The audit procedures were carried out and the Statutory Auditors' report was issued.

Consolidated financial statements

1. Consolidated income statement

(in millions of euros)	Notes	2018	2017
NET SALES	1.E.a, 4 and 5	**6,490**	**6,370**
Metal price effect[1]		(2,081)	(1,799)
SALES AT CONSTANT METAL PRICES[1]	1.E.a, 4 and 5	**4,409**	**4,571**
Cost of sales		(5,728)	(5,510)
Cost of sales at constant metal prices[1]		(3,646)	(3,711)
GROSS PROFIT		**762**	**860**
Administrative and selling expenses		(469)	(489)
R&D costs		(105)	(99)
OPERATING MARGIN[1]	1.E.b and 4	**188**	**272**
Core exposure effect[2]	1.E.c	(15)	64
Other operating income and expenses[3]	7	(9)	(19)
Restructuring costs	23.B	(53)	(37)
Share in net income of associates		0	2
OPERATING INCOME	1.E.d	**112**	**281**
Cost of debt (net)[4]	1.E.e	(47)	(56)
Other financial income and expenses	1.E.e and 10	(9)	(6)
INCOME BEFORE TAXES		**56**	**219**
Income taxes	11	(44)	(91)
NET INCOME FROM CONTINUING OPERATIONS		**13**	**127**
Net income from discontinued operations		-	-
NET INCOME		**13**	**127**
▪ attributable to owners of the parent		14	125
▪ attributable to non-controlling interests		(1)	2
ATTRIBUTABLE NET INCOME PER SHARE (in euros)	12		
▪ basic earnings per share		0.32	3.04
▪ diluted earnings per share		0.32	2.71

(1) *Performance indicators used to measure the Group's operating performance.*

(2) *Effect relating to the revaluation of Core exposure at its weighted average cost (see **Note 1.E.c**).*

(3) *As explained in **Notes 7 and 8**, in 2018, "Other operating income and expenses" included a 44 million euro net disposal gain and 44 million euros in net asset impairment. In 2017 they included 8 million euros in net asset impairment.*

(4) *Financial income amounted to 4 million euros in 2018 versus 3 million euros in 2017.*

The audit procedures were carried out and the Statutory Auditors' report was issued.

2. Consolidated statement of comprehensive income

(in millions of euros)	Notes	2018	2017
NET INCOME		**13**	**127**
Recyclable components of comprehensive income		**(82)**	**(105)**
▪ Currency translation differences		(14)	(133)
▪ Cash flow hedges	26	(68)	28
Tax impacts on recyclable components of comprehensive income	11.C	**17**	**(8)**
Non-recyclable components of comprehensive income		**(8)**	**23**
▪ Actuarial gains and losses on pensions and other long-term employee benefit obligations	22.B	(7)	23
▪ Financial assets at fair value through other comprehensive income		(1)	-
▪ Share of other non-recyclable comprehensive income of associates		-	-
Tax impacts on non-recyclable components of comprehensive income	11.C	**2**	**(9)**
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		**(70)**	**(99)**
TOTAL COMPREHENSIVE INCOME		**(58)**	**28**
▪ attributable to owners of the parent		(57)	29
▪ attributable to non-controlling interests		(1)	(1)

The audit procedures were carried out and the Statutory Auditors' report was issued.

3. Consolidated statement of financial position

(At December 31, in millions of euros)	Notes	2018	2017 (restated)[1]
ASSETS			
Goodwill	8	243	236
Intangible assets	13	131	127
Property, plant and equipment	14	1,135	1,129
Investments in associates	15	39	40
Deferred tax assets	11.D	162	135
Other non-current assets	16	60	100
NON-CURRENT ASSETS		**1,770**	**1,767**
Inventories and work in progress	17	1,110	1,107
Contract assets		95	134
Trade receivables	18	1,021	1,033
Current derivative assets	26	38	59
Other current assets	19	184	177
Cash and cash equivalents	24.A	901	805
Assets and groups of assets held for sale		0	0
CURRENT ASSETS		**3,349**	**3,315**
TOTAL ASSETS		**5,119**	**5,082**

*(1) Restatements of consolidated data at December 31, 2017 are set out in **Note 3**.*

The audit procedures were carried out and the Statutory Auditors' report was issued.

(At December 31, in millions of euros)	Notes	2018	2017 (restated)[1]
EQUITY AND LIABILITIES			
Capital stock, additional paid-in capital, retained earnings and other reserves		1,339	1,367
Other components of equity		(14)	52
Equity attributable to owners of the parent		**1,325**	**1,419**
Non-controlling interests		42	48
TOTAL EQUITY	**21**	**1,367**	**1,468**
Pensions and other long-term employee benefit obligations	22	363	387
Non-current provisions	23	84	94
Convertible bonds	24	-	267
Other non-current debt	24	778	451
Non-current derivative liabilities	26	11	3
Deferred tax liabilities	11.D	109	102
NON-CURRENT LIABILITIES		**1,345**	**1,304**
Current provisions	23	63	79
Current debt	24	453	420
Contract liabilities		252	165
Current derivative liabilities	26	51	36
Trade payables	25	1,290	1,280
Other current liabilities	25	298	331
Liabilities related to groups of assets held for sale		0	0
CURRENT LIABILITIES		**2,407**	**2,310**
TOTAL EQUITY AND LIABILITIES		**5,119**	**5,082**

*(1) Restatements of consolidated data at December 31, 2017 are set out in **Note 3**.*

The audit procedures were carried out and the Statutory Auditors' report was issued.

4. Consolidated statement of changes in equity

(in millions of euros)	Number of shares outstanding[5]	Capital stock	Additional paid-in capital	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**
JANUARY 1, 2017 (restated)[1]	**43,411,421**	**43**	**1,601**	**-**	**(396)**	**(3)**	**163**	**1,409**	**57**	**1,466**
Net income for the year	-	-	-	-	125	-	-	125	2	127
Other comprehensive income	-	-	-	-	14	20	(130)	(96)	(3)	(99)
TOTAL COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**	**139**	**20**	**(130)**	**29**	**(1)**	**28**
Dividends paid	-	-	-	-	(22)	-	-	(22)	(2)	(23)
Share buyback program	(224,489)	-	-	(11)	-	-	-	(11)	-	(11)
(Purchases)/sales of treasury stock	142,412	-	-	7	(7)	-	-	-	-	-
Equity component of OCEANE bonds	-	-	-	-	-	-	-	-	-	-
Employee stock option plans:										
▪ Service cost	-	-	-	-	6	-	-	6	-	6
▪ Proceeds from share issues	83,270	0	4	-	-	-	-	4	-	4
Transactions with owners not resulting in a change of control	-	-	-	-	1	-	2	4	(6)	(2)
Other	-	-	-	-	1	0	0	2	(1)	2
December 31, 2017 (restated)[1]	**43,412,614**	**43**	**1,605**	**(4)**	**(277)**	**17**	**36**	**1,420**	**48**	**1,468**
JANUARY 1, 2018[2]	**43,412,614**	**43**	**1,605**	**(4)**	**(286)**	**17**	**36**	**1,411**	**47**	**1,458**
Net income					14			14	(1)	13
Other comprehensive income					(5)	(52)	(14)	(71)	1	(70)
TOTAL COMPREHENSIVE INCOME					**9**	**(52)**	**(14)**	**(57)**	**(1)**	**(58)**
Dividends paid					(30)			(30)	(3)	(33)
Share buyback program	(702,336)			(24)				(24)		(24)
Cancelation of treasury stock		(0)	(12)	12				-		-
(Purchases)/sales of treasury stock	150,089			7	(7)			-		-
Equity component of OCEANE bonds	1,418				(0)			(0)		(0)
Employee stock option plans:										
▪ Service cost[3]					9			9		9
▪ Proceeds from share issues[4]	510,211	1	13					14		14
Transactions with owners not resulting in a change of control					0		(0)	0	(0)	(0)
Other		0	0	0	1	(0)	(0)	1	0	1
DECEMBER 31, 2018	**43,371,996**	**44**	**1,606**	**(8)**	**(303)**	**(36)**	**22**	**1,325**	**42**	**1,367**

(1) *Restatements of consolidated data at January 1, 2017 and December 31, 2017 are set out in **Note 3**.*

(2) *"Retained earnings and other reserves" at January 1, 2018 include the impacts of applying IFRS 9, as described in **Note 3**.*

(3) *Including a -2 million euro expense related to the ACT 2018 plan.*

(4) *Corresponding to the impact of the Act 2018 plan following the share settlement-delivery that took place on July 18, 2018 (see **Note 21.H)**.*

(5) *The number of shares outstanding at December 31, 2018 corresponds to 43,606,320 issued shares less 234,324 shares held in treasury.*

The audit procedures were carried out and the Statutory Auditors' report was issued.

5. Consolidated statement of cash flows

(in millions of euros)	Notes	2018	2017
Net income		13	127
Depreciation, amortization and impairment of assets (*including goodwill)*	13, 14	180	147
Cost of debt (gross)		51	60
Core exposure effect[1]		15	(64)
Current and deferred income tax charge (benefit)	11	44	91
Net (gains) losses on asset disposals	9	(44)	(1)
Other restatements[2]		(68)	(28)
CASH FLOWS FROM OPERATIONS BEFORE GROSS COST OF DEBT AND TAX[3]		**191**	**332**
Decrease (increase) in working capital[4]	20	117	(109)
Income taxes paid		(45)	(56)
Impairment of current assets and accrued contract costs		0	(2)
NET CHANGE IN CURRENT ASSETS AND LIABILITIES		**72**	**(167)**
NET CASH GENERATED FROM OPERATING ACTIVITIES		**263**	**165**
Proceeds from disposals of property, plant and equipment and intangible assets		51	8
Capital expenditure	13, 14	(207)	(169)
Decrease (increase) in loans granted and short-term financial assets		10	(5)
Purchase of shares in consolidated companies, net of cash acquired		(13)	(25)
Proceeds from sale of shares in consolidated companies, net of cash transferred		-	1
NET CASH USED IN INVESTING ACTIVITIES		**(158)**	**(191)**
NET CHANGE IN CASH AND CASH EQUIVALENTS AFTER INVESTING ACTIVITIES		**105**	**(26)**
Proceeds from (repayments of) long-term and short-term borrowings[5]	24	88	(90)
▪ *of which proceeds from 2018-2023 ordinary bond issue*		*323*	-
▪ *of which proceeds from 2017-2024 ordinary bond issue*		-	*199*
▪ *of which repayment of the 2012-2018 ordinary bonds*		*(250)*	-
▪ *of which repayment of the 2007-2017 ordinary bonds*		-	*(350)*
Cash capital increases (reductions)	21	(10)	(7)
Interest paid		(47)	(61)
Transactions with owners not resulting in a change of control		-	3
Dividends paid		(33)	(23)
NET CASH USED IN FINANCING ACTIVITIES		**(2)**	**(178)**
Net effect of currency translation differences		(10)	(19)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**93**	**(223)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24.A	794	1,016
CASH AND CASH EQUIVALENTS AT YEAR-END	24.A	886	794
• of which cash and cash equivalents recorded under assets		901	805
• of which short-term bank loans and overdrafts recorded under liabilities		(15)	(11)

*(1) Effect relating to the revaluation of Core exposure at its weighted average cost, which has no cash impact (see **Note 1.E.c**).*

(2) "Other restatements" in 2018 primarily included (i) a negative 75 million euros to cancel the net change in operating provisions (including provisions for pensions, restructuring costs and antitrust proceedings), (ii) a negative 7 million euros related to the cash impact of hedges and (iii) a positive 9 million to cancel the expense related to shared-based payments. "Other restatements" in 2017 primarily included (i) a negative 52 million euros to cancel the net change in operating provisions (including provisions for pensions, restructuring costs and antitrust proceedings) and (ii) a positive 23 million euros related to the cash impact of hedges.

(3) The Group also uses the "operating cash flow" concept, which is mainly calculated after adding back cash outflows relating to restructurings (61 million euros and 63 million euros in 2018 and 2017 respectively), and deducting gross cost of debt and current income tax paid during the year.

(4) In 2018 the Group sold tax receivables which had a net cash impact of 20 million euros (9 million euros in 2017). As the sales concerned transferred substantially all the risks and rewards of ownership, they meet the derecognition criteria in IFRS 9 and have therefore been derecognized.

*(5) The 2018 figure for this item includes a 6 million impact from the partial redemption of the Group's 2019 OCEANE bonds (see **Note 24**).*

The audit procedures were carried out and the Statutory Auditors' report was issued.

6. Notes to the consolidated financial statements

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The audit procedures were carried out and the Statutory Auditors' report was issued.

Note 1. Summary of significant accounting policies

A. GENERAL PRINCIPLES

Nexans (the Company) 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 Le Vinci, 4 allée de l'Arche, 92400 Courbevoie, France.

Nexans is listed on the regulated market of Euronext Paris (Compartment A) and forms part of the SBF 120 index.

The consolidated financial statements are presented in euros rounded to the nearest million. Rounding may in some cases lead to non-material differences in totals or year-on-year changes. They were approved by the Board of Directors on February 13, 2019 and will become final after approval at the Annual Shareholders' Meeting, which will take place on May 15, 2019 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 at December 31, 2018.

The Group has applied all of the new standards and interpretations and amendments to existing standards that were mandatory for the first time in the fiscal year beginning January 1, 2018, and which were as follows:

- IFRS 15 “Revenue from Contracts with Customers” and related amendments. IFRS 15 replaces IAS 11 “Construction Contracts” and IAS 18 “Revenue” as well as all related interpretations. It applies to all revenue from contracts with customers except for contracts that are within the scope of other specific standards.
- IFRS 9 “Financial Instruments”.
- Annual improvements to IFRSs (2014-2016 cycle).
- Amendments to IFRS 2, “Classification and Measurement of Share-based Payment Transactions”.
- Amendments to IAS 40, “Transfers of Investment Property”.
- IFRIC 22, “Foreign Currency Transactions and Advance Consideration”.

The wording of **Note 1.E.a** “Sales” has been updated to reflect the application of IFRS 15. The changes resulting from applying IFRS 15 are presented in **Note 3**.

The following changes have been made to the Group's accounting policies as a result of applying IFRS 9:

- Addition of a paragraph on “Financial assets at fair value through profit or loss or through other comprehensive income” in **Note 1.F**.
- Adjustment to the wording of **Note 1.F.f** “Trade receivables and other receivables”

The changes resulting from applying IFRS 9 are presented in **Note 3**.

The other amendments and the new interpretation did not have a material impact on the Group's consolidated financial statements.

The audit procedures were carried out and the Statutory Auditors' report was issued.

New standards, amendments and interpretations published by the IASB but not yet effective

The IASB has issued the following new standards and amendments which have been endorsed by the European Union:

- Amendment to IFRS 9, "Prepayment Features".
- IFRIC 23, "Uncertainty over Income Tax Treatments".
- IFRS 16, "Leases".

The IASB has also issued the following new standards and amendments which have not yet been endorsed by the European Union:

- Annual improvements to IFRSs (2015-2017 cycle).
- Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture".
- Amendments to IAS 28, "Long-Term Interests in Associates and Joint Ventures".
- Amendments to IAS 19, "Plan Amendments, Curtailments and Settlements".
- Amendments to IAS 1 and IAS 8, "Definition of Materiality".

The Group is currently analyzing the potential impacts of these new standards and amendments as part of the transition process.
For the application of IFRS 16 from January 1, 2019, the Group has opted for limited retrospective restatement of comparative financial information.
It has also opted to apply the standard's recognized exemptions for short-term leases, i.e. leases that have a lease term of 12 months or less, and for leases for which the underlying asset is of low value.
Based on the Group's estimates, applying IFRS 16 is expected to increase consolidated assets and liabilities by around 120 million euros on the transition date. This expected increase concerns real estate leases and would mainly result from recognizing right-of-use assets in non-current assets and lease liabilities (for the discounted present value of future lease payments) in debt.
The full-year impact on the income statement is not expected to be material, as the cancellation of operating lease payments will be offset by the amortization charged on right-of-use assets and recognized in operating margin. Similarly, the annual interest recognized on lease liabilities is not expected to be material.
The impact on the statement of cash flows of restating operating leases will be limited to reclassifications, as the standard will have no effect on the Group's cash and cash equivalents.

Accounting estimates and judgments

The preparation of consolidated financial statements requires Management to exercise its judgment and make estimates and assumptions that could have a material impact on the reported amounts of assets, liabilities, income and expenses.

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, goodwill and other intangible assets, and determining the groups of cash-generating units (CGUs) used for goodwill impairment testing (see **Note 1.F.a**, **Note 1.F.b**, **Note 1.F.c** and **Note 8**).
- Recognition and recoverability of deferred tax assets for unused tax losses (see **Note 1.E.f** and **Note 11.E**).
- Margins to completion and percentage of completion on long-term contracts (see **Note 1.E.a**).
- The measurement of pension liabilities and other employee benefits (see **Note 1.F.j** and **Note 22**).
- Provisions and contingent liabilities (see **Note 1.F.k**, **Note 23** and **Note 31**).
- The measurement of derivative instruments and their qualification as cash flow hedges (see **Note 1.F.m** and **Note 26**).

These estimates and underlying assumptions are based on past experience and other factors considered reasonable under the circumstances and are reviewed on an ongoing basis. They serve as the basis for determining the carrying amounts of assets and liabilities when such amounts cannot be obtained directly from other sources. Due to the inherent uncertainties of any valuation process, it is possible that actual amounts reported in the Group's future financial statements may differ from the estimates used in these financial statements. 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.

The audit procedures were carried out and the Statutory Auditors' report was issued.

B. CONSOLIDATION METHODS

The consolidated financial statements include the financial statements of (i) Nexans S.A., (ii) the subsidiaries over which Nexans S.A. exercises control, and (iii) companies accounted for by the equity method (associates). 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.

Subsidiaries (companies controlled by Nexans S.A.) are fully consolidated from the date the Group takes over control to 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 are classified as associates and accounted for by the equity method. Significant influence is presumed to exist when the Group's direct or indirect interest is over 20%.

The type of control or influence exercised by the Group is assessed on a case-by-case basis using the presumptions set out in IFRS 10, IFRS 11 and the revised version of IAS 28. 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.F.c**).

C. FOREIGN CURRENCY TRANSLATION

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". 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.

Since January 1, 2006, no Group subsidiary has been located in a hyperinflationary economy within the meaning of IAS 29.

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".

Foreign exchange derivatives are measured and recognized in accordance with the principles described in **Note 1.F.m.**

The audit procedures were carried out and the Statutory Auditors' report was issued.

D. BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method, whereby the identifiable assets acquired, liabilities assumed and any contingent liabilities are recognized and measured at fair value.

For all business combinations 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).

Goodwill, 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 as described above, 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 IFRS 9 is measured at fair value, with any resulting gain or loss recognized in the income statement (notably the effect of unwinding the discount) or in other comprehensive income as appropriate.

The Group accounts for acquisition-related costs for subsidiaries as expenses in the periods in which the costs are incurred and the services received. However, if the acquisition of a subsidiary is financed through the issuance of equity or debt instruments, the related costs are recognized in equity or debt respectively in accordance with IFRS 9.

E. INCOME STATEMENT ITEMS

a. Sales

Net sales

Net sales (at current metal prices) represent revenue from sales of goods held for resale as well as sales of goods and services deriving from the Group’s main activities, for which consideration has been promised in contracts drawn up with customers.
The Group’s main activities correspond to sales of cables produced in its plants as well as cable installation services. Cables are sold either separately under specific contracts with customers (see below, “Sales of goods”) or together with installation services under contracts that combine both sales of cables and installation services (see below, “Goods and services contracts”).

In accordance with IFRS 15, revenue is recognized under sales when the control of goods or services is transferred to the customer. The amount recognized corresponds to the consideration the entity expects to receive in exchange for the goods or services.
For all of the Group's activities, the revenue recognized as the consideration promised from customers for the transfer of goods or services takes into account the financial impact of payment deferrals when such deferrals are significant and represent a period of more than one year.

