are 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.

7. 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 companies of the Nexans Group 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, i.e., 1.25 million shares. Under the agreement dated March 27, 2011, Nexans undertakes to ask shareholders to appoint members proposed by Madeco so that Madeco maintains three seats on the Board throughout the life of the 10-year agreement (unless Madeco's stake is reduced to less than 20%).

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.

II. Internal control and risk management procedures implemented at Nexans

1. Definitions, scope, objectives and limitations of internal control and risk management

Internal control involves implementing a set of rules and procedures throughout the Group with a view to reasonably ensure the safety of its assets, and that its objectives and commitments comply both with the laws and regulations in force and the strategic guidelines and goals set by management.

In accordance with the definition proposed by the Reference Framework for Internal Control published by the French financial markets authority (AMF) in June 2010, risk management relates to a set of measures, behaviors, procedures and actions adapted to each type of company that allows senior managers to keep risk at an acceptable level for the company.

Nexans takes a pragmatic approach to internal control and risk management, 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.

A set of procedures applied within the Group, irrespective of whether they relate to financial information, is drawn up by the parent. They are then implemented in each country and within each entity.

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 2007 publication of the Reference Framework for Internal Control by the French financial markets authority (AMF), Nexans substantially revised and updated its accounting and internal control manual in order to factor in the recommendations contained in the AMF's Reference Framework. The new manual was put on-line on the Group's intranet in late 2008 and was applicable as of 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.

Following the publication of the AMF's new Reference Framework for Internal Control in June 2010, the internal control manual described above was updated in the first half of 2011 and was distributed throughout the Group in July 2011. It includes the internal control elements set out in the new AMF Reference Framework on the management of financial and accounting risks and of IT risks.

3. General organization of the Nexans Group

The Management Committee

The Management Committee, which is chaired by Frédéric Vincent, is tasked with managing the Group and defining and directing its corporate strategy. The other members at the end of 2011 were:

- The Chief Financial Officer, who is also responsible for the North America and South America areas. The Purchasing, Information Systems, Finance and Audit Departments report to the Chief Financial Officer (see section 4 below).
- The Senior Corporate Executive Vice President who is responsible for the Europe Area.
- The Senior Corporate Executive Vice President responsible for the MERA and Asia-Pacific Areas as well as the High Voltage & Underwater Cables Business Group. The Industrial Management, Logistics, Technical, Purchasing and Information Systems Departments report to him.

The Communications, Human Resources and Legal Departments all report directly to the Chairman and CEO. Nexans' General Counsel has been appointed Corporate Secretary since 2009 in order to better reflect the scope of his responsibilities, particularly concerning risk management and corporate governance, which are currently of critical importance.

In accordance with good corporate governance practices, the Internal Audit Department now reports to the Chairman and CEO and has a dotted-line reporting relationship with the Chief Financial Officer, Senior Corporate Executive Vice President.

The Executive Committee

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 Executive Vice President "High-Voltage Cables and Submarine Cables", the Executive Vice Presidents of the four business units of the Europe Area, the Corporate Secretary – General Counsel, the Senior CVP Human Resources, the Senior CVP Communication, the Senior CVP Industrial Management, and the Senior CVP Strategy & Business Development.

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.

- **The Group Finance Department (see section 4 below).**

- **The Legal Department** reports to the Corporate Secretary's Department, as do the Group Risk Management Department and the Group Insurance Department. The Legal Department is responsible for monitoring the main legal issues within the Group and defining the Group's legal strategy and policy.

- **The Purchasing Department** is responsible for selecting suppliers that provide materials, equipment and services required for the Group to function smoothly. Purchasing ensures that materials, equipment and services are supplied in a reliable and cost-effective way within the set timeframes, in order to satisfy customer needs and enhance customer service. It plays a key 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 activities are carried out in collaboration with Purchasing Managers for each 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 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 is involved in the industrial risk prevention policy through its Health, Safety & Environment unit, and by working with the Senior Corporate Vice President, Insurance, and the risk prevention engineering and consulting service of the "property damage and business interruption" insurer.

- **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 Information Systems Department,** which is responsible for defining the Group's IT policy and overseeing its implementation.

- **The Communications Department,** which manages all of the Group's communications – encompassing sales, corporate, internal, press, and new media – in collaboration with the other corporate departments concerned.

- **The Technical Department,** which oversees all the Group's research and development projects, in particular through its Competence Centers and the Research Center.

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.

4. Participants and structures dedicated to internal control and risk management

4.1 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 2.3.1 of part 1 of this report), the Accounts and Audit Committee monitors the process of preparing the financial information, the effectiveness of internal control and risk management systems. 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 every six months.

4.2 The Internal Audit Department

In July 2005, the Internal Audit Department was one of the first internal audit departments to be certified by the Institut Français de l'Audit et du Contrôle Internes (the French Audit and Internal Control Institute – IFACI). This certification was renewed by the IFACI in September 2011.

While reporting directly to Chairman and CEO, the Internal Audit Department also has a dotted-line reporting relationship with the Finance Department. 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 a set of processes, internal control procedures and certain risk management and corporate governance corporate procedures, as well as by making recommendations to strengthen their effectiveness and monitoring implementation.

The Group has set up an audit charter – approved by the Accounts and Audit Committee and signed by the Chairman and CEO – which sets out the responsibilities of the Internal Audit Department. The audit charter is available to the Group's employees on the Company's intranet.

The ongoing responsibilities of the Internal Audit Department, covering financial and administrative as well as operational matters, are to:

- help 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 principally to verify that the measures implemented are adequate based on the procedures and processes defined by the Group.

A four- to five-year audit plan has been drawn up based on a risk map whose underlying process is described in section 6.1 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 control of major turnkey projects
- Corporate governance of entities: 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 2011, 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 monitoring the implementation of the Competition Compliance Program, implementing 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, internal control in the Group's smaller entities, rolling out the Competition Compliance Program, etc.

4.3 The Group Risk Management Department

The Group Risk Management Department reports to the General Counsel/ Corporate Secretary, 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 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 2011 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.

Every year, the Group Risk Management Department's program is reviewed by the Executive Committee and presented to the Board of Directors' Accounts and Audit Committee. The recurring program (described in sections 6.1 and 6.2 below) involves – in addition to Group's risk mapping, risk mapping at country level, business group and function levels – creating specialized groups to assess how to handle certain major risks.

The risk map is designed to make it possible to allocate resources more effectively and to plan in order to reduce the most critical risks that could impact Nexans' profitability.

4.4 The Ethics Officer

A reporting management procedure was put in place in 2011 for issues related to the Code of Ethics and Business Conduct. An Ethics Officer was thus appointed to manage the handling of any ethics-related issues reported, ensure that any issues are verified and that appropriate decisions are taken and corrective measures are put in place if necessary.

5. Organization framework for preparing and processing published financial and accounting information

The Group Finance Department includes six corporate departments:
- the Control, Consolidation, and Accounting Department,
- the Treasury and Financing Department,
- the Non-Ferrous Metals Management Department,
- the Tax Department,
- the Financial Transactions Department (which includes the Mergers and Acquisitions Department and the Financial Communications Department),
- the Internal Audit Department (dotted-line reporting relationship).

At year-end, all of these departments reported to the Chief Financial Officer, who 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, thereby ensuring satisfactory coordination and processing of financial information.

6. Systems designed to identify and analyze the main risks and ensure that risk management procedures are in place

6.1 Risk mapping

A Group risk mapping process is performed every two years by the Internal Audit Department with the help of the Head of Risk Management. The aim of this process is to
- identify risks and areas of risk brought to the attention by the Group's Executive Management,
- contextualize the current audit, and
- evaluate the potential impact of these risks on the Group's financial position.

The risk map is used as a basis for preparing the Group's annual audit plan and expert working groups coordinated by the Head of Risk Management.

The risk map is used as a basis for preparing the Group's annual internal audit plan. Risks were identified in 2011 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.

A similar procedure is rolled out by the Risk Management Department at country, business unit and function levels in order to establish risk mapping for the risks related to each activity.

6.2 Monitoring major risks

The Group instituted workshops bringing together operational staff and members of corporate departments to tackle the Group's main identified risks through risk mapping so that procedures and processes can be improved. 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. The summary report of these workshops is presented to the Executive Committee.

6.3 Special committees that help manage risk

The Group has set up a number of committees to identify, analyze and monitor the main risks.

- The Disclosure Committee

This Committee comprises the Chief Financial Officer, General Counsel/ Corporate Secretary, 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 role is to identify the main risks – particularly in terms of contracts and disputes – 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 financial communications.

Its responsibilities include, in particular:

- identifying and assessing material non-financial information,
- compiling significant information and notably any cases of fraud that may have occurred within the entities and assessing the methods used to report such information,
- compiling significant information, and
- identifying and defining points that merit investigation (by the internal audit team or other teams) in order to assess and/or improve the reliability of the procedures in place and the information reported.

- The Group Contractual Tender Committee

All bids in excess of 5 million euros are subject to a review of the commercial, legal, financial, and technical terms and conditions of the related contract. This Committee is chaired by the Chairman and CEO (when a bid exceeds 50 million euros) 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, General Counsel/Corporate Secretary, 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 50 million euros (which constitute the vast majority of bids) are also reviewed by this committee but without the attendance of the Chairman and CEO.

- The **Mergers and Acquisitions Committee** reviews and approves (provided that the Board approves projects with a unit value higher than 50 million euros) any potential business acquisition or divestment projects, or possible strategic alliances or partnerships. This Committee is chaired by the Chairman and CEO and its other members are the Chief Financial Officer, General Counsel/Corporate Secretary, Head of Tax, Head of Financial Transactions, Head of Mergers and Acquisitions, the Senior Corporate Executive Vice President and the Executive Vice Presidents of the Areas concerned.

- The **CSR Committee – Corporate Social Responsibility (Sustainable Development)** is chaired by the Chairman and CEO and includes two other members from the Management Committee as well as representatives from several corporate departments (Human Resources, Legal, Communications, Risk Management, Industrial Management and Logistics, Purchasing, Technical and Information Systems). The Group's CSR Manager acts as Secretary. The CSR Committee is assisted by two specialized committees: the Governance and Social Affairs Committee and the Environment and Products Committee (See sections 9.1 and 9.4 of the 2011 Management Report, in particular for a description of the organization of the Sustainable Development/CSR function).

- The **Careers Committee** is chaired by the Chairman and CEO and monitors the career paths of the Group's key senior managers.

- **IS/IT Oversight Committee (IT Infrastructure and Information Systems)** proposes an IT policy for the Group and oversees its rollout.

6.4 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 specific procedures for managing non-ferrous metals, which is overseen by a team reporting to the Group Finance Department (see **Notes 26(d)** and **26(f)** to the 2011 consolidated financial statements).

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 (see **Note 26** to the consolidated financial statements).

Crisis management

The Group has drawn up a crisis management procedure and created a specific crisis management unit. Biannual simulations are used to train the members of this unit. Crisis simulation exercises were conducted in 2007, 2010 and in January 2012.

7. Control activities

Control activities are based on a financial and accounting reporting system and a set of internal control procedures.

7.1 Preparation of financial and accounting information

Financial and accounting information is generated in consolidated form as follows:

All information relating to summary financial statements 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, which was replaced by a new version that was implemented throughout the consolidated subsidiaries on September 30, 2010.

The breakdown by business segment and product line is based on the information from the internal reporting system. 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. It is then 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, with new year-end forecast data and with actual data for the past 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 (hard close) is applied at the end of each half-year. This specific half-year procedure involves meetings which are attended by the Finance Departments from the countries of the Group's main operating subsidiaries, the financial controllers for the areas concerned and where key decisions are made relating to the close. These meetings also provide an opportunity to review the various main points to be considered for the upcoming 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. This information is set out in the Notes to the Group's consolidated financial statements.

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.

7.2 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 financial 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.

7.3 Information on other internal control procedures

There are approximately sixty such internal control procedures within the Group covering areas such as communications, purchasing, information systems, quality, intellectual property, insurance, human resources, legal, as well as ethics. In 2011 the Group updated its Nexans Code of Ethics and Business Conduct, which sets out the principles and rules of business ethics and conduct that all Group employees must comply within the performance of their duties as part of the Group's Corporate Social Responsibility Program.

8. Oversight of internal control

The Board of Directors is responsible for overseeing the internal control system, in particular through its Accounts and Audit Committee (see the "Corporate Governance" section of this report and section 4.1 above).

In addition, the Management Committee carries out reviews, in particular reviews with the Head of Group Risk Management, monthly reviews of the Group activity, and performance-indicator monitoring.

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.

This report was approved at the February 7, 2012 Board of Directors' meeting.

February 7, 2012

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 of Nexans

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 standard applicable in France.

For the year ended December 31, 2011

To the Shareholders,

In our capacity as Statutory Auditors of Nexans, 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, 2011.

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, February 8, 2012

KPMG Audit

A division of KPMG S.A.

Valérie Besson

Partner

Neuilly-sur-Seine, February 8, 2012

PricewaterhouseCoopers Audit

Éric Bulle

Partner

Consolidated Financial Statements

Consolidated income statement

(in millions of euros)	Notes	2011	2010
NET SALES	(1.g) & (3)	6,920	6,179
Metal price effect*		(2,326)	(1,870)
SALES AT CONSTANT METAL PRICES*	(1.g) & (3)	4,594	4,309
Cost of sales		(6,093)	(5,439)
Cost of sales at constant metal prices*		(3,767)	(3,569)
GROSS PROFIT		827	740
Administrative and selling expenses		(496)	(462)
R&D costs	(1.j)	(75)	(71)
OPERATING MARGIN*	(1.h) & (3)	256	207
Core exposure effect**	(1.i)	(40)	89
Net asset impairment	(1.n) & (7)	(34)	(43)
Changes in fair value of non-ferrous metal derivatives	(1.f)	(10)	(4)
Net gains on asset disposals	(6)	3	15
Acquisition-related costs	(1.f)	(1)	(2)
Restructuring costs	(23.b)	(22)	(67)
Reserve for risk related to EU antitrust procedure***	(31.a)	(200)	-
OPERATING INCOME (LOSS)		(48)	195
Cost of debt (gross)		(83)	(79)
Income from cash and cash equivalents		12	11
Other financial expenses	(5)	(34)	(16)
Share in net income (loss) of associates		(2)	(1)
INCOME (LOSS) BEFORE TAXES		(155)	110
Income taxes	(9)	(31)	(26)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		(186)	84
Net income (loss) from discontinued operations		-	-
NET INCOME (LOSS)		(186)	84
- attributable to owners of the parent		(178)	82
- attributable to non-controlling interests		(8)	2
ATTRIBUTABLE NET INCOME (LOSS) PER SHARE (in euros)	(1.cc) & (10)		
- basic earnings (loss) per share		(6.21)	2.92
- diluted earnings (loss) per share		(6.21)	2.84

* Performance indicators used to measure the Group's operating performance.

** Effect relating to the revaluation of Core Exposure at its weighted average cost. In 2010, this line also included a 37 million euro negative impact arising from a sharp reduction in the volume of Core Exposure during the period following the restructuring of Nexans' European metallurgy operations, as well as the Group's ongoing efforts to reduce working capital requirement (see Note 1.i). This effect was offset by a 37 million euro positive impact recorded in operating margin.

*** A 200 million euro provision was set aside for a fine that may be imposed on Nexans following the Statement of Objections received from the European Commission's Directorate General for Competition on July 5, 2011 for alleged anticompetitive behavior (see Notes 2 and 31).

Consolidated statement of comprehensive income

(in millions of euros)	**2011**	2010
NET INCOME (LOSS) FOR THE YEAR	(186)	84
Available-for-sale financial assets	(0)	-
- Gains (losses) generated during the year (net of tax)	(0)	-
- Amounts recycled to the income statement (net of tax)	-	-
Currency translation differences	(8)	179
- Gains (losses) generated during the year (net of tax)	(9)	178
- Amounts recycled to the income statement (net of tax)	1	1
Cash flow hedges	(67)	21
- Gains (losses) generated during the year (net of tax)	(67)	78
- Amounts recycled to the income statement (net of tax)	-	(57)
Share of other comprehensive income of associates	-	-
Total other comprehensive income (expense)	(75)	200
Total comprehensive income (loss)	**(261)**	**284**
- attributable to owners of the parent	(253)	279
- attributable to non-controlling interests	(8)	5

Note 9.c provides a breakdown of the tax impacts on other comprehensive income.

Consolidated statement of financial position

Assets

At December 31, in millions of euros

	Notes	2011	2010
Goodwill	(11)	386	378
Other intangible assets	(12)	184	193
Property, plant and equipment	(13)	1,160	1,170
Investments in associates	(14)	7	7
Other non-current financial assets	(15)	44	44
Deferred tax assets	(9.d)	96	82
Other non-current assets		38	23
NON-CURRENT ASSETS		1,915	1,897
Inventories and work in progress	(17)	1,051	1,059
Amounts due from customers on construction contracts	(16)	293	189
Trade receivables	(18)	1,168	1,126
Other current financial assets*	(19)	134	322
Current income tax receivables		29	18
Other current non-financial assets		94	106
Cash and cash equivalents	(20)	859	795
Assets and groups of assets held for sale	(8)	1	1
CURRENT ASSETS		3,629	3,616
TOTAL ASSETS		**5,544**	**5,513**

* Of which short-term financial assets included in the calculation of consolidated net debt: 50 million euros at December 31, 2011 and 150 million euros at December 31, 2010 (see Note 24).

Equity and liabilities

At December 31, in millions of euros

	Notes	2011	2010
Capital stock		29	29
Additional paid-in capital		1,286	1,283
Retained earnings and other reserves		396	603
Other components of equity		174	249
Equity attributable to owners of the parent		1,885	2,164
Non-controlling interests		35	43
TOTAL EQUITY	(21)	1,920	2,207
Pension and other retirement benefit obligations	(22)	300	308
Other long-term employee benefit obligations	(22)	16	16
Long-term provisions*	(23)	229	58
Convertible bonds	(24)	499	479
Other long-term debt	(24)	356	354
Deferred tax liabilities	(9.d)	102	130
NON-CURRENT LIABILITIES		1,502	1,345
Short-term provisions	(23)	86	92
Short-term debt	(24)	277	255
Liabilities related to construction contracts	(16)	319	202
Trade payables		1,051	1,077
Other current financial liabilities	(25)	109	97
Accrued payroll costs		200	179
Current income tax payables		51	27
Other current non-financial liabilities		29	32
Liabilities related to groups of assets held for sale	(8)	0	1
CURRENT LIABILITIES		2,122	1,961
TOTAL EQUITY AND LIABILITIES		**5,544**	**5,513**

* Including a 200 million euro provision set aside over the first half of 2011 to cover the risk relating to the European Commission's current proceedings for anticompetitive behavior (see Notes 2 and 31).

Consolidated statement of changes in equity

(in millions of euros)	Number of shares outstanding	Capital stock	Additional paid-in capital
January 1, 2010	28,012,928	28	1,258
Net income (loss) for the year	-	-	-
Other comprehensive income (expense)	-	-	-
Total comprehensive income (expense)	-	-	-
Dividends paid	-	-	-
Capital increases	-	-	-
Employee stock option plans*:			
- Service cost	-	-	-
- Proceeds from share issues	591,463	1	21
Transactions with owners not resulting in a change of control	-	-	-
Other	-	-	4
December 31, 2010	28,604,391	29	1,283
Net income (loss) for the year	-	-	-
Other comprehensive income (expense)	-	-	-
Total comprehensive income (expense)	-	-	-
Dividends paid	-	-	-
Capital increases	-	-	-
Employee stock option plans:			
- Service cost	-	-	-
- Proceeds from share issues	118,689	-	3
Transactions with owners not resulting in a change of control	-	-	-
Other	-	-	-
December 31, 2011	28,723,080	29	1,286

* Including the impact of the Act 2010 plan (see **Note 21**).

Treasury stock	Retained earnings and other reserves	Changes in fair value and other	Currency translation differences	Equity attributable to owners of the parent	Non-controlling interests	Total equity
-	538	26	26	1,876	42	1,918
-	82	-	-	82	2	84
-	-	21	176	197	3	200
-	82	21	176	279	5	284
-	(28)	-	-	(28)	(1)	(29)
-	-	-	-	-	-	-
-	7	-	-	7	-	7
-	-	-	-	22	-	22
-	-	-	-	-	-	-
-	4	-	-	8	(3)	5
-	603	47	202	2,164	43	2,207
-	(178)	-	-	(178)	(8)	(186)
-	-	(67)	(8)	(75)	-	(75)
-	(178)	(67)	(8)	(253)	(8)	(261)
-	(32)	-	-	(32)	(1)	(33)
-	-	-	-	-	-	-
-	3	-	-	3	-	3
-	-	-	-	3	-	3
-	-	-	-	-	-	-
-	-	1	(1)	-	1	1
-	396	(19)	193	1,885	35	1,920

Consolidated statement of cash flows

(in millions of euros)	Notes	2011	2010
Net income (loss) attributable to owners of the parent		(178)	82
Net income (loss) attributable to non-controlling interests		(8)	2
Depreciation, amortization and impairment of assets (including goodwill)[4]		172	196
Cost of debt (gross)		84	79
Core exposure effect[1]		40	(89)
Other restatements[2]		185	(2)
CASH FLOWS FROM OPERATIONS BEFORE GROSS COST OF DEBT AND TAX[3]		295	268
Decrease (increase) in receivables		(146)	(75)
Decrease (increase) in inventories		(34)	(126)
Increase (decrease) in payables and accrued expenses		108	197
Income tax paid		(53)	(62)
Impairment of current assets and accrued contract costs		5	5
NET CHANGE IN CURRENT ASSETS AND LIABILITIES		(120)	(61)
NET CASH GENERATED FROM OPERATING ACTIVITIES		175	207
Proceeds from disposals of property, plant and equipment and intangible assets		17	13
Capital expenditures		(148)	(129)
Decrease (increase) in loans granted and short-term financial assets		89	(157)
- of which margin calls on metal derivatives	*(19)*	*(3)*	*(1)*
Purchase of shares in consolidated companies, net of cash acquired	(2) & (11)	(8)	0
Proceeds from sale of shares in consolidated companies, net of cash transferred	(2) & (11)	6	19
NET CASH USED IN INVESTING ACTIVITIES		(44)	(253)
NET CHANGE IN CASH AND CASH EQUIVALENTS AFTER INVESTING ACTIVITIES		131	(46)
Proceeds from (repayment of) long-term borrowings	(24)	1	(2)
- of which proceeds from new borrowings		*2*	*0*
- of which repayments		*(1)*	*(2)*
Proceeds from (repayment of) short-term borrowings	(24)	25	43
Cash capital increases (reductions)		4	22
Interest paid		(68)	(38)
Transactions with owners not resulting in a change of control		-	-
Dividends paid		(33)	(32)
NET CASH USED IN FINANCING ACTIVITIES		(70)	(7)
Net effect of currency translation differences		(4)	26
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		57	(27)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		783	810
CASH AND CASH EQUIVALENTS AT YEAR-END		840	783
of which cash and cash equivalents recorded under assets		859	795
of which short-term bank loans and overdrafts recorded under liabilities		(19)	(12)

(1) Effect relating to the revaluation of Core exposure at its weighted average cost, which has no cash impact (see Note 1.o).

(2) Other restatements in 2011 primarily included (i) a positive 200 million euro adjustment to eliminate the reserve relating to the European Commission's proceedings for anticompetitive behavior (ii) a positive 31 million euros in relation to offsetting the Group's income tax charge and (iii) a negative 56 million euros to cancel the net change in other provisions (including provisions for pensions and restructuring costs). Other restatements in 2010 included among others (i) a positive 26 million euros in relation to offsetting the Group's income tax charge, (ii) a negative 61 million euros to cancel the net change in operating provisions (including provisions for restructuring costs) and (iii) a positive 24 million euros to cancel the effect of changes in fair value of metal and foreign exchange derivatives.

(3) The Group also uses the "operating cash flow" concept which is mainly calculated after adding back cash outflows relating to restructurings (48 million euros and 68 million euros in 2011 and 2010 respectively), and deducting gross cost of debt and the current income tax paid over the period.

(4) Including the portion of restructuring costs corresponding to impairment of non-current assets.

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 NYSE Euronext Paris market (Compartment A) 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 7, 2012 and will become final upon approval by the Annual Shareholders' Meeting, which will take place on May 15, 2012 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. The standards adopted by the European Union 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 a material impact on the financial statements presented.

• The following new standards, interpretations and amendments to existing standards were mandatory for the first time in 2011

- **IAS 24 (revised),** Related Party Disclosures, which simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. This revised standard and the consequential amendment to **IFRS 8,** Operating Segments, did not have a specific impact on the Group's consolidated financial statements.

- **Annual improvements to IFRS – 2010.** The amendments issued as part of the annual IFRS improvement process did not have a material impact on the Group's financial statements.

- **Amendment to IFRIC 14,** Prepayments of a Minimum Funding Requirement. This amendment is aimed at clarifying the accounting treatment where an entity makes voluntary prepaid contributions under a defined benefit plan and there is a minimum funding requirement. It did not have a material impact on the Group's financial statements.

Application of the following interpretations and amended standards was also compulsory from 2011 but they are not relevant to Nexans in view of the Group's operations and organizational structure:

- **Amendments to IFRS 1**, First-time Adoption of International Financial Reporting Standards and to **IFRS 7**, Financial Instruments: Disclosures, relating to the limited exemption from comparative disclosures for first-time adopters. Amendment to **IFRS 1**, First-time Adoption of International Financial Reporting Standards, following the issuance of **IFRIC 19**, Extinguishing Financial Liabilities with Equity Instruments.

- **Amendment to IAS 32,** Financial Instruments: Presentation, concerning the classification of Rights Issues denominated in a foreign currency.

- **IFRIC 19,** Extinguishing Financial Liabilities with Equity Instruments.

The Group has not early adopted the following amendments whose application was not mandatory in 2011:

- **Amendment to IFRS 7,** Financial Instruments: Disclosures, and the consequential amendment to **IFRS 1,** First-time Adoption of International Financial Reporting Standards. These amendments – which have been endorsed by the European Union – are aimed at helping users of financial statements to evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position. The Group is currently analyzing their impacts in terms of the additional disclosures that may be required in the notes to the consolidated financial statements, particularly for its trade receivables securitization program. According to the IASB, application of these amendments is mandatory for annual periods beginning on or after July 1, 2011.

- **Amendments to IAS 1,** Presentation of Financial Statements, which notably introduce a requirement for entities to present other items of comprehensive income (OCI) that will be reclassified to profit or loss in subsequent periods upon derecognition separately from items of OCI that will not be reclassified to profit or loss. According to the IASB, application of these amendments – which have not yet been endorsed by the European Union – is mandatory for annual periods beginning on or after July 1, 2012.

The following could not have been early adopted by the Group in 2011 and had not been endorsed by the European Union at the year-end:

- **Amendments to IFRS 1,** First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters. Application of these amendments – which according to the IASB is mandatory for annual periods beginning on or after July 1, 2011 – will not have an impact on the Group's financial statements.

- **Amendments to IAS 32,** Financial Instruments – Presentation and **IFRS 7,** Financial Instruments: Disclosures, relating to offsetting financial assets and financial liabilities. Application of these amendments – which according to the IASB is mandatory for annual periods beginning on or after January 1, 2013 – is only expected to have a limited impact on the Group's financial statements in view of its current practices.

- IFRS 9, Financial Instruments, covering the classification and measurement of financial assets and financial liabilities. In December 2011, the IASB published Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7) which amended the effective date of IFRS 9 to annual periods beginning on or after January 1, 2015 and modified the disclosure requirements applicable during the transition period under IFRS 7, Financial Instruments: Disclosures. These amended standards are only expected to have a limited impact on the Group's financial statements.

- IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, IAS 27 (revised), Separate Financial Statements, and IAS 28 (revised), Investments in Associates and Joint Ventures. As the Group does not currently have any subsidiaries that are proportionately consolidated, IFRS 11 should only have a very limited impact on its financial statements. The impacts of IFRS 10 should also be non-material, although analyses are still being carried out to confirm this position, particularly in relation to the Group's trade receivables securitization program. According to the IASB, application of these standards is mandatory for annual periods beginning on or after January 1, 2013.

- IFRS 13, Fair Value Measurement, which defines fair value, sets out in a single IFRS a framework for measuring fair value, and requires disclosures about fair value measurements. According to the IASB, application of this standard is mandatory for annual periods beginning on or after January 1, 2013. Its impact on the Group's financial statements will be limited.

- Amendments to IAS 12, Income Taxes – Deferred Tax: Recovery of Underlying Assets. According to the IASB, application of these amendments is mandatory for annual periods beginning on or after January 1, 2012. These amendments state that in specified circumstances, the measurement of deferred taxes should reflect a rebuttable assumption that the carrying amount of the underlying asset will be recovered entirely through sale. Their impact on the Group's financial statements is expected to be limited.

- IAS 19 (revised), Employee Benefits. The main impact of this revised standard is the elimination of the corridor method which is currently used by the Group. Based on the situation at December 31, 2011 and a theoretical tax rate of 34.5%, if the corridor method were no longer used, equity attributable to owners of the parent would be reduced by around 70 million euros. According to the IASB, application of this standard is mandatory for annual periods beginning on or after January 1, 2013.

- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine. According to the IASB, application of this interpretation is mandatory for annual periods beginning on or after January 1, 2013. It will have no impact on the Group in view of the highly specific nature of the operations it covers.

• 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 concern 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, Note 7 and Note 11).

- 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 and their qualification as cash flow hedges (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.

Following the implementation in second-quarter 2010 of a new rolling contract for a euro-denominated trade receivables sales plan, Management also exercised its judgment on the derecognition of some of the sold receivables. The plan comprises two distinct and separate programs, referred to as:

- The "On Balance Sheet" program (solely concerning Nexans France SAS) whereby the related receivables are not derecognized (see Note 18, Note 24 and Note 26.a); and

- The "Off Balance Sheet" program (concerning Nexans France SAS and Nexans Deutschland GmbH), whereby the receivables are derecognized. Under the "Off Balance Sheet" program substantially all the risks and rewards of ownership of the sold receivables are transferred to the purchaser at the time of the sale in accordance with the derecognition criteria set out in IAS 39, Financial Instruments: Recognition and Measurement. In addition, the program does not involve any special purpose entity that would have to be consolidated in accordance with IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purpose Entities. The amount of outstandings under the "Off Balance Sheet" program was contractually capped at 25 million euros by Nexans at December 31, 2011 (see Note 26.a).

b. Consolidation methods

The consolidated 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, as well as any remeasurement of the Group's previously held equity interests in an associate where significant influence over the associate is gained in stages.

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, IAS 28 and IAS 31. A list of the Group's main subsidiaries and associates is provided in Note 33.

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 comprehensive income under "Currency translation differences" (see Note 1.q). 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.

Cash flow statement items are also translated at the average annual exchange rate.

On the disposal of a foreign operation, the Group's share of the cumulative exchange differences relating to that foreign operation that were recognized in other comprehensive income under "Currency translation differences" is reclassified in full to the consolidated income statement when the gain or loss on the disposal is recognized. Any cumulative currency translation differences that were attributed to non-controlling interests are derecognized but are not reclassified to the consolidated income statement.

The same accounting treatment applies (even if the Group retains a residual interest in the entities concerned) in the following cases:

- loss of control – within the meaning of IAS 27 – of a subsidiary that includes a foreign operation;

- loss of significant influence – within the meaning of IAS 28 – over an associate that includes a foreign operation;

- loss of joint control – within the meaning of IAS 31 – over a jointly controlled entity that includes a foreign operation.

