2016 HALF-YEAR FINANCIAL REPORT

Nexans
BRINGS ENERGY TO LIFE

Contents

Half-year activity report

The purpose of this report is to present an overview of the operations and results of the Nexans Group for the first half of fiscal year 2016. It is based on the Condensed interim consolidated financial statements for the six months ended June 30, 2016.

Nexans' shares are traded on the NYSE Euronext Paris market and are included in the SBF 120 index. The Company's estimated ownership structure – broken down by shareholder category – was as follows at June 30, 2016:

- Institutional investors: 86.8%,
  of which approximately 28.8% held by Invexans (Quiñenco group, Chile), 7.9% by Bpifrance Participations (France) and 4.8% by Financière de l'Echiquier (France)
- Private investors and employees: 9.7%
- Unidentified shareholders: 3.5%

This interim activity report should be read in conjunction with the Condensed interim consolidated financial statements for the six months ended June 30, 2016 (including the notes to those financial statements), as well as with Nexans' Registration Document for the year ended December 31, 2015 which was filed with the French financial markets authority (*Autorité des marchés financiers – AMF*) on April 7, 2016 under number D.16-0294.

1. Significant events of first-half 2016

1.1. GOVERNANCE

At the Board of Directors' meeting held on February 17, 2016, Frédéric Vincent announced that he intended to retire and would therefore step down as Chairman of the Board and as a director of Nexans as from March 31, 2016. The Board subsequently appointed Georges Chodron de Courcel as non-executive Chairman of the Board, effective from the date of Frédéric Vincent's departure.

At the Annual Shareholders' Meeting on May 12, 2016, Nexans' shareholders re-elected Colette Lewiner as an independent director of the Company for a four-year term in accordance with the Company's bylaws. At the same meeting, they elected Kathleen Wantz O'Rourke as an independent director and Marie-Cécile de Fougières as a director representing employee shareholders, also for four-year terms. At the close of the meeting, the Board of Directors therefore had twelve members, including six classified by the Board as independent (corresponding to an independence rate of over 54%[1]. Five Board members are women, corresponding to a representation rate of over 41%, which complies with the provisions of the French Act dated January 27, 2011 relating to gender equality on company boards and the AFEP-MEDEF Corporate Governance Code applicable to French listed companies.

1.2. INTERNATIONAL EMPLOYEE SHARE OWNERSHIP PLAN

At its meeting on November 24, 2015, the Board of Directors used the authorizations granted at the May 5, 2015 Annual Shareholders' Meeting to approve in principle the launch in 2016 of an employee share ownership plan involving the issue of a maximum of 500,000 new shares. This plan was the seventh international employee share ownership plan set up by the Group.

The settlement-delivery of the shares took place on July 28, 2016 and resulted in the issuance of 483,612 new shares, representing an aggregate amount of 16.77 million euros.

1.3. ISSUANCE OF 250 MILLION EUROS WORTH OF BONDS MATURING ON MAY 26, 2021

During the first half of 2016, Nexans issued 250 million euros worth of fixed-rate bonds with a five-year term, maturing on May 26, 2021. The bonds were issued at par and have an annual coupon of 3.25%. Their yield to maturity is 3.25%.

The issue was successful, with some 100 international institutional investors taking up the bonds. Crédit Agricole Corporate and Investment Bank, J.P. Morgan Securities plc and Natixis acted as global coordinators and book runners for the issue, and Commerzbank Aktiengesellschaft and Nordea Bank Danmark A/S were also book runners.

The bonds have been listed on NYSE Euronext Paris since May 26, 2016.

1.4. BEATRICE OFFSHORE WIND FARM PROJECT

Nexans has partnered with Siemens to supply subsea and land cables to connect the Beatrice Offshore Wind Farm to the Scottish grid. As part of this project, Nexans will deliver two complete 220 kV export cable circuits to help meet growing energy demands in the region. Once the wind farm is fully constructed and operational, it could provide energy equivalent to the needs of more than 450,000 British households. The turnkey contract with Nexans is worth approximately 245 million euros and will see Nexans manufacture and deliver two circuits of 90 km, with a total of 260 km of onshore and offshore cables.
The offshore cables will be laid by Nexans' cable laying ship, C/S Nexans Skagerrak and trenched for seabed protection by Nexans' Capjet system.

Delivery of the cables will begin in summer 2016 with installation starting in fall 2017. The wind farm will be operational by 2019.

(1) In accordance with Recommendation 9.2 of the AFEP-MEDEF Corporate Governance Code, when calculating the proportion of independent directors, the Company did not take into account its director representing employee shareholders.

2. Operations during first-half 2016

2.1. OVERVIEW

Consolidated sales for the six months ended June 30, 2016 came to 2,951 million euros compared with 3,271 million euros for the same period of 2015. At constant metal prices[1] , first-half 2016 sales amounted to 2,277 million euros.

The Group pursued its **strategic initiatives** as planned in the first half of 2016:

- The various restructuring plans launched in 2013 and 2015 continued to be rolled out. The Group's drive to reduce **fixed costs** had a positive 11 million euro impact in the first six months of 2016 which allowed offsetting the effects of inflation.
- The measures put in place to scale back **variable costs** led to a 25 million euro net saving during the period. The difficulties encountered in 2015 as a result of inventory shedding and negative volume effects have now been overcome and the impact of the strategic initiatives on manufacturing operations seems to have stabilized.
- Steps taken to strengthen the Group's **market leadership** had a 38 million euro favorable impact on operating margin. This effect was mostly due to (i) higher volumes of distribution cables sold to energy operators and (ii) increased returns from the programs put in place to selectively streamline customers and products in the Distributors & Installers and Industry businesses and the Distribution sector.

In all, after taking into account an estimated negative cost/price squeeze effect of 29 million euros and an unfavorable currency and scope effect of 5 million euros, the consolidated **operating margin** came to 135 million euros (representing 5.9% of sales at constant metal prices versus 4% for the first half of 2015), up 40 million euros.

EBITDA rose by 36 million euros to 203 million euros, reflecting the impacts of the strategic initiatives in terms of an improved product mix and lower fixed costs. The Group's depreciation and amortization expense edged down by 4 million euros to 68 million euros during the period.

The Group ended the first half of 2016 with **operating income** of 90 million euros, versus a 4 million euro operating loss in the first six months of 2015. This positive swing was mainly due to the fact that restructuring costs and provisions were 85 million euros lower than in first-half 2015 and the first-half 2016 operating income figure included a 25 million euro non-cash expense arising from the core exposure effect.
The Group recorded **net income** of 29 million euros in the six months ended June 30, 2016, after taking into account 30 million euros in net cost of debt (down by 8 million euros on first-half 2015) and a 17 million euro income tax expense (versus 10 million euros in first-half 2015).

Consolidated net debt totaled 373 million euros at June 30, 2016, down 158 million euros on June 30, 2015, despite a 93 million euro cash outflow for restructuring costs. This reduction reflects the improved EBITDA levels and the decrease in working capital.

2.2. ANALYSIS BY BUSINESS

Distributors & Installers

The Distributors & Installers business posted sales of 820 million euros at current metal prices and 580 million euros at constant metal prices, representing a year-on-year organic increase of 3.9%.
These figures illustrate a return to sales growth for the division after 18 months of decline, with both of the division's segments contributing to the turnaround.

Sales of **power cables** for the building sector stabilized in volume terms, with an organic year-on-year increase of 0.4% versus a 7.3% decrease in the first half of 2015.
The division's European sales contracted year on year but at a slower pace than previously.

Conversely, sales were higher year on year in both South America (up 3.7%) and the Middle East, Russia and Africa Area (up 13.9%). At the same time, after several quarters of sharp declines, the division's business in the Asia-Pacific Area began to stabilize.

(1) To neutralize the effect of fluctuations in non-ferrous metal prices and therefore measure the underlying sales trend, Nexans also calculates its sales using a constant price for copper and aluminum.

Sales of **LAN cables and systems** picked up in the second quarter, and organic growth came in at 15.8% for the first half overall compared with 5.2% for the first six months of 2015. This upward trend was seen across all of the Group's operating countries, but was particularly pronounced in China and the Americas.