Sales of goods
Customer contracts covering sales of goods include a single performance obligation for each delivery.
Revenue from sales of goods is recognized at a specific point in time, corresponding to the moment when control of the asset concerned is transferred to the customer, which is generally when the goods are delivered.
The amount of revenue generated from the sale of goods recognized at a point in time corresponds to the amount of consideration to which the entity expects to be entitled based on the terms and conditions of each contract and standard commercial practices. It includes certain variable consideration, notably relating to discounts and rebates, which are measured using the expected value method or based on the single most likely amount, depending on the specific terms and conditions of the contracts concerned.
In addition, as the delivery of goods also corresponds to the moment when the Group obtains an enforceable right to payment, the contra-entry to the recognized amount of sales is presented in "Trade receivables" on the assets side of the consolidated statement of financial position.

Goods and services contracts
Contracts covering both sales of goods and cable installation services essentially concern the Group's high-voltage cable and umbilical cable activities. They are contracts that are specifically negotiated for constructing and installing an asset or a group of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. When the customer cannot use an asset or a group of assets during their production or installation due to the specific features of their design and interdependency as provided for contractually, then a single performance obligation is identified per contract.
Performance obligations under goods and services contracts are considered to be satisfied over time if (i) the asset or group of assets created in connection with a goods and services contract is specific to the requirements of the customer and cannot have an alternative use, and (ii) Nexans has an enforceable right to payment for the services performed up until the date in question.
The input method is used to measure progress towards fulfilling the performance obligation based on costs incurred. The costs taken into account do not include any inefficiencies that were not anticipated and cannot therefore trigger any revenue recognition.
As is the case for sales of goods, the amount of revenue generated from sales of goods and services corresponds to the amount of consideration to which the entity expects to be entitled based on the terms and conditions of each contract and standard commercial practices.

For each goods and services contract, the amount of revenue recognized is compared against the sum of progress billings (which are issued when the Group obtains an enforceable right to payment) and any partial payments received under the contract before the corresponding work is performed (see the section on "Customer advance payments"). If the balance obtained is positive, it is included in assets under "Contract assets" and if it is negative it is recorded in liabilities under "Contract liabilities".

When it is probable that total contract costs will exceed total contract revenue, the expected loss to completion is recognized immediately in cost of sales in the income statement, and under "Short-term provisions" or "Long-term provisions" in the statement of financial position.

Customer advance payments
The Group may receive partial payments from customers before the corresponding work is performed, which are referred to as customer advance payments. In accordance with IFRS 15, these advance payments are recognized under "Contract liabilities" except for goods and services contracts where the amount of costs incurred plus recognized profits generated by the contract corresponds to an asset when compared against the aggregate amount of recognized contract losses, progress billings and customer advance payments. In this case, the customer advance payments are recorded as a deduction from "Contract assets".

The audit procedures were carried out and the Statutory Auditors' report was issued.

In the same way as for recognition of consideration promised by customers, when recognizing customer advance payments the Group takes into account the financial impact of payment deferrals when such deferrals are significant and represent a period of more than one year.

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.

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 figures based on a constant price for copper and aluminum (the cost of sales figure is adjusted in the same way). For both 2018 and 2017, these reference prices were set at 1,500 euros per tonne for copper and 1,200 euros per tonne for aluminum.

b. Operating margin

The key indicator 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.F.a**).

Share-based payments (see **Note 1.F.i**), pension operating costs (see **Note 1.F.j**) 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.E.c**); (ii) impairment losses recorded on property, plant and equipment, goodwill and other intangible assets following impairment tests; (iii) changes in fair value of non-ferrous metal derivatives; (iv) gains and losses on asset disposals; (v) acquisition-related costs when they concern acquisitions that have been completed and acquisition fees and costs related to planned acquisitions; (vi) expenses and provisions for antitrust investigations; (vii) restructuring costs; (viii) share in net income of associates; (ix) financial income and expenses; (x) income taxes; and (xi) net income (loss) from discontinued operations.

The Group also uses EBITDA and ROCE as operating performance indicators.
Consolidated EBITDA is defined as operating margin before depreciation and amortization, while ROCE corresponds to the return on capital employed and is calculated as operating margin divided by capital employed.

c. Core exposure effect

This line of the consolidated income statement includes the following two components (see also **Note 27.C**):

- A "price" effect: In the Group's IFRS financial statements non-ferrous metal inventories are measured using 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 exacerbated by the existence on a permanent basis of a minimum 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, whereas at operating income level it is valued at weighted average cost (see **Note 1.F.e**) 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, except for any structural change, in accordance with the management principles described in **Note 27.C**.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Finally, the "Core exposure effect" line also includes any impairment losses recognized on Core exposure.

d. Operating income

Operating income includes operating margin (see **Note 1.E.b**), Core exposure effect (see **Note 1.E.c**), restructuring costs (see **Note 1.F.k**), share in net income of associates, and other operating income and expenses. Other operating income and expenses are presented in **Note 7** and mainly include impairment losses recorded on property, plant and equipment, goodwill and other intangible assets following impairment tests (see **Note 1.F.c**), gains and losses on asset disposals, and expenses and provisions for antitrust investigations.

e. Financial income and expenses

Financial income and expenses include the following:

- Cost of debt, net of financial income from investments of cash and cash equivalents.
- Other financial income and expenses, which primarily include (i) foreign currency gains and losses on transactions not qualified as cash flow hedges, (ii) additions to and reversals of provisions for impairment in value of financial investments, (iii) net interest expense on pensions and other long-term benefit obligations, and (iv) dividends received from non-consolidated companies.

Details on the majority of these items are provided in **Notes 10** and **24**.

f. Income taxes

The income tax expense for the year comprises current and deferred taxes.

Deferred taxes are recognized for temporary differences arising between the carrying amount and tax base of assets and liabilities, as well as for tax losses available for carryforward. In accordance with IAS 12, no deferred tax assets or liabilities are recognized for temporary differences 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 and actuarial gains or losses on pension benefit obligations).
Deferred tax assets that are not matched by deferred tax liabilities expected to reverse in the same period 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 five-year period) for the company concerned. The Group ensures that the forecasts used for calculating deferred taxes are consistent with those used for impairment testing (see **Note 1.F.c**).
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. The rates applied reflect Management's intentions of how the underlying assets will be realized or the liabilities settled. All amounts resulting from changes in tax rates are recorded either 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.

The audit procedures were carried out and the Statutory Auditors' report was issued.

F. ITEMS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

a. Intangible assets

See **Notes 1.D** and **1.F.c** for a description of the Group's accounting treatment of goodwill.

Intangible assets are stated at cost less any accumulated amortization and 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 intangible assets rather than the allowed alternative method that consists of regularly revaluing categories of 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 five and twenty-five years). Supply contracts can be deemed to have 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, and development costs, to the extent that their cost can be reliably measured and it is probable that they will generate future economic benefits. These assets are amortized by the straight-line method over their estimated useful lives (between three and five years).
- Development costs that meet the recognition criteria in IAS 38. Capitalized development costs are amortized over the estimated useful life of the project concerned, from the date the related product is made available. Research costs, as well as development costs that do not meet the recognition criteria in IAS 38, are expensed as incurred. Research and development costs to be rebilled to or by customers under the terms of construction contracts are included in "Contract assets" and "Contract liabilities".

Intangible assets are derecognized when the risks and rewards of ownership of the asset are transferred.

b. Property, plant and equipment

Property, plant and equipment are stated at cost less any accumulated depreciation and impairment losses. When they are acquired in a business combination, their cost corresponds to their fair value. In accordance with IAS 23, directly attributable borrowing costs are included in the cost of qualifying assets.

The Group applies the cost model for the measurement of property, plant and equipment rather than the allowed alternative method that consists of regularly revaluing categories of assets. Government grants are recognized as a deduction from the gross amount of the assets to which they relate.

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 applied 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 are derecognized when the risks and rewards of ownership of the asset are transferred.

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 of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases (net of benefits received from the lessor, which are deferred on a straight-line basis over the term of the lease) are recognized as expenses in the income statement.

c. 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 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 cash-generating unit (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 perpetual growth rates.

The audit procedures were carried out and the Statutory Auditors' report was issued.

When an analysis of the related context reveals that a CGU, intangible asset, or item of property, plant and equipment that is in use or ready for use may have become impaired, the asset concerned is tested for impairment in accordance with IAS 36, based on the following:

- CGU: a cash-generating unit (CGU) is 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 recoverable amount of goodwill is tested at the level of the CGU to which it is allocated. The structure of the Group's CGUs is based on its legal entities but also includes certain cross-functional groupings within geographic areas or sub-segments which have integrated cash inflows.
- Other intangible assets and property, plant and equipment: groups of assets with finite useful lives are tested for impairment if there is a specific indication that they may be impaired (as defined in IAS 36.12). Examples of indications that an asset may be impaired include a pronounced decline in profitability, a considerably lower performance than in the original business plan, or a significant loss of customers, market share or product certifications.
- 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- or seven-year business plans are used, based on the Group's budget process and strategic plan for the first five years, with an extrapolation calculated in conjunction with local management for the last two years if appropriate.
- Operational cash flows beyond five or seven years, as applicable, are extrapolated based on growth rates specific to each geographical area.

Impairment losses (net of reversals) are recorded in the income statement under "Other operating income and expenses" unless they directly relate to a restructuring operation (see **Note 1.F.k**).

d. Financial assets at fair value through profit or loss or other comprehensive income

Financial assets at fair value through profit or loss or through other comprehensive income relate to the shares in non-consolidated entities. They are initially recognized at fair value. For each of these assets, the Group decides whether to measure subsequent changes in fair value either through profit or loss or through other comprehensive income (without any possibility of subsequently being recycled to profit or loss). This choice is made at the initial recognition date and is irreversible.

e. Inventories and work in progress

Inventories and manufacturing work in progress are stated at the lower of cost and net realizable value. The costs incurred in bringing inventories to their present location and conditions 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, qualifying inventories include directly attributable borrowing costs.

Inventories include Core exposure:

- With respect to continuous casting activities, the Core exposure represents the minimum quantity of non-ferrous metal inventories necessary to establish and maintain casting operations.
- In respect to Nexans cabling activities, the Core exposure represents the amounts of non-ferrous metals required for the Group's cable plants to operate effectively in the current business context.

Its overall volume is generally kept stable and is 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. In the event of structural reorganizations within the Group, the level of Core exposure may have to be revised.
The impact of changes in value of this component is shown in a separate line of the income statement 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 stated in **Note 1.F.c**, impairment losses on Core exposure are recognized under "Core exposure effect" in the income statement. Any impairment losses related to other categories of inventories are recognized within operating margin.

f. Trade receivables and other receivables

Trade receivables are stated at their transaction price, determined in accordance with IFRS 15. Interest-free short-term operating receivables are recognized at nominal value as the impact of discounting is not material.

Impairment losses for trade receivables are recognized based on two methods:

- A collective method based on a statistical approach that reflects the expected credit losses over the lifetime of receivables, including receivables not past due, as required by IFRS 9.
  In order to apply this method, the Group has drawn up a matrix of the rates used to write down its trade receivables that factor in country risks, observed default probabilities and expected losses in the event of default. The base used to calculate these statistical loss allowances also takes into account any contractual guarantees received in relation to the receivables concerned.
  The carrying amount of the asset is written down and the amount of the loss is recognized in the income statement under "Cost of sales".

- An individual method, whereby an impairment loss is recorded for a trade receivable 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.
  Receivables written down by the individual method are excluded from the calculation base for impairment losses determined by the collective method.
  In the same way as for the collective method described above, under the individual method, the carrying amount of the asset is written down and the amount of the impairment loss is recognized in the income statement under "Cost of sales".

These impairment methods also apply to "Contract assets" recognized in the consolidated statement of financial position.

g. 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.

The audit procedures were carried out and the Statutory Auditors' report was issued.

h. Assets and groups of assets held for sale

Presentation in the statement of financial position

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, except those for which the Group will remain liable after the related sale as a result of the applicable sale terms and conditions. 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.
In accordance with IFRS 5, assets and groups of assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The potential capital loss arising from this measurement is recognized in the income statement under "Net asset impairment".

Presentation in the income statement

A group of assets sold, held for sale or whose operations have been discontinued is a major component of the Group if:
- it represents a separate major line of business or geographical area of operations;
- it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- it is a subsidiary acquired exclusively with a view to resale.

Where a group of assets sold, held for sale or whose operations have been discontinued is a major component of the Group, it is classified as a discontinued operation and its income and expenses for all periods presented are shown on a separate line of the income statement, "Net income (loss) from discontinued operations", which comprises 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 to the relevant items of the consolidated financial statements.

i. 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 S.A.).

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 plan is announced). The Group uses different measurement models to calculate this fair value, notably the Black & Scholes and Monte-Carlo pricing models.

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".

If stock options or share grants are subject to internal performance conditions their fair value is remeasured at the year-end. For plans that are subject to market performance conditions, changes in fair value after the grant date do not affect the amounts recognized in the financial statements.

The audit procedures were carried out and the Statutory Auditors' report was issued.

The Group has also set up employee stock ownership plans that entitle employees to purchase new 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.

j. Pensions, statutory retirement bonuses and other employee benefits

In accordance with the laws and practices of each country where it 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 "Pensions and other long-term employee 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.F.k**):

- 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, projections 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.
- In accordance with the revised version of IAS 19, actuarial gains and losses – resulting from experience adjustments and the effects of changes in actuarial assumptions – are recognized as components of other comprehensive income that will not be reclassified to the income statement, and are included in "Changes in fair value and other" within equity.
- 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 net 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 present value of available refunds and reductions in future contributions to the plan, less the present value of any minimum funding requirements.

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. They are recognized in the consolidated statement of financial position under "Pensions and other long-term employee benefit obligations". Actuarial gains and losses on provisions for jubilee benefits are recorded in the income statement.

In the event of an amendment, curtailment or settlement of a defined benefit pension plan, the Group's obligation is remeasured at the date when the plan amendment, curtailment or settlement occurs and the gain or loss on remeasurement is included within operating margin. When a defined benefit pension plan is subject to a reduction in liquidity or an amendment as a result of a restructuring plan, the related impact is presented in "Restructuring costs" in the income statement.

The financial component of the annual expense for pensions and other employee benefits (interest expense after deducting any return on plan assets calculated based on the discount rate applied for determining the benefit obligations) is included in other financial expenses (see **Note 10**).

k. 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 would be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The audit procedures were carried out and the Statutory Auditors' report was issued.

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 effect of unwinding the discounting is recognized as a financial expense and the effects of any changes in the discount rate are recognized in the same account as that through 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.F.j**), 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. In the consolidated statement of financial position, this type of impairment is presented as a deduction from the related non-current and current assets.

l. 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.

Convertible bonds and other borrowings

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, as the conversion option meets 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.

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.

Put options given to minority shareholders

Put options given to minority shareholders in subsidiaries are recognized as financial liabilities at their discounted value. In accordance with the revised version of IFRS 3, the impact of changes in the exercise price of these options is recognized in equity.

The audit procedures were carried out and the Statutory Auditors' report was issued.

m. Derivative instruments

Only derivatives negotiated with external counterparties are deemed 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". Any gains or losses previously recognized in equity are reclassified to the income statement in the period in which the hedged item impacts income, for example when the forecast sale takes place. 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.

➢ 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.

The Group 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). 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. Consequently, whenever these instruments are used to hedge future transactions (mainly purchases of copper wires and cathodes) that are highly probable but not yet invoiced, and 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" and the corresponding realized gain or loss is recognized within operating margin.
- The "ineffective" portion of the unrealized gain or loss is recognized in the consolidated income statement under "Other operating income and expenses" and the corresponding realized gain or loss is recognized within operating margin, which, in accordance with the Group's management model, includes all of the realized impacts relating to non-ferrous metals.

The audit procedures were carried out and the Statutory Auditors' report was issued.

The majority of the metal derivatives used by the Group qualify as hedges.

➢ 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.
These derivatives notably include instruments used as economic hedges that were never or are no longer designated as hedges for accounting purposes.

Note 2. Significant events of the year

A. GOVERNANCE

At its meeting on March 18, 2018, Nexans' Board of Directors was informed that Arnaud Poupart-Lafarge – the Group's Chief Executive Officer – wished to resign as soon as possible for personal reasons.

At its meeting of July 3, 2018, the Board of Directors decided to appoint Christopher Guérin as Chief Executive Officer with effect from July 4, 2018. Christopher Guérin is 46 and joined Nexans in 1997. From 2014 he served as Senior Executive Vice President, Europe and Telecom/Datacom, Power Accessories Business Group and he was a member of the Management Board (which existed until November 2018 when the governance structure was changed). During his years at Nexans, he has demonstrated strong and decisive leadership skills while successfully leading economic and social transformations in highly competitive international environments.
He was the driving force behind the development of a new roadmap announced on November 9, 2018 that will enable Nexans to change its value delivery model. Built on the market megatrends that spell out the future growth cycles of the industry, this roadmap will help build a unique positioning for Nexans as well as driving customer and shareholder value. Management will initially focus on the renovation of its operational model by reducing operations and organization complexity. Gradually, the focus will shift towards the Group's repositioning.
The European part of the restructuring program was announced in January 2019 in this respect, see **Note 35**.

B. REDEMPTION OF BOND ISSUE AND ISSUANCE OF BONDS

On March 19, 2018, all of the 2018 bonds were redeemed in cash, as they had reached maturity. The total amount paid was 261 million euros including accrued interest on the bonds.

In August 2018, Nexans issued 325 million euros worth of fixed-rate bonds with a five-year term, maturing on August 8, 2023. The bonds were issued at par and have an annual coupon of 3.75%. The issue price was 100% of par value.
BNP Paribas, Crédit Agricole Corporate and Investment Bank and Société Générale Corporate & Investment Banking were global coordinators and joint bookrunners, and ING was co-lead manager.

The bonds are listed on the regulated market of Euronext Paris.

C. INTERNATIONAL EMPLOYEE SHARE OWNERSHIP PLAN

At its meeting on November 22, 2017, the Board of Directors used the authorizations granted at the May 11, 2017 Annual Shareholders' Meeting to approve in principle the launch in 2018 of an employee share ownership plan involving the issue of a maximum of 500,000 new shares. This was the eighth international employee share ownership plan set up by the Group.

The audit procedures were carried out and the Statutory Auditors' report was issued.

The plan proposed a "leveraged" structure in the same way as in the 2010, 2012, 2014 and 2016 plans, whereby employees were able to subscribe for the shares directly or through a corporate mutual fund (FCPE) at a preferential discount share price, with the Company providing them with a capital guarantee plus a multiple based on share performance. The shares are locked into the plan for five years, apart from in special circumstances when employees can access them earlier. In countries where the leveraged structure using a corporate mutual fund raised legal or tax difficulties an alternative formula was offered comprising the allocation of Stock Appreciation Rights (SAR). Participating employees benefited from a matching payment by the Group.

The reservation period was from May 7 to May 22, 2018, with a revocation period from June 21 to June 26, 2018.

The subscription price was set on June 20, 2018 at 29.87 euros per share representing a 20% discount against the average of the prices quoted for the Nexans share over the twenty trading days preceding that date. The settlement-delivery of the new shares took place on July 18, 2018 and resulted in the issue of 496,477 new shares, including 460,913 shares subscribed by the group's employees through the corporate mutual fund or by Société Générale for the purposes of the alternative formula offered in the employee shareholding plan.

The remaining 35,564 shares corresponded to free shares financed by the Group’s matching payment.
The total impact on equity was an increase of 13.8 million euros, with 0.5 million euros corresponding to the aggregate par value of the new shares and the balance represented by the premium.

To limit the dilutive impact of the share issue and in line with the decision of the Board of Directors on June 16, 2018, a total of 400,000 shares held in treasury stock were canceled on July 18, 2018, leading to a capital reduction of 0.4 million euros.

Note 3. Changes in accounting methods: IFRS 9 and IFRS 15

At January 1, 2018, the Group applied IFRS 15 fully retrospectively and IFRS 9 retrospectively without restating its comparative financial statements.

Impacts of applying IFRS 15
The main impacts of applying IFRS 15 concern the measurement of the progress of goods and services contracts (formerly referred to as construction contracts) and changes in the presentation of the consolidated statement of financial position.