When the Group carries out a partial disposal of a subsidiary that includes a foreign operation, without changing the consolidation method, the portion of the cumulative amount of currency translation differences that was attributed to the sold interests is reclassified within the consolidated statement of comprehensive income from "Attributable to owners of the parent" to "Attributable to non-controlling interests". On the partial disposal of an associate or proportionately consolidated entity that includes a foreign operation, the portion of the cumulative amount of currency translation differences that was attributed to the sold interests is reclassified to the consolidated income statement.

For these types of partial disposal, the Group calculates the translation differences 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. When these transactions are hedged and the hedge concerned is documented as a qualifying hedging relationship for accounting purposes, the gain or loss on the spot portion of the corresponding derivative directly affects the hedged item so that the overall transaction is recorded at the hedging rate in the income statement.

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 differences" (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 acquisition method. Under IFRS 3, at the acquisition date, the acquirer is required to recognize, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The following requirements also apply:

- On the first-time consolidation of a subsidiary, the assets, liabilities and contingent liabilities of the acquiree are measured at fair value in compliance with IFRS 3, apart from certain specific exceptions provided for in the standard such as income taxes, which are measured in accordance with IAS 12.

- For business combinations taking place after January 1, 2010, on a prospective basis the acquirer must (other than in exceptional cases) recognize any non-controlling interest in the acquiree either (i) at fair value (the "full goodwill" method) or (ii) at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets measured at their acquisition-date fair value, in which case no goodwill is recognized on non-controlling interests (the "partial goodwill" method). However, this measurement choice is only possible for non-controlling interests that correspond to present ownership instruments that entitle their holders to a proportionate share of the acquiree's net assets. All other types of non-controlling interests must be measured at their acquisition-date fair values.

Goodwill (see Note 1.k) determined as of the acquisition date, corresponds to the difference between:

- the aggregate of (i) the acquisition price, generally measured at acquisition-date fair value, (ii) the amount of any non-controlling interest in the acquiree measured in accordance with the above-described procedures (acquisition-date fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets), and (iii) for a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and

- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3.

The Group has a period of 12 months from the acquisition date to complete the initial accounting for a business combination, during which any "measurement period adjustments" may be made. These adjustments are notably made to reflect information obtained subsequent to the acquisition date about facts and circumstances that existed at that date.

The consideration transferred in a business combination must be measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. Any contingent consideration at the acquisition date is systematically included in the initial fair value measurement of the consideration transferred in exchange for the acquiree, based on probability tests. Any changes in the fair value of contingent consideration that the acquirer recognizes after the acquisition date and which do not correspond to measurement period adjustments as described above – such as meeting an earnings target different from initial expectations – are accounted for as follows:

- Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

- Contingent consideration classified as an asset or liability that is a financial instrument and is within the scope of IAS 39 is measured at fair value, with any resulting gain or loss recognized in financial income or expenses (notably the effect of unwinding the discount) or in other comprehensive income as appropriate.

Acquisition-related costs concerning subsidiaries are the costs the acquirer incurs to effect a business combination. The Group accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services received, except for the costs to issue equity or debt securities which are recognized in equity or debt respectively in accordance with IAS 32 and IAS 39. Acquisition-related costs recognized as expenses for the period are included in operating margin (see Note 1.h) when they concern an acquisition which did not successfully complete, and are reported on a separate line in the income statement – "Acquisition-related costs" (see Note 1.f) – between operating margin and operating income (loss) when they concern acquisitions that have been completed or acquisitions whose probability of completion is almost certain at the period-end.

Acquisition-related costs concerning associates are included in the amount of the consideration transferred. The same accounting treatment is applied when the Group acquires a jointly controlled entity as the currently published IFRS do not contain any specific guidance on this issue. However, this treatment may be changed if an interpretation or new standard is issued requiring application of a different approach.

f. Presentation of IFRS financial statements

The presentation methods have been consistently applied from one year to the next. The main points concerning the presentation of Nexans' IFRS financial statements are as follows:

- 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 separate out 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).

  The "Acquisition-related costs" line was created in 2010 and includes the costs incurred by Nexans concerning the acquisition of a subsidiary, as described in Note 1.e.

  The "Net gains on asset disposals" line includes gains and losses attributable to the parent company relating to subsidiaries the Group no longer controls, corresponding to the difference between:

  - the fair value of the sale price plus, where applicable, (i) the gains and losses recognized in other comprehensive income that are attributable to the Group and recycled to the income statement, (ii) the fair value of any interest retained in the former subsidiary, and (iii) the carrying amount of the non-controlling interests in the former subsidiary (including gains and losses recognized in other comprehensive income that are attributable to non-controlling interests); and

  - the consolidated carrying amount of the subsidiary on the date when exclusive control was lost.

  This line also includes gains and losses on disposals or partial disposals of entities over which Nexans exercises significant influence or joint control (irrespective of whether the consolidation method is altered following the change in Nexans' ownership interest).

- 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. 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 owners of the parent is adjusted for the effects of transactions of a non-cash nature and for changes in working capital requirement.

  Cash flows arising from transactions between owners of the parent that result in changes in ownership interest but without the Group losing control of a subsidiary are presented under cash flows from financing activities, as are the related costs. Cash flows from transactions that result in the Group gaining or losing control of a subsidiary are presented under cash flows from investing activities and the related costs are included in cash flows from operating activities. Cash flows from transactions relating to entities over which the Group exercises significant influence or joint control are presented under cash flows from investing activities, along with any related costs.

- The consolidated statement of changes in equity includes information on (i) the amounts of transactions with owners acting in their capacity as owners, (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.

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 (see Note 26.d).

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 2011 and 2010, these reference prices have been set at 1,500 euros per metric ton for copper and 1,200 euros per metric ton 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 to completion 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 (including any potential losses to completion) 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" (see Note 16).

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 consolidated 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.j).

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) acquisition-related costs when they concern acquisitions that have been completed or whose probability of completion is almost certain; (vi) impairment losses recorded on property, plant and equipment, intangible assets or goodwill following impairment tests; (vii) financial income and expense; (viii) income taxes; (ix) share in net income of associates; and (x) net income from discontinued operations. Operating margin for 2011 also excluded the 200 million euro provision set aside to cover a fine that may be imposed on Nexans following the Statement of Objections received from the European Commission's Directorate General for Competition on July 5, 2011 for anticompetitive behavior (see Note 2.d).

i. Core exposure effect

This line of the consolidated income statement includes the following two components (see also Note 26.d):

- A "price" effect: In the Group's IFRS financial statements non-ferrous metal inventories are measured at the year-end using the weighted average unit cost method, leading to the recognition in the accounts of the impact of the temporary price difference between the copper actually used in production and the copper allocated to orders through the hedging mechanism. This difference is exacerbated by the existence of a permanent inventory of metal that is not hedged (called "Core exposure").

  The accounting impact related to this difference is not included in operating margin and instead is accounted for in a separate line of the consolidated income statement, called "Core exposure effect". Within operating margin – which is a key performance indicator for Nexans – inventories consumed are valued based on the metal price specific to each order, in line with the Group's policy of hedging the price of the metals contained in the cables sold to customers.

- A "volume effect": At the level of operating margin – which is a performance indicator – Core exposure is measured at historic cost, which is close to its LIFO value, whereas at operating income level it is valued at weighted average cost (see Note 1.o) in accordance with IFRS. The impact of any changes in volumes of Core exposure during the period is also recorded under "Core exposure effect" in the consolidated income statement. However, this effect 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.

Finally, the "Core exposure effect" line also includes any impairment losses recognized on Core exposure (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 has a structure that is the same or larger 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 to their carrying amount. In accordance with IFRIC 10, goodwill impairment losses recognized in a previous annual or interim period are not 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.

When Nexans acquires an additional interest in a subsidiary, no remeasurement of the acquired assets and liabilities is required and any difference between the consideration paid and the carrying amount of the relevant non-controlling interest is recognized directly in equity attributable to the controlling interest. A symmetrical accounting process is applied when the Company reduces its ownership interest in a subsidiary without a loss of control.

When the Company acquires an additional interest in an entity over which it exercises significant influence it does not remeasure the interest it already holds in that entity and goodwill is recognized if the consideration paid exceeds the carrying amount of the interest acquired. These transactions do not therefore impact equity attributable to owners of the parent. The same accounting treatment is applied when the Company increases its ownership interest in a jointly controlled entity in view of the fact that the currently published IFRS do not contain any specific guidance on this issue. However, this accounting treatment may be changed if an interpretation or new standard is issued requiring application of a different approach.

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 non-controlling interests, the offsetting entries for these financial liabilities are as follows:

- For minority put options granted prior to January 1, 2010, in accordance with the recommendations of the ESMA (European Securities and Markets Authority - formerly the CESR), the Group opted to record in goodwill the difference between the discounted value of the exercise price of the options and the amount of non-controlling interests removed from equity. This goodwill is adjusted each year to reflect the change in the exercise price of the options and, in general, the amount of dividends paid (which are deemed to form an integral component of the purchase price).

- As IFRS does not provide clear guidance on the accounting treatment to apply for minority put options granted subsequent to January 1, 2010, the Group has elected to recognize the difference between the discounted value of the exercise price of the options and the amount of the non-controlling interests in equity attributable to owners of the parent. The impact of changes in the exercise price of the options is also recognized in equity attributable to owners of the parent.

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. When they are acquired in 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 ten and twenty-five years). Supply contracts can be deemed as having an indefinite useful life when they are automatically renewable and where there is evidence, notably based on past experience, indicating that the contractual rights will be renewed. 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 its cost can be reliably measured and it is probable that it 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 where necessary. 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 (under "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 and goodwill (see Note 1.k) are tested for impairment at least once a year.

For operating assets that the Group intends to hold and use in its operations 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 reporting 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.

The first stage of the impairment testing process used by the Group is to seek and analyze 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.

When this analysis reveals that a CGU, intangible asset with an indefinite useful life or an asset not yet ready for use may have become impaired, the asset 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).

- The discount rate applied corresponds 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 are used, based on the Group's Budget and Strategic Plan, for the first three years, and an extrapolation is 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 is taken into account, 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.

- Operational cash flows beyond five years are extrapolated based on growth rates specific to each geographic area.

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 are accounted for 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 or structural reorganizations within the Group.
The impact of changes in value of this component of inventory is shown in a separate line of the income statement (see Note 1.i above) and is included as a component of cash flows from operations in the statement of cash flows.

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 at amortized cost using the effective interest 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 and other reserves", mainly comprising:

  - the non-distributed net income of the parent company, and 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,

  - the equity component of OCEANE bonds,

  - the impact of transactions between owners concerning Group subsidiaries carried out subsequent to January 1, 2010 and which do not result in a change of control (see Note 1.k).

- "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).

- "Currency translation differences", 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).

- "Non-controlling interests".

The Group considers that this definition of equity corresponds to the notion of capital 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.

Nexans has not set up a liquidity contract.

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 Nexans' shareholders are recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the 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, performance shares and free shares may be granted to senior managers and certain other 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, stock options, performance shares and free shares are measured at fair value at the grant date (corresponding to the date on which the related plan is announced). The Group uses different measurement models to calculate this fair value, notably the Black & Scholes and Monte-Carlo pricing models. Any changes in fair value after the grant date do not affect the recognized amounts.

The fair value of an option primarily depends on (i) market data at the grant date (share price and volatility, the risk-free interest rate and expected dividends), (ii) conditions other than vesting conditions (such as non-compete clauses), (iii) any applicable market performance conditions, and (iv) 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 fair value of vested stock options, performance shares and free shares 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 recorded under "Retained earnings and other reserves".

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 consideration the valuation effect of the five-year lock-up period that generally applies.

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 statutory plans 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 plans, provisions are determined as described below and recognized under "Pension and other retirement benefit obligations" in the statement of financial position (except for early retirement plans which are deemed to form an integral component of a restructuring plan, see Note 1.u):

- Provisions are calculated 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.

- Plan assets are measured at fair value at the year-end and deducted from the Group's projected benefit obligation.

- 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.

- 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.

When the calculation of the benefit obligation results in an asset for the Group, the recognized amount (which is recorded under "Other non-current assets" in the consolidated statement of financial position) 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.

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".

The financial component of the annual expense for pensions and other employee benefits (interest cost after deducting any expected return on plan assets) is included in other financial expenses (see Note 5).

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 and the risks specific to the liabilities concerned. The discounting impact is recognized in financial income and expenses 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 decision made at an appropriate managerial or supervisory level, backed by a detailed formal plan that has been announced before the year-end to the party or parties concerned. Such costs primarily correspond to severance payments, early retirement benefits (except where qualified as employee benefits, see Note 1.t), costs for unworked notice periods, training costs of employees whose employment contracts have been terminated, and other costs directly 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 but which do not meet the criteria for the recognition of a provision 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 impairment 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 it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, based on medium-term earnings forecasts (generally covering a four-year period) for the company concerned. Deferred tax assets are recognized only to the extent that they are covered by deferred tax liabilities. The Group ensures that the forecasts used for calculating deferred taxes are consistent with those used for impairment testing (see Note 1.n).

Deferred taxes are measured based on tax rates (and tax laws) that have been enacted or substantively enacted by the year-end. The rates applied reflect Management's intentions of how the underlying assets will be realized. 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

<u>Presentation in the consolidated statement of financial position</u>

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.

<u>Presentation in the income statement</u>

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 (loss) 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, in the case of financial assets not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition.

At subsequent reporting dates, measurement and recognition depend on the classification of the financial asset concerned:

- Cash and cash equivalents, as well as any financial assets included in the calculation of net debt and/or financial assets specifically designated as held for trading, 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 stated at historical cost if their fair value cannot be determined reliably.

- Loans and receivables are carried at amortized cost using the effective interest method.

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 carried 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. In the consolidated statement of financial position, bank overdrafts are recorded as current financial liabilities.

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 under "Retained earnings and other reserves" in equity (see Note 1.q).

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

Only derivatives negotiated with external counterparties are deemed as eligible for hedge accounting.

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 item 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 directly in the income statement as financial income or expense.

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 differences" (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 (with the portion that was attributed to non-controlling interests derecognized but not reclassified to the income statement).

  The same accounting treatment applies in the event of a loss of control, significant influence or joint control. If the Company reduces its ownership interest in a subsidiary without any loss of control, the gains and losses are simply reclassified from amounts attributable to owners of the parent to non-controlling interests within other comprehensive income. If the Company reduces its ownership interest in an entity over which it exercises significant influence or joint control, without changing the consolidation method, the gains and losses are recycled to the income statement only in proportion to the divested interest. Gains and losses recycled to the income statement are recorded under "Net gains on asset disposals".

- The "ineffective" portion of the realized or unrealized gain or loss, which is recognized in the income statement as financial income or expense.

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 used in the Group's operations and 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 application 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). The corresponding realized gain or loss is recorded within operating margin.

- The "ineffective" portion of the unrealized gain or loss is recorded directly under "Changes in fair value of non-ferrous metal derivatives" in the income statement (see Note 1.f). The corresponding realized gain or loss is recorded within operating margin, which, in accordance with the Group's management model, must reflect all of the impacts arising in relation to non-ferrous metals.

The number of Group entities permitted to use hedge accounting was extended in 2008, meaning that the majority of the metal derivatives used by Nexans have 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 owners of the parent 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 owners of the parent, 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 ordinary shares and excluding treasury shares which are deducted from equity. Shares granted under performance share and/or free share plans, as well as stock options and convertible bonds are deemed to be potentially dilutive 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. Agreement with the Shandong Yanggu Cable Group in China to acquire a majority stake in its power cable business

On June 20, 2011, Nexans announced that it had signed an agreement with the Shandong Yanggu Cable Group ("Shandong Yanggu") to create a joint venture based on Shandong Yanggu's power cable business in China. Nexans will hold 75% of the joint venture and Shandong Yanggu will hold the remaining 25%.

Founded in 1985 and located in Shandong province in Northern China, Shandong Yanggu is one of China's leading manufacturers of power cables. In 2010, the sales of its power cable business totaled 1.3 billion RMB (approximately 150 million euros).

The company has an industrial complex which produces high-, medium- and low-voltage power cables and employs around 1,200 people. It has also recently completed a major investment program to enhance its production capacity, principally for high-voltage cables.

One of Shandong Yanggu's major customers for energy infrastructure cables is the State Grid Corporation of China (SGCC). Nexans is expected to take over effective control of the joint venture in the first quarter of 2012 in light of the talks currently in process to finalize the agreement and the clearance that still needs to be obtained from the Chinese regulatory authorities.

b. Agreement with Alstom to set up a joint venture in Morocco to manufacture cable harnesses for the railway market

On June 8, 2011, Nexans signed a memorandum of understanding with the Alstom group in order to set up a joint venture in Morocco that will manufacture cable harnesses for the railway market. The new outfit was formed in December 2011 and is owned on a 50-50 basis by Alstom Transport – which will bring in the initial workload and will be responsible for designing the sub-assemblies – and Nexans Harnesses, a wholly-owned Nexans subsidiary that is based in Belgium and specializes in the manufacture and production of cable harnesses.

As from 2012, the joint venture will initially work on manufacturing cable harnesses and electrical equipment boxes (sub-assemblies integrated into train control systems) that will be fitted into certain Alstom rolling stock sold both to the Moroccan and worldwide markets. It will then diversify its business in order to serve other customers in the railway market as well as customers in other sectors.

c. Agreement with Madeco to strengthen Madeco's position as the Group's principal shareholder

On March 27, 2011 Nexans announced that it had signed an agreement with its principal shareholder, the Chilean group Madeco. This agreement – which has a ten-year term effective from August 26, 2011 (the date on which Madeco's interest in Nexans reached 15%) – aims to give Madeco a leading position in Nexans' share capital by increasing its ownership interest from 9% to 20%.

The agreement, which can be viewed on Nexans' website, also provides for the strengthening of Madeco's representation on Nexans' Board of Directors by giving it a second and then a third seat on the Board. The two Madeco representatives concerned were elected as directors by Nexans' shareholders at General Meetings held on May 31 and November 10, 2011. At the November 10, 2011 General Meeting, Nexans' shareholders also approved (i) the removal from the articles of association of double voting rights and of the 8% voting rights limit and (ii) an amendment to the articles of association to provide for a 20% limit on the voting rights that may be cast on any resolution relating to major transactions, including mergers and significant capital increases. Given the quorum levels at past Shareholders' Meetings, this provision aims to prevent any shareholder holding more than 20% of the Company's capital from having a de facto veto right and is therefore in the interest of all shareholders.

The agreement also provides for lock-up and standstill undertakings from Madeco which will apply for a three-year period as from August 26, 2011. Madeco may, at its option, decide to terminate these undertakings in the event of a public tender offer for the Company. Following the expiration of this three-year period Nexans may terminate the agreement if Madeco's interest in the Company falls below 20% or exceeds 22.50% in accordance with the conditions specified in the contract.

At December 31, 2011, the Madeco group held 19.86% of Nexans' share capital.

d. Antitrust investigations

On July 5, 2011, Nexans and its subsidiary Nexans France SAS received a Statement of Objections[1] from the European Commission's Directorate General for Competition relating to alleged anticompetitive behavior by Nexans France SAS in the sector of submarine and underground power cables as well as the related accessories and services.

As a result, the Group recorded a 200 million euro provision in its consolidated financial statements at June 30, 2011, which was maintained at the year-end. Being an estimate, the definitive financial consequences for the Group may differ.

The amount of the provision corresponds, at this stage of the proceedings, and by application of a principle of prudence, to the Group's best estimate of the fine which could be imposed on it taking into account the fining policy of the Commission and the methodology and elements on which the Commission indicated its intention to base its fine, as well as certain challenges that Nexans and its subsidiary Nexans France SAS made in their response to the Statement of Objections which was submitted to the European Commission on October 26, 2011. See also Note 31.

In view of the exceptional nature of this provision and its highly material amount, in accordance with IFRS it has been presented in a separate line of the income statement ("Reserve for risk related to EU antitrust procedure") between operating margin and operating income (loss).

e. Changes in scope of consolidation

The only significant change in the scope of consolidation in **2011** was the sale of Tri Wire Ltd, a wholly-owned Nexans subsidiary. This sale generated a capital loss of 2.6 million euros, which was recognized in the income statement in the second half of the year under "Net gains on asset disposals", and had a 6.0 million euro positive impact on consolidated net debt.

In 2011, Tri Wire Ltd contributed 41.5 million euros to Nexans' consolidated sales (at current metal prices) and 2.5 million euros to operating margin.

There was also only one change in the scope of consolidation in **2010**, which was the sale of the Group's 60% stake in LIOA, one of Nexans' two joint ventures based in Vietnam. This sale generated a capital gain of 4.3 million euros, which was recognized in the income statement in the second half of the year under "Net gains on asset disposals", and had a 9.5 million euro positive impact on consolidated net debt.

In 2010, LIOA contributed 11.5 million euros to Nexans' consolidated sales (at current metal prices) and 0.4 million euros to operating margin.

f. Employee share ownership plan

In 2011, Nexans announced its intention to carry out an employee share issue in the first half of 2012 involving the issuance of a maximum of 400,000 shares. This operation will be the fifth international employee share issue to be carried out by the Group. In the same way as for the Group's 2010 employee share issue ("Act 2010"), the overall mechanism will include a "leveraged" structure that provides employees with a capital guarantee. Subject to approval by the AMF, the shares will be subscribed via an employee mutual fund at a unit price representing a 20% discount on the reference share price (except in specific cases due to local rules and regulations).

As was the case for the Act 2010 Plan, subject to approval at the Annual Shareholders' Meeting to be held in first-half 2012, the 2012 employee share issue ("Act 2012") may also include certain alternative formulae which would be financed through a capital increase with the shares concerned issued to the arranging bank. The maximum amount of any such capital increase would be 100,000 euros, corresponding to the same number of shares.

These alternative formulae form part of Nexans' overall policy of more closely associating its employees across the globe with the Group's future development and performance.

The precise terms and conditions of the Act 2012 employee share issue – which is expected to be carried out by the end of the third quarter of 2012 – will be announced to the Group's employees and the market at a later date. The issue may not be carried out until (i) the relevant regulatory authorities in each country have been notified or their approval obtained, including the AMF in France, and (ii) the consultation procedures with employee representatives as required by the applicable laws have been duly completed. The issuance of shares under this plan to Group employees in the USA has not been and will not be registered with the Securities and Exchange Commission. The Company reserves the right to change the terms and conditions and/or timing of the issue as well as to suspend its launch.

(1) A Statement of Objections is a procedural document in competition investigations whereby the European Commission informs parties concerned of its preliminary view in relation to a possible infringement of EU competition law. The recipient of a Statement of Objections may respond in writing, by presenting all elements and information in its favor which may limit the accusations made by the Commission. The recipient may also ask to be heard to present its arguments on the investigation. The sending of a Statement of Objections does not prejudge the European Commission's final decision in the proceedings.

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 specific factors were reflected in this column in 2010 and 2011:

- In both years the Group 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.

- Since 2009, Nexans' management team has carried out a series of measures aimed at structurally reducing its working capital requirement, notably by speeding up turnover of non-ferrous metal inventories. These measures enabled the Group to significantly reduce its levels of non-ferrous metal inventories, including Core exposure, in 2010. From an accounting perspective, the reduction in Core exposure resulted in a positive 37 million euro impact on operating margin in 2010, which was offset in the "Core exposure effect" line between operating margin and operating income. Core exposure is measured at historic value at the level of operating margin, which is close to its LIFO value and significantly 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 key performance indicator.

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 for the consolidated financial statements, as described in the notes.

a. Information by reportable segment

2011 (in millions of euros)	Electrical Wires	Energy	Telecom	Other	Group total
Contribution to Net sales at current metal prices	858	5,484	544	34	6,920
Contribution to Net sales at constant metal prices	266	3,852	446	30	4,594
Operating margin	11	223	30	(8)	256
Depreciation, amortization and impairment of assets (including goodwill)	(8)	(144)	(14)	(5)	(171)

(1) Nexans' Management Committee comprises the Chairman and CEO as well as the three Senior Corporate Executive Vice Presidents. The Committee is the Group's chief operating decision maker within the meaning of IFRS 8.

2010 (in millions of euros)	Electrical Wires	Energy	Telecom	Other	Group total
Contribution to Net sales at current metal prices	817	4,833	501	29	6,179
Contribution to Net sales at constant metal prices	289	3,568	426	26	4,309
Contribution to Net sales at constant metal prices and 2011 exchange rates	287	3,587	423	26	4,323
Operating margin	7	188	25	(13)	207
Depreciation, amortization and impairment of assets (including goodwill)	(2)	(163)	(13)	(3)	(181)

b. Information by major geographic area

2011 (in millions of euros)	France**	Germany	Norway	Other***	Group total
Contribution to Net sales at current metal prices*	1,057	757	660	4,446	6,920
Contribution to Net sales at constant metal prices*	742	601	605	2,646	4,594
Non-current assets (IFRS 8)* (at December 31)	139	129	180	1,289	1,737

* Based on the location of the assets.
** Including Corporate activities.
*** Countries that do not individually account for more than 10% of the Group's Net sales at constant metal prices.

2010 (in millions of euros)	France**	Germany	Norway	Other***	Group total
Contribution to Net sales at current metal prices*	962	640	577	4,001	6,179
Contribution to Net sales at constant metal prices*	735	520	531	2,523	4,309
Contribution to Net sales at constant metal prices and 2011 exchange rates*	735	520	545	2,523	4,323
Non-current assets (IFRS 8)* (at December 31)	143	126	157	1,322	1,748

* Based on the location of the assets.
** Including Corporate activities.
*** Countries that do not individually account for more than 10% of the Group's Net sales at constant metal prices.

c. Information by major customer

The Group does not have any customers that individually accounted for over 10% of its sales in 2011 or 2010.

Note 4. Payroll, staff and staff training entitlement

		2011	2010
Payroll costs (including payroll taxes)	(in millions of euros)	1,073	1,005
Staff of consolidated companies at year-end	(in number of employees)	24,561	23,691
Staff training entitlement*	(in hours)	341,000	340,000

* 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 2.9 million euros in 2011 (including 2.8 million euros relating to stock option plans) and 7.0 million euros in 2010 (including 5.0 million euros relating to stock option plans). See Note 21 for further information.

Compensation paid to employees affected by restructuring plans in progress is not included in the above table.

Note 5. Other financial expenses

(in millions of euros)	2011	2010
Dividends received from non-consolidated companies	1	1
Provisions	(2)	0
Net foreign exchange gain (loss)	(17)	4
Discounting impact on employee benefit obligations*	(33)	(35)
Expected return on employee benefit plan assets*	20	18
Other	(3)	(4)
Other financial expenses	**(34)**	**(16)**

* See Note 22.

Note 6. Net gains on asset disposals

(in millions of euros)	2011	2010
Net gains (losses) on disposal of non-current assets	6	10
Net gains (losses) on disposal of investments	(3)	5
Other	-	-
Net gains on asset disposals	**3**	**15**

Note 7. Net asset impairment

(in millions of euros)	2011	2010
Impairment losses – non-current assets	(35)	(21)
Reversals of impairment losses – non-current assets	1	-
Impairment losses – goodwill	-	(22)
Negative goodwill recognized in the income statement	-	-
Net asset impairment	**(34)**	**(43)**

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 34 million euro net impairment loss recorded in 2011 mainly related to:

- Primarily, the property, plant and equipment held by the "Turkey" cash-generating unit (CGU), which were fully written down in the second half of the year. The Turkish domestic market has become saturated as all of the industry's main players have taken steps in recent years to develop new large-scale production capacity for medium-voltage cables, which has led to a deteriorated price environment. The Group considers that in view of the uncertainties on this market, there are no short- or medium-term prospects of this situation changing. In addition, there has not been sufficient expansion in either the export trade – notably to the United Kingdom – or sales of instrumentation cables to offset the impact of these more difficult operating conditions in the Turkish domestic market.

- Assets held by the "North America Industrial Cables" CGU which were written down in the first half of the year following a falloff in the CGU's performance and the difficulties experienced in maintaining a satisfactory margin in view of the current product mix.

- The remainder of the impairment losses recognized in 2011 concerned capital expenditure – mainly maintenance outlay – incurred for Group operations that had already been fully written down in prior years and for which the outlook at December 31, 2011 did not justify a reversal of the corresponding impairment losses at that date.

A review was also performed on the “Greece” CGU in first-half 2011 in light of the country’s economic and financial crisis. Given the current forecasts for this CGU and the assumptions used for the discount rate (see below), the Group did not consider that it was necessary to record an impairment loss. The carrying amount of fixed assets in the Greece CGU – which do not include goodwill or intangible assets with indefinite useful lives – amounted to 17 million euros at December 31, 2011.

The 43 million euro net impairment loss recorded in 2010 related to:

- Primarily, the partial write-down of goodwill and customer relationships included in the "Australia" CGU, which has grouped Nexans' operations in Australia and New Zealand since the acquisition of the Olex group in December 2006. The global economic downturn, whose main effects only hit Australia and New Zealand as from the second half of 2009, led to fierce competition which resulted in a sharp increase in imports from foreign competitors, in Olex losing market share with a number of key customers and, more generally, in a reduction in profitability in certain market segments. A specific value was allocated to these customer relationships when Olex was acquired.

  The Group’s performance in Australia turned steadily upwards throughout 2011. However, at this stage Nexans has decided not to reverse the impairment loss recorded in 2010 until there are firm signs that this business recovery is sustainable.

- The write-down of the goodwill allocated to the "Spain" CGU, as a result of the difficult local market conditions.

- The remainder of the impairment losses recognized in 2010 concerned capital expenditure – mainly maintenance outlay – incurred for Group operations that had already been fully written down in prior years and for which the outlook at December 31, 2010 did not justify a reversal of the corresponding impairment losses.

Main assumptions

The main assumptions applied by geographic area when preparing the business plans used in connection with impairment testing are listed below:

- At December 31, 2011 discount rates in the Group's main monetary areas were on a par with the ones at December 31, 2010.
- Since 2009, perpetuity growth rate assumptions have been aligned with the OECD's medium- and 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
2011			
Australia	11.7%	9.5%	3%
Brazil	12.7%	9.5%	4%
Canada	11.0%	8.0%	2%
Chile	9.1%	8.0%	4%
China	10.3%	9.5%	7%
South Korea	11.9%	9.0%	2%
Egypt	15.5%	13.0%	6%
United States	11.1%	8.0%	2%
Europe (eurozone*)	11.2%	8.0%	2%
Lebanon	14.6%	13.0%	5%
Turkey	15.9%	12.5%	3%
2010			
Australia	11.7%	9.5%	3%
Brazil	12.7%	9.5%	4%
Canada	11.0%	8.0%	2%
Chile	9.7%	8.5%	4%
China	9.8%	9.0%	7%
South Korea	12.6%	9.5%	2%
Egypt	14.3%	12.0%	6%
United States	11.1%	8.0%	2%
Europe (eurozone)	11.2%	8.0%	2%
Lebanon	15.7%	14.0%	5%
Turkey	16.5%	13.0%	3%

* Based on financial conditions prevailing at December 31, 2011 and excluding the rates used for the impairment test carried out for the "Greece" CGU. For the purposes of this test a discount rate of 12% (after tax) was applied for the first year of the projection which was gradually reduced to 8% for the final year to converge with the rate applied to the rest of the eurozone. These assumptions reflect the serious financial tensions currently affecting Greece while applying a scenario of the country remaining in the eurozone and returning to a more normal financial situation in the medium term.

- The cash flow assumptions were updated in the last quarter of 2011 to incorporate Management's most recent estimates of the Group's future business levels (as contained in the 2012 Budget and the 2012-2014 Strategic Plan).

