Mr. C. Baker Cunningham
President and CEO, Belden CDT (USA)

North American Cable Markets - 2005
After a strong recovery year in 2004, we are seeing less robust growth in 2005. In dollar terms, revenues are increasing, but most of that is from price increases related to higher raw material costs being passed through to our customers. The real unit volume increases are much more modest. Fortunately, the US economy continues to grow at a rate of about 3 1/2 percent, but the future is a little more uncertain because of higher energy costs and rising interest rates.

In 2004, there were some important consolidation moves in the industry:
1. Belden and CDT merged
2. CommScope became a leading producer of data cables when they bought Avaya's Connectivity Systems business.
3. Superior Essex's purchase of Belden's North American Communication business reduced the number of copper telecom suppliers in the US from 3 to 2.

So far, 2005 has been a year of implementing cost reduction opportunities arising from these transactions. A number of manufacturing plants have been closed or announced for closure, which will help align manufacturing capacity with demand, but the market remains very competitive.
Copper telecom cable demand remains depressed, and the lower level of demand is most likely permanent. In fact, many of us think it will continue to decline in the future as fiber replaces copper as the medium of choice.
Power cable has been a bright spot in the North American market so far in 2005. Several surprise blackouts in recent years have spurred the utilities to increase spending. Another factor helping demand is that the utility customers have strengthened their balance sheets, which provides a more stable environment for planning year to year investments in the grids. Also, we have had a very active hurricane season in the US and there is a need to repair and in some cases rebuild in the affected Gulf Coast region. Finally, even with increased demand, available capacity has remained fairly stable, which has helped to improve margins.
Building wire has also shown some strength from a good housing market and repair needs for hurricane damage in the Gulf Coast region. High copper prices have probably caused some people to "buy ahead" to avoid even higher prices later and this has also helped to improve margin opportunities.

Volume in industrial and specialty markets continues to be fairy level and quite a bit better than last year. As we heard yesterday, the data cable market continues to be characterized by a shift to higher bandwidths, but is extremely competitive. Across all market segments, record high copper prices are a major issue, but I believe most of this has been passed along to customer in the form of higher prices for wire and cable. Higher resin prices are also of great concern, as these are less well understood by our customers, and are less likely to have contractual pass through provision than copper. Likewise the higher energy costs, transportation costs, and packaging costs are putting pressure on profit margins. I think there is some concern among manufacturers that the customer will begin to resist new price increases if raw material costs continue to escalate. On balance, 2005 should be a better year than 2004, but with more price growth and less volume growth.

Mr. Larry Aiello
President and CEO, Corning Cable Systems LLC. (USA)

In 2005, the North American optical fiber cable market has seen a healthy increase in unit demand over last year of around 35-40%. Although last year unit growth was healthy as well, the rise was attributed to a small subset of customers upgrading their networks. This year, in addition to the same subset of customers buying, there was also a general increase across a wider customer base. All of these factors together indicate that demand has stabilized and has returned to year over year growth.

The RBOCs continue to drive the majority of spending. Where last year Verizon was the most significant market driver, now the industry is seeing demand from the other RBOCs. Specifically, SBC and Bell South are returning to more normal levels as they upgrade their networks to enable the Triple Play. This we believe was a direct result of RBOC favorable regulatory moves by the FCC. The CATV market has continued to be relatively flat to down with buying driven mainly from maintenance spending as new build activity has become very limited and localized. This trend should continue unless and until a new upgrade cycle across the CATV industry begins. Timing for this upgrade will depend on how intense competition between the RBOCs and MSOs becomes, as they both roll out their Triple Play offerings.
FTTx activity in its various forms is the driver of the majority of deployment activities and as a result has also become the key growth strategy driver among many industry competitors. Spending on the metro segment appears to be increasing as service providers expand regional capacity in anticipation of access market growth. We do not anticipate any large-scale long-haul deployments. There is still a significant amount of dark fiber available in the network and that should meet the majority of demand for the short term for cross country routes.