Previously, the percentage of completion of goods and services contracts was determined based on physical criteria, whereas now the progress of all such contracts is measured based on inputs, i.e. costs incurred.
The Group has elected for full retrospective application of IFRS 15. However, as the difference resulting from using the new measure of progress did not have a material impact on either first-half or full-year data for 2017, the full amount of this difference is directly presented in “Capital stock, additional paid-in capital, retained earnings and other reserves” in the consolidated statement of financial position and the consolidated statement of changes in equity.
The consequences of applying IFRS 15 on the Group’s already published financial statements are presented below.

The impacts not presented in the consolidated income statement for 2017 are as follows:

- A 6 million euro positive impact on sales at constant metal prices.
- A 1 million euro negative impact on net income.

The audit procedures were carried out and the Statutory Auditors' report was issued.

In the consolidated statement of financial position, the account headings “Amounts due from customers on construction contracts” and “Liabilities related to construction contracts” have been replaced by the new headings “Contract assets” and “Contract liabilities”.

- Prior to the Group’s application of IFRS 15, “Amounts due from customers on construction contracts” and “Amounts due to customers on construction contracts” (presented under “Liabilities related to construction contracts” in the consolidated statement of financial position) only concerned goods and services contracts and corresponded to the aggregate amount of costs incurred for the contract plus profits recognized (net of any losses recognized, including any losses to completion), less progress billings. If the balance was positive it was recognized under assets and if it was negative it was recognized under liabilities. In addition, partial payments received on these contracts were recognized as progress billings were made.
- Under the new accounting treatment, for goods and services contracts, the new account headings "Contract assets" and "Contract liabilities" include the difference between the revenue recognized on the contracts and the sum of (i) progress billings (issued when the Group obtains an enforceable right to payment) and (ii) partial payments received for the contracts concerned before the corresponding work has been carried out (customer advance payments).
- When it is probable that total costs will exceed total contract revenue, the expected loss to completion is now recognized under “Short-term provisions” or “Long-term provisions” in the consolidated statement of financial position. The Group did not recognize any losses to completion at either January 1, 2017 or December 31, 2017.
- Customer advance payments are no longer classified under “Trade payables” for sales of goods contracts or under “Liabilities related to construction contracts” (which no longer exists) for goods and services contracts. Instead, they are taken into account in the calculation of “Contract assets” and “Contract liabilities”.

Impacts of applying IFRS 9

IFRS 9, “Financial Instruments” replaces IAS 39, “Financial Instruments: Recognition and Measurement” and involves three phases: “Classification and Measurement of Financial Assets”, “Impairment” and “Hedge Accounting”.
Application of the first two phases is mandatory for annual periods beginning on or after January 1, 2018. The Group still applies the provisions of IAS 39 related to hedge accounting as regards the third phase of IFRS 9.

The Group applied IFRS 9 retrospectively at January 1, 2018 without restating its comparative financial statements. As a result of this first-time application, it has changed the methods used for recognizing impairment losses on trade receivables as well as its accounting treatment of shares held in non-consolidated companies.

➢ Classification and measurement of financial assets

IFRS 9 amends the major categories of financial assets. Where assets are measured at fair value, gains and losses must be recognized either in profit or loss (fair value through profit or loss, FVPL) or in other comprehensive income (fair value through other comprehensive income, FVOCI), without recycling of fair value changes to profit or loss. Entities have to elect which of these two accounting treatments to apply for each asset at the time of initial recognition and the decision is irrevocable.
Nexans’ shares in non-consolidated companies – which were presented under “Financial assets at fair value through net income or through other comprehensive income” in “Other non current assets” in the consolidated statement of financial position – have been reviewed by the Group. Based on its analysis, at January 1, 2018 it classified 20 million euros worth of shares as FVPL and 3 million euros worth as FVOCI.

➢ Impairment

IFRS 9 establishes a new approach for loans and receivables, including trade receivables – an “expected credit loss” model that forecasts expected credit losses instead of accounting for them when they occur (which was the approach adopted in IAS 39). Receivables that are not past due at the period-end are now included when calculating impairment of trade receivables.
At Nexans, the assets concerned are mainly trade receivables and contract assets.
The retrospective application of this principle led to (i) a 9 million euros net-of-tax decrease in opening equity at January 1, 2018, of which 8 million euros was recognized in equity attributable to owners of the parent, and (ii) a 10 million euro decrease in “Trade receivables”.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Restatement of the 2017 consolidated financial statements

As IFRS 9 was applied retrospectively without restating the comparative financial statements (as permitted by the standard), only the effects on the financial statements at December 31, 2017 of applying IFRS 15 are presented below.

As the first-time application of IFRS 15 did not impact the consolidated income statement, statement of comprehensive income or statement of cash flows, only the restatements of the consolidated statement of financial position and statement of changes in equity are shown.

Restatement of the consolidated statement of financial position – ASSETS

(in millions of euros)	December 31, 2017 (reported)	Change in revenue recognition accounting policies	December 31, 2017 (restated)
ASSETS			
Goodwill	236	-	236
Intangible assets	127	-	127
Property, plant and equipment	1,129	-	1,129
Investments in associates	40	-	40
Deferred tax assets	135	-	135
Other non-current assets	100	-	100
NON-CURRENT ASSETS	**1,767**	**-**	**1,767**
Inventories and work in progress	1,107	-	1,107
Amounts due from customers on construction contracts	199	(199)	-
Contract assets	-	134	134
Trade receivables	1,033	-	1,033
Derivative instruments	59	-	59
Other current assets	177	-	177
Cash and cash equivalents	805	-	805
Assets and groups of assets held for sale	0	-	0
CURRENT ASSETS	**3,380**	**(65)**	**3,315**
TOTAL ASSETS	**5,147**	**(65)**	**5,082**

The audit procedures were carried out and the Statutory Auditors' report was issued.

Restatement of the consolidated statement of financial position – EQUITY AND LIABILITIES

(in millions of euros)	December 31, 2017 (reported)	Change in revenue recognition accounting policies	December 31, 2017 (restated)
EQUITY AND LIABILITIES			
Capital stock, additional paid-in capital, retained earnings and other reserves	1,372	(5)	1,367
Other components of equity	52	0	52
Equity attributable to owners of the parent	**1,424**	**(4)**	**1,419**
Non-controlling interests	48	-	48
TOTAL EQUITY	**1,472**	**(4)**	**1,468**
Pensions and other long-term employee benefit obligations	387	-	387
Non-current provisions	94	-	94
Convertible bonds	267	-	267
Other non-current debt	451	-	451
Non-current derivative liabilities	3	-	3
Deferred tax liabilities	103	(0)	102
NON-CURRENT LIABILITIES	**1,305**	**-**	**1,304**
Current provisions	79	-	79
Current debt	419	-	420
Liabilities related to construction contracts	163	(163)	-
Contract liabilities	-	165	165
Current derivative liabilities	36	-	36
Trade payables	1,342	(62)	1,280
Other current liabilities	331	-	331
Liabilities related to groups of assets held for sale	0	-	0
CURRENT LIABILITIES	**2,370**	**(60)**	**2,310**
TOTAL EQUITY AND LIABILITIES	**5,147**	**(65)**	**5,082**

The audit procedures were carried out and the Statutory Auditors' report was issued.

Restatement of the consolidated statement of changes in equity

(in millions of euros)	Number of shares outstanding	Capital stock	Additional paid-in capital	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**
JANUARY 1, 2017 (reported)	**43,411,421**	**43**	**1,601**	**-**	**(392)**	**(3)**	**163**	**1,412**	**57**	**1,469**
Change in revenue recognition accounting policies	-	-	-	-	(4)	-	0	(3)	-	(3)
JANUARY 1, 2017 (restated)	43,412,614	43	1,601	-	(396)	(3)	163	1,409	57	1,466
DECEMBER 31, 2017 (reported)	**43,412,614**	**43**	**1,605**	**(4)**	**(273)**	**17**	**36**	**1,424**	**48**	**1,472**
Change in revenue recognition accounting policies	-	-	-	-	(5)	-	0	(4)	-	(4)
DECEMBER 31, 2017 (restated)	43,412,614	43	1,605	(4)	(277)	17	36	1,419	48	1,468

Note 4. Operating segments

During 2018, the Group changed its operating segments (as defined in IFRS 8) following the launch of its “Paced For Growth” 2018-2022 Strategic Plan in order to better reflect its new organizational structure and the way management monitors Group performance.

The new operating segments are now structured in the same way as the information that is presented monthly to the Executive Committee[1], and is used to guide the implementation of the Group’s strategy and the conduct of its operations. They are also the main units used for measuring and analyzing Nexans’ operating performance, for which the main indicators are operating margin and EBITDA.
The comparative segment information for 2017 has been restated in line with the Group’s new segment reporting structure applicable since the beginning of 2018.

The Group now has the following four reportable segments within the meaning of IFRS 8 (after taking into account the aggregations authorized by the standard):

- **Building & Territories:** This segment provides reliable cabling systems and smart energy solutions enabling buildings and territories to be more efficient, sustainable and people-friendly. It covers the following markets: building, smart cities/grids, e-mobility, local infrastructure, decentralized energy systems and rural electrification.

[1] *Nexans’ Executive Committee is chaired by the Chief Executive Officer and its objective is to determine the Group's strategy as well as its resource allocation policies and organizational structure. It is the Group’s chief operating decision maker within the meaning of IFRS 8.*

The audit procedures were carried out and the Statutory Auditors' report was issued.

- **High Voltage & Projects:** This segment partners its customers from the start of the cycle (design, engineering, financing, asset management) right through to the end (systems management) to help them find the cabling solution that is the best suited to their needs in terms of efficiency and reliability. It covers the following markets: offshore wind farms, subsea interconnections, land high-voltage, and smart solutions for the oil and gas sector (direct electric heating, subsea heating cables).

- **Telecom & Data:** This segment helps customers to easily deploy copper and fiber optic infrastructure thanks to plug-and-play cabling and connection solutions. It encompasses the following activities: data transmission (subsea, fiber, FTTx), telecom networks, hyperscale data centers and LAN cabling solutions.

- **Industry & Solutions:** This segment provides support to OEMs and industrial infrastructure project managers in personalizing their cabling and connection solutions to enable them to meet their electrification, digitization and automation requirements. It covers the following markets: transport (aeronautics, rail, shipbuilding, automotive), automatic devices, renewable energy (solar and wind power), resources (oil and gas, mining) and other sectors (nuclear, medical, handling, etc.).

The Group's segment information also includes a column entitled "Other Activities", which corresponds to (i) certain specific or centralized activities carried out for the Group as a whole which give rise to expenses that are not allocated between the various segments, and (ii) the Electrical Wires business, comprising wire rods, electrical wires and winding wire production operations.

Two specific facts should be noted for the "Other Activities" column:
- A total of 93% of the sales at constant metal prices recorded under "Other Activities" in 2018 were generated by the Group's Electrical Wires business (compared with 90% in 2017).
- Operating margin for "Other Activities" was a negative 2 million euros in 2018, reflecting the combined impact of profit generated from sales of copper wires and certain centralized Group costs that are not allocated between the segments (such as holding company expenses).

The change in the Group's reportable segments did not affect its information by major geographic area.

Transfer prices between the various operating segments are generally the same as those applied for transactions with parties outside the Group.

Operating segment data were prepared using the same accounting policies as for the consolidated financial statements for the year ended December 31, 2018 (described in the notes to those financial statements), as amended by **Note 1.B** above.

A. INFORMATION BY REPORTABLE SEGMENT

2018 *(in millions of euros)*	Building & Territories	High Voltage & Projects	Telecom & Data	Industry & Solutions	Other Activities	Group total
Net sales at current metal prices	2,774	745	561	1,390	1,020	6,490
Net sales at constant metal prices	1,742	683	496	1,160	329	4,409
EBITDA	120	68	44	86	7	325
Depreciation and amortization	(48)	(34)	(11)	(35)	(10)	(137)
Operating margin	72	34	34	51	(2)	188
Net impairment of non-current assets (including goodwill) (see **Note 8**)	(2)	(46)	-	-	3	(44)

The audit procedures were carried out and the Statutory Auditors' report was issued.

2017 *(in millions of euros)*	Building & Territories	High Voltage & Projects	Telecom & Data	Industry & Solutions	Other Activities	Group total
Net sales at current metal prices	2,685	954	571	1,332	828	6,370
Net sales at constant metal prices	1,757	885	512	1,126	290	4,571
Net sales at constant metal prices and 2018 exchange rates	1,687	865	495	1,112	283	4,442
EBITDA	126	118	62	89	16	411
Depreciation and amortization	(49)	(38)	(10)	(33)	(9)	(139)
Operating margin	77	80	52	56	7	272
Net impairment of non-current assets (including goodwill) (see **Note 8**)	-	(7)	-	-	(1)	(8)

The Executive Committee also analyzes the Group's performance based on geographic area.

B. INFORMATION BY MAJOR GEOGRAPHIC AREA

2018 (in millions of euros)	France	Germany	Norway	Other[2]	Group Total
Net sales at current metal prices[1]	1,038	829	693	3,930	6,490
Net sales at constant metal prices[1]	644	745	631	2,389	4,409
Non-current assets (IFRS 8)[1] (at December 31)	169	161	204	1,015	1,548

(1) Based on the location of the assets of the Group's subsidiaries.
(2) Countries that do not individually account for more than 10% of the Group's net sales at constant metal prices.

2017 *(in millions of euros)*	France	Germany	Norway	Other[2]	Group total
Net sales at current metal prices[1]	1,023	841	858	3,647	6,370
Net sales at constant metal prices[1]	663	753	800	2,355	4,571
Net sales at constant metal prices and 2018 exchange rates[1]	663	753	777	2,249	4,442
Non-current assets (IFRS 8)[1] (at December 31)	175	168	180	1,009	1,532

(1) Based on the location of the assets of the Group's subsidiaries.
(2) 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 2018 or 2017.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Note 5. Revenue from contracts with customers

A. CONSOLIDATED SALES

Consolidated sales can be analyzed as follows:

2018 *Sales (in millions of euros)*	Building & Territories	High Voltage & Projects	Telecom & Data	Industry & Solutions	Other Activities	Group total
Performance obligations satisfied at a point in time	2,774	121	561	1,390	1,020	5,866
Performance obligations satisfied over time	-	624	-	-	-	624
Net sales at current metal prices	**2,774**	**745**	**561**	**1,390**	**1,020**	**6,490**
Performance obligations satisfied at a point in time	1,742	100	496	1,160	329	3,826
Performance obligations satisfied over time	-	583	-	-	-	583
Net sales at constant metal prices	**1,742**	**683**	**496**	**1,160**	**329**	**4,409**

2017 *Sales (in millions of euros)*	Building & Territories	High Voltage & Projects	Telecom & Data	Industry & Solutions	Other Activities	Group total
Performance obligations satisfied at a point in time	2,685	113	571	1,332	828	5,529
Performance obligations satisfied over time	-	841	-	-	-	841
Net sales at current metal prices	**2,685**	**954**	**571**	**1,332**	**828**	**6,370**
Performance obligations satisfied at a point in time	1,757	98	512	1,126	290	3,784
Performance obligations satisfied over time	-	787	-	-	-	787
Net sales at constant metal prices	**1,757**	**885**	**512**	**1,126**	**290**	**4,571**

B. CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets and contract liabilities can be analyzed as follows:

(in millions of euros)	December 31, 2018		December 31, 2017 (restated)[1]	
	Sales of goods	Goods and services contracts	Sales of goods	Goods and services contracts
Contract assets	-	95	-	134
Contract liabilities	(56)	(195)	(39)	(125)
TOTAL NET ASSETS/(LIABILITIES)	**(56)**	**(100)**	**(39)**	**9**

(1) Restatements of consolidated data at December 31, 2017 are set out in ***Note 3****.*

Sales of goods

Contract liabilities correspond to customer advance payments. The related performance obligation is satisfied within two years of receipt of the advance payment. The majority of the amounts reported at December 31, 2017 are included in 2018 sales.

Goods and services contracts

Contract assets correspond mainly to revenue recognized in respect of services rendered but not yet invoiced at the period-end. Amounts recorded in "Contract assets" are transferred to "Trade receivables" when the Group obtains an enforceable right to payment.

The audit procedures were carried out and the Statutory Auditors' report was issued.

The net change in contract assets and contract liabilities corresponds to a 109 million euro increase in liabilities relating to the billing of items included in the opening balance for around 90 million euros, a net increase in advances received for around 50 million euros, partly offset by timing differences between the satisfaction of the performance obligation and the Group obtaining enforceable rights to payment for around 30 million euros.

C. UNSATISFIED PERFORMANCE OBLIGATIONS

Sales of goods

Due to the nature of the business, performance obligations related to sales of goods are satisfied within the short term. Consequently, no details are provided of unsatisfied performance obligations.

Goods and services contracts

Goods and services contracts mainly concerns the Group's high-voltage cable and umbilical cable activities. The amount of unsatisfied performance obligations for these activities is greater than 1,250 million euros, of which 85% should be satisfied over the next two years.

Note 6. Payroll costs and headcount

		2018	2017
Payroll costs (including payroll taxes)	*(in millions of euros)*	1,192	1,174
Staff of controlled companies at year-end	*(in number of employees)*	27,058	26,308

Payroll costs in the above table include share-based payments within the meaning of IFRS 2. These payments totaled 9 million euros in 2018 (including payroll taxes). See **Note 21** for further details.

Compensation paid to employees affected by restructuring plans in progress is not included in the above table.

Note 7. Other operating income and expenses

(in millions of euros)	Notes	2018	2017
Net asset impairment	8	(44)	(8)
Changes in fair value of non-ferrous metal derivatives		(5)	0
Net gains (losses) on asset disposals	9	44	1
Acquisition-related costs (completed and planned acquisitions)		(3)	(6)
Expenses and provisions for antitrust investigations		(1)	(6)
OTHER OPERATING INCOME AND EXPENSES		**(9)**	**(19)**

In 2018, net gains on asset disposals mainly relate to the disposal of the industrial site in Lyon.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Note 8. Net asset impairment

(in millions of euros)	2018	2017
Impairment losses – non-current assets	(47)	(8)
Reversals of impairment losses – non-current assets	3	-
Impairment losses – goodwill	-	-
Impairment losses – assets and groups of assets held for sale	-	-
NET ASSET IMPAIRMENT	**(44)**	**(8)**

The Group carries out impairment tests on goodwill at least once a year, on intangible assets with an indefinite useful life at least once a year, and on other intangible assets and property, plant and equipment whenever there is an indication that they may be impaired (see **Note 1.F.c.**).

As described in **Note 1**, and in accordance with IAS 36, impairment tests were first carried out on individual assets when an indication of impairment was identified.
In 2018, these tests led to the recognition of a 47 million euro impairment loss, including:

- 18 million euros relating to property, plant and equipment in China, and
- 28 million euros relating to property, plant and equipment in the land high-voltage business in Europe. Following the revision of the long-term business outlook, the value of the assets of the two manufacturing sites was reviewed and it led to the recognition of the impairment loss mentioned above.

The 8 million euro impairment loss recorded in 2017 mainly concerned property, plant and equipment.

Impairment tests were then performed on goodwill, at the level of the CGUs to which it is allocated.

A. RESULTS OF THE IMPAIRMENT TESTS PERFORMED IN 2018

Goodwill balances and movements in goodwill in 2018 can be analyzed as follows by CGU:

(in millions of euros)	AmerCable CGU	Asia-Pacific CGU	South America CGU (excluding Brazil)	Other CGUs	Total
DECEMBER 31, 2017	**26**	**79**	**65**	**66**	**236**
Business combinations	-	-	-	-	-
Disposals/acquisitions	-	-	-	8	8
Impairment losses	-	-	-	-	-
Exchange differences and other	1	(2)	0	1	(0)
DECEMBER 31, 2018	**27**	**77**	**65**	**74**	**243**

No impairment loss on goodwill was recognized by the Group in 2018 or 2017.

The 8 million euro increase in goodwill under “Other CGUs” relates to the acquisition of Nexans Industry Solutions.

The audit procedures were carried out and the Statutory Auditors' report was issued.