- The estimated cash flows used for the Group's impairment tests were based on 5-year metal trends at end-October 2011. The terminal value applied is generally equivalent to or approximates the latest available market forecast value. The copper and aluminum price forecasts used were as follows (three-month average prices):

Euro/metric ton	Copper	Aluminum
2012	5,719	1,625
2013	5,713	1,691
2014	5,702	1,756
2015	5,685	1,817
2016	5,668	1,877
Terminal value	5,668	1,877

Compared with 2010 the assumptions used in 2011 reflect a flattening of the copper price curve over time, with a sharp increase in medium-term copper prices, in line with recent market trends. The assumptions used for the 2010 impairment tests were as follows:

Euro/metric ton	Copper	Aluminum
2011	5,893	1,719
2012	5,697	1,766
2013	5,390	1,805
2014	5,165	1,828
2015	4,865	1,842
Terminal value	4,865	1,842

Major Goodwill CGUs

The CGUs that held intangible assets with indefinite useful lives and/or goodwill representing a material amount at Group level remain as follows at December 31, 2011:

- 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 2011 this CGU held 20 million euros worth of intangible assets with indefinite useful lives and 153 million euros in goodwill.

- South America – a CGU that mainly comprises the Madeco sub-group but also includes Nexans' long-standing business in Brazil. At December 31, 2011 this CGU included (i) 148 million euros worth of goodwill, taking into account the additional purchase consideration recorded following the amicable settlement reached with Madeco in January 2011, and (ii) 33 million euros in intangible assets with indefinite useful lives.

- The CGU comprising the Italy-based operations of Intercond and Cabloswiss, which held 24 million euros in goodwill at December 31, 2011 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.** The other key assumptions used for these cash flow projections are described above.

Sensitivity analyses

Impairment calculations for the Group's CGUs for which an impairment test has been performed are based on the latest projections approved by Group Management as well as the main assumptions described above. The following sensitivity analyses were carried out by the Group:

- A 50 basis-point increase in the discount rates used for all the sensitive CGUs reviewed in 2011 compared with the assumptions presented above would result in a rise of around 17 million euros in the amount of impairment losses recorded for the year in relation to the "Australia" CGU.

- The calculations presented above are based on metal prices at end-October 2011. Revised calculations based on metal prices at December 31, 2011 would not have a material impact on the amount of impairment losses recorded in 2011, including for the "Australia" CGU.

For information purposes, metal prices at December 31, 2011 were as follows (three-month average prices):

Euro/metric ton	Copper	Aluminum
2012	5,857	1,605
2013	5,783	1,674
2014	5,710	1,747
2015	5,632	1,807
2016	5,557	1,865
Terminal value	5,557	1,865

Note 8. Assets and groups of assets held for sale

The Group had no material assets or groups of assets held for sale at December 31, 2011 or 2010.

Similarly, it had no discontinued operations within the meaning of IFRS 5 for the two years presented.

Note 9. Income taxes

a. Analysis of the income tax charge

(in millions of euros)	2011	2010
Current income tax charge	(60)	(52)
Deferred income tax benefit (charge), net	29	26
Income tax charge	**(31)**	**(26)**

Nexans heads up a tax group in France that comprised 12 companies in 2011. Other tax groups have been set up where possible in other countries, including in Germany, North America and South Korea.

In France, local business tax (taxe professionnelle) was abolished in 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 has decided to classify the CVAE as falling within the scope of application of IAS 12 and has therefore included this new contribution in the "Income taxes" line in the consolidated income statement since 2010. This gives rise to the recognition of deferred taxes where appropriate.

b. Effective tax rate

The effective income tax rate was as follows for 2011 and 2010:

Tax proof in millions of euros	2011	2010
Income (loss) before taxes	(155)	110
- of which share in net income (loss) of associates	(2)	(1)
Income (loss) before taxes and share in net income (loss) of associates	(153)	111
Standard tax rate applicable in France (in %)	36.10%	34.43%
Theoretical income tax benefit (charge)	55	(38)
Effect of:		
- Differences in current tax rates of foreign countries	8	11
- Expenses not deductible for tax purposes*	(77)	(12)
- Unused tax losses and other deductible temporary differences for the period not recognized as deferred tax assets	(44)	(42)
- Utilization during the period of unused tax losses and other deductible temporary differences not previously recognized as deferred tax assets	6	9
- Income (expenses) arising from tax losses and other deductible temporary differences due to changes in caps on net deferred tax assets during the period	5	24
- Income not subject to tax or taxed at a reduced rate	4	6
- Changes in tax rates	0	(0)
- Taxes calculated on a basis different from "Income before taxes"	(3)	(6)
- Tax credits	9	10
- Adjustments in respect of prior years and other impacts	6	12
Actual income tax benefit (charge)	(31)	(26)
Effective tax rate (in %)	(20.21)%	23.50%

* Including a negative 72 million euro permanent difference relating to the non-deductible 200 million euro provision set aside over the first-half of 2011, and relating to the European Commission's current proceedings for anticompetitive behavior (see Notes 2 and 31).

The theoretical income tax benefit (charge) is calculated by applying the parent company's tax rate to consolidated income (loss) before taxes and share in net income (loss) of associates.

c. Taxes recognized directly in equity

The impact of taxes on other comprehensive income can be analyzed as follows for 2011 and 2010:

2011 (in millions of euros)	Gross value	Tax effect	Net impact
Available-for-sale financial assets	(0)	0	(0)
- Gains (losses) generated during the year	(0)	0	(0)
- Amounts recycled to the income statement	-	-	-
Currency translation differences	(7)	(1)	(8)
- Gains (losses) generated during the year	(8)	(1)	(9)
- Amounts recycled to the income statement	1	-	1
Cash flow hedges	(92)	25	(67)
- Gains (losses) generated during the year	(92)	25	(67)
- Amounts recycled to the income statement	(0)	0	-
Other comprehensive income (expense)	**(99)**	**24**	**(75)**

2010 (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 differences	180	(1)	179
- Gains (losses) generated during the year	179	(1)	178
- Amounts recycled to the income statement	1	-	1
Cash flow hedges	32	(11)	21
- Gains (losses) generated during the year	107	(29)	78
- Amounts recycled to the income statement	(75)	18	(57)
Other comprehensive income (expense)	**211**	**(12)**	**200**

At December 31, 2011, taxes recognized directly in other comprehensive income (recyclable reserves) – which mainly related to fair value adjustments on derivatives designated as cash flow hedges – totaled 2 million euros, breaking down as follows:

At December 31, in millions of euros	2011		
	Impact before currency translation differences*	Currency translation differences**	Total impact on equity
By type of underlying			
Metal derivatives – cash flow hedges	7	(2)	5
Foreign exchange derivatives – cash flow hedges	(1)	(1)	(2)
Net investments in foreign operations and related hedges	(1)	(0)	(1)
Total taxes recognized directly in other comprehensive income	**5**	**(3)**	**2**
- of which current tax	(1)	(0)	(1)
- of which deferred tax	6	(3)	3

* Impacts on cash flow hedges are recognized in "Changes in fair value and other"; impacts on net investments in foreign operations and related hedges are presented in "Currency translation differences".
** Currency translation differences for current and deferred taxes relating to cash flow hedges as well as net investments in foreign operations and related hedges are presented under "Currency translation differences".

At December 31, 2010, taxes recognized directly in other comprehensive income (recyclable reserves) – which mainly related to fair value adjustments on derivatives designated as cash flow hedges and primarily corresponded to deferred tax liabilities – totaled 25 million euros, breaking down as follows:

At December 31, in millions of euros	2010		
	Impact before currency translation differences*	Currency translation differences**	Total impact on equity
By type of underlying			
Metal derivatives – cash flow hedges	(17)	(2)	(19)
Foreign exchange derivatives – cash flow hedges	(2)	(1)	(3)
Net investments in foreign operations and related hedges	(3)	(1)	(3)
Total taxes recognized directly in other comprehensive income	**(22)**	**(4)**	**(25)**
- of which current tax	(3)	(1)	(3)
- of which deferred tax	(19)	(3)	(22)

* Impacts on cash flow hedges are recognized in "Changes in fair value and other"; impacts on net investments in foreign operations and related hedges are presented in "Currency translation differences".
** Currency translation differences for current and deferred taxes relating to cash flow hedges as well as net investments in foreign operations and related hedges are presented under "Currency translation differences".

These taxes will be recycled to the income statement in the periods when the hedged items affect income (see Note 1.c and Note 1.bb).

In addition, a deferred tax asset was recognized directly in equity on the option component of the OCEANE 2016 and 2013 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.g).

d. Deferred taxes recorded in the consolidated statement of financial position

Deferred taxes break down as follows by type of temporary difference:

(in millions of euros)	Dec. 31, 2010	Impact on the income statement	Exchange differences	Business combinations	Impact on equity	Other	**Dec. 31, 2011**
Goodwill	33	(6)	(2)	-	-	-	25
Intangible assets	(49)	3	(1)	-	-	-	(47)
Property, plant and equipment	(47)	9	0	-	-	(8)	(46)
Long-term financial assets	2	0	0	-	-	-	2
Inventories	(4)	7	(0)	-	-	-	3
Receivables	(34)	21	0	-	-	-	(13)
Provisions	43	2	(0)	-	-	1	46
Financial liabilities	(0)	5	0	-	-	-	5
Current liabilities	5	3	0	-	-	-	8
Mark-to-market of metal and foreign exchange derivatives	(19)	0	0	-	27	-	8
Other	(3)	2	(0)	-	-	-	(1)
Unused tax losses	299	12	(2)	-	-	(7)	302
Deferred tax assets (gross) and deferred tax liabilities	**225**	**58**	**(5)**	**-**	**27**	**(14)**	**291**
Unrecognized deferred tax assets	(273)	(29)	1	-	(2)	6	(297)
Net deferred taxes	**(48)**	**29**	**(4)**	**-**	**25**	**(8)**	**(6)**
- of which recognized deferred tax assets	82						96
- of which deferred tax liabilities	(130)						(102)

(in millions of euros)	Dec. 31, 2009	Impact on the income statement	Exchange differences	Business combinations	Impact on equity	Other	**Dec. 31, 2010**
Goodwill	39	(10)	5	-	0	(0)	33
Intangible assets	(48)	8	(7)	-	0	(1)	(49)
Property, plant and equipment	(38)	(5)	(3)	-	0	(1)	(47)
Long-term financial assets	0	1	0	-	(0)	0	2
Inventories	(2)	(0)	(0)	-	0	(1)	(4)
Receivables	(32)	(4)	(1)	-	0	3	(34)
Provisions	39	0	2	-	0	2	43
Financial liabilities	(10)	7	0	-	(0)	4	(0)
Current liabilities	6	0	0	-	0	(2)	5
Mark-to-market of metal and foreign exchange derivatives	(14)	6	(1)	-	(11)	(0)	(19)
Other	1	(1)	(0)	-	0	(2)	(3)
Unused tax losses	259	34	2	-	0	3	299
Deferred tax assets (gross) and deferred tax liabilities	**200**	**36**	**(4)**	**-**	**(11)**	**4**	**225**
Unrecognized deferred tax assets	(252)	(10)	(2)	-	-	(8)	(273)
Net deferred taxes	**(52)**	**26**	**(7)**	**-**	**(11)**	**(4)**	**(48)**
- of which recognized deferred tax assets	57						82
- of which deferred tax liabilities	(109)						(130)

At December 31, 2011 and 2010, deferred tax assets in the respective amounts of 297 million euros and 273 million euros were not recognized as the Group deemed that their recovery was not sufficiently probable. These mainly concern the tax losses described in paragraph **e)** below.

e. Unused tax losses

Unused tax losses carried forward represented potential tax benefits for the Group of 302 million euros at December 31, 2011 (299 million euros at December 31, 2010). The main tax entities to which these tax losses related at that date were as follows:

- German subsidiaries, in an amount of 158 million euros (156 million euros at December 31, 2010).
- French subsidiaries, in an amount of 51 million euros (41 million euros at December 31, 2010).

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 consolidated statement of financial position is determined based on updated business plans as described in Note 1.v.

The potential tax benefits deriving from unused tax losses carried forward break down as follows by expiration date:

(in millions of euros)	**2011**	2010
Year y+1	6	15
Years y+2 to y+4	8	11
Year y+5 and subsequent years	288	273
Total	**302**	**299**

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 (loss) per share and diluted earnings (loss) per share:

	2011	2010
Net income (loss) attributable to owners of the parent (in millions of euros)	**(178)**	**82**
Impact of interest expense (OCEANE bonds)	Anti-dilutive	15
Impact of interest expense (OCEANE bonds), net of tax	Anti-dilutive	10
Adjusted net income (loss) attributable to owners of the parent (in millions of euros)	**(178)**	**92**
Attributable net income (loss) from discontinued operations	**-**	**-**
Average number of shares outstanding	28,698,239	28,283,446
Dilutive instruments:		
- Average number of OCEANE bonds	Anti-dilutive	4,000,000
- Average number of free shares and performance shares	Anti-dilutive	-
- Average number of dilutive stock options	Anti-dilutive	239,779
Average number of diluted shares	28,698,239	32,523,225
Attributable net income (loss) from continuing operations per share (in euros)		
- basic earnings (loss) per share	(6.21)	2.92
- diluted earnings (loss) per share	(6.21)	2.84
Attributable net income (loss) from discontinued operations per share (in euros)		
- basic earnings (loss) per share	-	-
- diluted earnings (loss) per share	-	-
Attributable net income (loss) per share (in euros)		
- basic earnings (loss) per share	(6.21)	2.92
- diluted earnings (loss) per share	(6.21)	2.84

At December 31, 2011, the main anti-dilutive instruments were as follows:

- The OCEANE 2013 convertible/exchangeable bonds issued in 2006, representing an average of 3,794,037 bonds outstanding in 2011 and a pre-tax interest expense of 18.4 million euros.
- The OCEANE 2016 convertible/exchangeable bonds issued in 2009, representing an average of 4,000,000 bonds outstanding in 2011 and a pre-tax interest expense of 15.4 million euros.
- A period average of 1,605,338 stock options granted to Group employees, with an average exercise price of 57.23 euros (including the employee benefit valuation as per IFRS 2). The average number of stock options that would have been anti-dilutive if the Group had recorded a net income figure in 2011 would have been 974,848 stock options with an average exercise price of 69.38 euros (including the employee benefit valuation as per IFRS 2).
- A period average of 12,663 free shares or performance share granted to Group employees.

At December 31, 2010, the main anti-dilutive instruments were as follows:

- The OCEANE 2013 convertible/exchangeable bonds issued in 2006, representing an average of 3,794,037 bonds outstanding in 2010 and a pre-tax interest expense of 17.6 million euros.

- 926,382 stock options granted to Group employees, with an average exercise price of 72.26 euros (including the employee benefit valuation as per IFRS 2).

Note 11. Goodwill

	Gross	Impairment losses	Carrying amount
January 1, 2010	374	(39)	335
Business combinations	12	-	12
Disposals	(0)	0	-
Impairment losses	-	(22)	(22)
Exchange differences	49	(3)	46
Other movements*	7	-	7
December 31, 2010	442	(64)	378
Business combinations	-	-	-
Disposals	-	-	-
Impairment losses	-	-	-
Exchange differences	(1)	(2)	(3)
Other movements*	11	-	11
December 31, 2011	452	(66)	386

* Including any classifications 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.

There were no significant movements in goodwill in 2011 and the overall carrying amount remained stable compared with the year-end 2010 figure.

During 2010, the main movements in goodwill related to the following:

- Currency appreciation in South America and Australia, both geographical regions which have a significant level of goodwill.

- The goodwill impairment losses recorded for the "Australia" and "Spain Energy" CGUs (see Note 7).

- The 13.7 million US dollars in additional purchase consideration recognized following the settlement agreement entered into with the Madeco group in January 2011 in relation to the arbitration procedure launched in July 2009. The purpose of this arbitration procedure was to set the definitive amount of the purchase price for Nexans' September 30, 2008 acquisition of the Madeco group's cables business, as the initial price was subject to final adjustments based on financial statements at September 30, 2008.

Note 12. Other intangible assets

a. Changes in the gross value of intangible assets

	Gross value					
(in millions of euros)	Trademarks	Customer relationships	Software	Patents and licenses	Other	Total
January 1, 2010	30	143	54	5	31	263
Acquisitions	-	-	2	-	1	3
Disposals	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-
Exchange differences	5	24	3	0	4	36
Other movements	-	-	8	-	(2)	6
December 31, 2010	35	167	67	5	34	308
Acquisitions	-	-	1	-	2	3
Disposals	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-
Exchange differences	0	3	0	-	(0)	3
Other movements	-	-	2	-	(0)	2
December 31, 2011	35	170	70	5	36	316

b. Changes in amortization and impairment of intangible assets

	Amortization and impairment					
(in millions of euros)	Trademarks	Customer relationships	Software	Patents and licenses	Other	Total
January 1, 2010	-	19	46	3	6	74
Amortization expense	-	9	6	0	-	15
Impairment losses*	-	18	0	-	-	18
Reversals on disposals	-	-	-	-	-	-
Business combinations	-	-	0	-	-	-
Exchange differences	-	5	2	0	1	8
Other movements	-	-	1	-	(1)	0
December 31, 2010	-	51	55	3	6	115
Amortization expense	-	9	6	0	0	15
Impairment losses	-	-	-	-	-	-
Reversals on disposals	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-
Exchange differences	-	1	0	1	0	2
Other movements	-	-	0	-	(0)	0
December 31, 2011	-	61	61	4	6	132

* See Note 7.

Note 13. Property, plant and equipment

a. Changes in the gross value of property, plant and equipment

	Gross value					
(in millions of euros)	Land	Buildings	Plant, equipment and machinery	Assets in progress	Other	Total
January 1, 2010	92	713	2,079	87	214	3,185
Acquisitions	-	6	27	74	18	125
Disposals	(3)	(4)	(19)	-	(2)	(28)
Business combinations	-	(2)	(5)	-	-	(7)
Exchange differences	7	34	111	7	8	167
Other movements*	(1)	(16)	(7)	(95)	(9)	(128)
December 31, 2010	95	731	2,186	73	229	3,314
Acquisitions	-	5	38	93	10	146
Disposals	-	(1)	(20)	-	(2)	(23)
Business combinations	-	(2)	(3)	-	(1)	(6)
Exchange differences	-	-	(3)	(0)	-	(3)
Other movements*	-	6	41	(67)	4	(16)
December 31, 2011	95	739	2,239	99	240	3,412

* Including any classification as assets and groups of assets held for sale (IFRS 5), transfers of assets in progress as the assets come into service, and retirements of assets (which are generally fully depreciated).

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, 2010	12	497	1,390	169	2,068
Depreciation expense	-	19	91	12	122
Impairment losses**	-	-	18	-	18
Reversals of impairment losses**	-	-	-	-	-
Reversals on disposals	-	(3)	(15)	(2)	(20)
Business combinations	-	(2)	(5)	-	(7)
Exchange differences	0	18	59	6	83
Other movements*	(1)	(29)	(74)	(16)	(120)
December 31, 2010	11	500	1,464	169	2,144
Depreciation expense	0	19	90	12	121
Impairment losses**	-	3	29	3	35
Reversals of impairment losses**	-	(1)	-	-	(1)
Reversals on disposals	-	(2)	(19)	(1)	(22)
Business combinations	-	(2)	(5)	(2)	(9)
Exchange differences	-	1	(4)	-	(3)
Other movements*	-	-	(13)	-	(13)
December 31, 2011	11	518	1,542	181	2,252

* Including classification as assets and groups of assets held for sale (IFRS 5) and retirements of assets (which are generally fully depreciated).
** See Note 7. In 2010, this line also included 15 million euros recognized as a result of restructuring plans (see Note 23).

c. Other information

Firm commitments to purchase property, plant and equipment amounted to 31 million euros at December 31, 2011 (35 million euros at December 31, 2010).

Note 14. Investments in associates – Summary of financial data

a. Equity value

At December 31, in millions of euros	Percentage of ownership	2011	2010
Qatar International Cable Company	30.33%	0	2
Cobrecon/Colada Continua	33.33%/41.00%	5	4
Recycables	36.50%	2	1
Total		**7**	**7**

Nexans has a minority 30.33% stake in a joint venture set up in Qatar alongside a local partner for the manufacture of energy infrastructure cables. The facility opened in 2010 and entered the active production phase during 2011.

Following its acquisition of the Madeco group's cables business in 2008, Nexans has two 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).

The Group's other equity-accounted associate is Recycables, a France-based company that is 36.5% held by Nexans. Recycables was set up in partnership with the Sita group to recycle manufacturing waste and began operations in 2008.

b. Financial data relating to associates

The information below is presented in accordance with the local GAAP of each associate as full statements of financial position and income statements prepared in accordance with IFRS were not available at the date on which Nexans' consolidated financial statements were published.

Condensed statement of financial position

At December 31, in millions of euros	2011	2010
Intangible assets and purchased goodwill	3	2
Property, plant and equipment	50	41
Current assets	35	18
Other	0	1
Total capital employed	**88**	**62**
Equity	21	23
Provisions	2	2
Net debt	34	27
Operating liabilities	31	10
Total financing	**88**	**62**

Condensed income statement

(in millions of euros)	2011	2010
Sales at current metal prices	37	27
Operating income (loss)	(10)	(4)
Net income (loss)	(6)	(4)

The year-on-year changes mainly reflect the fact that the joint venture in Qatar entered the active production phase in 2011.

Note 15. Other non-current financial assets

At December 31, in millions of euros	2011	2010
Long-term loans and receivables	7	9
Available-for-sale securities	22	20
Other	15	15
Total	**44**	**44**

The maturity schedule for these financial assets at December 31, 2011 is presented below (excluding available-for-sale securities which correspond to shares in non-consolidated companies and have no maturity).

	2011			
At December 31, in millions of euros	Carrying amount	< 1 year	1 to 5 years	> 5 years
Long-term loans and receivables	7	-	5	2
Other	15	-	15	-
Total	**22**	**-**	**20**	**2**

Movements in impairment losses recognized 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
2011	7	2	-	(0)	9
2010	7	0	-	0	7

No impairment losses have been recorded for “Long-term loans and receivables” and there were no past-due balances in relation to this item at December 31, 2011 or 2010.

Impairment losses recorded for assets included in line "Other" totaled 9 million euros at December 31, 2011, unchanged from year-end 2010. There were no past-due balances in relation to these assets other than those provided for in the impairment losses.

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 consolidated statement of financial position correspond to the aggregate amount of costs incurred on each individual contract plus profits recognized (net of any losses recognized, including any losses to completion), 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” (which are presented in “Liabilities related to construction contracts” in the consolidated statement of financial position).

Contracts in progress at December 31, 2011 and 2010 break down as follows:

At December 31, in millions of euros	2011	2010
Assets related to construction contracts	293	189
- of which "Amounts due from customers on construction contracts"	*293*	*189*
Liabilities related to construction contracts	319	202
- of which "Amounts due to customers on construction contracts"	*45*	*8*
- of which advances received on construction contracts	*274*	*194*
Total net assets (liabilities) related to construction contracts	**(26)**	**(13)**

Advances received from customers on construction contracts correspond to work not yet performed at the year-end.

Excluding advances received, the net asset position related to construction contracts at December 31, 2011 and 2010 can be analyzed as follows (aggregate amounts for construction contracts in progress at the year-end):

At December 31, in millions of euros	2011	2010
Aggregate amount of costs incurred plus profits recognized (net of any losses recognized, including any losses to completion)	3,030	2,220
Progress billings	2,782	2,039
Net balance excluding advances received	248	181
- of which "Amounts due from customers on construction contracts"	*293*	*189*
- of which "Amounts due to customers on construction contracts"	*(45)*	*(8)*

Sales at current metal prices recognized in relation to construction contracts at December 31, 2011 amounted to 768 million euros, versus 674 million euros at December 31, 2010.

There were no significant contingent liabilities relating to construction contracts at either December 31, 2011 or December 31, 2010.

The amount of retentions relating to progress billings issued totaled 27 million euros at December 31, 2011 compared with 29 million euros at December 31, 2010 (disclosure required in accordance with IAS 11.41).

Note 17. Inventories and work in progress

At December 31, in millions of euros	2011	2010
Raw materials and supplies	377	429
Industrial work in progress	279	241
Finished products	458	450
Gross value	1,114	1,120
Impairment	(63)	(61)
Net value	1,051	1,059

Note 18. Trade receivables

At December 31, in millions of euros	2011	2010
Gross value	1,207	1,166
Impairment	(39)	(40)
Net value	1,168	1,126

At December 31, 2011 and 2010, Nexans France SAS had respectively sold 110 million euros and 104 million euros worth of euro-denominated trade receivables to a bank as part of a receivables securitization program set up by the Group in 2010, referred to as the "On Balance Sheet" program (see **Note 26.a**). The receivables sold under this program cannot be derecognized as they do not meet the required criteria under IAS 27 and IAS 39.

Changes in provisions for impairment of trade receivables can be analyzed as follows (see **Note 26.e** for details on the Group's policy for managing customer credit risk):

(in millions of euros)	At Jan. 1	Additions	Utilizations	Reversals	Other (currency translation differences, IFRS 5 requirements)	At Dec. 31
2011	40	7	(4)	(4)	(0)	39
2010	38	6	(2)	(2)	0	40

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, 2011	32	18
December 31, 2010	26	32

The abnormally high level of receivables more than 90 days past due at December 31, 2010 was due to the fact that the settlement of a number of receivables in the high-voltage business was postponed in view of negotiations in progress at the time concerning the realization performance of the related contracts.

At December 31, 2011 and 2010 the remaining receivables past due but not written down mainly related to leading industrial groups, electricity companies, major public and private telecom operators or major resellers. They are generally located in geographic areas where contractual payment dates are often exceeded and historically present an extremely low default rate.

Note 19. Other current financial assets

At December 31, in millions of euros	2011	2010
Derivative instruments	40	116
Cash deposits paid	10	7
Short-term financial assets	50	150
Other operating receivables	10	16
Other non-operating receivables	10	20
Other	15	14
Gross value	135	323
Impairment	(1)	(1)
Net value	134	322

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.a).

Cash deposited to meet margin calls on copper forward purchases traded on the LME whose fair value was negative at the year-end (see Note 26.d) are presented under "Cash deposits paid" and amounted to 4 million euros at December 31, 2011 (1 million euros at December 31, 2010).

"Short-term financial assets" correspond to investment instruments with an original term of more than six months which can be combined with interest-rate or credit derivatives in order to improve their yield. These instruments satisfy the Group's counterparty risk criteria but do not meet the conditions required under IAS 7 to be presented in "Cash and cash equivalents". They are, however, included in the calculation of consolidated net debt (see Note 24) in view of their low liquidity risk, maturities of less than 12 months, and limited volatility, and due to the fact that they form an integral component of the Group's policy for managing surplus cash.

Note 20. Cash and cash equivalents

At December 31, in millions of euros	2011	2010
Cash on hand	534	370
Money market funds (SICAV)	270	287
Certificates of deposit	55	138
Cash and cash equivalents	859	795

In addition to cash on hand – corresponding to amounts held in current accounts and deposit accounts with a term of less than three months (totaling 177 million euros at December 31, 2011) – the "Cash and cash equivalents" line consists primarily of money market funds (SICAV) 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 any margin calls related to cash-settled copper forward purchases traded on the LME 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).

Cash and cash equivalent balances held by subsidiaries and that are considered as not available for use by the Group in accordance with IAS 7 were not significant either at December 31, 2011 or 2010.

At December 31, 2011 and December 31, 2010, cash and cash equivalents totaling 51 million euros and 83 million euros respectively were held by legal entities which are subject to certain capital movement restrictions under the applicable local legislation but whose cash balances are nevertheless available for use by the Group.

Note 21. Equity

a. Composition of capital stock

At December 31, 2011, Nexans' capital stock comprised 28,723,080 fully paid-up shares with a par value of 1 euro each, compared with 28,604,391 shares at December 31, 2010. The Company's shares no longer carry double voting rights, following the resolution passed at the Shareholders' Meeting held on November 10, 2011 (see Note 2.c).

b. Dividends

At the Annual Shareholders' Meeting, shareholders will be invited to approve the payment of a dividend of 1.1 euro per share, representing an aggregate payout of 31.6 million euros based on the 28,723,080 shares making up the Company's capital stock at December 31, 2011.

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, 2012 and the date of the Annual Shareholders' Meeting called to approve the dividend payment, following the exercise of stock options(1). 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 31, 2011 to approve the financial statements for the year ended December 31, 2010, the Company's shareholders authorized payment of a dividend of 1.1 euro per share – representing a total of 31.6 million euros – which was paid out on June 8, 2011.

c. Treasury shares

Nexans did not hold any treasury shares at either December 31, 2011 or 2010.

d. Stock options

At December 31, 2011, there were 1,579,665 stock options outstanding, each exercisable for one newly-issued share, i.e. 5.5% of the Company's capital stock. At December 31, 2010 a total of 1,702,744 options were outstanding, exercisable for 5.9% of the Company's capital stock.

The options outstanding at December 31, 2011 can be analyzed as follows:

Plan's characteristics

Grant date	Number of options originally granted	Number of options outstanding at the year-end	Exercise price (in euros)	Exercise period
November 16, 2004	403,000	164,250	27.82	From Nov. 16, 2005* to Nov. 15, 2012
November 23, 2005	344,000	146,691	40.13	From Nov. 23, 2006* to Nov. 22, 2013
November 23, 2006	343,000	340,000	76.09	From Nov. 23, 2007* to Nov. 22, 2014
February 15, 2007	29,000	19,000	100.94	From Feb. 15, 2009** to Feb. 14, 2015
February 22, 2008	306,650	295,750	71.23	From Feb. 22, 2009* to Feb. 21, 2016
November 25, 2008	312,450	285,363	43.46	From Nov. 25, 2009* to Nov. 24, 2016
March 9, 2010	335,490	328,611	53.97	From March 9, 2011* to March 8, 2018
Total	**2,073,590**	**1,579,665**		

* Vesting at a rate of 25% per year.
** 50% vesting after two years and the balance vesting at an annual rate of 25% thereafter.

(1) Also subject to any stock options that may be exercised between May 15, 2012 (the scheduled date for the 2012 Annual Shareholders' Meeting) and the dividend payment date, as the shares received on the exercise of these options will also qualify for any dividend voted at the 2012 Annual Shareholders' Meeting.

Changes in the number of options outstanding

	Number of options	Weighted average exercise price
Options outstanding at beginning of year	1,702,744	54.84
Options granted during the year	-	
Options cancelled during the year	(4,390)	50.14
Options exercised during the year	(118,689)	31.26
Options expired during the year	-	
Options outstanding at year-end	1,579,665	56.62
Of which exercisable at year-end	1,182,981	57.10

Valuation of options

The assumptions applied to value the options impacting income for 2010 and 2011 were as follows:

Grant date	Nov. 23, 2006	Feb. 15, 2007	Feb. 22, 2008	Nov. 25, 2008	March 9, 2010
Share price at grant date (in euros)	76.09	100.94	71.71	40.59	56.79
Average estimated life of the options	5.75 years	4.75 years	4.5 to 6 years	4.5 to 6 years	4.5 to 6 years
Volatility (%)	30.00%	30.00%	33.00%	38.00%	42.00%
Risk-free interest rate (%)*	3.70%	4.00%	3.34% - 3.46%	2.72% - 2.87%	2.04% - 2.54%
Dividend rate (%)	1.50%	1.50%	3.13%	4.68%	2.64%
Fair value of the option (in euros)**	22.79	28.22	19.24 - 17.44	9.38 - 8.47	19.71 - 17.85

* The method used by the Group to value stock options has been fine-tuned 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.

