



# 2016 Full Year Results

February 9, 2017

# ○○○○ Safe Harbor

- *This presentation contains forward-looking statements which are subject to various expected or unexpected risks and uncertainties that could have a material impact on the Company's future performance.*
- *Readers are also invited to log onto the Group's website where they can view and download the presentation of the annual results to analysts and the 2016 financial statements, which include in particular the risks related to the investigations on anti-competitive behavior launched in 2009 (see Note 30 A to the consolidated financial statements, "Antitrust Investigations").*
- *The Group's outlook for 2017-2018 is subject to several major uncertainties:*
  - > *The economic and political environment in the European Union and the United States, with potential major changes in trade policies (customs protection, embargoes, etc.) and tax systems, as well as in certain emerging countries where Nexans generates – or plans to generate – significant sales volumes, notably Brazil, China, Ivory Coast, Lebanon, Libya, Nigeria and Turkey;*
  - > *The impact of flat prices for oil, natural gas and numerous minerals which is triggering a sharp decline in capital expenditure projects for oil exploration and drilling as well as in the gas and mining sectors, and is destabilizing the economies of countries that are highly dependent on these commodities;*
  - > *The crisis in shipbuilding and the construction of offshore platforms, particularly in Asia;*
  - > *The impact of Brexit on the European economy in general and on the financing of major electricity infrastructure projects in the United Kingdom, for which Nexans offers high-voltage cable systems solutions;*
  - > *The risk that market conditions will prevent the projected restructuring of the Group's business portfolio from being carried out at the planned pace;*
  - > *The risk that measures aimed at reigniting growth for the Group might not achieve the targeted sales increases due to worse-than-expected market trends and/or difficulties in implementing the measures concerned;*
  - > *Inherent risks related to carrying out major turnkey projects for high-voltage submarine cables, which will be exacerbated in the coming years as this business is becoming increasingly concentrated and centered on a low number of large-scale projects (Maritime Link, Nordlink, Beatrice, NSL, East Anglia One);*
  - > *The risk that certain R&D and innovation programs or programs designed to improve the Group's competitiveness experience delays or do not fully meet their objectives.*

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# ○○○○ Key Take-aways

## Profitability improvement over all segments despite negative Organic growth

- Sales of 5,814 M€, -1.2% organic growth
- Top Line still affected by depressed O&G global markets (-27%)
- Sales excluding Oil & Gas at +0.7% organic
- Operating Margin +24% at 242 M€

## Strategic Initiatives driving margin improvement

- 119 M€ contribution from strategic initiatives
- Cost & price pressure effect estimated at -78 M€ versus -53 M€ in FY'15
- Portfolio selectivity program almost completed
- Group back to positive net result

## Financial structure strengthened further

- Net debt at 211 M€ after 86 M€ restructuring cash out
- Stronger Financial Flexibility following 250 M€ bond issue in Q2'16
- Proposal of a dividend of 0.5 € per share



# Agenda

- 1 Full Year 2016 highlights
- 2 Business review
- 3 Key Financials
- 4 Outlook
- 5 Appendix



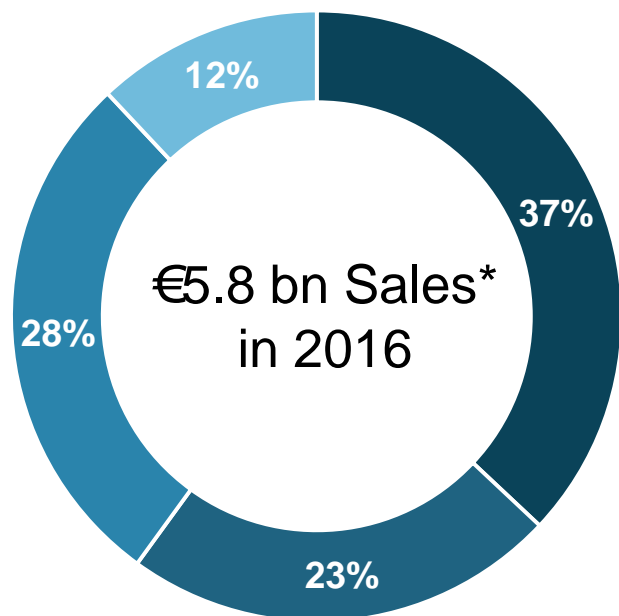
# 1 ○○○ Full Year 2016 Highlights

*Arnaud POUPART-LAFARGE, CEO*

# 1 Nexans, a global cable solution provider

## Well positioned on its four end-markets

### Sales by business segments



- Transmission, Distribution & Operators (Infrastructure)
- Industry (Energy resources & Transport)
- Distributors & Installers (Buildings)
- Others