B. MAIN ASSUMPTIONS

The main assumptions applied by geographic area when preparing the business plans used in connection with impairment testing are listed below:

- Stable discount rates in the Group's main monetary areas at December 31, 2018 compared with December 31, 2017, except for the discount rates used for the United States and South Korea, which were 25 basis points higher.
- The perpetuity growth rates used for the Group's CGUs at December 31, 2018 were stable compared with those used at December 31, 2017.
- The cash flow assumptions used for impairment calculations were based on the latest projections approved by Group Management and therefore factor in Management's most recent estimates of the Group's future business levels (as contained in the 2019 Budget and the 2019-2023 Strategic Plan). Cash flows are projected over a five-year period for the purpose of these assumptions.

C. SENSITIVITY ANALYSES

The main assumptions described above are used for measuring the CGUs that are tested for impairment. In addition, analyses are performed to test the sensitivity of the calculations to a 50 basis point increase or decrease in the discount rate and perpetuity growth rate.

At December 31, 2018, the following sensitivity analysis was performed:

- A 50 basis point increase in the discount rate and a 50 basis point decrease in the perpetuity growth rate compared with the assumptions presented above would have resulted in the recognition of impairment losses at December 31, 2018 amounting to 1.7 million euros for the "Brazil" CGU.

Note 9. Net gains (losses) on asset disposals

(in millions of euros)	2018	2017
Net gains (losses) on disposals of fixed assets	44	1
Net gains (losses) on disposals of investments	1	-
Other	-	-
NET GAINS (LOSSES) ON ASSET DISPOSALS	**44**	**1**

The 44 million euro net gain recorded under "Net gains (losses) on disposals of investments" in 2018 corresponded mainly to the net gain on the sale of the Lyon industrial site.

Note 10. Other financial income and expenses

(in millions of euros)	2018	2017
Dividends received from non-consolidated companies	1	1
Provisions	-	2
Net foreign exchange gain (loss)	6	3
Net interest expense on pensions and other long-term employee benefit obligations[1]	(5)	(6)
Other	(10)	(6)
OTHER FINANCIAL INCOME AND EXPENSES	**(9)**	**(6)**

*(1) See **Note 22.b.***

The audit procedures were carried out and the Statutory Auditors' report was issued.

Note 11. Income taxes

A. ANALYSIS OF THE INCOME TAX CHARGE

(in millions of euros)	2018	2017
Current income tax charge	(43)	(45)
Deferred income tax (charge) benefit, net	(1)	(46)
INCOME TAX CHARGE	**(44)**	**(91)**

Nexans S.A. heads up a tax group in France that comprised 10 companies in 2018. Other tax groups have been set up where possible in other countries, including in Germany, North America, Italy and South Korea.

B. EFFECTIVE INCOME TAX RATE

The effective income tax rate was as follows for 2018 and 2017:

Tax proof *(in millions of euros)*	2018	2017
Income before taxes	56	219
- of which share in net income of associates	0	2
INCOME BEFORE TAXES AND SHARE IN NET INCOME OF ASSOCIATES	56	217
Standard tax rate applicable in France (in %)[1]	34.43%	34.43%
THEORETICAL INCOME TAX CHARGE	(19)	(75)
Effect of:		
- Difference between foreign and French tax rates	12	23
- Change in tax rates for the period	2	(7)
- Unrecognized deferred tax assets	(32)	(17)
- Taxes calculated on a basis different from "Income before taxes"	(7)	(7)
- Other permanent differences	0	(8)
ACTUAL INCOME TAX CHARGE	(44)	(91)
EFFECTIVE TAX RATE (in %)	77.80%	42.04%

(1) For the purpose of simplicity, the Group has elected to only use the standard tax rate for France, i.e., including surtaxes.

The theoretical income tax charge is calculated by applying the parent company's tax rate to consolidated income before taxes and share in net income of associates.

The audit procedures were carried out and the Statutory Auditors' report was issued.

C. TAXES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

Taxes recognized directly in other comprehensive income in 2018 can be analyzed as follows:

(in millions of euros)	January 1, 2018	Gains (losses) generated during the year[1]	Amounts recycled to the income statement[1]	**Total other comprehensive income (loss)**	December 31, 2018
Currency translation differences	(5)	0	-	0	**(5)**
Cash flow hedges	(7)	15	2	17	**10**
TAX IMPACT ON RECYCLABLE COMPONENTS OF COMPREHENSIVE INCOME[2]	**(12)**	**15**	**2**	**17**	**5**
Financial assets at fair value through other comprehensive income	-	-	-	-	-
Actuarial gains and losses on pensions and other long-term employee benefit obligations	48	2	N/A	2	**50**
Share of other non-recyclable comprehensive income of associates	-	-	-	-	-
TAX IMPACT ON NON-RECYCLABLE COMPONENTS OF COMPREHENSIVE INCOME	**48**	**2**	**-**	**2**	**50**

(1) *The tax effects relating to cash flow hedges and available-for-sale financial assets, as well as the gains and losses generated during the year and amounts recycled to the income statement are presented in the consolidated statement of changes in equity in the "Changes in fair value and other" column.*

(2) *These taxes will be recycled to the income statement in the same periods as the underlying transactions to which they relate (see **Notes 1.C** and **1.F.k**).*

D. DEFERRED TAXES RECORDED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Deferred taxes break down as follows by type:

(in millions of euros)	December 31, 2017 (restated)	Impact on income	Change in consolidation scope	Impact on equity	Exchange differences and other	December 31, 2018
Fixed assets	(60)	16	0	-	(1)	(45)
Other assets	(58)	(23)	-	-	4	(76)
Employee benefit obligations	67	(8)	-	2	(0)	60
Provisions for contingencies and charges	18	0	-	-	(0)	18
Other liabilities	0	(3)	-	17	0	15
Unused tax losses	533	39	0	(0)	(9)	563
DEFERRED TAX ASSETS (GROSS) AND DEFERRED TAX LIABILITIES	**500**	21	0	19	(6)	**535**
Unrecognized deferred tax assets	(468)	(22)	-	-	7	(482)
NET DEFERRED TAXES	**32**	(1)	0	19	1	**53**
- of which recognized deferred tax assets	135					162
- of which deferred tax liabilities	(102)					(109)
NET DEFERRED TAXES EXCLUDING ACTUARIAL GAINS AND LOSSES	**(15)**					**3**

The audit procedures were carried out and the Statutory Auditors' report was issued.

At December 31, 2018, deferred tax assets of 482 million euros were not recognized as the Group deemed that their recovery was not sufficiently probable (468 million euros at December 2017). These mainly concern the tax losses described in **Note 11.E** below.

E. UNUSED TAX LOSSES

Unused tax losses carried forward represented potential tax benefits for the Group of 563 million euros at December 31, 2018 (533 million euros at December 31, 2017). The main entities to which these tax losses related at those dates were as follows:

- German subsidiaries, in an amount of 162 million euros (157 million euros at December 31, 2017), of which 34 million euros were recognized in deferred tax assets at December 31, 2018 (44 million euros at December 31, 2017).
- French subsidiaries, in an amount of 187 million euros (180 million euros at December 31, 2017), of which 13 million euros were recognized in deferred tax assets at December 31, 2018 (13 million euros at December 31, 2017).

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 (see **Note 1.E.f**).

The potential tax benefits deriving from unused tax losses carried forward break down as follows by expiration date:

(At December 31, in millions of euros)	2018	2017
Year Y+1	3	2
Years Y+2 to Y+4	12	10
Year Y+5 and subsequent years[1]	548	521
TOTAL	**563**	**533**

(1) This line includes the potential tax benefits derived from unused tax losses that may be carried forward indefinitely.

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 significant tax payment.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Note 12. Earnings per share

The following table presents a reconciliation of basic earnings per share and diluted earnings per share:

	2018	2017
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT[(1)]	14	125
Interest expense on OCEANE convertible bonds, net of tax[(1)]	Anti-dilutive	(7)
ADJUSTED NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT[(1)]	14	132
ATTRIBUTABLE NET INCOME FROM DISCONTINUED OPERATIONS[(1)]	-	-
Average number of shares outstanding	43,307,515	43,328,672
Average number of dilutive instruments		5,226,150
- *of which free shares and performance shares*	*908,085*	*955,955*
- *of which stock options*	-	*17,033*
- *of which convertible bonds*	*Anti-dilutive*	*4,253,162*
Average number of diluted shares	44,215,600	48,554,822
ATTRIBUTABLE NET INCOME PER SHARE (in euros)		
- Basic earnings per share[(2)]	0.32	3.04
- Diluted earnings per share[(2)]	0.32	2.71

(1) In millions of euros.
(2) In euros.

Note 13. Intangible assets

(in millions of euros)	Trademarks	Customer relationships	Software	Intangible assets in progress	Other	Total
Gross value	56	195	87	28	48	415
Accumulated amortization and impairment	(26)	(173)	(73)	-	(16)	(288)
NET AT JANUARY 1, 2018	**30**	**22**	**15**	**28**	**32**	**127**
Acquisitions and capitalizations	-	-	4	11	-	15
Disposals	-	-	-	-	-	-
Depreciation expense for the year	-	(4)	(6)	-	(4)	(14)
Impairment losses[(1)]	-	-	-	-	-	-
Changes in Group structure	-	-	-	-	-	-
Exchange differences and other	1	-	4	(3)	-	2
NET AT DECEMBER 31, 2018	**31**	**18**	**17**	**37**	**28**	**131**
Gross value	56	193	96	37	48	429
Accumulated amortization and impairment	(25)	(175)	(79)	-	(20)	(298)

*(1) See **Note 8**.*

The audit procedures were carried out and the Statutory Auditors' report was issued.

Note 14. Property, plant and equipment

(in millions of euros)	Land and buildings	Plant, equipment and machinery	Property, plant and equipment under construction	Other	Total
Gross value	910	2,239	102	219	3,470
Accumulated depreciation and impairment	(548)	(1,615)	-	(178)	(2,341)
NET AT JANUARY 1, 2018	**362**	**624**	**102**	**41**	**1,129**
Acquisitions and capitalizations	16	54	84	38	192
Disposals	(5)	(3)	-	-	(8)
Depreciation expense for the year	(22)	(89)	-	(11)	(123)
Impairment losses[1]	(18)	(20)	(6)	(3)	(47)
Changes in Group structure	-	-	-	-	-
Exchange differences and other	18	54	(81)	1	(8)
NET AT DECEMBER 31, 2018	**351**	**620**	**98**	**66**	**1,135**
Gross value	927	2,245	104	236	3,512
Accumulated depreciation and impairment	(576)	(1,625)	(6)	(170)	(2,377)

(1) See ***Note 8****.*

Note 15. Investments in associates – Summary of financial data

A. EQUITY VALUE

(At December 31, in millions of euros)	% control	2018	2017
Qatar International Cable Company	30.33%	16	14
Cobrecon/Colada Continua	33.33%/41.00%	8	9
Recycables	36.50%	4	4
IES Energy	27.80%	12	13
TOTAL		**39**	**40**

The audit procedures were carried out and the Statutory Auditors' report was issued.

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 the Group's consolidated financial statements were published.

Condensed statement of financial position

(At December 31, in millions of euros)	2018	2017
Property, plant and equipment and intangible assets	121	119
Current assets	136	173
TOTAL CAPITAL EMPLOYED	**257**	**292**
Equity	123	132
Net financial debt	37	13
Other liabilities	97	147
TOTAL FINANCING	**257**	**292**

Condensed income statement

(in millions of euros)	2018	2017
Sales at current metal prices	289	312
Operating income	5	10
Net income	(1)	4

Note 16. Other non-current assets

At December 31, in millions of euros (net of impairment)	2018	2017
Long-term loans and receivables	19	36
Shares in non-consolidated companies	21	23
Pension plan assets	5	7
Derivative instruments	3	22
Other	12	12
TOTAL	**60**	**100**

The audit procedures were carried out and the Statutory Auditors' report was issued.

The maturity schedule for non-current assets at December 31, 2018 is presented below, excluding (i) shares in non-consolidated companies, and (ii) pension plan assets:

(At December 31, 2018, in millions of euros)	Carrying amount	1 to 5 years	> 5 years
Long-term loans and receivables	19	16	3
Derivative instruments	3	3	-
Other	12	4	8
TOTAL	**34**	**23**	**11**

Movements in impairment losses recognized for other non-current assets carried at net realizable value were as follows:

(in millions of euros)	Long-term loans and receivables	Other
AT DECEMBER 31, 2017	**8**	**3**
Additions	4	-
Disposals/Reversals	(7)	-
Other	1	-
AT DECEMBER 31, 2018	**6**	**3**

Note 17. Inventories and work in progress

(At December 31, in millions of euros)	2018	2017
Raw materials and supplies	356	408
Industrial work in progress	319	300
Finished products	483	447
GROSS VALUE	**1,158**	**1,155**
Impairment	(48)	(48)
NET VALUE	**1,110**	**1,107**

Note 18. Trade receivables

(At December 31, in millions of euros)	2018	2017
Gross value	1,061	1,068
Impairment	(40)	(35)
NET VALUE	**1,021**	**1,033**

At December 31, 2018 and 2017, as part of a receivables securitization program set up by the Group in 2010, renewed for five years on March 30, 2015 and amended in May 2017 (referred to as the "On Balance Sheet" program), Nexans France SAS had respectively sold 87 million euros and 93 million euros worth of euro denominated trade receivables to a bank (excluding security deposit). The receivables sold under this program cannot be derecognized, as they do not meet the required criteria under IAS 27 and IFRS 9.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Changes in provisions for impairment of trade receivables can be analyzed as follows (see **Note 27.D** for details on the Group's policy for managing customer credit risk):

(in millions of euros)	At January 1[1]	Additions	Utilizations	Reversals	Other (currency translation differences, IFRS 5 requirements)	At December 31
2018	45	3	(3)	(4)	(1)	40
2017	38	5	(2)	(3)	(3)	35

(1) *The difference between provisions for impairment at December 31, 2017 (35 million euros) and at January 1, 2018 (45 million euros) is explained by the first-time application of IFRS 9 (see **Note 3**).*

Receivables more than 30 days past due at the year-end but not written down were as follows:

(in millions of euros)	Between 30 and 90 days past due	More than 90 days past due
December 31, 2018	40	14
December 31, 2017	35	28

At December 31, 2018 and 2017, the remaining receivables past due but not written down mainly related to leading industrial groups, major public and private electricity companies and telecommunications operators, and major resellers.

Note 19. Other current assets

(At December 31, in millions of euros)	2018	2017
Prepaid and recoverable income taxes	46	48
Other tax receivables	56	64
Cash deposits paid	9	8
Prepaid expenses	29	22
Other receivables, net	44	35
NET VALUE	**184**	**177**

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 27.D**) is presented under "Cash deposits paid" in the above table and amounted to 3 million euros at December 31, 2018 and 3 million euros at December 31, 2017.

Note 20. Decrease (increase) in working capital

(At December 31, in millions of euros)	2018	2017
Inventories and work in progress	(32)	(163)
Trade receivables and other receivables	58	(63)
Trade payables and other debts	91	117
DECREASE (INCREASE) IN WORKING CAPITAL	**117**	**(109)**

The audit procedures were carried out and the Statutory Auditors' report was issued.

In 2018, the Group sold 20 million euros worth of tax receivables. As the sales concerned transferred substantially all the risks and rewards of ownership, they met the derecognition criteria in IFRS 9 and were therefore derecognized.

Note 21. Equity

A. COMPOSITION OF CAPITAL STOCK

At December 31, 2018, Nexans S.A.'s capital stock comprised 43,606,320 fully paid-up shares with a par value of 1 euro each, compared with 43,494,691 shares at December 31, 2017. The Company's shares have not carried double voting rights since said rights were removed by way of a resolution passed at the Shareholders' Meeting of November 10, 2011.

B. DIVIDENDS

At the Annual Shareholders' Meeting, shareholders will be invited to approve the payment of a dividend of 0.30 euros per share, representing an aggregate payout of 13.1 million euros based on the 43,606,320 shares making up the Company's capital stock at December 31, 2018.

In the event that the Company 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, 2019 and the date of the Annual Shareholders' Meeting that approves the dividend payment, following the exercise of stock options. In addition, any options exercised between May 22, 2019 (the proposed date of the 2019 Annual Shareholders' Meeting) and the dividend payment date will also entitle their holders to the dividend (if any) decided at the 2019 Annual Shareholders' Meeting.

At the Annual Shareholders' Meeting held on May 17, 2018 to approve the financial statements for the year ended December 31, 2017, the Company's shareholders authorized payment of a dividend of 0.70 euros per share, representing an aggregate payout of 30 million euros based on the 43,508,425 shares making up the Company's capital stock on the payment date (May 24, 2018).

At the Annual Shareholders' Meeting held on May 11, 2017 to approve the financial statements for the year ended December 31, 2016, the Company's shareholders authorized the payment of a dividend of 0.50 euros per share – representing a total of 22 million euros – which was paid out on May 19, 2017.

C. TREASURY STOCK

In 2018, Nexans S.A. purchased 702,336 shares into treasury under the buyback programs approved by the Board of Directors on November 22, 2017 and June 19, 2018.
During the year, 150,089 shares were delivered under free share and performance share plans, and 400,000 treasury shares were canceled.

At December 31, 2018, 234,324 shares were held in treasury stock.
At December 31, 2017, 82,077 shares were held in treasury stock.

The audit procedures were carried out and the Statutory Auditors' report was issued.

D. STOCK OPTIONS

At December 31, 2018, no stock options were outstanding. At December 31, 2017, a total of 170,760 options were outstanding, exercisable for 0.39% of the Company's capital stock.

Stock options outstanding at beginning of the period

Grant date	Number of options originally granted	Number of options granted as adjusted after the rights issue[1]	Number of options outstanding at the year-end	Exercise price (in euros)	Exercise price as adjusted after the rights issue[1] *(in euros)*	Exercise period
March 9, 2010	335,490	389,026	-	53.97	46.30	From March 9, 2011[2] to March 8, 2018
TOTAL	**335,490**	**389,026**	**-**			

(1) On November 8, 2013, the Group carried out a rights issue which resulted in a capital increase of 283.8 million euros.
(2) Vesting at a rate of 25% per year as from the grant date.

Following the rights issue carried out on November 8, 2013, the number and unit price of the stock options were adjusted, with no increase in their fair value.

Changes in the number of options outstanding

	Number of options	Weighted average exercise price (in euros)
OPTIONS OUTSTANDING AT BEGINNING OF YEAR	170,760	46.30
Options granted during the year	-	-
Options canceled during the year	-	-
Options exercised during the year	(13,734)	46.30
Options expired during the year	(157,026)	46.30
OPTIONS OUTSTANDING AT THE YEAR-END	-	-
- of which exercisable at the year-end	-	-

Valuation of options

The vesting conditions applicable to stock options are described in section 2.5.6 of the Registration Document.

The fair value of stock options was recorded as a payroll expense from the grant date to the end of the vesting period, with a corresponding adjustment to equity. As no options were in their vesting period in 2018 or 2017, no corresponding expense was recognized in the income statement.

The audit procedures were carried out and the Statutory Auditors' report was issued.

E. FREE SHARES AND PERFORMANCE SHARES

The Group granted an aggregate 265,317 free shares and performance shares in 2018 (225,300 in 2017).

At December 31, 2018, there were 762,584 free shares and performance shares outstanding, each entitling their owner to one share on vesting, representing a total of 1.7% of the Company's capital stock (869,724 shares at December 31, 2017, representing 2.0% of the Company's capital stock).

