

# 2014 Full Year results

February 13, 2015

Nexans



# Safe Harbor

Forward-looking information in this presentation are based on risks and uncertainties, known and unknown to date, which may have an impact on the future performance of the Company, which may materially differ.

Readers are also invited to log on to the Group's website where they can view and download the press release of the annual results and the 2014 financial statements and Management Report, which include a description of the Group's risk factors.

These risk factors notably include the risks related to investigations launched in 2009 on anti-competitive behavior in the submarine and underground high-voltage cables sector in various countries. To date, these investigations resulted in fines being imposed on the main cable industry players in Europe and Asia by the European Commission in its decision of April 2, 2014. The Group recorded an 80 million euros provision to cover the direct and indirect consequences of the decision of the European Commission and of the procedures underway in other countries relating to the same industry segment.

In addition to the risk factors, the main uncertainties for 2015 concern:

- the economic environment in Europe where the outlook remains uncertain despite low interest rates and low oil prices;
- the demand from electrical utilities in budget constrained environment of States (Europe, Australia);
- the strong currency volatility, especially in emerging countries (and their impact on liquidity particularly in some of these countries: South America, Africa, China and Russia) but also in mature markets (Switzerland, Canada);
- the high volatility of raw material prices that can affect sales and margins in the Group businesses related to the raw materials industry segment;
- the price of oil, which could lead to a further decline in investment of sector actors, beyond the cuts already announced for 2015;
- the marked worsening of the geopolitical situation in some countries in the Middle East and Russia;
- operating difficulties related to potential disruptions in supplies of water and electricity, especially in Brazil.

Audit procedures on the consolidated financial statements have been carried out. The Statutory Auditors' report will be issued following their review of the management report.

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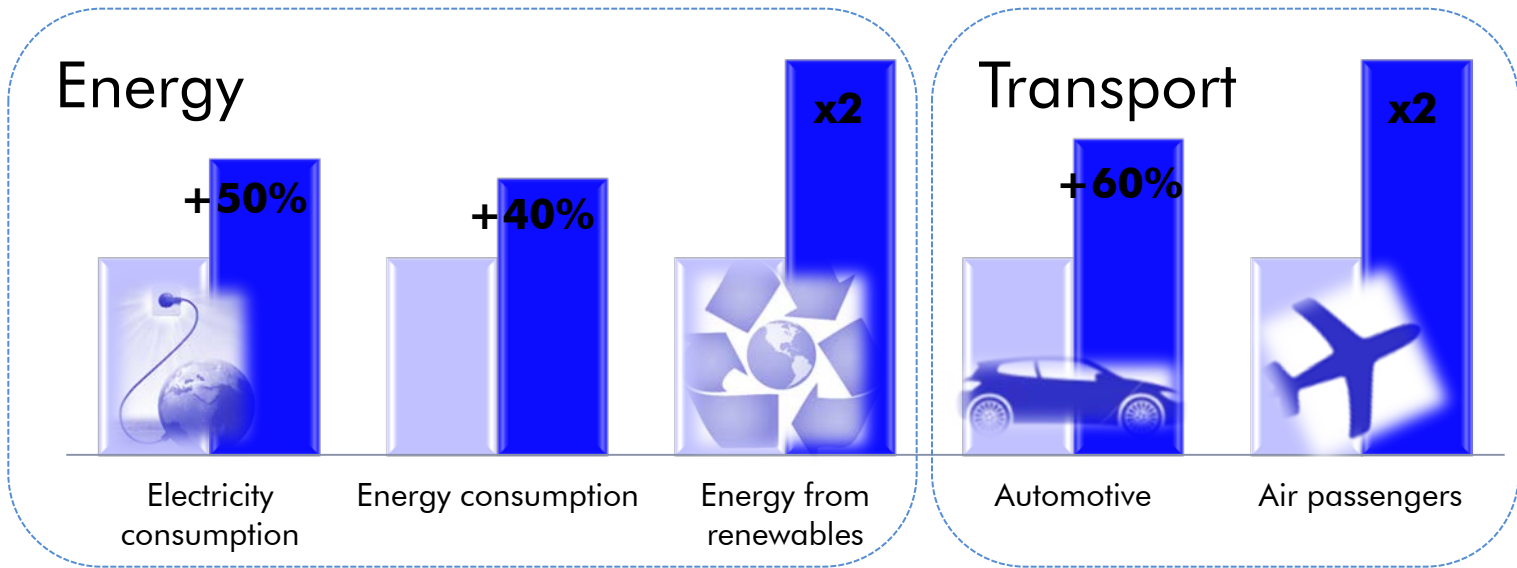
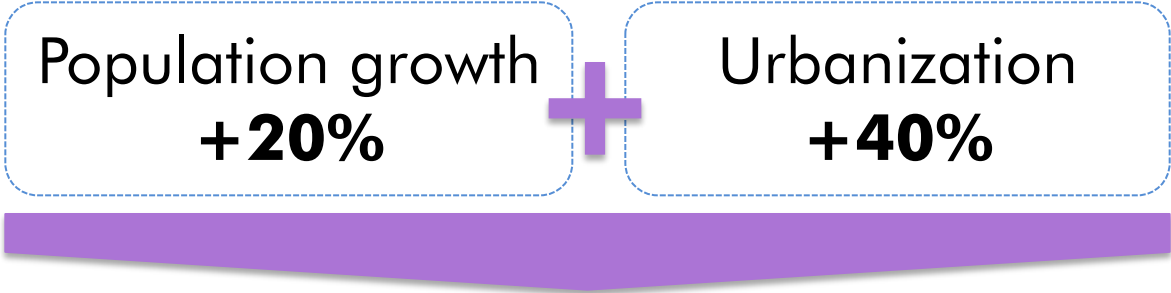


# 1. Long term drivers

Frédéric Vincent  
*Chairman*

# Market drivers are favorable for the long term

Expectations for 2030



■ 2014    ■ 2030

# Nexans is a solution provider for a more efficient & sustainable future

Market size (\*)

37bn€

## Power and data infrastructures

- Higher voltage & deeper submarine installations
- Aluminum solutions
- Smart grids

5.5bn€

## Fossil & renewable resources

- Safer & more reliable cables resisting to harsher conditions of exploration/extraction

7.5bn€

## Transport

- Aluminum solutions for lighter cables
- Lead free cables
- Hybrid cables for signaling
- Anti-theft solutions

21bn€

## Building

- Fire resistant cables
- Energy efficiency programs
- Data cables: higher bandwidth

(\*) Nexans estimates

# Vision of Nexans

Given market evolution, **the company confirms its focus on 4 sectors:**

## Power and data infrastructures



- Power transmission
- Power/data distribution
- Accessories

Exposure to the sector in 2014

40%

## Fossil & renewable resources



- Mining
- O&G
- Renewables
- Power plants

10%

## Transport



- Aerospace
- Railways, city rail
- Automotive
- Shipbuilding

14%

## Building



- Residential
- Commercial
- Data

24%



## 2. A few moments of pride in 2014

Arnaud Poupart-Lafarge  
CEO

# Biggest ever contract for Nexans



NordLink HVDC interconnector between Norway and Germany will use Nexans' subsea power cables



# A depth record setting for Chevron

Deepest umbilical cables installed in Gulf of Mexico for Chevron-operated Jack and St. Malo oil and gas fields



# Safe return to port for Fincantieri



Nexans to deliver over 4,000 km of power and data cables to Fincantieri



# Biggest cruise ship ever for STX



Nexans' cables to enhance fire safety for world's largest cruise ship - STX



# Safest airplanes for Airbus



Airbus selects Nexans as main cable supplier for the next five years

# Safest trains in Switzerland

SBB signs five-year framework agreement with Nexans for signaling and balise cables for upgrades to Swiss rail network





