



SEPTEMBER 2014

# Shareholder Newsletter 36

## Interview with the Chairman

### What were the highlights of the first half of 2014?

We achieved more than 3% growth on a comparable basis and improved our results in a challenging environment.

We can firstly attribute this to strong business activity combined with good sequencing of high voltage submarine projects and dynamic growth for automotive harnesses. We also witnessed a moderate upturn in sales in Europe in some industrial segments and positive trends in North America in the second quarter. On the other hand, we saw a drop in demand from the mining industry and a sharp drop in activity in South America, Russia and the Middle East due either to economic uncertainty or geopolitical issues.

Against this backdrop, our three main areas of business have reported organic growth compared with the first half 2013: building was up slightly, industry was driven by the automotive sector and high-speed rail, and energy infrastructure benefited from submarine activity, especially umbilical cables.

### How is the Group's transformation progressing?

It is progressing according to the previously announced plan and is delivering the expected results, except for those strategic initiatives that are directly dependent on the market's growth.

The Group's operating margin came to €77m, which equates to 10% growth over one year at comparable exchange rates. The upturn in high voltage submarine cables, the drop in overheads in Europe and in Asia-Pacific, and reduced variable costs have all helped improve the operating margin generating a total impact of 27 million euros for the first half, compared with the 19 million logged for the entire year 2013.

### How is the second half shaping up?

Despite considerable variations in the business climate depending on the business and region, the Group still believes it is in a position to improve its 2014 operating margin compared with 2013, in particular due to the inroads being made with our strategic initiatives.

The extent will depend on market conditions in the second half of the year.

Additionally, changes to the Group's governance will come into effect on October 1 with Arnaud Poupart-Lafarge becoming the Chief Executive Officer, while I will retain my position as Chairman of the Board of Directors and of the Board's Strategy Committee.

You can rest assured that the Group is fully mobilized to complete its transformation and so be in a position to speed up its growth.

I thank you for your support and the trust you have placed in Nexans.



**Frédéric Vincent**  
Chairman and Chief Executive Officer



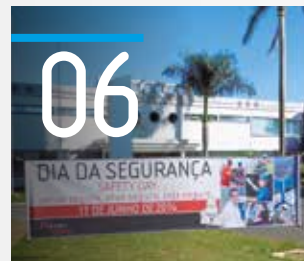
### LATEST NEWS

- 2014 first half-year results
- Major contracts



### MARKETS & PRODUCTS

- Easycalc™



### CSR & SUSTAINABLE DEVELOPMENT

- World Safety Day



### CHALLENGES & OUTLOOK

- A new site (smart grids)



### Stay connected

Log onto [www.nexans.com/2014halfyearresults](http://www.nexans.com/2014halfyearresults) to view the presentation of the 2014 half-year results: business review by Frédéric Vincent, analysis of the financial results by Nicolas Badré, and analysis of the strategic initiatives by Arnaud Poupart-Lafarge.



Global expert in cables and cabling systems

# First half 2014: stronger growth and results

In millions of euros	H1 2014	H1 2013
Sales <sup>(1)</sup>	2,304	2,351
Operating margin	77	75
Operating margin rate (% of sales)	3.4%	3.2%
Net income (Group share)	25	(145)
Net income per share (euros)	0.59	(4.92)

(1) At constant non-ferrous metal prices .

## Sales and operating margin by segment

The changes are compared against the first half 2013 at constant exchange rates, scope and non-ferrous metal prices.

### Distributors and Installers

↗ Sales €565m (24.5% of Group sales)

↘ Operating margin €14m

- Despite the continuing difficulties on the building market, sales rose 0.6% on the back of a slight increase in volumes and contrasting business in Europe and North America, a contracting

Latin America, and positive growth in Asia-Pacific and in the Middle East, Russia and Africa region.

- The operating margin is 2.5% of sales, which is 1.6 points lower than the first half 2013 due to a drop in prices in the third quarter 2013. However, it was up 0.3 points compared with the second half 2013 driven by LAN cables in the United States.

### Industry

↗ Sales €600m (26% of Group sales)

↗ Operating margin €24m

- Sales rose 1.1% in the industry markets with contrasting developments in the two main sub-segments: resources were negatively impacted by contracting demand in the mining, refining and renewable energy sectors; the rise in transportation is attributable to automotive cables and high-speed rail due to the recovery of programs in China.

