

# 2013 Full Year results

February 11, 2014



# Safe Harbor

This presentation contains forward-looking statements relating to the Group's expectations for future financial performance, including sales and profitability.

The forward looking statements contained in this presentation are dependent on the risks and uncertainties, known or unknown at this date, that may impact on the Company's future performance, and which may differ considerably. Such factors may include the trends in the economic and commercial conditions and in the regulatory framework and also the risk factors set out in the 2013 Registration Report, including confirmation of the risks linked to the authorities' antitrust investigations in Europe, the United States, Canada, Brazil, Australia and South Korea (in addition to the on-going procedures regarding local business) for alleged anticompetitive behavior in the submarine and underground power cable sectors. An unfavorable outcome of these investigations and follow-on consequences could have a significant material adverse effect on the results and Nexans' financial situation, even excluding the potential fine that may be imposed by the European Commission.

In addition to the risk factors, the main uncertainties concern in particular:

- The cost-saving plans in Europe and Asia may have a significant adverse impact on operations.
- The operating performance of the high voltage business, in particular compliance with delivery lead times and successful results of tests requested by customers, as well as positive outcomes for claims management procedures related to turnkey projects.
- A sufficient level of demand and prices being maintained in Europe and North America.
- The economic environment in certain emerging countries (China, Brazil).
- The potential impact in 2014 of the antitrust investigations begun in 2009, consistent with the accounting options applied by the Group.
- The Group's ability to integrate newly-acquired entities, leverage its partnerships and carry out its planned divestments in the best conditions.
- Increased customer credit risks, which in some cases cannot be insured, or fully insured, in Southern Europe and North Africa and in some customer segments in China.

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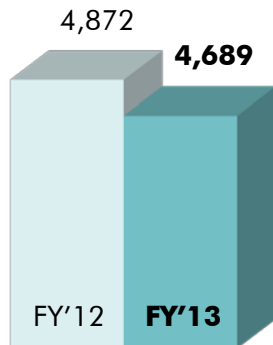
# ACTIVITY OVERVIEW



# 2013 overview

## Sales

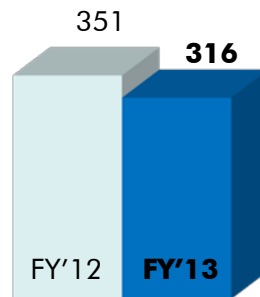
(in M€, at constant metal prices)



- **2.1% organic decrease**
- FX impact: -150M€
- Scope impact: 63M€
- Sales at current metal prices: 6,711M€

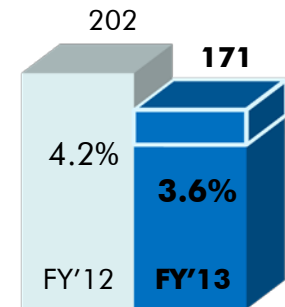
## EBITDA

(Operating margin before depreciation, in M€)



## Operating margin

(In M€, and % of sales at constant metal prices)

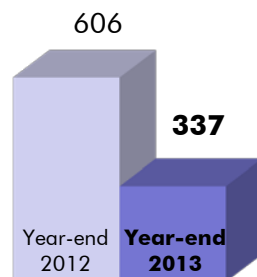


30M€ one-off pension impact

**141M€** recurring OM, or 3.0% of sales

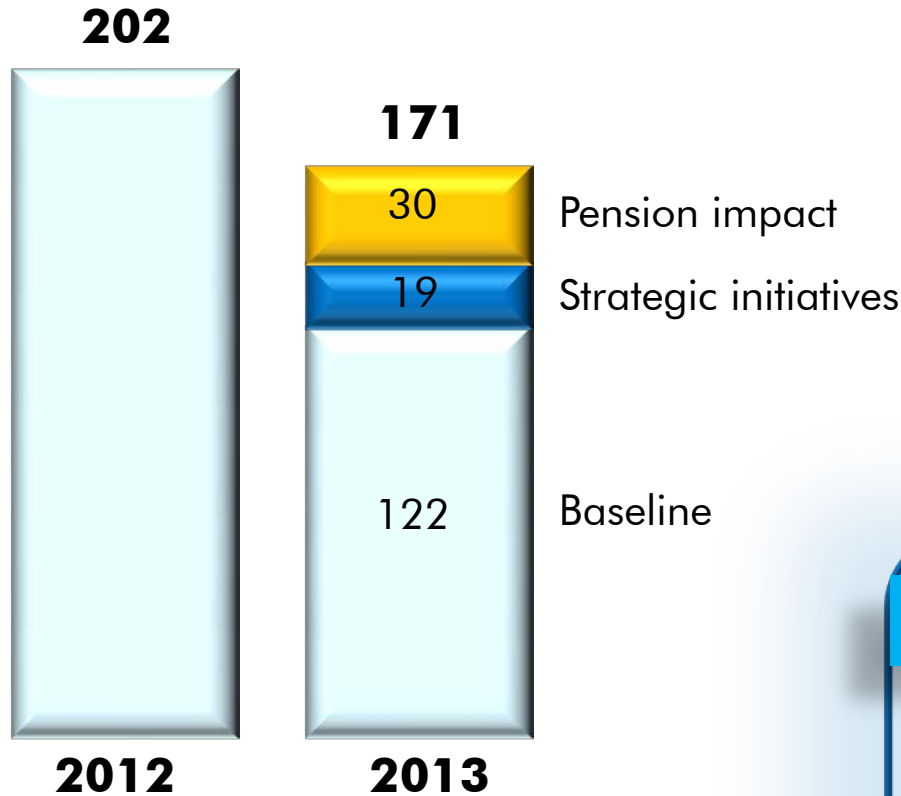
## Net debt

(in M€)

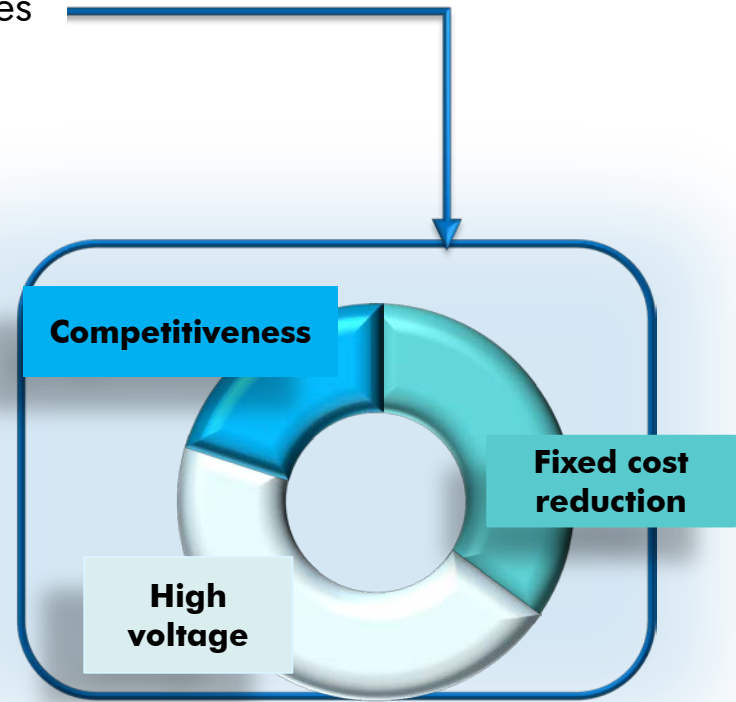


- **After a 284M€ rights issue completed in 2013**
- On a comparable basis, level close to year end 2012

# 2013: Difficult environment but start of implementation of strategic initiatives



Operating margin, in M€



# Significant events of the year

## Operations

### January 2013

### August 2013

Reinforcement of the management team with the nomination of a Chief Operating Officer

### Q3 2013

Severe deterioration of market conditions

### October 2013

Announcement of a Pan-European reorganization project and start of the consultations with the unions

