Consolidated financial statements

1. Consolidated income statement

(in millions of euros)	Notes	2016	2015
NET SALES	**1.E.a and 3**	**5,814**	**6,239**
Metal price effect[1]		(1,383)	(1,635)
SALES AT CONSTANT METAL PRICES[1]	1.E.a and 3	**4,431**	**4,604**
Cost of sales		(5,002)	(5,456)
Cost of sales at constant metal prices[1]		(3,619)	(3,821)
GROSS PROFIT		**812**	**783**
Administrative and selling expenses		(489)	(506)
R&D costs		(81)	(82)
OPERATING MARGIN[1]	1.E.b and 3	**242**	**195**
Core exposure effect[2]	1.E.c	(6)	(52)
Other operating income and expenses[3]	5	(22)	(110)
Restructuring costs	22.B	(33)	(100)
Share in net income (loss) of associates[4]		4	1
OPERATING INCOME (LOSS)	1.E.d	**185**	**(66)**
Cost of debt (net)[5]	1.E.e	(64)	(79)
Other financial income and expenses	1.E.e and 8	(24)	(26)
INCOME (LOSS) BEFORE TAXES		**97**	**(171)**
Income taxes	9	(37)	(25)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		**60**	**(196)**
Net income (loss) from discontinued operations		-	-
NET INCOME (LOSS)		**60**	**(196)**
▪ attributable to owners of the parent		61	(194)
▪ attributable to Non-controlling interests		(1)	(2)
ATTRIBUTABLE NET INCOME (LOSS) PER SHARE (in euros)	10		
▪ basic earnings (loss) per share		1.43	(4.55)
▪ diluted earnings (loss) per share		1.40	(4.55)

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

(2) *Effect relating to the revaluation of Core exposure at its weighted average cost (see **Note 1.E.c**).*

(3) *As explained in **Notes 5** and **6**, "Other operating income and expenses" included 8 million euros in net asset impairment in 2016 versus 129 million euros in 2015.*

(4) *The Group's share in the net income (loss) of associates whose operating activities are an extension of those of the Group is presented within "Operating income (loss)".*

(5) *Financial income amounted to 4 million euros in 2016 versus 6 million euros in 2015.*

2. Consolidated statement of comprehensive income

(in millions of euros)	Notes	2016	2015
NET INCOME (LOSS)		**60**	**(196)**
Recyclable components of comprehensive income		169	(15)
▪ Available-for-sale financial assets		0	0
▪ Currency translation differences		56	17
▪ Cash flow hedges	25	113	(32)
Tax impacts on recyclable components of comprehensive income	9.C	(26)	6
Non-recyclable components of comprehensive income		9	(31)
▪ Actuarial gains and losses on pension and other long-term employee benefit obligations	21.B	9	(31)
▪ Share of other non-recyclable comprehensive income of associates		-	-
Tax impacts on non-recyclable components of comprehensive income	9.C	(2)	18
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		150	(22)
TOTAL COMPREHENSIVE INCOME (LOSS)		**210**	**(218)**
▪ attributable to owners of the parent		211	(218)
▪ attributable to Non-controlling interests		(1)	(0)

3. Consolidated statement of financial position

(At December 31, in millions of euros)	Notes	2016	2015
ASSETS			
Goodwill	6	254	250
Intangible assets	11	146	148
Property, plant and equipment	12	1,170	1,156
Investments in associates	13	30	30
Deferred tax assets	9.D	180	192
Other non-current assets	14	60	59
NON-CURRENT ASSETS		**1,840**	**1,835**
Inventories and work in progress	15	926	881
Amounts due from customers on construction contracts	16	238	172
Trade receivables	17	996	924
Current derivative assets	25	70	51
Other current assets	18	201	154
Cash and cash equivalents	23.A	1,025	1,012
Assets and groups of assets held for sale		0	0
CURRENT ASSETS		**3,456**	**3,194**
TOTAL ASSETS		**5,296**	**5,029**

(At December 31, in millions of euros)	Notes	2016	2015
EQUITY AND LIABILITIES			
Capital stock, additional paid-in capital, retained earnings and other reserves		1,253	1,153
Other components of equity		159	20
Equity attributable to owners of the parent		**1,412**	**1,173**
Non-controlling interests		57	54
TOTAL EQUITY	20	1,469	1,227
Pension and other long-term employee benefit obligations	21	430	453
Long-term provisions	22	100	86
Convertible bonds	23	263	255
Other long-term debt	23	504	604
Non-current derivative liabilities	25	10	37
Deferred tax liabilities	9.D	90	84
NON-CURRENT LIABILITIES		1,397	1,519
Short-term provisions	22	110	151
Short-term debt	23	469	354
Liabilities related to construction contracts	16	209	185
Trade payables	24	1,244	1,163
Current derivative liabilities	25	47	98
Other current liabilities	24	351	332
Liabilities related to groups of assets held for sale		0	0
CURRENT LIABILITIES		2,430	2,283
TOTAL EQUITY AND LIABILITIES		**5,296**	**5,029**

4. Consolidated statement of changes in equity

(in millions of euros)	Number of shares outstanding	Capital stock	Additional paid-in capital	Treasury stock	Retained earnings and other reserves	Changes in fair value and other	Currency translation differences	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
JANUARY 1, 2015	**42,051,437**	**42**	**1,569**	**-**	**(265)**	**(64)**	**95**	**1,377**	**56**	**1,433**
Net income (loss) for the year	-	-	-	-	(194)	-	-	(194)	(2)	(196)
Other comprehensive income (loss)	-	-	-	-	(13)	(26)	15	(24)	2	(22)
TOTAL COMPREHENSIVE INCOME (LOSS)	-	-	-	-	(207)	(26)	15	(218)	(0)	(218)
Dividends paid	-	-	-	-	-	-	-	-	(2)	(2)
Capital increases	-	-	-	-	-	-	-	-	-	-
Equity component of OCEANE bonds	-	-	-	-	-	-	-	-	-	-
Employee stock option plans:										
▪ Service cost	-	-	-	-	5	-	-	5	-	5
▪ Proceeds from share issues[1]	546,281	1	8	-	-	-	-	9	-	9
Transactions with owners not resulting in a change of control	-	-	-	-	(0)	-	-	(0)	(0)	(0)
Other	-	-	-	-	-	-	-	-	-	-
DECEMBER 31, 2015	**42,597,718**	**43**	**1,577**	**-**	**(467)**	**(90)**	**110**	**1,173**	**54**	**1,227**
Net income (loss) for the year	-	-	-	-	61	-	-	61	(1)	60
Other comprehensive income (loss)	-	-	-	-	7	87	56	150	0	150
TOTAL COMPREHENSIVE INCOME (LOSS)	-	-	-	-	68	87	56	211	(1)	210
Dividends paid	-	-	-	-	-	-	-	-	(1)	(1)
Capital increases	-	-	-	-	-	-	-	-	-	-
Equity component of OCEANE bonds	-	-	-	-	-	-	-	-	-	-
Employee stock option plans:		-	-							
▪ Service cost[2]	-			-	6	-	-	6	-	6
▪ Proceeds from share issues[3]	813 703	0	24	-	-	-	-	24	-	24
Transactions with owners not resulting in a change of control	-	-	-	-	2	-	(3)	(1)	5	4
Other	-	-	-	-	(1)	-	0	(1)	0	(1)
DECEMBER 31, 2016	**43,411,421**	**43**	**1,601**	-	(392)	(3)	163	**1,412**	57	**1,469**

*(1) Corresponding to the impact of the Act 2014 plan following the share settlement-delivery that took place on January 21, 2015 (see **Note 20.H**).*
(2) Including a 0.7 million euro expense related to the ACT 2016 plan.
*(3) Corresponding to the impact of the Act 2016 plan following the share settlement-delivery that took place on July 28, 2016 (see **Note 20.H**).*

5. Consolidated statement of cash flows

(in millions of euros)	Notes	2016	2015
Net income (loss)		60	(196)
Depreciation, amortization and impairment of assets *(including goodwill)*[(1)]	11, 12	141	266
Cost of debt (gross)		68	85
Core exposure effect[(2)]		6	52
Current and deferred income tax charge (benefit)	9	37	25
Net gains (losses) on asset disposals	7	6	14
Other restatements[(3)]		(63)	(26)
CASH FLOWS FROM OPERATIONS BEFORE GROSS COST OF DEBT AND TAXES[(4)]		255	220
Decrease (increase) in working capital	19	(105)	364
Income taxes paid		(37)	(37)
Impairment of current assets and accrued contract costs		17	33
NET CHANGE IN CURRENT ASSETS AND LIABILITIES		(125)	360
NET CASH GENERATED FROM OPERATING ACTIVITIES		130	580
Proceeds from disposals of property, plant and equipment and intangible assets		11	6
Capital expenditure	11, 12	(146)	(176)
Decrease (increase) in loans granted and short-term financial assets		1	(1)
Purchase of shares in consolidated companies, net of cash acquired		0	(4)
Proceeds from sale of shares in consolidated companies, net of cash transferred		23	2
NET CASH USED IN INVESTING ACTIVITIES		(111)	(173)
NET CHANGE IN CASH AND CASH EQUIVALENTS AFTER INVESTING ACTIVITIES		19	407
Proceeds from (repayments of) long-term and short-term borrowings		17	(72)
- Of which proceed from the 2016-2021 ordinary bonds	23	*248*	-
- Of which repayment of the OCEANE 2016 convertible/exchangeable bonds	23	*(213)*	-
Cash capital increases (reductions)	20	24	9
Interest paid		(62)	(69)
Transactions with owners not resulting in a change of control		2	-
Dividends paid		(1)	(1)
NET CASH USED IN FINANCING ACTIVITIES		(20)	(133)
Net effect of currency translation differences		19	(63)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**18**	**211**
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR	23.A	998	787
CASH AND CASH EQUIVALENTS AT YEAR-END	23.A	1,016	998
• of which cash and cash equivalents recorded under assets		1,025	1,012
• of which short-term bank loans and overdrafts recorded under liabilities		(9)	(14)

(1) In 2016, the Group changed its presentation of impairment losses related to restructuring operation to record them on the line "Other restatements". The reclassification was performed for 2015.

(2) Effect relating to the revaluation of Core exposure at its weighted average cost, which has no cash impact (see ***Note 1.E.c****).*

(3) Other restatements in 2016 primarily included a negative 70 million euros to cancel the net change in operating provisions (including provisions for pensions, restructuring costs and antitrust proceedings). Other restatements in 2015 primarily included (i) a negative 54 million euros to cancel the net change in operating provisions (including provisions for pensions, restructuring costs and antitrust proceedings) and (ii) a positive 19 million euros related to the cash impact of hedges.

(4) The Group also uses the "operating cash flow" concept which is mainly calculated after adding back cash outflows relating to restructurings (86 million euros and 104 million euros in 2016 and 2015 respectively), and deducting gross cost of debt and the current income tax paid during the year.

6. Notes to the consolidated income statement

Index

Index 7

Note 1. Summary of significant accounting policies 9

Note 2. Significant events of the year 22

Note 3. Operating segments 23

Note 4. Payroll costs and headcount 25

Note 5. Other operating income and expenses 25

Note 6. Net asset impairment 25

Note 7. Net gains (losses) on asset disposals 27

Note 8. Other financial income and expenses 27

Note 9. Income taxes 27

Note 10. Earnings per share 31

Note 11. Intangible assets 32

Note 12. Property, plant and equipment 32

Note 13. Investments in associates – Summary of financial data 33

Note 14. Other non-current assets 34

Note 15. Inventories and work in progress 34

Note16. Construction contracts 35

Note 17. Trade receivables 36

Note 18. Other current assets 36

Note 19. Decrease (increase) in working capital 37

Note 20. Equity 37

Note 21. Pensions, retirement bonuses and other long-term benefits 41

Note 22. Provisions 46

Note 23. Net debt 48

Note 24. Trade payables and other current liabilities 51

Note 25. Derivative instruments 52

Note 26. Financial risks 53

Note 27. Additional disclosures concerning financial instruments 63

Note 28. Operating leases 65

Note 29. Related party transactions 65

Note 30. Disputes and contingent liabilities 68

Note 31. Off-balance sheet commitments 70

Note 32. Main consolidated companies 73

Note 33. Subsequent events 74

Audit procedures have been carried out and the audit report is being issued.

Note 1. Summary of significant accounting policies

A. GENERAL PRINCIPLES

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

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

The consolidated financial statements are presented in euros rounded to the nearest million. They were approved by Nexans' Board of Directors on February 8, 2017 and will become final after approval at the Annual Shareholders' Meeting, which will take place on May 11, 2017 on first call.

The significant accounting policies used in the preparation of these consolidated financial statements are set out below. Except where otherwise indicated, these policies have been applied consistently to all the financial years presented.

Basis of preparation

The consolidated financial statements of the Nexans Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union at December 31, 2016.

The Group has applied all of the new interpretations and amendments to existing standards that were mandatory for the first time in the fiscal year beginning January 1, 2016, and which were as follows:

- Annual improvements to IFRSs (2012-2014 cycle).
- Amendments to IFRS 11, "Accounting for Acquisitions of Interests in Joint Operations".
- Amendments to IAS 16 and IAS 38, "Clarification of Acceptable Methods of Depreciation and Amortisation".
- Amendments to IAS 27 "Equity method in separate financial statements"
- Amendments to IAS 1, "Disclosure Initiative".
- Amendments to IAS 19, "Defined Benefit Plans: Employee Contributions".

These amendments did not have a material impact on the Group's consolidated financial statements.

New standards, amendments and interpretations published by the IASB but not yet effective

The IASB has issued the following new standards and amendments which have been endorsed by the European Union:

- IFRS 15, "Revenue from Contracts with Customers".
- IFRS 9, "Financial Instruments", and amendments to IFRS 9.

The IASB has also issued the following new standards and amendments which have not yet been endorsed by the European Union:

- Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture".
- Amendments to IAS 12, "Recognition of Deferred Tax Assets for Unrealised Losses".
- IFRS 16, "Leases".
- Amendments to IAS 7, "Disclosure Initiative".
- Amendments to IFRS 2, "Classification and measurement of share-based payment transactions"

The Group is currently analyzing the potential impacts of these new standards and amendments.

Accounting estimates and judgments

The preparation of consolidated financial statements requires Management to exercise its judgment and make estimates and assumptions that could have a material impact on the reported amounts of assets, liabilities, income and expenses.

The main sources of uncertainty relating to estimates are expanded upon where necessary in the relevant notes and concern the following items:

- The recoverable amount of certain items of property, plant and equipment, goodwill and other intangible assets, and determining the groups of cash-generating units (CGUs) used for goodwill impairment testing (see **Note 1.F.a**, **Note 1.F.b**, **Note 1.F.c** and **Note 6**).
- Deferred tax assets not recognized in prior periods relating to unused tax losses (see **Note 1.E.f** and **Note 9.E**).
- Margins to completion and percentage of completion on long-term contracts (see **Note 1.E.a** and **Note 16**).
- The measurement of pension liabilities and other employee benefits (see **Note 1.F.i** and **Note 21**).
- Provisions and contingent liabilities (see **Note 1.F.j**, **Note 22** and **Note 30**).
- The measurement of derivative instruments and their qualification as cash flow hedges (see **Note 1.F.k** and **Note 25**).

These estimates and underlying assumptions are based on past experience and other factors considered reasonable under the circumstances and are reviewed on an ongoing basis. They serve as the basis for determining the carrying amounts of assets and liabilities when such amounts cannot be obtained directly from other sources. Due to the inherent uncertainties of any valuation process, it is possible that actual amounts reported in the Group's future financial statements may differ from the estimates used in these financial statements. The impact of changes in accounting estimates is recognized in the period of the change if it only affects that period or over the period of the change and subsequent periods if they are also affected by the change.

B. CONSOLIDATION METHODS

The consolidated financial statements include the financial statements of (i) Nexans S.A., (ii) the subsidiaries over which Nexans S.A. exercises control, and (iii) companies accounted for by the equity method (associates). The financial statements of subsidiaries and associates are prepared for the same period as those of the parent company. Adjustments are made to harmonize any differences in accounting policies that may exist.

Subsidiaries (companies controlled by Nexans S.A.) are fully consolidated from the date the Group takes over control to the date on which control is transferred outside the Group. Control is defined as the direct or indirect power to govern the financial and operating policies of a company in order to benefit from its activities.

Other companies over which the Group exercises significant influence are classified as associates and accounted for by the equity method. Significant influence is presumed to exist when the Group's direct or indirect interest is over 20%.

The type of control or influence exercised by the Group is assessed on a case-by-case basis using the presumptions set out in IFRS 10, IFRS 11 and the revised version of IAS 28. A list of the Group's main subsidiaries and associates is provided in **Note 32**.

Intra-group balances and transactions, including any intra-group profits, are eliminated in consolidation. Intra-group losses are also eliminated but may indicate that an impairment loss on the related asset should be recognized (see **Note 1.F.c**).

C. FOREIGN CURRENCY TRANSLATION

The Group's financial statements are presented in euros. Consequently:

- The statements of financial position of foreign operations whose functional currency is not the euro are translated into euros at the year-end exchange rate.

- Income statement items of foreign operations are translated at the average annual exchange rate, which is considered as approximating the rate applicable to the underlying transactions.

The resulting exchange differences are included in other comprehensive income under “Currency translation differences”. The functional currency of an entity is the currency of the primary economic environment in which the entity operates and in the majority of cases corresponds to the local currency.

Cash flow statement items are also translated at the average annual exchange rate.

Since January 1, 2006, no Group subsidiary has been located in a hyperinflationary economy within the meaning of IAS 29.

Foreign currency transactions are translated at the exchange rate prevailing at the transaction date. When these transactions are hedged and the hedge concerned is documented as a qualifying hedging relationship for accounting purposes, the gain or loss on the spot portion of the corresponding derivative directly affects the hedged item so that the overall transaction is recorded at the hedging rate in the income statement.

In accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates”, foreign currency monetary items in the statement of financial position are translated at the year-end closing rate. Any exchange gains or losses arising on translation are recorded as financial income or expense except if they form part of the net investment in the foreign operation within the meaning of IAS 21, in which case they are recognized directly in other comprehensive income under “Currency translation differences”.

Foreign exchange derivatives are measured and recognized in accordance with the principles described in **Note 1.F.k**.

D. BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method, whereby the identifiable assets acquired, liabilities assumed and any contingent liabilities are recognized and measured at fair value.

For all business combinations the acquirer must (other than in exceptional cases) recognize any Non-controlling interest in the acquiree either (i) at fair value (the “full goodwill“ method) or (ii) at the Non-controlling interest’s proportionate share of the recognized amounts of the acquiree’s identifiable net assets measured at their acquisition-date fair value, in which case no goodwill is recognized on Non-controlling interests (the “partial goodwill” method).

Goodwill, determined as of the acquisition date, corresponds to the difference between:

- the aggregate of (i) the acquisition price, generally measured at acquisition-date fair value, (ii) the amount of any Non-controlling interest in the acquiree measured as described above, and (iii) for a business combination achieved in stages, the acquisition-date fair value of the acquirer’s previously held equity interest in the acquiree; and
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3.

The Group has a period of 12 months from the acquisition date to complete the initial accounting for a business combination, during which any “measurement period adjustments” may be made. These adjustments are notably made to reflect information obtained subsequent to the acquisition date about facts and circumstances that existed at that date.

The consideration transferred in a business combination must be measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. Any contingent consideration at the acquisition date is systematically included in the initial fair value measurement of the consideration transferred in exchange for the acquiree, based on probability tests. Any changes in the fair value of contingent consideration that the acquirer recognizes after the acquisition date and which do not correspond to measurement period adjustments as described above – such as meeting an earnings target different from initial expectations – are accounted for as follows:

- Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.
- Contingent consideration classified as an asset or liability that is a financial instrument and is within the scope of IAS 39 is measured at fair value, with any resulting gain or loss recognized in the income statement (notably the effect of unwinding the discount) or in other comprehensive income as appropriate.

The Group accounts for acquisition-related costs for subsidiaries as expenses in the periods in which the costs are incurred and the services received. However, if the acquisition of a subsidiary is financed through the issuance of equity or debt instruments, the related costs are recognized in equity or debt respectively in accordance with IAS 32 and IAS 39.

E. INCOME STATEMENT ITEMS

a. Sales

Net sales

Net sales (at current metal prices) represent sales of goods held for resale as well as sales of goods and services deriving from the Group's main activities, net of value added taxes (VAT).