# Nexans committed to renewable energies

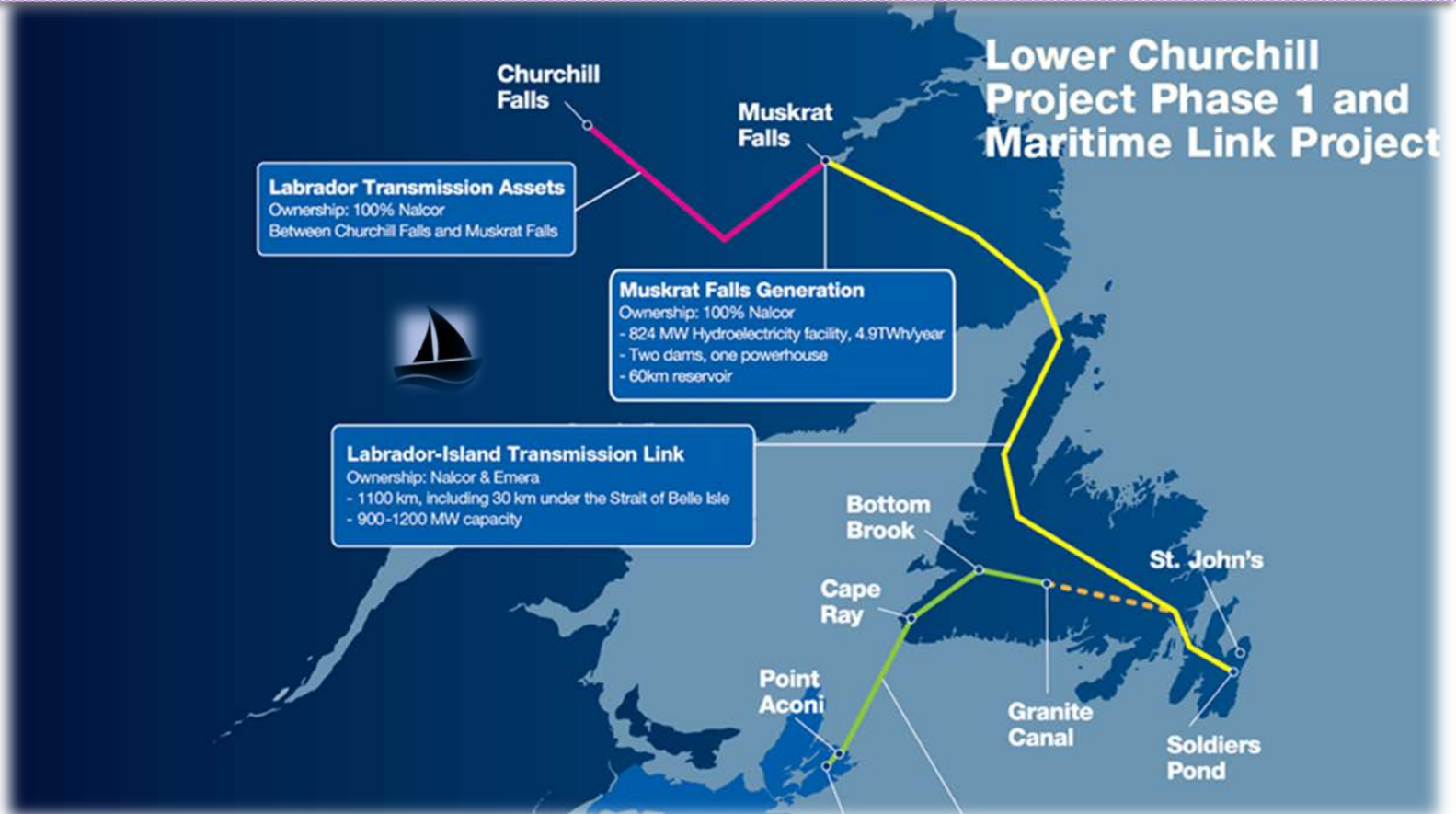


Connections of around 150 wind turbine generators installed in major wind farms for Suzlon in Brazil



# Connecting the world: Newfoundland to mainland Canada

Maritime Link Project selects Nexans' HVDC subsea power cable to connect Nova Scotia and Newfoundland and Labrador in Eastern Canada



# Our technology for a better environment

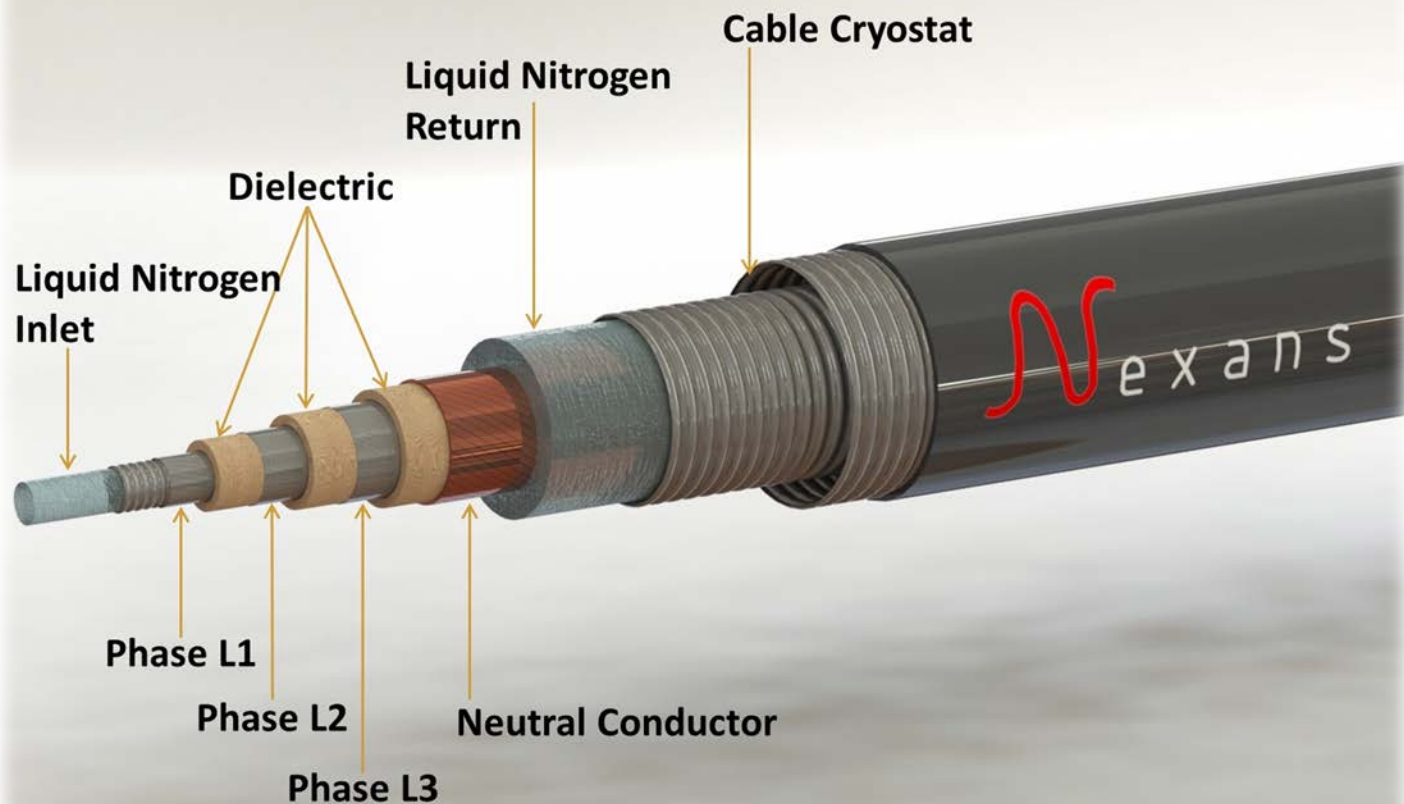
First of four contracted umbilicals for Statoil oil and gas projects delivered



+ Nexans' Direct Electrical Heating systems selected by Statoil for the Kristin and Maria fields

# Imagine the future

2013 Supplier Award by RWE for Innovation for AmpaCity superconductor project





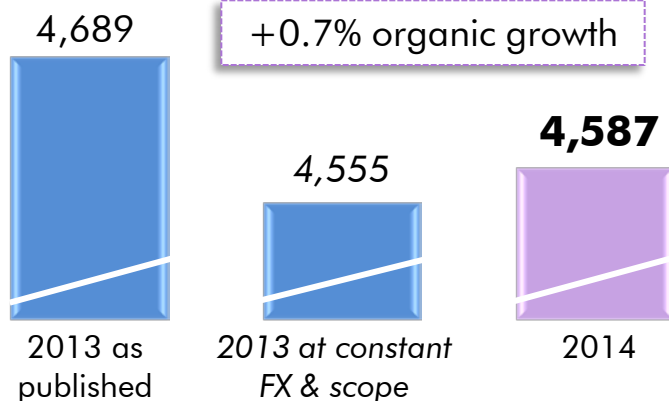
# 3. Highlights 2014

Arnaud Poupart-Lafarge  
CEO

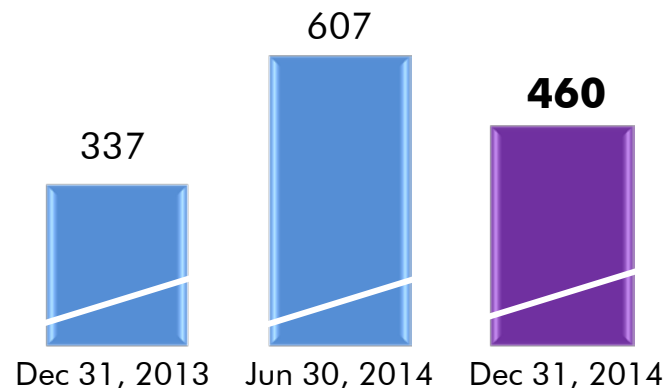
# Improved profitability on flat volumes