Operating margin for the Distributors & Installers business amounted to 52.4 million euros, representing 9% of sales at constant metal prices (versus 22 million euros and 3.8% in first-half 2015).

This year-on-year rise was chiefly attributable to the extremely strong sales growth reported by the LAN business which helped create a favorable product mix as the division's businesses which recorded sales declines are its least profitable.

Industry

Sales for the Industry business totaled 687 million euros at current metal prices and 602 million euros at constant metal prices, representing an organic decrease of 3.8% compared with the first six months of 2015.

The Industry business sales appear to have stabilized on a period-on-period basis and the year-on-year organic decrease in the first half of 2016 was primarily due to an unfavorable basis of comparison as the contraction in sales in the Oil & Gas sector (for AmerCable and in South Korea and China) that took place in 2015 was primarily concentrated in the second half of that year.

The Transport sub-segment (which accounts for around two thirds of the Industry business' total sales) recorded a 4.6% contraction on an organic basis, reflecting slower sales in the railway segment in China and the shipbuilding segment in South Korea. The other segments of the Industry business held firm during the period, with sales to the aeronautical market increasing thanks to the new Airbus programs that are currently being rolled out. Sales of automotive harnesses climbed once again (by 3.8%), on the back of two years of double-digit growth.

Sales generated by the resources sub-segment (which makes up around one fifth of the Industry business' total sales) retreated 18.8% year on year. In the same way as described above, this year-on-year decline was also caused by an unfavorable basis of comparison arising from the concentration of the downturn in the Oil & Gas industry in the second half of 2015, presently stabilizing. The environment remains challenging for AmerCable in the United States.

Operating margin for the Industry business came to 33.6 million euros, representing 5.6% of sales at constant metal prices (versus 33 million euros and 5.1% in first-half 2015).

Transmission, Distribution & Operators

Sales generated by the Transmission, Distribution & Operators business amounted to 1,086 million euros at current metal prices and 945 million euros at constant metal prices, representing a 0.7% organic decrease compared with the first six months of 2015.

Distribution

Sales of low- and medium-voltage cables rose by 4.2% on an organic basis versus first-half 2015, with higher business volumes in all geographic areas apart from the Asia-Pacific Area and North America.

Following a lackluster 2015 with 3.8% negative organic growth, sales to energy operators returned to growth in the first quarter of 2016 (up 6.5%) and this business reported a year-on-year sales increase for the first half overall.

Demand from utility companies picked up in Europe (particularly in Germany, Norway and France) and business levels were boosted by a favorable catch-up effect, particularly in France.

Sales in the South America Area jumped 22% propelled by deliveries for a major overhead power line project in Brazil.

The Middle East, Russia and Africa also performed well, with sales surging 25% thanks to the recovery of the business's main markets notably in Russia and Lebanon.

In parallel, operating margin improved in line with the Group's target, reflecting the results of the «Shift» industrial transformation program in Germany and Italy as well as the upturn in sales volumes.

Operators

After a weak start to the year, sales to telecommunications operators edged back 2.4% on an organic basis in first-half 2016. Despite this contraction, operating margin was up year on year, led by strong momentum for fiber optic cables and telecom accessories.

Land high-voltage

In the land high-voltage business, the positive effects of the rise in orders in 2015 began to feed through, with growth reported in the first quarter and picking up pace in the second quarter to reach 17% organic growth for the semester.

Operating margin improved in the first half of 2016 but was once again negative due to the Charleston plant still operating under capacity.

Submarine high-voltage

Following on from maintenance work carried out in the first quarter of 2016, sales generated by the submarine high-voltage business returned to their customary level in the second quarter, with quarter-on-quarter organic growth amounting to 5.9%. However for the first half overall, sales were down 13.1% year on year on an organic basis.

The order book for submarine high-voltage cables reached an historic high at June 30, 2016, which should result in an acceleration in business in both the second half of 2016 and in 2017 when the NSN and NordLink contracts signed in 2015 enter their active sales phases.

After a good first quarter, invoiced sales of umbilical cables were adversely affected by a falloff in capital spending in the Oil & Gas sector. Despite this situation, in the first half of 2016 the Group took orders for contracts leading to a 19% increase ofthe umbilicals order book at end-June 2016 versus the level registered at end of December 2015.

Operating margin for the Transmission, Distribution & Operators business as a whole came to 63.2 million euros, or 6.7% of sales at constant metal prices, versus 54.2 million euros or 5.4% of sales in first-half 2015. This sharp rise was mainly due to the higher sales posted by the Distribution segment.

Other Activities

The «Other Activities» segment – which essentially corresponds to sales of copper wires – reported sales of 150 million euros at constant metal prices, up 10.9% year on year. All of the segment's geographic areas contributed to this increase, particularly France.

Operating margin for this segment was a negative 14 million euros, reflecting the fact that this item includes central costs that cannot be allocated to the various businesses and which therefore offset the profit derived from sales of copper wires.

2.3. OTHER ITEMS IN THE FIRST-HALF 2016 CONSOLIDATED INCOME STATEMENT

2.3.1. Core exposure effect

For the six months ended June 30, 2016, the Core exposure effect represented an expense of 25 million euros compared with an expense of 1 million euros in first-half 2015. This year on year variation was mainly due to a sharp decrease in copper prices since the second half of 2015.

In the IFRS financial statements, inventories are measured using the weighted average unit cost method, leading to the recognition of a temporary difference between the carrying amount 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 of a permanent inventory of metal that is not hedged (called "Core exposure").

The accounting impact related to this difference is not included in operating margin and instead is accounted for in a separate line of the consolidated income statement, called "Core exposure effect". Within operating margin – which is a key performance indicator for Nexans – inventories consumed are valued based on the metal 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.

2.3.2. Restructuring costs

Restructuring costs came to 13 million euros in first-half 2016 versus 98 million euros in the corresponding prior-year period:

- The 13 million euros costs recorded in first-half 2016 concerns (i) provisions recognized for employee-related costs notably in the United-States and Europe, (ii) costs expensed as incurred, in accordance with IFRS and (iii) proceeds from the sale of a land use right in China.

- Out of the 98 million euros recorded in first-half 2015, 67 million euros related to the project to reorganize the Group's operations in Europe. This amount primarily corresponded to provisions for employee-related costs in France, Norway and Germany. The remainder of the overall 98 million euros mainly concerned reorganization plans for the Asia-Pacific Area, notably for production sites in China and the integration of Australian operations into the regional supply chain.

2.3.3. Other operating income and expenses

Other operating income and expenses represented a net expense of 10 million euros in the first six months of 2016 (versus a non-material amount in first-half 2015), chiefly comprising:

- Expenses and provisions for antitrust investigations, which represented a net expense of 6 million euros and corresponded to an addition to a contingency provision relating to the potential cost of civil proceedings against the Group's local operating entities in South Korea.

- Gains and losses on asset disposals, the Group recorded a 2 million euro net disposal loss following the sale of Cabliance Belgium, Cabliance Maroc and Confecta GmbH in first-half 2016.

2.3.4. Financial income and expenses

The Group recorded a net financial expense of 44 million euros in the first six months of 2016, compared with 45 million euros in first-half 2015.

The net cost of debt contracted to 30 million euros in first-half 2016 from 38 million euros one year earlier, notably as a result of the redemption of Nexans' OCEANE 2016 bonds on January 4, 2016.

Other financial expenses were 7 million euros higher than in first-half 2015, mainly due to an unfavorable net foreign exchange result which represented a net loss of 6 million euros in the first six months of 2016 versus a net 1 million euro gain in first-half 2015.

2.3.5. Income taxes

The consolidated income tax expense for the period came to 17 million euros, with the Group recording net income before taxes and share in net income of associates of 43 million euros. In the first six months of 2015, the income tax expense was 10 million euros.

2.3.6. Principal cash flows for the period

Cash flows from operations before gross cost of debt and tax totaled 136 million euros in first-half 2016.

The increase in working capital requirement in the first half of 2016 primarily reflects a seasonal effect.

Net cash in investing activities came to a 61 million euro outflow, chiefly corresponding to purchases of property, plant and equipment.