In accordance with IAS 18, revenue is recognized when the risks and rewards of ownership of goods are transferred to the buyer and the amount of the revenue can be reliably measured. Sales are measured at the fair value of the consideration received or receivable, which takes into account the financial impact of payment deferrals when they are significant.

Sales (and cost of sales) at constant metal prices

On an operating level, the effects of fluctuations in metal prices are passed on in selling prices (**see Note 26.C**).

To neutralize the effect of fluctuations in non-ferrous metal prices and thus measure the underlying trend in its business, the Group also presents its sales figures based on a constant price for copper and aluminum (the cost of sales figure is adjusted in the same way). For 2016 and 2015, these reference prices were set at 1,500 euros per tonne for copper and 1,200 euros per tonne for aluminum.

Construction contracts

IAS 11 defines a construction contract as a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. They essentially cover the Group's high-voltage cable and umbilical cable activities.

Sales and earnings from construction contracts are recognized on a percentage-of-completion basis. The percentage of completion is determined based on physical criteria as follows:

- For production phases, depending on the type of contract concerned, the physical stage of completion is estimated based on either (i) the ratio between the number of hours spent on the contract and the total number of budgeted hours or (ii) the quantity of manufactured and tested drums compared with the total quantity of drums to be produced.
- For installation phases, the physical stage of completion is generally based on an analysis – conducted in conjunction with the customer – of the work performed, by reference to clearly defined technical milestones such as transport, linear meters of laid cables, or network connection.

When it is probable that total costs will exceed total contract revenue, the expected loss to completion is recognized immediately in cost of sales.

Work in progress on construction contracts is stated at production cost, including borrowing costs directly attributable to the contracts, in accordance with IAS 23, "Borrowing Costs", but excluding administrative and selling expenses. Changes in provisions for penalties are charged to sales.

For each construction contract, the amount of costs incurred plus profits recognized is compared to the sum of losses recognized (including any potential losses to completion) and progress billings. If the balance obtained is positive, it is included in assets under "Amounts due from customers on construction contracts" and if it is negative it is recorded in liabilities under "Amounts due to customers on construction contracts" (see **Note 16**).

Down payments received for construction contracts before the corresponding work is performed are recorded as customer deposits and advances under liabilities in the consolidated statement of financial position. They are taken to "Amounts due from customers on construction contracts" and "Amounts due to customers on construction contracts" as the progress billings are made.

b. Operating margin

Operating margin measures the Group's operating performance and comprises gross profit (which includes indirect production costs), administrative and selling expenses and research and development costs (see **Note 1.F.a**).

Share-based payments (see **Note 1.F.h**), pension operating costs (see **Note 1.F.i**) and employee profit-sharing are allocated by function to the appropriate lines in the income statement based on cost accounting principles.

Operating margin is measured before the impact of:
(i) revaluing Core exposure (see **Note 1.E.c**); (ii) changes in fair value of non-ferrous metal derivatives; (iii) restructuring costs;
(iv) gains and losses on asset disposals; (v) expenses and provisions for antitrust investigations; (vi) acquisition-related costs when they concern acquisitions that have been completed or whose probability of completion is almost certain;
(vii) impairment losses recorded on property, plant and equipment, goodwill and other intangible assets following impairment tests; (viii) financial income and expenses;
(ix) income taxes; (x) share in net income of associates; and
(xi) net income (loss) from discontinued operations.

c. Core exposure effect

This line of the consolidated income statement includes the following two components (see also **Note 26.C**):

- A "price" effect: In the Group's IFRS financial statements non-ferrous metal inventories are measured using the weighted average unit cost method, leading to the recognition of a temporary price difference between the accounting value of the copper used in production and the actual value of this copper as allocated to orders through the hedging mechanism. This difference is exacerbated by the existence of a permanent inventory of metal that is not hedged (called "Core exposure").
The accounting impact related to this difference is not included in operating margin and instead is accounted for in a separate line of the consolidated income statement, called "Core exposure effect". Within operating margin – which is a key performance indicator for Nexans – inventories consumed are valued based on the metal price specific to each order, in line with the Group's policy of hedging the price of the metals contained in the cables sold to customers.

- A "volume" effect: At the level of operating margin – which is a performance indicator – Core exposure is measured at historic cost, which is close to its LIFO value, whereas at operating income level it is valued at weighted average cost (see **Note 1.F.d**) in accordance with IFRS. The impact of any changes in volumes of Core exposure during the period is also recorded under "Core exposure effect" in the consolidated income statement. However, this effect is generally limited, the tonnage of Core exposure is usually kept at a stable level from one period to the next, in accordance with the management principles described in **Note 26.C.**

Finally, the "Core exposure effect" line also includes any impairment losses recognized on Core exposure.

d. Operating income

Operating income includes operating margin (see **Note 1.E.b**), Core exposure effect (see **Note 1.E.c**), restructuring costs (see **Note 1.F.j),** share in net income (loss) of associates, and other operating income and expenses. Other operating income and expenses are presented in **Note 5** and mainly include impairment losses recorded on property, plant and equipment, goodwill and other intangible assets following impairment tests (see **Note 1.F.c**), gains and losses on asset disposals, and expenses and provisions for antitrust investigations.

e. Financial income and expenses

Financial income and expenses include the following:

- Cost of debt, net of financial income from investments of cash and cash equivalents.
- Other financial income and expenses, which primarily include (i) foreign currency gains and losses on transactions not qualified as cash flow hedges, (ii) additions to and reversals of provisions for impairment in value of financial investments, (iii) net interest expense on pension and other long-term benefit obligations, and (iv) dividends received from non-consolidated companies.

Details on the majority of these items are provided in **Notes 8** and **23**.

f. Income taxes

The income tax expense for the year comprises current and deferred taxes.

Deferred taxes are recognized for temporary differences arising between the carrying amount and tax base of assets and liabilities, as well as for tax losses available for carryforward. In accordance with IAS 12 no deferred tax assets or liabilities are recognized for temporary differences resulting from goodwill for which impairment is not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (except in the case of finance leases and actuarial gains or losses on pension benefit obligations).

Deferred tax assets that are not matched by deferred tax liabilities expected to reverse in the same period are recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, based on medium-term earnings forecasts (generally covering a five-year period) for the company concerned. The Group ensures that the forecasts used for calculating deferred taxes are consistent with those used for impairment testing (see **Note 1.F.c**).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. The rates applied reflect Management's intentions of how the underlying assets will be realized or the liabilities settled. All amounts resulting from changes in tax rates are recorded either in equity or in net income in the year in which the tax rate change is enacted or substantively enacted, based on the initial recognition method for the corresponding deferred taxes.

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that (i) the Group is able to control the timing of the reversal of the temporary difference, and (ii) it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if the entity is legally entitled to offset current tax assets and liabilities and if the deferred tax assets and liabilities relate to taxes levied by the same taxation authority.

F. ITEMS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION

a. Intangible assets

See **Notes 1.D** and **1.F.c** for a description of the Group's accounting treatment of goodwill.

Intangible assets are stated at cost less any accumulated amortization and impairment losses. When they are acquired in a business combination, their cost corresponds to their fair value.

The Group applies the cost model for the measurement of intangible assets rather than the allowed alternative method that consists of regularly revaluing categories of assets. Government grants are recognized as a deduction from the gross amount of the assets to which they relate.

Intangible assets primarily correspond to the following:

- Trademarks, customer relationships and certain supply contracts acquired in business combinations. Except in rare cases, trademarks are deemed to have an indefinite useful life. Customer relationships are amortized on a straight-line basis over the period during which the related economic benefits are expected to flow to the Group (between five and twenty-five years). Supply contracts can be deemed to have an indefinite useful life when they are automatically renewable and where there is evidence, notably based on past experience, indicating that the contractual rights will be renewed. Otherwise, their useful lives generally correspond to the term of the contract.

- The costs for acquired or developed software, usually intended for internal use, and development costs, to the extent that their cost can be reliably measured and it is probable that they will generate future economic benefits. These assets are amortized by the straight-line method over their estimated useful lives (between three and five years).

- Development costs that meet the recognition criteria in IAS 38. Capitalized development costs are amortized over the estimated useful life of the project concerned, from the date the related product is made available. Research costs, as well as development costs that do not meet the recognition criteria in IAS 38, are expensed as incurred. Research and development costs to be rebilled to or by customers under the terms of construction contracts are included in "Amounts due from customers on construction contracts" and "Amounts due to customers on construction contracts".

Intangible assets are derecognized when the risks and rewards of ownership of the asset are transferred.

b. Property, plant and equipment

Property, plant and equipment are stated at cost less any accumulated depreciation and impairment losses. When they are acquired in a business combination, their cost corresponds to their fair value. In accordance with IAS 23, directly attributable borrowing costs are included in the cost of qualifying assets.

The Group applies the cost model for the measurement of property, plant and equipment rather than the allowed alternative method that consists of regularly revaluing categories of assets. Government grants are recognized as a deduction from the gross amount of the assets to which they relate.

Property, plant and equipment are depreciated by the straight-line method based on the following estimated useful lives:

INDUSTRIAL BUILDINGS AND EQUIPMENT	
▪ Buildings for industrial use	20 years
▪ Infrastructure and fixtures	10-20 years
▪ Equipment and machinery:	
- Heavy mechanical components	30 years
- Medium mechanical components	20 years
- Light mechanical components	10 years
- Electrical and electronic components	10 years
▪ Small equipment and tools	3 years
BUILDINGS FOR ADMINISTRATIVE AND COMMERCIAL USE	**20-40 years**

The depreciation method and periods applied are reviewed at each year-end where necessary. The residual value of the assets is taken into account in the depreciable amount when it is deemed significant. Replacement costs are capitalized to the extent that they satisfy the criteria in IAS 16.

Property, plant and equipment are derecognized when the risks and rewards of ownership of the asset are transferred.

Assets acquired through leases that have the features of a financing arrangement are capitalized. Finance leases are not material for the Group. Leases under which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases (net of benefits received from the lessor, which are deferred on a straight-line basis over the term of the lease) are recognized as expenses in the income statement.

c. Impairment tests

At each period-end, the Group assesses whether there is an indication that an asset may be impaired. Impairment tests are carried out whenever events or changes in the market environment indicate that property, plant and equipment or intangible assets (including goodwill), may have suffered impairment. An impairment loss is recognized where necessary for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Intangible assets with indefinite useful lives and goodwill are tested for impairment at least once a year.

For operating assets that the Group intends to hold and use in its operations over the long term, the recoverable amount of a cash- generating unit (CGU) corresponds to the higher of fair value less costs to sell (where determinable) and value in use. Where the Group has decided to sell particular operations, the carrying amount of the related assets is compared with their fair value less costs to sell. Where negotiations in relation to such a sale are in progress, fair value is determined based on the best estimate of the outcome of the negotiations at the reporting date.

Value in use is calculated on the basis of the future operating cash flows determined in the Group's budget process and strategic plan, which represent Management's best estimate of the economic conditions that will prevail during the remainder of the asset's useful life. The assumptions used are made on the basis of past experience and external sources of information, such as discount rates and perpetual growth rates.

When an analysis of the related context reveals that a CGU, intangible asset, or item of property, plant and equipment that is in use or ready for use may have become impaired, the asset concerned is tested for impairment in accordance with IAS 36, based on the following:

- Cash-generating units: a cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of goodwill is tested at the level of the CGU to which it is allocated. The structure of the Group's CGUs is based on its legal entities but also includes certain cross-functional groupings within geographic areas or sub-segments which have integrated cash inflows.
- Other intangible assets and property, plant and equipment: groups of assets with finite useful lives are tested for impairment if there is a specific indication that they may be impaired (as defined in IAS 36.12). Examples of indications that an asset may be impaired include a pronounced decline in profitability, a considerably lower performance than in the original business plan, or a significant loss of customers, market share or product certifications.
- The discount rate applied corresponds to the expected market rate of return for a similar investment, specific to each geographic area, regardless of the sources of financing. The discount rates used are post-tax rates applied to post-tax cash flows. The recoverable amounts determined using these post-tax rates are the same as those that would be obtained by using pre-tax rates applied to pre-tax cash flows.
- Five-year or seven-year business plans are used, based on the Group's budget process and strategic plan for the first three years, with an extrapolation calculated in conjunction with local management for the last two or four years.
- Operational cash flows beyond five or seven years, as applicable, are extrapolated based on growth rates specific to each geographical area.

Impairment losses (net of reversals) are recorded in the income statement under "Other operating income and expenses" unless they directly relate to a restructuring operation (see **Note 1.F.j**).

d. Inventories and work in progress

Inventories and manufacturing work in progress are stated at the lower of cost and net realizable value. The costs incurred in bringing inventories to their present location and conditions are accounted for as follows:

- Raw materials: purchase cost according to the weighted average cost (WAC) method.
- Finished goods and work in progress: cost of materials and direct labor, and share of indirect production costs, according to the WAC method.

In compliance with IAS 23, qualifying inventories include directly attributable borrowing costs.

Inventories include Core exposure:

- In respect to Nexans rod continuous casting activities, the core-exposure represents the minimum stock of non-ferrous metal quantities necessary to establish and ensure the continued functionality.
- In respect to Nexans cabling activities, the core-exposure represents the amounts of non-ferrous metals required for the cables Group's plants to operate effectively in the current business context.

Its overall volume is generally kept stable and is constantly replenished, however the level of core-exposure may have to be adapted at times, particularly in the event of a significant contraction or expansion in business volumes.
In the event of structural reorganizations within the Group, the level of core-exposure may have to be revised.
The impact of changes in value of this component is shown in a separate line of the income statement and is included as a component of cash flows from operations in the statement of cash flows.

Net realizable value of inventories is the estimated sale price in the ordinary course of business, less estimated completion costs and the costs necessary to carry out the sale. If the carrying amount of non-ferrous metal inventories is higher than their market value at the year-end, an impairment loss is only recognized when the products to which the assets are allocated have a negative production margin. As stated in **Note 1.E.c**, impairment losses on Core exposure are recognized under "Core exposure effect" in the income statement. Any impairment losses related to other categories of inventories are recognized within operating margin.

e. Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Interest-free short-term operating receivables are recognized at nominal value as the impact of discounting is not material.

Impairment of trade receivables is recorded whenever there is an objective indication that the Group will not be able to collect the full amounts due under the conditions originally provided for at the time of the transaction. The following are indicators of impairment of a receivable: (i) major financial difficulties for the debtor; (ii) the probability that the debtor will undergo bankruptcy or a financial restructuring; and (iii) a payment default. The amount of the impairment loss recorded represents the difference between the carrying amount of the asset and the estimated value of future cash flows, discounted at the initial effective interest rate.

The carrying amount of the asset is written down and the amount of the loss is recognized in the income statement under "Cost of sales". When a receivable is irrecoverable, it is derecognized and offset by the reversal of the corresponding impairment loss. When a previously derecognized receivable is recovered the amount is credited to "Cost of sales" in the income statement.

f. Cash and cash equivalents

Cash and cash equivalents, whose changes are shown in the consolidated statement of cash flows, comprise the following:

- Cash and cash equivalents classified as assets in the statement of financial position, which include cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.
- Bank overdrafts repayable on demand which form an integral part of the entity's cash management. In the consolidated statement of financial position, bank overdrafts are recorded as current financial liabilities.

g. Assets and groups of assets held for sale

Presentation in the statement of financial position

Non-current assets or groups of assets held for sale, as defined by IFRS 5, are presented on a separate line on the assets side of the statement of financial position. Liabilities related to groups of assets held for sale are shown on the liabilities side, also on a separate line, except those for which the Group will remain liable after the related sale as a result of the applicable sale terms and conditions. Non-current assets classified as held for sale cease to be depreciated from the date on which they fulfill the classification criteria for assets held for sale.

In accordance with IFRS 5, assets and groups of assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The potential capital loss arising from this measurement is recognized in the income statement under "Net asset impairment".

Presentation in the income statement

A group of assets sold, held for sale or whose operations have been discontinued is a major component of the Group if:

- it represents a separate major line of business or geographical area of operations;
- it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- it is a subsidiary acquired exclusively with a view to resale.

Where a group of assets sold, held for sale or whose operations have been discontinued is a major component of the Group, it is classified as a discontinued operation and its income and expenses are presented on a separate line of the income statement "Net income (loss) from discontinued operations", which comprises the total of:

- the post-tax profit or loss of discontinued operations; and
- the post-tax gain or loss recognized on the measurement at fair value less costs to sell or on the disposal of assets or groups of assets held for sale constituting the discontinued operation.

When a group of assets previously presented as "held for sale" ceases to satisfy the criteria in IFRS 5, each related asset and liability component – and, where appropriate, income statement item – is reclassified to the relevant items of the consolidated financial statements.

h. Share-based payments

Stock options, performance shares and free shares may be granted to senior managers and certain other Group employees. These plans correspond to equity-settled share- based payment transactions and are based on the issue of new shares in the parent company Nexans S.A..

In accordance with IFRS 2, "Share-based Payment", stock options, performance shares and free shares are measured at fair value at the grant date (corresponding to the date on which the plan is announced). The Group uses different measurement models to calculate this fair value, notably the Black & Scholes and Monte-Carlo pricing models.

The fair value of vested stock options, performance shares and free shares is recorded as a payroll expense on a straight-line basis from the grant date to the end of the vesting period, with a corresponding adjustment to equity recorded under "Retained earnings and otherreserves".

If stock options or share grants are subject to internal performance conditions their fair value is remeasured at the year-end. For plans that are subject to market performance conditions, changes in fair value after the grant date do not affect the amounts recognized in the financial statements.

The Group has also set up employee stock ownership plans that entitle employees to purchase new shares at a discount to the market price. These plans are accounted for in accordance with IFRS 2, taking into consideration the valuation effect of the five-year lock-up period that generally applies.

i. Pensions, statutory retirement bonuses and other employee benefits

In accordance with the laws and practices of each country where it operates, the Group provides pensions, early retirement benefits and statutory retirement bonuses.

For basic statutory plans and other defined contribution plans, expenses correspond to contributions made. No provision is recognized as the Group has no payment obligation beyond the contributions due for each accounting period.

For defined benefit plans, provisions are determined as described below and recognized under "Pension and other long-term employee benefit obligations" in the statement of financial position (except for early retirement plans which are deemed to form an integral component of a restructuring plan, see **Note 1.F.j**):

- Provisions are calculated using the projected unit credit method, which sees each service period as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. These calculations take into account assumptions with respect to mortality, staff turnover, discounting, projections of future salaries and the return on plan assets.
- Plan assets are measured at fair value at the year-end and deducted from the Group's projected benefit obligation.
- In accordance with the revised version of IAS 19, actuarial gains and losses – resulting from experience adjustments and the effects of changes in actuarial assumptions – are recognized as components of other comprehensive income that will not be reclassified to the income statement, and are included in "Changes in fair value and other" within equity.
- The Group analyzes the circumstances in which minimum funding requirements in respect of services already received may give rise to a liability at the year-end.

When the calculation of the net benefit obligation results in an asset for the Group, the recognized amount (which is recorded under "Other non-current assets" in the consolidated statement of financial position) cannot exceed the present value of available refunds and reductions in future contributions to the plan, less the present value of any minimum funding requirements.

Provisions for jubilee and other long-service benefits paid during the employees' service period are valued based on actuarial calculations comparable to the calculations used for pension benefit obligations. They are also recognized in the consolidated statement of financial position under "Pension and other long-term employee benefit obligations". Actuarial gains and losses on provisions for jubilee benefits are recorded in the income statement.

In the event of an amendment, curtailment or settlement of a defined benefit pension plan, the Group's obligation is remeasured at the date when the plan amendment, curtailment or settlement occurs and the gain or loss on remeasurement is included within operating margin. When a defined benefit pension plan is subject to a reduction in liquidity or an amendment as a result of a restructuring plan, the related impact is presented in "Restructuring costs" in the income statement.

The financial component of the annual expense for pensions and other employee benefits (interest expense after deducting any return on plan assets calculated based on the discount rate applied for determining the benefit obligations) is included in other financial expenses (see **Note 8**).

j. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) resulting from a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of discounting is material, the provisions are determined by discounting expected future cash flows applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liabilities concerned. The effect of unwinding the discounting is recognized as a financial expense and the effects of any changes in the discount rate are recognized in the same account as that through which the provision was accrued.

A provision is set aside to fully cover restructuring costs when they relate to an obligation by the Group to another party resulting from a decision made at an appropriate managerial or supervisory level, backed by a detailed formal plan that has been announced before the year-end to the party or parties concerned. Such costs primarily correspond to severance payments, early retirement benefits (except where qualified as employee benefits, see **Note 1.F.i**), costs for unworked notice periods, training costs of employees whose employment contracts have been terminated, and other costs directly linked to the shutdown of facilities.