The free shares and performance shares outstanding at December 31, 2018 can be analyzed as follows:

Plan characteristics

Grant date	Number of shares originally granted	Number of shares outstanding at the year-end	End of vesting period
July 28, 2015	320,960	57,980	July 28, 2019 for non-French tax residents, and July 28, 2018 followed by a two-year lock-up period for French tax residents
January 1, 2016	30,000	30,000	January 1, 2020
May 12, 2016	253,200	219,867	May 12, 2020
November 23, 2016	3,900	3,400	November 23, 2020
March 14, 2017	225,300	202,220	March 14, 2021
March 13, 2018	211,100	194,900	March 13, 2022
July 27, 2018	39,717	39,717	July 27, 2021
July 27, 2018	14,500	14,500	July 27, 2022
TOTAL	**1,098,677**	**762,584**	

Movements in outstanding free shares and performance shares

	Number of shares
SHARES OUTSTANDING AT BEGINNING OF YEAR	**869,724**
Shares granted during the year	265,317
Shares canceled during the year	(222,368)
Shares vested during the year[1]	(150,089)
SHARES OUTSTANDING AT THE YEAR-END	**762,584**

(1) Including 150,089 shares allocated from treasury stock.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Valuation of free shares and performance shares

The assumptions applied to value the shares impacting income for 2018 and 2017 were as follows:

Grant date	July 24, 2014	July 28, 2015	Jan. 1, 2016	May 12, 2016	Nov. 23, 2016	Mar. 14, 2017	March 13, 2018	July 27, 2018
Share price at grant date (in euros)	34.85	36.19	33.84	43.47	49.80	48.31	44.64	29.28
Vesting period	3 to 4 years	3 to 4 years	4 years	4 years	4 years	4 years	4 years	3-4 years
Volatility (%)[1]	42%	35%	35%	37%	37%	38%	35%	42%
Risk-free interest rate (%)	0.25%	0.00%	0.00%	0.00%	0.00%	0.06%	0.02%	0.00%
Dividend rate (%)	2.3%	2.0%	2.0%	1.0%	1.0%	2.0%	2.0%	2.0%
Fair value of each share (in euros)	11.61 - 31.79	12.04 - 33.41	17.27 - 31.24	28.50 - 41.76	25.76 - 47.85	23.48 - 44.59	21.14 – 41.21	12.53-28.70

(1) Only for shares subject to a stock market performance condition.

See section 2.5.6 of the Registration Document.

The fair value of free shares and performance shares is recorded as a payroll expense from the grant date to the end of the vesting period, with a corresponding adjustment to equity. In the 2018 and 2017 income statements, this expense totaled 5 million euros.

F. PUT OPTIONS GRANTED TO NON-CONTROLLING INTERESTS

At December 31, 2018 and 2017, Nexans had no commitment to buy non-controlling interests, as the put options granted on non-controlling interests in Liban Cables expired in 2016.

G. EQUITY COMPONENT OF THE OCEANE CONVERTIBLE BONDS

In accordance with IAS 32, the portion of the OCEANE bonds issued in February 2012 that corresponds to the value of the options embedded in the instruments is recorded under "Retained earnings and other reserves" within equity, representing a pre-tax amount of 41 million euros.

H. EMPLOYEE SHARE OWNERSHIP PLAN

In 2018, Nexans launched a new employee share ownership plan made up of an employee share issue involving a maximum of 500,000 shares. The settlement-delivery of the shares took place on July 18, 2018 and resulted in the issuance of 496,477 new shares, representing an aggregate amount of 13.8 million euros. The expense relating to this plan (representing 2 million euros including the employer contribution) was recognized in 2018 and included the impact of valuing the lock-up period applicable to plans in countries where it was possible to set up a corporate mutual fund.
Out of the proceeds of this employee share issue (net of the related issue costs), 0.5 million euros was recognized in "Capital stock" and 12.6 million euros in "Additional paid-in capital".

The audit procedures were carried out and the Statutory Auditors' report was issued.

Note 22. Pensions, retirement bonuses and other long-term 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 statutory retirement indemnities paid by the employer. For historical reasons, certain employees are also members of defined benefit supplementary pension plans, one of which has been closed to new entrants since 2005, the other since 2014. Senior executive vice president members of the Executive Committee and corporate executive officers are members of a defined contributions supplementary pension plan that has been set up by the Company.
- 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 its main defined benefit plans are funded in such a way as to ensure that they have plan assets that 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, but actuarial gains and losses are not recognized in other comprehensive income but in benefit expense.

Besides, within the Group, there are some plans with minimum return to be guaranteed by the employer that are not material and are therefore not included in the pension benefit obligations calculated as per IAS 19.

A. 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. Demographic and other 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 some 94% of the Group's pension obligations at December 31, 2018).

	Discount rate 2018	Estimated future salary increases 2018	Discount rate 2017	Estimated future salary increases 2017
France	1.60%	2.00%-2.30%	1.70%	2.00% - 2.50%
Germany	1.60%	3.00%	1.70%	3.00%
Norway	2.85%	N/A	2.60%	N/A
Switzerland	0.90%	1.00%	0.70%	0.40%
Canada	3.45%	3.50%	3.55%	3.50%
United States	4.15%	3.50%	3.85%	3.50%
Australia	3.35%	2.50%	3.10%	2.00%

The audit procedures were carried out and the Statutory Auditors' report was issued.

The discount rates applied were determined as follows:

- 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. This approach was notably used to determine the discount rates in the Eurozone, Canada, the United States, Switzerland, South Korea, Australia and Norway.
- 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).

B. PRINCIPAL MOVEMENTS

(in millions of euros)	2018	2017
RETIREMENT COSTS FOR THE YEAR		
Service cost	(14)	(16)
Net interest expense	(5)	(6)
Actuarial gains/(losses) (on jubilee benefits)	0	(0)
Past service cost	12	4
Effect of curtailments and settlements	1	(3)
Impact of asset ceiling	-	-
NET COST FOR THE YEAR	**(6)**	**(21)**
- of which operating cost	(1)	(15)
- of which finance cost	(5)	(6)

(in millions of euros)	2018	2017
VALUATION OF DEFINED BENEFIT OBLIGATION		
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AT JANUARY 1	**812**	**893**
Service cost	14	16
Interest expense	13	13
Employee contributions	2	2
Plan amendments	(12)	(4)
Business acquisitions and disposals	(0)	-
Plan curtailments and settlements	(3)	(23)
Benefits paid	(58)	(52)
Actuarial (gains)/losses	(1)	7
Other (exchange differences)	6	(40)
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AT DECEMBER 31	**773**	**812**

The audit procedures were carried out and the Statutory Auditors' report was issued.

(in millions of euros)	2018	2017
PLAN ASSETS		
FAIR VALUE OF PLAN ASSETS AT JANUARY 1	**432**	**465**
Interest income	8	7
Actuarial gains/(losses)	(7)	30
Employer contributions	12	18
Employee contributions	2	2
Business acquisitions and disposals	-	-
Plan curtailments and settlements	(3)	(26)
Benefits paid	(35)	(30)
Other (exchange differences)	7	(34)
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31	**415**	**432**

(At December 31, in millions of euros)	2018	2017
FUNDED STATUS		
Present value of wholly or partially funded benefit obligations	(497)	(527)
Fair value of plan assets	415	432
FUNDED STATUS OF BENEFIT OBLIGATION	**(82)**	**(95)**
Present value of unfunded benefit obligation	(276)	(285)
BENEFIT OBLIGATION NET OF PLAN ASSETS	**(358)**	**(380)**
Unrecognized surplus (due to asset ceiling)	-	-
NET PROVISION RECOGNIZED	**(358)**	**(380)**
- of which pension assets	5	7

(in millions of euros)	2018	2017
CHANGE IN NET PROVISION		
NET PROVISION RECOGNIZED AT JANUARY 1	**380**	**428**
Expense/(income) recognized in the income statement	6	21
Expense/(income) recognized in other comprehensive income	7	(23)
Utilization	(35)	(40)
Other impacts (exchange differences, acquisitions/disposals, etc.)	(0)	(6)
NET PROVISION RECOGNIZED AT DECEMBER 31	**358**	**380**
- of which pension assets	5	7

C. SIGNIFICANT EVENTS OF THE YEAR

During the first half of the year, the Board of Directors decided to terminate the Key Management Personnel's defined benefit supplementary pension plan for beneficiaries who are more than seven years younger than the age from which they can claim their pension under the standard government-sponsored pension regime. Compensation has been granted for the potential rights already accrued under the defined benefit plan.

This plan curtailment resulted in the recognition of a 12 million euro gain in the Group's 2018 income statement.

The audit procedures were carried out and the Statutory Auditors' report was issued.

As a result of this Board decision, Nexans S.A. has also put in place a new defined contribution supplementary pension plan for senior executive vice president members of the Executive Committee and corporate executive officers.

The actuarial losses recognized in 2018 primarily reflect the return on plan assets excluding amounts included in net interest on the net defined benefit obligation and experience adjustments, partially offset by changes in the discount rates applied.

The actuarial gains recognized in 2017 primarily reflect (i) the return on plan assets (excluding amounts included in net interest on the net defined benefit obligation), (ii) changes in the discount rates applied, partially offset by (iii) experience adjustments (retiree headcount, tax legislation update). Retirement costs for the year include one million euros in net non-recurring income arising from numerous plan amendments that came into effect mainly in Switzerland, the United Kingdom, the Netherlands, the United States and Canada.

The Group's employer contributions relating to defined benefit plans are estimated at 8 million euros for 2019.

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 90 million euros in 2018 and 89 million euros in 2017.

D. ANALYSIS OF ACTUARIAL GAINS AND LOSSES

Actuarial gains and losses arising on the Group's defined benefit obligation (DBO) can be analyzed as follows:

	2018		2017	
	in millions of euros	%	in millions of euros	%
Discount rate	(7)	-1%	(9)	-1%
Salary increases	(5)	-1%	4	0%
Mortality	(0)	0%	0	0%
Staff turnover	0	0%	0	0%
Other changes in assumptions	3	0%	(1)	0%
(GAINS)/LOSSES FROM CHANGES IN ASSUMPTIONS	**(9)**	**-1%**	**(6)**	**-1%**
(GAINS)/LOSSES FROM PLAN AMENDMENTS	-	0%	-	**0%**
(GAINS)/LOSSES FROM EXPERIENCE ADJUSTMENTS	**8**	**1%**	**13**	**2%**
OTHER	**0**	**0%**	**0**	**0%**
TOTAL (GAINS)/LOSSES ARISING DURING THE YEAR	**(1)**	**0%**	**7**	**1%**

The audit procedures were carried out and the Statutory Auditors' report was issued.

E. BREAKDOWN OF PLAN ASSETS BY CATEGORY

The Group's portfolio of plan assets breaks down as follows:

(At December 31)	2018		2017	
	in millions of euros	% Total	in millions of euros	% Total
Equities[1]	130	31%	136	32%
Bonds and other fixed income products[1]	160	39%	166	38%
Real estate	71	17%	73	17%
Cash and cash equivalents	14	3%	14	3%
Other	41	10%	43	10%
FAIR VALUE OF PLAN ASSETS	**415**	**100%**	**432**	**100%**

(1) All of the instruments recognized under "Equities" and "Bonds and other fixed income products" are listed.

F. SENSITIVITY ANALYSES

The present value of the Group's obligation for pensions and other retirement benefits is sensitive to changes in discount rates. In 2017, a 50 basis-point decrease in the discount rates applied would have had the following impacts on the present value of the Group's defined benefit obligation:

	2018		
	Actual DBO in millions of euros	Adjusted DBO in millions of euros	% change
Europe	577	611	5.85%
North America	160	170	6.39%
Asia	26	28	5.48%
Other countries	10	11	9.13%
TOTAL	**773**	**819**	**5.99%**

The present value of the Group's obligation for pensions 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 defined benefit obligation (assuming that the discount rates applied remain constant):

	2018		
	Actual DBO in millions of euros	Adjusted DBO in millions of euros	% change
Europe	577	595	3.09%
North America	160	160	0.00%
Asia	26	28	5.18%
Other countries	10	10	1.63%
TOTAL	**773**	**792**	**2.50%**

The audit procedures were carried out and the Statutory Auditors' report was issued.

G. CHARACTERISTICS OF THE MAIN DEFINED BENEFIT PLANS AND ASSOCIATED RISKS

The two plans described below represent 58% of the total present value of the Group's defined benefit obligation at December 31, 2018.

Switzerland:

The pension plan of Nexans Suisse S.A. is a contribution-based plan with a guaranteed minimum rate of return and a fixed conversion rate on retirement. It offers benefits that comply with the Swiss Federal Law on compulsory occupational benefits (the "LPP/BVG" law).

As specified in the LPP/BVG law, the plan has to be fully funded. Therefore, if there is a funding shortfall, measures must be taken to restore the plan to a fully funded position, such as by the employer and/or employees contributing additional financing and/or by reducing the benefits payable under the plan.

The pension fund for Nexans Suisse S.A. is set up as a separate legal entity (a Foundation), which is responsible for the governance of the plan and is composed of an equal number of employer and employee representatives. The strategic allocation of plan assets must comply with the investment guidelines put in place by the Foundation, which are aimed at limiting investment risks.

Nexans Suisse S.A. is also exposed to risks related to longevity improvement concerning the plan as two-thirds of the defined benefit obligation relates to employees who have already retired.

The weighted average life of the plan is approximately 11 years.

Germany:

Nexans Deutschland GmbH's most significant plan is a defined benefit plan that has been closed to new entrants since January 1, 2005. For other employees, their pension benefits will be calculated based on their vested rights as at the date the plan was closed.

This plan – which is unfunded – also provides for disability benefits. In general, any disability payments due will be made on top of the amount of future pension benefits. In addition, the plan provides for reversionary benefits.

The weighted average life of the plan is approximately 11 years.

Note 23. Provisions

A. ANALYSIS BY NATURE

(At December 31, in millions of euros)	2018	2017
Accrued contract costs	32	36
Restructuring provisions	34	48
Other provisions	81	89
TOTAL	**147**	**173**

The audit procedures were carried out and the Statutory Auditors' report was issued.

Movements in these provisions were as follows during 2017 and 2018:

(in millions of euros)	TOTAL	Accrued contract	Restructuring provisions	Other provisions
AT DECEMBER 31, 2016	**210**	**39**	**81**	**90**
Additions	48	15	22	11
Reversals (utilized provisions)	(55)	(7)	(44)	(4)
Reversals (surplus provisions)	(23)	(9)	(7)	(7)
Business combinations	-	-	-	-
Exchange differences and other	(7)	(2)	(4)	(1)
AT DECEMBER 31, 2017	**173**	**36**	**48**	**89**
Additions	41	16	19	6
Reversals (utilized provisions)	(39)	(9)	(26)	(4)
Reversals (surplus provisions)	(21)	(11)	(4)	(6)
Business combinations	-	-	-	-
Exchange differences and other	(7)	-	(3)	(4)
AT DECEMBER 31, 2018	**147**	**32**	**34**	**81**

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 include provisions for construction contracts in progress, where applicable, in accordance with the method described in **Note 1.E.a**.

The "Other provisions" column mainly includes provisions set aside for antitrust investigations, which amounted to 59 million euros at December 31, 2018 (64 million euros at December 31, 2017) (see **Note 31**).

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).

B. ANALYSIS OF RESTRUCTURING COSTS

Restructuring costs amounted to 53 million euros in 2018, breaking down as follows:

(in millions of euros)	Redundancy costs	Asset impairment and retirements[1]	Other monetary costs	Total
Additions to provisions for restructuring costs	16	1	3	21
Reversals of surplus provisions	(2)	(0)	(2)	(4)
Other costs for the year	9	-	27	36
TOTAL RESTRUCTURING COSTS	**23**	**1**	**28**	**53**

(1) Deducted from the carrying amount of the corresponding assets in the consolidated statement of financial position.

The audit procedures were carried out and the Statutory Auditors' report was issued.

In 2018 the Group's companies pursued their implementation of cost-cutting plans drawn up previously and continued to work on new plans to effectively respond to changes in the global cable market.

The 53 million euro expense recognized under restructuring costs in 2018 corresponds mainly to provisions for restructuring plans in Europe, South Korea and Brazil. It also includes costs expensed as incurred, primarily in Europe and the United States.

"Other monetary costs" primarily correspond to site maintenance costs, project management costs and the cost of 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. The proceeds arising on the sales of assets carried out as part of restructuring plans are deducted from "Other monetary costs" when the sales are completed.

As was the case in previous years, wherever possible the restructuring plans implemented by the Group in 2018 included assistance measures negotiated with employee representative bodies as well as measures aimed at limiting lay-offs and facilitating redeployment.

In 2017, restructuring costs came to 37 million euros, breaking down as follows:

(in millions of euros)	Redundancy costs	Asset impairment and retirements[1]	Other monetary costs	Total
Additions to provisions for restructuring costs	19	1	3	23
Reversals of surplus provisions	(3)	(1)	(4)	(8)
Other costs for the year	5	-	16	21
TOTAL RESTRUCTURING COSTS	**21**	**0**	**16**	**37**

(1) Deducted from the carrying amount of the corresponding assets in the consolidated statement of financial position.

The 37 million euro expense recognized under restructuring costs in 2017 corresponds mainly to provisions for restructuring plans in Brazil, Europe and the United States. It also includes costs recognized on a cash basis.

Note 24. Net debt

At December 31, 2018, the Group's long-term debt was rated BB by Standard & Poor's with a negative outlook.
It was rated BB with a stable outlook by the same agency at December 31, 2017.

The audit procedures were carried out and the Statutory Auditors' report was issued.

A. ANALYSIS BY NATURE

(At December 31, in millions of euros)	Notes	2018	2017
Long-term – ordinary bonds[1]	24.C	771	447
Long-term – OCEANE convertible bonds[1]	24.C	-	267
Other long-term borrowings[1]		7	4
TOTAL LONG-TERM DEBT		**778**	**718**
Short-term – ordinary bonds[1]	24.C	-	250
Short-term – OCEANE convertible bonds[1]	24.C	269	-
Short-term borrowings and short-term accrued interest not yet due		169	158
Short-term bank loans and overdrafts		15	11
TOTAL SHORT-TERM DEBT		**453**	419
GROSS DEBT		**1,231**	**1,137**
Short-term financial assets		-	-
Cash		(870)	(711)
Cash equivalents		(31)	(94)
NET DEBT		**330**	**332**

(1) Excluding short-term accrued interest not yet due.

Since the second quarter of 2010, short-term borrowings have included a securitization program (the “On-Balance Sheet” program) set up by Nexans France involving the sale of euro-denominated trade receivables, which is contractually capped at 80 million euros (see **Note 18**).

B. CHANGE IN GROSS DEBT

(in millions of euros)	December 31, 2017	New borrowings/ repayments	Change in consolidation scope	Change in accrued interest	Transfers from long-term to short-term	Other	December 31, 2018
Long-term – ordinary bonds	447	323	-	-	-	1	771
Long-term – OCEANE convertible bonds	267	-	-	-	(267)	-	-
Other long-term borrowings	4	3	-	-	(0)	-	7
Short-term – ordinary bonds	250	(250)	-	-	-	-	-
Short-term – OCEANE convertible bonds	-	(6)	-	-	267	8	269
Other short-term borrowings	133	17	-	-	0	(2)	148
Short-term accrued interest not yet due	25	N/A	-	(4)	-	(0)	21
GROSS DEBT excluding short-term bank loans and overdrafts	**1,126**	**88**	**-**	**(4)**	**-**	**7**	**1,216**

The audit procedures were carried out and the Statutory Auditors' report was issued.

C. BONDS

(in millions of euros)	Carrying amount at end-2018	Face value at issue date[3]	Maturity date	Nominal interest rate	Exercise price per bond[4] *(in euros)*
2019 OCEANE convertible bonds	276	269	January 1, 2019	2.50%	72.74
TOTAL CONVERTIBLE BONDS[1]	**276**	**269**			
Ordinary bonds redeemable in 2021	254	250	May 26, 2021	3.25%	N/A
Ordinary bonds redeemable in 2023	328	325	August 8, 2023	3,75%	N/A
Ordinary bonds redeemable in 2024	203	200	April 5, 2024	2.75%	N/A
TOTAL ORDINARY BONDS[2]	**785**	**775**			

(1) Including 7 million euros in short-term accrued interest.

(2) Including 14 million euros in short-term accrued interest.

(3) The nominal value at the issue date of the 2019 OCEANE convertible bonds is based on the number of ordinary bonds at December 31, 2018 multiplied by the issue unit price of 72.74 euros.

(4) Redemption price at face value. The conversion ratio is 1.1250 shares per 2019 OCEANE bond.