## Highlights

- 3.2% growth at comparable data compared with the first half 2013 and 8% between the first and second quarters 2014. All segments have contributed to this result.
- Operating margin up 10%, excluding foreign exchange effects, compared with the first half 2013.
- Net profit of €25m including a €48m provision write-back following the European Commission's decision on the competition inquiry into high voltage business.
- The operating margin is 3.9% of sales, up 0.5 points compared with the first half 2013. The restructuring plans in Europe are being rolled out on schedule.

### Transmission, Distribution & Operators

↗ Sales €993m (43% of Group sales)

↗ Operating margin €48m

- Energy and telecom infrastructure sales rose 4.7% due to the very strong growth in high voltage submarine cables.

#### Distribution and operators

Low and medium voltage cable sales to grid operators fell 2.9% because of the sharp drop in demand in France and Asia-Pacific, and lower European exports to the Middle East.

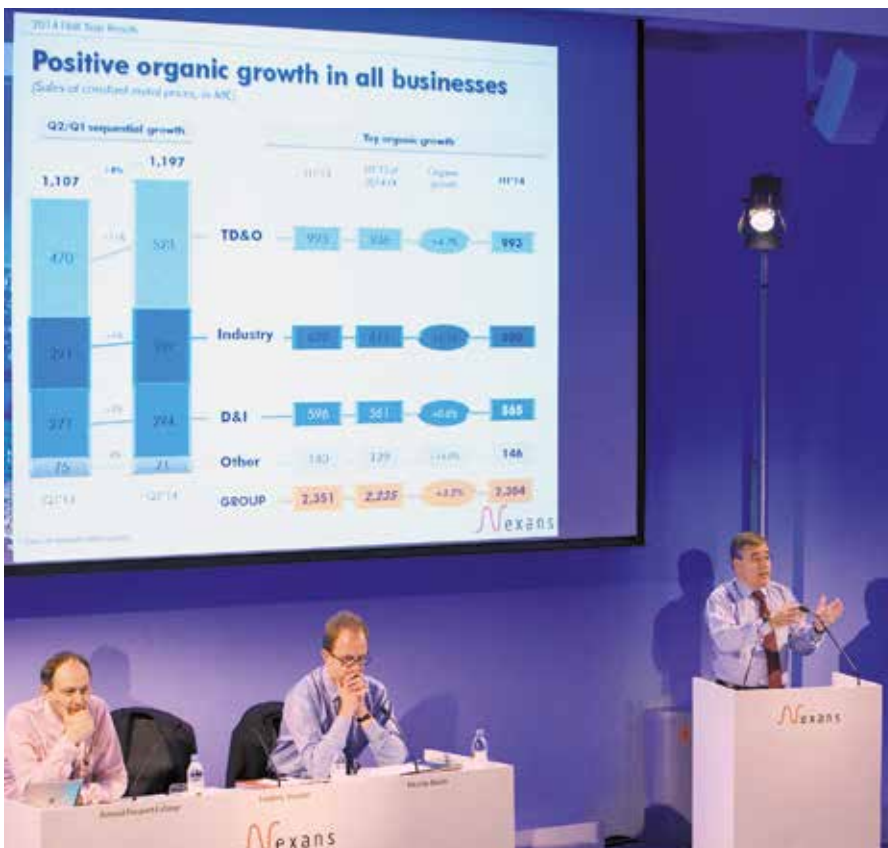
Sales to telecom operators rose 3.7% on the back of fiber optic cables.

#### Land high voltage

Sales dropped 13% in a difficult context and restructuring is ongoing.

#### High voltage submarine

Sales climbed 31% with excellent growth in umbilical cables. The last contracts relating to 2012's operating difficulties were delivered in the second quarter of 2014.



- The operating margin is 4.8% of sales, up 1.4 points compared with the first half 2013, attributable to the performance of submarine cables.

#### Other business

- **Sales €146m (6.5% of Group sales)**
- **Operating margin down €9m**

- This segment mainly includes wire rod. Sales rose 14% due to the higher volumes sold in Canada.
- The operating margin is negative after factoring in unallocated central costs.

#### Results

- The operating profit is €91m compared with an operating loss of €78m in the first half 2013.

It includes:

- €17m devaluation of core exposure related to the drop in copper prices, compared with €27m in the first half 2013
- €16m restructuring costs, compared with €32m in the first half 2013
- €45m other income, including a €48m write-back of provisions following the European Commission's decision, compared with a €94m expense in the first half 2013, of which €92m for asset depreciations.