Asset retirements and impairment of inventories and other assets, as well as other cash outflows directly linked to restructuring measures but which do not meet the criteria for the recognition of a provision are also recorded under restructuring costs in the income statement. In the consolidated statement of financial position, this type of impairment is presented as a deduction from the related non-current and current assets.

k. Financial liabilities

Financial liabilities are initially recognized at fair value, corresponding to their issue price less transaction costs directly attributable to the acquisition or issue of the financial liability. If the liability is issued at a premium or discount, the premium or discount is amortized over the life of the liability using the effective interest method. The effective interest method calculates the interest rate that is necessary to discount the cash flows associated with the financial liability through maturity to the net carrying amount at initial recognition.

Convertible bonds and other borrowings

Under IAS 32, "Financial Instruments: Presentation", if a financial instrument has both a liability and an equity component, the issuer must account for these components separately according to their nature.

This treatment applies to OCEANE bonds which are convertible into new shares and/or exchangeable for existing shares as the conversion option meets the definition of an equity instrument.

The liability component is measured on the issue date on the basis of contractual future cash flows discounted applying the market rate (taking into account the issuer's credit risk) for a similar instrument but which is not convertible/redeemable for shares.

The value of the conversion option is calculated as the difference between the issue price of the bonds and the value of the liability component. This amount is recognized under "Retained earnings and other reserves" in equity.

Following initial measurement of the liability and equity components, the liability component is measured at amortized cost. The interest expense relating to the liability is calculated using the effective interest method.

Put options given to minority shareholders

Put options given to minority shareholders in subsidiaries are recognized as financial liabilities at their discounted value. In accordance with the revised version of IFRS 3, the impact of changes in the exercise price of these options is recognized in equity.

I. Derivative instruments

Only derivatives negotiated with external counterparties are deemed eligible for hedge accounting.

Foreign exchange hedges

The Group uses derivatives (mainly forward purchases and sales of foreign currencies) to hedge the risk of fluctuations in foreign currency exchange rates. These instruments are measured at fair value, calculated by reference to the forward exchange rates prevailing at the year-end for contracts with similar maturity profiles.

➢ Cash flow hedges

When foreign exchange derivatives are used to hedge highly probable future transactions (forecast cash flows or firm orders) that have not yet been invoiced, and to the extent that they satisfy the conditions for cash flow hedge accounting, the change in the fair value of the derivative comprises two elements:

- The "effective" portion of the unrealized or realized gain or loss on the hedging instrument, which is recognized directly in equity under "Changes in fair value and other". Any gains or losses previously recognized in equity are reclassified to the income statement in the period in which the hedged item impacts income, for example when the forecast sale takes place. These gains or losses are included in operating margin when they relate to commercial transactions.

- The "ineffective" portion of the realized or unrealized gain or loss, which is recognized directly in the income statement as financial income or expense.

➢ Derivatives that do not qualify for hedge accounting

Changes in fair value of derivatives that do not qualify for hedge accounting are recognized directly in the income statement as financial income or expense.

These derivatives notably include instruments used as economic hedges that were never or are no longer designated as hedges for accounting purposes.

Hedging of risks associated with fluctuations in non-ferrous metal prices

Forward purchases of non-ferrous metals used in the Group's operations and which require physical delivery of the metals concerned are not included within the scope of IAS 39 and are recognized at the time of delivery.

The Group uses futures contracts negotiated primarily on the London Metal Exchange (LME) to hedge its exposure to non-ferrous metal price fluctuations (copper, aluminum and, to a lesser extent, lead). These contracts are settled net in cash and constitute derivative instruments falling within the scope of application of IAS 39.

➢ Cash flow hedges

Due to the sharp volatility in non-ferrous metal prices over the past several years, the Group has taken measures to enable a large portion of these derivative instruments to be classified as cash flow hedges as defined in IAS 39. Consequently, whenever these instruments are used to hedge future transactions (mainly purchases of copper wires and cathodes) that are highly probable but not yet invoiced, and meet the requirements in IAS 39 for cash flow hedge accounting, they are accounted for similarly to the above-described foreign exchange hedges that qualify for cash flow hedge accounting, as follows:

- The "effective" portion of the unrealized gain or loss on the hedging instrument is recognized directly in equity under "Changes in fair value and other" and the corresponding realized gain or loss is recognized within operating margin.
- The "ineffective" portion of the unrealized gain or loss is recognized in the consolidated income statement under "Other operating income and expenses" and the corresponding realized gain or loss is recognized within operating margin, which, in accordance with the Group's management model, includes all of the realized impacts relating to non-ferrous metals.

The majority of the metal derivatives used by the Group qualify as hedges.

➢ Derivatives that do not qualify for hedge accounting

Changes in fair value of derivatives that do not qualify for hedge accounting are recognized directly within operating income under "Changes in fair value of non-ferrous metal derivatives". Any realized gains or losses are recorded in operating margin when the derivatives expire.

Note 2. Significant events of the year

A. GOVERNANCE

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

B. BOND ISSUE & REDEMPTION

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

On May 26, 2016 Nexans carried out a 250 million euro bond issue with a maturity date of May 26, 2021. The issue price was 100.00 % of the bonds' par value.
The coupon on the bonds is 3.25 % per annum, payable in arrears on May 26 each year. The first coupon payment date will be May 26, 2017 and the bonds will be redeemed on May 26, 2021. Their yield to maturity is 3.25% (for further details see the Finance/French financial market authority [Autorités des Marchés Financiers – AMF]. Documentation section on www.nexans.com and the website of the Autorité des Marchés Financiers at www.amf-france.org).

C. EMPLOYEE SHARE OWNERSHIP PLAN

At its meeting held on November 24, 2015, and in accordance with the authorizations granted at the Annual Shareholders' Meeting of May 5, 2015, the Board of Directors announced the launch of an employee share ownership plan involving a maximum of 500,000 new shares.

This is the seventh international employee share ownership plan set up by the Group.
The plan proposed a "leveraged" structure in the same way as in the 2010, 2012 and 2014 plans, whereby employees were able to subscribe for the shares through a corporate mutual fund (FCPE) at a preferential discount share price, with the Company providing them with a capital guarantee plus a multiple based on share performance.
The shares are locked into the plan for five years, apart from in special circumstances when employees can access them earlier.
In countries where the leveraged structure using a corporate mutual fund raised legal or tax difficulties, an alternative formula was offered comprising the allocation of Stock Appreciation Rights (SAR).
The subscription period for the plan ran from May 12 through May 27, 2016 and was followed by a period during which employees could withdraw their subscriptions, from June 28 through July 1, 2016. The subscription price was set on June 27, 2016 at 34.67 euros per share representing a 20% discount against the average of the prices quoted for the Nexans share over the twenty trading days preceding that date. The settlement delivery of the shares took place on July 28, 2016 and resulted in the issuance of 483,612 new shares, representing an aggregate amount of 16,8 million euros.

D. CHANGES IN GROUP STRUCTURE

The main change in the Group's structure in 2016 was the sale of Nexans Rus.LLc, that was wholly owned by Nexans. This sale resulted in a 7 million euro net disposal loss in the second half of the year which was recognized under "Other operating income and expenses" in the consolidated income statement and a 17 million euro positive impact on the Group's net debt.

E. SHARE BUYBACK PROGRAM

The Annual Shareholders' Meeting on May 12, 2016 authorized the Company to trade in its own shares subject to the terms and conditions set by shareholders at the Meeting.
At its meeting on November 23, 2016, the Board of Directors ruled to use the above-mentioned authorization to launch a share buyback program that complies with the conditions set out in Article 5 of the EU Market Abuse Regulation (Regulation No 596/2014 dated April 16, 2014).
The purpose of the program is to buy back shares to be allocated under the free share and performance share plans set up for employees and officers of the Company and the amount that may be invested is capped at 18 million euros. The shares bought back may not represent more than 10% of the Company's capital as at the date of the buyback(s) and the maximum number of shares that may be bought back is 300,000. This share buyback program should be completed before the Annual Shareholders' Meeting due to be held to approve the financial statements for the year ended December 31, 2016.
At December 31, 2016, the Company held none of its own shares.

Note 3. Operating segments

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

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

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

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

The Group's segment information also includes a column entitled "Other Activities" which corresponds to (i) certain specific or centralized activities carried out for the Group as a whole which give rise to expenses that are not allocated between the various segments, and (ii) the Electrical Wires business, comprising wirerods, electrical wires and winding wires production operations.

Two specific factors are reflected in this column:

- A total of 92% of the sales at constant metal prices recorded in the "Other Activities"column in 2016 were generated by the Group's Electrical Wires business (compared with 86% in 2015).
- Operating margin for "Other Activities" came in at a negative 17 million euros, reflecting the combined impact of profit generated from sales of copper wires and certain centralized Group costs that are not allocated between the segments (such as holding company expenses).

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

Operating segment data are prepared using the same accounting policies as for the consolidated financial statements, as described in **Note 1**.

A. INFORMATION BY REPORTABLE SEGMENT

2016 *(in millions of euros)*	Transmission, Distribution & Operators	Industry	Distributors & Installers	Other Activities	Group total
Net sales at current metal prices	2,133	1,346	1,619	716	5,814
Net sales at constant metal prices	1,842	1,171	1,127	291	4,431
Operating margin	122	59	78	(17)	242
Depreciation and amortization	(69)	(32)	(26)	(6)	(133)
Net impairment of non-current assets (including goodwill) (see **Note 6**)	(8)	-	-	-	(8)

2015 *(in millions of euros)*	Transmission, Distribution & Operators	Industry	Distributors & Installers	Other Activities	Group total
Net sales at current metal prices	2,262	1,500	1,749	728	6,239
Net sales at constant metal prices	1,935	1,250	1,136	283	4,604
Net sales at constant metal prices and 2016 exchange rates	1,880	1,240	1,115	278	4,513
Operating margin	108	57	63	(33)	195
Depreciation and amortization	(72)	(33)	(27)	(6)	(138)
Net impairment of non-current assets (including goodwill) (see **Note 6**)	(32)	(62)	(35)	-	(129)

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

B. INFORMATION BY MAJOR GEOGRAPHIC AREA

2016 *(in millions of euros)*	France	Germany	Norway	Other [3]	Group total
Net sales at current metal prices [1]	864	807	634	3,509	5,814
Net sales at constant metal prices [1]	630	735	587	2,479	4,431
Non-current assets (IFRS 8) [1] (at December 31)	161 [2]	179	153	1,107	1,600

(1) Based on the location of the Group's subsidiaries.
(2) Including Corporate activities.
(3) Countries that do not individually account for more than 10% of the Group's net sales at constant metal prices.

2015 *(in millions of euros)*	France	Germany	Norway	Other [3]	Group total
Net sales at current metal prices [1]	877	814	705	3,843	6,239
Net sales at constant metal prices [1]	612	718	657	2,617	4,604
Net sales at constant metal prices and 2016 exchange rates [1]	612	718	635	2,548	4,513
Non-current assets (IFRS 8) [1] (at December 31)	148 [2]	148	162	1,126	1,584

(4) Based on the location of the Group's subsidiaries.
(5) Including Corporate activities.
(6) Countries that do not individually account for more than 10% of the Group's net sales at constant metal prices.

C. INFORMATION BY MAJOR CUSTOMER

The Group does not have any customers that individually accounted for over 10% of its sales in 2016 or 2015.

Note 4. Payroll costs and headcount

		2016	2015
Payroll costs (including payroll taxes)	*(in millions of euros)*	1,115	1,139
Staff of consolidated companies at year-end	*(in number of employees)*	26,258	26,607

Payroll costs in the above table include share-based payments within the meaning of IFRS 2. These expenses totaled 5 million euros in 2016 and 4.7 million euros in 2015 (excluding payroll taxes). See **Note 20** for further details.

Compensation paid to employees affected by restructuring plans in progress is not included in the above table.

Note 5. Other operating income and expenses

(in millions of euros)	Notes	2016	2015
Net asset impairment	6	(8)	(129)
Changes in fair value of non-ferrous metal derivatives		12	(3)
Net gains (losses) on asset disposals	7	(6)	(14)
Acquisition-related costs		-	-
Expenses and provisions for antitrust investigations		(20)	36
OTHER OPERATING INCOME AND EXPENSES		**(22)**	**(110)**

The 20 million of provision recorded under "Expenses and provisions for antitrust investigations" in 2016 take into consideration reassessment of provisions covering the investigations mentioned in **Note 30.**

Note 6. Net asset impairment

(in millions of euros)	2016	2015
Impairment losses – non-current assets	(8)	(67)
Reversals of impairment losses – non-current assets	-	-
Impairment losses – goodwill	-	(62)
Impairment losses – assets and Groups of assets held for sale	-	-
NET ASSET IMPAIRMENT	**(8)**	**(129)**

The Group carries out impairment tests on goodwill at least once a year and on other intangible assets and property, plant and equipment whenever there is an indication that they may be impaired (see **Note 1.F.c.)**

As described in **Note 1**, and in accordance with IAS 36, impairment tests were first carried out on individual assets when an indication of impairment was identified. This review led to the recognition of an 8 million euro impairment loss mainly on tangible assets (see also **Notes 3**, **11** and **12**).

In 2015, a 27 million euro impairment loss was recognized on individual intangible assets located in Australia (brand and customer relationship) and was recorded in view of weaker cash flow forecasts for the Group's Australian operations due to (i) the worsening recession in Australia's mining industry, (ii) delays in obtaining official approval for products supplied from the Group's Chinese manufacturing plants, and (iii) lower demand from the industrial building market.

Impairment tests were then performed on goodwill, at the level of the CGUs to which it is allocated.

A. RESULTS OF THE IMPAIRMENT TESTS PERFORMED IN 2016

Goodwill balances and movements in goodwill in 2016 can be analyzed as follows by CGU:

(in millions of euros)	AmerCable CGU	Asia-Pacific CGU	South America CGU (excluding Brazil)	Brazil CGU	Other CGUs	Total
DECEMBER 31, 2015						
Goodwill	29	83	68	-	70	250
Business combinations	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Exchange differences and other movements	1	1	3	-	(1)	4
DECEMBER 31, 2016						
Goodwill	30	84	71	-	69	254

No impairment loss on goodwill was recognized by the Group over 2016.

As the whole goodwill of "Brazil" CGU had been impaired in 2015 and all intangible assets were fully depreciated only tangible assets remained. There was no indication of impairment over 2016; this CGU was thus not tested.

The impairment tests conducted in 2015 resulted in the recognition of a 129 million euro net impairment loss, mainly relating to the following CGUs:

- The "AmerCable" CGU (46 million euro impairment loss): further falls in commodity prices in the second half of 2015 resulted in lower capital spending by companies in the oil & gas and mining industries, which in turn adversely impacted the AmerCable CGU's outlook in terms of business volumes and earnings generated with customers operating in those industries.

- The "Brazil" CGU (38 million euro impairment loss): Nexans' business volumes in Brazil decreased sharply in 2015, notably due to the country's recession deepening in the second half of the year. The Group does not expect the Brazilian economy to recover in the short term in view of both unfavorable forecasts for commodities prices and the country's current economic and political environment.

B. MAIN ASSUMPTIONS

The main assumptions applied by geographic area when preparing the business plans used in connection with impairment testing are listed below:

- As a result of the interest rate environment in 2016, the Group reduced the discount rate applied for Europe at December 31, 2016. Consequently, the discount rate used for Europe was 25 basis points lower than at December 31, 2015.

- The perpetuity growth rates used for the Group's CGUs at December 31, 2016 were stable compared with those used one year earlier.

- The cash flow assumptions used for impairment calculations were based on the latest projections approved by Group Management and therefore factor in Management's most recent estimates of the Group's future business levels (as contained in the 2017 Budget and the 2018-2019 Strategic Plan). Cash flows are projected over a five-year or seven-year period for the purpose of these assumptions.

- The forecast used for oil prices corresponded to a stable price of approximately 40 US dollars a barrel until the first half of 2020 followed by a recovery to 70 US dollars a barrel.

C. SENSITIVITY ANALYSES

The main assumptions described above were used for measuring the CGUs that were tested for impairment. In addition, the following sensitivity analyses were carried out for "Amercable" CGU as the discount rate and EBITDA rate were key hypothesis:

- A 50 basis-point increase in the discount rate compared with the assumptions applied would have led to the recognition of additional impairment losses at December 31, 2016 amounting to 3 million euros for the "AmerCable" CGU.

- A 100 basis-point decrease in the EBITDA rate (operating margin less depreciation and amortization) as a percentage of sales at constant metal prices compared with the assumptions used for the Group's asset impairment tests would have led to the recognition of additional impairment losses amounting to 9 million euros for the "AmerCable" CGU.

Note 7. Net gains (losses) on asset disposals

(in millions of euros)	2016	2015
Net gains (losses) on disposals of fixed assets	4	(1)
Net gains (losses) on disposals of investments	(10)	(13)
Other	-	-
NET GAINS (LOSSES) ON ASSET DISPOSALS	**(6)**	**(14)**

The 10 million euro net loss recorded under "Net gains (losses) on disposals of investments" in 2016 corresponds mainly to the sale of Nexans Rus.LLc in the fourth quarter (a 7 million euro net loss).

Note 8. Other financial income and expenses

(in millions of euros)	2016	2015
Dividends received from non-consolidated companies	1	1
Provisions	(1)	(4)
Net foreign exchange gain (loss)	(7)	(8)
Net interest expense on pension and other long-term employee benefit obligations[1]	(10)	(10)
Other	(7)	(5)
OTHER FINANCIAL INCOME AND EXPENSES	**(24)**	**(26)**

(1) See Note 21.B.

Note 9. Income taxes

A. ANALYSIS OF THE INCOME TAX CHARGE

(in millions of euros)	2016	2015
Current income tax charge	(48)	(40)
Deferred income tax benefit (charge), net	11	15
INCOME TAX CHARGE	**(37)**	**(25)**

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

In France, local business tax *(taxe professionnelle)* was abolished in 2010 and replaced by a new "territorial economic tax" *(Contribution Économique Territoriale* – CET), which includes a contribution based on companies' "value added" *(Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE). The Group has decided to classify the CVAE as falling within the scope of application of IAS 12 and has therefore included this contribution in the "Income taxes" line in the consolidated income statement since 2010. This gives rise to the recognition of deferred taxes where appropriate.

B. EFFECTIVE INCOME TAX RATE

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

Tax proof *(in millions of euros)*	2016	2015
Income (loss) before taxes	97	(171)
of which share in net income (loss) of associates	4	1
INCOME (LOSS) BEFORE TAXES AND SHARE IN NET INCOME (LOSS) OF ASSOCIATES	93	(172)
Standard tax rate applicable in France (in %)[1]	34.43%	34.43%
THEORETICAL INCOME TAX BENEFIT (CHARGE)	(32)	59
Effect of:		
- Difference between foreign and French tax rates	18	13
- Change in tax rates for the period	2	5
- Unrecognized deferred tax assets	(15)	(70)
- Taxes calculated on a basis different from "Income before taxes"	(4)	(7)
- Other permanent differences[2]	(6)	(25)
ACTUAL INCOME TAX BENEFIT (CHARGE)	(37)	(25)
EFFECTIVE TAX RATE (IN %)	40.17%	14.49%

(1) For the purpose of simplicity, the Group has elected to only use the standard tax rate for France, i.e., including surtaxes.
(2) In 2015, primarily reflecting (i) the fact that the goodwill impairment losses recognized were not deductible for tax purposes, and (ii) movements in the Group's provisions for antitrust investigations.

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

C. TAXES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

Taxes recognized directly in other comprehensive income in 2016 can be analyzed as follows:

(in millions of euros)	January 1, 2016	Gains (losses) generated during the year[1]	Amounts reclassified to the income statement[1]	Total other comprehensive income (loss)	December 31, 2016
Available-for-sale financial assets	0	-	-	-	0
Currency translation differences	(5)	0	-	**0**	(5)
Cash flow hedges	27	(22)	(4)	**(26)**	1
TAX IMPACT ON RECYCLABLE COMPONENTS OF COMPREHENSIVE INCOME	**22**	**(22)**	**(4)**	**(26)**	(4)
Actuarial gains and losses on pension and other long-term employee benefit obligations	59	(2)	N/A	**(2)**	57
Share of other non-recyclable comprehensive income of associates	-	-	N/A	-	-
TAX IMPACT ON NON-RECYCLABLE COMPONENTS OF COMPREHENSIVE INCOME	**59**	**(2)**	**N/A**	**(2)**	57

(1) The tax effects relating to cash flow hedges and available-for-sale financial assets, as well as the gains and losses generated during the year and amounts recycled to the income statement are presented in the consolidated statement of changes in equity in the "Changes in fair value and other" column.