Figures in M€, unless otherwise specified

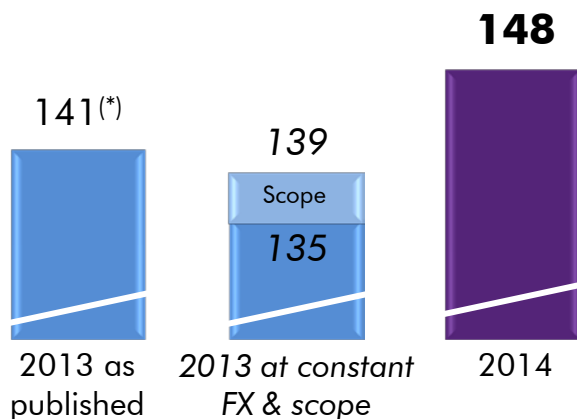
## Sales at constant metal prices



## Net debt



## Operating margin

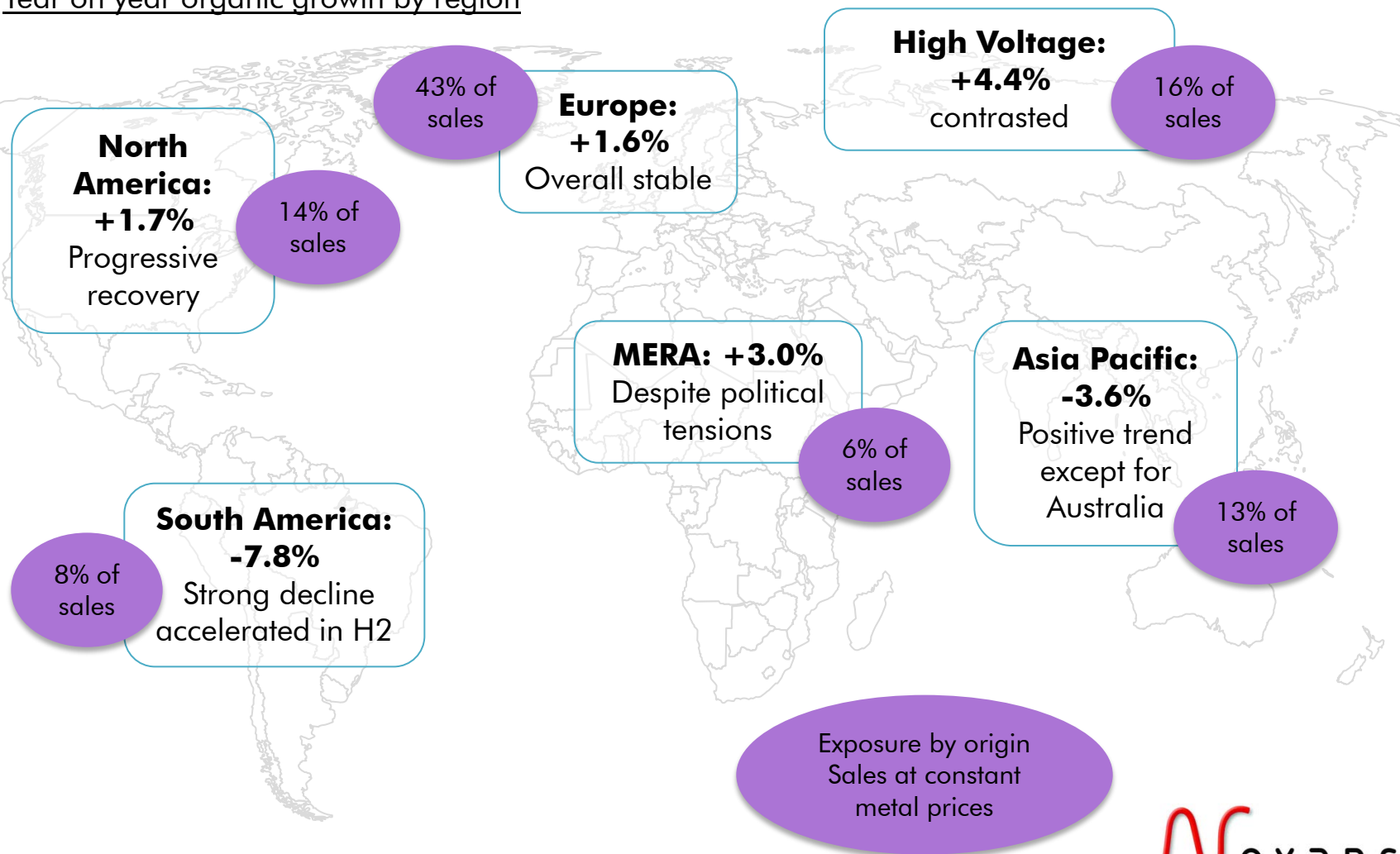


2014: **3.2% of sales** at constant metal prices, vs 3.0% in 2013

(\*) excluding non recurring pension effect of 30 million euros

# South America and Australia weigh on sales

Year on year organic growth by region





# Industry and Submarine leading the growth

## Distributors & Installers

Sales (constant metal prices)  
**1,120M€**  
Year on year organic growth  
**-0.5%**  
Operating margin  
**26M€**

## Industry

Sales (constant metal prices)  
**1,213M€**  
Year on year organic growth  
**+2.9%**  
Operating margin  
**50M€**

## Transmission, Distribution & Operators

Sales (constant metal prices)  
**1,978M€**  
Year on year organic growth  
**-0.3%**  
Operating margin  
**98M€**

## Other

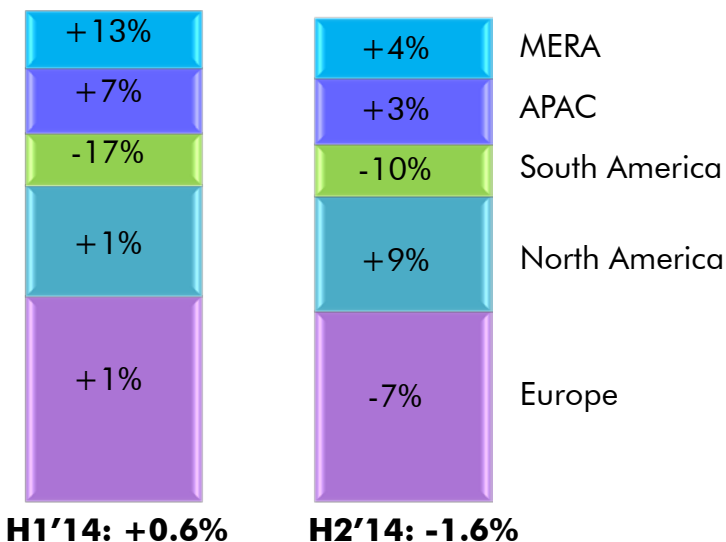
Sales (constant metal prices)  
**276M€**  
Year on year organic growth  
**+3.5%**  
Operating margin  
**-26M€**

# D&I faces adverse H2 environment

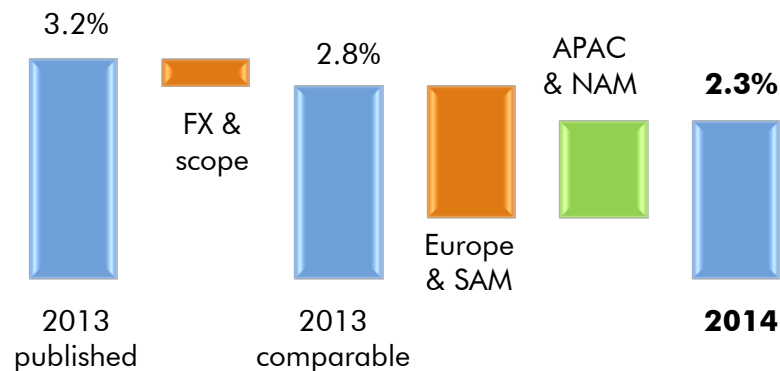
Sales: **1,120M€**  
 Yoy organic growth: **-0.5%**

Operating margin: **26M€**  
 OM/Sales: **2.3%**

Sales and yoy organic growth by region



OM/Sales

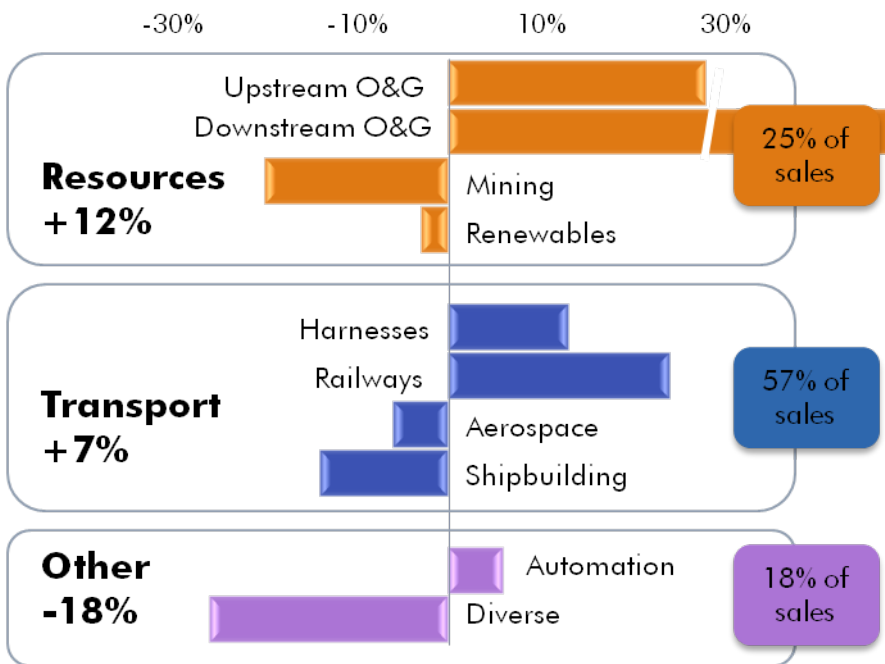


- Weak sales in H2'14 driven by difficult environment in Europe and South America
- Better performance in North America, MERA and APAC

- Competition & volume issues in Europe and South America
- Positive results from restructuring actions in Australia
- Improvement in LAN cables in North America