As from the November 25, 2008 plan, option grants include performance conditions for 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 notably 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 retained earnings. A 2.8 million euro stock option expense was recognized in the 2011 income statement versus 5.0 million euros in 2010 (see **Note 4**).

e. Free shares and performance shares

In 2011, the Group set up for the first time a plan involving the allocation of free shares and performance shares. At December 31, 2011 there were 112,730 free shares and performance shares outstanding, each entitling their owner to one share, representing a total of 0.4% of the Company's capital stock.

The free shares and performance shares outstanding at December 31, 2011 can be analyzed as follows:

Plan's characteristics

Grant date	Number of shares originally granted	Number of shares outstanding at the year-end	End of vesting period
November 21, 2011	113,180	112,730	November 21, 2015 for non-French resident beneficiaries and November 21, 2014 for French resident beneficiaries, followed by a 2-year lock-up period.

Movements in outstanding free shares and performance shares

	Number of shares
Shares outstanding at beginning of year	-
Shares granted during the year	113,180
Shares cancelled during the year	(450)
Shares vested during the year	-
Shares outstanding at year-end	112,730

Valuation of free shares and performance shares

The assumptions applied to value the shares impacting income for 2010 and 2011 were as follows:

Grant date	Nov. 21, 2011
Share price at grant date (in euros)	37.79
Vesting period	3 to 4 years
Volatility (%)*	48 %
Risk-free interest rate (%)	1.50 %
Dividend rate (%)	2.0 %
Fair value of the share (in euros)	24.86 – 36.11

* Only for shares subject to a condition relating to Nexans' stock market performance.

Half of the performance shares granted are subject to a condition relating to Nexans' share performance on the stock market and the other half are subject to financial performance conditions based on the growth of a pre-defined financial indicator compared with that of a benchmark panel of companies. Depending on the level of attainment of these two performance conditions, each beneficiary may actually acquire up to 150% of the shares initially allocated. However, if the attainment level falls below certain pre-defined thresholds the beneficiaries will not acquire any of the shares.

All of the instruments granted to beneficiaries as part of this plan are equity-settled. Their fair value was determined and set at the grant date, taking into account the market-based performance features for the purpose of the calculations.

The shares vest after a period of three years for French residents and four years for non-French residents. The shares allocated to French resident beneficiaries are also subject to a two-year lock-up period following the vesting period.

The fair value of free shares and performance shares 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 retained earnings. In the 2011 income statement this expense totaled 0.3 million euros (including 0.2 million euros in payroll taxes).

f. Put options granted to non-controlling interests

Nexans' commitment to buy the minority shareholdings in Liban Câbles is considered as a financial liability under IAS 32. Consequently, since December 31, 2005, this put option has been recognized in financial liabilities in the amount of 4 million euros, with a corresponding 1 million euro adjustment to non-controlling interests. The 3 million euro balance has been recognized as goodwill in accordance with the accounting policy described in Note 1.l. In 2010 the purchase commitment under this put was raised from a 7% interest in Liban Câbles to a 10% interest, which led to a 2 million euro increase in the related financial liability with a corresponding adjustment to non-controlling interests.

Dividends paid on the shares underlying these put options granted to non-controlling interests are treated as additional purchase consideration and are added to goodwill in accordance with the accounting policies described in Note 1.l.

g. 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 "Retained earnings and other reserves" within equity, representing pre-tax amounts of 33.5 million euros and 36.9 million euros respectively (see Note 24.c).

See Note 9.c. for further information on the related tax impact.

h. Employee share ownership plan

On February 10, 2010 Nexans launched a new employee share ownership plan, announcing an employee share issue involving a maximum of 500,000 shares. The settlement-delivery of the shares took place on August 5, 2010 and resulted in the issuance of 482,467 new shares, representing an aggregate amount of 19.5 million euros. The 2 million euro expense relating to this plan was recognized during the first half of 2010 and includes the impact of valuing the lock-up period applicable to plans in countries where it was possible to set up a corporate mutual fund.

Note 22. Pensions, retirement bonuses and other long-term employee benefits

There are a large number of retirement and other long-term employee benefit plans in place within the Group:

- In France, each Group employee is eligible for state pension plans and is entitled to a statutory retirement bonus paid by the employer. For historical reasons, certain employees are also members of a defined benefit supplementary pension plan, which has been closed to new entrants since 2005. In addition, the French members of the Group's Executive Committee have a top hat defined benefit pension plan (see Note 30).

- In other countries, pension plans are subject to local legislation, and to the business and historical practices of the subsidiary concerned. Nexans takes care to ensure that the assets of its main active pension plans approximate the value of the underlying obligations. The majority of unfunded defined benefit plans have been closed.

Provisions for jubilee and other long-term 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.

Main assumptions

The basic assumptions used for the actuarial calculations required to measure obligations under defined benefit plans are determined by the Group in conjunction with its external actuary. 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 weighted average rates used for the main countries concerned are listed below (together, these countries represented over 96% of the Group's pension obligations at December 31, 2011).

	Discount rate	Estimated future salary increases	Expected long-term rate of return on plan assets
2011			
France	5.25%	2.60%	4.00%
Germany	5.25%	2.00%	N/A
Norway	3.00%	3.75%	5.00%
Switzerland	2.50%	2.25%	3.25%
Canada	5.50%	3.50%	6.75%
United States	5.50%	3.50%	7.00%
Australia	4.80%	3.50%	4.40%
2010			
France	4.60%	2.64%	4.00%
Germany	4.60%	2.00%	N/A
Norway	3.75%	3.75%	4.50%
Switzerland	2.70%	2.25%	3.50%
Canada	5.50%	3.50%	7.00%
United States	5.60%	3.50%	7.00%
Australia	5.25%	4.00%	4.60%

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 notably used to determine the applicable discount rates in the eurozone, Canada, the United States and Switzerland.

b) 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 notably used to determine the discount rates applicable in Australia.

The approach was fine-tuned in 2011 for Norway, with discount rates for up to 10 years calculated by reference to government bonds, and rates beyond 10 years calculated in line with Norway's standard market practices, i.e. by reference to swap rates tied to the Norwegian InterBank Offered Rate (NIBOR) and rates guaranteed by insurers.

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 + 1%
- Cash and cash equivalents: inflation rate
- Other: discount rate or insurance rate when this is guaranteed.

Principal movements

(in millions of euros)	2011	2010
Retirement costs for the year		
Service cost	(18)	(18)
Interest cost	(33)	(35)
Expected return on plan assets	20	18
Past service cost	7	(1)
Amortization of actuarial gains and losses	(5)	(6)
Effect of curtailments and settlements	0	7
Supplementary retirement benefits	-	-
Impact of asset ceiling	1	(1)
Net cost for the year	(28)	(36)
- of which operating cost	(15)	(19)
- of which finance cost	(13)	(17)

(in millions of euros)	2011	2010
Valuation of benefit obligation		
Present value of benefit obligation at January 1	839	774
Service cost	18	18
Interest cost	33	35
Employee contributions	3	2
Plan amendments	(8)	6
Business acquisitions and disposals	-	-
Plan curtailments and settlements	(4)	(16)
Benefits paid	(51)	(56)
Actuarial (gains)/losses	3	15
Other (exchange differences)	10	61
Present value of benefit obligation at December 31	843	839

(in millions of euros)	2011	2010
Plan assets		
Fair value of plan assets at January 1	442	362
Expected return on plan assets	20	18
Actuarial gains/(losses)	(19)	12
Employer contributions	25	29
Employee contributions	3	2
Business acquisitions and disposals	-	-
Plan curtailments and settlements	(3)	(2)
Benefits paid	(26)	(31)
Other (exchange differences)	9	52
Fair value of plan assets at December 31	451	442

(in millions of euros)	2011	2010
Funded status		
Present value of wholly or partially funded benefit obligations	(558)	(526)
Fair value of plan assets	451	442
Funded status of benefit obligation	(107)	(84)
Present value of unfunded benefit obligation	(285)	(313)
Benefit obligation net of plan assets	(392)	(397)
Unrecognized actuarial (gains)/losses	104	86
Unrecognized past service cost	8	9
Unrecognized surplus (due to asset ceiling)	-	(1)
Net provision recognized	(280)	(303)
Of which pension assets	36	21

(in millions of euros)	2011	2010
Change in net provision		
Net provision recognized at January 1	303	319
Expense/(Income) recognized in the income statement	28	36
Utilization	(50)	(54)
Other impacts (exchange differences, acquisitions/disposals, etc.)	(1)	2
Net provision recognized at December 31	280	303
- of which pension assets	(36)	(21)

Retirement costs

In 2011:

- The year-on-year decrease in retirement costs was primarily due to 7 million euros in one-off income for the Group's Swiss subsidiary recorded under "Past service cost". This positive impact resulted from a change in the Nexans Foundation regulations applicable in Switzerland which led to a reduction in the retirement and early retirement conversion rate as from January 1, 2012.

- The application of IFRIC 14[1] had a 1 million euro positive impact on the 2011 income statement for plans in Canada in view of the fact that the value of the plan assets concerned remained stable.

- The 5 million euros in amortization of actuarial losses is related to the corridor effect (see **Note 1.t**) and primarily concerned Canada, France and Norway.

The effect of plan settlements in 2010 related mainly to the cancellation of early retirement plans in Norway as a result of reforms to the statutory pension system, which had a 7 million euro positive impact on the income statement. Since 2010 the new early retirement plan has been accounted for in the Group's consolidated financial statements as a multi-employer plan for which sufficient information is not available to use defined benefit accounting (in accordance with IAS 19).

Movements in the benefit obligation and plan assets

Actuarial gains and losses generated on the Group's benefit obligation can be analyzed as follows:

	2011		2010	
Breakdown of actuarial gains and losses on benefit obligation	in millions of euros	% of DBO	in millions of euros	% of DBO
Discount rate	5	1%	31	4%
Salary increases	(0)	(0)%	(0)	0%
Mortality	10	1%	1	0%
Staff turnover	0	0%	0	0%
Other changes in assumptions	(14)	(2)%	0	0%
(Gains)/Losses from changes in assumptions	1	0%	32	4%
(Gains)/Losses from plan amendments	(0)	0%	-	0%
(Gains)/Losses from experience adjustments	2	0%	(17)	2%
Other	0	0%	0	0%
Total (gains)/losses generated during the year	**3**	**0%**	**15**	**2%**

The main effects of changes in actuarial assumptions in 2011 related to Norway, Germany and Switzerland:

- Changes in discount rates primarily resulted in actuarial losses in Norway and to a lesser extent in Switzerland, which were only partially offset by an increase in the discount rate for the eurozone.

- In Switzerland, the mortality table was updated during the year.

- Other changes in assumptions chiefly corresponded to a change in the annuity indexation assumption used in Norway.

- Experience adjustments principally corresponded to differences between the assumptions applied for staff turnover and salary increases and the actual corresponding data.

(1) The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The Group's portfolio of plan assets breaks down as follows:

	2011		2010	
At December 31	in millions of euros	%	in millions of euros	%
Equities	141	31%	138	31%
Bonds and other fixed income products	180	40%	181	41%
Real estate	64	14%	57	13%
Cash and cash equivalents	14	3%	29	7%
Other	52	12%	37	8%
Fair value of plan assets at December 31	451	100%	442	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.

(in millions of euros)	2011	2010	2009	2008	2007
Fair value of plan assets at December 31	451	442	362	324	379
Present value of benefit obligation at December 31*	843	839	762	716	744
(Gains)/losses from experience adjustments concerning present value of benefit obligation	2	(17)	3	10	(2)
(Gains)/losses from experience adjustments concerning fair value of plan assets	19	(12)	(21)	63	8

* As from 2010, the figures disclosed in this note also include the Group's obligations relating to jubilee benefits and other long-term employee benefits as defined in IAS 19.

Sensitivity analyses

The present value of the Group's obligation for pension and other retirement benefits is sensitive to changes in discount rates. In 2011, a 50 basis point decrease in the discount rates applied would have had the following impacts on the present value of the Group's obligation:

	2011	
	in millions of euros	% of DBO
Europe	41	6.1%
North America	7	5.6%
Asia	0	3.3%
Other countries	0	4.9%
Total	**48**	**5.7%**

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 50 basis point increase in the inflation rates used would have had the following impacts on the present value of the Group's benefit obligation (assuming that the discount rates applied remain constant):

	2011	
	in millions of euros	% of DBO
Europe	21	3.1%
North America	1	0.6%
Asia	0	3.5%
Other countries	0	1.3%
Total	**22**	**2.7%**

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 2011 and projected expense for 2012.

(in millions of euros)	2011	2012
Europe	(3)	(3)
North America	(1)	(1)
Asia	(0)	(0)
Other countries	-	-
Total	**(4)**	**(4)**

Other information

Employer contributions relating to defined benefit plans are estimated at 21 million euros for 2012.

Other retirement benefits 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 amounted to 78 million euros in 2011 and 69 million euros in 2010.

Note 23. Provisions

a. Analysis by nature

At December 31, in millions of euros	2011	2010
Accrued contract costs	47	41
Restructuring provisions	48	75
Other provisions	220	34
Total	**315**	**150**
- of which short-term	86	92
- of which long-term	229	58

Movements in these provisions were as follows during 2010 and 2011:

(in millions of euros)	Total	Accrued contract costs	Restructuring provisions	Other provisions
January 1, 2010	169	42	90	37
Additions	75	12	57	6
Reversals (utilized provisions)	(62)	(7)	(51)	(4)
Reversals (surplus provisions)	(26)	(9)	(8)	(9)
Business combinations	-	-	-	-
Other	(6)	3	(13)	4
December 31, 2010	150	41	75	34
Additions	239	19	18	202
Reversals (utilized provisions)	(51)	(8)	(41)	(2)
Reversals (surplus provisions)	(19)	(6)	(3)	(10)
Business combinations	-	-	-	-
Other	(4)	1	(1)	(4)
December 31, 2011	315	47	48	220

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, as expected losses on these contracts are recognized as contract costs in accordance with the method described in Note 1.g.

Additions to other provisions in 2011 primarily included the 200 million euro provision recognized for the fine that may be imposed on Nexans following the Statement of Objections received from the European Commission's Directorate General for Competition on July 5, 2011 for alleged anticompetitive behavior (see Note 2.d).

Surplus provisions are reversed when the related contingency no longer exists or has been settled for a lower amount than the estimate made based on information available at the previous period-end (including provisions for expired customer warranties).

The line item “Other” includes the impact of fluctuations in exchange rates as well as reclassifications of restructuring provisions that correspond to provisions for impairment of assets to the appropriate line of the consolidated statement of financial position.

b. Analysis of restructuring costs

Restructuring costs amounted to 22 million euros in 2011, breaking down as follows:

(in millions of euros)	Redundancy costs	Asset impairment and retirements*	Other monetary expenses	Total
Additions to provisions for restructuring costs	13	0	5	18
Reversals of surplus provisions	(3)	0	0	(3)
Other costs for the year	2	0	5	7
Total restructuring costs	**12**	**0**	**10**	**22**

* Deducted from the carrying amount of the corresponding assets in the consolidated statement of financial position.

"Other monetary expenses" primarily correspond to costs for cleaning up, dismantling and/or maintaining sites as well as for reallocating assets within the Group.

Expenses that do not meet the recognition criteria for provisions are presented under "Other costs for the year" and include items such as (i) the salaries of employees working out their notice period, (ii) the cost of redeploying manufacturing assets or retraining employees within the Group, and (iii) the cost of maintaining sites beyond the dismantlement period or the originally expected sale date.

As was the case in previous years, all of the restructuring plans set up by the Group in 2011 included assistance measures negotiated with employee representative bodies and, where appropriate, the relevant authorities, aimed at reducing the impact of the plans on the employees concerned.

A large proportion of the 22 million euros in restructuring costs recorded in 2011 corresponds to provisions set aside for downsizing at the Rheydt plant in Germany due to a prolonged decline in demand for certain specialty cables that the plant manufactures and its resulting overcapacity. The remainder related to various smaller-scale restructuring plans as well as costs expensed as incurred (in accordance with IFRS) relating to the restructuring plans launched in 2009 and 2010 in France, Brazil and Italy (for asset relocation, employee redeployments, etc.).

In 2010, restructuring costs came to 67 million euros, breaking down as follows:

(in millions of euros)	Redundancy costs	Asset impairment and retirements*	Other monetary expenses	Total
Additions to provisions for restructuring costs	31	18	8	57
Reversals of surplus provisions	(1)	(6)	(1)	(8)
Other costs for the year	5	-	13	18
Total restructuring costs	**35**	**12**	**20**	**67**

* Deducted from the carrying amount of the corresponding assets in the consolidated statement of financial position.

The 67 million in restructuring costs for 2010 related to a total of 570 employees and chiefly corresponded to provisions set aside for plans to close two cable manufacturing plants (Latina in Italy and Lorena in Brazil) which mainly served the energy infrastructure market:

- The Group's infrastructure cable business in Italy rarely managed to break even in the ten years prior to the closure plan, despite various corporate restructurings and major injections of funds. In spite of a one-off order from ENEL in the first half of 2010 as part of the Italian national recovery plan, the ongoing falloff in orders by power network operators – both in the local market and internationally (notably in Spain) – left the Group no alternative but to decide to definitively close the site. After taking into account internal redeployment opportunities, the closure affected a total of 122 employees. Part of the site's production was transferred to other Nexans plants in Europe – notably Battipaglia in southern Italy – in order to maintain the level of services offered within the country.

- In Brazil, the steep falloff in the overhead power lines market – which was the main production market for the Lorena site – combined with Nexans' overcapacity for copper cables as a result of plants it acquired from the Madeco group in 2008, led the Group to continue to implement the capacity streamlining measures begun following its decision in first-half 2009 to merge the two Nexans entities operating in Brazil. Following the closure of the Lorena plant – which employed around 300 people – the Group's production capacity in Brazil was combined at the two remaining sites with an ensuing adaptation of staff numbers and without losing any coverage of existing markets. In view of customer constraints, the plan was implemented on a gradual basis and was completed in the first half of 2011.

The total 67 million euros in restructuring costs recorded in 2010 included 18 million euros corresponding to routine closure expenses for discontinued operations, particularly in France, Italy and Brazil which did not meet the recognition criteria for provisions.

Note 24. Net debt

At December 31, 2011 and 2010, 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	2011	2010
Bonds redeemable in 2017*	360	360
OCEANE 2016 convertible/exchangeable bonds*	197	190
OCEANE 2013 convertible/exchangeable bonds*	315	300
Other long-term borrowings*	9	10
Short-term borrowings*	232	217
Short-term bank loans and overdrafts	19	12
Gross debt	1,132	1,089
Short-term financial assets	(50)	(150)
Cash and cash equivalents	(859)	(795)
Net debt	222	144

* Including accrued interest (long- and short-term).

At December 31, 2011 the Group's bond debt included:

- OCEANE convertible/exchangeable bonds issued on June 23, 2009 with the following main features:
  - 4,000,000 bonds were issued with a nominal value of 53.15 euros each, representing an aggregate amount of 213 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 these 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 36.9 million euros (see Note 24.c). See Note 9.c. for details of the related tax impact.

- Nexans' first bond issue carried out on May 2, 2007 with the following main features:
  - Aggregate nominal amount of 350 million euros.
  - The issue price was 99.266%.
  - The bonds are redeemable at maturity on May 2, 2017.
  - The bonds bear interest at an annual rate of 5.75%.

- The OCEANE bonds issue carried out in July 2006 with the following main features:
  - 3,794,037 bonds were issued with a nominal value of 73.80 euros each, representing an aggregate amount of 280 million euros.
  - The issue price represented a premium of 35% over the reference share price of 54.67 euros on the issue date.
  - The bonds are redeemable on January 1, 2013 at the price of 85.76 euros (corresponding to an aggregate 325 million euros).
  - The bonds bear interest at an annual rate of 1.5%.

  In accordance with IAS 32, the portion of these 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 33.5 million euros (see Note 24.c). See Note 9.c. for details of the related tax impact.

The indentures for all of the above bonds contain standard covenants (negative pledge, cross-default, *pari passu* and change of control clauses), which if breached could accelerate redemption of the bonds.

Since the second quarter of 2010, short-term borrowings have included a securitization plan set up by Nexans France involving the sale of euro-denominated trade receivables, which was contractually capped at 85 million euros at December 31, 2011 (see Note 26.a).

"Short-term financial assets" correspond to investment instruments with an original term of more than six months which can be combined with interest-rate or credit derivatives in order to improve their yield. These instruments satisfy the Group's counterparty risk criteria but do not meet the conditions required under IAS 7 to be presented in "Cash and cash equivalents" and are therefore included in "Other current financial assets" in the consolidated statement of financial position (see Note 19). They are, however, included in the calculation of consolidated net debt in view of their low liquidity risk and limited volatility and due to the fact that they have maturities of under 12 months and form an integral component of the Group's policy for managing surplus cash.

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).

b. Change in net debt

(in millions of euros)	2011	2010
Net debt at beginning of year	(144)	(141)
(Increase)/decrease in net debt	(86)	(14)
Newly-consolidated/deconsolidated companies	8	11
Impact of assets and groups of assets held for sale (IFRS 5)	0	0
Net debt at year-end	(222)	(144)

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 conversion option was included in equity in pre-tax amounts of 33.5 million euros (OCEANE 2013) and 36.9 million euros (OCEANE 2016) at the issue date.

Consolidated statement of financial position

At December 31, in millions of euros	2011	2010
Equity component (retained earnings and other reserves)*	70	70
Convertible bonds (liability component)	414	414
Accrued interest	97	76
Financial liabilities	511	490

* Before tax (see Note 9.c for details of the related tax impact).

Income statement

(in millions of euros)	2011	2010
Contractual interest paid	(13)	(13)
Additional interest calculated at interest rate excluding the option*	(21)	(20)
Total financial expense	(34)	(33)

* Calculated using the effective interest method.

d. Analysis of gross debt by currency and interest rate

Long-term debt (including accrued interest)

	Weighted average EIR* (%)		In millions of euros	
At December 31	2011	2010	2011	2010
Euro (OCEANE 2016 convertible/ exchangeable bonds)	8.48	8.48	197	190
Euro (OCEANE 2013 convertible/ exchangeable bonds)	6.23	6.23	315	300
Euro (bonds redeemable in 2017)	5.95	5.95	360	360
Euro (excluding OCEANE bonds and bonds redeemable in 2017)	2.80	4.71	0	2
Other	2.20	7.41	9	8
Total	**6.58**	**6.62**	**881**	**860**

* Effective interest rate.

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)

	Weighted average EIR* (%)		In millions of euros	
At December 31	**2011**	2010	**2011**	2010
Euro	3.54	1.44	46	65
US dollar	5.12	4.26	43	40
Other	9.45	8.17	162	124
Total	**7.62**	**5.58**	**251**	**229**

* Effective interest rate.

At December 31, 2011, US dollar-denominated debt primarily concerned subsidiaries located in the Middle East and Asia.

Debt denominated in currencies other than euros and US dollars corresponds to borrowings taken out locally by certain Group subsidiaries in Asia (notably China and Japan), the Middle East/North Africa (e.g. Turkey, Morocco and Egypt), and South America (primarily Brazil). In some cases such local borrowing is required as the countries concerned do not have access to the Group's centralized financing facilities. However, it may also be set up in order to benefit from a particularly attractive interest rate or to avoid the risk of potentially significant foreign exchange risk depending on the geographic region in question.

The vast majority of the Group's short-term debt is at variable rates based on monetary indices (see Note 26.b).

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 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 Note 24.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, 2011

	Due within 1 year		Due in 1 to 5 years		Due beyond 5 years		Total	
(in millions of euros)	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Bonds redeemable in 2017	-	20	-	81	350	20	350	121
OCEANE 2013 convertible/ exchangeable bonds	-	4	325	4	-	-	325	8
OCEANE 2016 convertible/ exchangeable bonds	-	9	213	34	-	-	213	43
Other long-term borrowings	-	-	9	0	-	-	9	0
Short-term borrowings including short-term bank loans and overdrafts	250	10	-	-	-	-	250	10
Total	**250**	**43**	**547**	**119**	**350**	**20**	**1,147**	**182**

Notes concerning the preparation of the maturity schedule:

- The redemption date for the OCEANE 2016 convertible/exchangeable bonds is deemed to be January 1, 2016.
- 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, 2011.
- 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 2012.
- The interest cost has been calculated based on contractual interest rates for fixed-rate borrowings and on weighted average interest rates at December 31, 2011 for variable-rate borrowings (see Note 24.d above).

f. Committed credit facilities

At December 31, 2010, Nexans and its subsidiaries had access to 580 million euros under a committed medium-term revolving facility expiring on October 16, 2012, none of which had been drawn down.

In order to ensure that the Group can continue to have access to liquid funds in the medium term, in 2011 Nexans brought forward the renewal process for this credit facility by negotiating with a pool of French and foreign banks a new 540 million euro committed medium-term revolving facility expiring on December 1, 2016. The related five-year syndicated loan agreement was signed on December 1, 2011. Consequently, at December 31, 2011, Nexans and its subsidiaries had access to 540 million euros under this new committed medium-term revolving facility, none of which had been drawn down.

The syndicated loan agreement is subject to standard covenants (negative pledge, cross default, pari passu and change of control clauses) as well as the following two financial ratio covenants:

- the Group's debt to equity ratio must be below 1.10; and
- consolidated debt must not exceed 3 x EBITDA.

These ratios were well within the specified limits at both December 31, 2011 and at the date the Board of Directors approved the financial statements.

If any of the facility's 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.

Note 25. Other current financial liabilities

At December 31, in millions of euros	2011	2010
Derivative instruments	75	48
Other operating liabilities	29	33
Other non-operating liabilities	5	16
Other	0	0
Total	**109**	**97**

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.a).

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 main subsidiaries that did not have access to the centralized cash management system at December 31, 2011 are located in Turkey, Egypt, Morocco, China, South Korea, Vietnam, 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

Over the past several years the Group has implemented a strategy of diversifying its sources of financing. Following on from the issue of its seven-year convertible bonds in June 2009 representing an aggregate amount of 213 million euros, in April 2010 Nexans set up a receivables securitization plan. The plan's maximum term is five years and the amount of receivables that may be sold has been capped at 250 million euros. Two of the Group's operating subsidiaries currently use the plan, which comprises two distinct but complementary programs:

- An "On Balance Sheet" program, under which the sold receivables are not derecognized. The level of outstandings under this program is currently capped at 85 million euros worth of financed receivables, which the purchaser is committed to buy over an initial period of two and a half years.

- An "Off Balance Sheet" program renewable every six months, under which the sold receivables are derecognized. The level of outstandings under this program is currently capped at 25 million euros.

At December 31, 2011, the amounts of financed receivables under the "On Balance Sheet" and "Off Balance Sheet" programs were 66 million euros and 25 million euros respectively, compared with 58 million euros and 19 million euros at December 31, 2010. Details of the receivables sold under the "On Balance Sheet" program are provided in Note 18. For the "Off Balance Sheet" program, as the related subordinated deposit was not material, the amount of financed receivables approximated the amount of sold receivables.

For operational purposes, the Group has a centralized cash management system which pools the liquidity resources of the member entities of the cash pool, 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 83% and 84% of these subsidiaries' financing requirements at December 31, 2011 and 2010 respectively.

Monitoring and controlling liquidity risks

Nexans Services monitors on a weekly basis changes in its own cash position and financing structure, as well as those of the Group's main holding companies. 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. In addition, subsidiaries are 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, 2011:

Main liquidity indicators for the Group at December 31, 2011

(in millions of euros)	Ceiling	Utilization	Available amount
Unconfirmed facilities			
Unconfirmed bank lines	200	0	200
Cash pooling overdraft	112	0	112
Confirmed facilities			
Syndicated revolving facility	540	0	540
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	**1 383**	**843**	**540**
Short-term financial assets included in net debt			50
Cash and cash equivalents			859

* Nominal amount including the conversion option where applicable.
** If the bonds are not converted they will be redeemable at maturity at a price representing 116.2% of their nominal value, corresponding to an aggregate amount of 325 million euros (see Note 24.a).

The Group also monitors its net debt position on a monthly basis (see Note 24 for definition of net debt).

Covenants and acceleration clauses

The syndicated loan agreement relating to the 540 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 syndicated loan 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.

The receivables securitization programs set up in 2010 do not include any acceleration clauses. However, they do contain change of control and cross default clauses as well as clauses relating to significant changes in the behavior of the portfolio of the sold receivables, which could lead to a termination of the receivables purchases and consequently the programs themselves.

Management of cash surpluses

The Group's policy for investing cash surpluses is guided by the overriding principles of ensuring sufficient availability and using safe investment vehicles. The banks considered by the Group as acceptable counterparties must be rated at least A+/A1 by Standard & Poor's and A1/P1 by Moody's, or must be majority-owned by the government of their home country (which must be either an EU member, Canada or the United States).

At December 31, 2011, the vast majority of the Group's cash surpluses were recognized under "Cash and cash equivalents" in the consolidated statement of financial position and 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

- term deposits, certificates of deposits or EMTNs issued by banks with an initial investment period of less than one year.

A portion of the Group's cash surpluses at December 31, 2011 was also invested in investment instruments with original terms of more than six months which can be combined with interest-rate or credit derivatives in order to improve their yield. These instruments satisfy the Group's counterparty risk criteria and are included in "Other current financial assets" in the consolidated statement of financial position (see Note 19). They are still included in the calculation of consolidated net debt (see Note 24) in view of their low liquidity risk and limited volatility and due to the fact that they have short maturities and form an integral component of the Group's policy for managing surplus cash.

b. Interest rate risks

Nexans did not have any interest rate hedges in place at December 31, 2011 or 2010. 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, 2011 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's net active exposure to fluctuations in interest rates was 658 million euros at December 2011 and 719 million euros at December 31, 2010.

	2011			2010		
At December 31, in millions of euros	Current	Non-current	Total	Current	Non-current	Total
Variable rate						
Financial liabilities	251	3	254	226	2	228
Financial assets included in net debt	(50)	-	(50)	(150)	-	(150)
Cash and cash equivalents	(859)	-	(859)	(795)	-	(795)
Net variable rate position	(658)	3	(655)	(719)	2	(717)
Fixed rate						
Financial liabilities*	26	851	877	29	832	861
Cash and cash equivalents	-	-	-	-	-	-
Net fixed rate position	26	851	877	29	832	861
Net debt	(632)	854	222	(690)	834	144

* 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 terms of amount and tenor.

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 fluctuation 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 expiration 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 exposure to foreign exchange risk on debt. Nevertheless, the monthly currency risk assessments reported by Nexans' subsidiaries not only include information on their operating cash flows as mentioned above but also systematically contain details of their financial liabilities denominated in foreign currencies. In accordance with the Group's procedures, other than in the very specific cases described below, this foreign exchange risk exposure on debt 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 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, 2011

The table below sets out the exchange risk exposure on 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, 2011 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, 2011

(in millions of foreign currency units)	USD	NOK	EUR
- Trade receivables	228	6	48
- Trade payables	(215)	(5)	(76)
- Bank accounts	75	349	9
- Loans/(Borrowings)	19	(1,100)	(173)
- Commitments - Future cash flows	(105)	(12)	310
Total exposure	2	(762)	118
- Net nominal amount of hedges	(83)	761	(147)
Residual net exposure	(81)	(1)	(29)

The Group's residual net exposure to foreign exchange risks at December 31, 2011 was primarily attributable to the fact that:

- the Group has US dollar-denominated financial liabilities in countries whose currencies are strongly correlated to the US dollar; and
- the Group has euro- or US dollar-denominated debt in countries where the cost of hedging or financing in the local currency is prohibitive.