These taxes will be recycled to the income statement in the same periods as the underlying transactions to which they relate (see **Notes 1.C** and **1.F.k**).

D. DEFERRED TAXES RECORDED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Deferred taxes break down as follows by type of temporary difference:

(in millions of euros)	December 31,2015	Impact on the income statement	Change in consolidation scope	Impact on equity	Exchange differences and other	December 31, 2016
Fixed assets	(73)	(4)	(2)	-	(2)	(81)
Other assets	(41)	7	-	-	(1)	(35)
Employee benefit obligations	89	(2)	-	(2)	0	85
Provisions for contingencies and charges	35	(5)	-	-	2	32
Other liabilities	45	9	-	(29)	(1)	24
Unused tax losses	565	16	-	-	10	591
DEFERRED TAX ASSETS (GROSS) AND DEFERRED TAX LIABILITIES	**620**	**21**	**(2)**	**(31)**	**8**	**616**
Unrecognized deferred tax assets	(512)	(10)	2	2	(8)	(526)
NET DEFERRED TAXES	**108**	**11**	**0**	**(29)**	**0**	**90**
- of which recognized deferred tax assets	192					180
- of which deferred tax liabilities	(84)					(90)
NET DEFERRED TAXES EXCLUDING ACTUARIAL GAINS AND LOSSES	**49**					**32**

At December 31, 2016 and 2015, deferred tax assets in the respective amounts of 526 million euros and 512 million euros were not recognized as the Group deemed that their recovery was not sufficiently probable. These mainly concern the tax losses described in **Note 9.E** below.

E. UNUSED TAX LOSSES

Unused tax losses carried forward represented potential tax benefits for the Group of 591 million euros at December 31, 2016 (565 million euros at December 31, 2015). The main entities to which these tax losses related at those dates were as follows:

- German subsidiaries, in an amount of 156 million euros (163 million euros at December 31, 2015), of which 55 million euros were recognized in deferred tax assets at December 31, 2016 (48 million euros at December 31, 2015).
- French subsidiaries, in an amount of 228 million euros (202 million euros at December 31, 2015), of which 11 million euros were recognized in deferred tax assets at December 31, 2016 (11 million at December 31, 2015).

For countries in a net deferred tax asset position after offsetting deferred tax assets and deferred tax liabilities arising from temporary differences, the net deferred tax asset recognized in the consolidated statement of financial position is determined based on updated business plans (see **Note 1.E.f).**

The potential tax benefits deriving from unused tax losses carried forward break down as follows by expiration date:

(At December 31, in millions of euros)	2016	2015
Year y+1	5	5
Years y+2 to y+4	19	22
Year y+5 and subsequent years	567	538
TOTAL	**591**	**565**

F. TAXABLE TEMPORARY DIFFERENCES RELATING TO INTERESTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

No deferred tax liabilities have been recognized in relation to temporary differences where (i) the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, or (ii) the reversal of the temporary difference will not give rise to a significant tax payment.

Note 10. Earnings per share

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

	2016	2015
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT *(in millions of euros)*	61	(194)
Interest expense on OCEANE bonds, net of tax	Anti-dilutive	Anti-dilutive
ADJUSTED NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT *(in millions of euros)*	61	(194)
ATTRIBUTABLE NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	-
Average number of shares outstanding	42,930,486	42,529,353
Average number of dilutive instruments	986,737	0 (anti-dilutive instruments)
Of which free shares and performance shares	*969,721*	*Anti-dilutive*
Of which stock options	*17,016*	*Anti-dilutive*
Of which convertible bonds	*Anti-dilutive*	*Anti-dilutive*
Average number of diluted shares	43,917,223	42,529,353
ATTRIBUTABLE NET INCOME (LOSS) PER SHARE (in euros)		
- Basic earnings (loss) per share	1.43	(4.55)
- Diluted earnings (loss) per share	1.40	(4.55)

Note 11. Intangible assets

(in millions of euros)	Trademarks	Customer relationships	Softwares	Intangible assets in progress	Other	Total
Gross value	60	206	74	26	51	417
Accumulated amortization and impairment	(22)	(170)	(66)	-	(11)	(269)
NET AT JANUARY 1, 2016	**38**	**36**	**8**	**26**	**40**	**148**
Acquisitions and capitalizations	-	-	2	10	0	12
Disposals	-	-	(0)	-	-	(0)
Depreciation expense	-	(5)	(5)	-	(2)	(12)
Impairment losses[1]	(1)	(0)	-	-	-	(1)
Changes in Group structure	-	-	(0)	-	(0)	-
Exchange differences and other	1	1	3	(7)	1	(1)
NET AT DECEMBER 31, 2016	**38**	**32**	**8**	**29**	**39**	**146**
Gross value	61	212	77	29	51	430
Accumulated amortization and impairment	(23)	(180)	(69)	-	(12)	(284)

*(1)See **Note 6**.*

Note 12. Property, plant and equipment

(in millions of euros)	Land and buildings	Plant, equipment and machinery	Property, plant and equipment under construction	Other	Total
Gross value	900	2,297	124	235	3,556
Accumulated amortization and impairment	(574)	(1,633)	-	(193)	(2,400)
NET AT JANUARY 1, 2016	**326**	**664**	**124**	**42**	**1,156**
Acquisitions and capitalizations	12	23	90	9	134
Disposals	(1)	(2)	(0)	(0)	(3)
Depreciation expense	(19)	(90)	-	(12)	(121)
Impairment losses[1]	-	(7)	-	-	(7)
Changes in Group structure	0	(1)	(0)	0	(1)
Exchange differences and other	53	57	(101)	3	12
NET AT DECEMBER 31, 2016	**371**	**644**	**113**	**42**	**1,170**
Gross value	948	2,295	113	234	3,590
Accumulated amortization and impairment	(577)	(1,651)	-	(192)	(2,420)

*(1) See **Note 6.***

Note 13. Investments in associates – Summary of financial data

A. EQUITY VALUE

(At December 31, in millions of euros)	% control	2016	2015
Cabliance Maroc and Cabliance Belgium	0%	N/A	3
Qatar International Cable Company	30.33%	17	13
Cobrecon/Colada Continua	33.33% / 41.00%	9	8
Recycables	36.50%	4	4
Nexans Kabelmetal Ghana Limited[1]	59.13%	N/A	2
TOTAL		**30**	**30**

(1) *Since January 1 2016, Nexans Kabelmetal Ghana is fully consolidated.*

B. FINANCIAL DATA RELATING TO ASSOCIATES

The information below is presented in accordance with the local GAAP of each associate as full statements of financial position and income statements prepared in accordance with IFRS were not available at the date on which the Group's consolidated financial statements were published.

Condensed statement of financial position

(At December 31, in millions of euros)	2016	2015
Property, plant and equipment and intangible assets	74	74
Current assets	152	109
TOTAL CAPITAL EMPLOYED	**226**	**183**
Equity	77	74
Net financial debt	26	24
Other liabilities	123	85
TOTAL FINANCING	**226**	**183**

Condensed income statement

(in millions of euros)	2016	2015
Sales at current metal prices	276	237
Operating income	18	10
Net income (loss)	14	1

Note 14. Other non-current assets

(At December 31, in millions of euros, net of impairment)	2016	2015
Long-term loans and receivables	22	22
Available-for-sale securities[1]	16	13
Pension plan assets	2	4
Derivative instruments	8	9
Other	12	11
TOTAL	**60**	**59**

(1) Available-for-sale securities are carried at cost.

The maturity schedule for non-current assets at December 31, 2016 is presented below, excluding (i) available-for-sale securities which correspond to shares in non-consolidated companies, and (ii) pension plan assets:

(At December 31, 2016, in millions of euros)	Carrying amount	1 to 5 years	> 5 years
Long-term loans and receivables	22	18	4
Derivative instruments	8	8	-
Other	12	2	10
TOTAL	**42**	**28**	**14**

Movements in impairment losses were as follows in 2016:

(in millions of euros)	Long-term loans and receivables	Available-for-sale securities	Other
AT DECEMBER 31, 2015	**11**	**8**	**7**
Additions	1	0	-
Disposals/Reversals	(1)	(1)	-
Other	(0)	0	(3)
AT DECEMBER 31, 2016	**11**	**7**	**4**

Note 15. Inventories and work in progress

(At December 31, in millions of euros)	2016	2015
Raw materials and supplies	280	287
Industrial work in progress	289	246
Finished products	417	411
GROSS VALUE	**986**	**944**
IMPAIRMENT	(60)	(63)
NET VALUE	**926**	**881**

Note16. Construction contracts

Construction contracts are measured and presented in accordance with the accounting policy described in **Note 1.E.a.** These contracts mainly cover the high-voltage cable operations of the Transmission, Distribution & Operators segment (see **Note 3**).

The positions for construction contracts presented in the consolidated statement of financial position correspond to the aggregate amount of costs incurred on each individual contract plus profits recognized (net of any losses recognized, including any losses to completion), less progress billings. Positive amounts are included in assets under “Amounts due from customers on construction contracts” and negative amounts are classified in liabilities under “Amounts due to customers on construction contracts” (which are presented in “Liabilities related to construction contracts” in the consolidated statement of financial position).

Contracts in progress at December 31, 2016 and 2015 break down as follows:

(At December 31, in millions of euros)	2016	2015
ASSETS RELATED TO CONSTRUCTION CONTRACTS	238	172
of which “Amounts due from customers on construction contracts”	*238*	*172*
LIABILITIES RELATED TO CONSTRUCTION CONTRACTS	209	185
of which “Amounts due to customers on construction contracts”	*99*	*62*
of which advances received on construction contracts	*110*	*123*
TOTAL NET ASSETS (LIABILITIES) RELATED TO CONSTRUCTION CONTRACTS	**29**	**(13)**

Advances received from customers on construction contracts correspond to work not yet performed at the year-end.

Excluding advances received, the net asset position related to construction contracts at December 31, 2016 and 2015 can be analyzed as follows (aggregate amounts for construction contracts in progress at the year-end):

(At December 31, in millions of euros)	2016	2015
Aggregate amount of costs incurred plus profits recognized (net of any losses recognized, including any losses to completion)	2,211	2,612
Progress billings	2,072	2,502
NET BALANCE EXCLUDING ADVANCES RECEIVED	**139**	**110**
of which “Amounts due from customers on construction contracts”	*238*	*172*
of which “Amounts due to customers on construction contracts”	*(99)*	*(62)*

Sales at current metal prices recognized in relation to construction contracts at December 31, 2016 amounted to 647 million euros, versus 704 million euros at December 31, 2015.

There were no significant contingent liabilities at either December 31, 2016 or 2015 that could negatively affect the expected margins on the Group’s construction contracts.

The amount of retentions relating to progress billings issued totaled 58 million euros at December 31, 2016 versus 56 million euros at December 31, 2015.

Note 17. Trade receivables

(At December 31, in millions of euros)	2016	2015
Gross value	1,034	963
Impairment	(38)	(39)
NET VALUE	**996**	**924**

At December 31, 2016 and 2015, Nexans France SAS had respectively sold 31 million euros and 39 million euros worth of euro-denominated trade receivables to a bank as part of a receivables securitization program set up by the Group in 2010, referred to as the "On Balance Sheet" program. The receivables sold under this program cannot be derecognized as they do not meet the required criteria under IAS 27 and IAS 39.

Changes in provisions for impairment of trade receivables can be analyzed as follows (see **Note 26.D** for details on the Group's policy for managing customer credit risk):

(in millions of euros)	At Jan. 1	Additions	Utilizations	Reversals	Other (currency translation differences, IFRS 5 requirements)	At Dec. 31
2016	**39**	**10**	**(6)**	**(4)**	**(1)**	**38**
2015	41	12	(11)	(2)	(1)	39

Receivables more than 30 days past due at the year-end but not written down were as follows:

(in millions of euros)	Between 30 and 90 days past due	More than 90 days past due
DECEMBER 31, 2016	**30**	**27**
December 31, 2015	37	37

At December 31, 2016 and 2015 the remaining receivables past due but not written down mainly related to leading industrial groups, major public and private electricity companies and telecom operators, and major resellers. They are generally located in geographic areas where contractual payment dates are often exceeded and historically present an extremely low default rate.

Note 18. Other current assets

(At December 31, in millions of euros)	2016	2015
Prepaid and recoverable income taxes	47	34
Other tax receivables	58	41
Cash deposits paid	9	13
Prepaid expenses	24	20
Other receivables, net	63	46
NET VALUE	**201**	**154**

Cash deposited to meet margin calls on copper forward purchases traded on the LME whose fair value was negative at the year-end (see **Note 26.D**) are presented under "Cash deposits paid" and amounted to 2 million euros at December 31, 2016 and 5 million euros at December 31, 2015.

Note 19. Decrease (increase) in working capital

(At December 31, in millions of euros)	2016	2015
Inventories and work in progress	(54)	138
Trade receivables and other receivables	(137)	139
Trade payables and other debts	86	87
DECREASE (INCREASE) IN WORKING CAPITAL	**(105)**	**364**

During the first half of 2016 the Group sold tax receivables which had a net cash impact of 9 million euros (22 million euros in 2015). As the sales concerned transferred substantially all the risks and rewards of ownership they meet the derecognition criteria in IAS 39 and have therefore been derecognized.

Note 20. Equity

A. COMPOSITION OF CAPITAL STOCK

At December 31, 2016, Nexans S.A.'s capital stock comprised 43,411,421 fully paid-up shares with a par value of 1 euro each, compared with 42,597,718 shares at December 31, 2015. The Company's shares have not carried double voting rights since said rights were removed by way of a resolution passed at the shareholders' Meeting of November 10, 2011.

B. DIVIDENDS

At the Annual Shareholders' Meeting, shareholders will be invited to approve the payment of a dividend of 0.50 euro per share, representing an aggregate payout of 21.7 million euro based on the 43,411,421 shares making up the Company's capital stock at December 31, 2016.

In the event that the Company holds treasury stock at the time the dividend is paid, the amount corresponding to unpaid dividends on these shares will be appropriated to retained earnings. The total amount of the dividend could be increased in order to reflect the number of additional shares that may be issued between January 1, 2017 and the date of the Annual Shareholders' Meeting called to approve the dividend payment, following the exercise of stock options. Any OCEANE bonds converted between the year-end and the dividend payment date will not entitle their holders to the dividend for the year in which the bonds are converted.

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

C. TREASURY SHARES

On November 23, 2016, the Board approved the launch of a share buyback program up to a maximum of 300,000 shares of the Company with a maximum value of 60 euro each (see **Note 2.E.**).

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

D. STOCK OPTIONS

At December 31, 2016, there were 254,030 stock options outstanding, each exercisable for one Nexans share, i.e., 0.6 % of the Company's capital stock. At December 31, 2015 a total of 960,742 options were outstanding, exercisable for 2.3% of the Company's capital stock.

The options outstanding at December 31, 2016 and at December 31, 2015 can be analyzed as follows:

Plan characteristics

Grant date	Number of options originally granted	Number of options granted as adjusted after the rights issue[1]	Number of options outstanding at the year-end	Exercise price *(in euros)*	Exercise price as adjusted after the rights issue [1] *(in euros)*	Exercise period
February 15, 2007	29,000	32,147	-	100.94	86.60	From Feb. 15, 2009[3] to Feb. 14, 2015
February 22, 2008	306,650	354,841	-	71.23	61.11	From Feb. 22, 2009[2] to Feb. 21, 2016
November 25, 2008	312,450	358,633	-	43.46	37.29	From Nov. 25, 2009[2] to Nov. 24, 2016
March 9, 2010	335,490	389,026	254,030	53.97	46.30	From March 9, 2011[2]
TOTAL	**983,590**	**1,134,647**	**254,030**			

(1) On November 8, 2013 the Group carried out a rights issue which resulted in a capital increase of 283.8 million euros.
(2) Vesting at a rate of 25% per year as from the grant date.
(3) 50% vesting after two years following the grant date and the balance vesting at an annual rate of 25% thereafter.

Following the rights issue carried out on November 8, 2013 the number and unit price of the stock options were adjusted, with no increase in their fair value.

Changes in the number of options outstanding

	Number of options	Weighted average exercise price *(in euros)*
OPTIONS OUTSTANDING AT BEGINNING OF YEAR	960,742	48.44
Options granted during the year	-	-
Options canceled during the year	(131,019)	42.14
Options exercised during the year	(216 ,285)	38.07
Options expired during the year	(359,408)	58.50
OPTIONS OUTSTANDING AT THE YEAR-END	254,030	46.30
of which exercisable at the year-end	254,030	46.30

Valuation of options

The vesting conditions applicable to stock options are described in section 7.7.

The fair value of stock options was recorded as a payroll expense from the grant date to the end of the vesting period, with a corresponding adjustment to equity. As no options were in their vesting period in 2016 and in 2015 no corresponding expense was recognized in the income statement.

E. FREE SHARES AND PERFORMANCE SHARES

The Group allocated an aggregate 287,100 free shares and performance shares in 2016 and 320,960 in 2015.

At December 31, 2016 there were 886,859 free shares and performance shares outstanding, each entitling their owner to one share on vesting, representing a total of 2.0% of the Company's capital stock (959,096 at December 31, 2015, representing a total of 2.3% of the Company's capital stock).

The free shares and performance shares outstanding at December 31, 2016 can be analyzed as follows:

Plan characteristics

Grant date	Number of shares originally granted	Number of shares granted as adjusted after the rights issue[(1)]	Number of shares outstanding at the year-end	End of vesting period
November 21, 2011	113,180	131,237	-	November 21, 2015 for non-French tax residents, and November 21, 2014 followed by a 2-year lock-up period for French tax residents
November 20, 2012	121,370	141,478	-	November 19, 2016 for non-French tax residents, and November 20, 2015 followed by a 2-year lock-up period for French tax residents
July 24, 2013	275,000	319,007	38,329	July 24, 2017 for non-French tax residents, and July 24, 2016 followed by a 2-year lock-up period for French tax residents
July 24, 2014	311,940	N/A	249,340	July 24, 2018 for non-French tax residents, and July 24, 2017 followed by a 2-year lock-up period for French tax residents
July 28, 2015	320,960	N/A	312,340	July 28, 2019 for non-French tax residents, and July 28, 2018 followed by a 2-year lock-up period for French tax residents
January 1, 2016	30 ,000	N/A	30,000	January 1, 2020
May 12, 2016	253,200	N/A	252,950	May 12, 2020
November 23, 2016	3,900	N/A	3,900	November 23, 2020
TOTAL	**1,429,550**		**886,859**	

(1) On November 8, 2013 the Group carried out a rights issue which resulted in a capital increase of 283.8 million euros.

Following the rights issue carried out on November 8, 2013 the number of free shares and performance shares granted was adjusted, with no increase in their fair value.

Movements in outstanding free shares and performance shares

	Number of shares
SHARES OUTSTANDING AT BEGINNING OF YEAR	**959,096**
Shares granted during the year	287,100
Shares canceled during the year	(245,531)
Shares vested during the year	(113,806)
SHARES OUTSTANDING AT THE YEAR-END	**886,859**

Valuation of free shares and performance shares

The assumptions applied to value the shares impacting income for 2015 and 2016 were as follows:

Grant date	Nov. 21, 2011	Nov. 20, 2012	July 24, 2013	July 24, 2014	July 28, 2015	Jan. 1, 2016	May 12, 2016	Nov. 23, 2016
Share price at grant date (in euros)	37.79	33.81	40.21	34.85	36.19	33.84	43.47	49.80
Vesting period	3 to 4 years	3 to 4 years	3 to 4 years	3 to 4 years	3 to 4 years	4 years	4 years	4 years
Volatility (%)(1)	48%	43%	41%	42%	35%	35%	37%	37%
Risk-free interest rate (%)	1.50%	0.25%	0.35%	0.25%	0.00%	0.00%	0.00%	0.00%
Dividend rate (%)	2.0%	2.8%	2.8%	2.3%	2.0%	2.0%	1.0%	1.0%
Fair value of each share (in euros)	24.86 - 36.11	19.82- 30.23	12.94 - 35.95	11.61- 31.79	12.04 - 33.41	17.27- 31.24	28.50- 41.76	25.76- 47.85

(1) Only for shares subject to a stock market performance condition.

See also section 7.7.