Net cash in financing activities totaled 25 million euro outflow, mainly comprising a 248 million euro cash inflow from the Company's issue of long-term bonds, and cash outflows of (i) 224 million euros for repayments of external borrowings, and (ii) 53 million euros in interest paid.

Overall, taking into account the effect of currency translation differences, net cash and cash equivalents decreased by 171 million euros during the period and stood at 827 million euros at June 30, 2016 (including 846 million euros in cash and cash equivalents recorded under assets and 19 million euros corresponding to short-term bank loans and overdrafts recorded under liabilities).

2.3.7. Consolidated statement of financial position

The Group's total consolidated assets increased by 118 million euros to 5,147 million euros at June 30, 2016 from 5,029 million euros at December 31, 2015.

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

- Non-current assets totaled 1,803 million euros at June 30, 2016, versus 1,835 million euros at December 31, 2015.
- Operating working capital requirement (trade receivables plus inventories less trade payables and accounts related to long-term contracts) rose by 201 million euros between December 31, 2015 and June 30, 2016.
- Net debt increased by 172 million euros to 373 million euros at June 30, 2016 from 201 million euros at December 31, 2015.
- Provisions for contingencies and charges – including for pension and other long-term employee benefit obligations – increased by 10 million euros in the six months between December 31, 2015 and June 30, 2016, to 700 million euros. The most significant changes during the period concerned provisions for restructuring costs and provisions for pension benefit obligations.
- Total equity stood at 1,301 million euros at June 30, 2016 compared with 1,227 million euros at December 31, 2015.

3. Risk factors and main uncertainties

Nexans operates in a context of risk and uncertainty as a result of the general economic environment as well as the specific nature of its own business activities.
A detailed description of risk factors and uncertainties – notably risks related to antitrust investigations – is provided in Nexans' 2015 Registration Document, in Section 3.1, "Risk Factors" (pages 70 to 80), and in **Note 15** to the condensed interim consolidated financial statements at June 30, 2016.

Nexans considers that the main risks identified in the 2015 Registration Document have not changed significantly.

If these risks were to materialize they could have a significant adverse effect on the Group's operations, financial position, earnings and outlook.
Nexans may be exposed to other risks that were not identified at the date of this report, or which are not currently considered material.

In addition to the risk factors described in Section 3.1 of the 2015 Registration Document and the main uncertainties detailed in Section 1.8, "2016-2018 Trends and Outlook" of that document, the principal uncertainties for the second half of 2016 primarily relate to:

- Depressed demand in Oil & Gas related markets which could deteriorate further, potentially impacting several businesses in the Group, and in particular the US based Amercable business which is also impacted by similar factors in the mining segment,
- Depressed demand in shipyards in China and Korea could impact order entry, and therefore revenues for subsequent periods,
- Impact of political instability and economic contraction in Brazil where demand levels may not stabilize and customer credit risks may increase further,

- Brexit impacts which could include decreased growth in European economies generally, and in relation to the UK, notwithstanding the absence of local cable production by the Group, possible delays in financing of large infrastructure projects which result in slow down of orders for the HV business, and possible exchange rate fluctuations which could penalize other exports to the UK,

- Economic developments in Greece and their impact on the Group's operations in that country,

- The economic and political environment in certain emerging markets where Nexans makes sales including in particular Lebanon, Libya and Russia,

- Possible negative impact of recent or ongoing plant closures and reorganizations and reduction of centralized functions,

- Increasing costs of pension obligations resulting from declining interest rates,

- Demand stagnation or decline which for certain factories could result in critical capacity underutilization.

4. Related party transactions

The Company considers that there were no significant changes in its main transactions with related parties compared with those described in the 2015 Registration Document in **Note 28** to the consolidated financial statements for the year ended December 31, 2015.

Condensed interim consolidated financial statements

Six months ended June 30, 2016

Notes to the interim consolidated financial statements:

Consolidated income statement

(in millions of euros)	Notes	First-half 2016	First-half 2015
NET SALES	3	**2,951**	**3,271**
Metal price effect[1]		(674)	(888)
SALES AT CONSTANT METAL PRICES[1]	3	**2,277**	**2,383**
Cost of sales		(2,520)	(2,871)
Cost of sales at constant metal prices[1]		(1,846)	(1,983)
GROSS PROFIT		**431**	**400**
Administrative and selling expenses		(256)	(263)
R&D costs		(40)	(42)
OPERATING MARGIN[1]	3	**135**	**95**
Core exposure effect[2]		(25)	(1)
Restructuring costs		(13)	(98)
Other operating income and expenses	4	(10)	0
Share in net income (loss) of associates		3	0
OPERATING INCOME (LOSS)		**90**	**(4)**
Cost of debt (net)		(30)	(38)
Other financial income and expenses	6	(14)	(7)
INCOME (LOSS) BEFORE TAXES		**46**	**(49)**
Income taxes	7	(17)	(10)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		**29**	**(59)**
Net income (loss) from discontinued operations		-	-
NET INCOME (LOSS)		**29**	**(59)**
▪ attributable to owners of the parent		30	(58)
▪ attributable to non-controlling interests		(1)	(1)
ATTRIBUTABLE NET INCOME (LOSS) PER SHARE *(in euros)*	8		
▪ basic earnings (loss) per share		0.69	(1.35)
▪ diluted earnings (loss) per share		0.68	(1.35)

(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.

Consolidated statement of comprehensive income

(in millions of euros)	First-half 2016	First-half 2015
NET INCOME (LOSS) FOR THE PERIOD	**29**	**(59)**
Recyclable components of comprehensive income	74	61
■ Available-for-sale financial assets	-	-
■ Currency translation differences	16	53
■ Cash flow hedges	58	8
Tax impacts on recyclable components of comprehensive income[1]	(12)	0
Non-recyclable components of comprehensive income	(26)	(16)
■ Actuarial gains and losses on pension and other long-term employee benefit obligations	(26)	(16)
■ Share of other non-recyclable comprehensive income of associates	-	-
Tax impacts on non-recyclable components of comprehensive income[1]	5	14
Total other comprehensive income (loss)	41	59
TOTAL COMPREHENSIVE INCOME (LOSS)	**70**	**0**
■ attributable to owners of the parent	70	(1)
■ attributable to non-controlling interests	0	1

(1) Note 7.B provides a breakdown of the tax impacts on other comprehensive income.

Consolidated statement of financial position

ASSETS

(in millions of euros)	Notes	June 30, 2016	December 31, 2015
Goodwill	9	247	250
Other intangible assets		141	148
Property, plant and equipment		1,140	1,156
Investments in associates		30	30
Deferred tax assets		189	192
Other non-current assets		56	59
NON-CURRENT ASSETS		**1,803**	**1,835**
Inventories and work in progress		904	881
Amounts due from customers on construction contracts		317	172
Trade receivables		1,035	924
Current derivative assets	14	45	51
Other current assets		197	154
Cash and cash equivalents	13	846	1,012
Assets and groups of assets held for sale		0	0
CURRENT ASSETS		**3,344**	**3,194**
TOTAL ASSETS		**5,147**	**5,029**

EQUITY AND LIABILITIES

(in millions of euros)	Notes	June 30, 2016	December 31, 2015
Capital stock, additional paid-in capital, retained earnings and other reserves		1,168	1,153
Other components of equity		81	20
Equity attributable to owners of the parent		**1,249**	**1,173**
Non-controlling interests		52	54
TOTAL EQUITY	10	**1,301**	**1,227**
Pension and other long-term employee benefit obligations	11	481	453
Long-term provisions	12 & 15	92	86
Convertible bonds	13	259	255
Other long-term debt	13	502	604
Non-current derivative liabilities	14	17	37
Deferred tax liabilities		87	84
NON-CURRENT LIABILITIES		**1,438**	**1,519**
Short-term provisions	12 & 15	127	151
Short-term debt	13	458	354
Liabilities related to construction contracts		194	185
Trade payables[1]		1,232	1,163
Current derivative liabilities	14	63	98
Other current liabilities		334	332
Liabilities related to groups of assets held for sale		0	0
CURRENT LIABILITIES		**2,408**	**2,283**
TOTAL EQUITY AND LIABILITIES		**5,147**	**5,029**

(1) At June 30, 2016, trade payables included approximately 292 million euros (224 million euros at December 31, 2015) related to copper purchases whose payment periods can be longer than usual for such supplies.

