

Press release, Paris, France 29<sup>th</sup> July 2020

## **Robust performance in challenging environment, engaged global team, “walking the talk” on Nexans strategy**

**Swiftly deployed Crisis Mode to protect employee’s health & safety, while delivering Production Continuity**

**Record Free Cash Flow enhanced by tight working capital management**

**Robust performance reflecting superior execution, team engagement and customer satisfaction**

**Transformation accelerated and reinforced**

**Paving the way for a stronger New Nexans – non-core asset disposal agreement**

In the First Half 2020,

- | Sound standard Sales<sup>1</sup> of 2,895 million euros, down by -9.8% organic growth<sup>2</sup> in challenging times
- | Robust EBITDA of 162 million euros<sup>3</sup> reflecting accelerated efforts on transformation
  - EBITDA rate of 5.6% in June 2020 against 6.0% in June 2019
  - EBITDA excluding estimated Covid-19 impact<sup>4</sup> lands at 226 million euros against 195 million euros same period 2019
- | Net Group loss of 55 million euros, including a negative 75 million euros of estimated Covid-19 impact<sup>5</sup>
- | Record Free cash flow generation over last six months of 231 million euros, reflecting strict working capital management
- | Strong improvement in consolidated net debt of 276 million euros at June 30, 2020, illustrating focus on preserving liquidity and positive cash conversion cycle
- | 2020 outlook reinstated

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- | Paving the way to a stronger New Nexans: sales agreements signed for the disposal of Nexans Metallurgie Deutschland and Berk-Tek

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**Paris La Défense, July 29<sup>th</sup>, 2020** – Today, Nexans published its financial statements for the six months ended June 30, 2020, as approved by the Board of Directors at its July 28, 2020 meeting chaired by Jean Mouton.

Commenting on the Group’s first half-year 2020 results, Christopher Guérin, Nexans’ Chief Executive Officer, said: *“We are pressing ahead with – and even accelerating – the New Nexans plan, despite the unprecedented global health and economic crisis. Consistent anticipation allowed to*

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<sup>1</sup> To neutralize the effect of fluctuations in non-ferrous metal prices and therefore measure the underlying sales trend, Nexans also calculates its sales using constant prices for copper (new standard price at 5,000 €/t) and aluminum

<sup>2</sup> The first half 2020 sales figure used for like-for-like comparisons corresponds to sales at constant non-ferrous metal prices, adjusted for the effects of exchange rates and changes in the scope of consolidation. Exchange rates and changes in the scope of consolidation impacted sales at constant non-ferrous metal prices by -61 million euros and 0 million euros respectively.

<sup>3</sup> Consolidated EBITDA is defined as operating margin before depreciation and amortization.

<sup>4</sup> Covid-19 estimated impact in EBITDA of -64 M€ is computed by netting 1) the impact on the margin of lower sales volumes in 2020 versus 2019 HY, in countries and regions impacted with lock-downs, plants closure, and/or reduced level of commercial activity, and 2) Government subsidies and premium to workers.

<sup>5</sup> The estimated Covid-19 impact included in the net loss corresponds to (i) the amount after tax of the EBITDA estimated loss, (ii) the depreciation of deferred taxes losses in Europe reflecting the update of business plans in Automotive, and (iii) the sanitary expenses spent to protect employees and maintain the activity.

keep more than 90% of our plants in operation worldwide, while ensuring the best possible protection for our employees' health and safety.

This robustness is reflected in our financial results, with EBITDA - excluding Covid-19 impact estimation - on target with pre-crisis guidance and a record Free Cash Flow of over 230 million euros. With these record cash reserves, we master our future.

Our management approach, focused on the "3Ps" (People, Planet, Profit) and our objective to prioritize short-circuit supply chains have been adopted by our teams and praised by our clients. So, it's full steam ahead that we finalize the roll out of our New Nexans plan around innovation and services."

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## FIRST HALF 2020 KEY FIGURES

| (in millions of euros)                      | H1 2019      | H1 2020     |
|---------------------------------------------|--------------|-------------|
| Sales at current metal prices               | 3,432        | 2,953       |
| Sales at standard metal prices <sup>6</sup> | 3,271        | 2,895       |
| <i>Organic growth</i>                       | 5.0%         | (9.8)%      |
| <b>EBITDA</b>                               | <b>195</b>   | <b>162</b>  |
| <i>EBITDA as % of standard sales</i>        | 6.0%         | 5.6%        |
| Reorganization costs                        | (182)        | (53)        |
| <b>Operating income (loss)</b>              | <b>(54)</b>  | <b>4</b>    |
| Net financial expense                       | (31)         | (19)        |
| Income taxes                                | (27)         | (39)        |
| <b>Attributable Net Income (loss)</b>       | <b>(116)</b> | <b>(55)</b> |
| Net debt                                    | 709          | 276         |

### I. Overview of the first half-year 2020 and General Operating Context in unprecedented crisis

The year 2020 started with a solid performance followed by slowdown in demand in all activities excluding High Voltage & Projects. The Group has taken immediate action to adapt the organization to new health and safety standards, mitigating financial impact by focusing on financial liquidity preservation and accelerating deployment of the "New Nexans" transformation plan while maintaining production continuity.

Since the beginning of the pandemic, Nexans Executive Committee has put in place a stringent mitigation plan, focused on 5 pillars:

- 1) Workforce protection,
- 2) Supply chain and Production Continuity,
- 3) Customer engagement,
- 4) Liquidity preservation and financial modelization,
- 5) External stakeholders and hardwire flows with Board of Directors.

<sup>6</sup> Copper reference at €5,000/t

The Group swiftly deployed mitigation measures across all units with strict internal control processes, preventive actions by leveraging the experience of our Chinese team, employee engagement and trade union support. Production continuity was maintained while sanitary measures were enforced. Our plants across all geographies witnessed no major disruption. As of end-of-June 2020, 100% of our plants were operational. Throughout the period, supply of raw material was ensured, the Group faced no shortage in neither copper, nor aluminum.