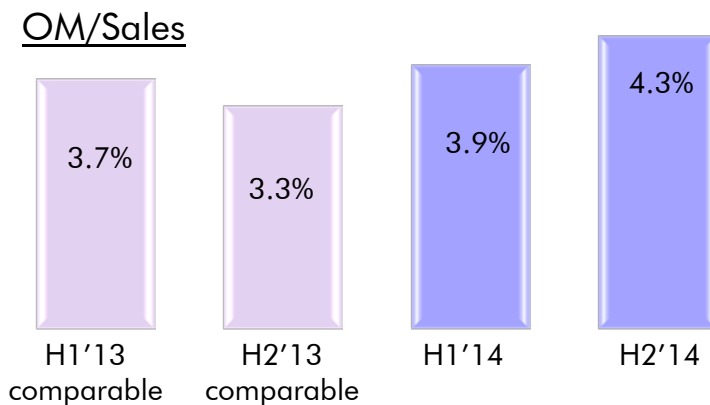
# Industry is well oriented

Sales: **1,213M€**  
 Yoy organic growth: **+2.9%**



- Harnesses accelerating
- Dynamism in O&G while mining is tough
- Europe: growth on key segments
- China: growth resuming (rolling stock)

Operating margin: **50M€**  
 OM/Sales: **4.1%**



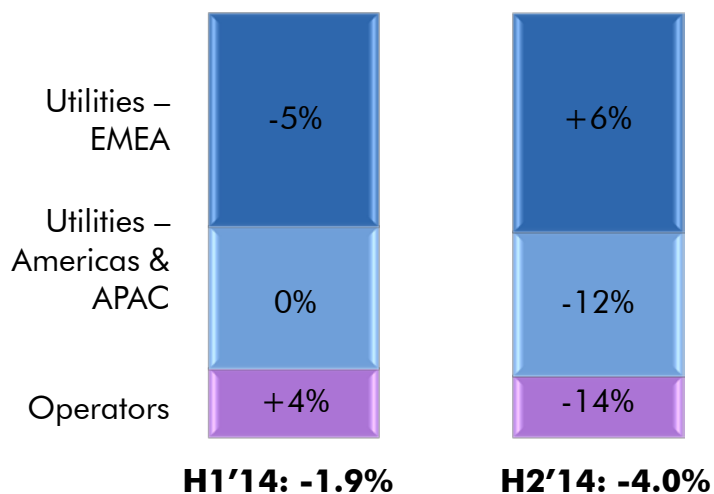
- Good contribution from harnesses (positive leverage)
- Progressive improvement of margins driven by Europe (restructuring actions and repositioning) and China



# Utilities & Operators declines in H2

Yoy organic growth: **-3.0%**

Year on year organic growth by region:



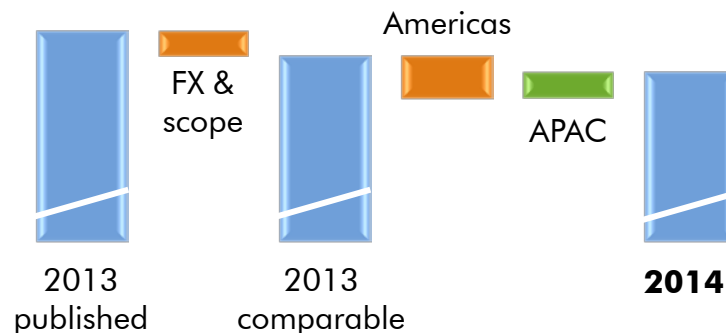
**Utilities: -3%**

- EMEA: recovery in Europe in H2 after tough H1
- Decrease in South America in H2 and in Australia

**Operators: -5%**

Strong in Scandinavia and SAM, down in France

**Operating margin:**  
slight decline vs 2013



- Resilience in Europe
- Americas impacted by lower volumes and prices
- Positive returns from reorganization of activity in APAC (China & Australia)

# Transmission is growing 4.4% vs 2013

## Submarine

Yoy organic growth:  
+9% vs 2013

### Sales:

Record year in umbilicals  
Strong in interconnections

### Operations:

Turnaround of Halden factory now complete  
Large contracts under production

### Backlog:

1.5bn€, after NordLink award (0.5bn€) on  
February 12, 2015

## Land

Yoy organic growth:  
-5% vs 2013

### Europe:

Market remains difficult; restructuring  
actions implemented slightly ahead of  
initial schedule

### Deployment in North America:

US factory qualified with 46 utilities  
Very active tendering activity

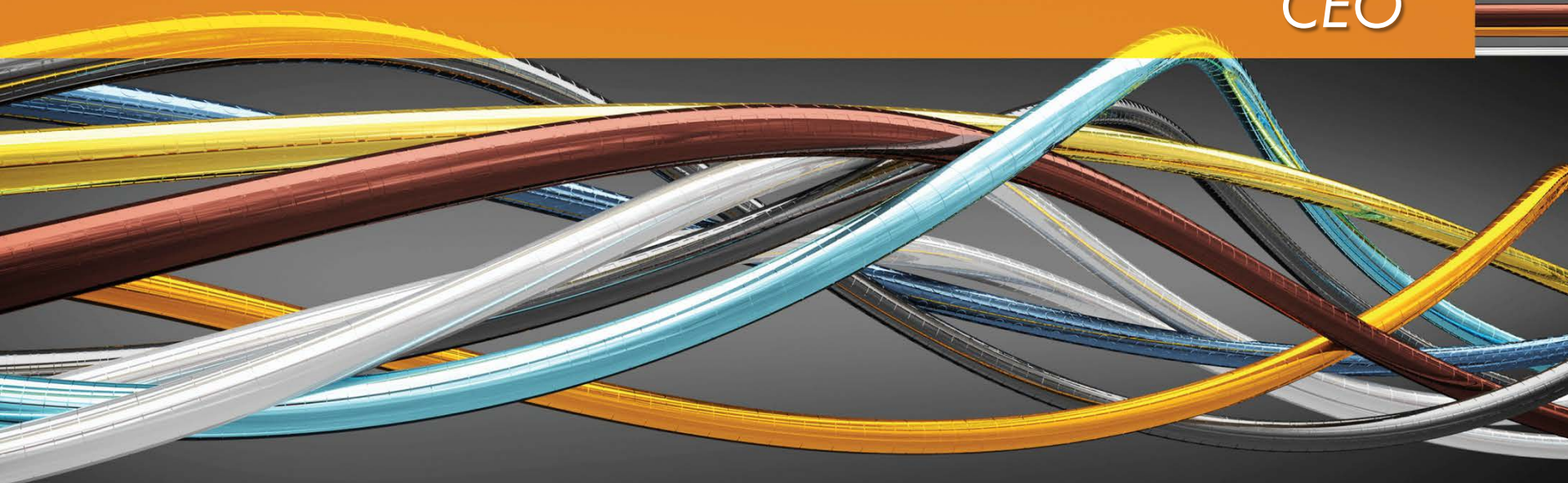
### Deployment in China:

Yanggu ramp up progressing, with 40%  
growth in sales vs 2013  
First qualification by Australian customer



# 4. Dynamics of our strategic initiatives

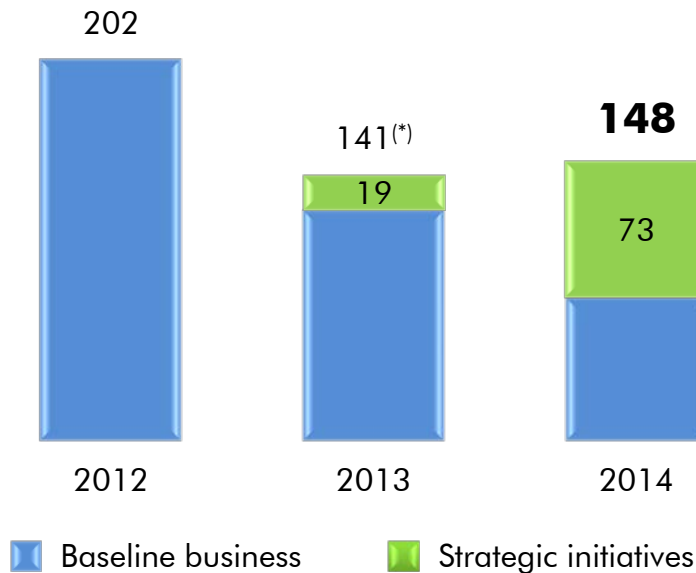
Arnaud Poupart-Lafarge  
CEO



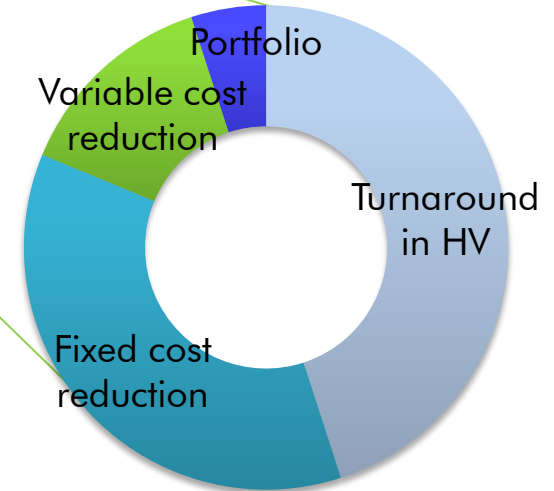


# Strategic initiatives have materially contributed to FY'14 operating margin

Operating margin evolution, in M€



Unfavorable market conditions have affected the baseline while strategic initiatives have contributed for about half of the operating margin in 2014.