Ordinary bonds

On August 8, 2018, Nexans issued 325 million euros worth of fixed-rate bonds with a five-year term, maturing on August 8, 2023. The bonds were issued at par and have an annual coupon of 3.75%. The issue price was 100.00% of the bonds' par value.

On March 19, 2018, all of the 2018 bonds were redeemed in cash, as they had reached maturity. The total amount paid was 261 million euros including accrued interest on the bonds.
The ordinary bonds redeemable in 2018 were reclassified to short-term debt at December 31, 2017, as their maturity was within 12 months of that date.

On May 2, 2017, all of the 2017 bonds were redeemed in cash, as they had reached maturity. The total amount paid was 370 million euros including accrued interest on the bonds.

On April 5, 2017, Nexans carried out a 200 million euro bond issue with a maturity date of April 5, 2024. The issue price was 100.00% of the bonds' face value.

On May 26, 2016, Nexans carried out a 250 million euro bond issue with a maturity date of May 26, 2021. The issue price was 100.00% of the bonds' face value.

Convertible bonds

At December 31, 2018, the Group's debt included OCEANE convertible bonds maturing on January 1, 2019. The OCEANE bonds redeemable in 2019 were reclassified to short-term debt at December 31, 2018, as their maturity was within 12 months of that date (see **Note 23.B**).

The prospectus for the issuance of the 2019 OCEANE bonds provided bondholders with an early redemption option exercisable on June 1, 2018 (or the first business day thereafter). In first-half 2018, this option was only exercised for 79,241 bonds out of the total 3,780,588 bonds issued, resulting in the recognition of a 6 million euro cash outflow and a corresponding reduction in debt.

In accordance with IAS 32, the portion of the 2019 OCEANE bonds corresponding to the value of the conversion option was included in equity for a pre-tax amount of 41 million euros at the issue date.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Consolidated statement of financial position

(At December 31, in millions of euros)	2018	2017
Convertible bonds – debt component	221	226
Accrued interest	55	47
TOTAL DEBT COMPONENT	**276**	**273**
Convertible bonds – equity component (reserves), before tax	41	41
TOTAL AMOUNT RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR CONVERTIBLE BONDS	**317**	**314**

Income statement

(in millions of euros)	2018	2017
Contractual interest paid	(7)	(7)
Additional interest calculated at interest rate excluding the option	(8)	(3)
TOTAL FINANCE EXPENSE FOR CONVERTIBLE BONDS	**(15)**	**(10)**

D. ANALYSIS OF GROSS DEBT BY CURRENCY AND INTEREST RATE

Long-term debt

(At December 31, excluding short-term accrued interest not yet due)	Weighted average EIR[1] (%)		in millions of euros	
	2018	2017	2018	2017
2019 OCEANE convertible bonds[2]	N/A	5.73	N/A	267
Ordinary bonds redeemable in 2021	3.40	3.40	249	248
Ordinary bonds redeemable in 2023	3.89	N/A	323	N/A
Ordinary bonds redeemable in 2024	2.87	2.87	199	199
Other	3.22	0.67	7	4
TOTAL	**3.47**	**4.10**	**778**	**718**

(1) Effective interest rate.
(2) The 2019 OCEANE convertible bonds were reclassified to short-term debt in 2018.

Over 99% of the Group's medium- and long-term debt is at fixed interest rates.

Long-term debt denominated in currencies other than the euro essentially corresponds to loans granted to Liban Câbles at preferential rates, and to Nexans Côte d'Ivoire.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Short-term debt

(At December 31)	Weighted average EIR[1] (%)		in millions of euros	
	2018	2017	2018	2017
Ordinary bonds redeemable in 2018	N/A	4.53	N/A	250
2019 OCEANE convertible bonds	5.73	N/A	269	N/A
Euro (excluding ordinary bonds)	1.82	1.80	78	71
US dollar	4.24	4.13	16	25
Other	5.55	6.65	69	49
TOTAL SHORT-TERM DEBT EXCLUDING ACCRUED INTEREST	**4.94**	**4.28**	**432**	**395**
Accrued interest (including short-term accrued interest on long-term debt)	**N/A**	N/A	21	24
TOTAL SHORT-TERM DEBT	**4.94**	**4.28**	**453**	**419**

(1) Effective interest rate.

At December 31, 2018, US dollar-denominated debt primarily concerned subsidiaries located in Lebanon and Brazil.

Debt denominated in currencies other than euros and US dollars corresponds to borrowings taken out locally by certain Group subsidiaries in Asia (China), the Middle East/Africa (Morocco and Côte d'Ivoire), 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 (excluding the 2019 OCEANE convertible bonds) is at variable rates.

E. ANALYSIS BY MATURITY (INCLUDING ACCRUED INTEREST)

Nexans Services, a wholly-owned Nexans subsidiary, is responsible for the Group's centralized cash management. However, in its capacity as parent company, Nexans S.A. 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 27.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.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Maturity schedule at December 31, 2018

(in millions of euros)	Due within 1 year		Due in 1 to 5 years		Due beyond 5 years		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019 OCEANE convertible bonds	269	7	-	-	-	-	269	7
Ordinary bonds redeemable in 2021	-	8	250	16	-	-	250	24
Ordinary bonds redeemable in 2023	-	12	325	49	-	-	325	61
Ordinary bonds redeemable in 2024	-	6	-	22	200	6	200	33
Other long-term borrowings	-	0	7	0	0	-	7	0
Short-term bank loans and overdrafts	163	3	-	-	-	-	163	3
TOTAL	**432**	**36**	**582**	**87**	**200**	**6**	**1,214**	**128**

Notes concerning the preparation of the maturity schedule:

- It is assumed that the 2019 OCEANE convertible bonds will be redeemed on January 1, 2019.
- Foreign exchange and interest rate derivatives used to hedge the Group's external debt are not material for the Group as a whole.
- The euro equivalent amount for borrowings in foreign currencies has been calculated using the year-end exchange rate at December 31, 2018.
- 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 2018.
- The interest cost has been calculated based on contractual interest rates for fixed-rate borrowings and on weighted average interest rates at December 31, 2018 for variable-rate borrowings (see **Note 24.D** above).

Note 25. Trade payables and other current liabilities

(At December 31, in millions of euros)	2018	2017 (restated)[1]
TRADE PAYABLES	**1,290**	**1,280**
Social liabilities	201	215
Current income tax payables	43	47
Other tax payables	16	27
Deferred income	0	0
Other payables	39	42
OTHER CURRENT LIABILITIES	**298**	**331**

(1) Restatements of consolidated data at December 31, 2017 are set out in ***Note 3****.*

At December 31, 2018, trade payables included approximately 292 million euros (290 million euros at December 31, 2017) related to copper purchases whose payment periods can be longer than usual for such supplies.

Amounts due to suppliers of fixed assets totaled 8 million euros at December 31, 2018 (2 million euros at December 31, 2017).

The audit procedures were carried out and the Statutory Auditors' report was issued.

Note 26. Derivative instruments

(in millions of euros)	December 31, 2018							December 31, 2017		
	Notional amounts					Market value			Market value	
FOREIGN EXCHANGE DERIVATIVES	USD	NOK	EUR	Other	Total	Assets	Liabilities	Notional amounts	Assets	Liabilities
FOREIGN EXCHANGE DERIVATIVES – CASH FLOW HEDGES						21	28		21	26
Forward sales	370	564	592	331	1,857			1,526		
Forward purchases	353	854	421	225	1,853			1,521		
FOREIGN EXCHANGE DERIVATIVES – ECONOMIC HEDGES						17	14		10	11
Forward sales	321	19	241	394	975			1,022		
Forward purchases	493	8	208	268	977			1,018		
METAL DERIVATIVES	Copper	Aluminum	Lead	Other	Total	Assets	Liabilities	Notional amounts	Assets	Liabilities
METAL DERIVATIVES – CASH FLOW HEDGES						2	17		47	1
Forward sales	89	9	1	-	99			64		
Forward purchases	325	66	37	-	428			342		
METAL DERIVATIVES – ECONOMIC HEDGES						1	3		3	1
Forward sales	48	15	1	-	63			51		
Forward purchases	71	23	0	-	94			58		
TOTAL FOREIGN EXCHANGE AND METAL DERIVATIVES						**41**	**62**		**81**	**39**

Foreign exchange derivatives

In 2018, the Group recorded a 9 million euro loss relating to the ineffective portion of its foreign exchange derivatives. In the consolidated income statement this loss is included in “Other financial income and expenses” for the operations component of the hedge and in “Cost of debt (net)” for the financial component.

An aggregate 16 million euro loss was recognized in the consolidated statement of comprehensive income in 2018 for foreign exchange derivatives designated as cash flow hedges and an 8 million euro gain was recycled to the income statement.

Metal derivatives

In 2018, the ineffective portion of gains or losses arising on the fair value remeasurement of metal derivatives designated as cash flow hedges represented a non-material amount that was recognized in the consolidated income statement on the line “Changes in fair value of non-ferrous metal derivatives” in “Other operating income and expenses”.

An aggregate 49 million euro loss was recognized in the consolidated statement of comprehensive income in 2018 for metal derivatives designated as cash flow hedges and a 12 million euro loss was recycled to the income statement.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Note 27. Financial risks

The Group Finance Department determines the Group's overall policy for managing financial risks. It is assisted by the following two departments:

- The Treasury and Financing Department, which manages risks related to liquidity, foreign exchange, interest rates, credit and banking counterparties, deposits and investments.
- The Metals Management Department, which manages risks relating to changes in non-ferrous metal prices as well as credit and financial counterparty risks for entities that trade in non-ferrous metals markets.

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.

The main subsidiaries that did not have access to the centralized cash management system at December 31, 2018 are located in Morocco, China, South Korea, Peru, Brazil and Colombia. These subsidiaries, which have their own banking partners, are nevertheless subject to Group procedures regarding their choice of banks and foreign exchange and interest rate risk management.

The Group's risk management policy for non-ferrous metals is also determined and overseen on a centralized basis for the Group as a whole. The Metals Management Department centralizes subsidiaries' use of metals markets and places their orders for them. At December 31, 2018, only subsidiaries in Australia, New Zealand and China had direct access to such markets.

A. LIQUIDITY RISKS

Group financing

Monitoring and controlling liquidity risks

The Treasury and Financing Department monitors changes in the treasury and liquidity positions of the Group on a two-weekly basis (encompassing both holding companies and operating entities). In addition, subsidiaries are required to provide monthly cash forecasts, which are compared to actual cash figures on a two-weekly basis.

Bank borrowings taken out by subsidiaries that are not part of the Nexans Services centralized cash management system must be approved in advance by the Treasury and Financing Department and may not have maturity dates exceeding 12 months, unless express authorization is obtained.

The key liquidity indicators that are monitored are (i) the unused amounts of credit facilities granted to the Group, and (ii) available cash and cash equivalents.

The Group also monitors its net debt position on a monthly basis (see **Note 24** for the definition of net debt).

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 A2 by Standard & Poor's and P2 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).

The audit procedures were carried out and the Statutory Auditors' report was issued.

At December 31, 2018, the Group's cash surpluses were recognized under "Cash and cash equivalents" in the consolidated statement of financial position and were invested in either:

- current accounts with banks considered by the Group as acceptable counterparties that do not apply negative interest rates;
- 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; or
- term deposits and certificates of deposit issued by banks, with an initial investment period of less than one year.

Main sources of financing

Over the past several years the Group has implemented a strategy of diversifying its sources of financing, through:

- Issues of convertible bonds, i.e., the 2019 OCEANE bonds (see **Note 24**).
- Issues of ordinary bonds maturing in 2021, 2023 and 2024 (see **Note 24**).
- A medium-term syndicated credit facility representing an amount of 600 million euros, including a very short-term drawing facility representing an amount of 200 million euros.
- Receivables securitization and factoring programs:
  The Group's existing securitization program – set up on March 29, 2010 and covering the securitization of trade receivables in France and Germany – was renewed on March 30, 2015 for five years. On May 23, 2017, the Off Balance Sheet program was terminated, leaving only the On Balance Sheet program (see **Note 18**). Following termination of the Off Balance Sheet program, Nexans France is now the only participant in the securitization program. The On Balance Sheet program will expire in March 2020. The amount of receivables that may be sold under the program is currently capped at 80 million euros.
  The other main receivables securitization and factoring programs concern Norway and Morocco.
  In Norway, receivables sold under the factoring program totaled 54 million euros at December 31, 2018 (51 million euros at December 31, 2017).
  In Morocco, receivables sold under the factoring program totaled 8 million euros at December 31, 2018 (11 million euros at December 31, 2016).
  During 2018, the Group sold CIR and CICE tax receivables for 20 million euros net of fees.
- Local credit facilities.

Covenants and acceleration clauses

On December 12, 2018 an amendment to the 600 million euro syndicated credit facility was signed, extending the expiration date until December 12, 2023. The 600 million euro syndicated credit facility included a 200 million euro very short-term drawing facility designed to implement a negotiable instruments program. This program was signed on December 21, 2018 for a maximum amount of 400 million euros, which was not drawn down at December 31, 2018.
The amended syndicated credit facility is subject to the following two covenants, applicable as from June 30, 2019:

- the consolidated net debt to equity ratio (including non-controlling interests) must not exceed 1.20; and
- consolidated debt must not exceed 3.2x consolidated EBITDA as defined in **Note 1.E.b**.

The difference between these covenants and those applicable at December 31, 2018 (mentioned below) takes into account the consequences of the implementation of IFRS 16 starting January 1, 2019.

The audit procedures were carried out and the Statutory Auditors' report was issued.

These ratios were well within the specified limits at both December 31, 2018 and at the date the Board of Directors approved the financial statements:

- the consolidated net debt to equity ratio (including non-controlling interests) was less than 1.10; and
- the consolidated net debt/EBITDA ratio was less than 3x.

The Group is not subject to any other financial ratio covenants.

If any of the facility's covenants were breached, any undrawn credit lines would become unavailable and any drawdowns would be repayable, either immediately or after a cure period of 30 days depending on the nature of the breach.
This syndicated loan agreement, together with the indentures for the 2019 OCEANE bonds and the ordinary bonds redeemable in 2021, 2023 and 2024 also contain standard covenants (negative pledge, cross default, *pari passu* and change of control clauses), which, if breached, could accelerate repayment of the syndicated loan or the bond debt.

The receivables securitization program renewed for five years on March 30, 2015 and amended in May 2017 contains clauses similar to those negotiated when the original program was set up in 2010. The program does not include any acceleration clauses. However, it does contain change of control and cross default clauses as well as a clause relating to significant changes in the behavior of the portfolios of sold receivables, which could lead to a termination of the receivables purchases and consequently the program itself.

B. INTEREST RATE RISKS

The Group structures its financing in such a way as to avoid exposure to the risk of rises in interest rates:

- The vast majority of Nexans' medium- and long-term debt is at fixed rates. At December 31, 2018, the bulk of this debt corresponded to the ordinary bonds redeemable in 2021, 2023 and 2024.
- The Group's short-term debt includes the 2019 OCEANE convertible bonds, which are at a fixed rate of interest. All other short-term debt at December 31, 2018 was at variable rates based on money market rates (EONIA, EURIBOR, LIBOR or local benchmarks). Fixed-rate debt with original maturities of less than one year is considered as variable-rate debt. The Group's short-term cash surpluses are invested in instruments which have maturities of less than one year and are therefore at adjustable rates (fixed rate renegotiated when the instrument is renewed) or at variable rates (based on the EONIA or LIBOR for a shorter maturity than that of the investment). Consequently, the Group's net exposure to changes in interest rates is limited and concerned its variable rate net cash position of 739 million euros at December 31, 2018 and 660 million euros at December 31, 2017.

The Group did not have any interest rate hedges in place at either December 31, 2018 or December 31, 2017.

(At December 31, in millions of euros)	2018			2017		
	Current	Non-current	Total	Current	Non-current	Total
VARIABLE RATE						
Financial liabilities[1]	162	1	163	145	2	147
Cash and cash equivalents	(901)	-	(901)	(805)	-	(805)
NET VARIABLE RATE POSITION	**(739)**	**1**	**(738)**	**(660)**	**2**	**(658)**
FIXED RATE						
Financial liabilities[1]	291	777	1,068	274	716	990
NET FIXED RATE POSITION	**291**	**777**	**1,068**	**274**	**716**	**990**
NET DEBT	**(448)**	**778**	**330**	**(386)**	**718**	**332**

(1) Including the short-term portion of accrued interest not yet due on long-term debt.

The audit procedures were carried out and the Statutory Auditors' report was issued.

C. FOREIGN EXCHANGE AND METAL PRICE RISKS

The Group's foreign exchange risk exposure primarily relates to operations-based transactions (purchases and sales). The Group considers that it only has low exposure to foreign exchange risk on debt. However, other than in exceptional cases, when debt is denominated in a currency that is different to the Group's functional currency the inherent foreign exchange risk is hedged.

Due to its international presence, the Group is exposed to foreign currency translation risk on the net assets of subsidiaries whose functional currency is not the euro. It is Group policy not to hedge these risks.

The Group's policy for managing non-ferrous metal risks is defined and overseen by the Metals Management Department and 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.

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' operating subsidiaries have a very strong local presence, except in the high-voltage business.
The Group's policy is to hedge its foreign exchange and non-ferrous metal price risks on cash flows relating to (i) foreseeable significant contractual commercial transactions, and (ii) certain forecast transactions. The 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 and they are overseen by the Metals Management Department for metal hedges and the Treasury and Financing Department for foreign exchange hedges.

Methods used to manage and hedge exposure to foreign exchange risk

The Group verifies that its procedures for managing foreign exchange risk are properly applied by means of quarterly reports provided to the Treasury and Financing Department by all subsidiaries exposed to this type of risk, irrespective of whether or not they are members of the cash pool. The reports contain details on the subsidiaries' estimated future cash flows in each currency and the related hedges that have been set up, as well as a reconciliation between actual figures and previous forecasts.

The Treasury and Financing Department has developed training materials for the Group's operations teams and carries out ad hoc audits to ensure that the relevant procedures have been properly understood and applied. Lastly, the Internal Audit Department systematically verifies that the procedures for identifying and hedging foreign exchange risks have been properly applied during its audit engagements carried out at the Group's subsidiaries.

In addition, some 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 loss 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 subsidiaries, whose treasurers execute hedges centrally or locally using forward currency transactions. For subsidiaries that are members of the cash pool, these transactions are carried out with the Treasury and Financing Department. 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.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Methods used to manage and hedge exposure to metal risks

The Group verifies that its procedures for managing and hedging metal risks are correctly applied by means of each operating subsidiary reporting monthly on its exposure to copper, aluminum and lead risk in both tonnage and value terms. The related reports are analyzed and consolidated at Group level by the Metals Management Department.

In addition, the Metals Management Department regularly provides training sessions and performs controls within the subsidiaries to ensure that the procedures are properly understood and applied. It has also created training modules on the Group intranet for operations teams, including salespeople, buyers, finance staff and "hedging operators", who are in charge of daily hedging activities concerning metal risks. Lastly, the Internal Audit Department systematically checks that the procedures for identifying and hedging metal risks have been properly applied during its audit engagements carried out at the Group's operating subsidiaries.

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 prices, 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.

The Group's production units require access at all times to a minimum 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. However, as described in **Note 1.F.c**, 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.

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.
In accordance with its risk management policy described above, the Group enters into physical contracts only for operational purposes (for the copper component of customer or supplier orders) and uses futures contracts only for hedging purposes (LME, COMEX or SHFE traded contracts, see **Note 27.D**, "Metals derivatives"). The Group's main subsidiaries document their hedging relationships in compliance with the requirements of IAS 39 relating to cash flow hedges.

D. 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's diverse business and customer base and wide geographic reach are natural mitigating factors for customer credit risk. At December 31, 2018, no single customer represented more than 5% of the Group's total outstanding receivables.

The audit procedures were carried out and the Statutory Auditors' report was issued.

The Group also applies a proactive policy for managing and reducing its customer credit risk by means of a Group-wide credit management policy which has been rolled out to Nexans' international subsidiaries. The Group has also set up a master credit insurance program for most of its subsidiaries, although a portion of its trade receivables is not covered by this program. Credit risk has been amplified by the difficult market environment caused by the recent global economic and political crises, and the Group has experienced late and disputed payments from a number of customers. Although the problem has eased slightly in Brazil, it is currently still difficult to obtain credit insurance in Turkey, Saudi Arabia and in sub-Saharan Africa.