The risk of foreign exchange gains or losses affecting the consolidated income statement is negligible for the liabilities referred to in (i) 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, since the acquisition of the Madeco group's cables business in late September 2008 the Group's exposure to foreign currency translation risk has increased, 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 localized 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 risks

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 2011

The markets were extremely nervous in 2011 and copper prices started to trend downwards in the third quarter of the year. Overall, the price gains seen in 2010 had been all but cancelled out by the end of 2011. In the space of twelve months, the price of copper on the London Metal Exchange dropped by more than 21%, from 9,650 US dollars per metric ton at December 31, 2010 to 7,590 US dollars at end-2011, which approximated the 2009 year-end price of 7,342 US dollars.

The impact of this year-on-year decline was somewhat countered by the fact that the US dollar was slightly stronger at end-2011 compared with end-2010, with the dollar to euro exchange rate standing at 1.29 versus 1.34. Copper prices expressed in euros fell 19% from 7,222 euros per metric ton at December 31, 2010 to 5,866 euros per metric ton at end-2011.

The average spot price for copper on the London Metal Exchange in 2011 was 8,811 US dollars per metric ton, which represented a significant increase on the 7,539 US dollar average price per metric ton for 2010. Expressed in euros, the average spot price climbed 11% in 2011 to 6,329 euros per metric ton compared with the 5,683 euro average for 2010, representing a less significant rise than that of the dollar-denominated average spot price.

The overall decrease in copper prices between 2011 and 2010 occurred in tandem with a sawtooth shaped downward trend in "producer" premiums, reflecting the fact that there was no real tension in the physical market for copper during the year.

Impact on operating margin

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 degree, Shanghai, metal exchanges. Nexans does not generate any income from speculative trading of metals.

However, the Group's production units require a permanent level of metal inventories for their routine operations, 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 and are recorded within operating margin based on initial purchase cost (which is close to LIFO value). However, as described in Note 1.i, at the level of operating income Core exposure is measured at its weighted average cost and therefore the difference between historical cost and weighted average cost is recognized under "Core exposure effect" in the income statement.

As a result, any reduction (via sales) in volume of Core exposure due to (i) structural changes in the sales and operating flows of an entity or (ii) a significant change in the business levels of certain operations, can impact the Group's operating margin. This was the case in 2010 when there was a difference between the historical cost of Core exposure sold and the fair value of the metal at the date of sale. In 2010 the measures implemented by the Group to continue to structurally scale back its inventory levels, combined with the restructuring plans put in place and the closure of certain production sites, resulted in a significant reduction in Core exposure volumes in a number of Group subsidiaries (61,000 metric tons at December 31, 2010 versus 69,000 metric tons at December 31, 2009).

In addition, the Group's operating margin is 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.

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 Note 26.c) above on foreign exchange risk).

Verifying the correct application of procedures

Nexans verifies that its procedures for managing and hedging metal risks are correctly 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. The related reports are analyzed and consolidated at Group level by the Group Metals Management Department.

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 mechanically 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 (an inverse effect arises in the event of an increase in metal prices), the positive impact on the Group's net debt resulting from the decrease in operating 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. Indeed:

- 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. In the latter case, 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 situations, 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 financing needs will only be fully 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.

Amounts deposited by the Group to meet margin calls were not material at either December 31, 2011 or December 31, 2010.

The Group's main copper commitments

At December 31, 2011 and 2010, the Group's main copper exposures (a key indicator tracked by Management) were as follows:

At December 31, in metric tons	2011	2010
Cash settlement obligations		
- Purchases	87,042	79,860
- Sales	16,557	20,282
Physical settlement obligations		
- Purchases*	114,679	111,324
- Sales	129,607	111,602

* Excluding purchases negotiated as part of "Take or Pay" contracts whose price was not set at year-end, but including inventories whose price was set at year-end (these inventories include Core exposure).

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 and counterparty risk

In addition to customer credit risk, counterparty risk arises primarily on foreign exchange and non-ferrous metal derivatives as well as on the Group's investments and deposits placed with banks.

Customer credit risk

The Group is structurally protected against customer credit risk due to its diverse business and customer base and its wide geographic reach. At December 31, 2011 and 2010, 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 2010, this policy covers Nexans companies which accounted for around 80% of Group sales at end-2011. 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 derivatives

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 A2 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 thresholds. 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 (both members and non-members of the centralized cash management system), outstanding forward purchases of foreign currency represented a notional amount of 2,670 million euros at December 31, 2011, while unexpired forward sales amounted to 2,681 million euros (see Note 27.b). At December 31, 2010, outstanding forward purchases of foreign currency represented a notional amount of 2,863 million euros and unexpired forward sales amounted to 2,859 million euros.

For transactions managed by Nexans Services, at December 31, 2011, outstanding forward purchases of foreign currency represented a notional amount of 2,165 million euros and unexpired forward sales amounted to 2,177 million euros, representing around 81% of the Group's total commitments at that date (compared with 84% at December 31, 2010). The counterparty risk on these transactions is deemed to be low as the commitments are mainly divided between twelve counterparties with ratings of between AA/Aa2 and A/A2.

Based on a breakdown by maturity of notional amounts at December 31, 2011 (the sum of the absolute values of notional amounts of buyer and seller positions), the Group's main exposure for all subsidiaries is to very short-term maturities (see Note 27.d):

- less than 6 months: 73%
- between 6 months and 1 year: 13%
- beyond 1 year: 14%[1]

The fair value of these outstanding positions at December 31, 2011 is presented in Note 27.a.

Metal derivatives

Non-ferrous metal hedging transactions carried out on commodity exchanges give rise to a counterparty risk. 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. In 2011, the Group also carried out a few petroleum hedging transactions on the ICE.

Substantially all of the transactions conducted by the Group are standard buy and sell trades. The Group does not generally 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, 2011 – the Group's Chinese, Australian and New Zealand entities.

The Group only has limited exposure to counterparty risk on transactions managed centrally on behalf of subsidiaries due to the fact that:

- The transactions concerned are mainly carried out with five brokers which are departments or subsidiaries of banks and are rated A+/Aa3 or higher. One of the Group's direct counterparties is not rated but the Group has been given an unlimited guarantee with respect to this counterparty from a group that is rated BBB/Baa2.
- Nexans only uses over-the-counter transactions to a limited extent. The majority of its derivative transactions are registered with the relevant clearing houses such as LCH Clearnet for the LME.
- Most of the contracts in question have short-term maturities (see below).

In Australia and New Zealand, because of the countries' specific price references and their time zone, Nexans' subsidiary Olex carries out transactions with an Australian broker, which is not rated. However, the Group only has a very low level of exposure with this broker. The Group's subsidiaries in China hedge their metals risks on the Shanghai Futures Exchange (SHFE) which can only be used by local brokers.

The net nominal amount of outstanding futures contracts (for all subsidiaries) stood at 493 million euros at December 31, 2011 and their fair value was negative at that date (see Note 27.b). At December 31, 2010, the net nominal amount of outstanding futures contracts (for all subsidiaries) was 446 million euros.

At December 31, 2011, transactions managed centrally on behalf of subsidiaries represented 97% of the net nominal amount of outstanding futures contracts (478 million euros), versus 92% at December 31, 2010.

As shown in the following maturity schedule for outstanding non-ferrous metal contracts at December 31, 2011 (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 net notional amounts, the majority of the Group's subsidiaries being in a buyer position):

- less than 6 months: 66%
- between 6 months and 1 year: 17%
- 1 to 2 years: 16%
- 2 to 3 years: 1%
- beyond 3 years: 0%

Outstanding collateral deposited to meet margin calls from brokers did not represent a material amount at either December 31, 2011 or December 31, 2010 (see Note 19).

(1) The longest maturities are in 2014 and represent only 3% of the overall outstanding amount.

Risk on deposits and investments

The table below sets out the Group's counterparty risk relating to investments and deposits of Nexans Services' cash surpluses placed with banks at December 31, 2011. These Nexans Services investments and deposits amounted to an aggregate 628 million euros at that date, representing 69% of the Group total.

(in millions of euros)

Counterparty rating	AA-	A+	A	Money market funds (SICAV)	Total
Cash on hand	72	102	87	-	261
Short-term money market funds** (SICAV)	-	-	-	267	267
Certificates of deposit/EMTN*	0	100	-	-	100
Total	**72**	**202**	**87**	**267**	**628**

* Including, at December 31, 2011, 50 million euros in short-term financial assets included in the calculation of the Group's net debt.
** Based on the AMF classification.

For the Group's other subsidiaries, counterparty risk on deposits and investments is managed in accordance with the principles and procedures described in Note 26.a.

f. Market risk sensitivity analysis

A sensitivity analysis is provided below on the impact that a theoretical change in the above-mentioned 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 the ordinary bonds redeemable in 2017). Because it is generally only short-term borrowings that are 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.

Based on these assumptions, 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 2011 (with all other factors remaining constant, notably exchange rates):

Sensitivity at December 31, 2011

	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
Euro	3.54%	(375)	(500)	(1.87)	(2.50)
US dollar	5.12%	(12)	(19)	(0.06)	(0.09)
Other	9.45%	(132)	(139)	(0.66)	(0.70)
Group total*		(519)	(658)	(2.59)	(3.29)

* Sign convention: financial income and net cash positions are presented as negative amounts.

Sensitivity at December 31, 2010

	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
Euro	1.44%	(530)	(559)	(2.63)	(2.79)
US dollar	4.26%	(29)	(19)	(0.15)	(0.09)
Other	8.17%	(138)	(139)	(0.69)	(0.69)
Group total*		(697)	(716)	(3.47)	(3.57)

* Sign convention: financial income and net cash positions are presented as negative amounts.

The average short-term net debt assumption used for this sensitivity analysis is based on the average of the external net debt positions for the Group's subsidiaries in each of the currencies concerned at January 1, June 30, and December 31.

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 (any 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 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 designated 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 prices at December 31, 2011 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.
- 113,000 metric tons and 108,000 metric tons of copper included in working capital requirement at December 31, 2011 and 2010 respectively.
- Short-term interest rates (3-month Euribor) of 1.4% and 1.0% respectively in 2011 and 2010.
- 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).
- 57,000 metric tons of copper classified as Core exposure at December 31, 2011 (61,000 metric tons at December 31, 2010).
- A theoretical income tax rate of 36.10% for 2011 and of 34.43% for 2010.

(1) Sensitivity calculations are based on an assumed increase in copper prices. A fall in copper prices would have the inverse effect.

Any 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)	2011	2010
Impact on operating income	34	39
Impact on net financial expense	(1)	(1)
Net impact on income (after tax)	21	25
Impact on equity* (after tax)	26	27

* 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, 2011 and 2010, e.g., using US dollar/euro exchange rates of 1.42 and 1.47 respectively, without any changes in the forward points curve.
- 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.
- 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, 2011

(in millions of euros)	Impact on income (net after tax**)	Impact on equity* (after tax**)
Trade receivables	(10)	N/A
Bank accounts	(4)	N/A
Trade payables	9	N/A
Loans/borrowings	1	-
Net position – USD underlyings	(4)	-
Portfolio of forward purchases***	(13)	(22)
Portfolio of forward sales***	18	22
Net position – USD derivatives	5	0
Net impact on the Group	**1**	**0**

* Excluding net income for the period.
** Using a theoretical income tax rate of 36.10%.
*** Forward purchases and sales that comprise an exposure to US dollars.

Sensitivity at December 31, 2010

(in millions of euros)	Impact on income (net after tax**)	Impact on equity* (after tax**)
Trade receivables	(10)	N/A
Bank accounts	(3)	N/A
Trade payables	14	N/A
Loans/borrowings	(3)	4
Net position – USD underlyings	(2)	4
Portfolio of forward purchases***	(17)	(14)
Portfolio of forward sales***	19	13
Net position – USD derivatives	2	(1)
Net impact on the Group	**0**	**3**

* 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% decrease in the Norwegian krone spot against the world's other major currencies), e.g., using closing NOK/euro exchange rates of 8.53 and 8.58 at December 31, 2011 and 2010 respectively, without any changes in the forward points curve.

Sensitivity at December 31, 2011

(in millions of euros)	Impact on income (net after tax**)	Impact on equity* (after tax**)
Trade receivables	1	N/A
Bank accounts	(2)	N/A
Trade payables	(2)	N/A
Loans/borrowings	8	-
Net position – NOK underlyings	5	-
Portfolio of forward purchases***	(5)	19
Portfolio of forward sales***	(1)	(36)
Net position – NOK derivatives	(6)	(17)
Net impact on the Group	**(1)**	**(17)**

* Excluding net income for the period.
** Using a theoretical income tax rate of 36.10%.
*** Forward purchases and sales that comprise an exposure to NOK.

Sensitivity at December 31, 2010

(in millions of euros)	Impact on income (net after tax**)	Impact on equity* (after tax**)
Trade receivables	0	N/A
Bank accounts	(0)	N/A
Trade payables	(1)	N/A
Loans/borrowings	9	-
Net position – NOK underlyings	8	-
Portfolio of forward purchases***	(5)	19
Portfolio of forward sales***	(1)	(43)
Net position – NOK derivatives	(6)	(24)
Net impact on the Group	**2**	**(24)**

* 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.

Note 27. Derivative instruments

a. Market 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	2011	2010
Assets		
Foreign exchange derivatives – Cash flow hedges*	18	21
Metal derivatives – Cash flow hedges*	7	71
Foreign exchange derivatives – Held for trading*	12	18
Metal derivatives – Held for trading*	3	5
Total – Assets	40	116
Liabilities		
Foreign exchange derivatives – Cash flow hedges*	19	18
Metal derivatives – Cash flow hedges*	25	3
Foreign exchange derivatives – Held for trading*	28	25
Metal derivatives – Held for trading*	3	2
Total – Liabilities	75	48

* Within the meaning of IAS 32/39.

These amounts are included in "Other current financial assets" (see Note 19) and "Other current financial liabilities" (see Note 25) in the consolidated statement of financial position. Derivatives primarily comprise forward purchases and sales.

For derivatives qualified as "cash flow hedges", the opening and closing positions in the consolidated statement of financial position cannot be directly reconciled with amounts recorded in equity under "Changes in fair value and other" as certain positions may notably 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, 2011.

	2011				
At December 31, in millions of euros	USD	NOK	EUR	Other	Total
Notional amounts – Buyer positions					
Metal derivatives – Cash flow hedges*	304	-	193	25	522
Metal derivatives – Held for trading*	49	-	22	11	82
Total – Notional amounts – Buyer positions	353	-	215	36	604
Notional amounts – Seller positions					
Metal derivatives – Cash flow hedges*	8	-	28	12	48
Metal derivatives – Held for trading*	49	-	4	10	63
Total – Notional amounts – Seller positions	57	-	32	22	111

* Within the meaning of IAS 32/39.

Notional commitments on metal derivatives for 2011 and 2010 are summarized below:

(in millions of euros)	2011	2010
Notional amounts – Buyer positions	604	597
Notional amounts – Seller positions	(111)	(151)
Net metal derivatives positions*	493	446

* 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, 2011. 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 upon maturity) and a notional amount for its long leg (the nominal amount of currencies that will be received by the Group upon maturity).

	2011				
At December 31, in millions of euros	USD	NOK	EUR	Other	Total
Notional amounts – Buyer positions					
Foreign exchange derivatives – Cash flow hedges*	294	680	426	145	1,545
Foreign exchange derivatives – Held for trading*	285	124	424	292	1,125
Total – Notional amounts – Buyer positions	579	804	850	437	2,670
Notional amounts – Seller positions					
Foreign exchange derivatives – Cash flow hedges*	281	368	621	272	1,542
Foreign exchange derivatives – Held for trading*	373	27	222	517	1,139
Total – Notional amounts – Seller positions	654	395	843	789	2,681

* Within the meaning of IAS 32/39. The notional amounts presented under "Foreign exchange derivatives – Cash flow hedges" represent the notional amounts of derivatives qualified as hedges at the inception of the instrument.

Notional commitments on foreign exchange derivatives for 2011 and 2010 are summarized below:

(in millions of euros)	2011	2010
Notional amounts – Buyer positions	2,670	2,863
Notional amounts – Seller positions	(2,681)	(2,859)
Net foreign exchange derivatives positions*	(11)	4

* 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 2011 and 2010.

2011 (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* Underlying	Fair value hedges* Derivative	Ineffectiveness*	**Total income statement impact**
Metal derivatives	(3)	(1)	-	-	(0)	(4)
Foreign exchange derivatives	(17)	2	-	-	1	(14)
Interest rate derivatives	0	-	-	-	-	0
Total	**(20)**	**1**	**-**	**-**	**1**	**(18)**

* Within the meaning of IAS 32/39.

2010 (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* Underlying	Fair value hedges* Derivative	Ineffectiveness*	**Total income statement impact**
Metal derivatives	(4)	75	-	-	(0)	71
Foreign exchange derivatives	(30)	0	-	-	(1)	(31)
Interest rate derivatives	1	-	-	-	-	1
Total	**(33)**	**75**	**-**	**-**	**(1)**	**41**

* Within the meaning of IAS 32/39.

Analysis:

- Metal derivatives: The majority of the Group's metal flows are hedged by instruments that are designated and documented as cash flow hedges.

  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 on 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: Gains and losses on cash flow hedges relating to commercial transactions that are recycled to the consolidated income statement are included in operating margin. All other unrealized and realized gains and losses relating to foreign exchange derivatives are recorded either under (i) "Cost of debt (gross)" if they relate to a component of net debt (and if they are clearly identified as such in the Group's upstream information systems), or (ii) "Other financial expenses".

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 year-end closing rates (see Note 28.b).

  Derivatives initially designated as cash flow hedges lose this accounting qualification when the invoice for the underlying hedged item is issued.

- 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 consolidated 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, 2011, and 2010, 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 was as follows at December 31, 2011 and 2010:

	2011		2010	
(in millions of euros)	Assets	Liabilities	Assets	Liabilities
Within 1 year	23	43	37	38
Between 1 and 2 years	6	4	1	4
Between 2 and 3 years	0	0	1	1
Between 3 and 4 years	-	-	-	0
Between 4 and 5 years	-	-	-	-
Beyond 5 years	-	-	-	-
Total	**29**	**47**	**39**	**43**

The maturity schedule based on the notional amounts of these derivatives was as follows at December 31, 2011 and 2010:

	2011		2010	
(in millions of euros)	Notional amounts Buyer positions	Notional amounts Seller positions	Notional amounts Buyer positions	Notional amounts Seller positions
Within 1 year	2,276	2,294	2,432	2,433
Between 1 and 2 years	324	318	227	228
Between 2 and 3 years	70	69	180	174
Between 3 and 4 years	-	-	24	24
Between 4 and 5 years	-	-	-	-
Beyond 5 years	-	-	-	-
Total	**2,670**	**2,681**	**2,863**	**2,859**

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.

	2011		2010	
(in millions of euros)	Assets	Liabilities	Assets	Liabilities
Within 1 year	8	26	63	5
Between 1 and 2 years	2	2	11	-
Between 2 and 3 years	0	0	2	-
Between 3 and 4 years	-	-	0	-
Between 4 and 5 years	-	-	-	-
Beyond 5 years	-	-	-	-
Total	**10**	**28**	**76**	**5**

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:

(in millions of euros)	IAS 39 category	Fair value hierarchy level	Carrying amount at Dec. 31, 2011	Accounting treatment under IAS 39				Fair value at Dec. 31, 2011
				Carried at amortized cost	Carried at cost	Carried at fair value through profit or loss	Carried at fair value with changes recognized in equity	
Assets								
Available-for-sale securities	Available-for-sale financial assets	N/A	22	✘	✔	✘	✘	22
Commercial receivables								
- Amounts due from customers on construction contracts	Loans and receivables	N/A	293	✔	✘	✘	✘	293
- Trade receivables	Loans and receivables	N/A	1,168	✔	✘	✘	✘	1,168
Derivatives not designated as hedges	Financial assets at fair value through profit or loss	Foreign exchange: 2 Metal: 1	12 3	✘	✘	✔	✘	12 3
Derivatives designated as hedges	Financial assets at fair value through profit or loss*	Foreign exchange: 2 Metal: 1	18 7	✘	✘	✘	✔	18 7
Other current and non-current financial assets								
- Short-term financial assets	Financial assets at fair value through profit or loss	1	50	✘	✘	✔	✘	50
- Other current and non-current financial assets	Loans and receivables	N/A	66	✔	✘	✘	✘	66
Cash and cash equivalents	Financial assets at fair value through profit or loss	Term deposits: 2 Other: 1	177 682	✘	✘	✔	✘	859

✔ Accounting treatment applied.
* As these derivatives are designated as cash flow hedges, their changes in fair value are recognized directly in equity.

(in millions of euros)	IAS 39 category	Fair value hierarchy level	Carrying amount at Dec. 31, 2011	Accounting treatment under IAS 39 Carried at amortized cost	Carried at cost	Carried at fair value through profit or loss	Carried at fair value with changes recognized in equity	Fair value at Dec. 31, 2011
Liabilities								
Gross debt								
- Convertible bonds	Financial liabilities carried at amortized cost	N/A	512	✔	✘	✘	✘	531
- Ordinary bonds	Financial liabilities carried at amortized cost	N/A	360	✔	✘	✘	✘	348
- Other financial liabilities	Financial liabilities carried at amortized cost	N/A	260	✔	✘	✘	✘	260
Commercial payables								
- Liabilities related to construction contracts	Financial liabilities carried at amortized cost	N/A	319	✔	✘	✘	✘	319
- Trade payables	Financial liabilities carried at amortized cost	N/A	1,051	✔	✘	✘	✘	1,051
Derivatives not designated as hedges	Financial liabilities at fair value through profit or loss	Foreign exchange: 2 Metal: 1	28 3	✘	✘	✔	✘	28 3
Derivatives designated as hedges	Financial liabilities at fair value through profit or loss*	Foreign exchange: 2 Metal: 1	19 25	✘	✘	✘	✔	19 25
Other current and non-current financial liabilities	Financial liabilities carried at amortized cost	N/A	33	✔	✘	✘	✘	33

✔ Accounting treatment applied.
* As these derivatives are designated as cash flow hedges, their changes in fair value are recognized directly in equity.

- 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 debt 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, 2011 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, 2011 (40.10 euros).
(ii). The spot price of the OCEANE bonds at December 31, 2011 (84.30 euros and 57.40 euros for the OCEANE 2013 bonds and OCEANE 2016 bonds respectively).
(iii). A one-year euro swap rate of 1.41% for the OCEANE 2013 bonds and a three-year euro swap rate of 1.36% for the OCEANE 2016 bonds.
(iv). A one-year credit spread of 350 basis points for the OCEANE 2013 bonds and a three-year credit spread of 450 basis points for the OCEANE 2016 bonds.
(v). A bond lending/borrowing cost representing 50 basis points.

- The fair value of **other current and non-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 2010.

(in millions of euros)	IAS 39 category	Fair value hierarchy level	Carrying amount at Dec. 31, 2010	Accounting treatment under IAS 39 Carried at amortized cost	Carried at cost	Carried at fair value through profit or loss	Carried at fair value with changes recognized in equity	Fair value at Dec. 31, 2010
Assets								
Available-for-sale securities	Available-for-sale financial assets	N/A	20	✘	✔	✘	✘	20
Commercial receivables								
- Amounts due from customers on construction contracts	Loans and receivables	N/A	189	✔	✘	✘	✘	189
- Trade receivables	Loans and receivables	N/A	1,126	✔	✘	✘	✘	1,126
Derivatives not designated as hedges	Financial assets at fair value through profit or loss	Foreign exchange: 2 Metal: 1	18 5	✘	✘	✔	✘	18 5
Derivatives designated as hedges	Financial assets at fair value through profit or loss*	Foreign exchange: 2 Metal: 1	21 71	✘	✘	✘	✔	21 71
Other current and non-current financial assets								
- Short-term financial assets	Financial assets at fair value through profit or loss	1	150	✘	✘	✔	✘	150
- Other current and non-current financial assets	Loans and receivables	N/A	81	✔	✘	✘	✘	81
Cash and cash equivalents	Financial assets at fair value through profit or loss	1	795	✘	✘	✔	✘	795

✔ Accounting treatment applied.
* As these derivatives are designated as cash flow hedges, their changes in fair value are recognized directly in equity.

(in millions of euros)	IAS 39 category	Fair value hierarchy level	Carrying amount at Dec. 31, 2010	Accounting treatment under IAS 39: Carried at amortized cost	Carried at cost	Carried at fair value through profit or loss	Carried at fair value with changes recognized in equity	Fair value at Dec. 31,2010
Liabilities								
Gross debt								
- Convertible bonds	Financial liabilities carried at amortized cost	N/A	490	✔	✘	✘	✘	514
- Ordinary bonds	Financial liabilities carried at amortized cost	N/A	360	✔	✘	✘	✘	364
- Other financial liabilities	Financial liabilities carried at amortized cost	N/A	239	✔	✘	✘	✘	239
Commercial payables								
- Liabilities related to construction contracts	Financial liabilities carried at amortized cost	N/A	202	✔	✘	✘	✘	202
- Trade payables	Financial liabilities carried at amortized cost	N/A	1,077	✔	✘	✘	✘	1,077
Derivatives not designated as hedges	Financial liabilities at fair value through profit or loss	Foreign exchange: 2 Metal: 1	25 2	✘	✘	✔	✘	25 2
Derivatives designated as hedges	Financial liabilities at fair value through profit or loss*	Foreign exchange: 2 Metal: 1	18 3	✘	✘	✘	✔	18 3
Other current and non-current financial liabilities	Financial liabilities carried at amortized cost	N/A	49	✔	✘	✘	✘	49

✔ Accounting treatment applied.
* As these derivatives are designated as cash flow hedges, their changes in fair value are recognized directly in equity.

- 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 debt 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, 2010 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, 2010 (58.86 euros).
(ii). The spot price of the OCEANE bonds at December 31, 2010 (84.83 euros and 67.86 euros for the OCEANE 2013 bonds and OCEANE 2016 bonds respectively).
(iii). A two-year euro swap rate of 1.56% for the OCEANE 2013 bonds and a four-year euro swap rate of 2.20% for the OCEANE 2016 bonds.
(iv). A two-year credit spread of 300 basis points for the OCEANE 2013 bonds and a four-year credit spread of 375 basis points for the OCEANE 2016 bonds.
(v). A bond lending/borrowing cost representing 50 basis points.

- The fair value of **other current and non-current financial liabilities,** including **commercial payables,** was the same as their carrying amount.

b. Calculations of net gains and losses

2011 (in millions of euros)	Net gains/(losses)					
	Interest	On subsequent remeasurement			On disposal	2011 total
		Fair value adjustments	Currency translation differences	Impairment		
Available-for-sale financial assets	-	-	N/A	(2)	-	(2)
Loans and receivables	1	N/A	(3)	(3)	0	(5)
Financial assets and liabilities at fair value through profit or loss	N/A	(1)	N/A	N/A	N/A	(1)
Financial liabilities carried at amortized cost	(81)	N/A	(5)	0	N/A	(86)
Total	**(80)**	**(1)**	**(8)**	**(5)**	**0**	**(94)**

2010 (in millions of euros)	Net gains/(losses)					
	Interest	On subsequent remeasurement			On disposal	2010 total
		Fair value adjustments	Currency translation differences	Impairment		
Available-for-sale financial assets	0	-	N/A	0	0	0
Loans and receivables	0	N/A	49	(4)	0	45
Financial assets and liabilities at fair value through profit or loss	N/A	(21)	N/A	N/A	N/A	(21)
Financial liabilities carried at amortized cost	(75)	N /A	(11)	0	N/A	(86)
Total	**(75)**	**(21)**	**38**	**(4)**	**0**	**(62)**

- Gains and losses corresponding to interest are recorded under "Cost of debt (gross)" 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 currency translation differences are recorded under "Other financial expenses" or under "Cost of debt (gross)" if they relate to items included in consolidated net debt (and are clearly identified as such in the Group's upstream information systems).
- 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 on cash and cash equivalents in an amount of 17 million euros in 2011 and 13 million euros in 2010. These amounts are calculated taking into account interest received and paid on the instruments concerned, as well as realized and unrealized gains. Fair value adjustments arising on "Short-term financial assets" (see Note 19) were not material in 2011.

Note 29. Operating leases

Future minimum payments under non-cancelable operating leases were as follows at December 31, 2011 and 2010:

	Total	Payments due by maturity		
(in millions of euros)		Within 1 year	Between 1 and 5 years	Beyond 5 years
At December 31, 2011	115	29	70	16
At December 31, 2010	113	27	62	24

Note 30. Related party transactions

Related party transactions primarily concern commercial or financial transactions carried out with the Madeco group – a major Nexans shareholder – as well as with associates, non-consolidated companies and directors and officers (whose total compensation is presented in the table set out in Note 30.d below).

a. Income statement

The main income statement items affected by related party transactions in 2011 and 2010 were as follows:

(in millions of euros)	2011	2010
Revenue		
- Non-consolidated companies	82	54
- Joint ventures	-	-
- Associates	3	2
Cost of sales		
- Non-consolidated companies	(8)	(14)
- Joint ventures	-	-
- Associates	(2)	(4)

b. Statement of financial position

The main items in the statement of financial position affected by related party transactions at December 31, 2011 and 2010 were as follows:

At December 31, in millions of euros	2011	2010
Assets		
- Non-consolidated companies	22	16
- Joint ventures	-	-
- Associates	2	1
Financial liabilities/(receivables)		
- Non-consolidated companies	(9)	2
- Joint ventures	-	-
- Associates	(1)	-
Other liabilities		
- Non-consolidated companies	2	3
- Joint ventures	-	-
- Associates	3	2

c. Relations with the Madeco group

Following Nexans' acquisition of the Madeco group's cables business on September 30, 2008 and the agreement entered into on March 27, 2011 aimed at giving Madeco a leading position in the Company's share capital, at December 31, 2011 the Madeco group directly held an interest of around 20% in Nexans SA. At the same date, Madeco held three seats on Nexans' Board of Directors and also had a representative on the Appointments and Compensation Committee (see Note 2.c).

At December 31, 2011 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, 2011.

The relations between Nexans and Madeco concerning Madeco's stake in the Company's share capital are governed by the agreement entered into on March 27, 2011, which can be viewed on the Group's website.

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 Note 30.a and Note 30.b above.

d. Directors and officers compensation

(Nexans' directors and members of the Executive Committee)

Total compensation

Total compensation paid to the Group's directors and officers can be analyzed as follows:

(in millions of euros)	2011	2010
Compensation for corporate officer positions*	1.9	1.5
Directors' fees*	0.6	0.5
Compensation under employment contracts and benefits in kind*	8.7	7.9
Stock options**	1.1	2.3
Performance shares**	0.0	-
Termination benefits*	-	-
Long-term incentive plan**	1.3	0.1
Accruals for pension obligations***	2.8	3.1
Total compensation	**16.4**	**15.4**

* Amounts paid during the year, including payroll taxes.
** Amounts expensed in the income statement during the year.
*** For defined benefit plans this item includes the service cost and interest cost for the year.