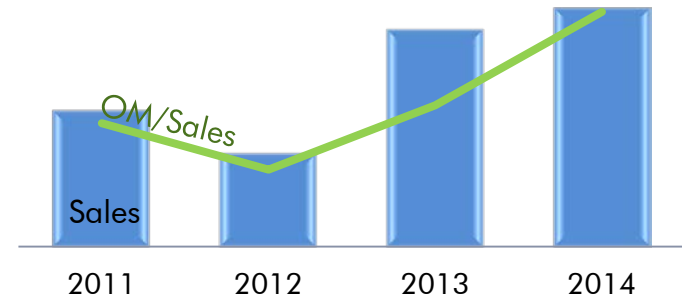
Contribution of strategic initiatives mainly driven by high voltage turnaround and restructuring actions.

(\*) excluding non recurring pension effect of 30 million euros

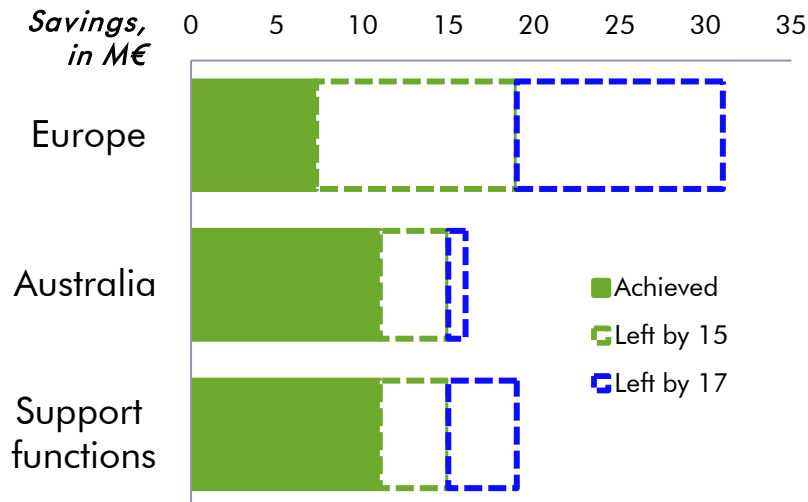
# All initiatives have delivered as planned ...

## 1 Turnaround in HV

- Target achieved on quality, processes, planning, competencies
- Continue focus on improvement
- Preparation of growth ahead



## 2 Fixed cost reduction



- **Europe Industry & Land High voltage:** 2 production sites closed, good progress of equipment transfer
- **Support functions:** ahead of schedule
- **Australia:** one factory closed, customers already supplied from Yanggu (China)

# ... with exception of South America and mining

## 3 Variable cost reduction

- Manufacturing: redesign-to-cost, energy efficiency, Optimohm
- Purchasing: renegotiations

## 4 Innovation

- Harnesses: good development in Europe and progress in China
- Smart grids: opening of an R&D center (Donchery) to boost product development

## 5 Growth

- Initiative impacted by deterioration of market conditions
- Particularly for initiatives related to South America and mining



# 4. Financial results

Nicolas Badré  
CFO



# Key figures

<i>In M€</i>	2013 <sup>(1)</sup>	<b>2014</b>
Sales at current metal prices	6,711	<b>6,403</b>
Sales at constant metal prices	4,689	<b>4,587</b>
EBITDA <sup>(2)</sup>	316	<b>288</b>
Operating margin	171	<b>148</b>
Restructuring costs	(180)	<b>(51)</b>
Net income (Group share)	(333)	<b>(168)</b>
Operational Cash Flow	126	<b>101</b>
Net debt	337	<b>460</b>

<sup>(1)</sup> 2013 as published, including the non recurring pension effect of 30 million euros elsewhere restated

<sup>(2)</sup> Operating margin before depreciation

# Income statement (1/2)

In M€	2013 <sup>(1)</sup>		2014	
Sales	4,689		4,587	
At constant metal prices				
Margin on variable costs	1,397	29.8%	1,390	30.3%
Indirect costs	(1,081)		(1,102)	
<b>EBITDA<sup>(2)</sup></b>	<b>316</b>	<b>6.7%</b>	<b>288</b>	<b>6.3%</b>
Depreciation	(145)		(140)	
<b>Operating margin</b>	<b>171</b>	<b>3.6%</b>	<b>148</b>	<b>3.2%</b>
Core exposure effect	(41)		(4)	
Restructuring costs	(180)		(51)	
Other operational income (expenses) <sup>(3)</sup>	(131)		(129)	
Share in net income of associates	(1)		1	
<b>Operating income</b>	<b>(182)</b>		<b>(35)</b>	

<sup>(1)</sup> 2013 as published, including the non recurring pension effect of 30 million euros elsewhere restated

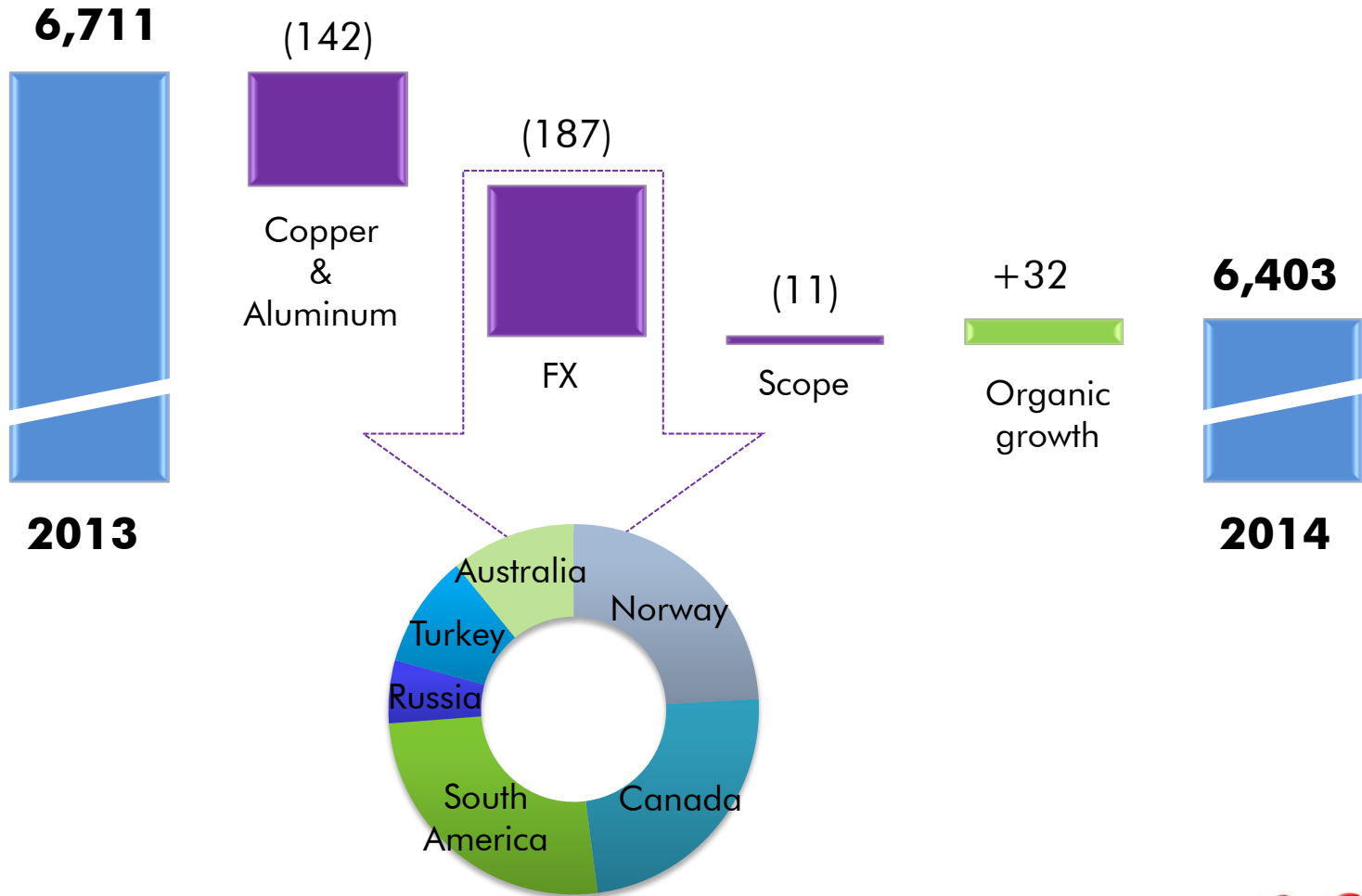
<sup>(2)</sup> Operating margin before depreciation

<sup>(3)</sup> Including net asset impairments, metal derivatives, net gain on asset disposal, transaction costs on external acquisitions