## Finance

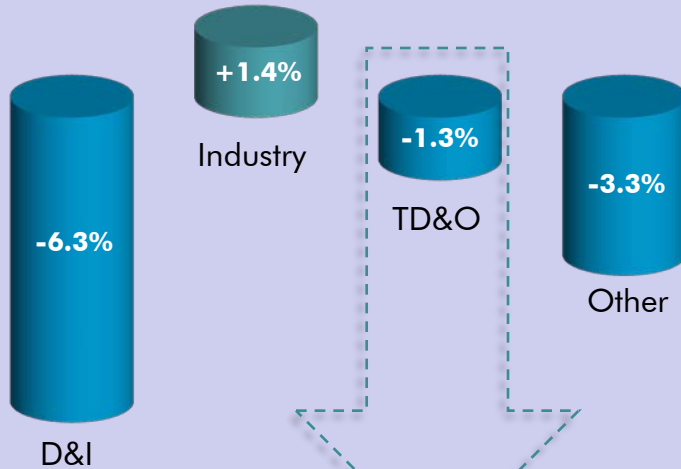
Reimbursement of the outstanding amount of OCEANE 2013 for 86M€

Completion of a 284M€ rights issue

*After which Quiñenco Group raised its capital share to c.26% and Bpifrance to c.8%*

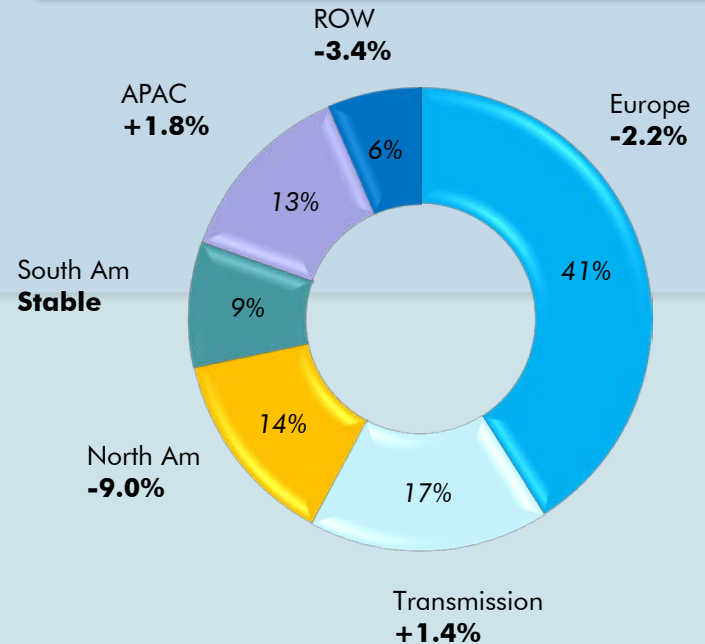
# Sales analysis (sales at constant metal prices, in M€)

## YoY organic growth by division



- D&I and Utilities cables mostly impacted by the weak demand

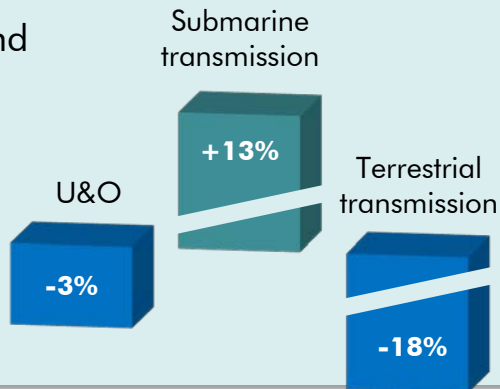
## Sales and YoY organic growth by area



- Poor market in North America contrasting with 2012 performance
- No tangible recovery in Europe

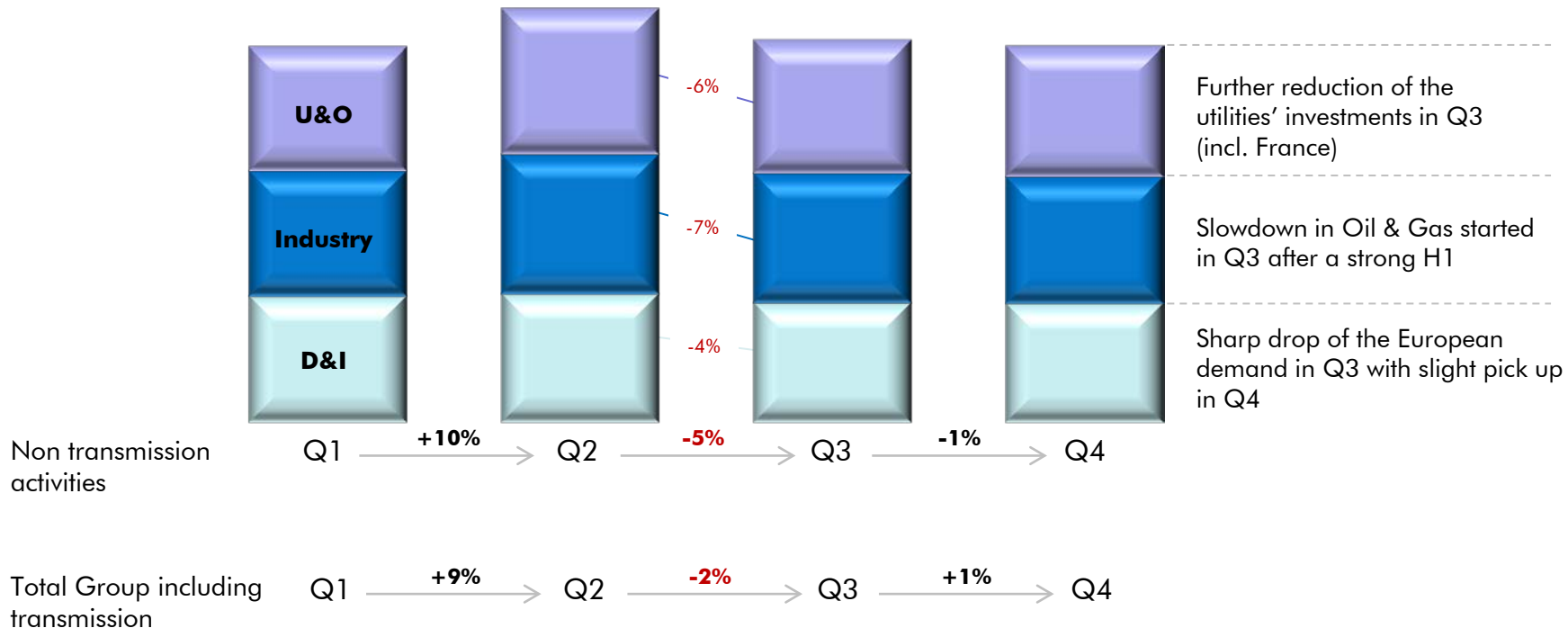
## YoY organic growth by sub division

- Terrestrial and submarine transmission under contrasted trends



# Ramp up started in Q2 did not materialize in Q3 and Q4

## Quarterly sales and QoQ organic growth



- Stabilization observed in Q4, reporting:
- YoY organic growth: +0.5%
  - QoQ organic growth: +1.1%



# Distributors and Installers: still tough in mature, better in emerging

Sales(\*): 1,155M€ (-6.3% YoY organic)

### North America -12%

- US LAN cables severely impacted
- Sluggish industrial building market in Canada