Additional information on directors and officers compensation (Nexans' directors and members of the Executive Committee):

- Six new members joined the Group's Executive Committee in 2011: Giuseppe Borrelli (Executive Vice President, Europe Utilities & Operators Market Line), Antoine Caillault (Senior Corporate Vice President, Industrial & Supply Chain), Benjamin Fitoussi (Senior Corporate Strategy and Business Development Vice President), Jean-Philippe Machon (Executive Vice President, Europe Distributors & Installers Market Line), Paul Nelson (Executive Vice President, Europe Infrastructure & Industrial Projects Market Line) and Dirk Steinbrink (Executive Vice President, High Voltage and Underwater Cables).
- Francis Krähenbühl (Executive Vice President, Central Europe) and Jorge Tagle (Executive Vice President, South America) left the Executive Committee during 2011.
- Wolfgang Bedorf (Executive Vice President, Middle East – Russia – Africa) stepped down from the Executive Committee on December 31, 2010 following his retirement.

• 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 21.0 million euros at December 31, 2011, compared with 16.7 million euros at December 31, 2010.

• For all stock option plans set up for Group senior management between 2007 and 2010, Nexans' policy was to put in place an accompanying long-term incentive plan (LTIP). None of the Group's principal senior managers received an incentive payment under either the LTIP accompanying the February 22, 2008 stock option plan (Plan no. 7) or the LTIP accompanying the November 25, 2008 plan (Plan no. 8) as the objectives set in these LTIPs were not achieved. The remaining provisions recognized in the financial statements in 2009 were reversed during 2010 in an amount of 0.8 million euro, including payroll taxes.

  Under the LTIP accompanying the March 9, 2010 stock option plan (Plan no. 9), in early 2012 the Group's principal senior managers will receive a payment of 1.7 million euros (representing a 2.2 million euro cost for the Group including the related payroll taxes) as the objectives set in the LTIP were largely achieved. This expense was provisioned in full at December 31, 2011. A 0.9 million euro provision had already been set aside in the 2010 financial statements to cover potential 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 7.4 of the Management Report.

As Chairman and CEO, Frédéric Vincent has received the following commitments from the Company. They were authorized at the Board Meeting of April 3, 2009 and ratified at 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, total termination payments – i.e., termination and non-compete indemnities – may not exceed two years compensation (fixed plus variable).

If Frédéric Vincent retired he would receive benefits under the supplementary pension plan 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 directors and officers compensation table presented above.

Commitments given to Gérard Hauser, Nexans' Chairman and CEO until May 26, 2009

Gérard Hauser was required to comply until May 26, 2011, 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. The provision set aside in the consolidated financial statements to cover this indemnity represented a residual amount of 0.6 million euros at December 31, 2010.

Note 31. Disputes and contingent liabilities

a. Antitrust investigations

On July 5, 2011, Nexans and its subsidiary Nexans France SAS received a Statement of Objections[1] from the European Commission's Directorate General for Competition relating to alleged anticompetitive behavior by Nexans France SAS in the sector of submarine and underground power cables as well as the related accessories and services.

As a result, the Group recorded a 200 million euro provision in its consolidated financial statements at June 30, 2011, which was maintained at the year-end. Being an estimate, the definitive financial consequences for the Group may differ.

This amount of the provision corresponds, at this stage of the proceedings, and by application of a principle of prudence, to the Group's estimate of the fine which could be imposed on it taking into account the fining policy of the Commission and the methodology and elements on which the Commission indicated its intention to base its fine, as well as certain challenges that the Company and its subsidiary Nexans France SAS made in their response to the Statement of Objections which was submitted to the European Commission on October 26, 2011.

In view of the exceptional nature of this provision and its highly material amount, in accordance with IFRS, it has been presented in a separate line of the consolidated income statement ("Reserve for risk related to EU antitrust procedure") between operating margin and operating income (loss).

The Group is also under investigation by the Competition Authorities of Australia, South Korea (in addition to an investigation into the domestic market), the United States, Brazil, and Canada, in the same sector of activity. The Group is unable to determine at this stage the outcome of these other proceedings and therefore did not make any provision in its accounts for any investigations other than those conducted by the European Commission. Investigations in Japan and New Zealand have been closed without any sanctions imposed on the Group.

In its press release of February 12, 2009 and in its subsequent communications, the Group had indicated that an unfavorable outcome of these procedures as well as the associated consequences could have a material adverse effect on the results and thus the financial situation of the Group.

(1) A Statement of Objections is a procedural document in competition investigations whereby the European Commission informs the parties concerned of its preliminary view in relation to a possible infringement of EU competition law. The recipient of a Statement of Objections may respond in writing, by presenting all elements and information in its favor which may limit the accusations made by the Commission. The recipient may also ask to be heard to present its arguments on the investigation. The sending of a Statement of Objections does not prejudge the European Commission's final decision in the proceedings.

b. Other disputes and proceedings giving rise to the recognition of provisions

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 and proceedings 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, where applicable, independent evaluations by the Group's counsel 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, 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. A portion of this provision was reversed in the second half of 2010 in view of favorable developments concerning a number of these risks and at December 31, 2010 it no longer represented a material amount.

- In late 2009 the Group encountered difficulties relating to a contract for high-voltage submarine cables when its end-customer – a Chinese State-owned company – disputed the amounts payable for protecting cable that had already been laid (and was in working order), claiming that the protection works took an excessive amount of time to complete. Nexans set aside a provision in the first half of 2010 in relation to this dispute to cover the amounts provided for in the settlement agreement signed with the customer in early 2011 concerning work already carried out. The work undertaken for this customer was completed at end-2011.

  Another problem was encountered with this project as a ship operated by a Chinese subcontractor involved in the cable-laying process 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 lodged a claim – amounting to some 7 million euros – which was resolved in 2010.

  A further dispute with the Chinese subcontractor was ongoing at end-December 2011 as the subcontractor is claiming the payment of invoices for the leasing costs of its equipment during the period when it was impounded by the Chinese army. In turn, Nexans is claiming compensation from the subcontractor for losses caused by the accident (notably delays in the project). This dispute has been referred for arbitration in Singapore, which is scheduled to take place in the first half of 2012.

- In the second quarter of 2011 the Group performed an evaluation of the potential consequences of the events that had taken place in North Africa, the Middle East and Japan, particularly concerning financial impacts and the effect on supplies. The findings of the evaluation process were that these events would not jeopardize the objectives that the Group had set itself for 2011.

  However, a provision was recorded in the June 30, 2011 consolidated financial statements in view of the difficulty in comprehensively and precisely assessing the situation in certain countries in the Middle East and North Africa, which is one of the Group's export markets for high-voltage terrestrial cables.

  This provision was reversed at the year-end because at that date the Group considered that it was no longer exposed to a significant risk in view of (i) the gradual return to normality of the political situation in the Group's main host countries in North Africa and the Middle East during the second half of the year, (ii) the fact that the Group was able to confirm at end-December that no significant damage had occurred on cables stored locally, and (iii) the Group's intention to progressively re-start its operations in the region.

  The Group is nevertheless continuing to carefully monitor political developments, especially in North Africa and the Middle East (and more recently the overall situation in Russia) and will keep a vigilant eye on the impacts that any such developments may have on the performance of major contracts signed in these regions.

- In late 2010, the Group discovered that one of its production facilities delivered cables intended for the US Navy and other US government customers without previously carrying out the required exhaustive tests. In some cases, certain of these cables did not meet all of the applicable customer specifications. Consequently, Nexans recorded a provision at end-2010 – which still represented a non-material amount at December 31, 2011 – to cover the cost of (i) recalling products not yet installed in ships and vessels, (ii) any requisite corrective measures, and (iii) the limited number of customer claims that have been received so far.

  Nexans voluntarily informed both the US Navy and the Office of the Inspector General of the situation and its "qualified supplier" status has been suspended for a small number of products. The Group is still a "qualified supplier" for the majority of the product references for which it was originally certified.

  Nexans submitted a voluntary report on the facts and circumstances of the situation to the US authorities in December 2011, but is not currently in a position to express an opinion on either the possibility of the Office of the Inspector General imposing any financial penalties or on the amount that any such penalties could represent. Consequently, no provision was recorded in the 2011 financial statements to cover the amount of any potential fine relating to this case.

Nexans considers that the other existing or probable disputes for which provisions were recorded at December 31, 2011 and 2010 do not represent sufficiently material amounts when taken individually to require specific disclosures in the consolidated financial statements.

c. 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 harness 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 automakers' technical specifications. The automaker 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 of its customer, i.e., the harness 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 identify the technical cause of the problem. Nexans was involved in this procedure, during which the automobile equipment manufacturer claimed that the cables supplied did not comply with the technical specifications of the harness manufacturer, an allegation both the harness manufacturer and Nexans contest. The court's opinion on the expert's technical report following this procedure is expected in 2012. 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. Nexans notified its insurer of this claim at the time.

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 not, however, in a position to exclude such a possibility.

Note 32. Off balance sheet commitments

The Group's off balance sheet commitments that were considered material at December 31, 2011 and 2010 are set out below.

a. Commitments related to the Group's scope of consolidation

Receivables securitization program

As part of the process to set up a new securitization program for euro-denominated trade receivables in the second quarter of 2010 (as described in Note 1.a and Note 26.a), Nexans granted a guarantee to the arranging bank. This guarantee covers (i) the payment obligations of the two Nexans subsidiaries selling the receivables under the programs concerned and (ii) the consequences that could arise if any of the receivables sales under the programs were rendered invalid, in the event that insolvency proceedings were initiated against either of the two subsidiaries selling the receivables.

At December 31, 2011, the Group considered the probability of the bank calling on this guarantee to be very low.

At the year-end, this guarantee was valued at 34 million euros for the portion covering the subsidiaries' payment obligations and 250 million euros for the portion covering invalid receivables sales. It had a minimum residual term of more than 12 months at December 31, 2011 and an actual term that varies depending on the seller and type of obligation concerned.

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, an escrow account was 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 (21 million euros held 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 31).

The definitive purchase price for Madeco's cables business was subject to final adjustments based on the financial statements at September 30, 2008. On July 9, 2009, Madeco notified Nexans that it had decided to launch arbitration proceedings in order to set the amount of the final adjustments. On January 14, 2011, Madeco and Nexans reached an amicable settlement whereby the final downward adjustment to the purchase price was limited to 14.9 million US dollars. On the same date, Nexans purchased the remaining minority interest in its subsidiary Nexans Colombia, for 9.2 million US dollars in accordance with the firm commitment it had given in 2008.

b. Commitments related to the Group's financing

Commitments given

- Collateral pledged by the Group to secure borrowings broke down as follows by type of asset at December 31, 2011 and 2010:

At December 31, in millions of euros	2011	2010
Property, plant and equipment pledged as collateral	12	5
Intangible assets pledged as collateral	-	-
Inventories pledged as collateral	-	-
Financial assets pledged as collateral	-	-
Total pledged collateral	**12**	**5**

- Syndicated credit facility: when the Group's new syndicated credit facility was set up (see Note 24.f), Nexans undertook to guarantee the commitments given by Nexans Services to the banking pool concerned. This guarantee represented a maximum amount of 594 million euros at December 31, 2011.

Commitments received

At December 31, 2011 the Group had access to a 540 million euro syndicated credit facility expiring on December 1, 2016, none of which had been drawn down (see Note 24.f for further details).

At December 31, 2010 the Group had access to a 580 million euro syndicated credit facility expiring on October 16, 2012, none of which had been drawn down at that date.

As described in Note 32.a above, in April 2010 Nexans set up a receivables securitization program. The plan's maximum term is five years and the amount of receivables that may be sold has been capped at 250 million euros (see Note 1.a and Note 26.a for further details).

c. Commitments related to the Group's operating activities

The Group's main off balance sheet commitments related to operating activities (excluding parent company guarantees – see below) are summarized in the following table:

At December 31, in millions of euros	2011	2010	Note
Commitments given			
Forward purchases of foreign currencies*	2,670	2,863	Note 27.b
Forward purchases of metals	604	597	Note 27.b
Firm commitments to purchase property, plant and equipment	31	35	Note 13.c
Commitments for third-party indemnities	722	696	See 1) below
Take-or-pay copper purchase contracts (in metric tons)	114,679	111,324	See 2) below
Future minimum payments under non-cancelable operating leases	115	113	Note 29
Commitments received			
Forward sales of foreign currencies*	2,681	2,859	Note 27.b
Forward sales of metals	111	151	Note 27.b
Take-or-pay copper sale contracts (in metric tons)	129,607	111,602	See 2) below
Other commitments received	29	-	

* Including derivatives used to hedge the Group's net debt.

(1) Commitments concerning third-party indemnities

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 (722 million euros and 696 million euros at December 31, 2011 and 2010 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).

(2) Take-or-pay contracts (physically-settled contracts)

The volumes indicated in the table above correspond to quantities negotiated as part of copper take-or-pay contracts whose price was set at the year-end, including quantities included in inventories (see Note 26.d for further details).

More generally, the Group enters into firm commitments with certain customers and suppliers under take-or-pay contracts, the largest of which concern copper supplies.

(3) At December 31, 2011 the Group had granted parent company guarantees in an amount of 1,218 million euros (1,003 million euros at December 31, 2010). These mainly correspond to performance bonds given to customers.

Note 33. Main consolidated companies

The main changes in the scope of consolidation in 2011 and 2010 are presented in **Note 2.b.** The table below lists the main entities included in the Group's scope of consolidation at December 31, 2011.

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[3]	Energy and Telecom	100%	100%	
Nexans Interface	Telecom	100%	100%	
Eurocable	Energy	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 SA	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	Energy and Telecom	100%	100%	
Nexans Superconductors GmbH	Energy	100%	100%	
Metrofunkkabel Union GmbH	Energy	100%	100%	
Nexans Auto Electric GmbH[5]	Energy	100%	100%	
Confecta GmbH Deutschland[6]	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%	
Nexans Re[7]	Holding company	100%	100%	
Nexans Logistics Ltd	Energy	100%	100%	
Nexans Sweden AB	Energy and Telecom	100%	100%	
Nexans Denmark	Energy and Telecom	100%	100%	
Axjo Kabel AG	Energy	100%	100%	
Southern Europe				
Multinacional Trade	Energy	100%	100%	
Nexans Iberia SL	Energy	100%	100%	
Nexans Italia SpA	Energy and Telecom	100%	100%	
Nexans Participation Italia Srl	Holding company	100%	100%	
Intercond Services SpA[8]	Energy	100%	100%	
Nexans Hellas SA[2]	Energy and Telecom	71.75%	71.75%	
Nexans Turkiye Endustri Ve Ticaret AS	Energy and Telecom	100%	100%	

Companies by country	Principal activity	% control	% interest	Consolidation method[1]
Eastern Europe				
Nexans 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.	Telecom	100%	100%	
Invercable	Holding company	100%	100%	
Nexans Chile S.A. Cerrada	Energy	100%	100%	
Colada Continua S.A.	Electrical Wires	41%	41%	Equity method
Nexans Colombia	Energy	100%	100%	
Indeco Peru	Energy	96%	96%	
Cobrecon	Electrical Wires	33.33%	32.00%	Equity method
Nexans Brasil S.A.	Energy and Telecom	100%	100%	
Africa and Middle East				
Liban Câbles SAL	Energy and Telecom	90%	90%	
International Cables Company Ltd	Energy and Telecom	97.87%	88.08%	
Nexans Maroc[2]	Energy	83.59%	83.59%	
Sirmel Maroc	Energy	83.50%	69.80%	
Qatar International Cable Company	Energy	30.33%	30.33%	Equity method
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	99.52%	99.51%	
Kukdong Electric Wire Co. Ltd	Energy and Telecom	98.10%	97.90%	
Daeyoung Cable	Energy and Telecom	100%	99.51%	
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) Nexans Copper France (formerly Société Lensoise de Cuivre) – which took over the operations of Société de Coulée Continue de Cuivre under a business lease on November 1, 2008 – was merged with Nexans France in 2011.
(4) The entity responsible for the Nexans Group's cash management since October 1, 2008.
(5) Nexans Auto Electric GmbH – a company based in Germany – itself consolidates various sub-subsidiaries, including in the United States, Romania, Ukraine, the Czech Republic, Slovakia, Tunisia and Mexico.
(6) Confecta GmbH Deutschland – a company based in Germany – itself consolidates various sub-subsidiaries in Switzerland and France.
(7) Nexans Re is the Group's captive reinsurer.
(8) This entity is the head of a sub-consolidation group that includes Pessano Cavi and Intercond SpA.

Note 34. Subsequent events

No significant events for which disclosure is required have occurred since December 31, 2011.

Statutory Auditors' report on the consolidated financial statements

For the year ended December 31, 2011

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 December 31, 2011, 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, 2011 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 Note 2.d "Antitrust investigations" and Note 31 "Disputes and contingent liabilities" to the consolidated financial statements, which describe the antitrust investigations initiated against the Group.

Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Impairment of assets

At each period end, the Group tests goodwill for impairment and assesses whether 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 "Net asset impairment" to the consolidated financial statements provide appropriate disclosures.

Deferred tax assets

The Group recognizes deferred tax assets in the consolidated statement of financial position on the basis of business plans and earnings forecasts, as described in section v "Deferred taxes" of **Note 1** "Summary of significant accounting policies" and in **Note 9** "Income taxes" to the consolidated financial statements. We have assessed the information and assumptions used to verify that these deferred tax assets are recoverable in future periods.

Pension and other retirement benefit obligations

The Group recognizes provisions for retirement benefits, as described in section t "Pensions, statutory retirement bonuses and other employee benefits" of **Note 1** "Summary of significant accounting policies" and in **Note 22** "Pensions, retirement bonuses and other long-term employee benefits" to the consolidated financial statements. The corresponding obligations are valued by external actuaries. We have assessed the information and assumptions upon which these estimates were based and have verified that **Note 22** to the consolidated financial statements provides appropriate disclosures.

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.

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, February 8, 2012

KPMG Audit
A division of KPMG S.A.

Valérie Besson
Partner

Neuilly-sur-Seine, February 8, 2012

PricewaterhouseCoopers Audit

Éric Bulle
Partner

Corporate Financial Statements

Balance sheet

Assets

At December 31, in thousands of euros	Gross amount	Depreciation, amortization and provisions	2011	2010
Intangible assets	340	(186)	154	97
Property, plant and equipment	-	-	-	-
Long-term financial assets				
Investments in associates – equity method	-	-	-	-
Shares in subsidiaries and associates	2,337,092	(19,000)	2,318,092	2,318,092
Loans to subsidiaries	-	-	-	-
Other long-term securities	-	-	-	-
Loans	15,147	-	15,147	41,674
Other long-term financial assets	1,331	-	1,331	603
FIXED ASSETS	2,353,910	(19,186)	2,334,724	2,360,466
Receivables				
Prepayments to suppliers	-	-	-	-
Trade receivables	14,154	-	14,154	10,084
Other receivables	342,356	-	342,356	295,226
Issued capital called but unpaid	-	-	-	-
Miscellaneous				
Marketable securities	-	-	-	-
Cash at bank and in hand	102	-	102	97
Accruals				
Prepaid expenses	87	-	87	56
CURRENT ASSETS	356,699	-	356,699	305,464
Deferred charges	5,064	-	5,064	5,039
Bond redemption premiums	8,362	-	8,362	15,611
Unrealized foreign exchange losses	0	-	0	0
TOTAL ASSETS	**2,724,035**	**(19,186)**	**2,704,849**	**2,686,580**

Equity and liabilities

At December 31, in thousands of euros	2011	2010
Share capital	28,723	28,604
Additional paid-in capital	1,363,214	1,359,622
Revaluation reserve	-	-
Legal reserve	2,860	2,801
Statutory and contractual reserves	-	-
Regulated reserves	0	0
Other reserves	-	-
Retained earnings	269,876	272,833
Net income for the year	35,422	28,684
Investment grants	-	-
Regulated provisions	4,739	3,247
TOTAL EQUITY	1,704,834	1,695,792
Provisions for contingencies	0	0
Provisions for charges	-	-
PROVISIONS FOR CONTINGENCIES AND CHARGES	0	0
Debt		
Convertible bonds	550,680	550,680
Other bonds	363,398	363,398
Bank borrowings	401	36
Other borrowings	-	-
Operating liabilities		
Trade payables	14,249	15,542
Accrued taxes and payroll costs	70,368	59,997
Miscellaneous liabilities		
Due to suppliers of fixed assets	-	-
Other liabilities	581	733
Accruals		
Deferred income	338	401
TOTAL LIABILITIES	1,000,015	990,787
Unrealized foreign exchange gains	-	-
TOTAL EQUITY AND LIABILITIES	**2,704,849**	**2,686,580**

Income statement

(in thousands of euros)	France	Exportation	2011	2010
Sales of goods held for resale	-	-	-	-
Sales of manufactured products	-	-	-	-
Sales of services	16,188	1,734	17,922	12,882
NET SALES	16,188	1,734	17,922	12,882
Operating grants			-	-
Reversals of depreciation, amortization and provisions, expense transfers			1,563	-
Other revenues			-	-
TOTAL OPERATING REVENUES			19,484	12,882
Other purchases and external charges			24,763	23,043
Taxes other than on income			746	109
Wages and salaries			5,056	4,916
Payroll charges			1,548	1,612
Depreciation, amortization and provisions				
- Depreciation and amortization – fixed assets			56	32
- Impairment – fixed assets			-	-
- Impairment – current assets			-	-
- Depreciation and amortization – other assets			1,539	1,279
- Provisions for contingencies and charges			-	-
Other expenses			571	496
TOTAL OPERATING EXPENSES			34,280	31,487
OPERATING INCOME/(LOSS)			(14,796)	(18,605)

(in thousands of euros)	**2011**	2010
Dividend income	86,007	82,762
Income from other capitalized securities and receivables	-	-
Other interest income	5,176	6,240
Provision reversals and expense transfers	-	-
Foreign exchange gains	762	1,139
Net gains on disposals of marketable securities	-	-
TOTAL FINANCIAL INCOME	91,945	90,141
Amortization and provisions – financial assets	7,249	7,249
Interest paid	33,072	33,097
Foreign exchange losses	1,533	1,608
Net losses on disposals of marketable securities	-	-
TOTAL FINANCIAL EXPENSES	41,854	41,954
NET FINANCIAL INCOME	50,091	48,187
INCOME FROM ORDINARY ACTIVITIES BEFORE TAX	35,295	29,582
Non-recurring income from revenue transactions	-	-
Non-recurring income from capital transactions	1,008	-
Provision reversals and expense transfers	-	-
TOTAL NON-RECURRING INCOME	1,008	-
Non-recurring expenses on revenue transactions	76	-
Non-recurring expenses on capital transactions	-	6
Exceptional additions to depreciation, amortization and provisions	1,492	1,443
TOTAL NON-RECURRING EXPENSES	1,567	1,449
NET NON-RECURRING INCOME/(LOSS)	(559)	(1,449)
Employee profit-sharing	(138)	(121)
Income taxes	824	672
NET INCOME	**35,422**	**28,684**

List of subsidiaries and associates

(At December 31, 2011) Company name	Share capital (in thousands of currency units)	Total equity (excl. share capital) (in thousands of currency units)	Percentage ownership	Dividends received (in thousands of euros)	Gross value of shares held (in thousands of euros)	Net value of shares held (in thousands of euros)	Net sales[5] (in thousands of currency units)	Net income/(loss)[5] (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	(135,587)	100.00	35,300	237,400	218,400	2,046,472	(188,570)
Nexans Participations Paris - France (SIREN registration no. 314 613 431)	385,500	1,482,860	100.00	50,115	1,848,256	1,848,256	-	67,210
Nexans Indelqui SA[1] Buenos Aires - Argentina	106,873	21,911	100.00	-	37,268	37,268	241,748	8,656
Invercable SA[2] Santiago - Chile	82,400	55,672	100.00	-	194,948	194,948	-	5,404
2) ASSOCIATES (10%-50% owned)								
Nexans Korea[3] Chungcheongbuk - Korea	17,707,074	76,626,435	35.53[4]	443	16,940	16,940	356,327,043	(9,496,133)
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				149	2,281	2,281		

(1) Amount in thousands of ARS (Argentine pesos): 1 ARS = 0.17956 euro at December 31, 2011.
(2) Amount in thousands of USD (US dollars): 1 USD = 0.77286 euro at December 31, 2011.
(3) Amount in thousands of KRW (Korean won): 1,000 KRW = 0.66700 euro at December 31, 2011.
(4) The percentage ownership of Nexans Korea was determined after deducting treasury shares representing 3.28% of the company's capital.
(5) Provisional data as these companies' financial statements had not yet been formally approved at December 31, 2011.

Portfolio of transferable securities

(At December 31, 2011) (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 SA (Argentina)	106,871,801	100.00	37,268	-	37,268
Invercable SA (Chile)	3,993,350	100.00	194,948	-	194,948
3 - Money market funds					
None					

Notes to the corporate financial statements

The accompanying notes below relate to the balance sheet at December 31, 2011, 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, 2011. The balance sheet total was 2,704,849,000 euros and net income amounted to 35,422,000 euros.

The tables in these notes are presented in thousands of euros, rounded to the nearest thousand.

Note 1. Significant events

On March 27, 2011 Nexans announced that it had signed an agreement with its principal shareholder, the Chilean group Madeco. This agreement – which has a ten-year term effective from August 26, 2011 (the date on which Madeco's interest in Nexans reached 15%) – aims to give Madeco a leading position in Nexans' share capital by increasing its ownership interest from 9% to 20%.

The agreement, which can be viewed on Nexans' website, also provides for the strengthening of Madeco's representation on Nexans' Board of Directors by giving it a second and then a third seat on the Board. The two Madeco representatives concerned were elected as directors by Nexans' shareholders at General Meetings held on May 31 and November 10, 2011. At the November 10, 2011 General Meeting, Nexans' shareholders also approved (i) the removal from the articles of association of double voting rights and of the 8% voting rights limit and (ii) an amendment to the articles of association to provide for a 20% limit on the voting rights that may be cast on any resolution relating to major transactions, including mergers and significant capital increases. Given the quorum levels at past Shareholders' Meetings, this provision aims to prevent any shareholder holding more than 20% of the Company's capital from having a de facto veto right and therefore is in the interest of all shareholders.

The agreement also provides for lock-up and standstill undertakings from Madeco applicable for a three-year period as from August 26, 2011. Madeco may, at its option, decide to terminate these undertakings in the event of a public tender offer for the Company. Following the expiration of this three-year period Nexans may terminate the agreement if Madeco's interest in the Company falls below 20% or exceeds 22.50% in accordance with the conditions specified in the contract. At December 31, 2011 the Madeco group held 19.86% of Nexans' share capital.

The following other significant events took place during 2011:

1. 118,689 new shares were issued following the exercise of stock options.

2. The Company received a total of 86,007,000 euros in dividends from subsidiaries, primarily from Nexans Participations (50,115,000 euros) and Nexans France (35,300,000 euros).

3. Nexans brought forward the renewal process for its syndicated credit facility which was due to expire on October 16, 2012 by negotiating a new committed credit facility of 540 million euros granted to Nexans (as borrower and guarantor – see Note 28) and its subsidiary Nexans Services (as borrower). The related loan agreement came into effect on December 1, 2011 and will expire on December 1, 2016.

4. Nexans set up for the first time a plan involving the allocation of free shares and performance shares (see Note 11.2).

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, 2011 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 five and twenty years.
- Software, measured at historical cost and amortized on a straight-line basis over three 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 carrying amount 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).

Loans

This item primarily concerns long-term loans granted to indirect subsidiaries.

Other long-term financial assets

This item notably includes the following:

- Treasury shares
  Treasury shares purchased as part of a share buyback program, as authorized at 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 year-end are recorded under "Other long-term financial assets".
- Guarantee deposits granted by Nexans.

Trade 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 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 year-end:

- 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 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

At December 31, 2011, this item included:

- Patents with a gross value of 226,000 euros, which have estimated useful lives of seven years. After taking into account 32,000 euros in amortization recorded for the year, the carrying amount of these patents was 65,000 euros at December 31, 2011.
- Software acquired during the year representing a gross value of 114,000 euros, which is being amortized over three years. After taking into account 24,000 euros in amortization recorded for the year, the carrying amount of this software was 89,000 euros at December 31, 2011.

At December 31, 2010, "Intangible assets" included patents with a gross value of 226,000 euros which had been amortized in an amount of 129,000 euros.

Note 4. Property, plant and equipment

The Company's balance sheet did not include any items of property, plant and equipment at either December 31, 2011 or 2010.

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, 2010	2,337,092	-	41,674	603	2,379,369
Acquisitions – increases	-	-	1,662	1,331	2,993
Disposals – decreases	-	-	(28,189)	(603)	(28,792)
At December 31, 2011	**2,337,092**	**-**	**15,147**	**1,331**	**2,353,570**
PROVISIONS					
At December 31, 2010	(19,000)	-	-	-	(19,000)
Additions	-	-	-	-	-
Reversals	-	-	-	-	-
At December 31, 2011	**(19,000)**	**-**	**-**	**-**	**(19,000)**
NET LONG-TERM FINANCIAL ASSETS					
At December 31, 2010	2,318,092	-	41,674	603	2,360,369
At December 31, 2011	**2,318,092**	**-**	**15,147**	**1,331**	**2,334,570**

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.

At December 31, 2011 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 Loans

At December 31, 2011, this item corresponded to loans to:

- Nexans USA for 11,759,000 US dollars, representing 9,089,000 euros.
- Nexans Inc for 3,920,000 US dollars, representing 3,029,000 euros.
- Nexans Energy Inc for 3,920,000 US dollars, representing 3,029,000 euros.

The composition of this item was similar at December 31, 2010, corresponding to loans to:

- Nexans USA for 33,410,000 US dollars, representing 25,004,000 euros.
- Nexans Inc for 11,137,000 US dollars, representing 8,335,000 euros.
- Nexans Energy Inc for 11,137,000 US dollars, representing 8,335,000 euros.

These amounts include accrued interest.

Note 6. Operating receivables

Net values At December 31, in thousands of euros	2011	2010
Prepayments to suppliers	-	-
Trade receivables	14,154	10,084
Other receivables:		
- Prepaid payroll taxes	-	8
- Prepaid and recoverable income taxes	10,240	4,574
- Prepaid and recoverable VAT	3,355	3,255
- Group and associates: tax consolidation	1,329	4,302
- Group and associates: cash pooling current accounts	327,335	282,819
- Other debtors	97	268
Sub-total – Other receivables	342,356	295,226
Total	**356,510**	**305,310**

Note 7. Receivables by maturity

Gross values At December 31, in thousands of euros	Gross amount	Due within one year	Due beyond one year
FIXED ASSETS			
Loans	15,147	15,147	-
Other long-term financial assets	1,331	1,331	-
Total	**16,478**	**16,478**	**-**
CURRENT ASSETS			
Trade receivables	14,154	14,154	-
Other receivables	342,356	342,356	-
Total	**356,510**	**356,510**	**-**

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, 2011, the Company's share capital comprised 28,723,080 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. The Company's shares no longer carry double voting rights, following the resolution passed at the Shareholders' Meeting held on November 10, 2011 (see **Note 1**).

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, 2010 before appropriation of net income	28,604	1,359,622	2,801	272,833	28,684	3,247	1,695,792
Appropriation of 2010 net income	-	-	59	28,625	(28,684)	-	-
Dividends paid	-	-	-	(31,581)	-	-	(31,581)
Other movements[1]	119	3,591	-	-	-	1,492	5,202
2011 net income	-	-	-	-	35,422	-	35,422
At Dec. 31, 2011 before appropriation of net income	28,723	1,363,214	2,860	269,876	35,422	4,739	1,704,834

(1) Other movements can be analyzed as follows:
- The issue of 118,689 new shares with a premium of 3,591,000 euros following the exercise of stock options.
- Additions to regulated provisions recorded in 2011 primarily correspond 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 1.1 euro per share, representing an aggregate amount of 31,595,000 euros based on the 28,723,080 shares outstanding at December 31, 2011.

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, 2012 and the date of the Annual Shareholders' Meeting called to approve the dividend payment.