The fair value of free shares and performance shares is recorded as a payroll expense from the grant date to the end of the vesting period, with a corresponding adjustment to equity. In the 2016 income statement this expense totaled 5 million euros. In the 2015 income statement the payroll expense was 4.7 million euros (excluding 1 million euros in payroll taxes for the 2015 plan).

F. PUT OPTIONS GRANTED TO NON-CONTROLLING INTERESTS

At December 31, 2016 Nexans has no commitment to buy non-controlling interests shareholdings as the put options granted to Non-controlling interests in Liban Cables has expired in 2016.

At December 31, 2015, Nexans residual commitment to buy non-controlling interests in Liban Cables was considered as a financial liability under IAS 32 and amounted to 2 million euros. It was related to 3.85% of Liban Cables' shares.

G. EQUITY COMPONENT OF THE OCEANE CONVERTIBLE/EXCHANGEABLE BONDS

In accordance with IAS 32, the portion of the OCEANE bonds issued in February 2012 that corresponds to the value of the options embedded in the instruments is recorded under "Retained earnings and other reserves" within equity, representing pre-tax amounts of 41 million euros.

H. EMPLOYEE SHARE OWNERSHIP PLAN

In 2015 Nexans launched a new employee share ownership plan made up of an employee share issue involving a maximum of 500,000 shares. The settlement-delivery of the shares took place on July 28, 2016 and resulted in the issuance of 483,612 new shares, representing an aggregate amount of 16.8 million euros. The expense relating to this plan (representing 0.7 million euros) was recognized in 2016 and includes the impact of valuing the lock-up period applicable to plans in countries where it was possible to set up a corporate mutual fund.

Out of the proceeds of this employee share issue (net of the related issue costs), 0.5 million euros was recognized in "Capital stock" and 15.7 million euros in "Additional paid-in capital".

In 2014 Nexans launched a new employee share ownership plan made up of an employee share issue involving a maximum of

500,000 shares. The settlement-delivery of the shares took place on January 21, 2015 and resulted in the issuance of 499,862 new shares, representing an aggregate amount of 10.2 million euros. Out of the proceeds of this employee share issue (net of the related issue costs), 0.5 million euros was recognized in "Capital stock" and 8.8 million euros in "Additional paid-in capital" in 2015.

Note 21. Pensions, retirement bonuses and other long-term benefits

There are a large number of retirement and other long-term employee benefit plans in place within the Group:

- In France, each Group employee is eligible for state pension plans and is entitled to a statutory retirement indemnities paid by the employer. For historical reasons, certain employees are also members of a defined benefit supplementary pension plan, which has been closed to new entrants since 2005. In addition, the French members of the Group's Management Council have a top hat defined benefit pension plan.
- In other countries, pension plans are subject to local legislation, and to the business and historical practices of the subsidiary concerned. Nexans takes care to ensure that its main defined benefit plans are funded in such a way as to ensure that they have plan assets that approximate the value of the underlying obligations. The majority of unfunded defined benefit plans have been closed.

Provisions for jubilee and other long-term benefits paid during the employees' service period are valued based on actuarial calculations comparable to the calculations used for pension benefit obligations, but actuarial gains and losses are not recognized in other comprehensive income but in benefit expense.

A. MAIN ASSUMPTIONS

The basic assumptions used for the actuarial calculations required to measure obligations under defined benefit plans are determined by the Group in conjunction with its external actuary. Demographic and other assumptions (such as for staff turnover and salary increases) are set on a per-company basis, taking into consideration local job market trends and forecasts specific to each entity.

The weighted average rates used for the main countries concerned are listed below (together, these countries represented some 93% of the Group's pension obligations at December 31, 2016).

	Discount rate 2016	Estimated future salary increases 2016	Discount rate 2015	Estimated future salary increases 2015
France	1.70%	2.00% - 2.50%	2.00%	2.50%
Germany	1.70%	3.00%	2.00%	3.00%
Norway	2.25%	N/A	2.60%	2.50%
Switzerland	0.60%	0.40%	1.00%	1.50%
Canada	3.55%	3.50%	3.95%	3.50%
United States	4.35%	3.50%	4.50%	3.50%
Australia	2.90%	2.00%	3.50%	2.00%

The discount rates applied were determined as follows:

a) By reference to market yields on high-quality corporate bonds (rated AA or above) in countries or currency zones where there is a deep market for such bonds. This approach was notably used to determine the discount rates in the Eurozone, Canada, the United States, Switzerland, South Korea, Australia and Norway.

b) By reference to market yields on government bonds with similar maturities to those of the benefit payments

under the pension plans concerned in countries or currency zones where there is no deep market for high-quality corporate bonds (including for bonds with short maturities).

B. PRINCIPAL MOVEMENTS

(in millions of euros)	2016	2015
RETIREMENT COSTS FOR THE YEAR		
Service cost	(21)	(20)
Net interest expense	(10)	(10)
Actuarial gains/(losses) (on jubilee benefits)	(1)	2
Past service cost	11	4
Effect of curtailments and settlements	-	-
Impact of asset ceiling	-	-
NET COST FOR THE YEAR	**(21)**	**(24)**
of which operating cost	(11)	(14)
of which finance cost	(10)	(10)

(in millions of euros)	2016	2015
VALUATION OF BENEFIT OBLIGATION		
PRESENT VALUE OF BENEFIT OBLIGATION AT JANUARY 1	**911**	**884**
Service cost	21	20
Interest expense	19	21
Employee contributions	2	3
Plan amendments	(11)	(4)
Business acquisitions and disposals	1	-
Plan curtailments and settlements	-	(12)
Benefits paid	(72)	(50)
Actuarial (gains)/losses	11	22
Other (exchange differences)	11	27
PRESENT VALUE OF BENEFIT OBLIGATION AT DECEMBER 31	**893**	**911**

(in millions of euros)	2016	2015
PLAN ASSETS		
FAIR VALUE OF PLAN ASSETS AT JANUARY 1	**462**	**452**
Interest income	9	11
Actuarial gains/(losses)	19	(7)
Employer contributions	14	16
Employee contributions	2	3
Business acquisitions and disposals	-	-
Plan curtailments and settlements	-	(12)
Benefits paid	(50)	(27)
Other (exchange differences)	9	26
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31	**465**	**462**

(At December 31, in millions of euros)	2016	2015
FUNDED STATUS		
Present value of wholly or partially funded benefit obligations	(563)	(576)
Fair value of plan assets	465	462
FUNDED STATUS OF BENEFIT OBLIGATION	(98)	(114)
Present value of unfunded benefit obligation	(330)	(335)
BENEFIT OBLIGATION NET OF PLAN ASSETS	(428)	(449)
Unrecognized surplus (due to asset ceiling)	-	-
NET PROVISION RECOGNIZED	**(428)**	**(449)**
of which pension assets	2	4

(in millions of euros)	2016	2015
CHANGE IN NET PROVISION		
NET PROVISION RECOGNIZED AT JANUARY 1	**449**	**432**
Expense/(income) recognized in the income statement	21	24
Expense/(income) recognized in other comprehensive income	(9)	31
Utilization	(36)	(39)
Other impacts (exchange differences, acquisitions/disposals, etc.)	3	1
NET PROVISION RECOGNIZED AT DECEMBER 31	**428**	**449**
of which pension assets	2	4

C. SIGNIFICANT EVENTS OF THE YEAR

The actuarial losses recognized in 2016 primarily reflect (i) the lower discount rates applied, partially offset by (ii) the experience effects (retiree headcount, tax legislation update), and (iii) the return on plan assets (excluding amounts included in net interest on the net defined benefit obligation). Retirement costs for the year include the profit of 11 million euro in non-recurring income as a result of numerous plan amendments mainly in France, Switzerland and Brazil.
Actuarial losses recognized in 2015 were mainly due to (i) the lower discount rates applied, and (ii) the return on plan assets (excluding amounts included in net interest on the net defined benefit obligation). Retirement costs for the year included the impact of 4 million euros in non-recurring income as a result of the reduction in pension and other retirement benefit obligations recorded due to the restructuring plans put in place for the Group's operations in France.

The Group's employer contributions relating to defined benefit plans are estimated at 14 million euros for 2017.

Other retirement benefits for which the Group's employees are eligible correspond to defined contribution plans under which the Group pays a fixed contribution and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay benefits. Contributions under these plans are recognized immediately as an expense. The amount of contributions paid in relation to defined contribution plans amounted to 84 million euros in 2016 and 87 million euros in 2015.

D. ANALYSIS OF ACTUARIAL GAINS AND LOSSES

Actuarial gains and losses arising on the Group's defined benefit obligation can be analyzed as follows:

	2016		2015	
	in millions of euros	% of DBO	in millions of euros	% of DBO
Discount rate	47	5%	17	2%
Salary increases	(9)	-1%	(0)	0%
Mortality	(0)	0%	3	0%
Staff turnover	0	0%	-	0%
Other changes in assumptions	1	0%	2	0%
(GAINS)/LOSSES FROM CHANGES IN ASSUMPTIONS	39	4%	22	2%
(GAINS)/LOSSES FROM PLAN AMENDMENTS	-	0%	-	0%
(GAINS)/LOSSES FROM EXPERIENCE ADJUSTMENTS	(28)	-3%	0	0%
OTHER	0	0%	0	0%
TOTAL (GAINS)/LOSSES ARISING DURING THE YEAR	**11**	**1%**	**22**	**2%**

E. BREAKDOWN OF PLAN ASSETS BY CATEGORY

The Group's portfolio of plan assets breaks down as follows:

	2016		2015	
	in millions of euros	% of DBO	in millions of euros	% of DBO
Equities[1]	144	31%	149	32%
Bonds and other fixed income products[1]	180	38%	174	38%
Real estate	83	18%	83	18%
Cash and cash equivalents	13	3%	12	3%
Other	45	9%	44	9%
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31	**465**	**100%**	**462**	**100%**

(1) All of the instruments recognized under "Equity" and "Bonds and other fixed income products" are listed.

F. SENSITIVITY ANALYSES

The present value of the Group's obligation for pension and other retirement benefits is sensitive to changes in discount rates. In 2016, a 50 basis-point decrease in the discount rates applied would have had the following impacts on the present value of the Group's defined benefit obligation:

	2016		
	Actual DBO in millions of euros	Adjusted DBO in millions of euros	% of DBO
Europe	668	713	6.70%
North America	183	194	6.26%
Asia	29	30	4.54%
Other countries	13	13	4.39%
TOTAL	**893**	**950**	**6.51%**

The present value of the Group's obligation for pension and other retirement benefits is also sensitive to changes in inflation rates. Depending on the type of plan concerned, changes in inflation rates can affect both the level of future salary increases and the amounts of annuity payments. A 50 basis-point increase in the inflation rates used would have had the following impacts on the present value of the Group's defined benefit obligation (assuming that the discount rates applied remain constant):

	2016		
	Actual DBO in millions of euros	Adjusted DBO in millions of euros	% of DBO
Europe	668	686	2.68%
North America	183	183	0.00%
Asia	29	29	0.00%
Other countries	13	12	0.01%
TOTAL	**893**	**910**	**2.00%**

G. CHARACTERISTICS OF THE MAIN DEFINED BENEFIT PLANS AND RISKS ASSOCIATED WITH THEM

The two plans described below represent 58% of the total present value of the Group's defined benefit obligation at December 31, 2016.

Switzerland:

The pension plan of Nexans Suisse S.A. is a contribution-based plan with a guaranteed minimum rate of return and a fixed conversion rate on retirement. It offers benefits that comply with the Swiss Federal Law on compulsory occupational benefits (the "LPP/BVG" law).

As specified in the LPP/BVG law, the plan has to be fully funded. Therefore if there is a funding shortfall, measures must be taken to restore the plan to a fully funded position, such as by the employer and/or employees contributing additional financing and/or by reducing the benefits payable under the plan.

The pension fund for Nexans Suisse S.A. is set up as a separate legal entity (a Foundation), which is responsible for the governance of the plan and is composed of an equal number of employer and employee representatives. The strategic allocation of plan assets must comply with the investment guidelines put in place by the Foundation, which are aimed at limiting investment risks.

Nexans Suisse S.A. is also exposed to risks related to longevity improvement concerning the plan as two thirds of the defined benefit obligation relates to employees who have already retired.

The weighted average life of the plan is approximately 14 years.

Germany:

Nexans Deutschland GmbH's most significant plan is a defined benefit plan that has been closed to new entrants since January 1, 2005. For other employees, their pension benefits will be calculated based on their vested rights as at the date the plan was closed.

This plan – which is unfunded – also provides for disability benefits. In general, any disability payments due will be made on top of the amount of future pension benefits. In addition, the plan provides for reversionary benefits.

The weighted average life of the plan is approximately 12 years.

Note 22. Provisions

A. ANALYSIS BY NATURE

(At December 31, in millions of euros)	2016	2015
Accrued contract costs	39	38
Restructuring provisions	81	128
Other provisions	90	71
TOTAL	**210**	**237**
- of which short-term	110	151
- of which long-term	100	86

Movements in these provisions were as follows during 2015 and 2016:

(in millions of euros)	TOTAL	Accrued contract	Restructuring provisions	Other provisions
AT DECEMBER 31, 2014	**274**	**38**	**130**	**106**
Additions	120	19	83	17
Reversals (utilized provisions)	(82)	(10)	(68)	(4)
Reversals (surplus provisions)	(73)	(7)	(19)	(47)
Business combinations	-	-	-	-
Exchange differences and other	(2)	(2)	2	(1)
AT DECEMBER 31, 2015	**237**	**38**	**128**	**71**
Additions	58	17	20	21
Reversals (utilized provisions)	(68)	(10)	(56)	(2)
Reversals (surplus provisions)	(19)	(5)	(11)	(3)
Business combinations	(2)	(1)	-	(1)
Exchange differences and other	4	(0)	(0)	4
AT DECEMBER 31, 2016	210	39	81	90

The above provisions have not been discounted as the effect of discounting would not have been material.

Provisions for accrued contract costs are primarily set aside by the Group as a result of its contractual responsibilities, particularly relating to customer warranties, loss-making contracts and penalties under commercial contracts (see **Note 30**). They do not include provisions for construction contracts in progress, as any expected losses on these contracts are recognized as contract costs in accordance with the method described in **Note 1.E.a.**

The “Other provisions” column mainly includes provisions set aside for antitrust investigations, which amounted to 60 million euros at December 31, 2016 (see **Note 30**).

Surplus provisions are reversed when the related contingency no longer exists or has been settled for a lower amount than the estimate made based on information available at the previous period-end (including provisions for expired customer warranties).

B. ANALYSIS OF RESTRUCTURING COSTS

Restructuring costs amounted to 33 million euros in 2016, breaking down as follows:

(in millions of euros)	Redundancy costs	Asset impairment and retirements[1]	Other monetary expenses	Total
Additions to provisions for restructuring costs	13	20	7	40
Reversals of surplus provisions	(11)	(2)	(0)	(14)
Other costs for the year	4	-	3	7
TOTAL RESTRUCTURING COSTS	**6**	**18**	**9**	**33**

(1) Deducted from the carrying amount of the corresponding assets in the consolidated statement of financial position.

In 2016 the Group's companies pursued their implementation of cost-cutting plans drawn up previously and continued to work on new plans to effectively respond to changes in the global cable market.

The 33 million euro expense recognized under restructuring costs in 2016 corresponds to (i) provisions for restructuring plans in the United States, Europe and Asia-Pacific region, (ii) costs expensed as incurred and (iii) proceeds from the sale of a land use right in China.

"Other monetary expenses" primarily correspond to costs for cleaning up, dismantling and/or maintaining sites as well as for reallocating assets within the Group.

Expenses that do not meet the recognition criteria for provisions are presented under "Other costs for the year" and include items such as (i) the salaries of employees working out their notice period, (ii) the cost of redeploying manufacturing assets or retraining employees within the Group, and (iii) the cost of maintaining sites beyond the dismantlement period or the originally expected sale date. The proceeds arising on the sales of assets carried out as part of restructuring plans are deducted from "Other monetary expenses" when the sales are completed.

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

In 2015, restructuring costs came to 100 million euros, breaking down as follows:

(in millions of euros)	Redundancy costs	Asset impairment and retirements[1]	Other monetary expenses	Total
Additions to provisions for restructuring costs	79	23	4	106
Reversals of surplus provisions	(19)	(2)	(0)	(21)
Other costs for the year	8	0	7	15
TOTAL RESTRUCTURING COSTS	**68**	**21**	**11**	**100**

(1) Deducted from the carrying amount of the corresponding assets in the consolidated statement of financial position.

The 100 million euro expense for 2015 mainly included provisions recognized for downsizing plans in Europe, the Asia-Pacific region, Norway and the United States.

Note 23. Net debt

At both December 31, 2016 and 2015 the Group's long-term debt was rated BB- by Standard & Poor's with a stable outlook.

A. ANALYSIS BY NATURE

(At December 31, in millions of euros)	2016	2015	Notes
LONG TERM - ORDINARY BONDS[1]	498	598	23.B
LONG TERM - CONVERTIBLE BONDS[1]	263	255	
Other long-term borrowings[1]	5	6	
SHORT TERM - ORDINARY BONDS[1]	350	-	
SHORT TERM - CONVERTIBLE BONDS[1]	0	213	
Short-term borrowings and short-term accrued interest not yet due	111	127	
Short-term bank loans and overdrafts	9	14	
GROSS DEBT	1,236	1,213	
Short-term financial assets	-	-	
Cash	(376)	(447)	
Cash equivalents	(649)	(565)	
NET DEBT	**211**	**201**	

(1)Excluding short-term accrued interest not yet due.

Since the second quarter of 2010, short-term borrowings have included a securitization program (the "On-Balance Sheet" program) set up by Nexans France involving the sale of euro-denominated trade receivables, which is contractually capped at 85 million euros (see **Note 17).**

B. BONDS

(At December 31, in millions of euros)	Carrying amount	Face value at issue date	Maturity date	Nominal interest	Strike price[3] *(in euros)*
2019 OCEANE convertible/exchangeable bonds	270	275	January 1, 2019	2.50%	72.74
TOTAL CONVERTIBLE BONDS[1]	**270**	**275**			
Ordinary bonds redeemable in 2017	363	350	May 2, 2017	5.75%	N/A
Ordinary bonds redeemable in 2018	258	250	March 19, 2018	4.25%	N/A
Ordinary bonds redeemable in 2021	253	250	May 26, 2021	3.25%	N/A
TOTAL ORDINARY BONDS[2]	**874**	**850**			

(1) Including 7 million euros in short-term accrued interest.
(2) Including 26 million euros in short-term accrued interest.
(3) Redemption price at face value. The conversion ratio is 1.1250 shares for 2019 OCEANE bond.

At December 31, 2016, the Group's debt included an OCEANE convertible/exchangeable bonds maturing on January 1, 2019. The indentures for the 2019 OCEANE bond issues include early redemption options exercisable by the bondholders June 1, 2018 or the first business day thereafter.

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

The ordinary bonds redeemable in 2017 were reclassified to short-term debt at December 31, 2016 as their maturity was within twelve months of that date.

On May 26, 2016 Nexans carried out a 250 million euro bond issue with a maturity date of May 26, 2021. The issue price was 100.00% of the bonds' par value.

In accordance with IAS 32, the portion of the 2019 OCEANE bonds corresponding to the value of the conversion option was included in equity in pre-tax amounts of 41.2 million euros at its issue date.

Consolidated statement of financial position

(At December 31, in millions of euros)	2016	2015
EQUITY COMPONENT (RETAINED EARNINGS AND OTHER RESERVES), BEFORE TAX	**41**	**78**
Convertible bonds (liability component)	229	395
Accrued interest	41	88
FINANCIAL LIABILITIES	**270**	**483**

Income statement

(in millions of euros)	2016	2015
Contractual interest paid	(7)	(15)
Additional interest calculated at interest rate excluding the option	(8)	(16)
TOTAL FINANCIAL EXPENSE	**(15)**	**(31)**

C. ANALYSIS OF GROSS DEBT BY CURRENCY AND INTEREST RATE

Long-term debt (excluding short-term accrued interest not yet due)

(At December 31)	Weighted average EIR [(1)] (%)		In millions of euros	
	2016	2015	2016	2015
2019 OCEANE convertible/exchangeable bonds	5.73	5.73	263	255
Ordinary bonds redeemable in 2017[(2)]	N/A	5.95	N/A	349
Ordinary bonds redeemable in 2018	4.53	4.53	249	249
Ordinary bonds redeemable in 2021	3.40	N/A	249	N/A
Other	3.45	1.05	5	6
TOTAL	**4.57**	5.44	**766**	859

(1) Effective interest rate.