Consolidated statement of cash flows

(in millions of euros)	Notes	First-half 2016	First-half 2015
Net income (loss)		29	(59)
Depreciation, amortization and impairment of assets (including goodwill)(1)		69	74
Cost of debt (gross)		33	41
Core exposure effect(2)		25	1
Other restatements(3)		(20)	35
CASH FLOWS FROM OPERATIONS BEFORE GROSS COST OF DEBT AND TAX(4)		**136**	**92**
Decrease (increase) in receivables(5)		(253)	(193)
Decrease (increase) in inventories		(53)	1
Increase (decrease) in payables and accrued expenses		77	173
Income tax paid		(19)	(20)
Impairment of current assets and accrued contract costs		15	12
NET CHANGE IN CURRENT ASSETS AND LIABILITIES		**(233)**	**(27)**
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES		**(97)**	**65**
Proceeds from disposals of property, plant and equipment and intangible assets		5	5
Capital expenditure		(65)	(74)
Decrease (increase) in loans granted and short-term financial assets		(6)	(1)
Purchase of shares in consolidated companies, net of cash acquired		(2)	(0)
Proceeds from sale of shares in consolidated companies, net of cash transferred		7	(0)
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		**(61)**	**(70)**
NET CHANGE IN CASH AND CASH EQUIVALENTS AFTER INVESTING ACTIVITIES		**(158)**	**(5)**
Proceeds from long-term borrowings	13	248	0
Repayments of long-term borrowings	13	(1)	(1)
Proceeds from (repayment of) short-term borrowings	13	(223)	(46)
Cash capital increases (reductions)		3	9
Interest paid		(53)	(58)
Transactions with owners not resulting in a change of control		1	-
Dividends paid		(0)	(0)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		**(25)**	**(96)**
Net effect of currency translation differences		12	(24)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(171)**	**(125)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**998**	**787**
CASH AND CASH EQUIVALENTS AT PERIOD-END		**827**	**662**
▪ of which cash and cash equivalents recorded under assets		846	681
▪ of which short-term bank loans and overdrafts recorded under liabilities		(19)	(19)

(1) Including the portion of restructuring costs corresponding to impairment of non-current assets.
(2) Effect relating to the revaluation of Core exposure at its weighted average cost, which has no cash impact.
(3) Other restatements for the six months ended June 30, 2016 primarily include (i) a positive 17 million euros in relation to offsetting the Group's income tax charge and (ii) a negative 30 million euros to cancel the net change in operating provisions (including provisions for pensions, restructuring costs and antitrust proceedings).
Other restatements for the six months ended June 30, 2015 primarily included (i) a positive 10 million euros in relation to offsetting the Group's income tax charge and (ii) a positive 30 million euros to cancel the net change in operating provisions (including provisions for pensions, restructuring costs and antitrust proceedings).
(4) The Group also uses the "operating cash flow" concept which is mainly calculated after adding back cash outflows relating to restructurings (40 million euros and 51 million euros for the first half of 2016 and 2015, respectively), and deducting gross cost of debt and the current income tax paid during the period.
(5) During the first half of 2016 the Group sold tax receivables for a net cash impact of 9 million euros (22 million euros for the six-months ended June 30, 2015). As the sales concerned transferred substantially all the risks and rewards of ownership, they meet the derecognition criteria in IAS 39 and have therefore been derecognized.

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, 2015	**42,051,437**	**42**	**1,569**	**-**	**(265)**	**(64)**	**95**	**1,377**	**56**	**1,433**
Net income (loss) for the period	-	-	-	-	(58)	-	-	(58)	(1)	(59)
Other comprehensive income (loss)	-	-	-	-	(2)	7	52	57	2	59
TOTAL COMPREHENSIVE INCOME (LOSS)	-	-	-	-	(60)	7	52	(1)	1	0
Dividends paid	-	-	-	-	-	-	-	-	(1)	(1)
Capital increases	-	-	-	-	-	-	-	-	-	-
Equity component of OCEANE bonds	-	-	-	-	-	-	-	-	-	-
Employee share-based payments:										
■ Service cost	-	-	-	-	2	-	-	2	-	2
■ Proceeds from share issues [1]	499,862	0	9	-	-	-	-	9	-	9
Transactions with owners not resulting in a change of control	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	(0)	(0)
JUNE 30, 2015	**42,551,299**	**42**	**1,578**	**-**	**(323)**	**(57)**	**147**	**1,387**	**56**	**1,443**
JANUARY 1, 2016	**42,597,718**	**43**	**1,577**	**-**	**(467)**	**(90)**	**110**	**1,173**	**54**	**1,227**
Net income (loss) for the period	-	-	-	-	30	-	-	30	(1)	29
Other comprehensive income (loss)	-	-	-	-	(21)	45	16	40	1	41
TOTAL COMPREHENSIVE INCOME (LOSS)	-	-	-	-	9	45	16	70	0	70
Dividends paid	-	-	-	-	-	-	-	-	(1)	(1)
Capital increases	-	-	-	-	-	-	-	-	-	-
Equity component of OCEANE bonds	-	-	-	-	-	-	-	-	-	-
Employee share-based payments:										
■ Service cost [2]	-	-	-	-	2	-	-	2	-	2
■ Proceeds from share issues	70,655	0	3	-	0	-	-	3	-	3
Transactions with owners not resulting in a change of control	-	-	-	-	1	-	(0)	1	(1)	0
Other	-	-	-	-	-	-	-	-	0	0
JUNE 30, 2016	**42,668,373**	**43**	**1,580**	**-**	**(455)**	**(45)**	**126**	**1,249**	**52**	**1,301**

(1) Corresponding to the impact of the Act 2014 plan following the share settlement-delivery that took place on January 21, 2015.
(2) Including a 0.7 million euro expense related to the ACT 2016 plan.

Notes to the interim consolidated financial statements

Note 1. Summary of significant accounting policies

A. GENERAL PRINCIPLES

Nexans S.A. is a French joint stock corporation (*Société Anonyme*) governed by the laws and regulations applicable to commercial companies in France, notably the French Commercial Code (*Code de Commerce*). The Company was formed on January 7, 1994 (under the name Atalec) and its headquarters are at 8, rue du Général Foy, 75008 Paris, France.

Nexans S.A. is listed on the NYSE Euronext Paris (compartment A) and forms part of the SBF 120 index.

These condensed interim consolidated financial statements are presented in euros rounded to the nearest million. They were approved by Nexans' Board of Directors on July 27, 2016.

Compliance with IAS 34

The condensed interim consolidated financial statements of the Nexans Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The standards adopted by the European Union can be viewed on the European Commission website at: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.
The application of IFRS as issued by the IASB would not have a material impact on the financial statements presented.

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". They do not contain all the disclosures required for annual financial statements and should therefore be read in conjunction with the Group's annual financial statements for the year ended December 31, 2015.

Standards and interpretations

The accounting policies adopted for the financial statements at June 30, 2016 are consistent with those applied in the annual consolidated financial statements for the year ended December 31, 2015, except where specific conditions apply relating to the preparation of interim financial statements (see **Note 1.B** below).

The Group has applied the new standards and interpretations effective as of January 1, 2016. The nature and the effect of these changes are not material in the Group consolidated financial statements.

Accounting estimates and judgments

The preparation of interim 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, incomes and expenses.

The main sources of uncertainty relating to estimates used to prepare the interim consolidated financial statements for first-half 2016 were the same as those described in the full-year 2015 consolidated financial statements. During the first six months of 2016, Management reviewed its estimates concerning:

- The recoverable amount of certain items of property, plant and equipment, goodwill and other intangible assets (see **Note 5** and **Note 9**).
- Deferred tax assets not recognized in prior periods relating to unused tax losses (see **Note 7**).
- Margins to completion and percentage of completion on long-term contracts.
- The measurement of pension liabilities and other employee benefits (see **Note 11**).
- Provisions and contingent liabilities (see **Note 12** and **Note 15**).
- The measurement of derivative instruments and their qualification as cash flow hedges (see **Note 14**).

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.