As lockdown measures were enforced and demand decreased, the Group accelerated its Transformation Plan. First, reinforcing cost reductions measures notably by putting an end to: i) consultancy fees; ii) travel costs; while reducing at minima temporary work and continuing to deploy the new organization. This resulted in 49 million euros savings over the first six months of 2020. Equally, partial unemployment was activated in all regions with government subsidy. Second, our SHIFT program was deployed across all units, with a specific focus on our top and strategic customers making 90% of our revenues, strengthening customer engagement and reinforcing tight working capital measures to support Group liquidity. Consequently, while our strategic capital expenditures were maintained in High Voltage and Projects, these were limited to maintenance in the rest of our business segments.

On June 11<sup>th</sup>, Nexans was granted a 280 million euros French State backed loan. End of June 2020, working capital across the group improved by 312 million euros against December 2019, resulting in a net debt position of 276 million euros of which +231 million euros free cash flow generation.

To sustain operations and demonstrate social cohesion, a premium of 750 euros per month for frontline workers was set in certain European plants and the top executives of the Group agreed for pay cuts between 15 to 30%.

In March, in the context of the Covid-19 outbreak, as several governments were taking, or planning to take, restrictive measures resulting into a possible impact on the Group's supply chain and production schedule worldwide, given the overall uncertainty, and as it was too early to assess the impacts on the Group results, Nexans suspended its 2020 Guidance, as announced on February 20<sup>th</sup> and withdraw the proposed dividend of 0.40 euro per share for the 2019 financial year, announced February 20<sup>th</sup>, 2020.

As the global situation, dictated by the pandemic outbreak, has now marginally firmed up and considering the actions taken in the first semester by the Group to mitigate the impacts of the pandemic on its operations, subject to there being, for the balance of 2020 several material changes (for more detail please refer to page 11) the full year 2020 outlook was reinstated.

Over the period, the Group pursued its transformation in accordance with New Nexans plan launched November 2018. Strategic investments were carried out and focus on core businesses initiated. As announced July 17, the Group signed an agreement to sell Berk-Tek, a leading US based manufacturer of local area network cables, to Leviton Inc., a US based group. In July, Nexans has decided to wind down the Chester and Wallkill operations as the US business units cash flow performance has been negative for several years. Also, throughout the period, progress was made in transforming the Charleston plant into High-Voltage Subsea cable manufacturing facility which is to provide up to 1,000 km of subsea high voltage export cables for Ørsted offshore wind farms in North America up to

2027. The Charleston investment is yet another important milestone in Nexans commitment to energy transition.

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Nexans **consolidated sales** for the six months ended June 30, 2020 came to 2,895 million euros at constant metal prices, versus 3,271 million euros in the same period of 2019, representing a negative organic growth of (9,8)%.

In order to compensate for the general slowdown in demand and protect profitability, the Group accelerated its Transformation program, undertaking additional cost reductions and optimizations as well rolling-out SHIFT program across all units. **EBITDA** landed at 162 million euros versus 195 million euros in the first six months of 2019, representing 5.6% of sales at constant metal prices (against 6.0% in first half 2019). The decline in performance due to a negative 31 million euros price cost squeeze effect, a 15 million euros decline in volumes unrelated to Covid-19 and 64 million euros estimated Covid-19 impact, was partially compensated by 49 million euros cost reduction efforts, 19 million euros SHIFT and 16 million euros growth initiatives.

**Operating margin** totaled 83 million euros, representing 2.9% of sales at constant metal prices (against 3.5% in first half 2019).

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Covid-19: Review of the information released by Nexans during the period

- On March 17<sup>th</sup> the Group announced that the Executive Committee had switched to full daily Crisis Management mode focusing on the main objectives of: Workforce Protection, Supply Chain & Production Continuity, Customer Engagement. Remote working was implemented widely;
- On March 24<sup>th</sup> the Group announced that, following the adoption of restrictive governmental measures globally, 2020 Guidance announced on February 20<sup>th</sup> was being suspended;
- On March 31<sup>st</sup> the group announced that it was withdrawing the proposed dividend of 0.40 euro per share and the restated its belief in the continuous social engagement and cohesion, the protection of its employees and the interest of its customers;
- On April 6<sup>th</sup> the Group announced that the Annual Shareholders Meeting was going to be held behind closed doors without shareholders being physically present;
- On June 11<sup>th</sup> the group announced the execution of a French State backed 280 million euros term loan (“PGE”) guaranteed by the French State at 80%.

## II. Half-year 2020 Analysis and General Operating Context

### 1. Analysis by segment

#### CONSOLIDATED SALES BY SEGMENT

| (in millions of euros)  | H1 2019 <sup>7</sup> | H1 2020 <sup>7</sup> | Organic growth<br>H1 2020 vs.<br>H1 2019 | Organic growth<br>Q2 2020 vs.<br>Q1 2020 |
|-------------------------|----------------------|----------------------|------------------------------------------|------------------------------------------|
| Building & Territories  | 1,386                | 1,233                | (8.9)%                                   | (8.0)%                                   |
| Industry & Solutions    | 723                  | 598                  | (17.1)%                                  | (19.6)%                                  |
| Telecom & Data          | 264                  | 220                  | (15.9)%                                  | (7.0)%                                   |
| High Voltage & Projects | 337                  | 376                  | 20.4%                                    | (2.9)%                                   |
| Other Activities        | 561                  | 468                  | (16.7)%                                  | (35.1)%                                  |
| <b>Group total</b>      | <b>3,271</b>         | <b>2,895</b>         | <b>(9.8)%</b>                            | <b>(14.7)%</b>                           |

#### EBITDA BY SEGMENT

| (in millions of euros)  | H1 2019 <sup>7</sup> | H1 2020 <sup>7</sup> | H1 2020 vs.<br>H1 2019 |
|-------------------------|----------------------|----------------------|------------------------|
| Building & Territories  | 80                   | 58                   | (27.8)%                |
| Industry & Solutions    | 58                   | 30                   | (47.9)%                |
| Telecom & Data          | 25                   | 15                   | (38.9)%                |
| High Voltage & Projects | 39                   | 60                   | 55.0%                  |
| Other Activities        | (7)                  | (1)                  | 79.2%                  |
| <b>Group total</b>      | <b>195</b>           | <b>162</b>           | <b>(16.9)%</b>         |

### | Building & Territories

In the first half, **Buildings & Territories** activity was mixed, reflecting on the one hand a slowdown in **Building** activities paced by the pandemic spread and lockdown measures, and on the other hand resilient demand in the **Territories** (Utilities) segment. Sales landed at 1,233 million euros at constant metal prices, down -8.9% versus first half 2019, and EBITDA totaled 58 million euros, down -27.8% against the same period in 2019.