- The net financial debt comes to €53m, compared with €46m for the first half 2013, which had included a foreign exchange gain of €7m.
- The net income (group share) is €25m after tax of €14m, compared with a €145m loss after corporate tax of €21m in the first half 2013.

#### Net debt

The consolidated net debt is €607m, down from €820m at June 30, 2013, and up from €337m at December 31, 2013. This change is largely attributable to the seasonal nature of the working capital requirement, €67m fixed capital investments and €29m outgoings linked to the restructuring plans.

## Questions for...



**Nicolas Badré,**  
Chief Financial Officer

### What is the write-back of the €48m provision included in the first half 2014 results?

A €200m provision was booked in 2011 in response to the anti-trust inquiry launched by the European Commission regarding submarine and underground high voltage power cables. The matter was finally settled with a fine of €70.6m that was paid on July 4.

We examined with our lawyers the consequences of this decision: given the potential for follow-up proceedings and the existence of procedures in the same business sector in other jurisdictions, we set up a provision of €80m. The €48m (after deducting the fine and the aforementioned new provision of €80m) mainly corresponds to the write-back of the remainder of the initial €200m provision.

### What progress has been made with the Group's working capital requirement?

Progress is heading in the right direction due to the recovery of the situation surrounding high voltage submarine cables. In the first half, the restructuring undertaken in Europe did, however, put downward pressure on our WCR, as we had set up precautionary inventory to avoid any disruption in supplies to our customers. But under normal operation, we have dropped the WCR from 19.8% of sales in the first half of 2013 to 18.4% in the first half 2014.

### What's the situation with restructuring costs and cost cutting?

Restructuring costs will be higher in the second half. We predict something in the vicinity of €100m for financial years 2014 and 2015.

At the same time, our fixed costs have fallen from 25% to 24% of sales in 12 months, and we shaved €21m off our variable costs in the first half of which the Group was able to retain €9m. It is expected that we will make even greater progress in scaling back both fixed and variable costs.



# Contracts & Successes

## Brazil

### Lo-Sag™ improves power supply to Cotia

Electropaulo has commissioned a new high voltage line to meet the demand of this growing city of 300,000 people. It uses the Nexans Lo-Sag™ aerial power line that can carry twice as much power as a standard line because of its carbon fiber core. The installation of this highly innovative conductor in a commercial grid is a world first.



### Nexans cables for the new Rio de Janeiro metro line

This 16-km line will transport 300,000 riders a day between the city center and west to Barra da Tijuca via Leblon and Ipanema, and should remove 30,000 peak-hour vehicles from the roads. The 113 km of halogen-free cables supplied exclusively by Nexans will help make this line safer by limiting the spreading of flames and the release of toxic fumes in the event of a fire.



## Norway

### Delivery of the first of the four umbilical cables ordered by Statoil

This umbilical for the Oseberg Delta oil and gas field in the Norwegian North Sea will allow simultaneous control-command, and power, hydraulic and chemical supply to the subsea facilities. Nexans optimized its design for Statoil with the triple aim of achieving simplification, savings and standardization.



## Qatar

### A framework agreement to boost electricity grid capacity

Growth in Qatar should increase electricity demand by nearly 50% by 2020. As a result, National grid operator Kahramaa has now signed a framework agreement with Nexans worth about 100 million euros to strengthen and extend its network. By the end of 2015, Nexans will have supplied and installed more than 2,000 km of cables manufactured locally in the QICC plant owned in conjunction with four Qatari partners.



### Nexans to supply cables for new Laffan 2 refinery in Doha

Nexans QICC will deliver more than 1,000 km of power cables, especially low and medium voltage, flame-retardant, single- and multi-conductor armored cables. Nexans France will export the instrumentation and fiber optic cables. The refinery is scheduled for completion in the second half of 2016. It will have the capacity to treat 146,000 barrels of condensates<sup>(1)</sup> a day.

*(1) Type of light oil. These hydrocarbons are in a gaseous state in the deposit but condense when cooled.*



# EASYCALC™:

## helps electricians choose the right cable

Designed for professionals, this new free app quickly and easily calculates the right cable cross section for any given electrical installation.

Cables must be able to safely supply the electricity needed, so size is therefore crucial for ensuring an installation's proper operation. This is where EASYCALC™ comes in.

Developed by Nexans, this new app allows electricians to easily calculate the cable cross-section required for any given installation and to immediately identify the corresponding Nexans product. The app is also useful for distributors of electrical material when their customers ask them the same types of questions.