Note 11. Stock options, free shares and performance shares

11-1 Stock options

At December 31, 2011 there were 1,579,665 outstanding stock options held by employees, representing 5.50% of the Company's share capital.

Grant date	Number of options outstanding at the year-end	Exercise price	Exercise period
November 16, 2004	164,250	€27.82	November 16, 2005 (1) – November 15, 2012
November 23, 2005	146,691	€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	19,000	€100.94	February 15, 2009 (2) – February 14, 2015
February 22, 2008	295,750	€71.23	February 22, 2009 (1) – February 21, 2016
November 25, 2008	285,363	€43.46	November 25, 2009 (1) – November 24, 2016
March 9, 2010	328,611	€53.97	March 9, 2011 (1) – March 8, 2018
Total	**1,579,665**		

(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	**1,702,744**
Options granted during the year	-
Options cancelled during the year	(4,390)
Options exercised during the year	(118,689)
Options expired during the year	-
Options outstanding at the year-end	**1,579,665**
of which exercisable at the year-end	1,182,981

11-2 Free shares and performance shares

In 2011, Nexans set up for the first time a plan involving the allocation of free shares and performance shares. At December 31, 2011 there were 112,730 free shares and performance shares outstanding, each entitling their owner to one share, representing a total of 0.4% of the Company's capital.

Grant date	Number of shares in vesting period at beginning of year	Number of shares in vesting period at the year-end	End of vesting period
November 21, 2011	-	112,730	November 21, 2014 for French resident beneficiaries November 21, 2015 for non-French resident beneficiaries

Half of the performance shares granted are subject to a condition relating to Nexans' share performance on the stock market and the other half are subject to a financial performance condition based on the growth of a pre-defined financial indicator compared with that of a benchmark panel of companies. Depending on the level of attainment of these two performance conditions, each beneficiary may actually acquire up to 150% of the shares initially allocated. However, if the attainment level falls below certain pre-defined thresholds the beneficiaries will not acquire any of the shares.

Note 12. Provisions

(in thousands of euros)	At Dec. 31, 2010	Increase	Decrease	At Dec. 31, 2011
Regulated provisions	3,247	1,492	-	4,739
Provisions for contingencies and charges	-	0	-	0

The increase in regulated provisions recorded in 2011 breaks down as (i) 1,444,000 euros corresponding to excess tax amortization of share acquisition costs that are included in the cost of the related investments, and (ii) 48,000 euros relating to the tax amortization of software.

Note 13. Borrowings

(in thousands of euros)	Bonds	Overdrafts and short-term bank loans	Total
At December 31, 2010	914,078	36	914,114
New borrowings	32,845	401	33,246
Repayments, reductions	(32,845)	(36)	(32,881)
At December 31, 2011	**914,078**	**401**	**914,479**

The Company's liquidity requirements in 2011 were met through proceeds from (i) the OCEANE bond issues carried out in 2006 and 2009, representing nominal amounts of 280 million euros and 213 million euros respectively, and (ii) the 350 million euro ordinary bond issue in 2007. The year-on-year change in 2011 in the amount recognized under bonds was solely due to interest payments.

Since Nexans Services was formed on October 1, 2008, this entity has taken over Nexans SA's role as head of the cash management and financing system for the Group's subsidiaries. Consequently, cash surpluses are now invested with Nexans Services.

At December 31, 2010, Nexans and its subsidiaries had access to 580 million euros under a committed medium-term revolving facility expiring on October 16, 2012, none of which had been drawn down.

In order to ensure that the Group can continue to have access to liquid funds in the medium term, in 2011 Nexans brought forward the renewal process for this credit facility by negotiating with a pool of French and foreign banks a new 540 million euro committed medium-term revolving facility expiring on December 1, 2016. The related five-year syndicated loan agreement was signed on December 1, 2011. Consequently, at December 31, 2011, Nexans and its subsidiaries had access to 540 million euros under this new committed medium-term revolving facility, none of which had been drawn down.

The syndicated loan agreement is subject to standard covenants (negative pledge, cross default, pari passu and change of control clauses) as well as financial ratio covenants calculated based on the consolidated financial statements of the Nexans Group (consolidated net debt/EBITDA <3, and consolidated net debt/total equity <1.1).

These ratios were well within the specified limits at both December 31, 2011 and at the date the Board of Directors approved the financial statements.

If any of the facility's 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.

Note 14. Operating liabilities

At December 31, in thousands of euros	2011	2010
Customer deposits and advances	-	-
Trade payables	14,249	15,542
Accrued taxes and payroll costs:		
- Employee-related payables and accrued payroll costs	3,310	3,372
- Accrued taxes	3,044	1,658
- Tax consolidation suspense account	56,224	49,455
- Group companies: tax consolidation	7,790	5,512
Sub-total – Accrued taxes and payroll costs	70,368	59,997
Other liabilities		
- Accrued expenses	581	733
Sub-total – Other liabilities	581	733
Total	**85,198**	**76,272**

Note 15. Liabilities by maturity

(in thousands of euros)	Amount at Dec. 31, 2011	Due within 1 year	Due between 1 and 5 years	Due beyond 5 years
Convertible bonds	550,680	12,720	537,960	-
Other bonds	363,398	13,398	-	350,000
Bank borrowings	401	401	-	-
Trade payables	14,249	14,249	-	-
Accrued taxes and payroll costs	70,368	70,368	-	-
Other liabilities	581	581	-	-
Total	**999,677**	**111,717**	**537,960**	**350,000**

Note 16. Prepaid expenses and deferred income

	2011		2010	
At December 31, in thousands of euros	Expenses	Income	Expenses	Income
Financial	-	338	-	401
Other	87	-	56	-
Total	**87**	**338**	**56**	**401**

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 symmetrically with the accrued interest over the life of the bonds.

Note 17. Deferred charges – Bond redemption premiums

17-1 Deferred charges

(in thousands of euros)	Amount Dec. 31, 2010	Recognized during the year	Amortized during the year	Charged to the issue premium	Dec. 31, 2011	Method of deferral
Issue costs for convertible bonds	3,480	-	1,056	-	2,424	Straight-line basis over the term of each bond
Issue costs for other bonds	1,559	-	223	-	1,336	Straight-line basis over 11 years (2007 to 2017)
Issue costs for other borrowings	-	1,563	260	-	1,303	Straight-line basis over 6 years (2011 to 2016)
Total	**5,039**	**1,563**	**1,539**	**-**	**5,064**	

Deferred charges recognized in 2011 relate to the issue costs of the new syndicated credit facility which are being deferred on a straight-line basis over the six-year period until the expiration of the loan agreement in 2016.

17-2 Bond redemption premiums

(in thousands of euros)	Year of recognition	Gross premium	December 31, 2010 Accumulated amortization	Net premium	December 31, 2011 Amortization for the year	Accumulated amortization	Net premium
Redemption premium on 2006-2013 1.50% OCEANE bonds	2006	45,360	31,377	13,983	6,992	38,368	6,992
Redemption premium on 2007-2017 5.75% ordinary bonds	2007	2,569	942	1,627	257	1,199	1,370
Total				**15,610**	**7,249**		**8,362**

Bond redemption premiums are amortized on a straight-line basis over the life of the bonds. The amortization expense for 2011 amounted to 7,249,000 euros.

Note 18. Accrued expenses & income

At December 31, in thousands of euros	2011	2010
Accrued expenses relating to:		
- Interest on bonds	26,118	26,118
- Accrued payables	13,268	14,394
- Employee-related liabilities	2,160	2,257
- Payroll taxes	685	730
- Other taxes	2,688	1,639
- Other liabilities	578	733
Accrued income relating to:		
- Interest on loans	3,554	7,996
- Trade receivables	11,860	9,708
- Prepaid and recoverable taxes	2,141	2,348
- Group and associates: Interest on other current accounts	548	462

Note 19. Translation adjustments

Translation adjustments were not material at either December 31, 2011 or 2010.

Note 20. Items relating to several balance sheet lines

N/A

Notes to the income statement

Note 21. Net sales

Nexans' 2011 net sales came to 17,922,000 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 14,796,000 euros for 2011, corresponding to headquarters expenses, Group cross-business marketing costs, depreciation, amortization and provisions, and various consulting fees.

22-2 Financial income and expenses

In 2011, Nexans received dividend payments totaling 86,007,000 euros, and 3,443,000 euros in net investment income from Nexans Services.

Interest received on loans granted to the Company's North American subsidiaries amounted to 1,662,000 euros.

Interest expense on the Company's bonds came to:
- OCEANE bonds redeemable in 2013: (4,200,000) euros
- OCEANE bonds redeemable in 2016: (8,520,000) 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 other financial expenses of 156,000 euros and 771,000 euros in net foreign exchange losses, the Company ended the year with net financial income of 50,091,000 euros.

Note 23. Non-recurring items

In 2011, non-recurring items primarily corresponded to 1,492,000 euros in excess tax depreciation (see Note 12) and 1,000,000 euros in proceeds from the sale of patents.

Note 24. Income taxes

(in thousands of euros)	Income from ordinary activities	Non-recurring items and employee profit-sharing	Other tax effects	Total 2011
Pre-tax income	35,295	(697)	-	34,598
Income taxes:				
- At standard rate	(240)	240*	792	792
- Benefit (charge) from tax consolidation	32	-	-	32
Income taxes	(208)	240	792	824
Net income	**35,087**	**(457)**	**792**	**35,422**

* Tax effect based on a rate of 34.33%.

24-1 Notes

The 792,000 euros recorded in 2011 under "Other tax effects" in the income taxes at standard rate line corresponds to a research tax credit.

The tax consolidation benefit 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 Tax Code.

This option is automatically renewable every five years and the latest expiration date was 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, the cumulated tax loss at December 31, 2011, represents an unrecognized tax asset of 50,860,000 euros.

No non tax-deductible expenses, as defined in Article 39-4 of the French Tax Code, were incurred during 2011.

24-3 Deferred taxes

No deferred taxes are recognized in the Company's individual financial statements. Deferred tax assets arise from (i) expenses that will be deductible for tax purposes in future periods, or (ii) the carryforward of unused tax losses which will reduce the Company's tax basis in future periods.

Deferred tax liabilities arise from expenses deducted in advance for tax purposes, or from income that will be taxable in future periods and will therefore increase the Company's future tax basis.

At December 31, in millions of euros	**2011**	2010
1. Temporary differences generating deferred tax assets		
Non-deductible expenses	-	-
Tax losses carried forward	119,678	79,705
Unrealized foreign exchange gains	-	-
Total base for deferred tax assets at standard tax rate	119,678	79,705
2. Temporary differences generating deferred tax liabilities		
Unrealized foreign exchange losses	0	0
Other	-	-
Total base for deferred tax liabilities at standard tax rate	0	0
Net deferred tax assets (base)	**119,678**	**79,705**
Future tax liability (receivable) relating to Nexans' individual financial statements (based on a Tax rate of 34.43%)	(41,205)	(27,442)

Miscellaneous information

Note 25. Consolidation – Related companies

Nexans publishes consolidated financial statements. Related party transactions primarily concern subsidiaries and associates.

The main balance sheet and income statement items affected are as follows:

Items impacted by related party transactions (in thousands of euros)	2011	2010
BALANCE SHEET ITEMS		
Assets		
Shares in subsidiaries and associates, net	2,318,092	2,318,092
Loans, net	15,147	41,674
Trade receivables, net	14,154	10,084
Other receivables, net	327,335	282,819
Current accounts with subsidiaries in the consolidated tax group	1,329	4,302
Liabilities		
Trade payables	12,738	12,284
Current accounts with subsidiaries in the consolidated tax group	7,790	5,512
INCOME STATEMENT ITEMS		
Financial expenses	227	252
Dividend income	86,007	82,762
Financial income	5,104	5,103

Note 26. Number of employees (annual average)

(in number of employees)	2011	2010
Managerial employees	7	6
Other white-collar workers	-	-
Blue-collar workers	-	-
Total	**7**	**6**

Note 27. Management compensation

In 2011, the total amount of gross compensation, benefits and directors' fees paid to the Chairman and CEO was 1,537,000 euros before tax.

Total management compensation breaks down as follows for 2011 and 2010:

	2011	2010
Basic salary	800 (1)	750
Variable compensation	869 (2)	697 (1)
Exceptional compensation	-	-
Directors' fees	34 (1)	34
Other benefits	6 (1)	6
Total	**1,709**	**1,487**

(1) The sum of these amounts corresponds to total gross pre-tax compensation.
(2) Compensation due for year Y but paid in Y+1.

Nexans' directors other than the Chairman and CEO received 537,000 euros in directors' fees for 2011.

Note 28. Off-balance sheet commitments

28-1 Reciprocal commitments

Reciprocal commitments in 2011 related to forward sales of currencies (US dollars) whose fair value totaled a negative 1,263,000 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 824 million euros at December 31, 2011 (excluding commitments related to receivables sales and the above-mentioned syndicated credit facility).

- When the Group's new syndicated credit facility was set up, Nexans undertook to guarantee the commitments given by Nexans Services to the banking pool concerned. This guarantee represented a maximum amount of 594 million euros at December 31, 2011.

- As part of the process to set up a new securitization plan for euro-denominated trade receivables in the second quarter of 2010, Nexans granted a joint and several guarantee to the arranging bank. This guarantee covers (i) the payment obligations of the two Nexans subsidiaries selling the receivables under the programs concerned and (ii) the consequences that could arise if any of the receivables sales under the programs were rendered invalid, notably in the event that insolvency proceedings were initiated against either of the two subsidiaries selling the receivables.

  At the year-end, this joint and several guarantee was valued at 34 million euros for the portion covering the subsidiaries' payment obligations and 250 million euros for the portion covering invalid receivables sales. It had a minimum residual term of more than 12 months at December 31, 2011 and an actual term that varies depending on the seller and type of obligation concerned.

28-3 Commitments received

Commitments received correspond to the Company's 540 million euro unused credit facility expiring on December 1, 2016.

28-4 Property lease commitments

N/A

Note 29. Fees paid to the Statutory Auditors

Fees paid by the Company to the Statutory Auditors in 2011 for their audit work break down as follows:

(in thousands of euros)	Audit of the corporate financial statements	Audit of the consolidated financial statements	Total
KPMG 1, cours Valmy 92923 Paris La Défense, France	19	185	204
PricewaterhouseCoopers Audit 63, rue de Villiers, 92208 Neuilly-sur-Seine, France	17	274	291
Total	**35**	**459**	**494**

Note 30. Subsequent events

N/A

Note 31. Other information

On July 5, 2011, Nexans and its subsidiary Nexans France SAS received a Statement of Objections[1] from the European Commission's Directorate General for Competition relating to anticompetitive behavior by Nexans France SAS in the sector of submarine and underground power cables as well as the related accessories and services.

As a result, a 200 million euro provision was recorded in the financial statements of Nexans France SAS at December 31, 2011. Being an estimate, the definitive financial consequences for the Group may differ.

The amount of the provision corresponds, at this stage of the proceedings, and by application of a principle of prudence, to Nexans' best estimate of the fine which could be imposed on it taking into account the fining policy of the Commission and the methodology and elements on which the Commission intends to base its fine, as well as certain challenges that Nexans and its subsidiary Nexans France SAS made in their response to the Statement of Objections which was submitted to the European Commission on October 26, 2011.

Nexans and certain of its subsidiaries are also under investigation by the Competition Authorities of Australia, South Korea (in addition to an investigation into the domestic market), the United States, Brazil, and Canada, in the same sector of activity. Nexans is unable to provide an analysis at this stage of these other proceedings and therefore did not make any provision in its accounts for any investigations other than those conducted by the European Commission. Investigations in Japan and New Zealand have been closed without any sanctions imposed on the Group.

In its press release of February 12, 2009 and in its subsequent communications, the Company had indicated that an unfavorable outcome of these procedures as well as the associated consequences could have a material adverse effect on the results and thus the financial situation of the Group.

(1) A Statement of Objections is a procedural document in competition investigations whereby the European Commission informs the parties concerned of its preliminary view in relation to a possible infringement of EU competition law. The recipient of a Statement of Objections may respond in writing, by presenting all elements and information in its favor which may limit the accusations made by the Commission. The recipient may also ask to be heard to present its arguments on the investigation. The sending of a Statement of Objections does not prejudge the European Commission's final decision in the proceedings.

Statutory auditors' report on the financial statements

For the year ended December 31, 2011

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 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 financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us by your Shareholders' Meetings, we hereby report to you, for the year ended December 31, 2011, on:

- the audit of the accompanying financial statements of Nexans;
- 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, 2011 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 Note 31 "Other information" to the financial statements, which describes the investigations initiated against the Company and its subsidiary, Nexans France SAS, in relation to anticompetitive behavior.

Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matter:

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 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 these 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 the 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

Neuilly-sur-Seine and Paris-La Défense, March 30, 2012

KPMG Audit
A division of KPMG S.A.

Valérie Besson
Partner

PricewaterhouseCoopers Audit

Éric Bulle
Partner

Additional information

Information about Nexans SA and the Group

Simplified organizational structure*

NEXANS

Nexans Participations (France)

Region	Country	Companies
Europe	France	Nexans Interface, Nexans Power Accessories France, Eurocable, Alsafil, Lixis, Linearis, Netlink, Confecta, Nexans Wires, Tréfileries Laminoirs Méditerranée (TLM), Société de Coulée Continue du Cuivre (SCCC)
	Germany	Nexans Deutschland, Nexans Logistik, Nexans Superconductors, Lacroix & Kress, Nexans Power Accessories Germany, Nexans Autoelectric, Mobil Electric, Leitungstechnic Ostbayern (LTO), Elektrokontakt, Elektrometall, Metrofunkabel, Confecta, Lackdraht Union Unterstutzüng
	Belgium	Nexans Benelux, Nexans Harnesses, Nexans Services, Nexans Network Solutions, Opticable
	Denmark	Nexans Denmark
	Spain	Nexans Iberia, Multinacional Trade
	Greece	Nexans Hellas
	Italy	Nexans Italia, Intercond, Intercond Services, Cabloswiss, Nexans Partecipazioni Italia, Pessano Cavi, Nexans Wires Italia
	Luxembourg	Nexans Re
	Norway	Nexans Norway
	Netherlands	Nexans Nederland BV
	Romania	Nexans Romania
	United Kingdom	Nexans UK, Nexans Logistics, Nexans Power Accessories UK
	Sweden	Nexans Sweden, Axjo Kabel
	Switzerland	Nexans Suisse, Confecta
Middle East, Russia, Africa	Angola	Nexans Angola
	Ghana	Nexans Kabelmetal
	Egypt	International Cables Company
	Kenya	Nexans Power Network Kenya Limited
	Kazakhstan	Nexans Kazakhstan
	Morocco	Nexans Maroc, Sirmel, Tourets et Emballages du Maroc
	Nigeria	Nexans Kabelmetal Nigeria, Northern Cable Processing and Manufacturing Company, Nexans Power Network Nigeria
	Qatar	Qatar International Cable Company
	Russia	Nexans Rus.
	Turkey	Nexans Turkiye Endustri Ve Ticaret
North America	Canada	Nexans Canada
	United States	Nexans USA, Nexans Energy USA, Nexans Inc., Autoelectric of America
South America	Brazil	Nexans Brazil
	Chile	Nexans Chile, Nexans Uno, Nexans Dos, Cotelsa, Colada Continua Chilena
	Colombia	Nexans Colombia
	Mexico	Elektrokontakt SRL de CV
Asia-Pacific	Australia	Nexans Australia Holding, Olex Australia Pty
	China	Nexans (China) Wires & Cables, Nexans (Nanning) Communications, Nexans (Shanghai) Electrical Materials, Nexans Hong Kong, Nexans Communications (Shanghai) Cables
	South Korea	Nexans Korea, Kukdong Electric Wire Co., Daeyoung Cable
	Indonesia	Nexans PT Indonesia
	Japan	Nippon High Voltage Cable Corporation
	New Zealand	Olex New Zealand
	Singapore	Nexans Singapore Pte
	Vietnam	Nexans Vietnam Power Cable

InverCable (Chile) — Indeco, Cobrecon

Nexans Indelqui (Argentina) — Optel

Nexans France (France) — Liban Cables, Liban Cables Contracting, Liban Cables Packing

* Simplified operational structure at December 31, 2011. Nexans' main direct and indirect subsidiaries are listed in **Note 33** to the 2011 consolidated financial statements on pages 203 to 204 of this Registration document.

Major shareholders

Estimated ownership structure at January 31, 2012

At January 31, 2012, the Company's share capital amounted to 28,723,580 euros, divided into 28,723,580 fully paid up shares, further to the creation of 500 shares on exercise of stock options during January 2012, and not yet formally notified by the Board of Directors.

Breakdown of share capital and voting rights at January 31, 2012

	Number of shares and voting rights held	% ownership and voting rights[1]
Madeco group[2]	5,704,059	19.86%
Fonds Stratégique d'Investissement	1,620,000	5.64%
Manning & Napier (USA)[3]	1,486,819	5.18%
Axa S.A.[4]	1,437,674	5.01%
Other institutional shareholders	14,270,758	49.67%
Employees	840,786	2.93%
Other private individuals	2,780,010	9.68%
Unidentified shareholders	583,474	2.03%
Total	**28,723,580**	**100%**

Sources: Euroclear France, shareholders in registered form, shareholder identification survey and threshold disclosures filed with the French financial markets authority (Autorité des marches financiers – AMF).

(1) For resolutions in Extraordinary Shareholders' Meetings that relate to major structural transactions (such as mergers and significant capital increases) no single shareholder may exercise voting rights representing more than 20% of the total voting rights of shareholders present or represented at the meeting concerned (see Article 21 of the Company's bylaws).

(2) The Company and the Madeco group entered into a shareholders' agreement on March 27, 2011, which can be viewed on Nexans' website at www.nexans.com. The main provisions of this agreement are summarized in Decision no. 211C0444 issued by the AMF.

(3) In a letter received on December 19, 2011, Manning & Napier Advisors, LLC – acting on behalf of its funds and clients – declared that as a result of purchasing Nexans shares on the market, on December 14, 2011 it had raised its interest in the Company to above the disclosure threshold of 5% of Nexans' capital and voting rights and that at that date it held 1,486,819 Nexans shares with the same number of voting rights, representing 5.18% of the capital and voting rights.

(4) In a letter received on February 2, 2012, AXA S.A. declared that as a result of purchasing Nexans shares on the market, on January 30, 2012 it had raised its interest in the Company to above the disclosure threshold of 5% of Nexans' capital and voting rights and that at that date it held 1,437,674 Nexans shares with the same number of voting rights, representing 5.01% of the capital and voting rights.

As the Company's ownership structure changes frequently, the 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 disclosure thresholds other than those mentioned above were crossed between the date of the 2011 Management Report (February 7, 2012) and the date this Registration document was published.

At January 31, 2012, the members of Nexans' Board of Directors owned 0.1% of the Company's capital, both directly and through the FCPE corporate mutual fund.

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.

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 January 31, 2012, Nexans' estimated ownership structure by geographic area was as follows:

Institutional investors – France	24.7%
Institutional investors – United States	24.3%
Institutional investors – UK and Ireland	6.9%
Institutional investors – Other European countries	9.4%
Institutional investors – Other countries (incl. South America)	20.1%
Private individuals	9.7%
Employees	2.9%
Unidentified shareholders	2%

Changes in Nexans' ownership structure over the last three years

	Estimated situation at December 31, 2009			Estimated situation at December 31, 2010			Estimated situation at December 31, 2011	
Shareholders	Number of shares	% ownership	% voting rights	Number of shares	% ownership	% voting rights	Number of shares	% ownership and % voting rights
Institutional investors	23,128,758	82.6	81.5	23,723,945	83.0	81.8	24,519,310	85.4
Employees	478,243	1.7	2.5	878,447	3.1	4.0	840,786	2.9
Members of the Board of Directors	52,891	0.2	0.2	79,198	0.3	0.3	24,621	0.1
Other private individuals	3,392,963	12.1	12.4	2,956,290	10.3	10.6	2,755,389	9.6
Treasury stock	-	-	-	-	-	-	-	-
Unidentified shareholders	960,073	3.4	3.4	966,511	3.3	3.3	582,974	2

See also Section 8 of the 2011 Management Report ("Information concerning the Company and its capital"), particularly relating to the share capital at December 31, 2011, securities carrying rights to shares in the Company, changes in Nexans' share capital over the last five years, disclosure thresholds crossed in 2011 and employee share ownership (pages 55 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 fields 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

Form of shares, evidence of ownership and disclosure thresholds (Article 7 of the bylaws)

Shares must be held in registered form until they are fully paid up.
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 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 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.

Shareholders' meetings (Article 20 of the bylaws)

Shareholders' meetings are convened and conduct business in accordance with the provisions set forth by law and the Company's bylaws. 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.

Postal votes and proxy documents may be signed electronically by shareholders or their legal or judiciary representative provided that the identification requirements set out in Article 1316-4, paragraph 2 of the French Civil Code are respected. 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.

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 they hold or represent. Voting rights are exercisable by the beneficial owner at all Ordinary, Extraordinary and Special Shareholders' Meetings.

Restrictions on voting rights (Article 21 of the bylaws)

Regardless of the number of shares held directly and/or indirectly, when voting on the following types of resolution at Extraordinary Shareholders' Meetings, either in person or by proxy, a shareholder may not exercise a number of voting rights representing more than 20% of the voting rights of all shareholders present or represented at the meeting concerned:

(i) Any resolutions relating to any form of reorganization transaction in which the Company is involved and which has an impact on the share capital and/or equity of any participating or resulting entity. Such reorganization transactions notably include partial asset transfers – including those governed by the legal regime applicable to demergers – as well as share-for-share exchanges, mergers, demergers, partial demergers, reverse mergers or any other similar transactions.

(ii) Any resolutions relating to a public tender offer, public exchange offer, alternative public offer or combined public offer, initiated by or with respect to the Company, including resolutions on how to defend against a takeover bid.

(iii) Any resolutions – other than those related to the transactions referred to in points (i) and (ii) above – that concern capital increases carried out through the issuance of either (a) ordinary shares representing over 10% of the Company's total outstanding ordinary shares at the date of the Extraordinary Shareholders' Meeting concerned and/or (b) securities carrying rights to shares in the Company within the meaning of Articles L.228-91 et seq. of the French Commercial Code, when exercise of such rights could result in a capital increase representing over 10% of the Company's total outstanding ordinary shares at the date of the relevant Extraordinary Shareholders' Meeting.

(iv) Any resolutions relating to a distribution in kind carried out equally for all shareholders.

(v) Any resolutions concerning voting rights, except for resolutions relating to (a) creating double voting rights, (b) lowering the limit on voting rights to below 20%, or (c) extending the list of resolutions subject to the 20% voting rights limit.

(vi) Any resolutions concerning delegating powers to the Board of Directors in connection with any of the transactions referred to in points (i) to (v) above.

For the purpose of applying this voting right limit, 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 above-described limit shall automatically become null and void if an individual or legal entity holds at least 66.66% of the total number of shares in the Company, following a public tender or exchange offer for all of Nexans' shares.

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

A summary is provided below of the contracts entered into – other than in the ordinary course of business – by the Company and/or any other member of the Group in the two years immediately preceding the publication of this Registration document which contain provisions under which any member of the Group has an obligation or entitlement that is material to the Group as a whole. No other such contracts were entered into during that period.

The main acquisitions, disposals, partnership and joint venture agreements and changes in the scope of consolidation in 2011 are set out in Section 1.2.11 ("Other significant events of the year") of the 2011 Management report on page 30 of this Registration document as well as in Note 2 ("Subsequent events of the year") to the 2011 consolidated financial statements on page 133 and 134 of this Registration document.

The Group's current bond debt as well as its new multicurrency revolving facility agreement entered into on December 1, 2011 are described in Note 24 ("Net debt") to the 2011 consolidated financial statements on page 168 and next pages of this Registration document. The receivables securitization programs set up in April 2010 are described in Note 26 ("Financial risks") to the 2011 consolidated financial statements on page 173 of this Registration document.

On February 10, 2012, Nexans USA Inc. signed an agreement to acquire the entire capital of AmerCable Holdings Inc. and its subsidiaries (the "AmerCable Group") based on an enterprise value of 275 million US dollars (approximately 211 million euros). The AmerCable Group is the leading North American producer of cables for the mining, oil and gas sectors as well as for other industrial applications including renewable energies. The acquisition was completed on February 29, 2012.

On February 29, 2012, Nexans completed a further bond issuance, which is described in "Additional information" ("Significant events since the adoption of the 2011 Management Report") of this Registration Document.

Agreements with Madeco (Nexans' principal shareholder)

On February 21, 2008, Nexans signed an agreement with 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 and resulted in the issuance of 2.5 million Nexans shares to Madeco. Under the acquisition agreement, Nexans undertook to recommend at the Annual Shareholders' Meeting that a representative 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, i.e. 1.25 million Nexans shares. Guillermo Luksic, Chairman of Madeco's Board of Directors, was appointed as a director of Nexans in 2008 for a term of office expiring at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2011.

On March 27, 2011, Nexans entered into a further agreement with Madeco aimed at giving Madeco a leading position in Nexans' share capital and strengthening its representation as the Group's principal shareholder. The agreement has a ten-year term commencing on the date on which Madeco's interest in Nexans reached 15% and expiring on August 26, 2021. At December 31, 2011, Madeco owned 19.86% of Nexans' share capital. Nexans has undertaken that throughout the term of the agreement it will recommend to shareholders the election of directors nominated by Madeco in order to ensure that Madeco has three seats on Nexans' Board of Directors. The full wording of the agreement can be viewed on Nexans' website at www.nexans.com, in the «Finance/Documentation» section.

Other material contracts

Joint venture with Viscas in Japan – 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.

Joint venture with Sumitomo in Belgium – 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 closed on January 30, 2009 when 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.

Investments

Nexans gross capital expenditure came to 148 million euros in 2011 and 129 million euros in 2010, and broke down as follows:

- By market: Energy Infrastructure accounted for 57% of total capital outlay. The amounts concerned were notably used for (i) increasing production capacity for submarine cables with the start-up of a new vertical production line in Norway, (ii) reducing costs by streamlining the manufacturing base in Europe and South America, and (iii) targeting our critical capacities.
  Capital expenditure incurred for the Industry segment represented 15% of the Group total, which included increasing production capacity for railway cables in China and reinforcing the automobile harness production with a new plant in China.
  The Building segment and the Telecom segment (which comprises Local Area Networks and Telecom Infrastructure) accounted for 13% and 6% of the Group's total capital spend respectively, used for the launch of a new extension tranche for optical fiber cables production capacity and for targeted investments for high-end LAN cables.
  Electrical Wires represented 4% of the Group's total capital spend and the remaining 5% was mainly dedicated to upgrading our IT systems.

- By geographic area: Europe represented a large proportion of the Group's total capital expenditure at high 64% in 2011, due to expenses incurred for submarine cable operations in Norway, the acquisition of a new building in France in order to accompany the growth in the Power Accessories business, transfers as a result of the streamlining measures carried out in the medium-voltage business in Italy, and a project to raise production capacity for optical fiber cables in Belgium.
  At the same time, significant capital expenditure projects were launched in the MERA region (Middle East, Russia and Africa), with this region accounting for 9% of the Group's total capital expenditure in 2011. In particular, the projects concerned corresponded to the first phase of the extension of the plant in Lebanon and an increase in production capacity for halogen-free cables in Russia.
  In the Asia-Pacific region – which also accounted for 9% of the Group's overall capital outlay – Nexans strengthened production capacity levels at its special rubber cables facility in China as well as at the low- and medium-voltage cable plants in Australia.
  In South America, accounting for 11% of the Group total capital expenditure, medium-voltage production capacities were doubled in Peru and Brazil. Furthermore, following the closure of the Lorena facility in 2010, production capacity was consolidated in Brazil to two sites instead of three.
  Capital expenditure remained stable in North America in 2011 with 4% of the Group total and was primarily used for special LAN cables. The remaining 3% of the overall capital outlay corresponded to general cross-business projects.