Foreign exchange derivatives

In accordance with Group policy, to keep counterparty risk as low as possible, entities wishing to hedge the foreign exchange risk on their medium- or long-term commercial commitments may only purchase long-term derivatives (expiring in more than one year) from banks that have been assigned medium- and long-term ratings of at least A- by Standard & Poor's and A3 by Moody's. For short-term derivatives (expiring in less than one year), the banks must have been assigned short-term ratings of at least A2 by Standard & Poor's and P2 by Moody's. Where this requirement cannot be fulfilled due to local banking conditions, the entities in the countries concerned limit their counterparty risk by keeping their exposure to a minimum and spreading it between at least three banks.

For subsidiaries that are not members of the cash pool, the same criteria apply but exceptions may be made, notably for subsidiaries located in countries with sovereign ratings that are below the specified thresholds. In this case, foreign exchange derivatives involving counterparty risk can only be set up with branches or subsidiaries of banking groups whose parent company satisfies the above risk criteria.

Counterparty risk for these subsidiaries is subject to a specific monthly monitoring process that tracks the external commitments made by each subsidiary in relation to foreign exchange hedges.

Based on a breakdown by maturity of notional amounts (the sum of the absolute values of notional amounts of buyer and seller positions) at December 31, 2018, the Group's main exposure for all subsidiaries (both members and non-members of the cash pool) is to short-term maturities:

(At December 31, in millions of euros)	2018		2017	
	Notional amounts Buyer positions	Notional amounts Seller positions	Notional amounts Buyer positions	Notional amounts Seller positions
Within 1 year	2,322	2,323	2,214	2,224
Between 1 and 2 years	500	501	273	274
Between 2 and 3 years	8	8	50	48
Between 3 and 4 years	-	-	2	2
Between 4 and 5 years	-	-	-	-
Beyond 5 years	-	-	-	-
TOTAL	**2,830**	**2,832**	**2,539**	**2,548**

Metal derivatives

The Nexans Group hedges its exposure to copper, aluminum and, to a lesser extent, lead, by entering into derivatives transactions in three organized markets: the LME in London, the COMEX in New York and, in certain limited cases, the SHFE in Shanghai. Substantially all of the derivatives transactions conducted by the Group are standard buy and sell trades. The Group does not generally use metal options.

The audit procedures were carried out and the Statutory Auditors' report was issued.

The Metals Management Department performs metal derivatives transactions on behalf of substantially all of the Group's subsidiaries apart from – at December 31, 2018 – its Australian, New Zealand and Chinese entities. Non-ferrous metal hedging transactions carried out on commodity exchanges may give rise to two different types of counterparty risk:

- the risk of not recovering cash deposits made (margin calls); and
- the replacement risk for contracts on which the counterparty defaults (mark-to-market exposure, i.e., the risk that the terms of a replacement contract will be different from those in the initial contract).

The Metals Management Department manages counterparty risk on the Group's derivative instruments by applying a procedure that sets ceilings by counterparty and by type of transaction. The level of these ceilings depends notably on the counterparties' ratings. In addition, the transactions carried out are governed by master netting agreements developed by major international Futures and Options Associations that allow for the netting of credit and debit balances on each contract.

The Group's counterparties for these transactions are usually its existing financial partners, provided they have a long-term rating of at least A-/A3. Counterparties rated between BBB-/Baa3 and BBB+/Baa1 can also be approved provided the Group's aggregate exposure to these counterparties does not exceed (i) 25 million US dollars for counterparties rated BBB+ or BBB, and (ii) 10 million US dollars for counterparties rated BBB-.

In Australia and New Zealand, because of the countries' time zone, the Group's subsidiaries carry out metal derivatives transactions with an Australian broker, which is not rated. However, the Group only has a low level of exposure to this broker. Subsidiaries in China hedge their metal risks on the Shanghai Futures Exchange (SHFE), which can only be used by local brokers.
The Group's metal derivatives transactions are governed by master netting agreements developed by major international Futures and Options Associations that, in the event of a default, allow for the netting of a Group subsidiary's assets and liabilities related to the defaulting counterparty.
The Group's maximum theoretical counterparty risk on its metal derivatives transactions can be measured as the sum of credit balances (including positive mark-to-market adjustments) and cash deposits, after contractually permitted asset and liability netting. This maximum theoretical risk amounted to 5 million euros at December 31, 2018 and 58 million euros at December 31, 2017.

(At December 31, in millions of euros)	2018		2017	
	Notional amounts Buyer positions	Notional amounts Seller positions	Notional amounts Buyer positions	Notional amounts Seller positions
Within 1 year	413	161	320	115
Between 1 and 2 years	105	1	44	-
Between 2 and 3 years	4	-	33	-
Between 3 and 4 years	-	-	3	-
Between 4 and 5 years	-	-	-	-
Beyond 5 years	-	-	-	-
TOTAL	**522**	**162**	**400**	**115**

Cash deposited to meet margin calls on copper forward purchases whose fair value was negative at the year-end (see **Note 19**) amounted to 3 million euros at December 31, 2018 (3 million euros at December 31, 2017).

In conclusion, the Group has limited exposure to credit risk. The Group considers that its management of counterparty risk is in line with market practices but it cannot totally rule out a significant impact on its consolidated financial statements should it be faced with the occurrence of systemic risk.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Risk on deposits and investments

The table below sets out the Group's counterparty risk relating to deposits and investments of Nexans Services' cash surpluses placed with banks at December 31, 2018. These Nexans Services deposits and investments amounted to an aggregate 626 million euros at that date, representing 69% of the Group total.

(At December 31, 2018, in millions of euros)

COUNTERPARTY RATINGS[1]	AA-	A+	A	A-	BBB+	Money	Total
Cash on hand	112	221	293	-	-	-	626
Short-term money market funds (OPCVM)[2]	-	-	-	-	-	-	-
Certificates of deposit/EMTN	-	-	-	-	-	-	-
TOTAL	**112**	**221**	**293**	-	-	-	**626**

(1) Based on Standard & Poor's ratings.
(2) 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 27.A.**

E. 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 changes in copper prices

Fluctuations in copper prices can impact both consolidated income and equity as well as the Group's financing needs. Sensitivity calculations are based on an assumed increase in copper prices. A fall in copper prices would have the inverse effect.

A rise in copper prices would result in:

- 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 limited increase in working capital and therefore a limited increase in financing needs (any short-term positive impact of margin calls is not taken into account in the sensitivity analysis).

At Group level, the impact on working capital is limited and mainly relates to the timing of derivatives settlement. Potential significant variations could occur at local level due to pricing conditions.

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 audit procedures were carried out and the Statutory Auditors' report was issued.

The simulation below is based on the following assumptions (with all other assumptions remaining constant, notably exchange rates):

- A 10% increase in copper prices at December 31, 2018 and 2017 and translation of this impact evenly across the entire price curve without any distortion of forward point spreads.
- All working capital components (inventories, and the copper component of trade receivables and payables) would be impacted by the increase in copper prices.
- 40,000 tonnes and 62,000 tonnes of copper included in working capital at December 31, 2018 and 2017 respectively.
- Short-term interest rate (3-month EURIBOR) of -0.32% in 2018 and -0.33% in 2017.
- A worst-case scenario, in which the increase in working capital 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 or the effect of changes in exchange rates).
- 50,375 tonnes of copper classified as Core exposure at December 31, 2018 (54,100 tonnes at December 31, 2017).
- A theoretical income tax rate of 34.43% for 2018 and 2017.

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)	2018	2017
Impact on operating income	29	32
Impact on net financial expense	0	0
Net impact on income (after tax)	**19**	**21**
Impact on equity[1] (after tax)	**15**	**19**

(1) Excluding net income for the period.

Sensitivity to the US dollar (USD) 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, 2018 and 2017, e.g., using US dollar/euro exchange rates of 1.26 and 1.32 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.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Foreign currency translation impacts have likewise not been taken into account in the following calculations.

Sensitivity at December 31, 2018 *(in millions of euros)*	**Impact on income (net after tax[2])**	**Impact on equity[1] (after tax[2])**
Trade receivables	(13)	N/A
Bank accounts	(5)	N/A
Trade payables	22	N/A
Loans/borrowings	(2)	-
NET POSITION – USD UNDERLYINGS[3]	**2**	-
Portfolio of forward purchases[4]	(29)	(18)
Portfolio of forward sales[4]	18	23
NET POSITION – USD DERIVATIVES	**(11)**	**5**
NET IMPACT ON THE GROUP	**(9)**	**5**

(1) Excluding net income (loss) for the period.
(2) Using a theoretical income tax rate of 34.43%.
(3) Impact primarily due to net open positions in countries whose currencies are very closely correlated to the US dollar.
(4) Forward purchases and sales that comprise an exposure to US dollars.

Sensitivity at December 31, 2017 *(in millions of euros)*	**Impact on income (net after tax[2])**	**Impact on equity[1] (after tax[2])**
Trade receivables	(11)	N/A
Bank accounts	(4)	N/A
Trade payables	21	N/A
Loans/borrowings	(2)	-
NET POSITION – USD UNDERLYINGS[3]	**4**	-
Portfolio of forward purchases[4]	(24)	(16)
Portfolio of forward sales[4]	16	19
NET POSITION – USD DERIVATIVES	**(8)**	**3**
NET IMPACT ON THE GROUP	**(4)**	**3**

(1) Excluding net income for the period.
(2) Using a theoretical income tax rate of 34.43%.
(3) Impact primarily due to net open positions in countries whose currencies are very closely correlated to the US dollar.
(4) Forward purchases and sales that comprise an exposure to US dollars.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Sensitivity to the Norwegian krone (NOK) exchange rate

The Norwegian krone is an essential counterparty currency used in contracts for submarine high-voltage 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 rate against the world's other major currencies), e.g., using closing NOK/euro exchange rates of 10.9 and 10.8 at December 31, 2018 and 2017 respectively, without any changes in the forward points curve.

Sensitivity at December 31, 2018 *(in millions of euros)*	**Impact on income (net after tax[2])**	**Impact on equity[1] (after tax[2])**
Trade receivables	2	N/A
Bank accounts	(3)	N/A
Trade payables	(1)	N/A
Loans/borrowings	11	-
NET POSITION – NOK UNDERLYINGS	**9**	**-**
Portfolio of forward purchases[3]	(6)	28
Portfolio of forward sales[3]	-	(45)
NET POSITION – NOK DERIVATIVES	**(6)**	**(17)**
NET IMPACT ON THE GROUP	**3**	**(17)**

(1) Excluding net income (loss) for the period.
(2) Using a theoretical income tax rate of 34.43%.
(3) Forward purchases and sales that comprise an exposure to the Norwegian krone.

Sensitivity at December 31, 2017 *(in millions of euros)*	**Impact on income (net after tax[2])**	**Impact on equity[1] (after tax[2])**
Trade receivables	-	N/A
Bank accounts	(2)	N/A
Trade payables	0	N/A
Loans/borrowings	8	-
NET POSITION – NOK UNDERLYINGS	**6**	**-**
Portfolio of forward purchases[3]	(4)	21
Portfolio of forward sales[3]	-	(25)
NET POSITION – NOK DERIVATIVES	**(4)**	**(4)**
NET IMPACT ON THE GROUP	**2**	**(4)**

(1) Excluding net income (loss) for the period.
(2) Using a theoretical income tax rate of 34.43%.
(3) Forward purchases and sales that comprise an exposure to the Norwegian krone.

The audit procedures were carried out and the Statutory Auditors' report was issued.

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:

(At December 31, in millions of euros)	IFRS 9 category	Fair value hierarchy level	2018		2017 (restated)[1]	
			Carrying amount	Fair value	Carrying amount	Fair value
ASSETS						
Shares in non-consolidated companies[2]	Financial assets at fair value through profit or loss		18	18	20	20
	At fair value through other comprehensive income		3	3	3	3
Other non-current financial assets	Loans and receivables		31	31	48	48
Commercial receivables						
▪ Contract assets	Loans and receivables		95	95	134	134
▪ Trade receivables	Loans and receivables		1,021	1,021	1,033	1,033
Derivative instruments[3]	Financial assets at fair value through profit or loss	Foreign exchange: 2 Metal: 1	38 3	38 3	31 50	31 50
Other current financial assets	Loans and receivables		109	109	107	107
Cash and cash equivalents	Financial assets at fair value through profit or loss	Term deposits: 2 Other: 1	31 870	901	94 711	805
LIABILITIES						
Gross debt						
- Convertible bonds[4]	Financial liabilities at amortized cost		276	276	273	293
- Ordinary bonds[4]	Financial liabilities at amortized cost		785	782	715	740
- Other financial liabilities	Financial liabilities at amortized		170	170	149	149
Commercial payables						
▪ Contract liabilities	Financial liabilities at amortized cost		252	252	165	165
▪ Trade payables	Financial liabilities at amortized cost		1,290	1,290	1,320	1,320
Derivative instruments[3]	Financial liabilities at fair value through profit or loss	Foreign exchange: 2 Metal: 1	42 20	42 20	37 2	37 2
Other current financial liabilities	Financial liabilities at amortized cost		255	255	283	283

*(1) Restatements of consolidated data at December 31, 2017 are set out in **Note 3**.*
(2) The 2017 comparative of the shares in non-consolidated entities was adjusted based on changes that took place under IFRS 9 (see Note 3). At December 31, 2017, the amounts were classified under "Available-for-sale securities" in their entirety, i.e., 23 million euros.
(3) Derivatives designated as cash flow hedges are carried at fair value through other comprehensive income. Any gains or losses previously recognized in equity for these derivatives are reclassified to the income statement in the period in which the hedged item impacts income.
*(4) Including short-term accrued interest (see **Note 24.C**).*

The audit procedures were carried out and the Statutory Auditors' report was issued.

At December 31, 2018, the Group's fixed rate debt mainly comprised its ordinary bonds redeemable in 2021, 2023 and 2024 as well as the debt component of its 2019 OCEANE 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 2021, 2023 and 2024 ordinary bonds was calculated based on a bank valuation provided at December 31, 2018 and included interest accrued at the year-end.
The fair value of OCEANE convertible bonds at December 31, 2018 corresponded to their redemption price on January 1, 2019.
The fair value of the Group's OCEANE bonds at December 31, 2017 was determined based on the following:

i. The market price and historic volatility of Nexans' shares at December 31, 2017 (51.11 euros).
ii. The spot price of the 2019 OCEANE bonds at December 31, 2017 (77.47 euros).
iii. A two-year euro swap rate of -0.35% for the 2019 OCEANE bonds.
iv. A two-year credit spread of 30 basis points for the 2019 OCEANE bonds, based on a 43% implicit volatility.
v. A bond lending/borrowing cost representing 50 basis points.

B. CALCULATIONS OF NET GAINS AND LOSSES

2018 *(in millions of euros)*	Net gains (losses)					
	Interest	On subsequent remeasurement			On disposal	Total
		Fair value adjustment	Currency translation	Impairment		
OPERATING ITEMS						
Receivables	N/A	N/A	11	3	-	14
Financial assets and liabilities at fair value through profit or loss	N/A	25	N/A	N/A	-	25
Financial liabilities at amortized cost	N/A	N/A	(32)	N/A	-	(32)
Cost of hedging						(3)
SUB-TOTAL – OPERATING ITEMS	-	25	(21)	3	-	4
FINANCIAL ITEMS						
Shares in non-consolidated companies	N/A	-	-	-	-	-
Loans	-	NA	7	(0)	-	7
Financial assets and liabilities at fair value through profit or loss	N/A	8	NA	N/A	-	8
Financial liabilities at amortized cost	(47)	NA	(8)	N/A	-	(55)
Cost of hedging						(6)
SUB-TOTAL – FINANCIAL ITEMS	(47)	8	(1)	(0)	-	(46)
TOTAL	**(47)**	**33**	**(22)**	**3**	**-**	**(42)**

Gains and losses corresponding to interest are recorded under "Cost of debt (net)" when they relate to items included in consolidated net debt (see **Note 24**).

The accounting treatment of changes in fair value of derivatives is described in **Note 27** 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 which amounted to a positive 4 million euros in 2018 and 3 million euros in 2017. These amounts are calculated taking into account interest received and paid on the instruments concerned, as well as realized and unrealized gains.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Gains and losses arising from currency translation differences are recorded under "Other financial income and expenses" when they relate to operating items as classified in the table above, or under "Cost of debt (net)" if they relate to items included in consolidated net debt.

Impairment losses on operating receivables are recognized as operating expenses and impairment losses on loans are recognized as financial expenses.

Note 29. Operating leases

Future minimum payments under non-cancelable operating leases were as follows at December 31, 2018 and 2017:

(in millions of euros)	Total	Payments due by maturity		
		Within 1 year	Between 1 and 5	Beyond 5 years
AT DECEMBER 31, 2018	**156**	32	76	48
At December 31, 2017	**141**	37	75	29

Note 30. Related party transactions

Related party transactions primarily concern commercial and financial transactions carried out with the Quiñenco group – Nexans' principal shareholder – as well as with associates, non-consolidated companies, and directors and key management personnel (whose total compensation is presented in the table set out in **Note 30.D** below).

A. TRANSACTIONS WITH ASSOCIATES AND NON-CONSOLIDATED COMPANIES

Income statement

(in millions of euros)	2018	2017
REVENUE		
- Non-consolidated companies	38	35
- Associates	8	7
COST OF SALES		
- Non-consolidated companies	(42)	(53)
- Associates	(7)	(11)

The audit procedures were carried out and the Statutory Auditors' report was issued.

Statement of financial position

The main items in the statement of financial position affected by related party transactions in 2018 and 2017 were as follows:

(At December 31, in millions of euros)	2018	2017
ASSETS		
- Non-consolidated companies	8	6
- Associates	1	5
FINANCIAL LIABILITIES/(RECEIVABLES)		
- Non-consolidated companies	(11)	(9)
- Associates	-	1
OTHER LIABILITIES		
- Non-consolidated companies	10	16
- Associates	1	1

B. RELATIONS WITH THE QUIÑENCO GROUP

At December 31, 2018, the Quiñenco group held approximately 29% of the Company's capital stock through two subsidiaries, Invexans and Tech Pack. The Quiñenco group has given the Company a long-term undertaking that it would not request representation on the Board in excess of three non-independent members in a Board of 14 members, or if the Board were to be enlarged, in excess of a number of directors proportionate to its shareholding.

At December 31, 2018, the main contractual relations between Nexans and the Quiñenco group concerned agreements related to the contract dated February 21, 2008 for the acquisition of the Quiñenco group's cables business, as amended by an addendum signed on September 30, 2008.

The impact of the commercial agreements with the Quiñenco group on the income statement and statement of financial position is included in the tables set out in **Note 30.A** above on the line “Associates”.

C. COMPENSATION OF KEY MANAGEMENT PERSONNEL

In 2018, Key Management Personnel corresponded to corporate officers, members of the Management Board, as it existed until November 2018, and members of the Executive Committee, effective December 2018.
In 2017, Key Management Personnel corresponded to corporate officers and members of the Management Board.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Total compensation

Total compensation paid to the Group's Key Management Personnel can be analyzed as follows:

(in millions of euros)	2018	2017
Compensation for corporate officer positions(1)	3.4	2.3
Directors' fees(1)	-	-
Compensation under employment contracts and benefits in kind(1)	6.2	4.7
Stock options(2)	-	-
Performance shares(2)	2.5	2.0
Termination benefits(1)	-	-
Long-term incentive plan(2)	0.4	0.4
Accruals for pensions and other retirement benefit obligations(3)	2.3	2.3
TOTAL COMPENSATION	**14.8**	**11.7**

(1) Amounts paid during the year, including payroll taxes.
(2) Amounts expensed in the income statement during the year.
(3) For defined benefit plans, this item includes the service cost and interest expense for the year.