B. SPECIFIC ISSUES CONCERNING THE PREPARATION OF INTERIM FINANCIAL STATEMENTS

For the purpose of preparing the Group's condensed interim consolidated financial statements, the following calculations and estimates are applied in addition to the recognition, measurement and presentation rules described in **Note 1.A**:

- The current and deferred tax charge for the period is calculated by applying the estimated average annual tax rate for the current fiscal year to the first-half pre-tax income figure for each entity or tax group. This average annual rate includes, where appropriate, the impact of transactions affecting the legal structure of the Group during the period, such as mergers.
- The net provision recognized for pension and other long-term employee benefit obligations is calculated based on the latest valuations available at the previous period-end. Expenses recognized during the period for pension and other long-term employee benefit obligations are calculated based on half of the estimated amount for the full year. Adjustments of actuarial assumptions are performed on the main contributing plans in order to take into account any significant fluctuations or one-time events that may have occurred during the six-month period. The fair value of the main plan assets is reviewed at the period end.

Note 2. Significant events of the period

A. GOVERNANCE

During the Board of Directors meeting on February 17, 2016 Frédéric Vincent announced his decision to end his term as Chairman of the Company and as director effective March 31, 2016 and to retire.
The Board of Directors appointed Georges Chodron de Courcel as non-executive Chairman of the Board of Directors, effective upon Frédéric Vincent's departure.

B. BOND ISSUE & REDEMPTION

On January 4, 2016, all of the 2016 OCEANE convertible/exchangeable bonds were redeemed in cash as they had reached maturity. The total amount paid was 221,099 thousands euros including accrued interest on the bonds.

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' par value.
The coupon on the bonds is 3.25% per annum, payable in arrears on May 26 each year. The first coupon payment date will be May 26, 2017 and the bonds will be redeemed on May 26, 2021. Their yield to maturity is 3.25% (for further details see the Finance/French financial market authority [*Autorités des Marchés Financiers – AMF*], Documentation section on www.nexans.com and the website of the Autorité des Marchés Financiers at www.amf-france.org).

C. EMPLOYEE SHARE OWNERSHIP PLAN

At its meeting held on November 24, 2015, and in accordance with the authorizations granted at the Annual Shareholders' Meeting of May 5, 2015, the Board of Directors announced the launch of an employee share ownership plan involving a maximum of 500,000 new shares.
This is the seventh international employee share ownership plan set up by the Group.
The plan proposed a "leveraged" structure in the same way as in the 2010, 2012 and 2014 plans, whereby employees were able to subscribe for the shares 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).
The subscription period for the plan ran from May 12 through May 27, 2016 and was followed by a period during which employees could withdraw their subscriptions, from June 28 through July 1, 2016. The subscription price was set on June 27, 2016 at 34.67 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 shares will take place on July 28, 2016 and resulted in the issuance of 483,612 new shares, representing an aggregate amount of 16,8 million euros.

D. NEXANS CABLES TO CONNECT BEATRICE OFFSHORE WINDFARM TO THE SCOTTISH GRID

Beatrice Offshore Windfarm Ltd has chosen a consortium of Nexans and Siemens Transmission and Distribution Ltd to supply a transmission system to connect its new wind farm off the coast of Scotland to the grid. Nexans will deliver two complete 220 kV export cable circuits to help meet growing energy demands in the region. The development, once fully constructed and operational, could provide energy equivalent to the needs of more than 450,000 British households.

This contract is worth approximately 245 million euros.

Note 3. Operating segments

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

- **"Transmission, Distribution & Operators",** comprising power cables for energy infrastructures (low-, medium- and high-voltage cables and related accessories), as well as copper and optical fiber cables for public telecommunications networks.
  The "Transmission, Distribution & Operators" reportable segment is made up of four operating segments: power cables, power cable accessories, cables for telecom operators, and high-voltage & underwater cables.

- **"Industry",** comprising specialty cables for industrial customers, including harnesses, and cables for the shipbuilding, railroad and aeronautical manufacturing industries, the oil industry and the automation manufacturing industry.
  The "Industry" reportable segment is made up of three operating segments: harnesses, industrial cables, and infrastructure & industrial projects.

- **"Distributors & Installers",** comprising equipment cables for the building market as well as cables for private telecommunications networks. The "Distributors & Installers" reportable segment is made up of a single operating segment, as the Group's power and telecom (LAN) products are marketed to customers through a single sales structure.

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 wirerods, electrical wires and winding wires production operations.
A total of 92% of the sales at constant metal prices recorded in the "Other Activities" column in first-half 2016 were generated by the Group's Electrical Wires business (compared with 84% in first-half 2015).

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

Operating segment data are prepared using the same accounting policies as for the consolidated financial statements, as described in the notes to the consolidated financial statements for the year ended December 31, 2015.

A. INFORMATION BY REPORTABLE SEGMENT

First-half 2016 *(in millions of euros)*	Transmission, Distribution & Operators	Industry	Distributors & Installers	Other Activities	Group Total
Net sales at current metal prices	1,086	687	820	358	2,951
Net sales at constant metal prices	945	602	580	150	2,277
Operating margin	63	34	52	(14)	135
Depreciation and amortization	(35)	(16)	(13)	(4)	(68)
Net impairment of non-current assets (including goodwill)	-	-	-	-	-

First-half 2015 *(in millions of euros)*	Transmission, Distribution & Operators	Industry	Distributors & Installers	Other Activities	Group Total
Net sales at current metal prices	1,186	780	910	395	3,271
Net sales at constant metal prices	1,012	647	577	147	2,383
Net sales at constant metal prices and first-half 2016 exchange rates	957	635	554	141	2,287
Operating margin	54	33	22	(14)	95
Depreciation and amortization	(37)	(17)	(14)	(4)	(72)
Net impairment of non-current assets (including goodwill)	-	-	-	-	-

The Management Board and the Management Council also analyze the Group's performance based on geographic area.

B. INFORMATION BY MAJOR GEOGRAPHIC AREA

First-half 2016 *(in millions of euros)*	France	Germany	Norway	Other[2]	Group Total
Net sales at current metal prices[1]	448	411	328	1,764	2,951
Net sales at constant metal prices[1]	332	375	305	1,265	2,277

(1) Based on the location 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.

First-half 2015 *(in millions of euros)*	France	Germany	Norway	Other[2]	Group Total
Net sales at current metal prices[1]	449	403	392	2,027	3,271
Net sales at constant metal prices[1]	306	352	369	1,356	2,383
Net sales at constant metal prices and first-half 2016 exchange rates[1]	306	352	341	1,288	2,287

(1) Based on the location 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 first-half 2016 or first-half 2015.

Note 4. Other operating income and expenses

(in millions of euros)	Notes	First-half 2016	First-half 2015
Net asset impairment	5	-	-
Changes in fair value of non-ferrous metal derivatives		(2)	0
Net gains (losses) on asset disposals		(2)	(1)
Acquisition-related costs		-	-
Expenses and provisions for antitrust investigations	15	(6)	1
OTHER OPERATING INCOME AND EXPENSES		**(10)**	**0**

Note 5. Net asset impairment

The Group carries out impairment tests on goodwill 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.

At June 30, 2016, Nexans carried out a review of these assets to identify any indications of impairment that may have arisen over the period as well as any new strategic developments.

No indications of impairment requiring an impairment test were identified at June 30, 2016.

As determined in the Group policy, impairment tests will be performed on goodwill for the year-end closing at the level of the Cash Generating Units to which they are affected.

Sensitivity analyses

The Group did not carry out any sensitivity analyses at June 30, 2016 as no impairment tests were performed following the above-mentioned impairment review.
See Note 6 of the full-year 2015 consolidated financial statements for the tests performed and the sensitivity analyses.

Note 6. Other financial income and expenses

(in millions of euros)	First-half 2016	First-half 2015
Dividends received from non-consolidated companies	1	1
Provisions	(1)	(1)
Foreign exchange gain (loss)	(6)	1
Net interest expense on pension and other long-term employee benefit obligations	(5)	(5)
Other	(3)	(3)
OTHER FINANCIAL INCOME AND EXPENSES	**(14)**	**(7)**

Note 7. Income taxes

Nexans S.A. heads up a tax group in France that comprised 11 companies in first-half 2016. Other tax groups have been set up where possible in other countries, including in Germany, North America, Italy and South Korea.