\* Sales at actual metal price

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### End markets

#### Energy and data infrastructures



- Power transmission
- Power/data distribution
- Accessories

#### Energy resources



- Mining
- O&G
- Renewables
- Power plants

#### Transport



- Aerospace
- Railways, city rail
- Automotive
- Shipbuilding

#### Buildings



- Residential
- Commercial
- Data

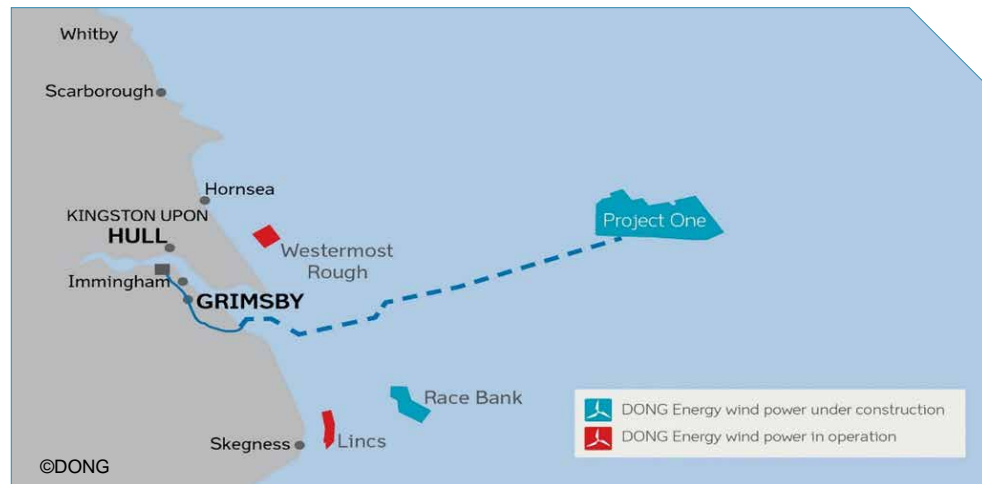
# 1 ○○○ Nexans brings Energy to Life

## Energy transition

### Leading role in the development of wind farm technology

To equip Hornsea, the world's largest offshore wind farm with a capacity of 1,200 MW, DONG Energy Wind Power A/S chose Nexans cables

*The annual electricity needs of one million households to be covered by Hornsea, once fully operational*



# 1 ○○○ Nexans brings Energy to Life

## Energy transition

### Connecting wind farm to the grid

Recently announced, Scottish Power Renewables' 714 MW offshore wind farm - East Anglia ONE- to use Nexans cables and supply energy to half a million households in the UK by 2020



*To date, Nexans cables allowed to connect offshore wind farms to the grids totaling more than 2,600 MW, covering energy needs of nearly 2 million households*



# 1 ○○○ Nexans brings Energy to Life Innovation

Innovation helping to reduce the global carbon footprint

*Qualification of XLPE and higher-voltage MI cables to address very-high capacity DC links*

*Providing Transmission System Operators' with the most appropriate solutions  
allowing consumers to access renewable energy  
while minimizing transmission losses*



# 1 ○○○ Nexans brings Energy to Life

## Innovation

### Faster and easier grid connections for renewables

The new EDRMAX by Nexans™ solution has been designed specifically to enable faster, easier and more cost-effective grid connection of renewable energy resources.

*The new cable is eco-designed for a reduced environmental impact : 12%<sup>1</sup> lower impact on global warming across the whole cable life cycle from sourcing of raw materials to recycling.*



<sup>1</sup> The result is computed from the life cycle analysis performed in accordance with the 14040-44 standard.