Additional information on the compensation of Key Management Personnel (corporate officers and members of the Executive Committee):

- At its meeting of July 3, 2018, the Board of Directors decided to appoint Christopher Guérin as Chief Executive Officer.
- On July 3, 2018, Arnaud Poupart-Lafarge resigned from the Group's governance structures when he left the Group in September 2018. In 2018, he received a non-compete indemnity amounting to 0.2 million euros.
- The Group's total obligation for pensions and other retirement benefits relating to Key Management Personnel (net of plan assets) amounted to 12 million euros at December 31, 2018, compared with 19 million euros at December 31, 2017.
- On July 27, 2018, the Board of Directors adopted a new long-term compensation plan for the Group's key managers and executives. The overall plan is made up of a long-term cash incentive plan combined with a performance share plan, which is subject to criteria based on the beneficiary's continued presence within the Group, as well as Nexans' financial performance and share performance.

Commitments given to the Chief Executive Officer

All of the commitments given to Christopher Guérin in his capacity as Chief Executive Officer are described in detail in section 2.5.4., Commitments given to the Chief Executive Officer.

The audit procedures were carried out and the Statutory Auditors' report was issued.

As Chief Executive Officer, Christopher Guérin has received the following commitments from the Company, which were authorized at the Board Meeting of July 3, 2018 and will be submitted for approval to the Annual Shareholders' Meeting to be held on May 15, 2019:

- If Christopher Guérin is removed from his position as Chief Executive Officer, he will be entitled to payment of a termination indemnity representing two years' worth of his total fixed and variable compensation. This indemnity will be subject to actual performance in relation to the objectives applicable to his target annual variable compensation being at least equal to 60% of said objectives on average over the three years preceding his removal. This indemnity will be payable only in the event of a forced departure due to a change of control or strategy, which will be deemed to be the case unless specifically decided otherwise by the Board of Directors, notably in the event of serious misconduct.
  If Christopher Guérin's forced departure takes place before the end of three full years as from the date he took up his position as Chief Executive Officer, the indemnity will be equal one year's worth of his total fixed and variable compensation and the performance conditions will be assessed based on the number of full years completed (either one or two years).
- As compensation for an undertaking not to exercise any business that would compete either directly or indirectly with any of the Company's businesses for a period of two years from the end of his term of office as Chief Executive Officer, Christopher Guérin will receive a non-compete indemnity, regardless of the cause of termination of his duties. Said indemnity will be paid in 24 equal and successive monthly installments and will equal one year of his fixed and variable compensation, i.e., 12 times the amount of his most recent monthly compensation (fixed portion) plus the corresponding percentage of his bonus.

In accordance with Article 23.3. of the AFEP-MEDEF Code (June 2018 version), in the event of Christopher Guérin's departure, the Board of Directors will decide whether or not the non-compete agreement entered into with him will apply and will be entitled to cancel it (in which case no non-compete indemnity will be payable).
In addition, in accordance with Article 23.4 of the AFEP-MEDEF Code, no non-compete indemnity will be due if Christopher Guérin takes retirement upon leaving the Group.
Lastly, in accordance with the Group's 2019 compensation policy for key management personnel, as described in section 2.5.4.4, and with Article 23.6 of the AFEP-MEDEF Corporate Governance Code, Christopher Guérin's total termination payments – i.e., termination and non-compete indemnities – may not exceed two years' worth of his actual compensation (fixed plus variable) received prior to his departure.

If Christopher Guérin retired, he would be entitled to benefits under the supplementary defined contribution pension plan set up by the Group in 2018 for certain employees and corporate officers. Annual contributions to the plan paid by the Company correspond to 20% of the Chief Executive Officer's total actual annual compensation (fixed plus variable).

Note 31. Disputes and contingent liabilities

A. ANTITRUST INVESTIGATIONS

On April 7, 2014, Nexans France SAS and the Company were notified of the European Commission's decision, which found that Nexans France SAS had participated directly in an infringement of European antitrust legislation in the submarine and underground high-voltage power cable sector. The Company was held jointly liable for the payment of a portion of the fine imposed on Nexans France SAS by the European Commission.
In early July 2014, Nexans France SAS paid the 70.6 million euro fine imposed by the European Commission.
Nexans France SAS and the Company appealed the European Commission's decision to the General Court of the European Union. The appeal was dismissed on July 12, 2018. Nexans France SAS and the Company filed a claim before the European Court of Justice, which agreed to hear the application on September 26, 2018 and the case is proceeding accordingly.

As an indirect consequence of the European Commission's decision, one of the Group's competitors, which has been subject to follow-on damages claims initiated in 2015, has filed a contribution claim against the other cable producers sanctioned by the European Commission, including Nexans France SAS and Nexans S.A.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Investigations carried out by the American, Japanese, New Zealand and Canadian authorities in the high-voltage power cable sector were closed without sanctions. During investigations led by the Australian antitrust authority (ACCC), the Australian courts dismissed the ACCC's case and refused to sanction Nexans and its Australian subsidiary in the high-voltage power cable sector in a case pertaining to the sale of low- and medium-voltage cables.

Investigations by the antitrust authorities in South Korea and Brazil in the high-voltage power cable sector are still ongoing.

As explained in the Group's previous communications, Nexans' local Korean subsidiaries are cooperating with South Korea's antitrust authority (KFTC) in investigations initiated between 2013 and 2015 into businesses other than the high-voltage business. Rulings have been issued for ten cases and due to the cooperation of Nexans' Korean subsidiaries, the KFTC exempted eight of them from paying a fine. For the other cases, the Korean subsidiaries were granted a reduction of fines for their cooperation with the KFTC and were ordered to pay the KFTC a total of 850,000 euros.

Regarding follow-on claims based on the KFTC's rulings, in connection with procedures mentioned above or dating back prior to 2013, the Korean subsidiaries were issued seven summonses from customers and were ordered to pay 200,000 euros in one case and 6 million euros in a second case (against which the Korean subsidiaries have appealed). Other follow-on claims with customers are still in progress to date.

On February 11, 2019, Nexans was informed of the opinion of the General Superintendence of the Brazilian antitrust authority "CADE" to conclude on its investigation in the underground high-voltage and submarine cables sector in Brazil and to recommend to the Administrative Tribunal of CADE to sanction the defendants in this case. Nexans continues to strongly defend the case, based on solid elements which Nexans hopes the Administrative Tribunal of CADE will take into account.

On November 24, 2017 in Spain, Nexans Iberia and the Company (in its capacity as Nexans Iberia's parent company) were notified of a decision by the Spanish competition authority ("CNMC"), which found that Nexans Iberia had participated directly in an infringement of Spanish competition laws in the low- and medium-voltage cable sectors. The Company was held jointly liable for the payment of part of the fine levied on Nexans Iberia by the CNMC. In early January 2018, Nexans Iberia settled the 1.3 million euro fine levied by the CNMC. Nexans Iberia and the Company have appealed the CNMC's decision.

The Group has recorded a 59 million euro contingency provision to cover all the investigations mentioned above as well as the direct and indirect consequences of the related rulings that have been or will be handed down and in particular the follow-on damages claims by customers (existing or potential claims). The amount of the provision is based on management's assumptions that take into account the consequences in similar cases and currently available information. There is still uncertainty as to the extent of the risks related to potential claims and/or fines. The final costs related to these risks could therefore be significantly different from the amount of the provision recognized.

The Group's risk prevention and compliance systems have been strengthened regularly and significantly in recent years (see section 3.2., Main risk factors and risk management within the Group). However, the Group cannot guarantee that all risks and problems relating to practices that do not comply with the applicable rules of ethics and business conduct will be fully controlled or eliminated. The compliance program includes means of detection which could generate internal investigations, and even external investigations. As consistently communicated by the Company in the past, unfavorable outcomes for antitrust proceedings and/or investigations as well as the associated consequences could have a material adverse effect on the results and thus the financial position of the Group.

The audit procedures were carried out and the Statutory Auditors' report was issued.

B. OTHER DISPUTES AND PROCEEDINGS GIVING RISE TO THE RECOGNITION OF PROVISIONS

For cases where the criteria are met for recognizing provisions, the Group considers the resolution of the disputes and proceedings concerned will not materially impact the Group's results in light of the provisions recorded in the financial statements. Depending on the circumstances, this assessment takes into account the Group's insurance coverage, any third party guarantees or warranties and, where applicable, evaluations by the independent counsel of the probability of judgment being entered against the Group.

The Group considers that the other existing or probable disputes for which provisions were recorded at December 31, 2018 do not individually represent sufficiently material amounts to require specific disclosures in the consolidated financial statements.

C. CONTINGENT LIABILITIES RELATING TO DISPUTES AND PROCEEDINGS

As at December 31, 2018, certain contracts entered into by the Group could lead to performance difficulties, although the Group currently considers that those difficulties do not justify the recognition of provisions in the financial statements or specific disclosure as contingent liabilities.

Note 32. Off-balance sheet commitments

The Group's off-balance sheet commitments that were considered material at December 31, 2018 and 2017 are set out below.

A. COMMITMENTS RELATED TO THE GROUP'S SCOPE OF CONSOLIDATION

Receivables securitization program

A securitization plan for euro-denominated trade receivables (described in **Note 27.A**) was set up in the second quarter of 2010 and rolled over for up to five years on March 30, 2015. Following an amendment to the program in May 2017, this guarantee covers (i) the payment obligations of the Nexans subsidiary selling the receivables under the program and (ii) the consequences that could arise if any of the receivables sales under the program were rendered invalid, notably in the event that insolvency proceedings were initiated against the subsidiary selling the receivables.

At December 31, 2018, the Group considered the probability of the bank calling on this guarantee to be very low.

At the year-end, this joint and several guarantee was valued at 24 million euros for the portion covering the subsidiary's payment obligations and 95 million euros for the portion covering invalid receivables sales. It had a minimum residual term of more than 12 months at December 31, 2018.

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 the Group 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.

The audit procedures were carried out and the Statutory Auditors' report was issued.

In late 2017, Nexans acquired 27.8% of the capital of IES, the leading manufacturer of electric vehicle fast-charging solutions. IES is accounted for by the equity method.
The purchase agreement includes a market price call option exercisable in June 2019 that enables Nexans to raise its interest to 51%. If the option is exercised, it will lead to a cash outflow of between 14 million euros and 16 million euros.
The agreement also includes a put option for the seller.

Acquisition of the Quiñenco group's cable business

When Nexans acquired the cables business of the Chile-based group Quiñenco 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 Invexans SA (formerly 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 accordance with IFRS 3.
A settlement agreement was entered into on November 26, 2012 between the Company, Nexans Brasil and the Quiñenco group concerning the amounts payable by the Quiñenco group to Nexans Brasil in relation to the outcome of civil, employment law and tax proceedings in Brazil.

Under the terms of this agreement, Quiñenco undertook to pay Nexans Brasil a lump sum of around 23.6 million Brazilian reals (approximately 9.4 million euros). In return, the Quiñenco group was released from any obligation to pay compensation with respect to the civil and employment law proceedings in progress that were specified in the settlement agreement, except if the total amount of related losses incurred by the Company exceeds a certain limit. Some of the tax proceedings in Brazil relating to the period prior to the acquisition, or in progress at the time of the acquisition and still ongoing at the date of the settlement agreement, remain governed by the terms of previous agreements entered into between the parties. Settlement agreements were signed between 2014 and 2017 covering part of the amounts involved, in order to enable Nexans to benefit from a tax amnesty in Brazil.

B. COMMITMENTS RELATED TO THE GROUP'S FINANCING

The main off-balance sheet commitments related to the Group's financing are summarized below:

(At December 31, in millions of euros)	Notes	2018	2017
COMMITMENTS GIVEN			
Syndicated credit facility[(1)]	26.A	660	660
Collateral			-
COMMITMENTS RECEIVED			
Syndicated credit facility – Unused line expiring on December 12, 2023	26.A	600	600
Receivables securitization program – Maximum amount of receivables that may be sold[(2)]	26.A	80	80

(1) When the Group's syndicated credit facility was set up, Nexans undertook to guarantee the commitments given by Nexans Financial & Trading Services to the banking pool concerned.

(2) The receivables securitization program was set up in April 2010 and amended in May 2017.

The audit procedures were carried out and the Statutory Auditors' report was issued.

C. COMMITMENTS RELATED TO THE GROUP'S OPERATING ACTIVITIES

The Group's main off-balance sheet commitments related to operating activities are summarized in the following table:

(At December 31, in millions of euros)	Note	2018	2017
COMMITMENTS GIVEN			
Forward purchases of foreign currencies[1]	26	2,830	2,539
Forward purchases of metals	26	522	400
Firm commitments to purchase property, plant and equipment[2]		166	168
Commitments for third-party indemnities	See (a)	3,441	3,015
Take-or-pay copper purchase contracts (in tonnes)	See (b)	130,141	122,490
Future minimum payments under non-cancelable operating leases	29	156	141
Other commitments given			0
COMMITMENTS RECEIVED			
Forward sales of foreign currencies[1]	26	2,832	2,548
Forward sales of metals	26	162	115
Take-or-pay copper sale contracts (in tonnes)	See (b)	125,903	108,249
Other commitments received		418	584

(1) *Including derivatives used to hedge the Group's net debt.*

(2) *Included at December 31, 2018 in the 138 million euro commitment concerning the construction of a new cable laying ship.*

(a) Commitments for 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 (725 million euros and 710 million euros at December 31, 2018 and 2017 respectively).
When it is probable that the Group 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**).

At December 31, 2018 the Group had granted parent company guarantees in an amount of 2,716 million euros (2,305 million euros at December 31, 2017). These mainly correspond to performance bonds given to customers.

(b) Take-or-pay contracts (physically-settled contracts)

The volumes stated 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 presented in inventories (see **Note 27.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.

The audit procedures were carried out and the Statutory Auditors' report was issued.

Note 33. Main consolidated companies

The table below lists the main entities included in the Group's scope of consolidation at December 31, 2018.

Companies by geographic area	% control	% interest	Consolidation method[1]
France			
Nexans S.A.[2]	100%	100%	Parent company
Nexans Participations	100%	100%	
Lixis	100%	100%	
Nexans France	100%	100%	
Nexans Interface	100%	100%	
Eurocable	100%	100%	
Recycables	36.50%	36.50%	Equity method
Nexans Power Accessories France	100%	100%	
IES Energy	27.80%	27.80%	Equity method
Nexans Financial & Trading Services[3]	100%	100%	
Belgium			
Nexans Benelux S.A.	100%	100%	
Nexans Network Solutions NV	100%	100%	
Nexans Services[4]	100%	100%	
Opticable S.A. NV	60%	60%	
Germany			
Nexans Deutschland GmbH	100%	100%	
Metrofunkkabel Union GmbH	100%	100%	
Nexans Auto Electric GmbH[5]	100%	100%	
Nexans Power Accessories Deutschland GmbH	100%	100%	
NORTHERN EUROPE			
Nexans Nederland BV	100%	100%	
Nexans Norway A/S	100%	100%	
Nexans Subsea Operations	100%	100%	
Nexans Suisse S.A.	100%	100%	
Confecta AG	100%	100%	
Nexans Re[6]	100%	100%	
Nexans Logistics Ltd	100%	100%	
Nexans Sweden AB	100%	100%	
Nexans Industry Solutions[3]	100%	100%	

The audit procedures were carried out and the Statutory Auditors' report was issued.

Companies by geographic area	% control	% interest	Consolidation method[1]
SOUTHERN EUROPE			
Nexans Iberia SL	100%	100%	
Nexans Italia SpA	100%	100%	
Nexans Partecipazioni Italia Srl	100%	100%	
Nexans Intercablo SpA	100%	100%	
Nexans Hellas S.A.[2]	89.14%	89.14%	
Nexans Turkiye Endustri Ve Ticaret AS	100%	100%	
EASTERN EUROPE			
Nexans Romania	100%	100%	
NORTH AMERICA			
Nexans Canada Inc	100%	100%	
Nexans USA Inc	100%	100%	
AmerCable Inc	100%	100%	
Nexans Energy USA Inc	100%	100%	
Berk-Tek LLC	100%	100%	
Nexans High Voltage USA Inc	100%	100%	
SOUTH AMERICA			
Invercable	100%	100%	
Nexans Chile S.A.	100%	100%	
Colada Continua S.A.	41%	41%	Equity method
Nexans Colombie	100%	100%	
Indeco Peru[2]	96.73%	96.73%	
Cobrecon	33.33%	32.24%	Equity method
Nexans Brasil S.A.	100%	100%	
AFRICA AND MIDDLE EAST			
Liban Câbles SAL	91.15%	91.15%	
Nexans Maroc[2][7]	83.59%	83.59%	
Qatar International Cable Company	30.33%	30.33%	Equity method
Nexans Kabelmetal Ghana Ltd	59.13%	59.13%	
Nexans Côte d'Ivoire	60%	53.27%	

The audit procedures were carried out and the Statutory Auditors' report was issued.

Companies by geographic area	% control	% interest	Consolidation method[1]
ASIA-PACIFIC			
Nexans Hong Kong Ltd	100%	100%	
Nexans Communications (Shanghai) Cable Co. Ltd	100%	100%	
Nexans China Wire & Cables Co. Ltd	100%	100%	
Nexans (Yanggu) New Rihui Cables Co. Ltd	75%	75%	
Nexans (Suzhou) Cables Solutions Co. Ltd	100%	100%	
Nexans Korea Ltd	99.51%	99.51%	
Kukdong Electric Wire Co. Ltd	97.90%	97.90%	
Nippon High Voltage Cable Corporation[8]	100%	100%	
OLEX Australia Pty Ltd	95.00%	95.00%	
OLEX New Zealand Ltd	95.00%	95.00%	

(1) The companies in this list are fully consolidated, unless otherwise specified.

(2) Listed companies.

(3) Companies consolidated in 2018.

(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, China and Mexico.

(6) Nexans Re is the Group's captive reinsurer.

(7) Nexans Maroc prepares consolidated financial statements that include various subsidiaries located mainly in Morocco and Senegal.

(8) In 2017, the joint venture Nippon High Voltage Cable Corporation became a wholly-owned subsidiary pursuant to an agreement between its two shareholders, Nexans and Viscas.

Note 34. Statutory Auditors' fees

The total fees paid to the Statutory Auditors for all controlled entities in France and recorded in the income statement for 2018 break down as follows:

(in thousands of euros)	Audit of the consolidated financial statements	Audit of the corporate financial statements	Services other than audit[1]	Total
Mazars	210	102	604	916
PricewaterhouseCoopers Audit	200	245	68	513
TOTAL	**410**	**347**	**672**	**1,429**

(1) Other services mainly relate to due diligence missions, consisting of (i) all the procedures that a reasonable buyer or investor would perform before entering into a transaction, and (ii) letters of comfort procedures in connection with financing operations

The audit procedures were carried out and the Statutory Auditors' report was issued.

Note 35. Subsequent events

A. EUROPEAN PROJECT OF TRANSFORMATION

Following the announcement of November 9, 2018, on January 24, 2019 the Group submitted a restructuring plan to the European Works Council representatives in accordance with the information and consultation procedure.
The plan includes several proposals:

- Adapting the Group's organization around five Business Groups and eliminating the regional structures. The aim is to put in place a more streamlined, profitable and agile organization by simplifying and reducing the number of reporting levels. It will also be an opportunity to empower the Group's operating teams.
- Implementing a European restructuring plan aimed at enhancing industrial and operational efficiency. The proposed project would also reflect the impact of any changes made at the level of the Group's organization, and would include: resizing business activities at head office level, pooling certain functional activities between countries, reducing layers from hierarchy and making targeted adaptations to manufacturing infrastructure.
- Optimizing the Group's Innovation & Technology department, in order to align it more closely with the business transformation currently being carried out to improve agility and services.

The planned project would impact 939 jobs and could lead to the creation of 296 new positions. Germany, France, Switzerland and, to a lesser extent, Belgium, Norway and Italy would be impacted most.

B. FINANCING

Regarding the financing of the Group, all the OCEANE 2019 bonds were paid back early January 2019 for 276 million euros, including the accrued interest.
Besides, starting January 2019, the Group issued some short-term negotiable instruments as part of the program signed on December 21, 2018 see **Note 27.A**. At the date of the accounts approval by the Board of Directors, the amount was 130 million euros.

No other significant events for which disclosure is required have occurred since December 31, 2018.