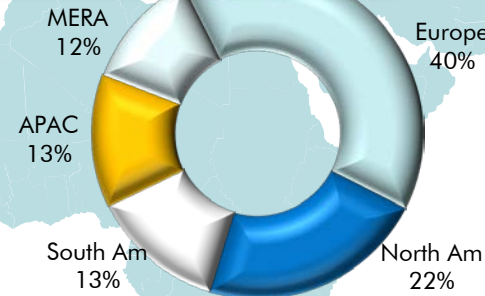
### Northern Europe -2%

### Mid Europe -3%

### Southern Europe -23%

### Europe -4%

- Pick up in volumes in Q4 on the back of pricing efforts



### South America +2%

- Strong H1, weaker H2, mainly in Brazil

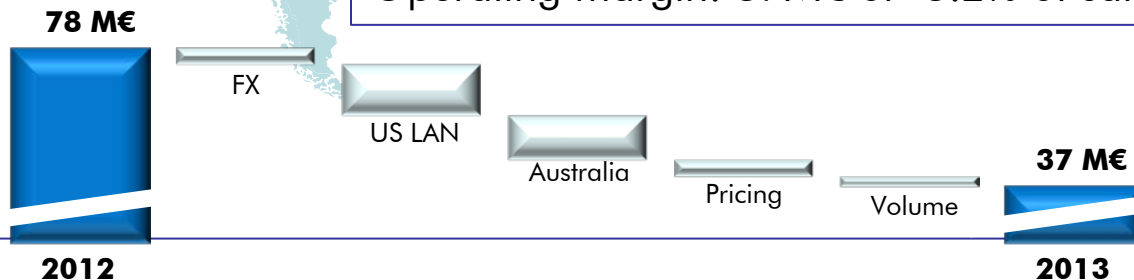
### MERA +1%

- Material improvement in H2 over H1

### Asia-Pacific -16%

- Reflecting the harsh situation in Australia
- Korea remains stable

Operating margin: 37M€ or 3.2% of sales(\*)

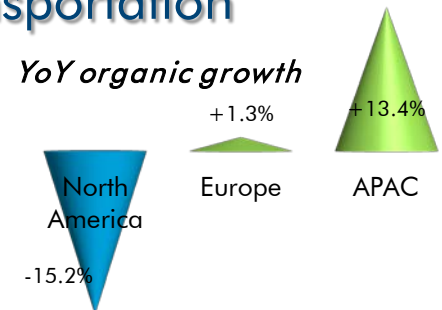


(\*) At constant metal prices

# Industry: slight overall growth backed up by transportation

**Sales<sup>(\*)</sup>** 1,222M€, +1.4% YoY organic growth

**Operating Margin** 42M€ or 3.4% of sales<sup>(\*)</sup>



**Resources -11%<sup>(\*\*)</sup>**

18% of sales<sup>(\*)</sup>

**Upstream Oil & Gas:**

Strong in APAC, slow in US (delay in projects and demand in transition toward land drilling rigs)

**Mining:**

- North America: strong activity in Q4 contrasting with the rest of the year
- Australia: low volumes in a sluggish environment
- South America: consistent trend in 2013 with slowdown in Q4 (Chile)

**Renewable:**

- Europe: strong windmill and solar businesses
- South America: strong dynamism from wind energy in Brazil

**Transport +9%<sup>(\*\*)</sup>**

55% of sales<sup>(\*)</sup>

**Harnesses:** 6<sup>th</sup> quarter of consecutive growth

**Railways:** very dynamic in Europe

**Aerospace:** positive industry trend

**Shipbuilding (excl. O&G):** strong growth driven by Korea

**Others -8%<sup>(\*\*)</sup>**

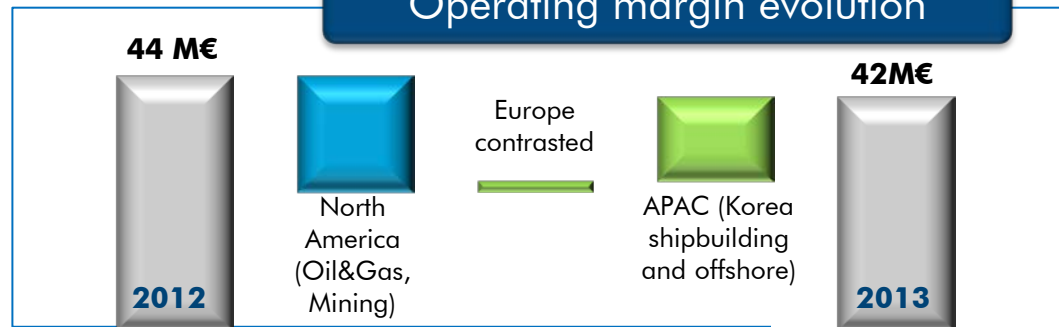
27% of sales<sup>(\*)</sup>

**Automation:**

stabilization of sales. Reorganization in process

**Other applications:** under reorganization process mostly in Europe

**Operating margin evolution**



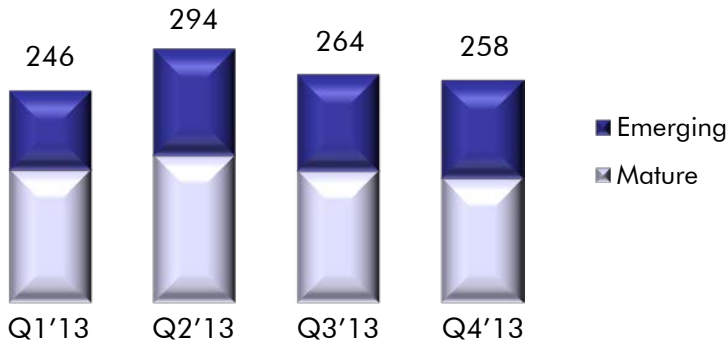
(\*) At constant metal prices

(\*\*) YoY organic growth

# Utilities and Operators: sales decrease by 3% on the back of reduced investments from European utilities

## Utilities: -4% YoY organic

Sales quarterly evolution, in M€ at constant metal prices



**Emerging (+5%)**  
Dynamic trend driven by China, Korea, Peru and Lebanon

*More project oriented contracts*

**Mature (-9%)**  
Sharp decrease in Q3 in Europe (France, Greece and the Nordics)

*Blanket agreement type of contract*

### Europe -10%

Decrease driven by France, Greece, Spain and the Nordics

### South America +9%

- H2 in Brazil reversed the H1 negative trend
- Dynamic in Peru and Chile

### MERA -10%

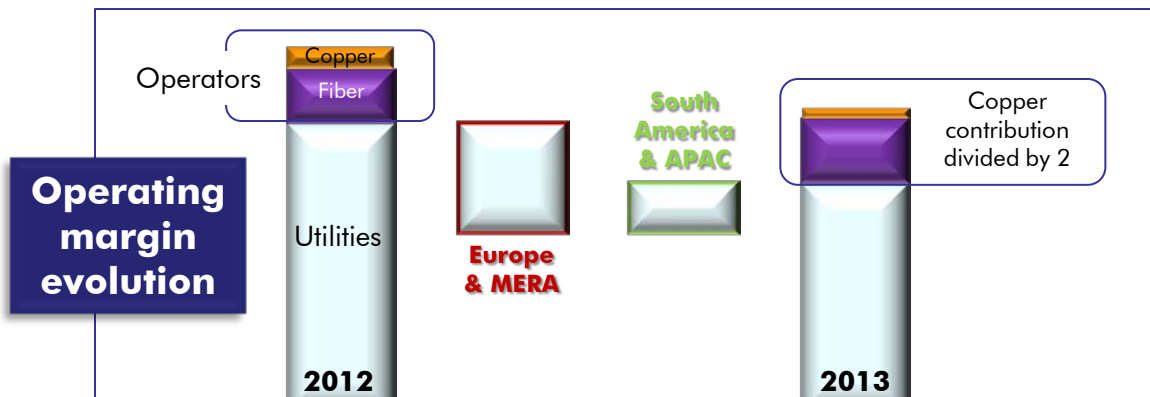
- Decrease driven by Egypt: divestiture under way
- Russia catching up from a poor H1

### Asia-Pacific +7%

Difficult momentum in Australia offset by Korea and China (Yanggu)

### North America -7%

Volatile environment impacting margins



**Operators: +5% YoY organic**  
Driven by fiber

## Transmission: contrasted picture between businesses

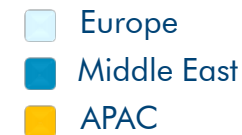
### LAND Organic decrease in sales of 18%