# 1 ○○○ Nexans brings Energy to Life

## Energy transition

Long-term commitment to innovative and sustainable mobility

Nexans complete solution (connection infrastructure, charging stations, power management and supervision systems) is facilitating the rollout of smart charging infrastructure for electric vehicles.

*Nexans charging stations to equip the fleet of the French national energy operator.*

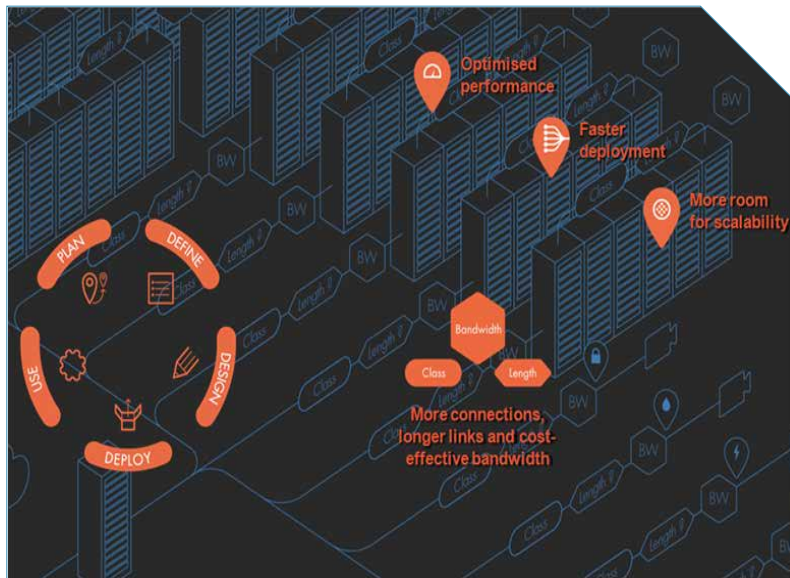


# 1 ○○○ Nexans brings Energy to Life

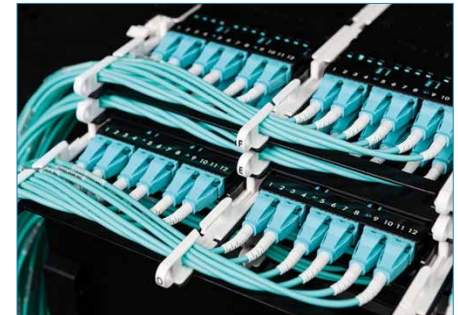
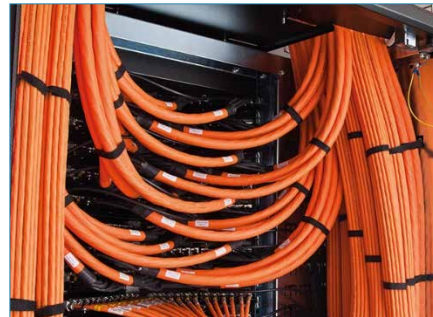
## Economic development

### Facilitating the digital transformation

Data centres challenged to address an exponential increase in data transmission will benefit from Nexans “Smart Choices for Digital Infrastructure”



*Nexans “Smart Choices for Digital Infrastructure” supports network managers in making correct choices to build and operate the most efficient and cost effective digital infrastructure to support their business goals.*



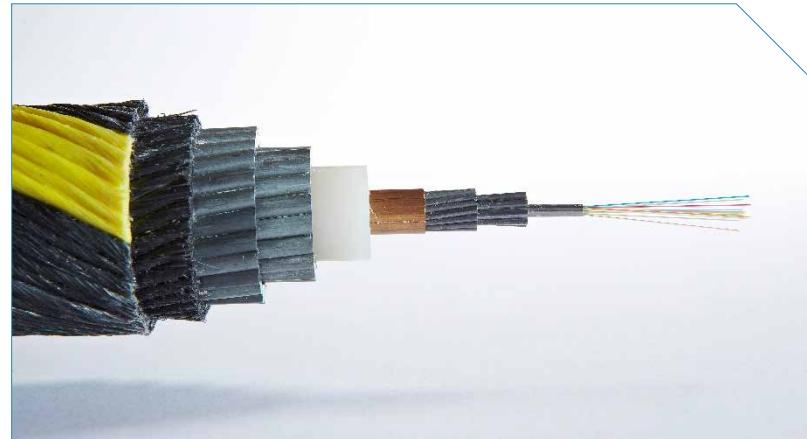
# 1 ○○○ Nexans brings Energy to Life

## Economic development

Helping to meet growing data connectivity needs between continents

*Nexans cables to connect Brazil to Cameroon  
to allow high speed broadband between the two continents  
and meet growing needs for data transmission*