After a good start in the first months of 2020, the **Building** segment, linked to the construction market and highly GDP-related, saw demand tighten starting mid-March to end of May as our customers faced shutdowns, constraining activities in key regions. Overall in June, the demand was back to pre-crisis levels, construction sites restarting. Conversely, the **Territories** activity was quite stable throughout the period. Utilities and grid renewals benefited from fiscal stimulus to support grid obsolescence and the fight against global warming.

To mitigate the overall slowdown in activity, cost savings were required, notably reducing fixed and maintenance costs. Thanks to the self-help plan, cost optimization measures and the SHIFT program implemented over the last 18 months, these efforts were achieved and to a certain extent compensated decline in demand.

<sup>7</sup> At constant metal prices, new copper standard of €5,000/ton and according to P&L simplification

On a geographical perspective, activity and performance was overall impacted by the unprecedented crisis in the first half of 2020.

In **Europe**, the activity was quite contrasted. In the first quarter, Northern Europe demand was quite sound while Southern Europe witnessed a decline in demand starting mid-March, in line with strict country lockdown measures. In the second quarter, activity levels have recovered in June with the restart of construction activities, certain regions witnessing a strong dynamic supported by border closures benefitting local suppliers. As a result, organic sales for the first six months were quite resilient, at -7.5% against first half 2019 with -20.9% in France, -4.9% in Belgium, +36.4% in Italy and +3.5% in Sweden.

In **South America**, sales declined by -15.7% in the first half 2020 against the same period 2019 weighed down by lockdown and confinement measures over a major part of the period in Peru (-30.7%), Chile (-9.1%), Colombia (-7.3%) and Brazil (-2.7%).

Despite being first hit by Covid-19, starting as soon as January 15<sup>th</sup>, **Asia-Pacific** activity remained quite resilient in the first half year of 2020, at -5,5% against half year 2019. Over the period, Australia (+14.8%) posted solid sales growth, benefitting from solid demand, continued operations thanks to mild lockdowns and market dynamic. In China (-23.7%) and Korea (-26.3%) activity was impacted by plant closures in January and February and slow ramp-up in the second quarter.

In **North America**, despite solid demand from Utilities, sales declined by -9.0% versus H1 2019, with mixed impacts between the two regions. While the US started to recover at the end of the period, Canada was impacted by the slowdown of the market throughout the period.

Over the first six months of 2020, sales in **Middle East and Africa** were down by -9,9% on organic basis. Turkey posted solid sales growth (+4.7%) thanks to increased exports in the region, short lockdown period and a solid growing backlog. Conversely, due to strict lockdown measures, sales in Morocco were down by -3.3% organically. In Lebanon sales were down by -43.5% mainly due to the important political crisis in the country since Q3 2019.

## | Industry & Solutions

In the first half 2020, **Industry & Solutions** sales landed at 598 million euros at constant metal prices, and EBITDA amounted to 30 million euros. Highly exposed to the most impacted industries by Covid-19, namely automotive harnesses and aerospace, the activity suffered sharp drop in demand (organic sales at -17.1% in H1 2020 vs. H1 2019) which, despite drastic cost reductions, impacted performance (EBITDA down -47.9% in H1 2020 vs. H1 2019).

Although activity dropped significantly both in **Aerospace & Defense** (-34.9% year-on-year) and **Automation** (-23.9% year-on-year), **Industrial cables** sales were down by -13.0% over the first six months of the year. Throughout the period, the **Wind Turbine** business remained dynamic (+22.0% in sales year-on-year), supported by the Energy Transition trend and Nexans leading position in the OEM market, notably with key players such as Siemens-Gamesa, GE and Vestas. Also, **Infrastructure & Rolling Stock** sales remained stable (+0.9% year-on-year) thanks to the solid demand in the Chinese market, compensating the downturn in the European market.

Despite an excellent start to the year, the **Automotive harnesses** was severely impacted markets by sudden lockdowns due to Covid-19 crisis. As OEM customers shutdown factories both in Europe and North America as early as mid-March, sales contracted by -26.3% in H1 2020 against H1 2019. The

flexibility of the cost base enabled to compensated to a certain extent the drop in demand, protecting the activities performance.

## | Telecom & Data

Along the lines of downtrend of demand in the European market since end of 2019 and the Covid-19 outbreak mid-March 2020, **Telecom & Data** sales amounted to 220 million euros at constant metal prices in H1 2020, representing a year-on-year organic contraction of -15.9%. To mitigate drop in volumes, strict cost control measures were implemented, and EBITDA totaled 15 million euros in the first half 2020, compared to 25 million euros same period of 2019.

In the first months of 2020, **LAN cables and systems** benefitted from sound demand in North America and Europe while activity was impacted by Covid-19 lockdowns in China. As the pandemic expanded mid-March, volumes started declining overall. Sales were down -14.9% in the first half of 2020 year-on-year. Thanks to SHIFT measures embedded in 2019 and accelerated cost reductions over the period, performance was resilient.

As Asian competition continued, adding pricing pressure, and lockdown measures limited installation capacity, sales for the **Telecom infrastructure** business contracted -22.3% in H1 2020 compared to H1 2019. Overall, fiber optic cables and accessories demand was buoyant in Sweden (+15.0% year-on-year) which partially compensated weak volumes in Europe, notably in France (-37.8% year-on-year) and Belgium (-25.7% year-on-year). Throughout the period, despite fixed cost reductions, performance was hardly sustained.

Thanks to the sound demand in the renewables space and Nexans' leading position, both sales and EBITDA were up in the **Special Telecom** (Subsea) year-on-year. For the coming year, backlog remains solid.

## | High Voltage & Projects

In line with the steady backlog execution in Subsea and transformation of Land, **High Voltage & Projects** delivered solid performance in the first half of 2020. Sales stood at 376 million euros at constant metal prices, up +20.4% on organic basis against first half 2019, and EBITDA totaled 60 million euros, up by 55.0% year-on-year. On top of this very positive dynamic, in light of the unprecedented crisis, the segment significantly improved its Operating Working Capital position compared to year end 2019.