A. EFFECTIVE INCOME TAX RATE

The effective income tax rate was as follows for first-half 2016 and first-half 2015:

Tax proof *(in millions of euros)*	First-half 2016	First-half 2015
Income (loss) before taxes	46	(49)
▪ of which share in net income (loss) of associates	3	0
INCOME (LOSS) BEFORE TAXES AND SHARE IN NET INCOME (LOSS) OF ASSOCIATES	43	(49)
Standard tax rate applicable in France (in %)	34.43%	34.43%
THEORETICAL INCOME TAX BENEFIT (CHARGE)	(15)	17
Effect of:		
▪ Difference between foreign and French tax rates	7	6
▪ Change in tax rates for the period	0	1
▪ Net effect unrecognized deferred tax assets	(5)	(29)
▪ Taxes calculated on a basis different from "Income (loss) before taxes"	(3)	(4)
▪ Other permanent differences	(1)	(1)
ACTUAL INCOME TAX BENEFIT (CHARGE)	(17)	(10)
EFFECTIVE TAX RATE	39.17%	(20.72)%

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

B. TAXES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

Taxes recognized directly in other comprehensive income in the first half of 2016 can be analyzed as follows:

(in millions of euros)	Dec. 31, 2015	Gains (losses) generated during the period(1)	Amounts recycled to the income statement(1)	Total other comprehensive income (loss)	June 30, 2016
Available-for-sale financial assets	0	-	-	-	0
Currency translation differences	(5)	0	-	0	(5)
Cash flow hedges	27	(5)	(7)	(12)	15
TAX IMPACTS ON RECYCLABLE COMPONENTS OF COMPREHENSIVE INCOME	22	(5)	(7)	(12)	10
Actuarial gains and losses on pension and other long-term employee benefit obligations	59	5	N/A	5	64
Share of other non-recyclable comprehensive income of associates	-	-	N/A	-	-
TAX IMPACTS ON NON-RECYCLABLE COMPONENTS OF COMPREHENSIVE INCOME	59	5	N/A	5	64

(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 period 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.

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 to the full-year 2015 consolidated financial statements).

C. UNRECOGNIZED DEFERRED TAX ASSETS

At June 30, 2016 and December 31, 2015, deferred tax assets in the respective amounts of 518 million euros and 512 million euros – primarily corresponding to unused tax losses – were not recognized as the Group deemed that their recovery was not sufficiently probable in the medium-term (typically five years).

Note 8. Earnings per share

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

	First-half 2016	First-half 2015
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT *(in millions of euros)*	30	(58)
Interest expense on OCEANE bonds, net of tax	Anti-dilutive	Anti-dilutive
ADJUSTED NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT *(in millions of euros)*	30	(58)
ATTRIBUTABLE NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	-
Average number of shares outstanding	42,619,900	42,496,066
Average number of dilutive instruments	999,954	0 (anti-dilutive instruments)
Average number of diluted shares	43,619,854	42,496,066
ATTRIBUTABLE NET INCOME (LOSS) PER SHARE *(in euros)*		
▪ basic earnings (loss) per share	0.69	(1.35)
▪ diluted earnings (loss) per share	0.68	(1.35)

Note 9. Goodwill

The decrease in goodwill in first-half 2016 (to 247 million euros at June 30, 2016 from 250 million euros at December 31, 2015) is mainly attributable to changes in exchange rates as the majority of the Group's goodwill is denominated in foreign currencies because it relates to the acquisitions of Olex in Australia, Madeco in South America and AmerCable in North America.

Goodwill is tested for impairment at least once a year and whenever there is an indication that it may be impaired, using the methods and assumptions described in the notes to the full-year 2015 consolidated financial statements. No goodwill impairment losses were recognized in either first-half 2016 or first-half 2015.

Note 10. Equity

A. COMPOSITION OF CAPITAL STOCK

At June 30, 2016, Nexans S.A.'s capital stock comprised 42,668,373 fully paid-up shares with a par value of 1 euro each (42,597,718 shares at December 31, 2015). 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.

No stock options were exercised in the first half of 2015, whereas 70,655 were exercised in first-half 2016.

B. DIVIDENDS

At the Annual Shareholders' Meeting held on May 12, 2016 to approve the financial statements for the year ended December 31, 2015, the Company's shareholders approved the Board's proposal not to pay a dividend for 2015.

At the Annual Shareholders' Meeting held on May 5, 2015 to approve the financial statements for the year ended December 31, 2014, the Company's shareholders approved the Board's proposal not to pay a dividend for 2014.

C. TREASURY SHARES

Nexans did not hold any treasury shares at either June 30, 2016 or December 31, 2015.

D. STOCK OPTIONS

At June 30, 2016, there were 460,014 stock options outstanding, each exercisable for one share, i.e., 1.1% of the Company's capital stock. At December 31, 2015, a total of 960,742 options were outstanding, exercisable for 2.3% of the Company's capital stock.

E. FREE SHARES AND PERFORMANCE SHARES

At June 30, 2016 there were 1,126,167 free shares and performance shares outstanding, each entitling their owner to one share on vesting, representing a total of 2.6% of the Company's capital stock (959,096 at December 31, 2015, representing a total of 2.3% of the Company's capital stock).

The fair value of free shares and performance shares is recorded as a payroll expense on a straight-line basis from the grant date to the end of the vesting period, with a corresponding adjustment to equity. A 2.6 million euro expense was recognized in the income statement for the six months ended June 30, 2016.

Note 11. Pension and other long-term employee benefit obligations

The net provision recognized for pension and other long-term employee benefit obligations is calculated based on the latest valuations available at the previous year-end. Adjustments of actuarial assumptions are performed on the main contributing plans in order to take into account any significant fluctuations or one-time events that may have occurred during the six-month period. At June 30, 2016 the benefit obligations and plan assets for the main contributing plans located mainly in France, Switzerland, Germany, Canada and the United States were remeasured mostly based on the applicable discount rates and fair value of the plan assets.

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:

Discount rate	June 30, 2016	December 31, 2015	June 30, 2015
France	1.50%	2.00%	2.00%
Germany	1.50%	2.00%	2.00%
Switzerland	0.25%	1.00%	1.00%
Canada	3.45%	3.95%	3.85%
United States	3.75%	4.50%	4.25%

Change in net provision for pension and other long-term employee benefit obligations

(in millions of euros)	2016	2015
NET PROVISION RECOGNIZED AT JANUARY 1	**449**	**432**
■ *Of which pension asset*	*(4)*	*(3)*
■ *Of which pension liabilities*	*453*	*435*
Net cost for the period	16	12
Actuarial gains and losses	26	16
Contributions and benefits paid	(17)	(20)
Other	2	5
NET PROVISION RECOGNIZED AT JUNE 30	**476**	**445**
■ *Of which pension assets*	*(5)*	*(5)*
■ *Of which pension liabilities*	*481*	*450*

Note 12. Provisions

(in millions of euros)	TOTAL	Accrued contract costs	Restructuring provision	Other provision
AT DECEMBER 31, 2015	**237**	**38**	**128**	**71**
■ *Of which long-term*	*86*			
Additions	27	5	13	9
Reversals (utilized provisions)	(37)	(7)	(28)	(2)
Reversals (surplus provisions)	(9)	(1)	(8)	(0)
Business combinations	-	-	-	-
Exchange differences and other	1	(1)	0	2
AT JUNE 30, 2016	**219**	**34**	**105**	**80**
■ *Of which long-term*	*92*			

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. They do not include provisions for construction contracts in progress, as expected losses on these contracts are recognized as contract costs in accordance with the method described in Note 1.E.a to the full-year 2015 consolidated financial statements.

Restructuring costs came to 13 million euros in first-half 2016 versus 98 million euros in the corresponding prior-year period.