*6000 km of Nexans second generation submarine Repeated Optical Cables (ROC)  
to be supplied to Huawei Marine Networks for the project*



# 1 ○○○ Nexans Foundation

## 5<sup>th</sup> Call for projects



**Participate**  
in the 5<sup>th</sup> Call  
for Projects  
from January 23<sup>rd</sup>  
to April 7, 2017

ARE YOU AN NGO/NPO?  
DO YOU HAVE A PROJECT RELATED TO ELECTRICAL POWER ACCESS?

POST YOUR PROJECT BEFORE APRIL 7, 2017

Fondation Antenna

The image is a promotional poster for the Nexans Foundation's 5th call for projects. It features a background photograph of two wind turbines in a rural setting with small houses and trees under a blue sky. The text is overlaid on the image, with the logo and tagline in the top left, the main announcement in large white and red letters in the center, and a green banner at the bottom with white text asking for project submissions. A red banner at the very bottom contains the deadline information.

# 1 ○○○ Nexans Sustainable Development Policy

## 4 Priorities, 11 Ambitions





## ○ 2 ○ ○ Business Review

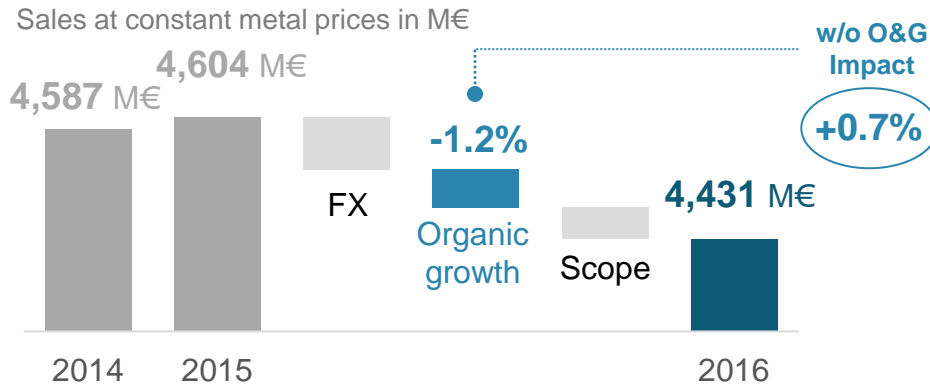
*Arnaud POUPART-LAFARGE, CEO*



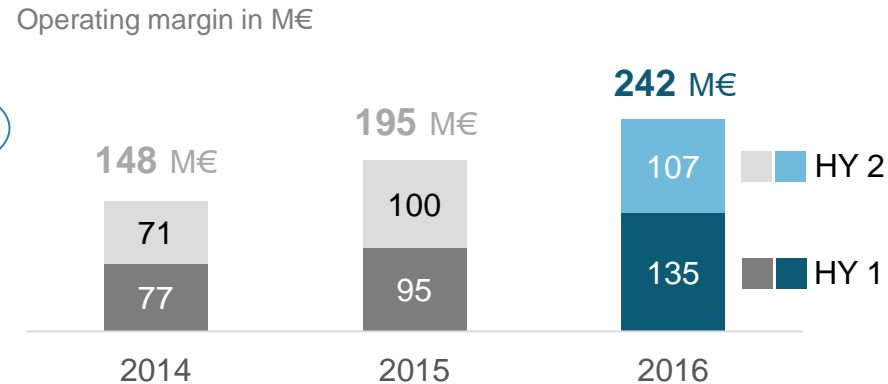
# 2 Full Year 2016 key figures

Another year of improvement driven by strategic initiatives

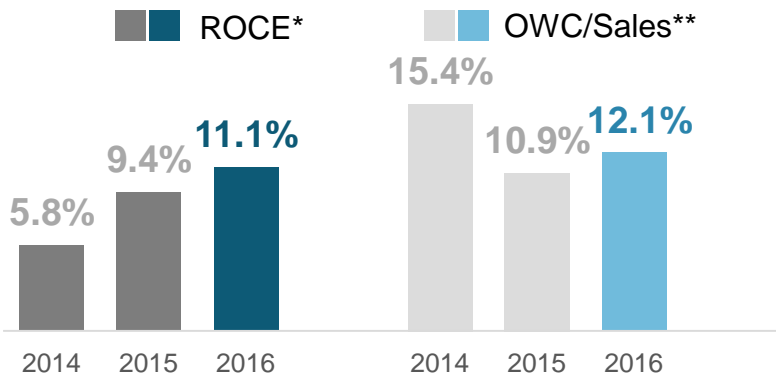
## -1.2% organic growth



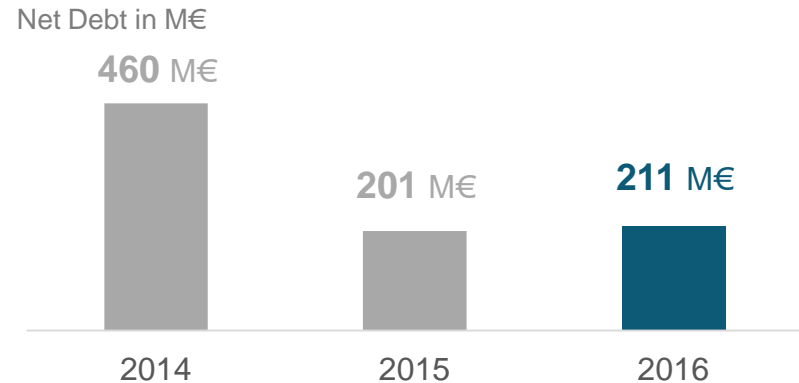
## Operating margin +24%



## Working Capital and ROCE



## Net debt evolution



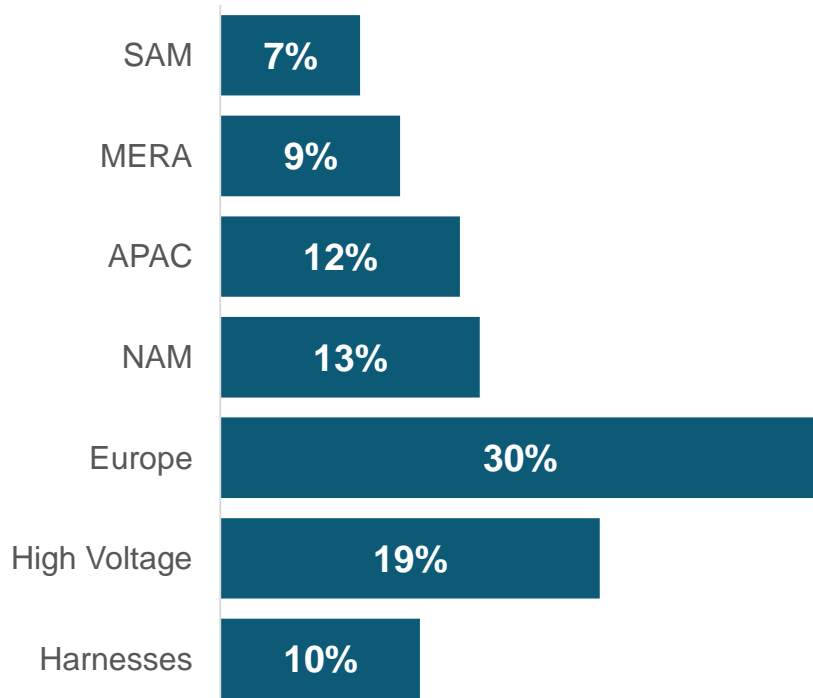
\* 12 month OM on end of period Capital Employed, restated for Antitrust provision

\*\* Operating Working Capital / (Q4 Sales at current metal price x 4)