The Group's capital spending priorities for 2012 are to:

- extend its presence in China by entering into an agreement to take a majority stake in the power cable business of the Chinese Group Shandong Yanggu;
- expand the current production capacities in the Industry segment;
- build a new facility in the United States for high-voltage cable production;
- roll out the second phase of the project to extend the facility in Lebanon in order to meet the demand generated by the country's new electrification plan.

Property, plant and equipment

The Group's plants and facilities are located in 57 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 2011.

The environmental issues raised by the use of property, plant and equipment are addressed in Section 9.4.2 of the 2011 Management Report ("Environmental consequences of the Group's operations and measures taken to limit their impact") on page 81 and next pages of this Registration document.

Legal and arbitration proceedings

To the best of the Company's knowledge, other than the cases referred to in this Registration Document, there are no governmental, administrative, legal or arbitration proceedings (including any such proceedings that are pending or threatened) which may have, or have had in the past twelve months, a material impact on the financial position or profitability of the Company and/or the Group, taking into account provisions already recognized, insurance coverage in place and the possibility of recourse against third parties, as well as Management's assessment of the probability of a material impact occurring after factoring in these parameters. The cases referred to in this Registration Document are described in (i) section 1.2.6 (Provision relating to antitrust investigations), section 1.2.11 (Antitrust investigations) and section 6 (Risk factors) of the 2011 Management Report (see pages 29 et seq.), and (ii) Note 23 (Provisions) and Note 31 (Disputes and contingent liabilities) to the 2011 consolidated financial statements (see pages 166 et seq. and 198 et seq.).

Significant events since the year-end and approval of the 2011 Management Report

On February 10, 2012, Nexans USA Inc. signed an agreement to acquire the entire capital of AmerCable Holdings Inc. and its subsidiaries (the AmerCable Group) based on an enterprise value of 275 million US dollars (approximately 211 million euros).

The AmerCable Group is North America's leading producer of cables for the mining, oil and gas sectors as well as for other industrial applications including renewable energies. The acquisition was completed on February 29, 2012.

On February 29, 2012 Nexans carried out another successful issue of bonds convertible for new shares and/or exchangeable for existing shares (OCEANE bonds), representing an aggregate amount of 275 million euros. The bonds mature on January 1, 2019 and pay interest at a rate of 2.5% per year. The bond indenture includes a change of control clause. At the same time, the Company also bought back around 280 million euros worth of the OCEANE bonds issued on July 7, 2006 which are redeemable in 2013 and pay annual interest of 1.5%. By end-March 2012, over 70% of the outstanding bonds under this issue had been bought back, representing an amount of approximately 240 million euros.

To the best of the Company's knowledge no other significant changes in Nexans' financial or trading position occurred between February 7, 2012 – the date on which the 2011 parent company and consolidated financial statements were approved for publication – and the date of this Registration Document.

Related-party agreements

List of related-party agreements

1. Prior agreements remaining in force in 2011

1.1 Corporate officer involved: Georges Chodron de Courcel, Nexans Board member and Chief Operating Officer of BNP Paribas

- Syndicated loan agreement of December 28, 2004 and the amendments thereto – (as of December 1, 2011 this agreement is no longer in force)

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 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. The following fees were paid to BNP Paribas in 2011 under this agreement: (1) a commitment fee paid to the agent and returned to the lenders (including BNP Paribas), and (2) an agency fee paid up to December 5, 2011, the date on which the facility was cancelled.

Four amendments have been made to this agreement:

- A first amendment to the syndicated loan agreement, executed on October 17, 2005, modified in particular the cost and structure of the agreement, and extended the term of the loan agreement to five years from the date the amendment was executed, with the possibility of extending it to seven years. The fee paid for 2005 and shared among the lenders in proportion to their contributions was 215,000 euros.

- A second amendment to the syndicated loan agreement, executed on June 30, 2006, was required following the Group's transition to IFRS. This amendment changed in particular the method and basis used to calculate the financial ratio covenants and commitment fees.

- A third amendment to the syndicated loan agreement, executed on October 30, 2006, increased the amount available under the credit facility by 130 million euros. The fee paid for 2006 and shared among the lenders in proportion to their contributions was 405,000 euros.

- A fourth amendment to the syndicated loan agreement, executed on August 20, 2008, was to include Nexans Services – Nexan's newly created financing company – as a joint borrower.

- 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 to 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.

- 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, 2010 (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 to 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.

1.2 Corporate officer involved: Frédéric Vincent, Chairman and CEO

- Termination indemnity

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 total 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 indemnities payable to Frédéric Vincent in the event of loss of office (i.e., his termination indemnity 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 Nexans' welfare scheme (death, disability, incapacity and medical expenses) and the defined pension benefit plan set up by the Group for certain employees and corporate officers.

2. Agreements executed in 2011

Corporate officer involved: Guillermo Luksic, Nexans Board member and Chairman of the Board of Directors of Madeco

- Agreement of March 27, 2011 to strengthen Madeco's position as the Group's principal shareholder

The Board of Directors' Meeting of March 25, 2011 (on which date Madeco held less than 10% of Nexans' share capital) authorized the execution of an agreement with Madeco, its principal shareholder, which aims to give Madeco a leading position in Nexans' share capital by increasing its ownership interest from 9% to 20%.

As the agreement corresponds to a related-party agreement due to the presence of a joint director, Guillermo Luksic, it was authorized in advance by Nexans' Board of Directors and was submitted for approval at the 2011 Annual Shareholders' Meeting. This agreement, executed on March 27, 2011, has a ten-year term, effective from the date on which Madeco's interest in Nexans reached 15%, i.e., from August 26, 2011. The full text of the agreement is available on Nexans' website at www.nexans.com under Finance/Documentation.

This agreement was accompanied by the appointment of a second representative, Francisco Pérez, as proposed by Madeco at the Annual Shareholders' Meeting of May 31, 2011.

In accordance with its commitments under this agreement and given that Madeco's ownership interest in Nexans passed the 15% threshold, a Shareholders' Meeting was held on November 10, 2011 to (i) approve the appointment of a third representative, Hubert Porte, as proposed by Madeco, (ii) amend the Company's bylaws through the removal of double voting rights, and (iii) limit a shareholder's total voting rights in a Shareholders' Meeting to 8% or 16%. This was replaced by a 20% limit on a shareholder's total voting rights in an Extraordinary Shareholders' Meeting concerning restructuring transactions in order to prevent a shareholder's right to veto.

Statutory auditors' special report on related-party agreements and commitments

(Shareholders' Meeting for the approval of the financial statements for the year ended December 31, 2011)

This is a free translation into English of the Statutory Auditors' special report on related party agreements and commitments 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, we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R.225-31 of the French Commercial Code *(Code de commerce)*, it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable it is also our responsibility to provide shareholders with the information required by article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements and commitments to be submitted for the approval of the shareholders' meeting

Agreements and commitments authorized during the year

We were not informed of any agreement or commitment entered into during the year to be submitted for approval at the Shareholders' Meeting in accordance with article L.225-38 of the French Commercial Code.

Agreements and commitments authorized since the end of 2011

We were informed of the following agreements and commitments, authorized since the end of 2011, which were previously authorized by the Board of Directors at its meeting of February 7, 2012, and which the shareholders are requested to approve in accordance with the provision of paragraph 4 of article L.225-42-1 of the French Commercial Code as a result of the renewal of the term of office of Frédéric Vincent, the Chairman and CEO of Nexans.

The approval of these agreements is subject to the renewal of his term of office as director by the Shareholders' Meeting, on the one hand, and the renewal of his term of office as Chairman and CEO by the Board of Directors, on the other hand.

Agreements entered into with Frédéric Vincent in connection with the renewal of his term of office as Chairman and CEO

- Termination indemnity payable to Frédéric Vincent – Performance conditions

Nature and purpose

On February 7, 2012, the Board of Directors authorized the allocation of a termination indemnity to Frédéric Vincent in the event that he is removed from his position as Chairman and CEO, subject to the conditions set out below.

Terms and conditions

The termination indemnity payable to the Chairman and CEO 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. The payment of this indemnity will be subject to two performance conditions, as follows:

1) a stock market performance condition, based on Nexans' share performance over a three-year period (the last date on which the share price is observed corresponding to the date of the removal decision) compared with the share performance of a benchmark panel of companies over the same period;

2) a financial performance condition, corresponding to the change in the Nexans Group's operating margin on sales measured (at actual metal prices) over a three-year period (three full years preceding the year of the termination) compared with the change in the operating margin on sales over the same period for the benchmark panel of companies.

The benchmark panel of companies is composed of: Leoni, Prysmian (Draka), Legrand, General Cable, Rexel, ABB, Schneider Electric, Saint Gobain and Alstom.

The payment of one half of the termination indemnity will be based on the stock market performance condition, and the other half will be based on the financial performance condition.

For each condition, the Nexans Group's share performance is compared with that of the benchmark panel on the basis of performance levels. The percentage of the termination indemnity paid decreases in line with the level of performance achieved, as follows:

Level	Level of performance and percentage of the termination benefit to be allocated on the basis of each performance condition (stock market and financial)
Nexans' share performance above the median	100%
Nexans' share performance above the fourth decile	80%
Nexans' share performance above the third decile	50%
Nexans' share performance equal to or below the third decile	0%

The degree to which these conditions are met will be recorded by the Appointments and Compensation Committee.

The termination indemnity will be payable only (i) in the event of a forced departure resulting from a change of strategy or control (which will be deemed to be the case, in compliance with the Board's Internal Regulations, unless specifically decided otherwise by the Board of Directors) and (ii) after the Board of Directors' official recording of the achievement of the abovementioned performance conditions at the time of or subsequent to the termination of the term of office of Chairman and CEO 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 February 7, 2012, 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 directly or indirectly with that of the Company for a period of two years following the expiration of his term of office as Chairman and CEO (as renewed at the first Board of Directors' meeting following this Shareholders' Meeting) regardless of the cause of termination of his duties.

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.

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code and the Internal Regulations of the Board of Directors of Nexans, termination payments – i.e., termination and non-compete indemnities – may not exceed two years' compensation (fixed plus variable).

- The Group's welfare scheme and defined benefit pension plan

Nature and purpose

On February 7, 2012, the Board of Directors confirmed the registration of Frédéric Vincent, within the framework of the renewal of his term of office as Chairman and CEO, with Nexans' defined benefit pension plan for certain employees and corporate officers as well as the welfare scheme (death, disability, incapacity and medical expenses) open to Nexans'employees.

The regulations for this defined benefit pension plan were adopted by the Board of Directors in 2004 (and amended on October 1, and November 25, 2008), and make the plan's benefits conditional upon the beneficiary ending his professional career while employed at the Company. The lifetime pension amount, with survivor benefits, is based on the beneficiary's average annual compensation for the last three years. This pension supplements the mandatory and supplementary basic pension plans and is limited to 30% of the beneficiary's fixed and variable compensation. Plan benefits for new corporate officers are conditional upon five years' seniority 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 used for calculating plan benefits.

Agreements and commitments already approved by the shareholders' meeting

Agreements and commitments approved by the Shareholders' Meeting in previous years and remaining in force during the year

In accordance with article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments, approved by the Shareholders' Meeting in previous years, remained in force during the year.

Agreements entered into with BNP Paribas, Georges Chodron de Courcel serving as a Nexans' Board member and Chief Operating Officer of BNP Paribas

- 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.

This agreement is no longer in force as of December 1, 2011.

Terms and conditions

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 and an annual commitment fee shared among the lenders. In 2011, these fees amounted to 12,500 euros and 449,258 euros respectively, which were paid by Nexans Services – Nexans' financing company. Nexans Services rebilled the Company 230,879 euros relating to these fees for 2011.

- First amendment to the medium-term syndicated loan agreement of December 28, 2004

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 signed 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 signed 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. No amendment fee was paid in respect of 2011 by Nexans.

- Second amendment to the medium-term syndicated loan agreement of December 28, 2004

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 financial ratio 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 signed on June 30, 2006.

- Third amendment to the medium-term syndicated loan agreement of December 28, 2004

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 signed 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. No amendment fee was paid in respect of 2011 by Nexans.

- Fourth amendment to the medium-term syndicated loan agreement of December 28, 2004

Nature and purpose

On July 23, 2008, Nexans' Board of Directors approved an amendment to the medium-term syndicated loan agreement signed on December 28, 2004. Its purpose is to include Nexans Services – Nexans' financing company – as a joint borrower for the purposes of the syndicated loan agreement.

Terms and conditions

The amendment was signed 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. No amendment fee was paid in respect of 2011 by Nexans.

- 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 the agreement signed 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 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. No fee was paid in respect of 2011 by Nexans.

- Global underwriting agreement for ordinary bonds maturing in 2017

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 signed 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 return 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 2011 by Nexans.

Agreements entered into with Frédéric Vincent as 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 to register with Nexans' welfare scheme (death, disability, incapacity and medical expenses) open to Nexans' employees and the defined benefit pension plan set up by the Group for certain employees and corporate officers.

• Termination indemnity payable to Frédéric Vincent – subject to performance conditions

Nature and purpose

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 CEO, subject to the performance conditions set out below.

Terms and conditions

The termination indemnity payable to the Chairman and CEO 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.
The payment of this indemnity 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 indemnity is paid in full.
- If the performance index ranges between 30% and 100%, the termination indemnity is paid in the same percentage (for example, if the performance index is equal to 70%, the termination indemnity paid is equal to 70% of its maximum amount).
- No termination indemnity is payable if the performance index is below 30%.

The rates for calendar years 2009, 2010 and 2011 were as follows:

Year	Rate of achievement of quantitative Group objectives used to calculate Frédéric Vincent's variable compensation
2009	53.36
2010	89.20
2011	113.30

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 abovementioned performance conditions at the time of or subsequent to the termination of the term of office of Chairman and CEO or change in function, in accordance with article L.225-42-1 of the French Commercial Code. In accordance with the Internal Regulations of the Board of Directors of Nexans, termination payments – i.e., termination and non-compete indemnities – may not exceed two years compensation (fixed plus variable).

• 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 CEO. 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. In accordance with the Internal Regulations of the Board of Directors of Nexans, termination payments – i.e., termination and non-compete indemnities – may not exceed two years compensation (fixed plus variable).

Agreements and commitments approved during the year

We were also informed of the implementation during the year of the following agreements and commitments that were already approved by the Shareholders' Meeting of May 31, 2011, which were in the Statutory Auditors' special report of April 1, 2011.

Agreement entered into with Madeco, Guillermo Luksic serving as a Nexans Board member and Chairman of the Board of Directors of Madeco

- Agreement of March 27, 2011 to strengthen Madeco's position as the Group's principal shareholder

Nature and purpose

The Board of Directors' meeting of March 25, 2011 (on which date Madeco held less than 10% of Nexans' share capital) authorized the execution of an agreement with Nexans' principal shareholder, the Chilean company Madeco, which aims to give Madeco a leading position in Nexans' share capital by increasing its ownership interest from 9% to 20%.

Terms and conditions

This agreement, executed on March 27, 2011, has a ten-year term, effective from the date on which Madeco's interest in Nexans reached 15%, i.e., from August 26, 2011.

This agreement was accompanied by the appointment of a second representative, Francisco Pérez, as proposed by Madeco at the Annual Shareholders' Meeting of May 31, 2011.

In accordance with its commitments under this agreement and given that Madeco's ownership interest in Nexans passed the 15% threshold, a Shareholders' Meeting was held on November 10, 2011 to (i) approve the appointment of a third representative, Hubert Porte, as proposed by Madeco, (ii) amend the Company's bylaws through the removal of double voting rights, and (iii) limit a shareholder's total voting rights in a Shareholders' Meeting to 8% or 16%. This was replaced by a 20% limit on a shareholder's total voting rights in an Extraordinary Shareholders' Meeting concerning restructuring transactions in order to prevent a shareholder's right to veto.

The Statutory Auditors

Paris-La Défense and Neuilly-sur-Seine, March 30, 2012

KPMG Audit
A division of KPMG S.A.

Valérie Besson
Partner

PricewaterhouseCoopers Audit

Éric Bulle
Partner

2012 Annual Shareholders' Meeting

The notice for Nexans' Annual Shareholders' Meeting to be held on May 15, 2012 – containing the agenda, information on how to participate in the meeting, the draft resolutions and the Board of Directors' report on the resolutions – is available on Nexans' website (www.nexans.com), under Finance and then Shareholders' Corner – Shareholders' Meetings – 2012 Annual Shareholders' Meeting.

Governance – Renewal of the term of office of the Chairman and CEO

At the 2012 Annual Shareholders' Meeting, shareholders will be asked to re-elect Frédéric Vincent as a director for the purpose of renewing his term of office as Chairman and CEO.

In accordance with the option available under French law, at the time of its formation the Company elected to put in place a corporate governance structure that combines the positions of Chairman of the Board of Directors and Chief Executive Officer. This governance structure is well suited to the Company's operational and organizational framework and has proved effective for the Group as a whole. It 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.

As the Group has performed well against a difficult economic backdrop during the three years of Frédéric Vincent's term of office as Chairman and CEO, and in light of the findings of an analysis carried out in late 2011 by an independent consulting firm, the Board is of the opinion that it is in the best interests of the Company to maintain its existing corporate governance structure.

1. Analysis of Nexans' corporate governance

The Company uses the AFEP-MEDEF Corporate Governance Code as its benchmark for corporate governance issues and applies all of the Code's recommendations, which are included in the Board of Directors' Internal Regulations. These Regulations also provide that the Board's prior approval must be obtained for certain major transactions and decisions, notably acquisitions and industrial projects that represent over 50 million euros. The full version of the Board of Directors' Internal Regulations can be viewed on the Company's website (www.nexans.com), under Finance – Corporate governance.

When Frédéric Vincent was appointed as Chairman and CEO in 2009 he terminated his employment contract, which had previously been suspended. The termination benefit proposed in connection with the renewal of his term as Chairman and CEO complies with the recommendations of the AFEP-MEDEF Code and is subject to strict performance conditions.

Concerning the balance of powers within the Board of Directors, the combined governance structure adopted by the Group respects corporate governance best practices in view of (i) the fact that the majority of the Board's members are independent directors, and (ii) the proposal put forward in the twenty-sixth resolution of the 2012 Annual Shareholders' Meeting to amend the Company's bylaws in order to enable the Chairmen of the Board Committees to request Board meetings to be called.

Moreover, the fact that the Board includes representatives from Madeco – which holds almost 20% of the Company's capital – constitutes an additional counter-balance to the powers of the Chairman and CEO and helps the Board to comply with corporate governance best practices. Madeco's strategy is to invest in Nexans in the long term and it is subject to both standstill and lock-up commitments in relation to its interest in the Company. In addition, when voting on any resolutions in an Extraordinary Shareholders' Meeting that concern major structural transactions (such as mergers or significant capital increases) Madeco's voting rights may not exceed 20% of all of the voting rights exercised for the resolution concerned. Consequently, Madeco's interests are aligned with those of the Company's other shareholders. Moreover, having three Madeco representatives on the Board means that they can give input that is independent from the views and opinions of the Chairman and CEO, which is a favorable factor for the long-term interests of the Company and its shareholders.

The Board's good corporate governance performance was confirmed in 2011 following an analysis of the duties of Board members performed towards the end of the year by the consulting firm Spencer Stuart. The analysis was based on individual meetings with directors as well as an independent comparative study of the governance of listed companies (which is available on the Company's website: www.nexans.com).

2. Related-party commitments concerning Frédéric Vincent

In connection with the renewal of Frédéric Vincent's term of office, shareholders will be asked to approve the related-party commitments concerning Frédéric Vincent that were authorized by the Board of Directors on February 7, 2012. These commitments – which comply with the AFEP-MEDEF Corporate Governance Code and the Board's Internal Regulations – are the same as those already in force apart from the stricter performance conditions applicable for the termination benefit that is being submitted for shareholder approval in connection with the renewal of Frédéric Vincent's term of office.

In order to provide shareholders with complete and transparent information, all of the related-party commitments given to Frédéric Vincent are being submitted for approval, including commitments relating to his continued membership of the supplementary pension plan and welfare scheme set up by the Group, which are unchanged.

The components of the Chairman and CEO's compensation under his renewed term of office are set out below.

Components of the Chairman and CEO's compensation under his renewed term of office:

On February 7, 2012 the Board of Directors decided to keep the Chairman and CEO's compensation for 2012 unchanged from 2011, i.e.,

- Fixed annual compensation: 800,000 euros.
- Variable compensation: An amount ranging between 0% and 150% of his basic compensation based on the achievement of pre-defined objectives. Quantitative objectives will account for 65% of his variable compensation and the balance will be based on precise, pre-defined qualitative objectives.
- Directors' fees: See the Group's policy described in section 7.3 of the 2011 Management Report.
- Benefits in kind: Unchanged (use of a company vehicle).
- Performance shares: See the Group's policy described in section 7.5 of the 2011 Management Report. At its February 7, 2012 meeting the Board of Directors also decided that if a performance share plan is set up in 2012, any shares granted to the Chairman and CEO must represent less than 0.06% of the Company's capital and less than 15% of the total number of performance shares granted under the plan.

3. Amendment to the Company's bylaws concerning powers to call Board meetings

The terms and conditions relating to the proposed renewal of Frédéric Vincent's term of office as Chairman and CEO form part of the Board of Directors' overall aim to consolidate the Group's corporate governance best practices. In line with this, at the 2012 Annual Shareholders' Meeting the Board will seek an authorization to amend the Company's bylaws in order to enable the Chairmen of the Board Committees to request that a Board meeting be called to discuss an agenda that they will draw up.

In addition, on March 20, 2012 the Board of Directors amended its Internal Regulations by extending the role and responsibilities of the Appointments and Compensation Committee to include corporate governance issues. The conduct expected of the Company's directors is also formally set out in a Directors' Charter which is appended to the Board's Internal Regulations and can be viewed on the Company's website (www.nexans.com), under Finance – Corporate governance.

Financial authorizations – Performance share plan

For the purpose of implementing the long-term compensation policy for Group managers adopted in 2011 and confirmed in early 2012, the Board of Directors will invite shareholders to approve two resolutions authorizing it to grant free shares and performance shares to Group managers. The conditions applicable under these resolutions are the same as those approved by shareholders in 2011 apart from the fact that the benchmark panel used to assess the achievement of the performance conditions has been extended. The full terms and conditions of the share grant and performance share plans that may be set up based on these authorizations are described in detail in the Board of Directors' report on the resolutions.

The proposed authorizations would only be used for the purpose of these plans and would be granted for a period of 18 months expiring on November 15, 2013.

In addition, with a view to harmonizing the long-term compensation plans in place within the Group, shareholders will also be invited to align the performance conditions applicable under the performance share plan set up on November 15, 2011 with those proposed for any new performance share plan.

Re-election of directors – Appointment of a representative of employee shareholders to the Board – Renewal of the terms of office of a Statutory Auditor and a Substitute Auditor

In addition to the resolutions concerning the approval of (i) the parent company and consolidated financial statements for the year ended December 31, 2011 and (ii) a dividend payment of 1.10 euro per share, shareholders will be invited to re-elect as directors Colette Lewiner (independent director) and Guillermo Luksic (candidate proposed by Madeco), and to renew the terms of office of a Statutory Auditor and a Substitute Auditor.

At the same time, in view of the success of the last international employee share ownership plan put in place by the Group, the Board of Directors would like to formally recognize its employees' commitment to and confidence in the Group by involving them in the work carried out by the Board. Consequently the Board will propose the election of a director representing employee shareholders. If this proposal is accepted the Company's bylaws will need to be amended accordingly.

Summary of financial authorizations submitted to the 2012 Annual Shareholders' Meeting

<table>
<thead>
<tr><th>Resolutions 14 to 22 and 24 of the 2012 Annual Shareholders' Meeting</th><th>Limits per resolution(1)</th><th>Sub-limits applicable to several resolutions</th><th>Blanket ceiling (excluding R19)</th></tr>
</thead>
<tbody>
<tr><td>Issue of common shares with preferential subscription rights (R14) with an over-allotment option (R17)</td><td>€14,000,000
(< 50% of the share capital)</td><td>-</td><td rowspan="7">€14,000,000
(< 50% of the share capital)</td></tr>
<tr><td>Issue of debt securities with rights to acquire shares (OC, ORA, OBSA, OCEANE, etc.) without preferential subscription rights and through a public offering (R15) or a private placement (R16) with an over-allotment option (R17)</td><td>Shares =
€4,000,000
(< 15% of the share capital)

Debt securities =
€300,000,000</td><td rowspan="2">€4,000,000
(< 15% of the share capital)</td></tr>
<tr><td>Rights issues to be carried out for a specific category of beneficiaries in connection with an employee stock ownership plan (R21)</td><td>100,000</td></tr>
<tr><td>Issue of shares or securities with rights to acquire shares, as consideration for securities in another company (R18)</td><td>5% of the share capital</td><td>-</td></tr>
<tr><td>Employee rights issue (R20)</td><td>€400,000</td><td>-</td></tr>
<tr><td>Allocation of performance shares (R22)</td><td>€160,000</td><td>-</td></tr>
<tr><td>Allocation of free shares (R24)</td><td>€15,000</td><td>-</td></tr>
<tr><td>Issue of shares to be paid up by capitalizing premiums, reserves, profit or other eligible items (R19)</td><td>€10,000,000</td><td>-</td><td>-</td></tr>
</tbody>
</table>

The abbreviation "R…" stands for the number of the resolution submitted for approval at the Annual Shareholders' Meeting of May 15, 2012.
The maximum nominal amount of the capital increases that may be carried out corresponds to the maximum number of shares that may be issued to the extent that the par value of a Company shares is equal to one euro.

Statutory Auditors

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 Éric Bulle
Appointed on May 15, 2006
Term expires at the 2012 Annual Shareholders' Meeting

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

Fees paid by Nexans to the Statutory Auditors

	KPMG International				PricewaterhouseCoopers Audit			
	Amount (excl. Taxes)		%		Amount (excl. Taxes)		%	
(in thousands of euros)	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Audit services								
Statutory and contractual audits								
Parent company	204	199	10%	12%	291	286	10%	10%
Fully consolidated companies	1,286	1,274	66%	76%	2,086	1,880	68%	64%
Other audit-related services								
Parent company	330	120	17%	7%	159	173	5%	6%
Fully consolidated companies	29	49	1%	3%	210	314	7%	11%
Sub-total	1,849	1,641	95%	98%	2,746	2,653	90%	91%
Other services rendered by the network to subsidiaries								
Tax, legal and labor-related services	106	27	5%	2%	193	229	6%	8%
Other	1	5	0%	0%	119	19	4%	1%
Sub-total	107	32	5%	2%	312	248	10%	9%
Total	**1,956**	**1,674**	**100%**	**100%**	**3,057**	**2,901**	**100%**	**100%**

Statement by the person responsible for updating

Statement by the person responsible for the registration document containing an annual financial report

Paris, April 4, 2012

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 22 to 83 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 letter 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 pages 227 and 228 of the Registration document filed with the AMF on April 8, 2010 under number D.10-0232 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 the Registration document filed with the AMF on April 8, 2010 under number D.10-0232 relating to the consolidated financial statements for 2009 contains an observation.

The Statutory Auditors' report presented on pages 234 and 235 of the Registration document filed with the AMF on April 19, 2011 under number D.11-0329 relating to the parent company financial statements for 2010 contains the following observation: *"Without qualifying our opinion, we draw your attention to the matter set out in* Note 31 *"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 207 and 208 of the Registration document filed with the AMF on April 19, 2011 under number D.11-0329 relating to the consolidated financial statements for 2010 contains an observation.

The Statutory Auditors' report presented on pages 205 and 206 of this Registration document relating to the consolidated financial statements for 2011 contains the following observation: *"Without qualifying our opinion, we draw your attention to* Note 2.d *"Antitrust investigations" and* Note 31 *"Disputes and contingent liabilities" to the consolidated financial statements, which describe the antitrust investigations initiated against the Group."*

The Statutory Auditors' report presented on pages 232 and 233 of this Registration document relating to the parent company financial statements for 2011 contains the following observation: *"Without qualifying our opinion, we draw your attention to* Note 31 *"Disputes and contingent liabilities" to the parent company financial statements, which describe the antitrust investigations initiated against the Group and its subsiadiary Nexans France SAS."*

Frédéric Vincent
Chairman and CEO

Concordance table for the registration document

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 and the Statutory Auditors' reports for the year ended December 31, 2010, and the information contained in the Management Report, presented on pages 106 et seq. and 22 et seq., respectively, of the 2010 Registration document filed with the French financial markets authority (Autorité des marchés financiers – AMF) on April 19, 2011 under no. D.11-0329.
- The Group's consolidated financial statements and the Statutory Auditors' reports for the year ended December 31, 2009, and the information contained in the Management Report, presented on pages 104 et seq. and 18 et seq., respectively, of the 2009 Registration document filed with the AMF on April 8, 2010 under no. D.10-0232.

The sections of the 2010 and 2009 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.

Concordance table for the annual financial report

	Pages
Financial statements of Nexans	208
Consolidated financial statements of the Nexans Group	110
Management Report	22-83
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Statutory Auditors' report on the parent company financial statements	232-233
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Report of the Chairman of the Board of Directors on corporate governance and internal control (as required by paragraph 6 of Article L.225-37 of the French Commercial Code)	86-107
Statutory Auditors' report on the report prepared by the Chairman of the Board of Directors	108

For further information

Nexans' corporate and financial publications may be accessed directly at www.nexans.com or may be requested from:

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Shareholders' agenda

- April 25, 2012 — First-quarter 2012 financial information
- May 15, 2012 — Annual Shareholders' Meeting
- May 23, 2012 — Payment of dividend
- July 25, 2012 — 2012 half-year results

Individual shareholders' information meetings[1]

- June 6, 2012 — Tours
- October 9, 2012 — Annecy

(1) These dates are subject to change.

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Credits

Published by: Nexans – Communications Department – April 2012

Designed and produced by:
TERRE DE SIENNE Paris | www.terredesienne.com

Editorial and drafting consultant: Information & Conseil

Photographs and computer graphics: Nexans, S. Dolidon, Getty Images, M. Labelle, S. Lavoué, V. Rackelboom, Shutterstock, DR.

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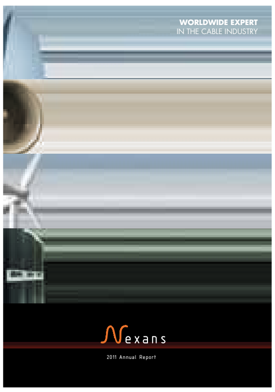

2011 Annual Report

2011 Registration Document

Nexans has worldwide expertise in the cable industry, with 24,500 employees in 40 countries. The Group provides cabling solutions for the Infrastructure, Industry, Building and Local Area Network (LAN) markets. Energy and Transportation are at the core of Nexans' development. Customer orientation, operational excellence, innovation, responsibility and commitment characterize the mindset of Nexans' teams as they use their expertise to provide customers with solutions and services that are superior in terms of performance, safety, energy efficiency and respect for the environment. In 2011, despite a highly challenging backdrop, Nexans achieved solid operating results and continued to invest for future growth. In 2012, the Group will pursue all initiatives decided upon in 2011.

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