**Europe:** no improvement in volumes vs 2012. Project of rationalization of the footprint under process

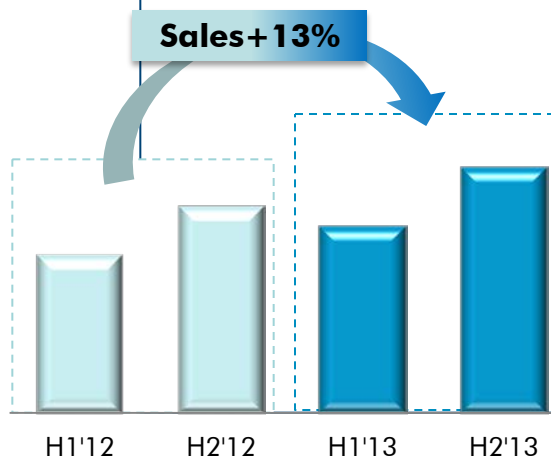
**Middle-East:** fierce competition in a deteriorated pricing environment. Very selective approach

**China:** slow ramp up in Yanggu (facility upgrade, accreditation, tendering activity)

**US:** commissioning expected Q3'14



### SUBMARINE AND SUBSEA Organic increase in sales of 13%



- >500M€ sales at constant metal prices in 2013
- Significant contract signed in January for subsea power link in Canada worth 175M€ and in Norway, worth 78M€
- Margins improving at fast pace, legacy projects marginal in 2014
- Good dynamic in umbilicals supported by the various frame agreements in place
- Total backlog: 2 years of sales

# FINANCIAL RESULTS



# Key figures

<i>In M€</i>	<b>2012</b>	<b>2013</b>
Sales <i>At current metal prices</i>	7,178	6,711
<b>Sales</b> <i>At constant metal prices</i>	<b>4,872</b>	<b>4,689</b>
<b>EBITDA<sup>(*)</sup></b>	<b>351</b>	<b>316</b>
<b>Operating margin</b>	<b>202</b>	<b>171</b>
<i>Operating margin rate at constant metal prices</i>	4.2%	3.6%
<i>Operating margin rate at current metal prices</i>	2.8%	2.5%
Restructuring	(21)	(180)
<b>Net income (Group share)</b>	<b>27</b>	<b>(333)</b>
<b>Operational Cash Flow</b>	<b>151</b>	<b>126</b>
<b>Net debt</b>	<b>606</b>	<b>337</b>

<sup>(\*)</sup> *Operating margin before depreciation*

# Income statement (1/3)

In M€	2012		2013	
Sales	4,872		4,689	
At constant metal prices				
Margin on variable costs	1,487	30.5%	1,397	29.8%
Indirect costs	(1,137)		(1,081)	
<b>EBITDA<sup>(1)</sup></b>	<b>351</b>	<b>7.2%</b>	<b>316</b>	<b>6.7%</b>
Depreciation	(149)		(145)	
<b>Operating margin</b>	<b>202</b>	<b>4.2%</b>	<b>171</b>	<b>3.6%</b>
Core exposure impact	(11)		(41)	
Asset impairment	(20)		(130)	
Change in fair value of metal derivatives and other	(1)		(2)	
Capital gain and loss on asset divestitures <sup>(2)</sup>	(7)		1	
Restructuring	(21)		(180)	
Share in net income of associates <sup>(3)</sup>	(0)		(1)	
<b>Operating income</b>	<b>142</b>		<b>(182)</b>	

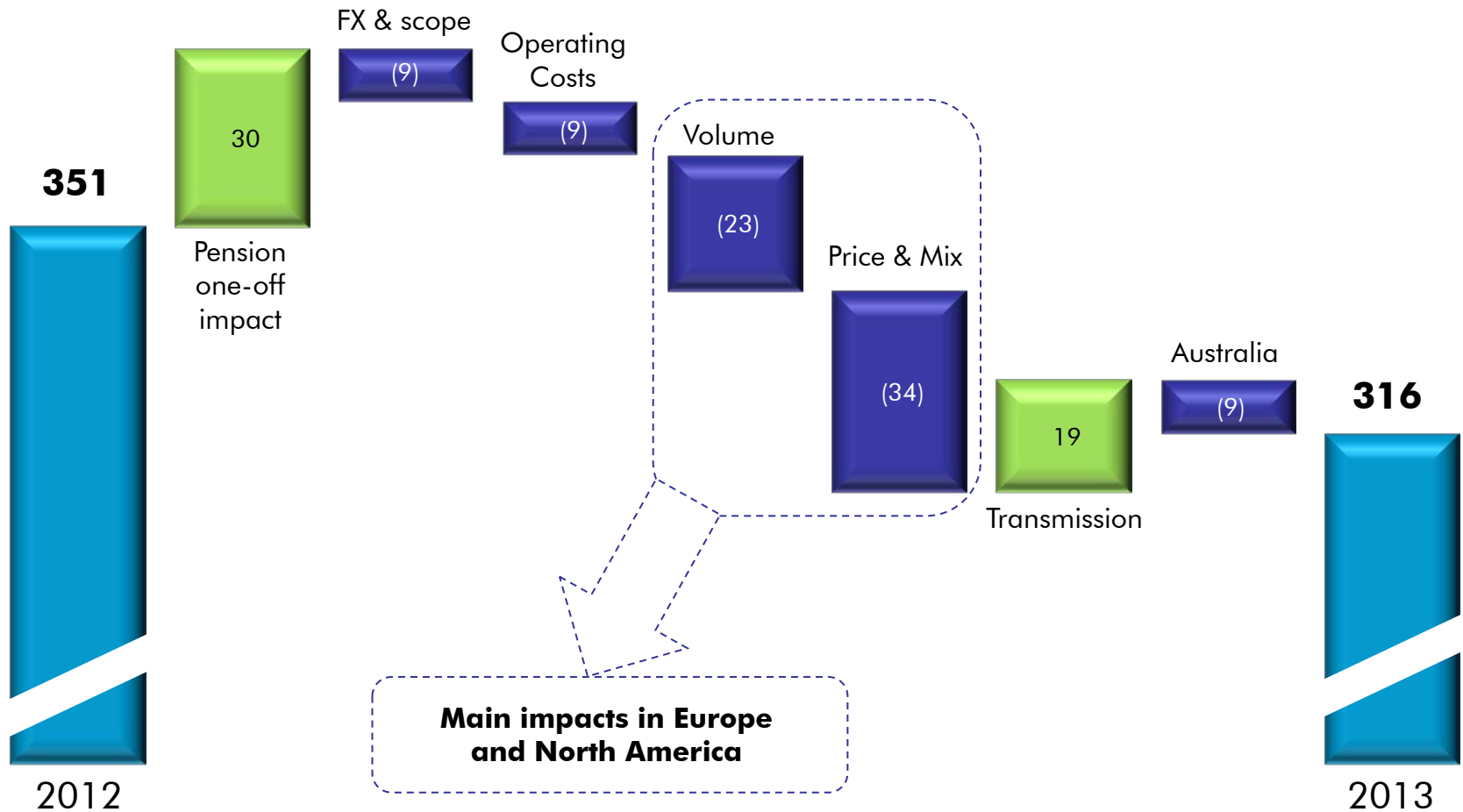
<sup>(1)</sup> Operating margin before depreciation

<sup>(2)</sup> Including transaction costs on external acquisitions

<sup>(3)</sup> Restatement in the operating income – Previously displayed below operating income

# EBITDA evolution

In M€





## Income statement (2/3)

In M€	2012		2013	
Sales	4,872		4,689	
At constant metal prices				
Margin on variable costs	1,487	30.5%	1,397	29.8%
Indirect costs	(1,137)		(1,081)	
<b>EBITDA<sup>(1)</sup></b>	<b>351</b>	<b>7.2%</b>	<b>316</b>	<b>6.7%</b>
Depreciation	(149)		(145)	
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<sup>(1)</sup> Operating margin before depreciation

<sup>(2)</sup> Including transaction costs on external acquisitions

<sup>(3)</sup> Restatement in the operating income – Previously displayed below operating income

# Focus on major impairments

## AUSTRALIA

Unchanged since June 30, 2013 (80M€)

## RUSSIA

Increasingly difficult business:

- Stronger local competition
- High custom barriers



*Impairment of 7M€*

## ARGENTINA

Difficult economic environment:

- Risk on local currency
- Severe import restriction
- Cancellation or deferral of major infrastructure investments



Asset held for sale in accordance with IFRS5 as of December 2013  
*Impairment of 15M€*

## EGYPT

Tough political context has largely contributed to disrupt all activity in the country.