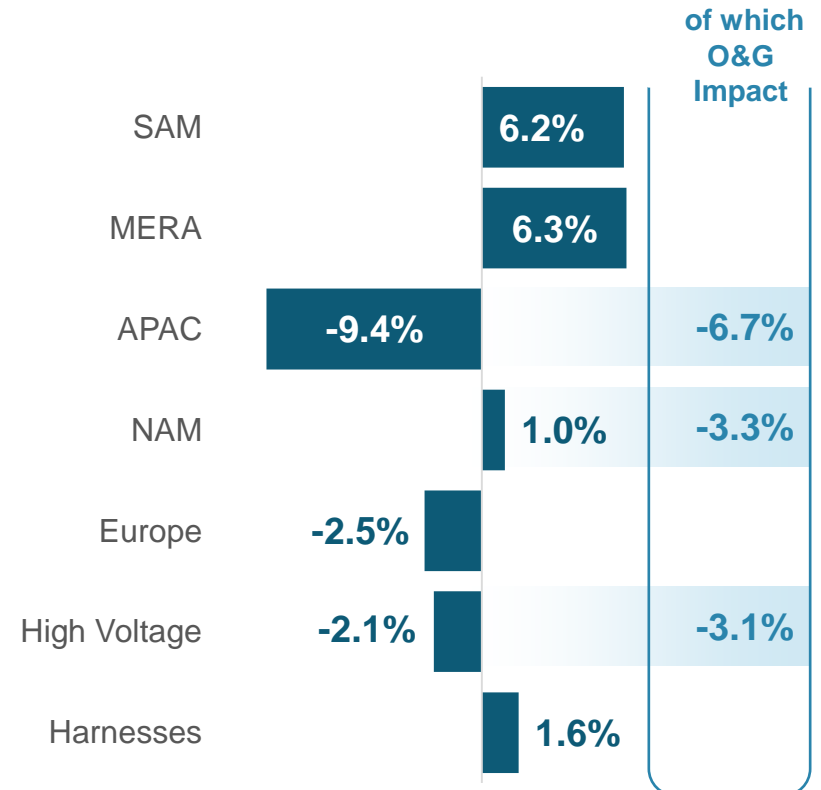
# 2 Sales by geography

## Sales development impacted by O&G

% of Standard Sales



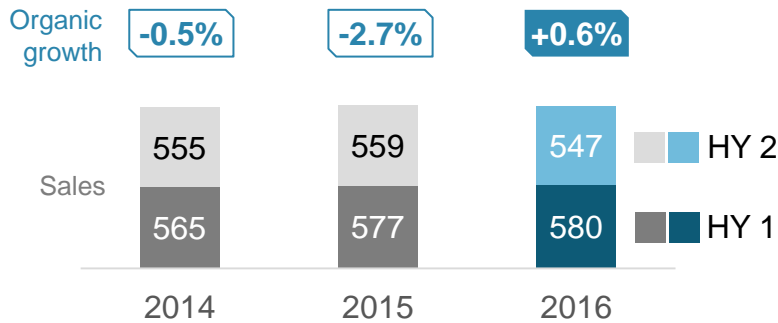
2016 Organic Growth



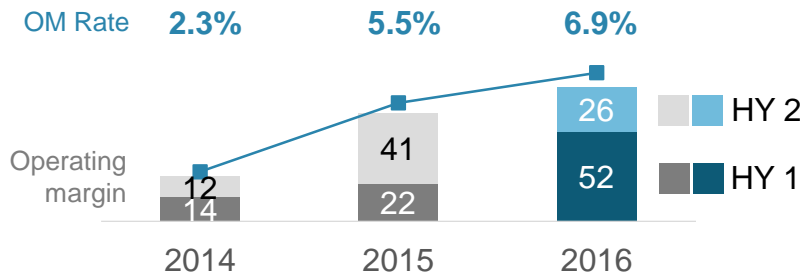
# 2 Distributors & Installers

## Margin progression despite challenging second half

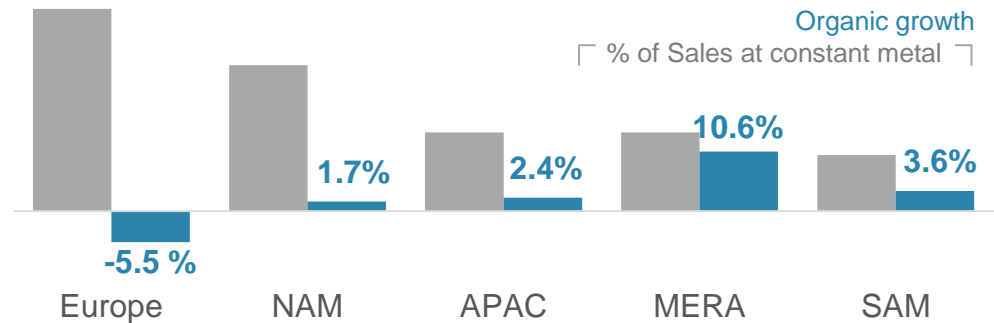
### Sales at constant metal: 1,127 M€



### Operating Margin: 78 M€



### Business Update



#### BUILDING: -0.8% organic growth

- Positive momentum in MERA and SAM
- Solid recovery in APAC (+10% compared to HY 1)
- Low volumes in NAM and continued pressure in Canada
- Sales down 4.7% in Europe