(2) The 2017 ordinary bonds were reclassified to short-term debt in 2016.

Over 99% of the Group's medium- and long-term debt is at fixed interest rates.

Long-term debt denominated in currencies other than the euro essentially corresponds to borrowings granted to Liban Cables, which carry preferential rates, and to Nexans Brasil.

Short-term debt

(At December 31)	Weighted average EIR[1] (%)		In millions of euros	
	2016	2015	2016	2015
2016 OCEANE convertible/exchangeable bonds	N/A	8.48	-	213
Ordinary bonds redeemable in 2017	5.95	N/A	350	N/A
Euro (excluding OCEANE convertible/exchangeable bonds)	5.37	2.96	16	29
US dollar	4.28	2.21	29	18
Other	5.07	4.93	41	57
TOTAL SHORT-TERM DEBT EXCLUDING ACCRUED INTEREST	**5.74**	**6.98**	**436**	**317**
Accrued interest (including short-term accrued interest on long-term debt)	N/A	N/A	34	37
TOTAL SHORT-TERM DEBT	**5.74**	**6.98**	**470**	**354**

(1) Effective interest rate.

At December 31, 2016, US dollar-denominated debt primarily concerned subsidiaries located in Lebanon and Brazil.

Debt denominated in currencies other than euros and US dollars corresponds to borrowings taken out locally by certain Group subsidiaries in Asia (China), the Middle East/Africa (Morocco and Ghana), and South America (primarily Brazil). In some cases such local borrowing is required as the countries concerned do not have access to the Group's centralized financing facilities. However, it may also be set up in order to benefit from a particularly attractive interest rate or to avoid the risk of potentially significant foreign exchange risk depending on the geographic region in question.

The majority of the Group's short-term debt (excluding the 2017 ordinary bonds) is at variable rates.

D. ANALYSIS BY MATURITY (INCLUDING ACCRUED INTEREST)

Nexans Services, a wholly-owned Nexans subsidiary, is responsible for the Group's centralized cash management. However, in its capacity as parent company, Nexans S.A. still carries out the Group's long-term bond issues.

Nexans Services monitors changes in the liquidity facilities of the holding companies as well as the Group's overall financing structure on a weekly basis (see **Note 26.A**).

In view of Nexans' available short-term liquidity facilities and long-term debt structure, the Group's debt maturity schedule set out below is presented on a medium- and long-term basis.

Maturity schedule at December 31, 2016

(in millions of euros)	Due within 1 year		Due in 1 to 5 years		Due beyond 5 years		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Bonds redeemable in 2017	350	20	-	-	-	-	350	20
Bonds redeemable in 2018	-	11	250	11	-	-	250	22
Bonds redeemable in 2021	-	8	250	33	-	-	250	41
2019 OCEANE convertible/ exchangeable bonds	-	7	275	14	-	-	275	21
Other long-term borrowings	-	0	3	0	2	-	5	0
Short-term borrowings including short-term bank loans and overdrafts	86	2	-	-	-	-	86	2
TOTAL	**436**	**48**	**778**	**58**	**2**	**-**	**1,216**	**106**

Notes concerning the preparation of the maturity schedule:

- It is assumed that the 2019 OCEANE convertible / exchangeable bonds will be redeemed on January 2, 2019.
- Foreign exchange and interest rate derivatives used to hedge the Group's external debt are not material at the level of the Group.
- The euro equivalent amount for borrowings in foreign currencies has been calculated using the year-end exchange rate at December 31, 2016.
- It has been assumed that the nominal amounts of short-term borrowings including short-term bank loans and overdrafts will be fully repaid at regular intervals throughout 2017.
- The interest cost has been calculated based on contractual interest rates for fixed-rate borrowings and on weighted average interest rates at December 31, 2016 for variable-rate borrowings (see **Note 23.C** above).

Note 24. Trade payables and other current liabilities

(At December 31, in millions of euros)	2016	2015
TRADE PAYABLES	**1,244**	**1,163**
Social liabilities	234	221
Current income tax payables	59	36
Other tax payables	16	19
Deferred income	0	3
Other payables	42	53
OTHER CURRENT LIABILITIES	**351**	**332**

At December 31, 2016, trade payables included approximately 281 million euros (224 million euros at December 31, 2015) related to copper purchases whose payment periods can be longer than usual for such supplies.
Amounts due to suppliers of fixed assets totaled 4 million euros at December 31, 2016 (12 million euros at December 31, 2015).

Note 25. Derivative instruments

Notional amounts and market value	December 31, 2016							December 31, 2015		
	Notional amounts					Market value		Notional amounts	Market value	
(in millions of euros)	USD	NOK	EUR	Other	Total	Assets	Liabilities		Assets	Liabilities
FOREIGN EXCHANGE DERIVATIVES - CASH FLOW HEDGES						39	31		42	47
Forward sales	513	683	506	639	2,341			1,681		
Forward purchases	416	1,078	491	363	2,348			1,670		
FOREIGN EXCHANGE DERIVATIVES - HELD FOR TRADING						16	12		16	21
Forward sales	275	121	423	310	1,129			1,546		
Forward purchases	419	13	355	344	1,131			1,545		
METAL DERIVATIVES	Copper	Aluminum	Lead	Other	Total					
METAL DERIVATIVES - CASH FLOW HEDGES						21	13		1	64
Forward sales	77	2	5	-	84			44		
Forward purchases	362	3	44	-	409			454		
METAL DERIVATIVES - HELD FOR TRADING						2	1		1	3
Forward sales	31	8	1	-	40			29		
Forward purchases	58	16	3	-	77			73		
TOTAL						78	57		60	135

.

- Foreign exchange derivatives:

In 2016 the Group recorded a 11 million euro loss relating to the ineffective portion of its foreign exchange derivatives. In the consolidated income statement this loss is included in “Other financial income and expenses” for the operations component of the hedge and in “Cost of debt (net)” for the financial component.

An aggregate 34 million euro gain was recognized in the consolidated statement of comprehensive income in 2016 for foreign exchange derivatives designated as cash flow hedges and a 7 million euro loss was reclassified to the income statement.

- Metal derivatives:

The ineffective portion of gains or losses arising on the fair value remeasurement of metal derivatives designated as cash flow hedges is recognized in “Changes in fair value of non-ferrous metal derivatives” in the consolidated income statement, and represented a nil amount in 2016.

An aggregate 54 million euro gain was recognized in the consolidated statement of comprehensive income in 2016 for metal derivatives designated as cash flow hedges and an 18 million euro loss was reclassified to the income statement.

Note 26. Financial risks

The Group Finance Department determines the Group's overall policy for managing financial risks. It is assisted by the following two departments:

- The Treasury and Financing Department, which manages risks related to liquidity, foreign exchange, interest rates, credit and banking counterparties, deposits and investments. This Department forms part of Nexans Services.
- The Metals Management Department, which manages risks relating to changes in non-ferrous metal prices as well as credit and financial counterparty risks for entities that trade in non-ferrous metals markets.

Where permitted by local regulations, Group subsidiaries' foreign exchange and interest rate risks are managed on a centralized basis and their access to liquidity is managed through a cash pooling system.

The main subsidiaries that did not have access to the centralized cash management system at December 31, 2016 are located in Morocco, China, South Korea, Peru, Brazil and Colombia. These subsidiaries, which have their own banking partners, are nevertheless subject to Group procedures regarding their choice of banks and foreign exchange and interest rate risk management.

The Group's risk management policy for non-ferrous metals is also determined and overseen on a centralized basis for the Group as a whole. The Metals Management Department centralizes subsidiaries' use of metals markets and places their orders for them. At December 31, 2016, only subsidiaries in Australia, New Zealand and China had direct access to such markets.

A. LIQUIDITY RISKS

Group financing

Monitoring and controlling liquidity risks

The Treasury and Financing Department monitors changes in the treasury and liquidity positions of the Group on a two-weekly basis (encompassing both holding companies and operating entities). In addition, subsidiaries are required to provide monthly cash-flow forecasts which are compared to actual cash-flow figures on a two-weekly basis.

Bank borrowings taken out by subsidiaries that are not part of the Nexans Services centralized cash management system must be approved in advance by the Treasury and Financing Department and may not have maturity dates exceeding 12 months, unless express authorization is obtained.

The key liquidity indicators that are monitored are (i) the unused amounts of credit facilities granted to the Group, and (ii) available cash and cash equivalents.

The Group also monitors its net debt position on a monthly basis (see **Note 23** for the definition of net debt).

Management of cash surpluses

The Group's policy for investing cash surpluses is guided by the overriding principles of ensuring sufficient availability and using safe investment vehicles. The banks considered by the Group as acceptable counterparties must be rated at least A2 by Standard & Poor's and P2 by Moody's, or must be majority-owned by the government of their home country (which must be either an EU member, Canada or the United States).

At December 31, 2016, the Group's cash surpluses were recognized under "Cash and cash equivalents" in the consolidated statement of financial position and were invested in:

- money-market mutual funds (OPCVM) which are not exposed to changes in interest rates and whose underlying assets are investment-grade issues by both corporations and financial institutions; and
- term deposits and certificates of deposit issued by banks, with an initial investment period of less than one year.

Main sources of financing

Over the past several years the Group has implemented a strategy of diversifying its sources of financing, through:

- Issues of convertible/exchangeable bonds, i.e., the 2019 OCEANE bonds (see **Note 23**).
- Issues of ordinary bonds maturing in 2017, 2018 and 2021 (see **Note 23**).
- A medium-term syndicated credit facility representing an amount of 600 million euros.

- Receivables securitization and factoring programs:
  The Group's existing securitization program – set up on March 29, 2010 and covering the securitization of trade receivables in France and Germany – was renewed on March 30, 2015 for a maximum period of five years. This program still includes two separate parts: an "Off Balance Sheet" program and an "On Balance Sheet" program (see **Note 17**). The amount of receivables that may be sold under the Off Balance Sheet program is currently capped at 25 million euros. This program is renewable every six months and the transfer of the risks and rewards of ownership of the receivables does not give rise to any risk of dilution. At December 31, 2016, financed receivables under the Off Balance Sheet program represented an outstanding amount of 14 million euros (13 million euros at December 31, 2015).
  Factoring programs set up in Norway under which the amount of sold receivables totaled 77 million euros at December 31, 2016 (70 million euros at December 31, 2015).
  Factoring programs set up in Morocco under which the amount of sold receivables totaled 11 million euros at December 31, 2015 (26 million euros at December 31, 2015).
  During the first half of 2016, the Group sold CIR and CICE tax receivables for 9 million euros net of fees (compared to 22 million euros in 2015)
- Local credit facilities.

Covenants and acceleration clauses

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

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

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

These ratios were well within the specified limits at both December 31, 2016 and at the date the Board of Directors approved the financial statements.

The Group is not subject to any other financial ratio covenants.

If any of the facility's covenants were breached, any undrawn credit lines would become unavailable and any drawdowns would be repayable, either immediately or after a cure period of thirty days depending on the nature of the breach.

This syndicated loan agreement, together with the indentures for the 2019 OCEANE bonds and the ordinary bonds redeemable in 2017, 2018 and 2021 also contain standard covenants (negative pledge, cross default, *pari passu* and change of control clauses), which, if breached, could accelerate repayment of the syndicated loan or the bond debt.

The receivables securitization programs renewed on March 30, 2015 for a maximum five-year term contain clauses similar to those negotiated when the original program was set up in 2010. Consequently these new programs do not include any acceleration clauses. However, they do contain change of control and cross default clauses as well as clauses relating to significant changes in the behavior of the portfolio of the sold receivables, which could lead to a termination of the receivables purchases and consequently the programs themselves.

B. INTEREST RATE RISKS

The Group structures its financing in such a way as to avoid exposure to the risk of rises in interest rates:

- The vast majority of Nexans' medium-and long-term debt is at fixed rates. At December 31, 2016 the bulk of this debt corresponded to the 2019 OCEANE bonds and the ordinary bonds redeemable in 2018 and 2021.
- All of the Group's short-term debt at December 31, 2016 (excluding the 2017 ordinary bonds) was at variable rates based on monetary indices (EONIA, EURIBOR, LIBOR or local indices). Fixed-rate debt with original maturities of less than one year is considered as variable-rate debt. The Group's short-term cash surpluses are invested in instruments which have maturities of less than one year and are therefore at adjustable rates (fixed rate renegotiated when the instrument is renewed) or at variable rates (based on the EONIA or LIBOR over a shorter duration than that of the investment). Consequently, the Group's net exposure to changes in interest rates is limited and amounted to 938 million euros at December 31, 2016 and 915 million euros at December 31, 2015.

The Group did not have any interest rate hedges in place at either December 31, 2016 or December 31, 2015.

(At December 31, in millions of euros)	2016			2015		
	Current	Non Current	Total	Current	Non Current	Total
VARIABLE RATE						
Financial liabilities[1]	87	3	90	97	4	101
Cash and cash equivalents	(1,025)	-	(1,025)	(1,012)	-	(1,012)
NET VARIABLE RATE POSITION	(938)	3	(935)	(915)	4	(911)
FIXED RATE						
Financial liabilities[1]	383	763	1,146	257	855	1,112
NET FIXED RATE POSITION	383	763	1,146	257	855	1,112
NET DEBT	**(555)**	**766**	**211**	**(658)**	**859**	**201**

(1) Including the short-term portion of accrued interest not yet due on long-term debt.

C. FOREIGN EXCHANGE AND METAL PRICE RISKS

The Group's policy for managing non-ferrous metals risks is defined and overseen by the Metals Management Department and is implemented by the subsidiaries that purchase copper, aluminum and, to a lesser extent, lead. The Group's main exposure to metal price risk arises from fluctuations in copper prices.

The Group's sensitivity to foreign exchange risk on operating cash flows is considered to be moderate due to its operational structure, whereby the majority of Nexans' operating subsidiaries have a very strong local presence, except in the high-voltage business.

The Group's policy is to hedge its foreign exchange and non-ferrous metal price risks on cash flows relating to (i) foreseeable significant contractual commercial transactions, and (ii) certain forecast transactions. The operations arising from this hedging activity may result in certain positions being kept open. Where this happens, the positions are limited in terms of amount and tenor and they are overseen by the Metals Management Department for metal hedges and the Treasury and Financing Department for foreign exchange hedges.

The Group's foreign exchange risk exposure primarily relates to operations-based transactions (purchases and sales). The Group considers that it only has low exposure to foreign exchange risk on debt. However, other than in exceptional cases, when debt is denominated in a currency that is different to the Group's functional currency the inherent foreign exchange risk is hedged.

Due to its international presence, the Group is exposed to foreign currency translation risk on the net assets of subsidiaries whose functional currency is not the euro. It is Group policy not to hedge these risks.

Methods used to manage and hedge exposure to foreign exchange risk

The Group verifies that its procedures for managing foreign exchange risk are properly applied by means of quarterly reports provided to the Treasury and Financing Department by all subsidiaries exposed to this type of risk, irrespective of whether or not they are members of the cash pool. The reports contain details on the subsidiaries' estimated future cash flows in each currency and the related hedges that have been set up, as well as a reconciliation between actual figures and previous forecasts.

The Treasury and Financing Department has developed training materials for the Group's operations teams and carries out ad hoc audits to ensure that the relevant procedures have been properly understood and applied. Lastly, the Internal Audit Department systematically verifies that the procedures for identifying and hedging foreign exchange risks have been properly applied during its audit engagements carried out at the Group's subsidiaries.

In addition, some bids are made in a currency other than that in which the entity concerned operates. Foreign exchange risks arising on these bids are not systematically hedged, which could generate a gain or loss for the Group if there is a significant fluctuation in the exchange rate between the date when the bid is presented and the date it is accepted by the customer. However, in such cases, the Group takes steps to reduce its potential risk by applying expiration dates to its bids and by incorporating the foreign exchange risk into the price proposal.

Foreign exchange risk is identified at the level of the Group's subsidiaries, whose treasurers execute centrally or locally hedges using forward currency transactions. For subsidiaries that are members of the cash pool, these transactions are carried out with the Treasury and Financing Department. Other subsidiaries enter into forward currency transactions with their local banks. The objective of these transactions is for operating cash flows to be denominated in the functional currency of the entity concerned.

Methods used to manage and hedge exposure to metal risks

The Group verifies that its procedures for managing and hedging metal risks are correctly applied by means of each operating subsidiary reporting monthly on its exposure to copper, aluminum and lead risk in both tonnage and value terms. The related reports are analyzed and consolidated at Group level by the Metals Management Department.

In addition, the Metals Management Department regularly provides training sessions and performs controls within the subsidiaries to ensure that the procedures are properly understood and applied. It has also created training modules on the Group intranet for operations teams, including salespeople, buyers, finance staff and "hedging operators", who are in charge of daily hedging activities concerning metals risks. Lastly, the Internal Audit Department systematically checks that the procedures for identifying and hedging metals risks have been properly applied during its audit engagements carried out at the Group's operating subsidiaries.

In order to offset the consequences of the volatility of non-ferrous metal prices (copper and, to a lesser extent, aluminum and lead), Nexans' policy is to pass on metal prices in its own selling prices, and hedge the related risk either by setting up a physical hedge or by entering into futures contracts on the London, New York and, to a lesser degree, Shanghai, metal exchanges. Nexans does not generate any income from speculative trading ofmetals.

The Group's production units require a permanent minimum level of metal inventories for their routine operations, which is referred to as "Core exposure". Core exposure represents the minimum amounts that are necessary for the production units to operate appropriately. Consequently, the quantities of metal corresponding to Core exposure are not hedged and are recorded within operating margin based on initial purchase cost (which is close to LIFO value). However, as described in **Note 1.E.c**, at the level of operating income, Core exposure is measured at its weighted average cost and therefore the difference between historical cost and weighted average cost is recognized under "Core exposure effect" in the income statement.

As a result, any reduction (via sales) in volume of Core exposure due to (i) structural changes in the sales and operating flows of an entity or (ii) a significant change in the business levels of certain operations, can impact the Group's operating margin.

In addition, the Group's operating margin is still partially exposed to fluctuations in non-ferrous metal prices for certain product lines, such as copper cables for cabling systems and building sector products. In these markets, any changes in non-ferrous metal prices are generally passed on in the selling price, but with a time lag that can impact margins. The fierce competition in these markets also affects the timescale within which price increases are passed on.

In accordance with its risk management policy described above, the Group enters into physical contracts only for operational purposes (for the copper component of customer or supplier orders) and uses futures contracts only for hedging purposes (LME, COMEX or SHFE traded contracts). The Group's main subsidiaries document their hedging relationships in compliance with the requirements of IAS 39 relating to cash flow hedges.

D. CREDIT AND COUNTERPARTY RISK

In addition to customer credit risk, counterparty risk arises primarily on foreign exchange and non-ferrous metal derivatives as well as on the Group's investments and deposits placed with banks.

Customer credit risk

The Group's diverse business and customer base and wide geographic reach are natural mitigating factors for customer credit risk. At December 31, 2016, no single customer represented more than 5% of the Group's total outstanding receivables.

The Group also applies a proactive policy for managing and reducing its customer risk by means of a Group-wide credit management policy which was rolled out to Nexans' international subsidiaries throughout the course of 2015. The Group has also set up a master credit insurance program for most of its subsidiaries, although a portion of its trade receivables is not covered by this program. Credit risk has been amplified by the difficult market environment caused by the recent global economic and political crises, and the Group has experienced late and disputed payments from a number of customers. Currently it is still difficult to obtain credit risk coverage in Brazil where insurers are still selective and coverage remains limited and there is also some pressure regarding credit risk in Turkey.

Foreign exchange derivatives

In accordance with Group policy, in order to keep counterparty risk as low as possible, entities have mid or long term commercial commitments that require adhoc foreign exchange derivatives expiring in more than one year will be limited by our internal counterparty risk policy to deal with banks that have been assigned medium- and long-term ratings of at least A- by Standard & Poor's and A3 by Moody's. For transactions expiring in less than one year, the banks used must have been assigned short-term ratings of at least A2 by Standard & Poor's and P2 by Moody's.

For subsidiaries that are not members of the cash pool, the same criteria apply but exceptions may be made, notably for subsidiaries located in countries with sovereign ratings that are below the specified thresholds. In this case, foreign exchange derivatives involving counterparty risk can only be set up with branches or subsidiaries of banking groups whose parent company satisfies the above risk criteria.

