Nexans
BRINGS ENERGY TO LIFE

DECEMBER 2018 # 47

SHAREHOLDER NEWSLETTER

"By the end of the next two years, Nexans will have completed its transformation resulting in the New Nexans, digitalized to boost its revenues and also fully connected to its customers in order to provide them with new specific products and services, and new partnerships, each of which will deliver synergy to drive innovation forward."

Dear Shareholder,

In light of the results of the first half and the trend into the third quarter, we have twice revised our results for the financial year 2018 since last June. The time has come to rethink our model in terms of growth and resilience. This has been my focus since last July.

The Group now has a new industrial strategy aimed at regaining our shareholders' trust and positioning Nexans as a leader specializing in systems and services for the energy, transportation and telecom markets.
Our long-term strategy is based on the world's megatrends which point to a 20% increase in the world's population and a 40% rise in urbanization by 2030, resulting in equally strong growth in energy consumption.
In response to this massive increase, the production of renewable energy is expected to double over this same period.
These rapid and far-reaching changes will totally alter growth prospects which will be impacted by our customers' new needs and expectations.

In the short term, our priority will be to rethink our model, to improve our resilience and develop our agility before stepping up our growth in all our businesses.

To accompany these rapid and far-reaching changes we expect to change our operational model over the coming two years to make us more agile and more flexible.
Simplifying our organization will be a major card in boosting our operational efficiency, which is crucial for optimizing our capacities and developing our customer portfolio.

By the end of the next two years, Nexans will have completed its transformation resulting in the New Nexans, digitalized to boost its revenues and also fully connected to its customers in order to provide them with new specific products and services, and new partnerships, each of which will deliver synergy to drive innovation forward.

2019 will be a turning point marked by a turnaround in those businesses in difficulty, and a reduction in our structural costs.
2020 – 2021 will then see a far-reaching change to focus on customer service and growth through value creation.
2022 will effectively be the epilogue to this transformation with the positioning of the New Nexans as a disruptive global leader to penetrate as-yet unknown or unexplored new market spaces.

It is essential that we take our teams with us into this New Nexans – from the base to the summit – to unify the organization, free up initiative and energy in order to bring together all that is dispersed, link and reconnect the Nexans community from within, but also with its customers, suppliers and shareholders.

Thank you for your support.

Christopher Guérin
Chief Executive Officer

2018 THIRD-QUARTER REVENUE

The projects business is suffering from high voltage subsea deferrals and a sharp drop in onshore high voltage projects. Cable business growth is not reflected in the margin. These difficulties have led us to revise the forecast results for 2018 and to step up the Group's transformation over the coming three years.

Third-quarter revenue comes to €1.1 billion at constant metal prices, up 1.9% on an organic basis and 6.1% excluding the High Voltage and Projects business. For the first nine months of the year, revenue totals €4.9 billion, down 0.5% on an organic basis compared with 2017.

- **Buildings & Regions (40%)**

Sales rose 5.4% including 11.5% growth in low voltage cables for buildings while the figure for cables and accessories for electricity grid operators remained more or less unchanged – down 0.2%.

- **Industry & Solutions (26%)**

Sales climbed 6.5% including 6.5% growth in the transportation segment and 12.7% in resources following improvements in the oil sector and a sharp upturn in the demand for mining cables.

- **High Voltage & Projects (16%)**

Revenue contracted 16% overall, but was down 23.1% for onshore high voltage, suffering significantly from the shorter orderbook in Europe, and by 13.8% for subsea high voltage due to project deferrals.
The lackluster outlook for onshore high voltage will be reflected in a €30 million asset depreciation in 2018.
Contracts are being implemented in subsea high voltage and order taking has stepped up somewhat since July, pointing to an orderbook in excess of €1 billion by year's end.

- **Telecom & Datacom (11%)**

Sales have held steady – down just 0.1%.
The strong demand for fiber optic cables and connection accessories, mainly in Europe, is offsetting the 36.9% drop in subsea telecom.