Asset held for sale in accordance with IFRS5 as of December 2013  
*Impairment of 19M€*

## Income statement (3/3)

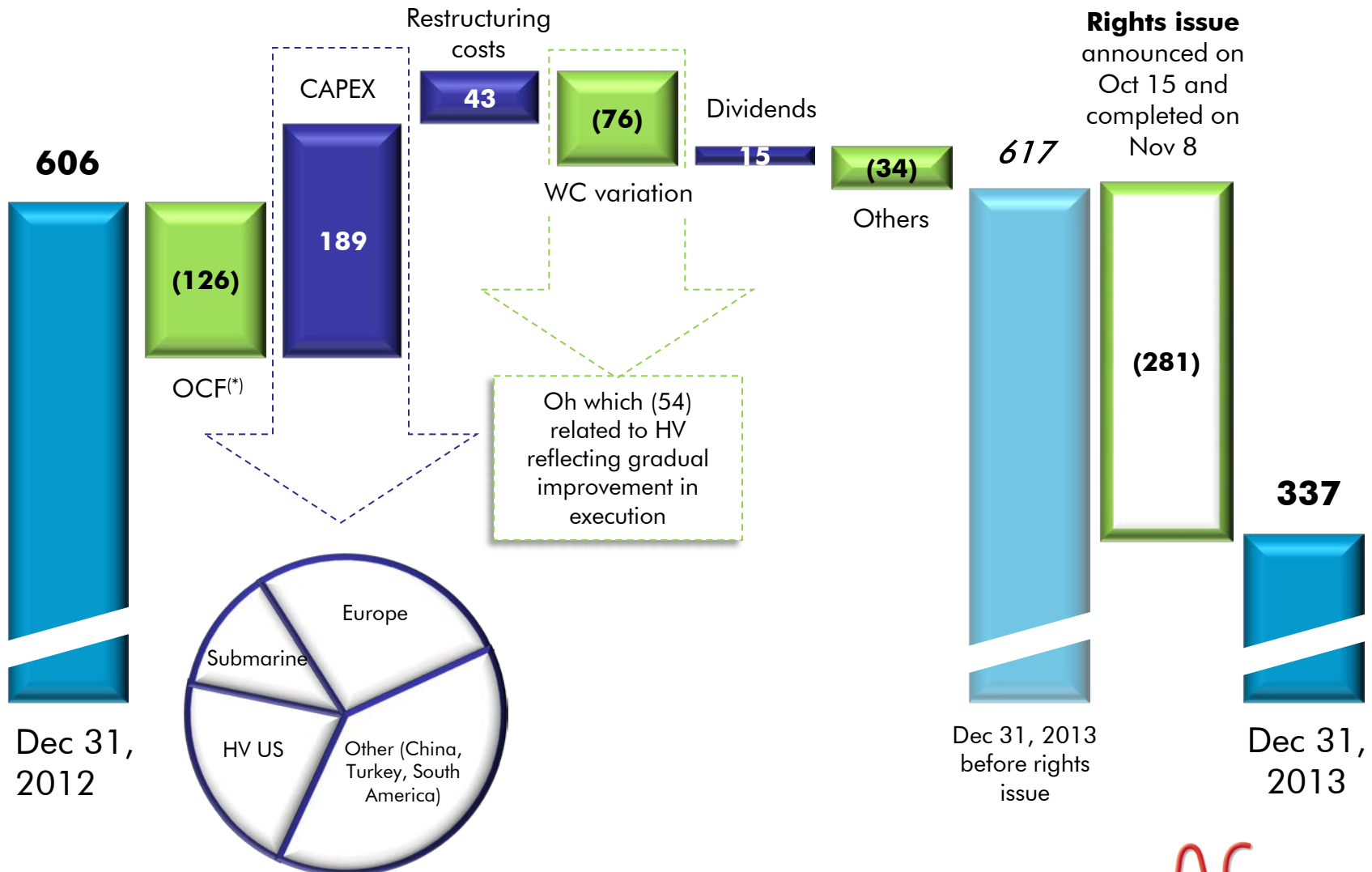
<i>In M€</i>	<b>2012</b>	<b>2013</b>
<b>Operating income</b>	<b>142</b>	<b>(182)</b>
Financial charge	(112)	(109)
<b>Income before tax</b>	<b>30</b>	<b>(291)</b>
Income tax	(5)	(39)
<b>Net income from operations</b>	<b>25</b>	<b>(330)</b>
<b>Net income Group share</b>	<b>27</b>	<b>(333)</b>

# Balance Sheet

<i>In M€</i>	<b>31 Dec. 2012</b>	<b>31 Dec. 2013</b>
<b>Long-term fixed assets</b>	<b>2,069</b>	<b>1,844</b>
<i>of which goodwill</i>	<i>509</i>	<i>414</i>
Deferred tax assets	141	120
<b>Non-current assets</b>	<b>2,210</b>	<b>1,964</b>
Working Capital	1,124	879
<b>Total to finance</b>	<b>3,335</b>	<b>2,843</b>
<b>Net financial debt</b>	<b>606</b>	<b>337</b>
Reserves	772	824
Deferred tax liabilities	114	82
<b>Shareholders' equity and Minority interests</b>	<b>1,843</b>	<b>1,600</b>
<b>Total financing</b>	<b>3,335</b>	<b>2,843</b>

# Debt evolution

In M€

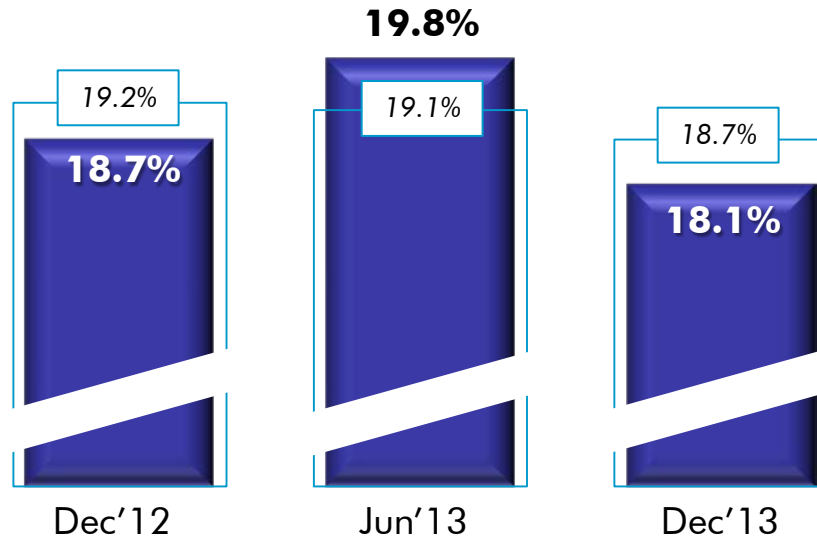


(\*) Operating cash flow is defined in footnote 4 to the Consolidated statement of cash-flows