Counterparty risk for these subsidiaries is subject to a specific monthly monitoring process that tracks the external commitments made by each subsidiary in relation to foreign exchange hedges.

Based on a breakdown by maturity of notional amounts at December 31, 2016 (the sum of the absolute values of notional amounts of buyer and seller positions), the Group's main exposure for all subsidiaries (both members and non-members of the cash pool) is to short-term maturities:

(At December 31, in millions of euros)	2016		2015	
	Notional amounts Buyer positions	Notional amounts Seller positions	Notional amounts Buyer positions	Notional amounts Seller positions
Within 1 year	2,778	2,770	2,783	2,794
Between 1 and 2 years	594	588	374	373
Between 2 and 3 years	54	56	55	60
Between 3 and 4 years	51	54	3	0
Between 4 and 5 years	2	2	-	-
Beyond 5 years	-	-	-	-
TOTAL	**3,479**	**3,470**	**3,215**	**3,227**

Metal derivatives

The Nexans Group hedges its exposure to copper, aluminum and, to a lesser extent, lead, by entering into derivatives transactions in three organized markets: the LME in London, the COMEX in New York and, in certain limited cases, the SHFE in Shanghai. Substantially all of the derivatives transactions conducted by the Group are standard buy and sell trades. The Group does not generally use metal options.

The Metals Management Department performs metal derivatives transactions on behalf of substantially all of the Group's subsidiaries apart from – at December 31, 2016 – its Australian, New Zealand and Chinese entities. Non-ferrous metal hedging transactions carried out on commodity exchanges may give rise to two different types of counterparty risk:

- the risk of not recovering cash deposits made (margin calls); and
- the replacement risk for contracts on which the counterparty defaults (mark-to-market exposure, i.e., the risk that the terms of a replacement contract will be different from those in the initial contract).

The Metals Management Department manages counterparty risk on the Group's derivative instruments by applying a procedure that sets ceilings by counterparty and by type of transaction. The level of these ceilings depends notably on the counterparties' ratings. In addition, the transactions carried out are governed by master netting agreements developed by major international Futures and Options Associations that allow for the netting of credit and debit balances on each contract.

The Group's counterparties for these transactions are usually its existing financial partners, provided they have a long-term rating of at least A-/A3. Counterparties rated between BBB-/Baa3 and BBB+/Baa1 can also be approved provided the Group's aggregate exposure to these counterparties does not exceed (i) 25 million US dollars for counterparties rated BBB+ or BBB, and (ii) 10 million US dollars for counterparties rated BBB-.

In Australia and New Zealand, because of the countries' time zone, the Group's subsidiaries carry out metal derivatives transactions with an Australian broker, which is not rated. However, the Group only has a low level of exposure to this broker. Subsidiaries in China hedge their metals risks on the Shanghai Futures Exchange (SHFE) which can only be used by local brokers. The Group's metal derivatives transactions are governed by master netting agreements developed by major international Futures and Options Associations that, in the event of a default, allow for the netting of a Group subsidiary's assets and liabilities related to the defaulting counterparty.

The Group's maximum theoretical counterparty risk on its metal derivatives transactions can be measured as the sum of credit balances (including positive mark-to-market adjustments) and cash deposits, after contractually permitted asset and liability netting. This maximum theoretical risk amounted to 32.5 million euros at December 31, 2016 and 4.5 million euros at December 31, 2015.

(At December 31, in millions of euros)	2016		2015	
	Notional amounts Buyer positions	Notional amounts Seller positions	Notional amounts Buyer positions	Notional amounts Seller positions
Within 1 year	337	119	368	73
Between 1 and 2 years	91	5	73	-
Between 2 and 3 years	28	-	33	-
Between 3 and 4 years	30	-	24	-
Between 4 and 5 years	0	-	29	-
Beyond 5 years	-	-	-	-
TOTAL	**486**	**124**	**527**	**73**

Cash deposited to meet margin calls on copper forward purchases whose fair value was negative at the year-end (see **Note 18**) amounted to 2 million euros at December 31, 2016 and 5 million euros at December 31, 2015.

In conclusion, the Group has limited exposure to credit risk. The Group considers that its management of counterparty risk is in line with market practices but it cannot totally rule out a significant impact on its consolidated financial statements should it be faced with the occurrence of systemic risk.

Risk on deposits and investments

The table below sets out the Group's counterparty risk relating to deposits and investments of Nexans Services' cash surpluses placed with banks at December 31, 2016. These Nexans Services deposits and investments amounted to an aggregate 719 million euros at that date, representing 70% of the Group total.

(At December 31, 2016, in millions of euros)

COUNTERPARTY RATING[1]	AA-	A+	A	A-	BBB+	Money market funds (SCAV)	Total
Cash on hand	26	23	51	-	-	-	100
Short-term money market funds (OPCVM)[2]	-	-	-	-	-	578	578
Certificates of deposit/EMTN	-	-	41	-	-	-	41
TOTAL	26	23	92	-	-	578	719

(1) Based on Standard & Poor's ratings

(2) Based on the AMF classification.

For the Group's other subsidiaries, counterparty risk on deposits and investments is managed in accordance with the principles and procedures described in **Note 26.A.**

E. MARKET RISK SENSITIVITY ANALYSIS

A sensitivity analysis is provided below on the impact that a theoretical change in the above-mentioned main market risks would have on consolidated income and equity.

Sensitivity to changes in copper prices

Fluctuations in copper prices can impact both consolidated income and equity as well as the Group's financing needs. Sensitivity calculations are based on an assumed increase in copper prices. A fall in copper prices would have the inverse effect.

A rise in copper prices would result in:

- A rise in the fair value of the Group's portfolio of cash-settled copper derivatives (the Group is a net buyer).
- A revaluation of the Group's Core exposure.
- A limited increase in working capital requirement and therefore limited financing needs (any short-term positive impact of margin calls is not taken into account in the sensitivity analysis).

At Group level, the impact on working capital is limited and mainly relates to the timing of derivatives settlement. Potential significant variations could happen at local level due to pricing conditions.

An increase in the fair value of cash-settled copper derivatives would positively affect either consolidated operating income or equity, based on the accounting treatment used for these derivative instruments (the derivatives of the Group's main subsidiaries are designated as cash flow hedges within the meaning of IAS 39).

A revaluation of the Group's Core exposure would positively affect consolidated operating income.

The simulation below is based on the following assumptions (with all other assumptions remaining constant, notably exchange rates):

- A 10% increase in copper prices at December 31, 2016 and translation of this impact evenly across the entire price curve without any distortion of forward point spreads.
- All working capital requirement components (inventories, and the copper component of trade receivables and payables)

would be impacted by the increase in copper prices.

- 47,000 tonnes and 56,000 tonnes of copper included in working capital requirement at December 31, 2016 and 2015 respectively.
- Short-term interest rate (3-month EURIBOR) of -0.27% in 2016 and -0.13% in 2015.
- A worst-case scenario, in which the increase in working capital requirement would be constant throughout the year, leading to an annualized increase in financial expenses (not taking into account the temporary positive impact of margin calls or the effect of changes in exchange rates).
- 56,155 tonnes of copper classified as Core exposure at December 31, 2016 (58,455 tonnes at December 31, 2015).
- A theoretical income tax rate of 34.43% for 2016 and 2015.

Any impact of changes in copper prices on both impairment in value of the Group's non-current assets (in accordance with IAS 36) and the provision for impairment of inventories has not been taken into account in this simulation as it is impossible to identify a direct linear effect.

(in millions of euros)	2016	2015
Impact on operating income	29	31
Impact on net financial expense	0	0
NET IMPACT ON INCOME (AFTER TAX)	19	21
IIMPACT ON EQUITY (AFTER TAX)	19	19

(1) Excluding net income (loss) for the period.

Sensitivity to the US dollar exchange rate

The US dollar is the main foreign currency to which the Group is exposed.

The simulation below is based on a 10% decrease in the US dollar spot rate against the world's other major currencies compared with the rates prevailing at December 31, 2016 and 2015, e.g., using US dollar/euro exchange rates of 1.16 and 1.20 respectively, without any changes in the forward points curve.

The main impacts on the consolidated financial statements stem from the revaluation of the Group's portfolio of derivative instruments. The impact on equity related to designated cash flow hedges and the impact on income have been separated out. This revaluation effect is offset by the revaluation of underlying US dollar positions in (i) the Group's trade receivables and trade payables portfolios and (ii) net debt.

The Group's other financial assets and liabilities are rarely subject to foreign exchange risk and have therefore not been included in thissimulation.

Foreign currency translation impacts have likewise not been taken into account in the following calculations.

Sensitivity at December 31, 2016 *(in millions of euros)*	**Impact on income (net after tax[2])**	**Impact on equity[1] (after tax[2])**
Trade receivables	(11)	N/A
Bank accounts	(3)	N/A
Trade payables	15	N/A
Loans/borrowings	(1)	-
NET POSITION – USD UNDERLYINGS[3]	**0**	**-**
Portfolio of forward purchases[4]	(32)	(21)
Portfolio of forward sales[4]	15	39
NET POSITION – USD DERIVATIVES	**(17)**	**18**
NET IMPACT ON THE GROUP	**(17)**	**18**

Sensitivity at December 31, 2015 *(in millions of euros)*	**Impact on income (net after tax[2])**	**Impact on equity[1] (after tax[2])**
Trade receivables	(10)	N/A
Bank accounts	(3)	N/A
Trade payables	10	N/A
Loans/borrowings	(10)	-
NET POSITION – USD UNDERLYINGS[3]	**(13)**	**-**
Portfolio of forward purchases[4]	(22)	(16)
Portfolio of forward sales[4]	23	25
NET POSITION – USD DERIVATIVES	**1**	**9**
NET IMPACT ON THE GROUP	**(12)**	**9**

(1) Excluding net income (loss) for the period.
(2) Using a theoretical income tax rate of 34.43%.
(3) Impact primarily due to net open positions in countries whose currencies are very closely correlated to the US dollar.
(4) Forward purchases and sales that comprise an exposure to US dollars.

Sensitivity to the Norwegian krone

The Norwegian krone (NOK) is an essential counterparty currency used in contracts for submarine high-voltage cables.

The simulation below is based on similar assumptions to those used for the US dollar (i.e., a 10% decrease in the Norwegian krone spot rate against the world's other major currencies), e.g., using closing NOK/euro exchange rates of 10.0 and 10.6 at December 31, 2016 and 2015 respectively, without any changes in the forward points curve.

Sensitivity at December 31, 2016 *(in millions of euros)*	Impact on income (net after tax[2])	Impact on equity[1] (after tax[2])
Trade receivables	1	N/A
Bank accounts	0	N/A
Trade payables	(1)	N/A
Loans/borrowings	2	-
NET POSITION – NOK UNDERLYINGS	**2**	**-**
Portfolio of forward purchases[3]	1	35
Portfolio of forward sales[3]	(1)	(57)
NET POSITION – NOK DERIVATIVES	**0**	**(22)**
NET IMPACT ON THE GROUP	**2**	**(22)**

Sensitivity at December 31, 2015 *(in millions of euros)*	Impact on income (net after tax[2])	Impact on equity[1] (after tax[2])
Trade receivables	0	N/A
Bank accounts	1	N/A
Trade payables	(0)	N/A
Loans/borrowings	9	-
NET POSITION – NOK UNDERLYINGS	**10**	**-**
Portfolio of forward purchases[3]	(7)	22
Portfolio of forward sales[3]	(2)	(38)
NET POSITION – NOK DERIVATIVES	**(9)**	**(16)**
NET IMPACT ON THE GROUP	**1**	**(16)**

(1) Excluding net income (loss) for the period.
(2) Using a theoretical income tax rate of 34.43%.
(3) Forward purchases and sales that comprise an exposure to the Norwegian krone.

Note 27. Additional disclosures concerning financial instruments

A. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The Group has defined the following main categories of financial assets and liabilities:

(At December 31, in millions of euros)	IAS 39 category	Fair value hierarchy level	2016		2015	
			Carrying amount	Fair value	Carrying amoung	Fair value
ASSETS						
Available-for-sale securities	Available-for-sale financial assets		16	16	13	13
Other non-current financial assets	Loans and receivables		35	35	33	33
Commercial receivables						
▪ Amounts due from customers on construction contracts	Loans and receivables		238	238	172	172
▪ Trade receivables	Loans and receivables		996	996	924	924
Derivative instruments[1]	Financial assets at fair value through profit or loss	Foreign exchange: 2 Metal: 1	55 23	55 23	58 1	58 1
Other current financial assets	Loans and receivables		129	129	100	100
Cash and cash equivalents	Financial assets at fair value through profit or loss	Term deposits: 2 Other: 1	649 376	1025	565 447	1012
LIABILITIES						
Gross debt						
Convertible bonds	Financial liabilities at amortized cost		270	302	483	512
Ordinary bonds	Financial liabilities at amortized cost		874	905	620	649
Other financial liabilities	Financial liabilities at amortized cost		92	92	110	110
Commercial payables						
▪ Amounts due to customers on construction contracts	Financial liabilities at amortized cost		209	209	185	185
▪ Trade payables	Financial liabilities at amortized cost		1,244	1,244	1,163	1,163
Derivative instruments[1]	Financial liabilities at fair value	Foreign exchange: 2	43	43	68	68
	through profit or loss	Metal: 1	14	14	67	67
Other current financial liabilities	Financial liabilities at amortized cost		291	291	292	292

(1) Derivatives designated as cash flow hedges are carried at fair value through other comprehensive income. Derivatives not designated as cash flow hedges are carried at fair value through profit or loss.

At December 31, 2016 the Group's fixed rate debt mainly comprised its ordinary bonds redeemable in 2017, 2018 and 2021 as well as the liability component of its 2019 OCEANE bonds, whose fair values may differ from their carrying amounts in view of the fact that the bonds are carried at amortized cost. The fair value of the ordinary bonds was calculated based on a bank valuation provided at December 31, 2016 and included interest accrued at the year-end. The fair value of the Group's OCEANE bonds was determined excluding the equity component and based on the following:

i. The market price and historic volatility of Nexans' shares at December 31, 2016 (49.21 euros).
ii. The spot price of the OCEANE bonds at December 31, 2016 (79.90 euros for the 2019 OCEANE bonds).
iii. A two-year euro swap rate of -0.16% for the 2019 OCEANE bonds. The term applied corresponds to the term of the investors' put options on the convertible bonds.
iv. A two-year credit spread of 150 basis points for the 2019 OCEANE bonds, based on a 32% implicit volatility.

The term applied corresponds to the term of the investors' put options on the convertible bonds.

v. A bond lending/borrowing cost representing 50 basis points.

The fair value of the Group's OCEANE bonds at December 31, 2015 was determined based on the following:

i. The market price and historic volatility of Nexans' shares at December 31, 2015 (33.70 euros).
ii. The spot price of the OCEANE bonds at December 31, 2015 (55.28 euros and 77.05 euros for the 2016 OCEANE bonds and 2019 OCEANE bonds respectively).
iii. A three-year euro swap rate of 0.06% for the 2019 OCEANE bonds. The term applied corresponds to the term of the investors' put options on the convertible bonds.
iv. A three-year credit spread of 196 basis points for the 2019 OCEANE bonds, based on 32% implicit volatility. The term applied corresponds to the term of the investors' put options on the convertible bonds.
v. A bond lending/borrowing cost representing 100 basis points.

B. CALCULATIONS OF NET GAINS AND LOSSES

2016 *(in millions of euros)*	Net gains (losses)					
	Interest	On subsequent remeasurement			On disposal	2016 total
		Fair value adjustments	Currency translation differences	Impairment		
OPERATING ITEMS						
Receivables	N/A	N/A	(13)	(6)	-	(19)
Financial assets and liabilities at fair value through profit or loss	N/A	6	N/A	N/A	-	6
Financial liabilities at amortized cost	N/A	N/A	9	N/A	-	9
Cost of hedging						*(5)*
SUB-TOTAL – OPERATING ITEMS	0	6	(4)	(6)	0	(9)
FINANCIAL ITEMS						
Available-for-sale financial assets		-	-	-	-	0
Loans	1	N/A	(1)	(1)	-	(2)
Financial assets and liabilities at fair value	N/A	7	N/A	N/A	-	7
Financial liabilities at amortized cost	(62)	N/A	(2)	0	-	(63)
Cost of hedging						*(6)*
SUB-TOTAL – FINANCIAL ITEMS	(61)	7	(3)	(1)	0	(64)
TOTAL	**(61)**	13	(7)	**(7)**	**0**	**(73)**

- Gains and losses corresponding to interest are recorded under "Cost of debt (net)" when they relate to items included in consolidated net debt (see **Note 23**).

- Gains and losses arising from currency translation differences are recorded under "Other financial income and expenses" when they relate to operating items as classified in the table above, or under "Cost of debt (net)" if they relate to items included in consolidated net debt.

- Impairment losses on loans are recognized as financial expenses and impairment losses on operating receivables are recognized as operating expenses.

- The accounting treatment of changes in fair value of derivatives is described in **Note 26** above. Other than the impact of foreign exchange and metal derivatives, gains and losses relating to financial assets and liabilities at fair value through profit or loss include fair value adjustments recognized on cash and cash equivalents which amounted to a positive 3 million euros in 2016 and 5 million euros in 2015. These amounts are calculated taking into account interest received and paid on the instruments concerned, as well as realized and unrealized gains.

Note 28. Operating leases

Future minimum payments under non-cancelable operating leases were as follows at December 31, 2016 and 2015:

(in millions of euros)	Total	Payments due by maturity		
		Within 1 year	Between 1 and 5 years	Beyond 5 years
AT DECEMBER 31, 2016	**135**	**40**	**63**	**32**
At December 31, 2015	110	34	57	19

The increase in the amount of the operating leases obligation between December 31, 2015 and December 31, 2016 is mainly due to the relocation of the Group headquarters.

Note 29. Related party transactions

Related party transactions primarily concern commercial and financial transactions carried out with the Quiñenco group – Nexans' principal shareholder – as well as with associates, non-consolidated companies and directors and key management personnel (whose total compensation is presented in the table set out in **Note 29.D** below).

A. INCOME STATEMENT

(in millions of euros)	2016	2015
REVENUE		
Non-consolidated companies	40	61
Joint ventures	-	-
Associates	3	4
COST OF SALES		
Non-consolidated companies	(3)	(3)
Joint ventures	-	-
Associates	(60)	(12)

B. STATEMENT OF FINANCIAL POSITION

The main items in the statement of financial position affected by related party transactions in 2016 and 2015 were as follows:

(At December 31, in millions of euros)	2016	2015
ASSETS		
Non-consolidated companies	5	7
Joint ventures	-	-
Associates	4	6
FINANCIAL LIABILITIES/(RECEIVABLES)		
Non-consolidated companies	(10)	(11)
Joint ventures	-	-
Associates	5	4
OTHER LIABILITIES		
Non-consolidated companies	0	2
Joint ventures	-	-
Associates	27	6

C. RELATIONS WITH THE QUIÑENCO GROUP

Following Nexans' acquisition of the Quiñenco group's cables business on September 30, 2008 as well as the agreement entered into on March 27, 2011 and the amendment thereto dated November 26, 2012, aimed at giving Quiñenco a leading position in the Company's share capital, at December 31, 2012 the Quiñenco group directly held an interest of around 22.5% in Nexans S.A.. At the same date, Quiñenco held three seats on Nexans' Board of Directors and also had a representative on the Appointments and Compensation Committee. The Quiñenco group's interest in Nexans is held through Madeco, which was renamed Invexans S.A. following an operational reorganization carried out in early 2013. The agreement entered into on March 27, 2011 and amended on November 26, 2012 was terminated on May 22, 2014. On that date Invexans gave the Company a long-term undertaking that it would not request representation on the Board in excess of three non-independent members in a Board of 14 members, or if the Board were to be enlarged, in excess of a number of directors proportionate to its shareholding.

At December 31, 2016, the Quiñenco group (through Invexans) held approximately 29% of Nexans S.A.'s capital and voting rights, unchanged from December 31, 2015.

At December 31, 2016 the main contractual relations between Nexans and the Quiñenco group concerned agreements related to the purchase agreement contract dated February 21, 2008 for the above-mentioned acquisition of the Quiñenco group's cables business, as amended by an addendum signed on September 30, 2008.

In addition, a settlement agreement was signed on November 26, 2012 relating to the payment due under the seller's warranty granted by the Quiñenco group under the said purchase agreement. A further two settlement agreements were entered into on August 21, 2014 and November 26, 2014 in order to enable Nexans to benefit from a tax amnesty program in Brazil (see also **Note 31** and, for the second settlement agreement, the 2014 Statutory Auditors' report on related party agreements and commitments).