EASYCALC™ is available from the Nexans website ([www.nexans.fr/easycalc](http://www.nexans.fr/easycalc)). A version of the app for mobiles can also be downloaded from the Apple Store and Google Play so it can be used anytime, anywhere, when dealing with a client or at a worksite. All that is needed is an Internet connection.

### Making life easier for professionals

For Fabrice Benichou, Director Marketing Distributors & Installers France, "Our strategy of differentiation through innovation on the commodities market means we are able to offer tangible value added to installer electricians. Under our brand policy, *DISTINGO™*, *TWISTAL™* and *EASYFIL™* are examples of proven product innovations that are making life easier for installers. With EASYCALC™, we are responding to a latent demand among small electrical installers who do not have access to costly professional software to make the link between their installation needs and Nexans' very broad product range. Electrical cables have now also entered the digital era."

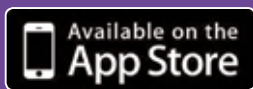
The response to the app's launch has been very promising and Nexans is now looking at releasing it in other countries within the medium term.



**Fabrice Benichou,**  
Director Marketing Distributors  
& Installers France

Find out more about  
EASYCALC™ on



and 

or by scanning the QR code  
below:



# First World Safety Day involved more than 26,000 employees

Think safe. Act safe. Be safe. Nexans' 170 sites worldwide devoted June 17 to promoting this priority.

The aim of the first World Safety Day in which each member of the Group's management team actively participated in the field, was to underscore Nexans' commitment to workplace safety, swap best practices and safety results, and share progress targets.



### Successful involvement

In 2008, Nexans introduced a major program targeting continuous and long-lasting improvement in workplace safety. The program relies on each employee's commitment to focusing squarely on their own safety and that of their co-workers aided by shared tools and an international team of experts.

Standards were introduced to prevent the biggest risks, such as electricity tests, and the use of forklifts and rotating machines. Each workstation underwent a safety analysis with the involvement of the relevant teams. Field observations were made to identify risky situations or conduct. All time-off accidents are now analyzed to identify the underlying causes and find lasting solutions.

This commitment has paid off ongoing efforts by all enabled the Group to achieve a frequency rate of 4.12<sup>(1)</sup> by year's end. That is a 21% down on 2012 and a significant 29% drop in the number of workplace time-off accidents. The severity rate<sup>(2)</sup> has also improved, as it was 0.11 in 2013 compared with 0.20 in 2012.

### Room for improvement

*"Safety is a measure of professionalism in the same way as quality and industrial performance. It is everyone's business and everyone's responsibility. That's why Nexans decided to hold an annual safety day at each of our sites involving all*

*positions,"* explained Frédéric Vincent, Chairman and CEO.

The creation of a database for declaring and analyzing accidents shared by all operational units, the rollout of specific action plans at those sites encountering the most difficulty and strengthening management's involvement should enable us to make even greater headway.

*"In the plants, warehouses and offices, we must all contribute to reaching the Group's target of an accident frequency rate of less than 1. Other international companies have managed. Together, we can too. I will personally be making sure everything possible is being done at each site to work towards our safety targets,"* said Arnault Poupart-Lafarge, Chief Operating Officer, who spent this International Safety Day with the Nexans team in Tunisia.

(1) Total number of workplace accidents with time off exceeding 24 hours divided by the total number of hours worked and multiplied by 1,000,000.

(2) Number of days lost because of workplace accidents divided by the total number of hours worked and multiplied by 1,000.



# A new site for Nexans Power Accessories France

## Group smart grid center of expertise

On June 24, Nexans Power Accessories France inaugurated its new site in Donchery, northeastern France.



With 25,000 square meters under cover, the new center is twice the size of its predecessor. *"It will allow us to consolidate our traditional offer in France, expand our international range and re-energize our innovation in the area of smart grids,"* explains Alain Robic, President of this subsidiary.

### Target: 30 to 50% growth in five years

The French leader for low and medium voltage underground connection accessories (building connection boxes, junction boxes, branch joints, cable ends, separable connectors, etc.), Nexans Power Accessories France employs 200 people for the design, production and sale of this material.

The most recent innovation is the compact cold-shrink joint: this patented solution is half the size of the previous model. The premises of the Jointer Training School at the Donchery site have also been extended and upgraded.

### Nexans smart grid center of excellence

The future increasingly means smart grids that will be crucial to the success of the energy transition in France as elsewhere in the world.