- The 13 million euros costs recorded in first-half 2016 concerns (i) provisions recognized for employee-related costs notably in the United States and Europe, (ii) costs expensed as incurred, in accordance with IFRS and (iii) proceeds from the sale of a land use right in China.
- Out of the 98 million euros recorded in first-half 2015, 67 million euros related to the project to reorganize the Group's operations in Europe. This amount primarily corresponded to provisions for employee-related costs in France, Norway and Germany. The remainder of the overall 98 million euros mainly concerned reorganization plans for the Asia-Pacific Area, notably for production sites in China and the integration of Australian operations into the regional supply chain.

As was the case in previous year, wherever possible the restructuring plans implemented by the Group in the first half of 2016 included assistance measures negotiated with employee representative bodies as well as measures aimed at limiting lay-offs and facilitating redeployment.

The "Other provisions" column mainly includes provisions set aside for antitrust investigations. At June 30, 2016, this item amounted to 38 million euros (see **Note 15**).

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).

See also **Note 15** on disputes and contingent liabilities.

Note 13. Net debt

At June 30, 2016, the Group's long-term debt was rated BB- by Standard & Poor's with a stable outlook (BB- with a stable outlook at December 31, 2015).

A. ANALYSIS BY NATURE

(in millions of euros)	June 30, 2016	December 31, 2015
ORDINARY BONDS[1]	497	598
CONVERTIBLE BONDS[1]	259	255
Other long-term borrowings[1]	5	6
Short-term borrowings and short-term accrued interest not yet due[2]	439	340
Short-term bank loans and overdrafts	19	14
GROSS DEBT	1,219	1,213
Short-term financial assets	-	-
Cash	(354)	(447)
Cash equivalents	(492)	(565)
NET DEBT/(CASH)	**373**	**201**

(1) Excluding short-term accrued interest not yet due.
(2) The OCEANE bonds redeemable in 2016 were reclassified to short-term debt in 2015. The ordinary bonds redeemable in 2017 were reclassified to short-term debt in 2016.

Since the second quarter of 2010, short-term borrowings have included a securitization plan set up by Nexans France involving the sale of euro-denominated trade receivables, which was contractually capped at 110 million euros (the "ON balance-sheet" program).

There were no material cash and cash equivalent balances held by subsidiaries that were considered as not available for use by the Group in accordance with IAS 7 at either June 30, 2016 or December 31, 2015.

B. BONDS

At June 30, 2016 *(in millions of euros)*	Carrying amount	Face value at issue date	Maturity date	Nominal interest rate	Strike price[3] *(in euros)*
OCEANE 2019 convertible/exchangeable bonds	263	275	January 1, 2019	2.50%	72.74
TOTAL CONVERTIBLE BONDS[1]	**263**	**275**			
Ordinary bonds redeemable in 2017	353	350	May 2, 2017	5.75%	N/A
Ordinary bonds redeemable in 2018	252	250	March 19, 2018	4.25%	N/A
Ordinary bonds redeemable in 2021	249	250	May 26, 2021	3.25%	N/A
TOTAL ORDINARY BONDS[2]	**854**	**850**			

(1) Including 4 million euros in short-term accrued interest.
(2) Including 7 million euros in short-term accrued interest.
(3) Redemption price at par value. The conversion ratio is 1.1250 shares for OCEANE 2019.

On January 4, 2016, all of the 2016 OCEANE convertible/exchangeable bonds were redeemed in cash as they had reached maturity. The total amount paid was 221,099 thousands euros including accrued interest on the bonds.

The ordinary bonds redeemable in 2017 were reclassified to short-term debt at June 30, 2016 as their maturity was within twelve months of that date.

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' par value.

C. COMMITTED CREDIT FACILITIES

On December 14, 2015, Nexans sat up a 600 million euro five-year syndicated credit facility, therefore extending its access to liquidity until 2020. This new agreement superseded the facility set up by the Group in 2011 which was due to expire in December 2016.

At June 30, 2016, Nexans and its subsidiaries therefore have access to a medium-term confirmed credit facility of 600 milllion euros.

The 600 million euros syndicated credit facility, which expires on December 14, 2020, contains the following covenants:

- the consolidated net debt to equity ratio (including non controlling interests) ratio must not exceed 1.10; and
- consolidated debt must not exceed 3x consolidated EBITDA.

For the purpose of this calculation consolidated EBITDA is defined as operating margin before depreciation.

These ratios were well within the specified limits at both June 30, 2016 and December 31, 2015.

Note 14. Derivative instruments

The market value of the derivative instruments used by the Group for its operational hedges of foreign exchange risk and the risk associated with fluctuations in non-ferrous metal prices is presented in the following table:

(in millions of euros)	June 30, 2016	December 31, 2015
ASSETS		
Foreign exchange derivatives - Cash flow hedges(1)	33	42
Metal derivatives - Cash flow hedges(1)	4	1
Foreign exchange derivatives - Held for trading(1)	14	16
Metal derivatives - Held for trading(1)	2	1
DERIVATIVES ASSETS	**53**	**60**
LIABILITIES		
Foreign exchange derivatives - Cash flow hedges(1)	25	47
Metal derivatives - Cash flow hedges(1)	38	64
Foreign exchange derivatives - Held for trading(1)	15	21
Metal derivatives – Held for trading(1)	2	3
DERIVATIVES LIABILITIES	**80**	**135**

(1) Within the meaning of IAS 32/39.

Derivatives primarily comprise forward purchases and sales.

Note 15. 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 directly participated in a breach of European antitrust legislation in the submarine and underground high voltage power cables sector. The Company was held jointly liable for the payment of a portion of the fine imposed by the European Commission. Nexans France SAS appealed the European Commission's decision to the General Court of the European Union.

In early July 2014, Nexans France SAS paid the 70.6 million euro fine imposed by the European Commission (within 90 days of receiving the notification of the decision as provided for in European regulations).

At June 30, 2014, Nexans France SAS booked an 80 million euro provision for risks to cover the direct and indirect consequences of the European Commission's decision and of other on-going proceedings in the same sector of activity. As an indirect consequence of the decision, one of the Group's competitors which has been sued for follow-on damages claims in the United Kingdom in 2015, has filed contribution claims against the other cable producers sanctioned by the European Commission, including Nexans France SAS and Nexans.

In November 2015, the United States Department of Justice Antitrust Division closed its investigation into the submarine and underground power cable industry without any prosecution or sanctions being taken against any Nexans Group company. This was the same outcome as in previous years for the investigations initially launched in Japan, New Zealand, South Korea and Canada.

Certain Group companies in this sector of business are still under investigation by the antitrust authorities in Australia, South Korea (in addition to ongoing investigations into local operations as described below) and Brazil. The trial court rendered its judgment in relation to the Australian proceedings on July 20, 2016 and dismissed the case against Nexans. The verdict may be appealed.

In view of the recent events related to antitrust proceedings described above, at December 31, 2015 Nexans France SAS reduced the amount of the related provision for risks to 38 million euros.
The provision is based on assumptions that take into account consequences in similar cases as well as on management's estimates using currently available information. Consequently, there is still uncertainty as to the extent of the risks related to potential claims and/or fines in the other countries where investigations or procedures are currently ongoing. The final costs related to these risks could therefore be significantly different from the amount of the provision recognized at December 31, 2015.

In addition, as mentioned above, two of Nexans' Korean subsidiaries are being investigated by local antitrust authorities in relation to activities other than high-voltage power cables.

As explained in the Group's previous communications, as part of several procedures related to the antitrust investigations carried out by South Korea's antitrust authority (the "KFTC"), in recent years fines of approximately 4 million euros have been imposed on two Nexans subsidiaries in South Korea, and customers have subsequently filed claims. In the first of these cases to be judged in January 2015, a Korean civil court issued a judgment pursuant to which the Korean subsidiaries concerned paid a customer the equivalent of 2 million euros. The subsequent appeals court judgment requires the Korean subsidiaries to pay an additional amount equivalent to 4 million euros. A further appeal is under consideration.

Nexans' local Korean subsidiaries are cooperating with the KFTC in additional investigations into businesses other than the high-voltage business. The KFTC has exempted the Korean subsidiaries from paying a fine because of its cooperation in the cases on which a decision has been taken. Customer claims have followed the decisions taken to come.

Following the appeal court judgment described above, the Group has recorded an additional 6 million euros provision for these local investigations and subsequent customer claims (both existing and potential).