Increases in raw material prices have put pressure on profitability across the industry. Many cablers have announced price increases for both optical and copper products. Raw material pricing pressures continue to be driven in large part by energy price increases. Although the industry is working through its overcapacity problems, it is not anticipated that utilization rates across the industry will reach a healthy balance before 2007. Because of the relative concentration of customers who are buying at significant levels, capacity utilization is not very uniform across the market. Although the industry has seen significant consolidation activities, this has not resulted in meaningful reductions in capacity. Consolidation activities will continue in 2006 and the coming years, but there is little expectation that this will result in real capacity reduction in optical fiber cable. With the combination of rising raw material costs and still significant overcapacity in the industry, pressure on margins will continue to be heavy. The direct result of this can be seen with revenue growth in the industry estimated at flat to 5% in contrast with the much higher unit growth percentage. However, despite the pressure on margins, much of the industry has been able to return to some level of profitability.
We expect demand to continue for next year at similar volumes on a unit basis. We assume Verizon will continue its rollout of its FiOS platform which should continue to fuel much of the demand. Bell South and SBC seem to be responding positively to a more favorable regulatory environment, but it is still unclear how aggressive their FTTx deployments will be. Additionally, Hurricane Katrina is

expected to impact Bell South and other service providers with some incremental spending as they rebuild damaged infrastructure in the Gulf of Mexico region. The combination of stable growth in the North American optical fiber market, lingering overcapacity and rising FTTx driven competition will insure that the market will remain extremely competitive for the foreseeable future.

Mr. Yu-Lon Chiao
Chairman, Walsin Lihwa Corp. (Taiwan)

I will cover the China market. Yesterday we talked quite a bit about China. I think we have enough information to raise some more questions. The China market is all about prosperity and overcapacity. Three years ago, I made a comment during the Beijing congress, that business in the Chinese market is good. Conditions have not changed in the three years since then. This prosperity of business was generated by the massive urbanization and industrialization in China. This led to big fixed asset investment, to combat power shortages by investment in power cables. Power cable growth over the last 15 years has been at 17% CAGR. Yesterday we mentioned that the demand for copper has grown at about 13% CAGR, which is consistent with demand for power cables. The price has deteriorated at the same rate as the growth rate in China. This is partially due to overcapacity. Also there is an important factor: Substandard products. Even a small amount of substandard products can lead to price deterioration. Therefore now it is very difficult for most global players like us to maintain a good profit margin in the China market. In addition to the prosperity of the China market, there has been an equally large growth in capacity. We are now talking about 2000 medium to high voltage players in the market. Currently, China has 270 tubes, 23 VCVs, others are CCVs. This year may bring another 30 tubes, making about 300 tubes. The number is probably as big or larger than that for the rest of the world combined. So there is a huge capacity in these CV cables.

Looking at the copper rod sector: China's cable demand is about 2.6 million tons of copper. Currently, there are about 1.5 million tons of copper rod manufactured with imported advanced continuous cast machines. Next year, the market will increase by another 0.5 million tons. Looking at the local so called continuous process capacity, we are looking at about 6 million tons. So 2 million plus 6 million are 8 million tons. The total copper cable demand is about 2.6 million and growing at a rate of about 15% per year. This amounts to an enormous overcapacity in copper rods. This hurts not only the copper rod business. Much of this is only low grade from copper scrap which will go into low grade, substandard building wires. This means that leading companies must find ways to distance themselves from such second tier players. In view of this fast rate of investment, China has been trying to cool down the economy by slowing the rate of fixed asset investment. But so far, we don't see much result. It is still growing at about 40% per year, which is a very fast pace. Much of this goes into housing. If you look beyond fiscal policy, you won't see any sign of government efforts to use monetary policy to cool down the economy. The bank saving rate is less than 2 %. The interest rate for borrowing from banks lies at about 5%. The inflation rate is about 5%. The economy is growing at 10%. China has not raised interest rates significantly. What China has done during the last 1½ years is to try to restrain certain industries (housing, steel) from borrowing money. By controlling lending to those sectors rather than by raising interest rates in general, China is trying to cool the economy down. There is one thing which has changed during the last year, this is the gap between US interest rates and Chinese interest rates. The US overnight interest rate is at 3.75% and will likely be raised. So the gap is closing. If the US rate overtakes the Chinese rate, maybe the slowdown will start. China will have to take action related to monetary policy, either in connection with the currency exchange rate or the interest rate to slow down inflation. Thank you.

Norio OKAYAMA
Chairman of the Board of Directors, Sumitomo Electric Industries, Ltd. (Japan)

I would like to report on the demand of Copper Wire and Cable, and Fiber Optic Cable in Japan.