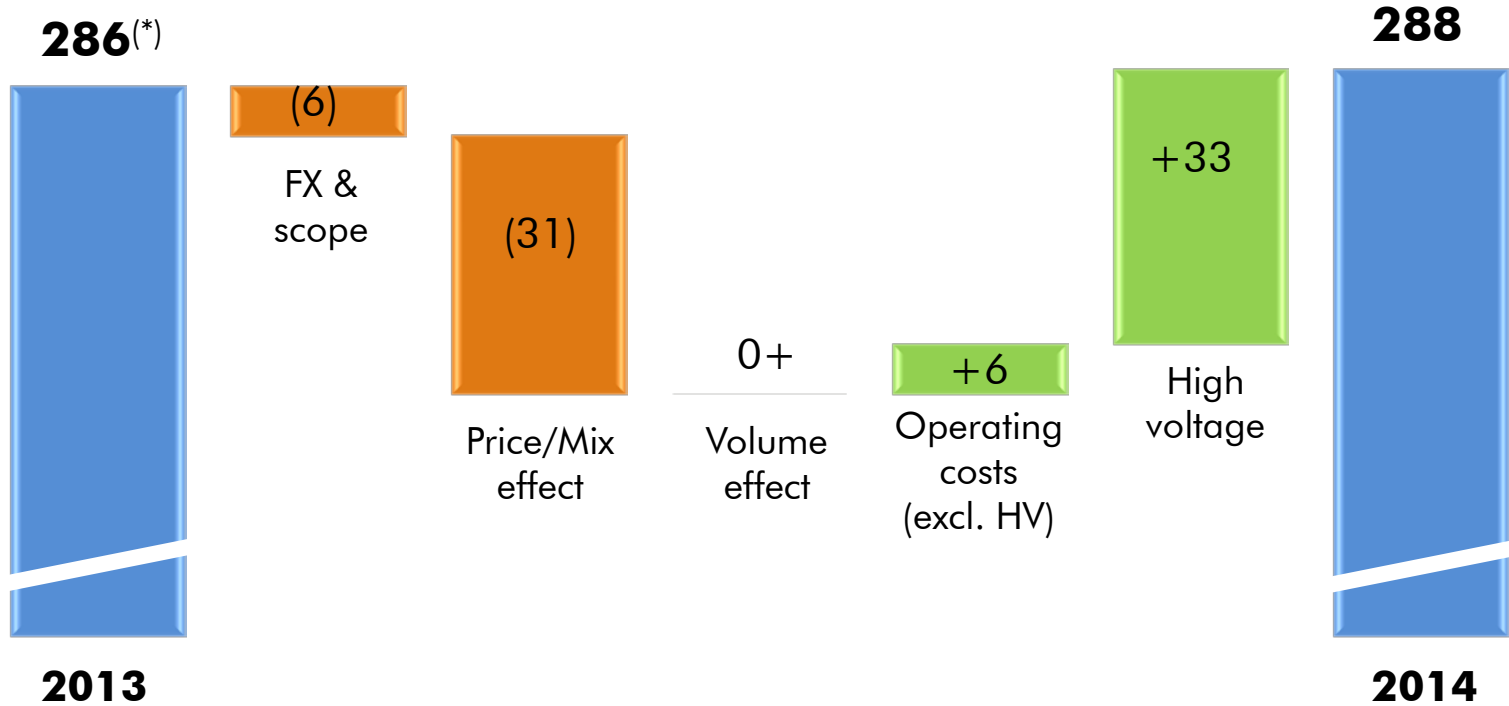
# Sales evolution

Sales at current metal prices, in M€



# EBITDA evolution

In M€



<sup>(\*)</sup> excluding non recurring pension effect of 30 million euros

# Significant impairments: environment changes in 2014

Total: 197M€



**AmerCable**  
80M€

## AmerCable

- **Sharp decline of commodity prices** over the last 18 months impacting investment in O&G and mining
- **Strong decrease of oil price in H2'14** and downward consensus revision increase uncertainty on O&G perspectives
- Residual goodwill: **59M€**

## Australia

- **Drop in metal and mineral prices** leading to drastic investment reductions from mining companies between 2013 and 2014
- **Decreasing consumption of electricity** weighing on investment decisions (and leading to upcoming privatization of public utilities)
- **Strengthening of competition** due to Asian competitors
- Residual goodwill: **52M€**

**Australia**  
66M€

## Brazil

- GDP recession in H2'14 and no sign of robust recovery on the short term: mineral/agriculture prices, strong depreciation of the Real, high interest rates and inflation outlooks are sluggish
- Electricity crisis; aluminum prices
- O&G business impacted by ongoing corruption scandal
- Residual goodwill: **30M€**

**Brazil**  
40M€

## Russia

- Huge level of uncertainties due to the political crisis:
- much lower liquidity
  - indirect impact of EU/US sanctions

**Russia** 11M€



# Income statement (2/2)

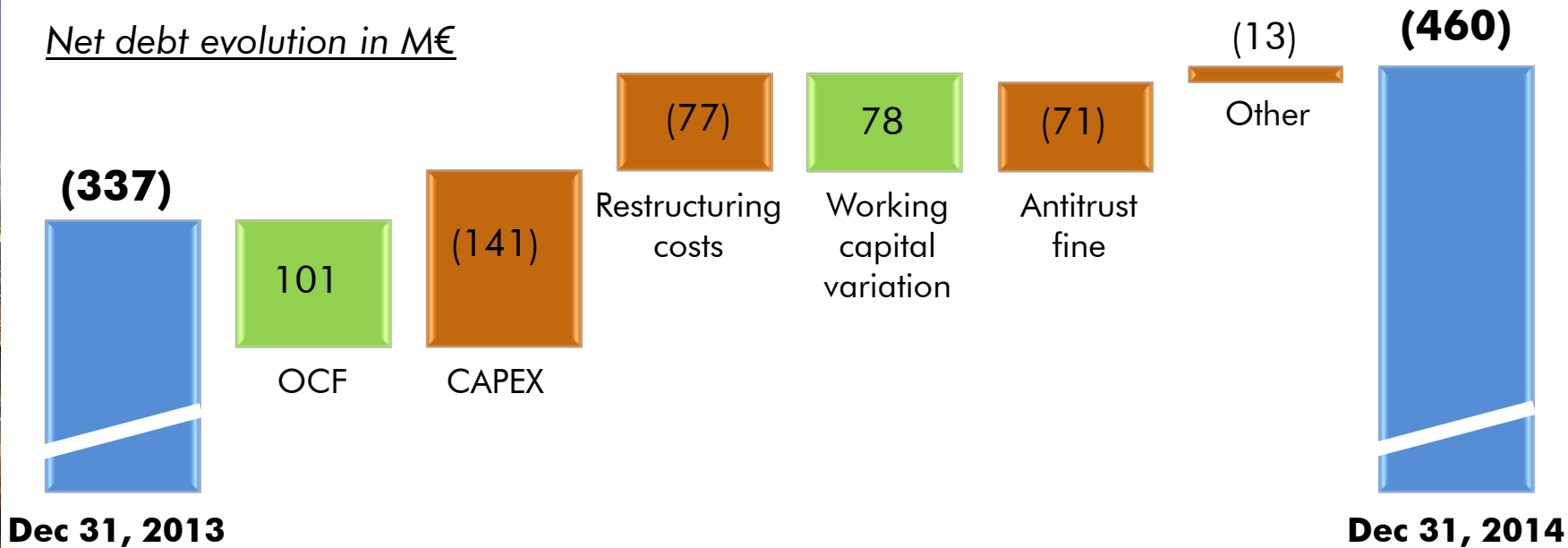
<i>In M€</i>	2013	2014
<b>Operating income</b>	<b>(182)</b>	<b>(35)</b>
Financial charge	(109)	(103)
<b>Income before tax</b>	<b>(291)</b>	<b>(138)</b>
Income tax	(39)	(32)
<b>Net income from operations</b>	<b>(330)</b>	<b>(170)</b>
<b>Net income Group share</b>	<b>(333)</b>	<b>(168)</b>

# Balance sheet

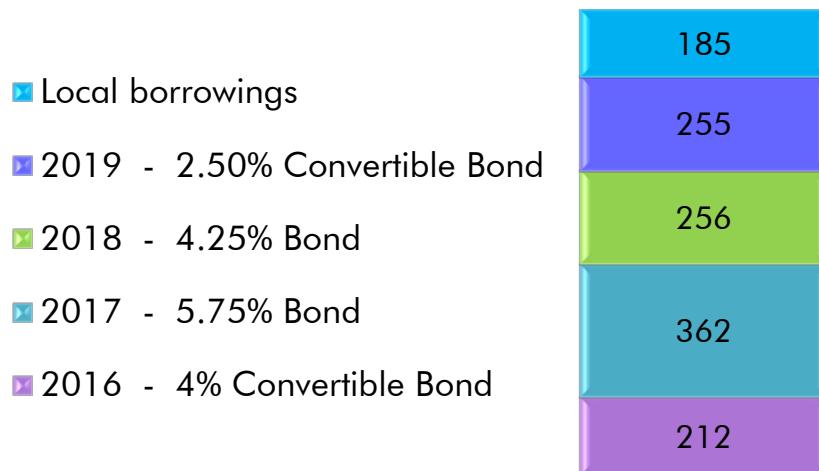
<i>In M€</i>	Dec 31, 2013	Dec 31, 2014
<b>Long-term fixed assets</b>	<b>1,844</b>	<b>1,737</b>
<i>of which goodwill</i>	414	303
Deferred tax assets	120	153
<b>Non-current assets</b>	<b>1,964</b>	<b>1,890</b>
Working Capital	879	803
<b>Total to finance</b>	<b>2,843</b>	<b>2,693</b>
<b>Net financial debt</b>	<b>337</b>	<b>460</b>
Reserves	824	709
Deferred tax liabilities	82	91
<b>Shareholders' equity and Minority interests</b>	<b>1,600</b>	<b>1,433</b>
<b>Total financing</b>	<b>2,843</b>	<b>2,693</b>