Throughout the first six months, **Subsea high-voltage** executed backlog according to schedule, benefitting from continued operations in terms of manufacturing and installation. Contracting activity continued to be sound as several projects were secured such as Seagreen and Crete-Attica, while new orders are expected in the second half. Over the period, sales increased by 20.2% year-on-year and adjusted backlog landed at 1.5 billion euros end of June, with a 24 months visibility. In parallel, the Charleston plant transformation progressed well and the first phase of Seagreen project cable manufacturing were launched. In line with expectations, progress was made on the execution of the turnkey projects NSL, Lavrion-Syros and Mallorca-Menorca while also managing Inspection, Maintenance and Repair projects in the Mediterranean Sea region.

As expected, the **Land high-voltage** business was breakeven in the first half of 2020, supported by increased sales (+21.0% year-on-year) and execution of both the closure of the Hanover plant and the

transfer of projects to Charleroi. The business witnessed limited disruption due to Covid-19 as projects were executed according to plan.

## **| Other Activities**

The “Other Activities” segment – corresponding for the most part to external sales of copper wires – reported sales of 468 million euros at constant metal prices in the first half of 2020, down -16.7% year-on-year. EBITDA was a negative -1 million euros over the period against a negative -7 million euros for the same period 2019.

End of June the Group announced the signing of an agreement to sell Nexans Metallurgie Deutschland GmbH (NMD), a Nexans company specialized in oxygen free copper drawing to Mutares SE & Co. KGaA.

The first half 2020 figures also include corporate structural costs that cannot be allocated to the other segments, notably the impact of IFRS 16 for lease assets not allocated to specific activities.

## **2. Accelerating the “New Nexans” 2019-2021 Plan**

Under the backdrop of unprecedented global coronavirus pandemic (Covid-19) crisis, the Group accelerated the “New Nexans” Transformation plan. First, by both reinforcing cost reduction measures initiated 18 months ago and soliciting additional savings. Second, by leveraging on the SHIFT program to step up portfolio turnaround converting value burners and transformation candidates into profit drivers as well as enhancing cash optimization. As of June 2020, 84 million euros EBITDA improvement were achieved.

### **| Cost Reduction initiatives**

To mitigate the slowdown in activity, the Group accelerated cost saving measures in the first half 2020, generating 49 million euros EBITDA improvement:

- The organization simplification plan completed in 2019 enabled the Group to be very agile. Teams on the field swiftly adjusted production capacity and raw material supply in accordance with change in demand, avoiding any bottlenecks while in headquarters partial employment was applied.
- Efforts were done on direct costs, including subcontracting, travel, manpower, working hours and salaries as well as on indirect costs, such as consulting fees, insurance, marketing campaigns, communication, etc.
- The implementation of an industrial productivity plan, combining dedicated teams deployed on the field with a series of transversal actions, enabled better use of group scale by duplicating “best practices” and/or by standardizing key processes.

### **| SHIFT deployment and Cash conversion**

The SHIFT transformation plan, based on a methodology developed in-house at Nexans and deployed group-wide since November 2018, focused on locking-in the improvements and was deployed across most units in half-year 2020, generating 19 million euros in positive effects on EBITDA in just 6 months.

Despite a challenging environment, thanks to the hard work of our teams, Middle East & Africa, South and North America and Asia-Pacific successfully reported significant profitability improvements.

Also, to safeguard liquidity and maintain a positive cash level, with the full engagement and mobilization of all Business units, cash conversion measures focused on operating working capital management were deployed in record time:

- Strict cash conversion targets were set and implemented to all business units ensuring an accelerated and global organizational alignment during this uncertainty period;
- Close inventory management was enforced to ensure business continuity for our partners while avoiding unnecessary cash mobilization resulting from misaligned inventory coverages. Specific commercial actions were initiated to improve our Days Inventory Outstanding performance;
- Payables and Receivables were tailored with our partners (customers and suppliers) positively contributing to a shorter Cash Conversion Cycle and improved contractual conditions;
- Rigorous capex control, freeze of all non-essential investments, and maintenance expenditures adjusted to utilization rates.

### | Value growth initiatives

Over the first six months, the value growth initiatives were mainly focused on high Voltage Subsea activities, strengthening Nexans position among the key players of the energy transition. EBITDA improvement reached 16 million euros.

### 3. Analysis of net income/(loss) and other income statement items

| (in millions of euros)                              | 2019 June    | 2020 June   |
|-----------------------------------------------------|--------------|-------------|
| <b>EBITDA</b>                                       | <b>195</b>   | <b>162</b>  |
| Depreciation and amortization                       | (82)         | (79)        |
| <b>Operating margin</b>                             | <b>113</b>   | <b>83</b>   |
| Core exposure effect                                | 2            | (3)         |
| Reorganization costs                                | (182)        | (53)        |
| Other operating income and expenses                 | 13           | (21)        |
| <i>o/w net asset impairment</i>                     | -            | (18)        |
| Share in net income of associates                   | (0)          | (1)         |
| <b>Operating income (loss)</b>                      | <b>(54)</b>  | <b>4</b>    |
| Net financial expense                               | (31)         | (19)        |
| Income taxes                                        | (27)         | (39)        |
| <b>Net income (loss) from continuing operations</b> | <b>(113)</b> | <b>(54)</b> |
| <b>Attributable net income (loss)</b>               | <b>(116)</b> | <b>(55)</b> |

The Group ended the semester with a positive **operating income** of 4 million euros, compared with a 54 million euros loss in June 2019. The main changes were as follows:

- The **Core exposure effect** was a negative 3 million euros in 2020 against a positive 2 million euros in 2019, reflecting lower average copper prices over the period.