Demand Trend of Copper Wire in Japan
2004 in retrospect
Starting with copper wire and cable: According to the report by the Japan Cable Makers Association, called JCMA for short, the actual turnover in fiscal 2004 in Japan was 826,900 copper-tons, which is higher than fiscal 2003 by 11,000 copper-tons in volume and by 1.3% in ratio.
In September 2004, JCMA revised the original projection upward to 821,000 copper-tons, taking into account the steady domestic production in the electronic and automotive industry. The final result turned out to be even better than this revised projection, thanks to strong demand in the field of electric machinery, automobiles and export.
2005 projection
As for fiscal 2005, JCMA revised the projection upward in September, in all segments other than communication cable. The segment of electric power utility exceeded the previous year for the first time in 12 years, and steady capital investment in the private sector is expected to boost cable demand in the construction sector. The revised projection for fiscal 2005 for all copper wire and cable is now 851,000 copper-tons, which is 2.9% increase over the previous year.
5-year projection
According to the JCMA's 5-year projection, which was made available this September, the demand is expected to show a small increase during the coming 5 years. The turnover in 2009 is projected to be 866,000 copper-tons.
This is based on the assumption that Japan's GDP will increase by 2.4% per annum in the coming 5 years.

Demand Trend of Optical Fiber in Japan
2004 in retrospect
Let me go on to fiber optic cables: Fiber optic cable demand in fiscal 2004 was stable, thanks to constant growth of FTTH users by NTT East and NTT West, but fiber counts have decreased significantly. In other market segments, railway companies installed more fiber optic cables than the year before, but this increase was not enough to cover the decrease in other public or private segments. As a result, the total domestic demand on fiber optic cable in Japan in fiscal 2004, was 7.4 million fiber kilometers, which is a considerable decline of 23.4% compared to the previous year.

2005 projection
In fiscal 2005, the number of FTTH users has continued to grow. The demand for fiber optic cable is expected to stay strong, even though a large part of the investment is for access networks with low fiber counts.
In addition, increased capital investment is anticipated by mobile-phone operators and electric power companies that are launching FTTH services. CATV operators continue to convert their networks to fiber optic, and economic recovery is boosting demand in private sectors. On the other hand, government and railroad companies are not yet boosting big demand.
Taking these factors into consideration, domestic demand in Japan for fiscal 2005 is projected to be 7.9 million fiber kilometers, which is an increase of 5.9% compared to fiscal 2004.

5-year projection
In Japan, anticipatory investment on fiber-optic trunk lines as FTTH infrastructure is completed and demand has already shifted to access networks with low fiber counts. This situation will continue for some time, and significant increase in demand can not be expected anytime soon.
But in the future, we can still expect to see a large increase in demand. Growing FTTH services will require upgraded trunk lines to carry heavier data traffic and demand from new operators is also possible. Moreover, the private segment is expected to grow steadily, such as networking inside buildings and CATV. Under such circumstances, JCMA projected a growth rate of 5.3% per annum from fiscal 2005 to 2009, which gives a total demand of 9.7 million fiber kilometers in the year 2009. Thank you very much for your attention.

Mr. Gérard Hauser
Chairman & CEO, Nexans (France)

Copper Telecom Cables
Two main trends have impacted the copper telecom cables market, a $700 million (14 million pair-km) in Western Europe.
On the one side, there is a negative trend in fixed lines for nearly all countries in Europe and for the first time, main lines in operation have been reduced in Western Europe during the last two years. This collapse in demand for fixed lines is mainly due to two factors:
- The increasing usage of mobile phones
- The fast growing subscription of DSL services, which makes consumers give up second line for Internet usage.

On the other side, there as been a steady interest in the introduction of DSL services.

In Western Europe, unlike Japan and the USA, there has not been any substantial move to FTTH investment. DSL investment programs soften the reduction in demand for copper telecom cables. In Europe the largest markets are the UK and Germany accounting for almost half of the total consumption. However, we think that DSL will support demand for limited period.
Overall the copper telecom market is extremely mature, and the outlook for copper telecom cables for the coming years is flat or slightly decreasing.

Low voltage cables
We believe that, in 2005, the market for the low voltage energy cables has been flat or slightly up in volume, and has increased 7% in value. The European housing market shows contrasting evolutions across European countries: Depressed in Germany, growing marginally in France, active in UK. Overall the building wire market in Western Europe is marginally up and moderate growth is forecast in the near future. Regarding the commercial and industrial building market, the downward trend which started in 2001, has continued longer than expected. 2005 will provide mere stabilization. A real recovery is not plausible until 2006.

Winding wires
For winding wires, we expect a decline of the European market in 2005. The weakness of the industry sector in Europe, and the collapse in important markets, like white goods and TV, are the major causes of the fall in demand for winding wires. In total the European market will decline 6% in 2005 whereas Eastern Europe will grow 4%.
Two factors are likely to affect the European market negatively:
- Relocation in Far East, and tougher competition from Asia
- Technological breakthrough in lighting (ballast replaced by electronics) and TV (LCD flat panel screen coming from Asia).