# Net debt evolution

Net debt evolution in M€



Gross debt structure at year-end, in M€



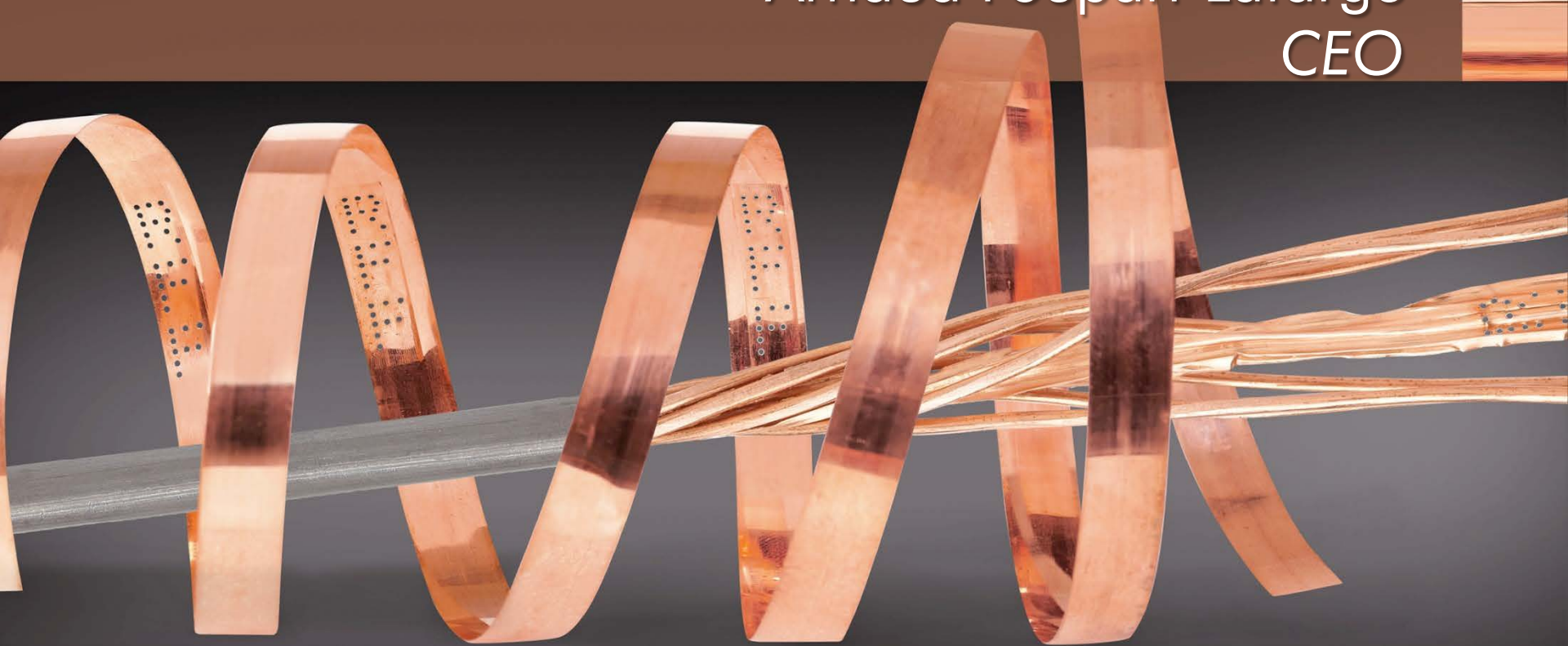
## Ratios

	12/31/14	Covenant
<b>Leverage</b> (net debt/EBITDA)	1.9	3.0
<b>Gearing</b> (net debt/equity)	0.3	1.1



# 5. Perspectives

Arnaud Poupart-Lafarge  
CEO



# 2015 outlook: short term perspectives are challenging

Over the next 12 months:

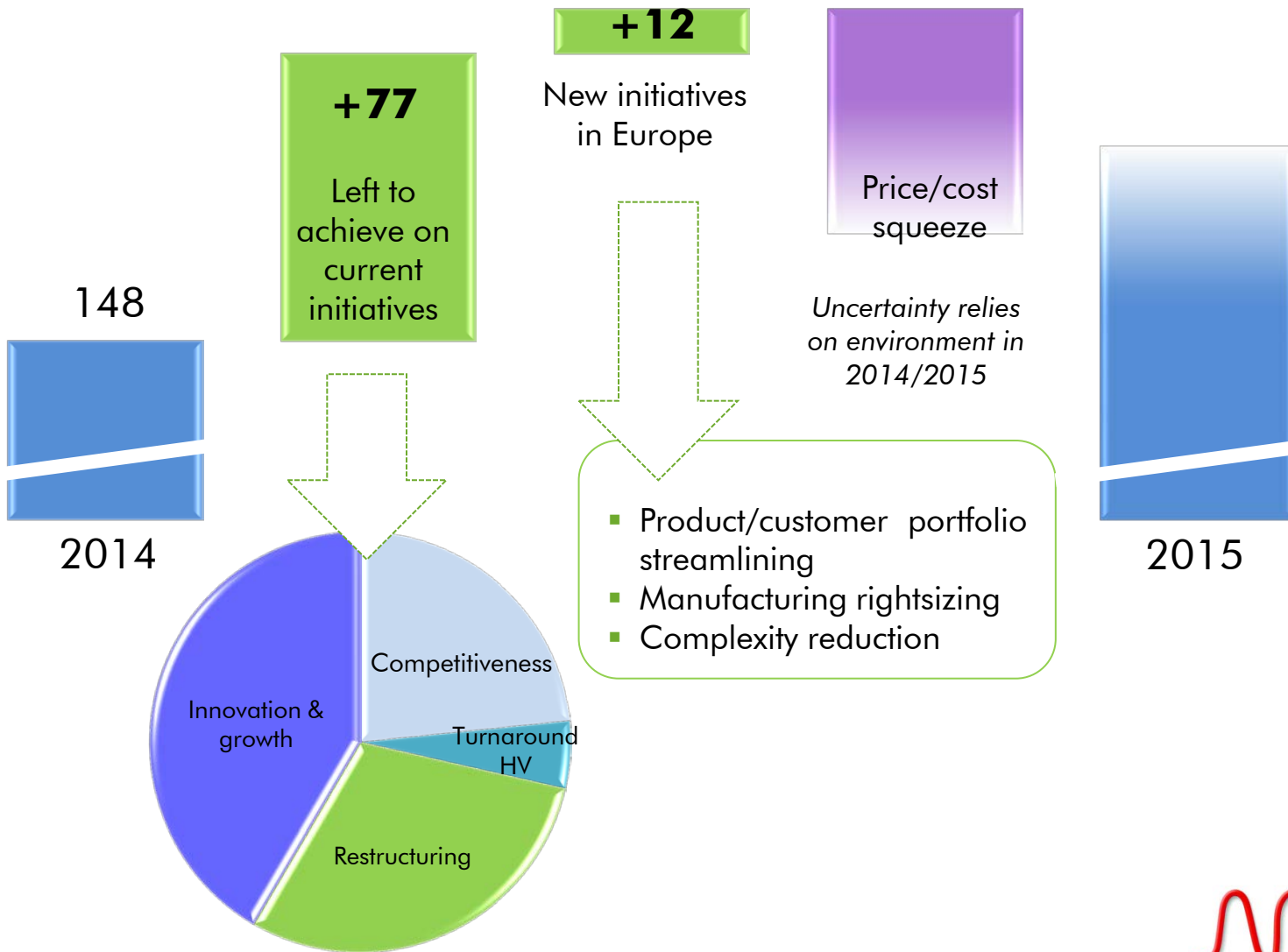
- Currency and copper volatility create disruptions
- Spending from Power Utilities still low
- O&G and mining depressed
- Restructuring to weigh on cash flow generation



Additional initiatives to offset the increasing price/cost squeeze

# Progressing on 2015 objectives

Operating margin evolution, in M€





# On the way to 2017: *Nexans in motion*

## Key challenges and opportunities:

- 2/3 of the growth to come from developing countries
- Europe to remain flat except niches
- US to show slow recovery

## Redesign the strategy:

### Strengthen market leadership

- Selective organic growth & CAPEX allocation
- Go beyond excellence in cables



### Regain competitiveness

- Fixed cost reduction
- Variable cost reduction

### Manage portfolio

- Optimization of capital employed
- Active drive of portfolio

# Regain competitiveness

## Continue fixed cost reduction

- Complete reorganization launched in 2013 on Land High Voltage, Industry and Support functions in Europe
- Study new projects in order to deliver 100M€ additional savings by 2017

## Continue variable cost reduction

Further roll out the industrial efficiency methodology:

- Process standardization
- Product redesign-to-cost
- Purchasing functions



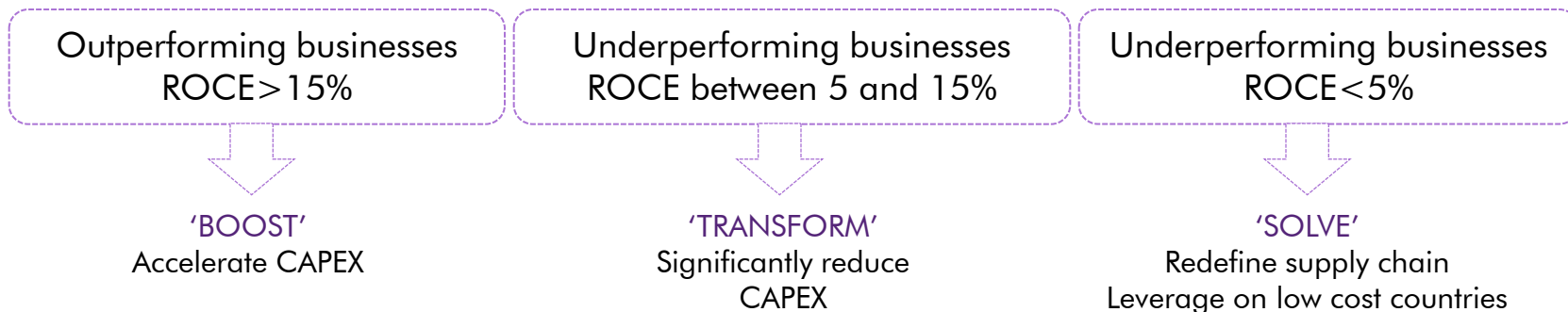
**Offset price erosion and cost inflation**  
**Improve overall operating margin**