- **Reorganization costs** amounted to 53 million euros in 2020 versus 182 million euros in 2019. The total included 27 million euros – mainly for non-reserved costs – for the project to reorganize the Group’s activities in Europe announced on January 24, 2019, as well as 10 million euros for new actions launched during the semester in Asia-Pacific, Northern Europe and North America. In 2020, reorganization costs also included 6 million euros in costs directly related to the transformation program announced by the Group on November 9, 2018. The remaining costs related for the most part to reorganization plans in progress in North America.
- **Net asset impairment** represented a charge of 18 million euros in 2020 versus a nil amount in 2019. In 2020, the impairment losses were mainly related to some individual items of property, plant and equipment mainly in South America. It also included the impairment of the German metallurgy business for 3 million euros, in relation with the divestiture process.
- **Other operating income and expenses** represented a net expense of 21 million euros compared with a net income of 13 million euros in 2019. In addition to the net asset impairment referred to above, they included a 2 million euros of sanitary expenses made to mitigate the Covid-19 pandemic. In 2019, the net income of 13 million euros included a net gain of 10 million euros on some assets’ disposals.
- **Net financial expense** amounted to 19 million euros in 2020 compared with 31 million euros during the previous year’s first semester. The decrease is mainly related to a more favorable impact of foreign exchange gains and losses.

The Group reported a 54 million euros **net loss** for the semester, versus net loss of 113 million euros for 2019. The 2020 figure corresponds to a 15 million euros **loss before taxes** (versus 85 million euros in loss before taxes in 2019). **Income tax expense** stood at 39 million euros, the depreciation of some deferred tax assets in Europe being the main reason for the difference with the income tax expense of 2019 first semester of 27 million euros.

The Group ended the semester with an **attributable net loss** of 55 million euros versus attributable net loss of 116 million euros in 2019.

**Net debt** significantly decreased to 276 million euros at June 30, 2020, from 709 million euros one year earlier, reflecting:

- Cash from operations of +336 million euros,
- Reorganization cash outflows of -182 million euros, of which almost two third concerned the European reorganization plan announced at the end of January 2019.
- Capital expenditures, net of disposal proceeds, for -204 million euros, corresponding for the most part to the investments made for the transformation of Charleston plant, and to those for the construction of the new Aurora cable-laying vessel.
- A +588 million euros improvement in working capital due mainly to the improved working capital positions of both Group’s Cables and Projects business in connection with the liquidity preservation measures and, to a lesser extent, to the decrease in volumes.

- Cash outflows of -66 million euros from financing activities, including -49 million euros in interest payments, -10 million euros for the purchase of treasury stock, and -7 million euros related to the purchases of non-controlling interests.
- A -13 million euros negative impact corresponding to lease liabilities.
- A negative impact of -19 million euros for unfavorable foreign exchange evolutions.

### **III. 2020 Outlook reinstated**

On March 24<sup>th</sup>, 2020 in the context of the Covid-19 outbreak, as several governments were taking, or planning to take, restrictive measures resulting into a possible impact on the Group's supply chain and production schedule worldwide, given the overall uncertainty, and as it was too early to assess the impacts on the Group results, Nexans suspended its 2020 Guidance, as announced on February 20<sup>th</sup>.

As the global situation, dictated by the pandemic outbreak, has now marginally firmed up and considering the actions taken in the first semester by the Group to mitigate the impacts of the pandemic on its operations, subject to there being, for the balance of 2020 several material changes:

- No material changes in the overall macro-economic environment;
- No material Covid-19 impact on its units and businesses such that they will remain unimpacted and fully operational;
- No downturn in market demand;
- No "second wave" pandemic that will materially affect Nexans operations globally

Full year 2020 Guidance was reinstated:

- EBITDA between 310 and 370 million euros.
- Positive Free Cash Flow
- Return on capital employed (ROCE) before tax at between 7% and 10%.

### **IV. Significant events since the end of June**

July 17<sup>th</sup> 2020, Nexans announced the execution of an agreement to sell Berk-Tek, a leading US based manufacturer of local area network cables, to Leviton, largest privately held manufacturer of electrical wiring equipment in North America. The transaction entails an enterprise value of US\$202 million which represents approximately a multiple of 10x over 2019 stand-alone adjusted EBITDA. Berk-Tek reported sales for US\$163 million in 2019.

In July, Nexans has decided to close Chester, the New York manufacturing facility in Orange County, which produces low voltage power cables, and Wallkill logistics center in Ulster County that warehouses these products, as the business sites' cash flow performance has been negative for several years.

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A conference call / Webcast is scheduled today at 9:00 a.m. CET.

**Webcast link:** <https://edge.media-server.com/mmc/p/bgoay27y>

To participate to the audio conference call, please find the dial-in details:

- Standard International: +44 (0) 2071 928000
- France: +33 0805103028
- United Kingdom: +44 08445718892
- United States : +1 8669661396

Confirmation code: 8784162

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### **Financial calendar**

November 3, 2020: Investor Day<sup>8</sup> – London

November 5, 2020:

- Investor Day<sup>8</sup> – Paris
- 2020 Third Quarter Financial Information

November 9, 2020: Investor Day<sup>8</sup> – New York

February 17, 2021: 2020 Full Year Financial Results

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<sup>8</sup> Subject to absence of any travel bans

NB: Any discrepancies are due to rounding

*This press release contains forward-looking statements which are subject to various expected or unexpected risks and uncertainties that could have a material impact on the Company's future performance.*

*Readers are also invited to visit the Group's website where they can view and download the presentation of the 2019 annual results to analysts as well as the 2019 financial statements and Nexans Universal Registration Document, which includes a description of the Group's risk factors - particularly those related to the investigations into anti-competitive behavior launched in 2009.*