# Working Capital evolution

% of current sales, based on last 3 month sales\*4

## Operating working capital

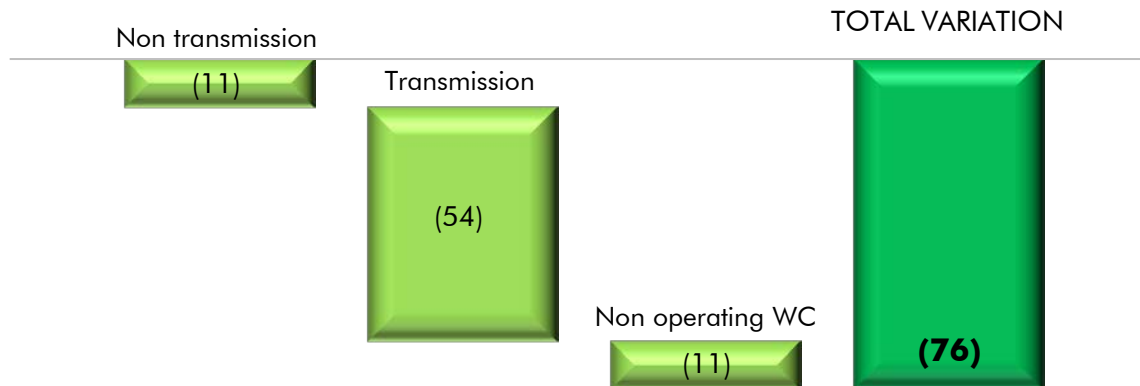


Decrease of OWC due to:

- improvement of production processes in submarine
- on-going reduction effort in non transmission activities

■ OWC incl. transmission activities (ie total Group)  
 □ OWC excl. transmission activities

## Working capital variation, in M€



# MID-TERM PERSPECTIVES

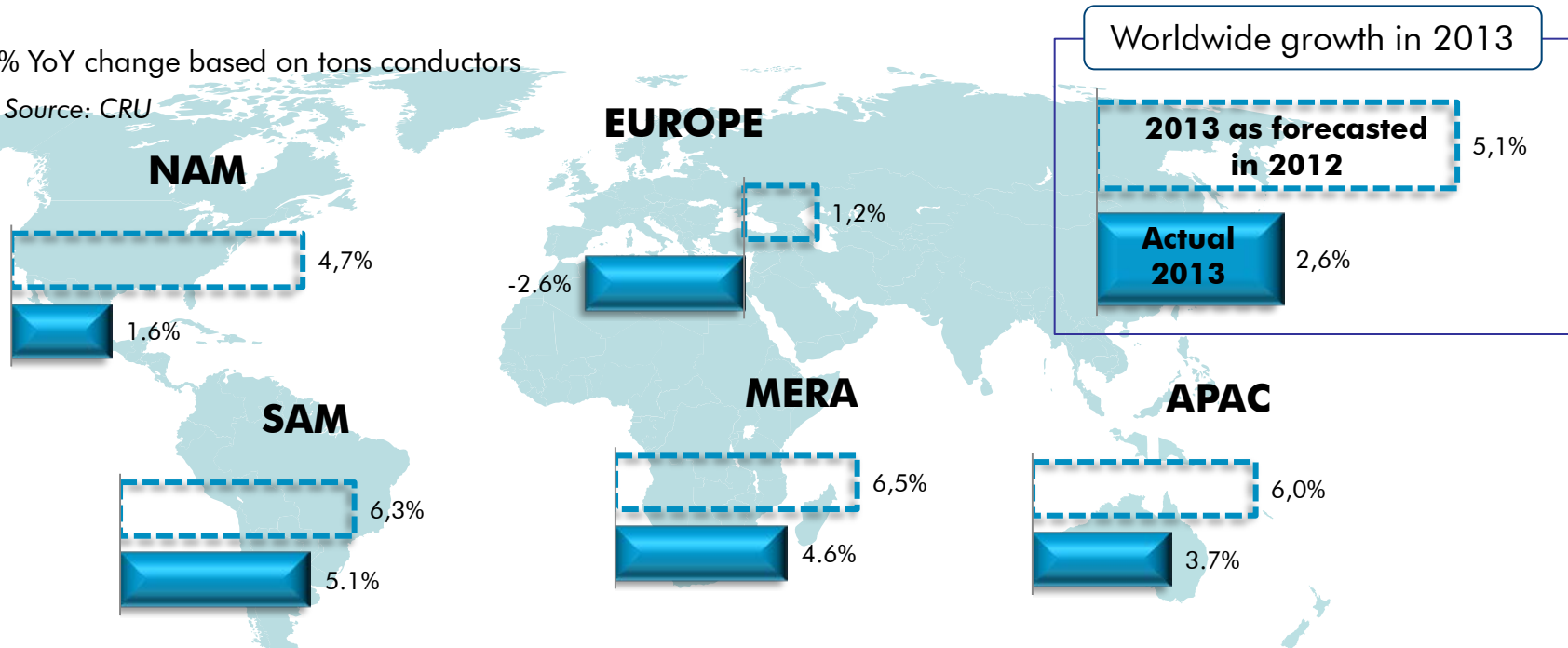


# Major changes in the market in 2013...

2013 growth has been down compared to 2012 expectations

% YoY change based on tons conductors

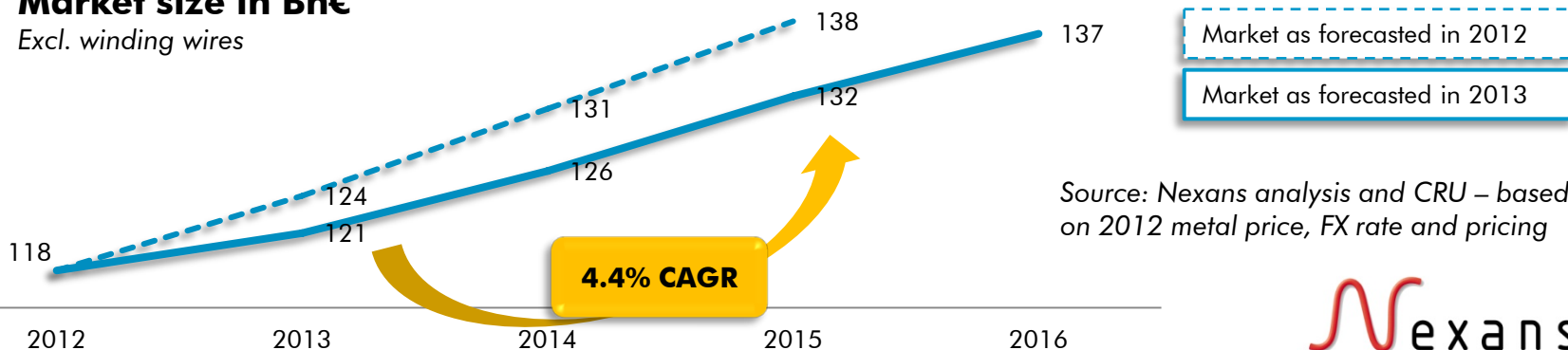
Source: CRU



Market evolution has taken 1 year delay compared to 2012 expectations

## Market size in Bn€

Excl. winding wires

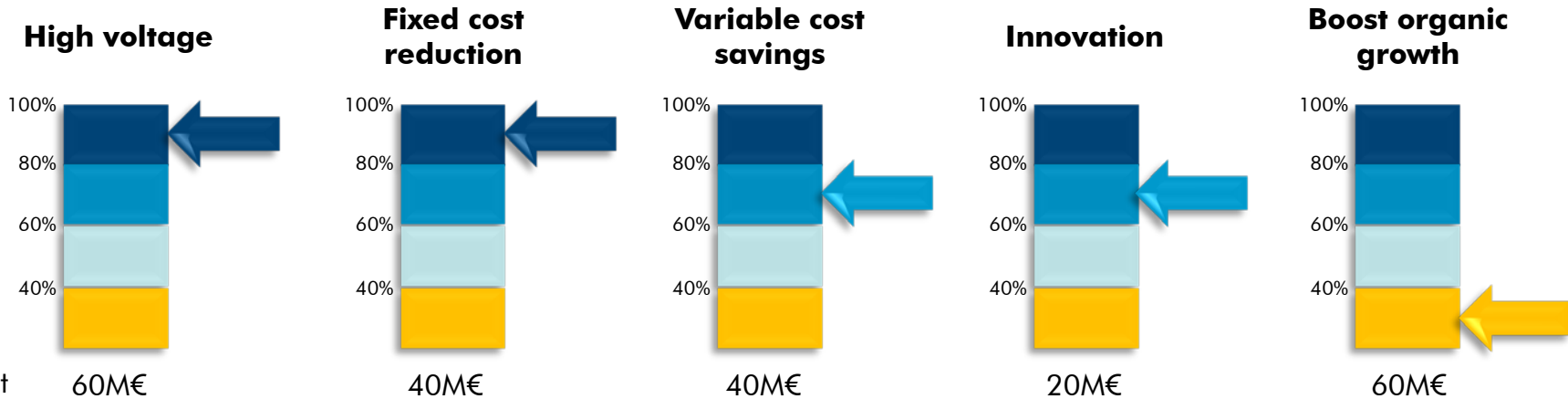


Source: Nexans analysis and CRU – based on 2012 metal price, FX rate and pricing



# ...and detailed review of strategic initiatives

## Reassessed realizable goals for 2015



## led to adjust ambitions for 2015

	Previous target	Adjusted target
Sales CAGR 2013-2015	5.0-6.0%	4.5-5.5%
OM on Sales	6.2-7.1%	5.1-5.7%
ROCE	10.1-11.6%	>9%