Fortunately, in the same period the automotive market should help.

Data cables
Unlike the USA and some developing countries that continue to show significant growth, in 2005 Europe will remain mostly flat to slightly up. In 2005 the market has increased by 2 to 3%. It is a sign of weak recovery. There may be a rebound of projects activity in the second half of 2005 that will translate into business in 2006 as happened in the US one year ago. Increase demand for bandwidth, IP convergence with more intelligent buildings and increase of investment for data centers is likely to support better growth in the future.
1 Gigabit and then 10 Gigabit Ethernet ports will make up a growing share that will create an increased share of CAT6 and CAT7. The penetration of CAT6 is viewed to gain 20% and reach 50% in most countries in 2007 or 2008.
Fiber to the Desk (FTTD) remains marginal. The rising trend towards WIFI and Voice over IP (VoIP), that will likely become strong market drivers in the next five years, could have an impact on data cable business. This possible impact, positive or negative, is not clear yet. Pricing remains soft. In the current situation, the recovery of copper increase is proving difficult in the data market.

Mr. Valerio Battista
CEO, Prysmian srl (Italy)

General Introduction on Prysmian
On July 28th, Goldman Sachs completed the acquisition of the Pirelli Cables business worldwide. Effective October 1st, 2005, the process of transition to the new company, Prysmian Cables and Systems, was successfully concluded. The transaction has an enterprise value of €1.3 billion including intellectual properties and Pirelli brand license for two years.

Management, organization model and industrial structure have been confirmed. Prysmian has now been launched in the global media and we are currently presenting the transition program to key customers worldwide.
Moreover, we are convinced that this new name and brand represent continuity of the expertise, of the know-how and of the people, who have established the company as the undisputed world leader in the cable industry since 1879.

Power Cables Sector

The signals of a general positive trend announced last year have been confirmed. The year 2005 shows positive results for all the major players of our industry.
The industrial business is dominated by a positive trend. Europe also shows a small volume recovery but is still affected by price pressure.
A strong copper price and constant growth combined with the oil cost increase have compromised, during the second part of year, the profitability of both the industrial and of the general market business, where the volume stability has not allowed the price increase makes it essential to offset at least the costs growth.
The utilities power distribution volumes remain mainly stable with some limited increases in Europe. Moreover new contract prices show a small increase but not enough to offset the large cost increases of non-metallic raw materials and logistics. The price increase issue remains strongly necessary to anticipate the oil cost trend in the long term contracts.
The transmission business is still characterized by general volume stability but with a different price trend. In Europe HV prices are still decreasing and EHV prices are stable, the rest of the world shows a general price decrease both in HV and in EHV.
The main interconnection investment plans of the major network operators have not been cancelled but the delay in financing is postponing actual project realization. Nevertheless there are some positive signals relevant to the turn key projects due to the need of additional services, however utilities budget constraints may influence this positive effect. 2006 is expected to confirm the 2005 trend: Stable volumes, price pressure on the low end range and a possible increase of the system value via services.

In general next year will be characterized by these two important topics:
Raw materials price instability: Copper is expected to remain high at present price levels. However increases in oil prices, energy and transportation costs are foreseen as the major threat to 2006 profitability. It should not be forgotten that higher raw material costs induce higher working capital levels which in turn make the achievement of return targets even more difficult.
Volume stability and unnecessary investments: A few quarters of volume stability should stimulate investments in additional capacity with a negative effect for price recovery and profitability. Moreover, the volume uncertainty and possible decrease will indeed bring the industry back to the difficult situation faced during 2002-2003.

These two topics may pose a potential threat to industry profitability in the short-medium term. It is paramount that these matters are treated with appropriate sensibility by the industry, in order to be able to maintain the advantage of a period of better economic environment.