- *In addition to the risk factors described in Section 3.1 of the 2019 Universal Registration Document and the risks inherent in executing the New Nexans Transformation Plan, the uncertainties for the second half of 2020 mainly include:*
- *The impact of protectionist trade policies globally (such as those implemented by the current US government), as well as growing pressure to increase local content requirements;*
- *Geopolitical instability, particularly in certain countries, cities or regions such as Qatar, Libya, Lebanon, Iraq, and the Persian/Arabian Gulf as well as in Hong Kong;*
- *The impact that the coronavirus pandemic and the adoption by State authorities, in many countries around the world, of national restrictive measures (including prolonged measures to control the pandemic such as travel bans and country lockdowns) could have on our business Group's operation growth, its operating profit and financial position;*
- *Credit risk has increased in certain countries (like Brazil, Peru, Colombia) in the context of the coronavirus pandemic;*
- *The uncertain economic environment in the United States and Europe, with the risk of growth being slowed by potential major changes in US trade policy on one side and the possible consequences of Brexit on the other side;*
- *Political, social and economic uncertainty in South America, such as in Brazil, Chile, Venezuela and Bolivia, which is i) affecting the building market as well as major infrastructure projects in the region (such as the Maracaibo project in Venezuela), ii) creating exchange rate volatility and iii) increasing the risks of customer default;*
- *A marked drop in non-ferrous metal prices resulting in the impairment of Core exposure, not having an impact on cash or operating margin, but impacting net income;*
- *The impact of growing inflationary pressure, particularly on commodities prices (resins, steel) and labor costs, which could affect competitiveness depending on the extent to which they can be passed on to customers in selling prices;*
- *The sustainability of growth rates of the fiber and copper structured cabling (LAN) market and the Group's capacity to seize opportunities relating to the move to higher performing categories in this market;*
- *The speed of deployment of "ftth" ("fiber to the home") solutions in Europe and North West Africa and the Group's capacity to seize opportunities relating to the development of this market;*
- *The risk that the sustained growth expected on the North American automotive markets and on the global electric vehicle market does not materialize in particular in the context of the coronavirus pandemic;*
- *Fluctuating oil and gas prices, which are leading Oil & Gas sector customers to revise their exploration and production capex programs at short notice. The considerable uncertainty about the implementation of these customers' capex programs may also affect the Group's ability to plan for future means of cables and umbilicals for these customers, and for imposing changes to the agreed delivery schedules for contracted projects in the context of the coronavirus pandemic;*
- *The risk of the award or entry into force of subsea and land cables contracts being delayed or advanced, which could interfere with schedules in a given year;*
- *Inherent risks related to (i) carrying out major turnkey projects for high-voltage cables, which will be exacerbated in the coming years as this business becomes increasingly concentrated and centered on a small number of large-scale projects (NSL, East Anglia One, Homsea 2, Mindanao-Visayas, Lavrion - Syros, Seagreen, Mallorca - Menorca and DolWin6, the latter which will be our first contract to supply and install HVDC extruded insulation cables), (ii) the high capacity utilization rates of the plants involved, (iii) the projects' geographic location and the political, social and economic environments in the countries concerned (Venezuela, Philippines);*
- *The inherent risks associated with major capital projects, particularly the risk of completion delays and the risks of delays to win projects to fill the new capacities. These risks notably concern the construction of a new subsea cable laying ship, the extension of the Charleston plant in North America to increase the production of subsea high voltage cables, two projects that will be instrumental in ensuring that we fulfill our 2020 and 2021 objectives;*
- *The challenges created by the Covid-19 pandemic (with subsequent measures taken by national States such as country lockdowns or travel bans) for the performance of projects in countries like the US (e.g. to meet the defined manufacturing schedule in Charleston) as well as for turnkey projects such as Seagreen (Scotland) and Visayas-Mindanao (Philippines);*
- *Inherent risks related to the reorganization project announced in January 2019 for the land high voltage activity that could lead to delays in projects or generate additional costs which could question a rapid return to break even.*

*Without having major operational impacts, the two following uncertainties may have an impact on the financial statements:*

- *Sudden changes in metal prices that may affect customers' buying habits in the short term;*
- *The impact of foreign exchange fluctuations on the translation of the financial statements of the Group's subsidiaries located outside the euro zone.*

## **About Nexans**

Nexans is a key driver for the world's transition to a more connected and sustainable energy future. For over 120 years, the Group has brought energy to life by providing customers with advanced cable technologies for power and data transmission. Today, Nexans goes beyond cables to offer customers a complete service that leverages digital technology to maximize the performance and efficiency of their critical assets. The Group designs solutions and services along the entire value chain in four main business areas: Building & Territories (including utilities and mobility), High Voltage & Projects (covering offshore wind farms, subsea interconnections, land high voltage), Telecom & Data (covering data transmission, telecom networks, hyperscale data centers, LAN), and Industry & Solutions (including renewables, transportation, oil and gas, automation, and others).

Corporate Social Responsibility is a guiding principle of Nexans' business activities and internal practices. In 2013 Nexans was the first cable provider to create a Foundation supporting sustainable initiatives bringing access to energy to disadvantaged communities worldwide. The Group's commitment to developing ethical, sustainable and high-quality cables also drives its active involvement within leading industry associations, including Europacable, the NEMA, ICF and CIGRE.

Nexans employs nearly 26,000 people with an industrial footprint in 34 countries and commercial activities worldwide. In 2019, the Group generated 6.7 billion euros in sales.

Nexans is listed on Euronext Paris, compartment A.

For more information, please visit: [www.nexans.com](http://www.nexans.com)

## **Additional information:**

### **Financial Communication**

Aurélia Baudey-Vignaud  
Tel: +33 (0)1 78 15 03 94  
e-mail: aurelia.baudey-vignaud@nexans.com

### **Communications**

Catherine Garipoglu  
Tel: +33 (0)1 78 15 04 78  
e-mail: catherine.garipoglu@nexans.com

## **Appendices**

1. Consolidated income statement
2. Consolidated statement of financial position
3. Consolidated statement of cash flows
4. Information by reportable segment
5. Information by major geographic area

The limited review procedures were carried out and the Statutory Auditors' report is being issued.

## Consolidated income statement

| <i>(in millions of euros)</i>                       | First-half 2020 | First-half 2019 |
|-----------------------------------------------------|-----------------|-----------------|
| <b>NET SALES<sup>(1)</sup></b>                      | <b>2,953</b>    | 3,432           |
| Cost of sales                                       | (2,623)         | (3,040)         |
| <b>GROSS PROFIT</b>                                 | <b>330</b>      | 392             |
| Administrative and selling expenses                 | (206)           | (231)           |
| R&D costs                                           | (41)            | (48)            |
| <b>OPERATING MARGIN<sup>(2)</sup></b>               | <b>83</b>       | 113             |
| Core exposure effect <sup>(3)</sup>                 | (3)             | 2               |
| Other operating income and expenses <sup>(4)</sup>  | (21)            | 13              |
| Reorganization costs                                | (53)            | (182)           |
| Share in net income of associates                   | (1)             | 0               |
| <b>OPERATING INCOME</b>                             | <b>4</b>        | (54)            |
| Cost of debt (net)                                  | (18)            | (19)            |
| Other financial income and expenses                 | (2)             | (12)            |
| <b>INCOME BEFORE TAXES</b>                          | <b>(15)</b>     | (85)            |
| Income taxes                                        | (39)            | (27)            |
| <b>NET INCOME FROM CONTINUING OPERATIONS</b>        | <b>(54)</b>     | (113)           |
| Net income from discontinued operations             | -               | -               |
| <b>NET INCOME</b>                                   | <b>(54)</b>     | (113)           |
| ▪ attributable to owners of the parent              | (55)            | (116)           |
| ▪ attributable to non-controlling interests         | 1               | 3               |
| <b>ATTRIBUTABLE NET INCOME PER SHARE (in euros)</b> |                 |                 |
| ▪ Basic earnings per share                          | (1.27)          | (2.67)          |
| ▪ Diluted earnings per share                        | (1.27)          | (2.67)          |