The impact of the above-mentioned commercial agreements on the income statement and statement of financial position is included in the tables set out in **Note 29.A** and **Note 29.B** above. Invexans paid the Group's Brazilian subsidiary almost 9 million euros (23 million Brazilian reals) under the above-mentioned settlement agreements in 2014.

D. COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key Management Personnel have corresponded to corporate officers and members of the Management Board.

Total compensation

Total compensation paid to the Group's Key Management Personnel can be analyzed as follows:

(in millions of euros)	2016	2015
Compensation for corporate officer positions(1)	2.4	2.8
Directors' fees(1)	0.0	0.0
Compensation under employment contracts and benefits in kind(1)	3.8	3.4
Stock options(2)	-	0.0
Performance shares(2)	2.5	2.5
Termination benefits(1)	-	-
Long-term incentive plan(2)	0.2	0.2
Accruals for pension and other retirement benefit obligations(3)	4.0	5.0
TOTAL COMPENSATION	**12.9**	**13.9**

(1) Amounts paid during the year, including payroll taxes.
(2) Amounts expensed in the income statement during the year.
(3) For defined benefit plans this item includes the service cost and interest expense for the year.

Additional information on the compensation of Key Management Personnel (corporate officers and members of the Management Board):

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

- The Group's total obligation for pensions and other retirement benefits relating to Key Management Personnel (net of plan assets) amounted to 11 million euros at December 31, 2016, compared with 15 million euros at December 31, 2015.

- On May 12, 2016, the Board of Directors adopted a new long-term compensation plan for the Group's key managers and executives. The overall plan is made up of a long-term cash incentive plan combined with a performance share plan which is subject to criteria based on the beneficiary's continued presence within the Group as well as Nexans' financial performance and share performance.

Commitments given to Frédéric Vincent in his capacity as the Chairman of the Board of Directors until March 31, 2016

All of the commitments given to Frédéric Vincent in his capacity as Chairman of the Board of Directors until March 31, 2016 are described in detail in **section 2.5.3**.

At the Board of Directors' meeting of February 17, 2016, Frédéric Vincent announced his decision to retire, thereby ending his term of office as Chairman and member of the Board of Directors effective on end of business day March 31, 2016.

His voluntary retirement does not constitute a forced departure. Consequently, the Board confirmed that no payment will be made of the termination indemnity. The Board decided to not activate the non-compete commitment and accordingly to not pay a non-compete indemnity to Frédéric Vincent.

Frédéric Vincent benefits from the supplementary pension plan set up by the Group for certain employees and corporate officers which provides for the payment of an annuity based on the average annual compensation for the last three years before retirement. The expenses recorded for these obligations are included in the compensation table presented above.

Commitments given to the Chief Executive Officer

All of the commitments given to Arnaud Poupart-Lafarge in his capacity as Chief Executive Officer are described in detail in **section 2.5.4**.

As Chief Executive Officer, Arnaud Poupart-Lafarge has received the following commitments from the Company, which were authorized at the Board Meeting of July 24, 2014 and approved at the Annual Shareholders' Meeting held on May 5, 2015:

- If Arnaud Poupart-Lafarge is removed from his position as Chief Executive Officer, he will be entitled to payment of a termination indemnity representing two years' worth of his total fixed and variable compensation. This indemnity is subject to three performance conditions, two of which relate to the Group's financial performance and the third to the average stock market performance of Nexans shares compared with a benchmark panel. The amount of the termination indemnity due will be based on the degree to which these performance conditions are met and it will be payable only in the event of a forced departure resulting from a change of strategy or control.

- As compensation for an undertaking not to exercise any business that would compete either directly or indirectly with any of the Company's businesses for a period of two years from the end of his term of office as Chief Executive Officer, Arnaud Poupart-Lafarge will receive a non-compete indemnity, regardless of the cause of termination of his duties. Said indemnity will be paid in 24 equal and successive monthly installments and will equal one year of his fixed and variable compensation, i.e., 12 times the amount of his most recent monthly compensation (fixed portion) plus the corresponding percentage of his bonus.

In accordance with paragraph 3 of the Appendix to the Internal Regulations of the Board of Directors and Article 24.5.1 of the AFEP-MEDEF Corporate Governance Code revised in November 2016, Arnaud Poupart-Lafarge's total termination payments – i.e., termination and non-compete indemnities – may not exceed two years' worth of his actual compensation (fixed plus variable) received prior to his departure.

A 4 million euro provision has been set aside for these commitments in the consolidated financial statements.

If Arnaud Poupart-Lafarge retired, he would be entitled to benefits under the supplementary pension plan set up by the Group for certain employees and corporate officers which provides for the payment of an annuity based on the average annual compensation for the last three years before retirement and capped to 8 times the social security ceiling, corresponding to 309,000 euros in 2016. The expenses recorded for these obligations are included in the compensation table presented above.

Note 30. Disputes and contingent liabilities

A. ANTITRUST INVESTIGATIONS

On April 7, 2014, Nexans France SAS and the Company were notified of the European Commission's decision which found that Nexans France SAS had directly participated in a breach of European antitrust legislation in the submarine and underground high voltage power cables sector. The Company was held jointly liable for the payment of a portion of the fine imposed by the European Commission. Nexans France SAS appealed the European Commission's decision to the General Court of the European Union.

In early July 2014, Nexans France SAS paid the 70.6 million euro fine imposed by the European Commission.

As an indirect consequence of the decision, one of the Group's competitors which has been sued by customers for follow-on damages claims in the United Kingdom in 2015, has filed contribution claims against the other cable producers sanctioned by the European Commission, including Nexans France SAS and the Company.

In November 2015, the United States Department of Justice Antitrust Division closed its investigation into the submarine and underground power cable industry without any prosecution or sanctions being taken against any Nexans Group company. This was the same outcome as in previous years for the investigations initially launched in Japan, New Zealand and Canada. Likewise in Australia, on July 20, 2016 the Australian trial court rendered its judgment in relation to the Australian proceedings and dismissed the case of Australian Competition and Consumer Commission (the "ACCC") against the Company. ACCC did not appeal the verdict.

Certain Group companies in this sector of business are still under investigation by the antitrust authorities in South Korea (in addition to ongoing investigations into local operations as described below) and Brazil.

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

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

Nexans' local Korean subsidiaries are cooperating with the KFTC in additional investigations into businesses other than the high-voltage business. The KFTC has exempted the Korean subsidiaries from paying a fine because of its cooperation in 5 cases on which a decision has been taken (the most recent decision on 2 cases having been published by KFTC on January 20, 2017). Customer claims have followed the decisions taken in 2015.

Investigations have also been launched in Australia and Spain concerning businesses other than the high-voltage business. The Group's Australian subsidiary Olex Australia Pty Ltd was included in a court proceedings brought by the ACCC against cable wholesalers and other manufacturers in Australia. They relate to initiatives taken in 2011 to deal with supply chain inefficiencies involving Olex's wholesaler customers for low-voltage cables, which the ACCC alleges involved competition law violations. Following a trial in 2015 and 2016, a judgment is expected in 2017.

In Spain, in early July 2015 Nexans Iberia received a request for information as part of an investigation carried out by the Spanish competition authority ("CNMC") in relation to low and medium voltage power cables. On December 16, 2016, Nexans Iberia and the Company, in its quality of parent company, have been notified by the CNMC that they were part of a formal investigation. This notification was received more than nine (9) months after the other investigated companies being formally notified. On January 3, 2017, Nexans Iberia and the Company received a Statement of Objections which was answered on January 30, 2017, within the time limit fixed by the applicable Spanish regulation. A decision is expected to take place by the end of 2017.

A global provision of 60 million euros have been booked to cover all the investigations mentioned above as well as the consequences, direct or indirect, of decisions or judgments rendered or to be rendered and in particular the follow-on damages claims (actual or future). The provision is based on assumptions that take into account consequences in similar cases as well as on management's estimates using currently available information. There is still uncertainty as to the extent of the risks related to potential claims and/or fines. The final costs related to these risks could therefore be significantly different from the amount of the provision recognized at December 31, 2016. While the Group has put in place rule and procedures of risk management, including in particular its compliance program (see the section on Policies and Procedures of Risk Management in the Chairman Report 2016) that have been reinforced over the past year, the Group cannot guarantee that all risks and problems related to behavior or actions not in compliance with the Group Code of Conduct have been completely controlled and eliminated. The compliance program includes means of detection which could generate internal investigations, and even external investigations. As consistently communicated by the Company in the past, unfavorable outcome for antitrust proceedings and/or investigations as well as the associated consequences could have a material adverse effect on the results and thus the financial position of the Group.

B. Other disputes and proceedings giving rise to the recognition of provisions

For cases where the criteria are met for recognizing provisions, the Group considers the resolution of the disputes and proceedings concerned will not materially impact the Group's results in light of the provisions recorded in the financial statements. Depending on the circumstances, this assessment takes into account the Group's insurance coverage, any third party guarantees or warranties and, where applicable, evaluations by the independent counsel of the probability of judgment being entered against the Group. The most significant of these cases is as follows:

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

The Group considers that the other existing or probable disputes for which provisions were recorded at June 30, 2016 do not individually represent sufficiently material amounts to require specific disclosures in the consolidated financial statements.

C. Contingent liabilities relating to disputes and proceedings

As at June 30, 2016, certain contracts entered into by the Group could lead to performance difficulties, although the Group currently considers that those difficulties do not justify the recognition of provisions as such in the financial statements or specific disclosure as contingent liabilities.

Note 31. Off-balance sheet commitments

The Group's off-balance sheet commitments that were considered material at December 31, 2016 and 2015 are set out below.

A. COMMITMENTS RELATED TO THE GROUP'S SCOPE OF CONSOLIDATION

Receivables securitization program

As part of the process to set up a securitization program for euro-denominated trade receivables in the second quarter of 2010 (as described in **Note 26.A**), which was renewed on March 30, 2015 for a maximum period of five years, Nexans granted a joint and several guarantee to the arranging bank. This guarantee covers (i) the payment obligations of the two Nexans subsidiaries selling the receivables under the programs concerned and (ii) the consequences that could arise if any of the receivables sales under the programs were rendered invalid, in the event that insolvency proceedings were initiated against either of the two subsidiaries selling the receivables.

At December 31, 2016, the Group considered the probability of the bank calling on this guarantee to be very low.

At the year-end, this joint and several guarantee was valued at 39 million euros for the portion covering the subsidiaries' payment obligations and 155 million euros for the portion covering invalid receivables sales. It had a minimum residual term of more than 12 months at December 31, 2016 and an actual term that varies depending on the seller and type of obligation concerned.

Risks relating to mergers and acquisitions

Group companies may grant sellers' warranties to purchasers of divested businesses, generally without taking out bank guarantees or bonds. When it is probable that the Group will be required to make payments under a warranty, a provision is recorded for the estimated risk (where such an estimate can be made). When such a payment is merely potential rather than probable, it is disclosed as a contingent liability if the amount concerned is sufficiently material (see Note 22 and **Note 30**).

Conversely, when acquiring other entities, Group companies are sometimes given sellers' warranties. For example, as part of the August 1, 2008 acquisition of the Italian company Intercond, an escrow account was set up in accordance with the purchase agreement to cover payments that may be due to Nexans in the event of a claim during the seller's warranty period (14 million euros held until December 31, 2012, 7 million euros at December 31, 2013, 1 million euros at December 31, 2014, 0.6 million euros at December 31, 2015 and at December 31, 2016).

When the Group acquired AmerCable on February 29, 2012 an escrow account was set up for similar purposes into which Nexans paid 21 million US dollars. At December 31, 2016 the residual amount in this escrow account was 5 million US dollars.

Acquisition of the cables business of Invexans (formerly Madeco)

When Nexans acquired the cables business of the Chile-based group Madeco on September 30, 2008 it took over a number of pending or potential disputes. The most significant of these, subject to certain deductibles, are covered by the seller's warranty granted by Madeco under the purchase agreement. A provision was recorded for this business's liabilities and contingent liabilities when the Group completed the initial accounting for the acquisition in accordance with IFRS 3.
A settlement agreement was entered into on November 26, 2012 between the Company, Nexans Brasil and the Madeco group concerning the amounts payable by the Madeco group to Nexans Brasil in relation to the outcome of civil, employment law and tax proceedings in Brazil.

Under the terms of this agreement Madeco undertook to pay Nexans Brasil a lump sum of around 23.6 million Brazilian reals (approximately 9.4 million euros). In return, the Madeco group was released from any obligation to pay compensation with respect to the civil and employment law proceedings in progress that were specified in the settlement agreement, except if the total amount of related losses incurred by the Company exceeds a certain limit. Some of the tax proceedings in Brazil relating to the period prior to the acquisition, or in progress at the time of the acquisition and still ongoing at the date of the settlement agreement, remain governed by the terms of previous agreements entered into between the parties. Two settlement agreements

were signed in 2014 – one on August 21 and the other on November 26 – in order to enable Nexans to benefit from a tax amnesty in Brazil. The payments provided for under the above-described settlement agreements had been made by December 31, 2014 and no issues covered by the agreements were still pending.

B. COMMITMENTS RELATED TO THE GROUP'S FINANCING

Commitments given

- The Group had no outstanding pledged collateral at either December 31, 2016 or 2015.
- Syndicated credit facility: when the Group's new syndicated credit facility was set up (see **Note 26.A**), Nexans undertook to guarantee the commitments given by Nexans Services to the banking pool concerned. This guarantee represented a maximum amount of 660 million euros at December 31, 2016.

Commitments received

At December 31, 2015 the Group had access to a 600 million euro syndicated credit facility expiring on December 14, 2020, none of which had been drawn down (see **Note 26.A** for further details).

As described in **Note 31.A** above, in April 2010 Nexans set up a receivables securitization program, which was renewed on March 30, 2015 for a maximum term of five years. The amount of receivables that may be sold is capped at 25 million euros for the Off-Balance Sheet program and at 85 million euros for the On-Balance Sheet program (see **Note 26.A** for further details).

C. COMMITMENTS RELATED TO THE GROUP'S OPERATING ACTIVITIES

The Group's main off-balance sheet commitments related to operating activities (excluding parent company guarantees – see below) are summarized in the following table:

(At December 31, in millions of euros)	2016	2015	Note
COMMITMENTS GIVEN			
Forward purchases of foreign currencies[1]	3,479	3,215	Note 25
Forward purchases of metals	486	527	Note 25
Firm commitments to purchase property, plant and equipment	36	43	
Commitments for third-party indemnities	3,403	2,547	See (1) below
Take-or-pay copper purchase contracts (in tons)	111,178	106,062	See (2) below
Future minimum payments under non-cancelable operating leases	135	110	Note 28
COMMITMENTS RECEIVED			
Forward sales of foreign currencies[1]	3,470	3,227	Note 25
Forward sales of metals	123	73	Note 25
Commitments to sell copper at set prices	112,254	122,888	See (2) below
Other commitments received	801	142	

(1) Including derivatives used to hedge the Group's net debt.

(1) Commitments for third-party indemnities

- Group companies generally give customers warranties on the quality of the products sold without taking out bank guarantees or bonds. They have, however, also given commitments to banks and other third parties, in particular financial institutions, which have issued guarantees or performance bonds to customers, and guarantees to secure advances received from customers (805 million euros and 801 million euros at December 31, 2016 and 2015 respectively).
When it is probable that the Group will be required to make payments under a warranty due to factors such as delivery delays or disputes over contract performance, a provision is recorded for the estimated risk (where such an estimate can

be made). When such a payment is merely potential rather than probable it is disclosed as a contingent liability if the amount concerned is sufficiently material (see **Note 22** and **Note 30**).

- At December 31, 2016 the Group had granted parent company guarantees in an amount of 2,598 million euros (1,746 million euros at December 31, 2015). These mainly correspond to performance bonds given to customers.

(2) Take-or-pay contracts (physically-settled contracts)

The volumes stated in the table above correspond to quantities negotiated as part of copper take-or-pay contracts whose price was set at the year-end, including quantities presented in inventories (see **Note 26.D** for further details).

More generally, the Group enters into firm commitments with certain customers and suppliers under take-or-pay contracts, the largest of which concern copper supplies.

Note 32. Main consolidated companies

The table below lists the main entities included in the Group's scope of consolidation at December 31, 2016.

Companies by geographic area	% control	% interest	Consolidation method[1]
FRANCE			
Nexans S.A.[2]	100%	100%	Parent company
Nexans Participations	100%	100%	
Lixis	100%	100%	
Nexans France	100%	100%	
Nexans Interface	100%	100%	
Eurocable	100%	100%	
Recycables	36.5%	36.5%	Equity method
Nexans Power Accessories France	100%	100%	
BELGIUM			
Nexans Benelux S.A.	100%	100%	
Nexans Harnesses	100%	100%	
Nexans Network Solutions NV	100%	100%	
Nexans Services[3]	100%	100%	
Opticable S.A. NV	60%	60%	
GERMANY			
Nexans Deutschland GmbH	100%	100%	
Nexans Superconductors GmbH	100%	100%	
Metrofunkkabel Union GmbH	100%	100%	
Nexans Auto Electric GmbH[4]	100%	100%	
Nexans Power Accessories Deutschland GmbH	100%	100%	
NORTHERN EUROPE			
Nexans Nederland BV	100%	100%	
Nexans Norway A/S	100%	100%	
Nexans Suisse S.A.	100%	100%	
Confecta AG	100%	100%	
Nexans Re[5]	100%	100%	
Nexans Logistics Ltd	100%	100%	
Nexans Sweden AB	100%	100%	
Nexans Denmark	100%	100%	
Axjo Kabel AG	100%	100%	
SOUTHERN EUROPE			
Nexans Iberia SL	100%	100%	
Nexans Italia SpA	100%	100%	
Nexans Partecipazioni Italia Srl	100%	100%	
Nexans Intercablo SpA	100%	100%	
Nexans Hellas S.A.[2]	88.57%	88.57%	
Nexans Turkiye Endustri Ve Ticaret AS	100%	100%	

Companies by geographic area	% control	% interest	Consolidation method[1]
NORTH AMERICA			
Nexans Canada Inc	100%	100%	
Nexans USA Inc	100%	100%	
AmerCable Inc	100%	100%	
Nexans Energy USA Inc	100%	100%	
Berk-Tek LLC	100%	100%	
Nexans Aerospace USA LLC	100%	100%	
Nexans High Voltage USA Inc	100%	100%	
SOUTH AMERICA			
Invercable	100%	100%	
Nexans Chile S.A. Cerrada	100%	100%	
Colada Continua S.A.	41%	41%	Equity method
Nexans Colombie	100%	100%	
Indeco Peru[2]	96.75%	96.73%	
Cobrecon	33.33%	32.24%	Equity method
Nexans Brasil S.A.	100%	100%	
AFRICA AND MIDDLE EAST			
Liban Câbles SAL	91.15%	91.15%	
Nexans Maroc[2]	83.59%	83.59%	
Sirmel Maroc	84.83%	70.91%	
Qatar International Cable Company	30.33%	30.33%	Equity method
Nexans Kabelmetal Ghana Ltd[6]	59.13%	59.13%	
ASIA-PACIFIC			
Nexans Hong Kong Ltd	100%	100%	
Nexans Communications (Shanghai) Cable Co. Ltd	100%	100%	
Nexans China Wire & Cables Co. Ltd	100%	100%	
Nexans (Yanggu) New Rihui Cables Co. Ltd	75%	75%	
Nexans (Suzhou) Cables Solutions Co. Ltd	100%	100%	
Nexans Korea Ltd	99.51%	99.51%	
Kukdong Electric Wire Co. Ltd	97.90%	97.90%	
Daeyoung Cable	100%	99.51%	
Nippon High Voltage Cable Corporation	66%	66%	
OLEX Australia Pty Ltd	95.00%	95.00%	
OLEX New Zealand Ltd	95.00%	95.00%	

(1) The companies in this list are fully consolidated, unless otherwise specified.
(2) Listed companies.
(3) The entity responsible for the Nexans Group's cash management since October 1, 2008.
(4) Nexans Auto Electric GmbH – a company based in Germany – itself consolidates various sub-subsidiaries, including in the United States, Romania, Ukraine, the Czech Republic, Slovakia, Tunisia, China and Mexico.
(5) Nexans Re is the Group's captive reinsurer.
(6) Since January 1 2016, Nexans Kabelmetal Ghana is fully consolidated.

Note 33. Subsequent events

No significant event for which disclosure is required has occurred since December 31, 2016.