#### LAN and CABLING SYSTEMS: +5.1% organic growth

- Triggered by the demand from data centers in the US and Chinese markets

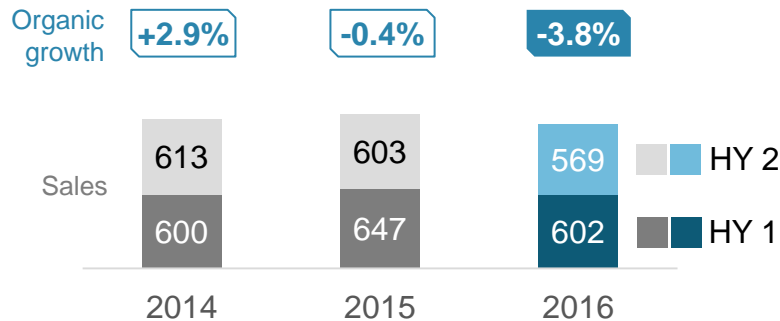
### Margins

- Positive contribution of the strategic initiatives drive further increase of the OM (+140bps) after x2 in FY'15

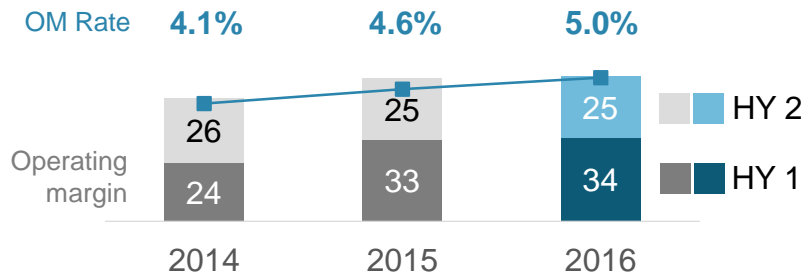
# 2 Industry

## Solid growth in Renewables and Aerospace offset by O&G

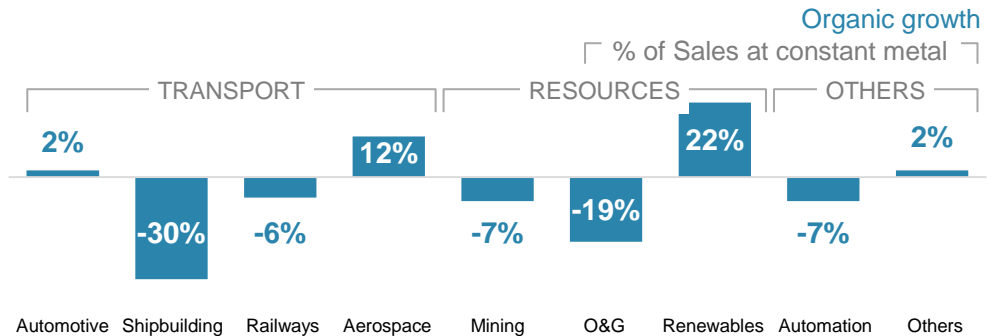
### Sales at constant metal: 1,171 M€



### Operating Margin: 59 M€



### Business Update



#### TRANSPORT: 66% of Sales

- Robust demand in Aerospace mainly from backlog with Airbus
- Harnesses stabilize at a high level
- Shipbuilding down in all areas, with indirect hit from depressed O&G sector