- 2013 sluggish environment weighing on initial OM target
- Global market CAGR for 2013/2015 estimated at 4.4%
- Sales estimates for 2015 include a stronger growth on submarine HV business

## Positive signals for 2014

Despite a decrease in sales in 2013, the commercial activity has been very dynamic and has led to successes in all businesses.

### UTILITIES

- France: MV & accessories frame contract renewed with a major European DSO (2 years, ~40M€)
- Germany: Thüga frame contract (3 years)
- GCC (2 years, 120MUSD)



**D  
&  
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**DISTINGO** : new low voltage cable featuring two major enhancements: length marking and color marking. Awarded and accredited as a Standard on the French building market

### INDUSTRY



#### *Aerospace*

Airbus : won "best improver award". New 5 year agreement (~205M€)

#### *Oil & Gas*

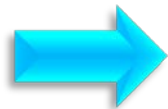
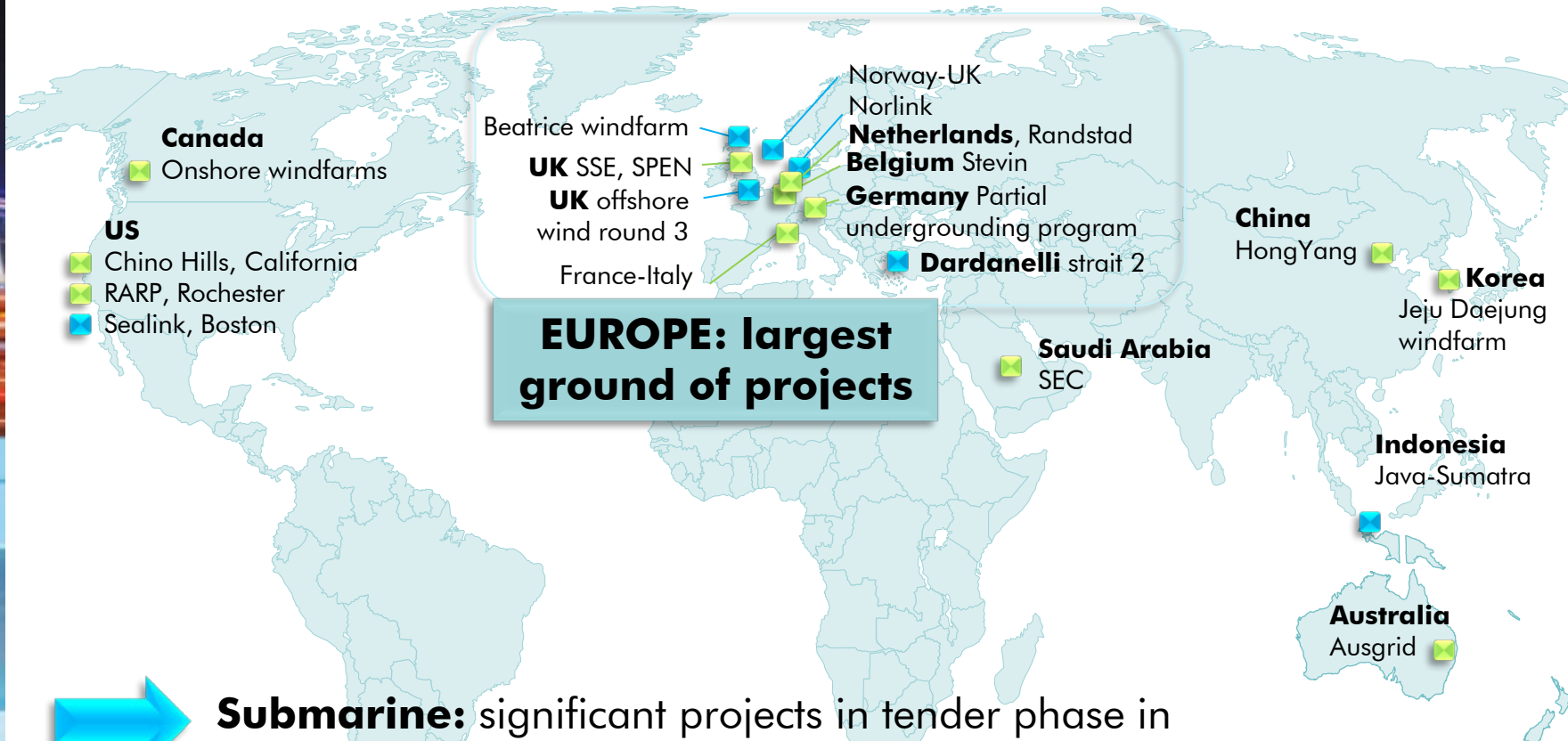
3 contracts signed in Brazil for 5 drilling and 1 FPSO platforms (total amount: 42MUSD, delivery 2014-2015)

### TRANSMISSION

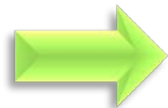


- Major contracts awarded in submarine: Cabot Strait (175M€), BKK (78M€)
- Significant call-offs within umbilicals frame agreements
- World's longest superconductor power cable deployed (Germany)



# Perspectives in transmission: a strong potential for the next years



**Submarine:** significant projects in tender phase in both grid and offshore wind farms  
 Market size: 3.0Bn€/year



**Land:** Stronger tendering activity in Europe and North America in the coming years  
 Market size: 1.6Bn€/year

-  submarine
-  terrestrial

# Implementation of a Transformation Program Office to follow up on strategic plan progression

## Transformation

### Change management

Stimulate, embark and align  
Communicate and deploy success stories

## Program

### Project portfolio setup and delivery

Support project definition	Prioritize
Transparency and quick issue solving	Risks & mitigation Track regularly

## Office

### Project management practices

Standard project management methodology  
Training  
In-house consultancy  
Benchmark and best practices

## Operational organization

### Project committee

Coordinate actions, follow progress

### Project steering committee

Track main objectives & milestones, take key decisions, align resources, treat risks

Weekly alerts

7 days decision

### Management Board

Decide on requested points and risks & adjust perimeter if necessary

This organization enables a real time control of the progress of each initiative

## Strategic initiatives – Focus **High voltage(\*)**

### 2013 achievements

#### **Turnaround in Submarine HV**

2013: stabilization  
phase project

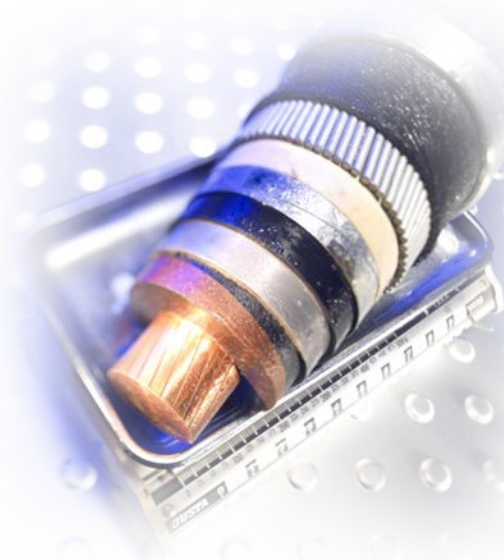
2014: continuous  
improvement phase

#### **Growth in Subsea**

Umbilical growth project  
on track

Several contracts signed  
in 2013

Product portfolio  
extension in progress



#### **Terrestrial transmission**

Yanggu:

Quality standards and new  
sales organization in place

HV US: factory to be  
delivered Q3'14.