- **Other business (7%)**

This mainly refers to external sales of copper wire products in France and Canada.
The 20%-plus growth is largely driven by Canada.

For the year as a whole, the operating margin should be about €185 million resulting in an EBITDA of about €305 million compared with €272 and €411 million respectively in 2017.

In millions of euros at constant metal prices	**Q3 2018**	**Q3 2017/2018**	**9 month 2017/2018**
Buildings & Regions	441	+ 5.4%	+ 3.7%
Industry & Solutions	288	+ 6.5%	+ 2.8%
High Voltage & Projects	177	- 16.0%	- 18.4%
Telecom & Datacom	120	- 0.1%	- 2.9%
Other business	81	+ 20.1%	+ 20.8%
TOTAL	**1108**	**+ 1,9%**	**- 0,5%**

A TIGHTER EXECUTIVE COMMITTEE, A SIMPLIFIED ORGANIZATION

A 12-member Executive Committee is responsible for implementing the Group's new industrial project. It replaces the Management Board and the Management Council which had 22 members.

The Executive Committee is tasked with improving customer and market intimacy, boosting the organization's agility and ability to preempt market trends, ensuring projects are properly carried out and internationalizing management to improve the Group's adaptation to global changes.

Chaired by the CEO **Christopher Guérin**, it has 11 members.

Five geographic region and business managers:

- **Benjamin Fitoussi**, 46, is in charge of the Europe region, Energy Cable Accessories Business Group, Automobile Harnesses business, and the Industrial Operations and Purchasing departments.
- **Vincent Dessale**, 52, heads up the Subsea and Onshore Systems Business Group.
- **Julien Hueber,** 48, is in charge of the Industry Project Solutions Business Group and the Asia-Pacific region.
- **Vijay Mahadevan**, 52, heads the Middle East, Russia, Africa and South America regions.
- **Steven Vermeulen**, 52, is in charge of Telecom & Datacom Business Group and the North America region.

(1) Operating margin plus allocation to amortization

2021-2021 STRATEGY REVIEW

To create value, this three-year road map emphasizes selective growth, improving competitiveness and return on capital employed, and generating cash.

A review of our businesses shows that the 50% contributing to the results can be managed with a solid growth outlook. The remaining 50% penalizes profitability and needs to be made profitable or transformed. This 50% mainly refers to onshore high voltage, the main source of losses, and business in North and South America and Asia.

It is apparent that a significant part of the losses is generated internally: excessively high costs, price setting, inventory management, etc. The aim in rolling out SHIFT is to correct these imbalances.

To generate value, the method relies on four drivers:

- rapidly improve the profitability of underperforming units
- focus the strong units on profitable growth through differentiation, innovation, and the provision of systems and services
- restore competitiveness through significant cost reductions
- privilege value-generating investments.

Nexans is aiming for an increase in EBITDA[1] of about €175 million over the plan's three years:

- 100 million by deploying SHIFT.
- 55 million from organic growth and expanding the range of contributing businesses.
- 20 million from the cost-reduction plans and €210 million to offset the scissor effect of cost inflation and price pressure estimated at €190 million.

The expected organic growth is 3% per year on average at constant metal prices with:

- 6% growth in contributing businesses which will benefit from the necessary resources to lift their business and expand their range of products and services
- stability for underperforming businesses for which investments will be frozen.

Investments are estimated at €400 million including the new cable laying vessel Aurora.

2021 targets for current businesses:

- an EBITDA1 of around €500 million compared with about €325 million in 2018.
- a ROCE2 of around 15.5% compared with about 8.5% in 2018.
- a cumulative available cash flow3 of more than €200 million for the 2019-2021 period compared with a negative cash flow of some €190, million for 2016-2018.

(1) Operating margin + allocation to amortization (about €150 million/year)
(2) Operating margin/capital employed restated for the anti-competition provision.
(3) Prior to mergers, acquisitions and dividends.