The provision is based on management's estimates using currently available information. Consequently, there is still uncertainty as to the extent of the risks related to these procedures and any potential customer claims.

Investigations have also been launched in Australia and Spain concerning businesses other than the high-voltage business. The Group's Australian subsidiary Olex Australia Pty Ltd was informed on December 3, 2014 of the commencement of court proceedings by the Australian Competition and Consumer Commission (the "ACCC"). The proceedings involve cable wholesalers and manufacturers in Australia, including Olex.

They relate to initiatives taken in 2011 to deal with supply chain inefficiencies involving Olex's wholesaler customers for low-voltage cables, which the ACCC alleges involved competition law violations. Olex defended itself against these allegations during hearings held in December 2015, and the related judgment is expected in 2016. In Spain, in early July 2015 Nexans Iberia received a request for information as part of an investigation carried out by the Spanish competition authorities in relation to low- and medium voltage power cables.

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 most significant of these cases is as follows:

In 2013, a Group subsidiary received a claim alleging that the manufacture and sale of "top drive service loop" products infringed certain industrial property rights. The subsidiary refuted this claim. Since then, there has been no further contact with the holder of the industrial property rights concerned. Even though no lawsuits have been filed in connection with this alleged infringement of industrial property rights, this does not in any way prejudge the outcome of the claim. However, in view of the subject matter of the claim, Nexans has reserved its rights to claim compensation from a third party, which has been duly notified of the case. It cannot be ruled out that a lawsuit will be filed and that it will involve an amount higher than the compensation claimable from the third party.

The Group considers that the other existing or probable disputes for which provisions were recorded at June 30, 2016 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 June 30, 2016, 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 16. Subsequent events

No significant event for which disclosure is required has occurred since June 30, 2016.

Statutory Auditors' review report on the 2016 interim financial information

Statutory Auditors' review report on the 2016 interim financial information

(For the six months ended June 30, 2016)

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,
Nexans
8, rue du Général Foy
75008 Paris, France

In compliance with the assignment entrusted to us by your Shareholders' Meeting and in accordance with the requirements of article L.451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of Nexans, for the six months ended June 30, 2016;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I - CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with IAS 34 – "Interim Financial Reporting", as adopted by the European Union.

Without qualifying our conclusion, we draw your attention to **Note 15.A**, "Antitrust investigations", to the condensed interim consolidated financial statements, which describes the consequences of the decision of the European Commission.

II - SPECIFIC VERIFICATION

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and its consistency with the condensed interim consolidated financial statements.

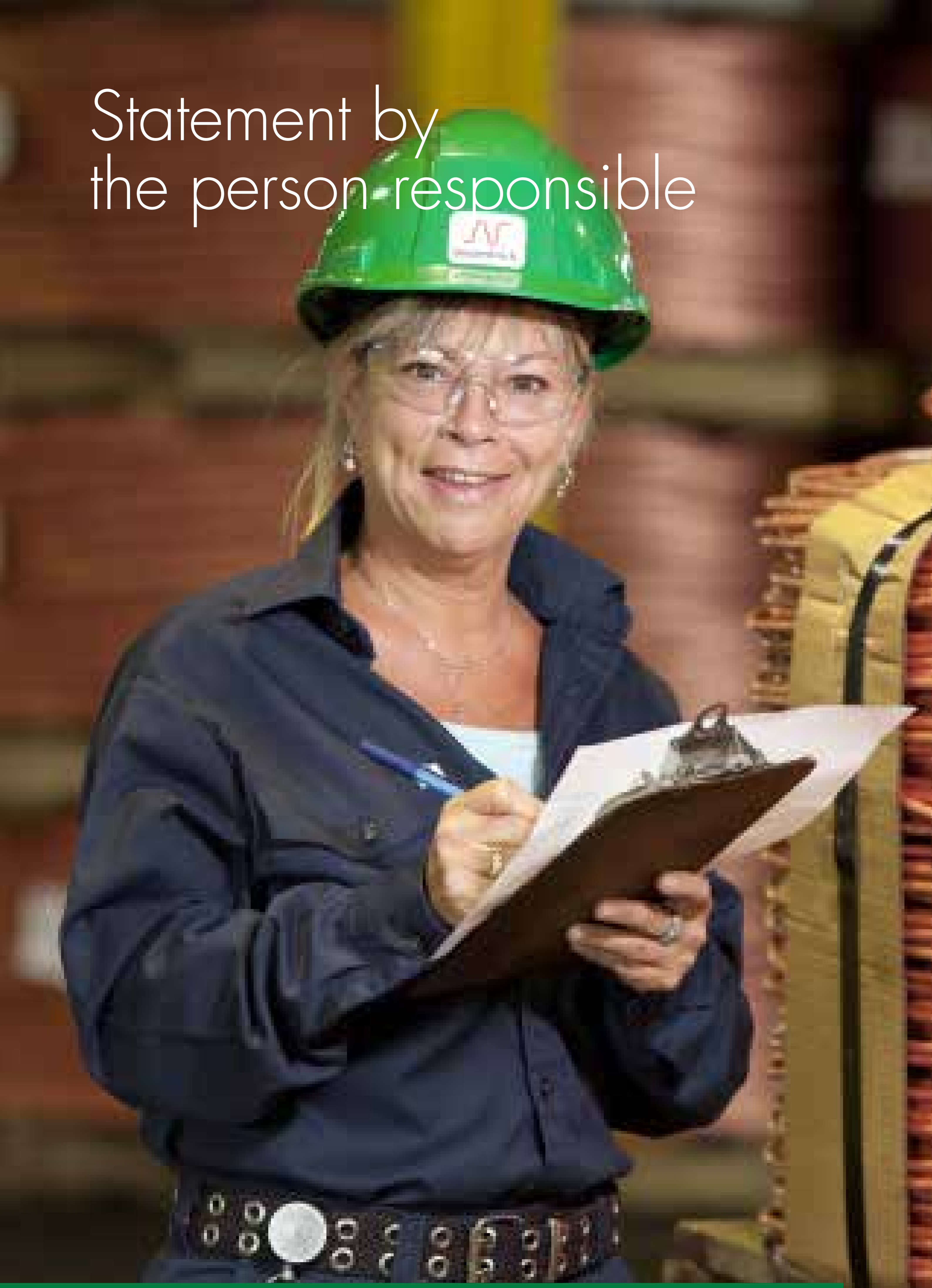
The Statutory Auditors

Neuilly-sur-Seine and Paris La Défense, July 28, 2016

PricewaterhouseCoopers Audit
Éric Bulle
Partner

Mazars
Isabelle Sapet
Partner

Statement by the person responsible



Statement by the person responsible for the 2016 half-year financial report

Paris, July 28, 2016

I hereby declare that to the best of my knowledge, the condensed interim consolidated financial statements for the six months ended June 30, 2016, have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of operations of the Company and its subsidiaries, and the interim activity report presented herein provides a fair view of significant events of half-year 2016 and their impact on the financial statements, the main related party transactions and the principal risks and uncertainties for the remaining six months of the year.

The Statutory Auditors' review report on the condensed interim consolidated financial statements for the six months ended June 30, 2016 presented on page 33 of the 2016 Half-year Financial Report contains the following observation: "Without qualifying our conclusion, we draw your attention to **Note 15.A**, "Antitrust investigations", to the condensed interim consolidated financial statements, which describes the consequences of the decision of the European Commission."

Arnaud Poupart-Lafarge
Chief Executive Officer

Every day, our energy and data cables make it possible for millions of people to take action, make things, get around, stay informed, communicate, have fun and stay healthy.

Our mission: to design, produce and market cables and cabling systems that transport the electricity and data we need in our daily lives and societies safely, reliably, efficiently and sustainably.

On the leading edge of our industry for over a century, we provide solutions for the most complex applications in the most demanding environments.
Through our combination of technological leadership, global expertise and local presence, we can effectively partner our customers' development projects, offering them the best conditions for achieving their objectives while respecting the highest levels of safety and taking the greatest possible care of people and the environment.

A world leader in the cable industry, we bring energy to life.

Nexans is listed on the regulated market of Euronext Paris.

www.nexans.com

Nexans
BRINGS ENERGY TO LIFE