As the Group's smart grid center of excellence, the Donchery site has the first showroom presenting all Group technology in this area, which further enhances the breadth of its product range and expertise.

### Tomorrow's solutions

Highly committed to intelligent solutions, Nexans is involved in several cooperative projects including SoGrid and Eco2Charge, which are supported by ADEME (French Environment and Energy Management Agency) as part of its Investments in the Future program.



### Alain Robic, President of the subsidiary

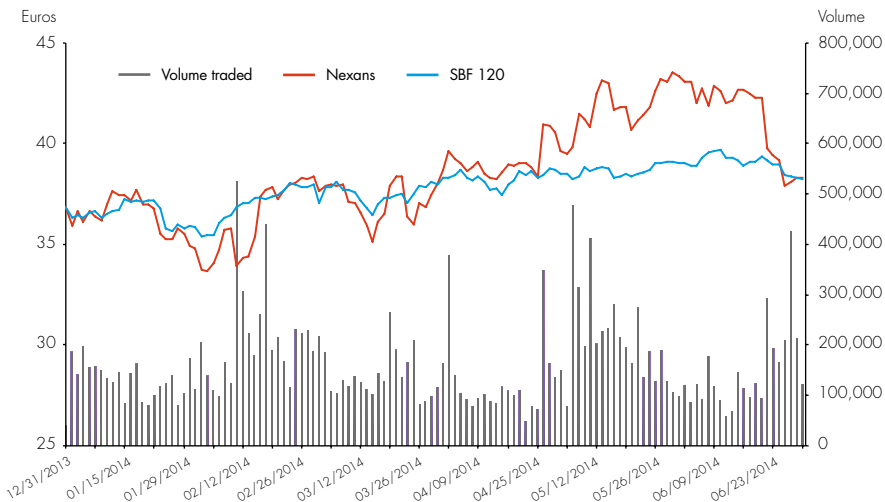
**SoGrid:** Nexans is a member of this consortium created in 2013 to test the use of powerline carriers to transport data between the future LINKY smart meters and primary transformer stations. The payoff is a low and medium voltage grid that can be managed in real-time to optimize consumption, manage peaks, and facilitate the integration of renewable energies and electric vehicles.

**Eco2Charge:** This project aims to facilitate the rollout of electric vehicle recharging infrastructure and to optimize vehicle recharging as a function of the available electricity and battery charge levels through reliance on smart grids. Three test sites are planned. The project will be presented in detail by all the partners at a press conference scheduled to take place on September 18, in Paris (France).

Certified ISO 9001, Nexans Power Accessories France is a member of the Power Accessories Business Group (PABG) that includes three other production sites in Germany, Belgium and Italy.

# Stock price change

Change in the share price (from January 1, 2014 to June 30, 2014)



## Stock market data

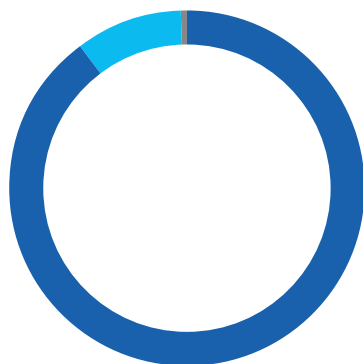
- **Share capital:** €42,044,253
- **Shares in circulation:** 42,044,253
- **Par value:** €1
- **ISIN code:** FR000004448
- **Where listed:** NYSE Euronext Paris, compartment A
- **Deferred settlement service**
- **SBF120 index**
- **Ethibel Excellence Investment Register**
  - ESI Excellence Europe
  - ESI Excellence Euro

## Shareholders' diary

- **November 5, 2014:**  
Third-quarter 2014 financial information

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## Shareholder breakdown at June 30, 2014



- Institutional investors: 90%  
of which:  
Invexans (Groupe Quiñenco, Chile): about 28%  
Manning & Napier Advisors (United States): 7.9%  
Bpifrance Participations (France): 7.8%  
Amber Capital (UK): 5.6%
- Individual and employee shareholders: 9.8%
- Unidentified shareholders: 0.2%

## 6<sup>th</sup> International Employee Share Ownership plan

A capital increase reserved for employees and involving a maximum 400,000 new shares is scheduled early 2015. A formula guaranteeing in euros the amount invested by employees will be offered, as was the case for the 2010 and 2012 share ownership plans. The new shares would be subscribed through a dedicated employee mutual fund "FCPE" with a 20% discount, subject to local specificities.

## Contact us

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