THE EXECUTIVE COMMITTEE (CONTINUED)

Five functional division managers

- **Jean-Christophe Juillard**, 51, Director Finance and Information Systems, effective January 7, 2019, to replace Nicolas Badré who will oversee the transition through to the end of February 2019.
- **Nino Cusimano**, 54, Company Secretary and Director Legal Affairs.
- **Juan Ignacio Eyzaguirre**, 35, Strategy and Mergers & Acquisitions.
- **Jérôme Fournier**, 49, Innovation, Services & Growth effective January 1, 2019, to replace Dirk Steinbrink.
- A new Human Resources Director is currently being recruited to replace Anne-Marie Cambourieu who will leave the Group at the end of February 2019.
- **Pascal Portevin**, Senior Corporate Vice President, will act as Special Advisor and continue to provide his experience and advice to the CEO and the Executive Committee. He is also in charge of Strategic Projects.

More details about the Executive Committee members are available at www.nexans.com.

7 major contracts were signed in October and November for a total in excess of €350 million

OFFSHORE WIND

OCT 8 - UNITED KINGDOM

Nexans won a contract worth more than €350 million for the Triton Knoll windfarm. The Group will supply the export cable and accessories to connect the windfarm to the British electricity grid.
Triton Knoll will generate sufficient electricity to power more than 800,000 households.

OFFSHORE WIND

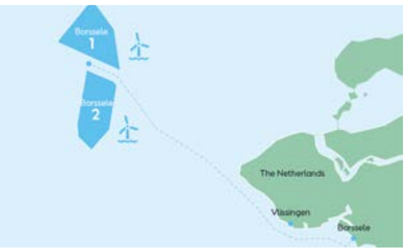
OCT 16 - BELGIUM

Nexans will supply the export cables and accessories to connect the Northwester 2 windfarm to the Belgian electricity grid. This farm will have the world's most powerful wind turbine: the Vestas V164 turbine with a generating power of 9.5 MW. It will be able to supply the equivalent of 220,000 households.

OFFSHORE WIND

NOV 7 - NETHERLANDS

Nexans has signed a new five-year framework contract with Ørsted. The first application is to supply and install more than 170 km of latest-generation 66-kV subsea cables including all necessary accessories to interconnect the 94 Borssele 1 and 2 wind turbines, and connect them to the offshore transformers.



SUBSEA TELECOM NETWORK

NOV 13 - INDONESIA

The Jayabaya cable on Java Island will provide high-speed Internet between Jakarta and Surabaya via Cirebon and Semarang. Nexans supplied PT Mora Telematica Indonesia with 950 km of 24-core unrepeatered (URC-1) fiber-optic cable. Installation was scheduled for completion in November 2018.

OFFSHORE WIND

NOV 19 - UNITED KINGDOM

Ørsted has contracted Nexans to supply a subsea system of more than 200 km of 245-kV cables to export the electricity generated by the Hornsea 2 wind farm. This 1.4 GW offshore farm will be the largest in the world. The project's tranche 2 will generate enough electricity to power 1.3 million households. The contract is worth more than €150 million.

SUBSEA INTERCONNEXION

NOV 21 - SPAIN

Red Eléctrica de España has signed a turnkey contract with Nexans worth around €50 million to design, manufacture, install and test 132-kV subsea and underground interconnection cables between the islands of Majorca and Menorca.

SUBSEA INTERCONNEXION

NOV 28 - GREECE

As part of the Cyclades interconnection project, ADMIE has signed a turnkey contract with Nexans worth about €111 million to design, manufacture, install and protect a 150-kV subsea cable including a fiber-optic component. It will connect the city of Laurium on the continent and the island of Siros.

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Log onto www.nexans.com/ag18 to watch the video of Nexans' 2018-2021 Strategic Review.

Financial diary

February 14, 2018\9
Full-year 2018 results

Nexans share Euronext Paris Compartment A

- Share capital: €43,604,914
- Shares in circulation: 43,604,914
- Par value: €1
- ISIN code: FR0000044448
- Deferred settlement service
- SBF 120 index

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