Representative agencies  
and full sales & tendering  
teams in place

Potential risk: **Speed of ramp up in terrestrial**

(\*)excl. reorganization project

# Strategic initiatives – Focus Fixed cost reduction

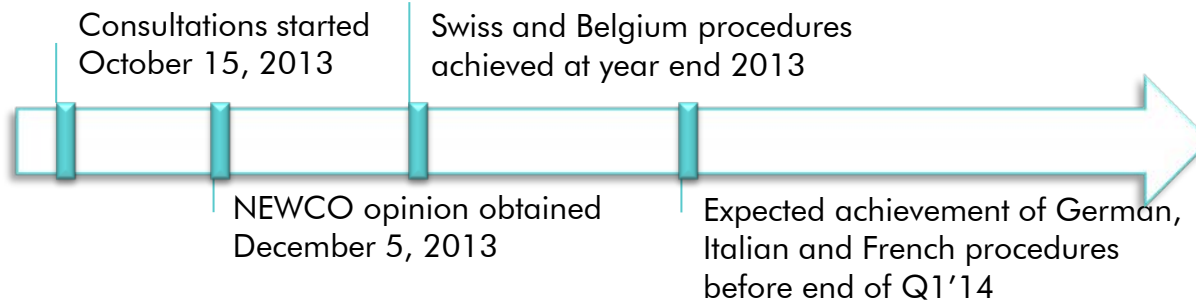
## EUROPE

### Initial savings target



- Land HV
- Industry
- Support functions

### 2013 achievement related to negotiations



## APAC

- Initial project implemented
- Step-up plan involving further capacity reduction and supply sources

### Potential risks factored

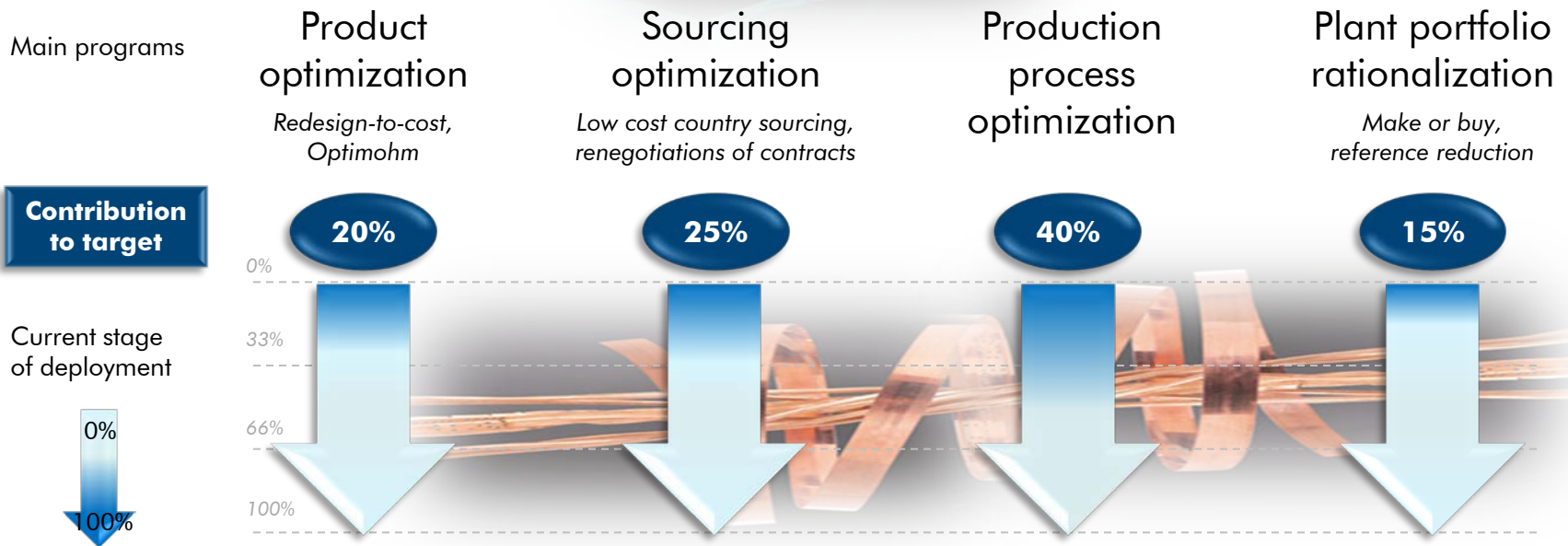
- Social planning in Europe
- Order book attrition in Europe
- Ramp-up of China to support Australia

2013 restructuring costs: **180M€**

## Strategic initiatives – Focus

# Variable costs savings: purchasing and manufacturing

### 2013 achievements



### Factored risks

- Part of savings passed on to customers
- Risk on timing of saving delivery

## Strategic initiatives – Focus

# Boost organic growth in attractive markets

### 2013 achievements

#### Oil & Gas (Upstream) & Mining

Global organization in place led from NAM

- Upstream O&G: first successes in Brazil and Korea
- Mining: first successes in MERA

#### Downstream O&G

On-going facility upgrade in Turkey to create a business hub for Middle East & Caspian sea

#### Europe Industry

Growth on 7 strategic segments on-going

#### China Industry

- Development of new industrial segments (handling, metro, wind)
- Restart of rolling stock program

#### LV/MV in developing countries

- SAM: capacity increase → sales up 12% with margin improvement
- MERA: capacity increase in Lebanon
- China: ramp up in Yanggu LV/MV effective but tight competition

### Update

- Actual CAGR below previous expectations
- Risk due to market environment in Europe, China, Brazil
- Australia shifted from organic growth to turnaround initiative



## Strategic initiatives – Focus Innovation and services

### 2013 achievements



#### Harnesses

- Product scope being extended
- Development in China
- Ramp-up of JV with Alstom in Rolling Stock

#### FTTH

Leading position in fiber optic cable production  
New products: Aeronet, and High Fiber Count (HFC)

#### Smartgrids

- Deployment of a superconductor cable in Germany
- Present in Sogrid, Venteea and Grid4EU pilot projects
- Development of Grid management offering

#### R&D

80 NEW PATENTS  
IN 2013

#### Services

VMI and engineering contracts  
(Europe, Australia and SAM)



### Factored risks

- Price pressures in fiber optic cable
- Macro economic environment in EU
- Speed of smart grids deployment

## **GUIDANCE FOR 2014**

Continuing progression of strategic initiatives

Operating margin above 2013 level

Debt level impacted by the deployment of initiatives

# APPENDICES



## Sales and profitability by segment

In M€	2012			2013		
	Sales	OM	OM %	Sales	OM	OM %
Transmission, Distribution & Operators	2,088	70	3.4%	2,034	70	3.5%
Industry	1,195	44	3.7%	1,222	42	3.4%
Distributors and Installers	1,285	78	6.1%	1,155	37	3.2%
Others	304	10	3.3%	278	22	7.9%
<b>Total Group</b>	<b>4,872</b>	<b>202</b>	<b>4.2%</b>	<b>4,689</b>	<b>171</b>	<b>3.6%</b>

## Impact of foreign exchange and consolidation scope

<i>In M€</i>	<b>2012</b>	<b>FX</b>	<b>Organic growth</b>	<b>Scope</b>	<b>2013</b>
Transmission, Distributors & Operators	2,088	(73)	(27)	46	2,034
Industry	1,195	(14)	17	24	1,222
Distributors & Installers	1,285	(48)	(78)	(4)	1,155
Others	304	(14)	(8)	(4)	278
<b>Total Group</b>	<b>4,872</b>	<b>(150)</b>	<b>(96)</b>	<b>63</b>	<b>4,689</b>