(1) Sales at constant metal prices calculated using these reference prices are no longer presented in the income statement but are still presented in the segment information provided in Note 3 and are used in the management report (section 2.1).

These sales figures based on a constant price for copper and aluminum are used by the Group in its tracking of its operating performance to neutralize the effect of fluctuations in non-ferrous metal prices and therefore measure the underlying trend in its business (cost of sales is adjusted in the same way). Since January 1, 2020, the reference price for copper has been 5,000 euros per ton (compared with 1,500 euros in 2019 and previous years). The reference price for aluminum is 1,200 euros per ton for both 2019 and 2020.

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

(3) Effect relating to the revaluation of Core exposure at its weighted average cost.

(4) "Other operating income and expenses" included an 18 million euros net asset impairment in first-half 2020. In first-half 2019, this item included a 10 million euros net disposal gain.

The limited review procedures were carried out and the Statutory Auditors' report is being issued.

## Consolidated statement of financial position

| <i>(in millions of euros)</i>                                                   | June 30, 2020 | June 30, 2019 |
|---------------------------------------------------------------------------------|---------------|---------------|
| Goodwill                                                                        | 237           | 241           |
| Intangible assets                                                               | 116           | 129           |
| Property, plant and equipment                                                   | 1,318         | 1,326         |
| Investments in associates                                                       | 34            | 38            |
| Deferred tax assets                                                             | 165           | 162           |
| Other non-current assets                                                        | 110           | 79            |
| <b>NON-CURRENT ASSETS</b>                                                       | <b>1,981</b>  | <b>1,976</b>  |
| Inventories and work in progress                                                | 900           | 1,238         |
| Contract assets                                                                 | 86            | 115           |
| Trade receivables                                                               | 886           | 1,140         |
| Current derivative assets                                                       | 57            | 26            |
| Other current assets                                                            | 193           | 216           |
| Cash and cash equivalents                                                       | 1,028         | 464           |
| Assets and groups of assets held for sale                                       | 90            | 0             |
| <b>CURRENT ASSETS</b>                                                           | <b>3,240</b>  | <b>3,200</b>  |
| <b>TOTAL ASSETS</b>                                                             | <b>5,220</b>  | <b>5,176</b>  |
| Capital stock, additional paid-in capital, retained earnings and other reserves | 1,097         | 1,201         |
| Other components of equity                                                      | (39)          | 13            |
| <b>Equity attributable to owners of the parent</b>                              | <b>1,058</b>  | <b>1,214</b>  |
| Non-controlling interests                                                       | 42            | 39            |
| <b>TOTAL EQUITY</b>                                                             | <b>1,100</b>  | <b>1,254</b>  |
| Pensions and other long-term employee benefit obligations                       | 361           | 363           |
| Long-term provisions                                                            | 105           | 94            |
| Long-term debt                                                                  | 938           | 928           |
| Non-current derivative liabilities                                              | 8             | 6             |
| Deferred tax liabilities                                                        | 120           | 116           |
| <b>NON-CURRENT LIABILITIES</b>                                                  | <b>1,532</b>  | <b>1,507</b>  |
| Short-term provisions                                                           | 145           | 191           |
| Short-term debt                                                                 | 365           | 246           |
| Contract liabilities                                                            | 322           | 221           |
| Current derivative liabilities                                                  | 94            | 33            |
| Trade payables                                                                  | 1,208         | 1,396         |
| Other current liabilities                                                       | 391           | 329           |
| Liabilities related to groups of assets held for sale                           | 63            | 0             |
| <b>CURRENT LIABILITIES</b>                                                      | <b>2,588</b>  | <b>2,415</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                             | <b>5,220</b>  | <b>5,176</b>  |

The limited review procedures were carried out and the Statutory Auditors' report is being issued.