# Strengthen market leadership

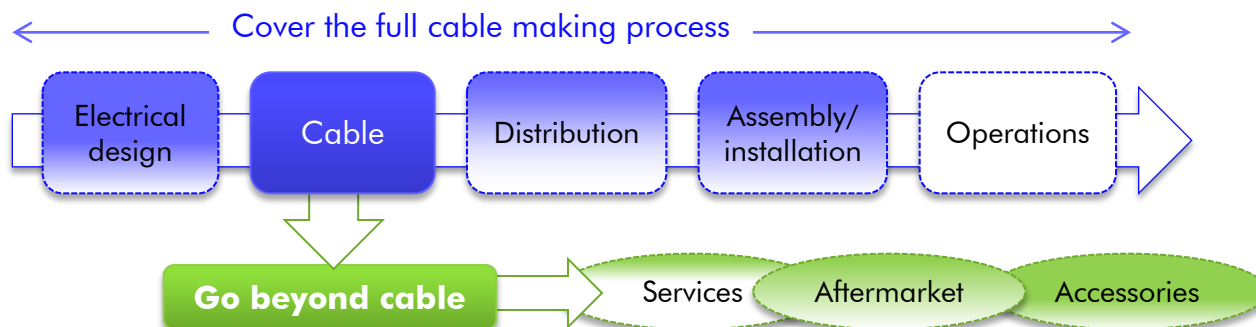
## Grow on specific businesses

- Highly performing businesses: submarine HV, automotive harnesses, HV accessories
- Promising businesses: industrial segments in Europe, China

## Prioritize and differentiate CAPEX allocation



## Develop commercial offers beyond cables (potential upside by 2017)

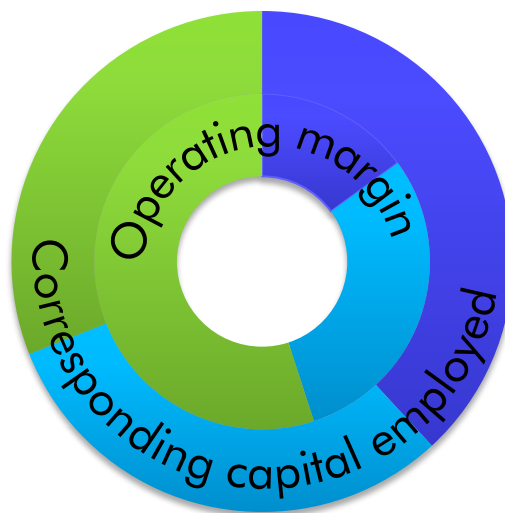


# Adapt portfolio to secure ROCE

Shift the Group's center of gravity towards the most profitable or promising businesses

■ 1/3 capital employed generating limited return

■ 1/3 capital employed generating return in line with Group's average



■ 1/3 capital employed accretive to margin

## Active drive of portfolio

Businesses' current situation

Promising improvement (from market and/or strategic initiatives)

Deterioration or absence of perspectives

**BOOST TURNAROUND**

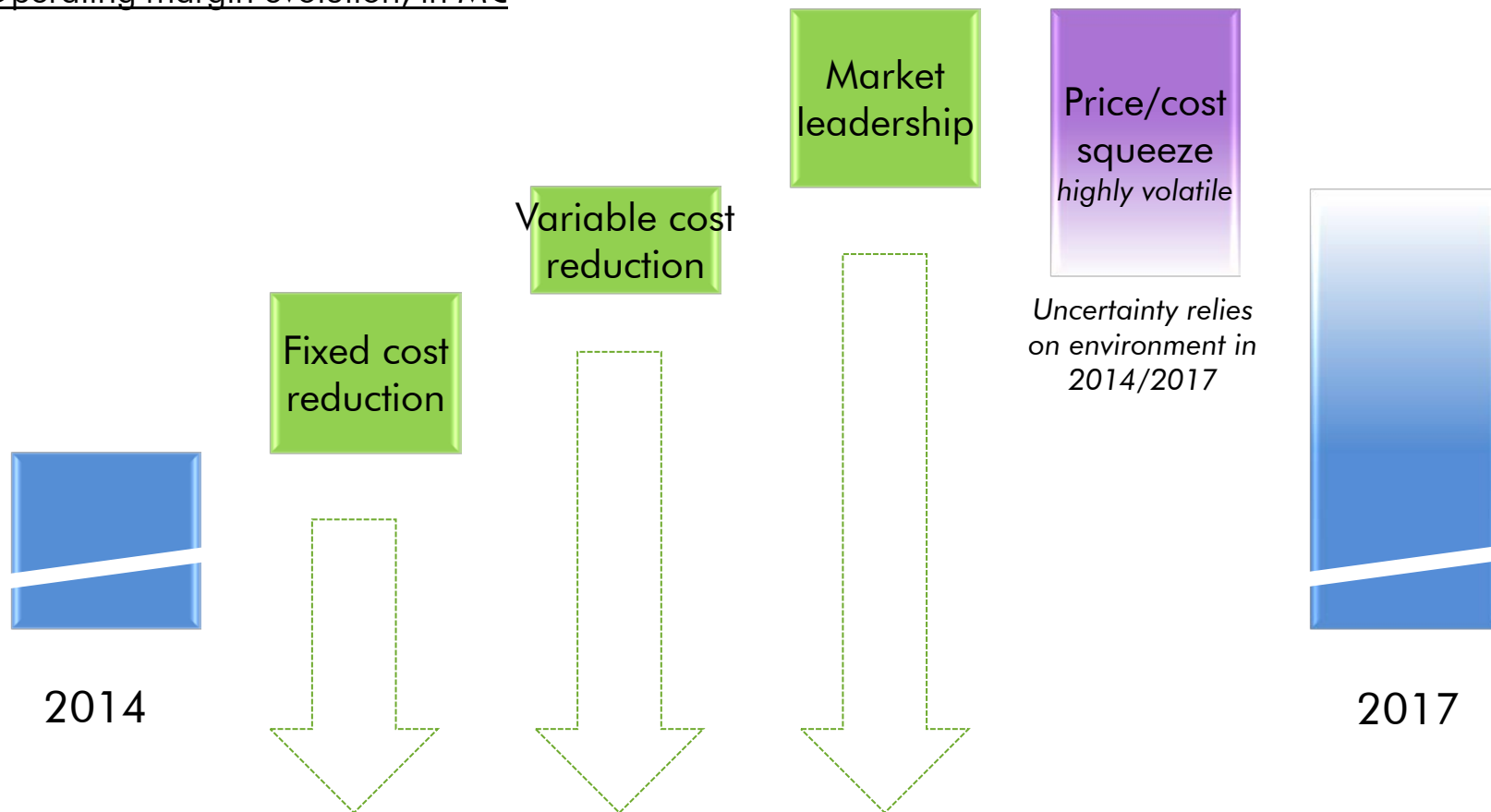
**DISCONTINUE**

→ **As needed, divest capital employed**



# On the way to 2017

Operating margin evolution, in M€



Target values of initiatives	135	90	150
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# One team, one project, one ambition



A photograph showing two workers in orange safety suits and hard hats working on a large, cylindrical industrial component on the deck of a ship. The component is wrapped in a grey braided material and yellow straps. In the background, another worker is visible on a higher level of the ship's structure. The scene is set outdoors under a cloudy sky.

# Appendices

# Sales and profitability by segment

In M€	2013			2014		
	Sales	OM	OM %	Sales	OM	OM %
Transmission, Distribution & Operators	2,034	70	3.5%	1,978	98	5.0%
Industry	1,222	42	3.4%	1,213	50	4.1%
Distributors and Installers	1,155	37	3.2%	1,120	26	2.3%
Other <sup>(*)</sup>	278	(8)	n/a	276	(26)	n/a
<b>Total Group</b>	<b>4,689</b>	<b>141</b>	<b>3.0%</b>	<b>4,587</b>	<b>148</b>	<b>3.2%</b>

<sup>(\*)</sup> Operating margin excluding non recurring pension effect of 30 million euros in 2013



# Impact of foreign exchange and consolidation scope

<i>In M€</i>	<b>2013</b>	<b>FX</b>	<b>Organic growth</b>	<b>Scope</b>	<b>2014</b>
Transmission, Distribution & Operators	2,034	(77)	(5)	26	1,978
Industry	1,222	(3)	34	(40)	1,213
Distributors & Installers	1,155	(32)	(5)	2	1,120
Other	278	(13)	8	3	276
<b>Total Group</b>	<b>4,689</b>	<b>(125)</b>	<b>32</b>	<b>(9)</b>	<b>4,587</b>



Mexans