Telecom Cables Sector
It has been another difficult year in the telecom cable business, as the industry struggles to emerge from the crisis which has now defined events for the last four years.
This year we have, however, witnessed some significant growth - approx 14% - in total global volume demand for optical fiber and cable, although levels still lag far behind the overall available fiber capacity in the market. This is despite the efforts made by a number of leading producers to consolidate activities and to remove, wherever possible, underutilized production capacity. This ongoing mismatch between supply and demand has continued to put price pressure on both optical fiber and cable. Whilst these pressures have been less than in the preceding 2-3 years, they have nevertheless been significant and the need to reduce costs and improve efficiencies in the cable business remains as important as ever.
The main driver for the volume growth that we have seen in the optical business has come from the continued interest and uptake in high speed broadband services. The total number of all broadband connections globally is now approx. 180 million - a 16% growth since the end of 2004. The optical growth has been particularly evident in North America, where key legislative changes and a very specific competitive environment have encouraged some incumbent operators to invest heavily in fiber-rich local networks capable of delivering Triple Play (voice, video & data) services to the end user. The expectation is now that Europe will follow this trend by building more “last mile” optical (FTTx) systems. However, experience to date suggests that this is currently far from the case. Whilst today's needs such as faster internet together with new services including High Definition TV and Video on Demand will drive the need for greater bandwidth to the home, the current legislative situation regarding the potential “unbundling” of local optical networks is not encouraging the incumbents to invest. With only a few exceptions (eg. Fastweb in Italy), what we have seen to date in Europe is a large number - maybe 200 - of small projects implemented by local authorities and municipalities who are building independent networks. From the perspective of the cable manufacturer, however, the quantities of fiber being deployed remain very small. Somehow the legislative framework needs to be established, which will act as a catalyst and cause the major operators to invest in FTTx.
Perhaps the telecom industry in Europe should look at the Japanese model, where we have an open competitive market combined with some of the highest levels of last mile fiber anywhere in the world. Clearly the countries of the Far East - including also South Korea and Taiwan in particular - have adopted broadband far quicker than their western counterparts.
The crisis in the business is not yet over and the need for internal restructuring and reduction of capacity remains. However, we are now seeing some small growth in the market with increased levels of spending from the operators suggesting that a recovery may be very close.

Hans Meiring
Chief Executive, Aberdare Cables Group (South Africa)

I am going to try to give an overview of Africa as a market, excluding Northern Africa, which is closer to my European colleagues. Let me address Sub-Saharan Africa, Central Africa and South Africa. As we are all aware, in an emerging market like ours, we are not as fortunate as China which has seen tremendous growth. Rather we are struggling for existence, with networks which desperately need upgrades, especially in the energy markets, with most people without power in Africa. Progress has been hampered by civil wars and lack of funding from the World Bank. We have now seen a big rise in the price of copper, which puts projects beyond the financing goals in the countries, which are further hampered by a lack of good governance. However, we have seen a slight increase in the Central African countries, where the networks have been upgraded on a project basis. We find in Africa that we don't sell a product today, we have to supply a complete system and sometimes have to also provide the funding for it. So it is quite a difficult market.

But there has been a slight uptick in that market. It has been driven in Central Africa in the mining for base minerals. Several new gold mines have opened in Central Africa. There has also been an increase in demand from the copper belt in Zambia and the Democratic Republic of Congo and even in Ghana. On the telecommunication side in Africa, we have seen a very, very big decrease in the demand for copper telephone cables. We have seen increasing utilization of mobile networks, which have been deployed at a rapid rate. For example look to Nigeria, where growth has been in excess of 400% in the last 18 months. In addition, there has been demand for some infrastructure or trunk networks in fiber in those countries and down the coast towards South Africa. They are linked to the main arteries to the rest of the world and on the East and West Coast of Africa to fiber trunk routes. The overhead line projects in South Africa and Africa as a whole in the new proposed power grid for Africa have not come to fruition. There have been delays in getting zones and finding ownership of these lines. So the much awaited big network for Africa is still on hold. And we don't see any hope in the foreseeable future that that will actually come to fruition in the year ahead of us.

In South Africa the energy market has shown a positive increase due to mining activities, recovery of the gold price and also in base minerals further down the line. We expect in the year to come that we will see positive growth in volume terms not that much but there will be a small recovery due to the higher material prices that we have seen in our market. Contrary to that we have seen that the telecom market has really come to an all time low in our country, coupled with fiber and that is really a result of lack of deregulation in the country. The major utilities still are owned by the government, so no real opposition and I think at the moment they are addressing the balance sheets as they have listed on the NY stock exchange. Demand is actually at a critical phase and will necessitate further consolidation in the South African and African markets including Namibia and Botswana. So in closing, to try to embrace our vast country, we see there is a slight uptick as we can see the world wide networks of power cables in the low and medium voltage sector driven by some construction activities. However, the telecom markets both in copper and fiber have been in the worse state we have seen in our history during the last five years.
At the moment we do not see any improvement on the horizon for us the bottom end of Africa. This situation could be quite the opposite of the North of Africa, which is not in the scope of my address.