## Consolidated statement of cash flows

| <i>(in millions of euros)</i>                                                     | June 30, 2020 | June 30, 2019 |
|-----------------------------------------------------------------------------------|---------------|---------------|
| Net income                                                                        | (54)          | (113)         |
| Depreciation, amortization and impairment of assets (including goodwill)          | 96            | 82            |
| Cost of debt (gross)                                                              | 19            | 21            |
| Core exposure effect <sup>(1)</sup>                                               | 3             | (2)           |
| Current and deferred income tax charge (benefit)                                  | 38            | 28            |
| Net (gains) losses on asset disposals                                             | (1)           | (10)          |
| Other restatements <sup>(2)</sup>                                                 | (46)          | 128           |
| <b>CASH FLOWS FROM OPERATIONS BEFORE GROSS COST OF DEBT AND TAX<sup>(3)</sup></b> | <b>56</b>     | <b>136</b>    |
| Decrease (increase) in working capital                                            | 307           | (203)         |
| Income taxes paid                                                                 | (12)          | (21)          |
| Impairment of current assets and accrued contract costs                           | 5             | 3             |
| <b>NET CHANGE IN CURRENT ASSETS AND LIABILITIES</b>                               | <b>301</b>    | <b>(220)</b>  |
| <b>NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES</b>                     | <b>357</b>    | <b>(85)</b>   |
| Proceeds from disposals of property, plant and equipment and intangible assets    | 7             | 12            |
| Capital expenditure                                                               | (106)         | (133)         |
| Decrease (increase) in loans granted and short-term financial assets              | (3)           | 0             |
| Purchase of shares in consolidated companies, net of cash acquired                | (1)           | -             |
| Proceeds from sale of shares in consolidated companies, net of cash transferred   | (0)           | 0             |
| <b>NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES</b>                     | <b>(103)</b>  | <b>(122)</b>  |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS AFTER INVESTING ACTIVITIES</b>         | <b>254</b>    | <b>(207)</b>  |
| Proceeds from (repayments of) long-term and short-term borrowings                 | 215           | (199)         |
| ▪ of which drawn down on syndicated line of credit                                | 200           | -             |
| ▪ of which proceeds from the government-backed loan                               | 279           | -             |
| ▪ of which repayment of drawdowns on syndicated line of credit                    | (200)         | -             |
| ▪ of which redemption of 2016-2019 OCEANE bonds                                   | -             | (269)         |
| Cash capital increases (reductions) <sup>(4)</sup>                                | (10)          | -             |
| Interest paid                                                                     | (24)          | (29)          |
| Transactions with owners not resulting in a change of control                     | (7)           | (4)           |
| Dividends paid                                                                    | (0)           | (15)          |
| <b>NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES</b>                     | <b>175</b>    | <b>(246)</b>  |
| Net effect of currency translation differences                                    | (39)          | 3             |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                       | <b>390</b>    | <b>(451)</b>  |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD                                  | 626           | 886           |
| CASH AND CASH EQUIVALENTS AT PERIOD-END                                           | 1 015         | 436           |
| ▪ Of which cash and cash equivalents recorded under assets                        | 1 028         | 464           |
| ▪ Of which short-term bank loans and overdrafts recorded under liabilities        | (12)          | (28)          |

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

(2) Other restatements for the six months ended June 30, 2020 primarily included (i) a negative 59 million euros to cancel the net change in operating provisions (including provisions for pensions and restructuring costs), and (ii) a positive 2 million euros to cancel the effect of changes in fair value of metal and foreign exchange derivatives, and (iii) a positive 3 million euros to cancel the expense relating to share-based payments. Other restatements for the six months ended June 30, 2019 primarily included (i) a positive 116 million euros to cancel the net change in operating provisions (including provisions for pensions and restructuring costs), (ii) a positive 2 million euros to cancel the effect of changes in fair value of metal and foreign exchange derivatives, and (iii) a positive 4 million euros to cancel the expense relating to share-based payments.

(3) The Group also uses the "cash from operations" concept, which is calculated after adding back cash outflows relating to reorganization costs (98 million euros and 44 million euros for the first six months of 2020 and 2019 respectively) and after restating the income taxes paid.

(4) During the first-half of 2020, the Group had bought back 350,314 of its own shares, representing a cash outflow of 10 million euros.

The limited review procedures were carried out and the Statutory Auditors' report is being issued.

## Information by reportable segment

| <b>First-half 2020</b><br>(in millions of euros)          | Building & Territories | Industry & Solutions | Telecom & Data | High Voltage & Projects | Other | <b>Total Group</b> |
|-----------------------------------------------------------|------------------------|----------------------|----------------|-------------------------|-------|--------------------|
| Net sales at current metal prices                         | 1,279                  | 603                  | 221            | 381                     | 469   | <b>2,953</b>       |
| Net sales at constant metal prices                        | 1,233                  | 598                  | 220            | 376                     | 468   | <b>2,895</b>       |
| EBITDA                                                    | 58                     | 30                   | 15             | 60                      | (1)   | <b>162</b>         |
| Depreciation and amortization                             | (25)                   | (18)                 | (4)            | (18)                    | (14)  | <b>(79)</b>        |
| Operating margin                                          | 33                     | 12                   | 11             | 42                      | (15)  | <b>83</b>          |
| Net impairment of non-current assets (including goodwill) | (14)                   | -                    | -              | -                       | (3)   | <b>(18)</b>        |

| <b>First-half 2019</b><br>(in millions of euros)           | Building & Territories | Industry & Solutions | Telecom & Data | High Voltage & Projects | Other | <b>Total Group</b> |
|------------------------------------------------------------|------------------------|----------------------|----------------|-------------------------|-------|--------------------|
| Net sales at current metal prices                          | 1,472                  | 738                  | 266            | 340                     | 617   | <b>3,432</b>       |
| Net sales at constant metal prices                         | 1,386                  | 723                  | 264            | 337                     | 561   | <b>3,271</b>       |
| Net sales at constant metal prices and 2020 exchange rates | 1,353                  | 722                  | 262            | 312                     | 562   | <b>3,210</b>       |
| EBITDA                                                     | 80                     | 58                   | 25             | 39                      | (7)   | <b>195</b>         |
| Depreciation and amortization                              | (25)                   | (18)                 | (5)            | (19)                    | (14)  | <b>(82)</b>        |
| Operating margin                                           | 55                     | 39                   | 20             | 20                      | (21)  | <b>113</b>         |
| Net impairment of non-current assets (including goodwill)  | -                      | -                    | -              | -                       | -     | <b>-</b>           |

## Information by major geographic area

| <b>First-half 2020</b> (in millions of euros)     | France | Germany | Norway | Other <sup>(2)</sup> | <b>Total Group</b> |
|---------------------------------------------------|--------|---------|--------|----------------------|--------------------|
| Net sales at current metal prices <sup>(1)</sup>  | 431    | 349     | 375    | 1,798                | <b>2,953</b>       |
| Net sales at constant metal prices <sup>(1)</sup> | 419    | 351     | 370    | 1,755                | <b>2,895</b>       |

(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.

| <b>First-half 2019</b> (in millions of euros)                             | France | Germany | Norway | Other <sup>(2)</sup> | <b>Total Group</b> |
|---------------------------------------------------------------------------|--------|---------|--------|----------------------|--------------------|
| Net sales at current metal prices <sup>(1)</sup>                          | 557    | 412     | 352    | 2,111                | <b>3,432</b>       |
| Net sales at constant metal prices <sup>(1)</sup>                         | 529    | 406     | 348    | 1,988                | <b>3,271</b>       |
| Net sales at constant metal prices and 2020 exchange rates <sup>(1)</sup> | 529    | 406     | 315    | 1,959                | <b>3,210</b>       |

(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.