#### RESOURCES: 21% of Sales

- Hit in the O&G upstream but sales in upward trend in Q4'16
- Strong momentum in Renewables thanks to solid order intakes

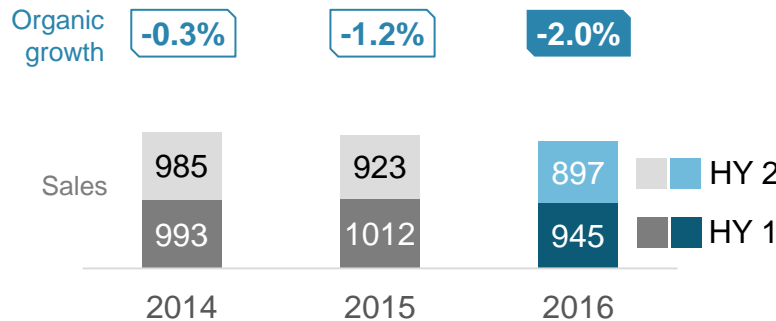
### Margins

- Resilience of operating margin despite challenging market conditions, thanks to costs reduction and improved mix

# 2 Transmission Distribution & Operators

Strong market drivers but unfavorable project phasing in 2016

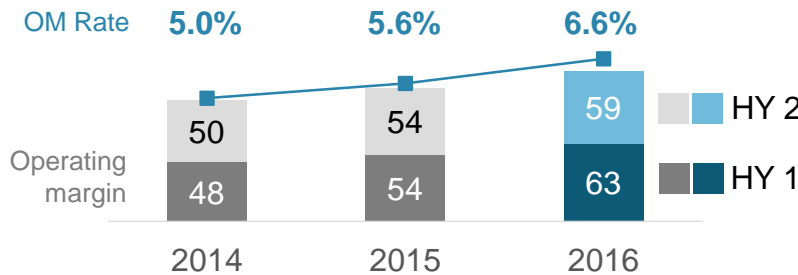
## Sales at constant metal: 1,842 M€



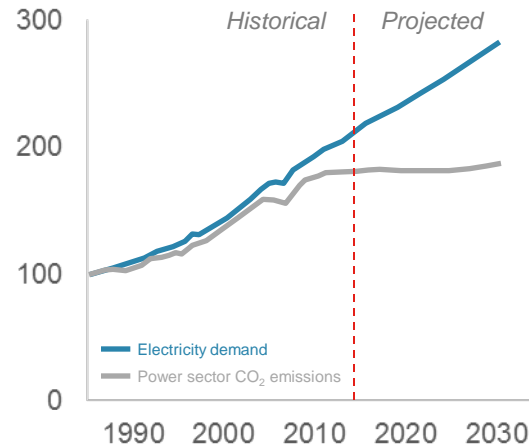
## Market drivers

- Extension of the Transmission network to cope with
  - Need for an interconnected European grid*
  - Development of Renewable Energy Sources*
  - Improvement of efficiency rate from wind power generation*
- Upgrade of Distribution networks
  - Replacement of aging grid*
  - Development of Power consumption*

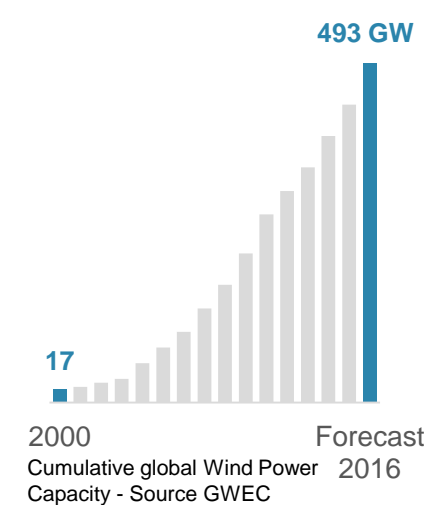
## Operating Margin: 122 M€



### POWER DEMAND



### WIND POWER



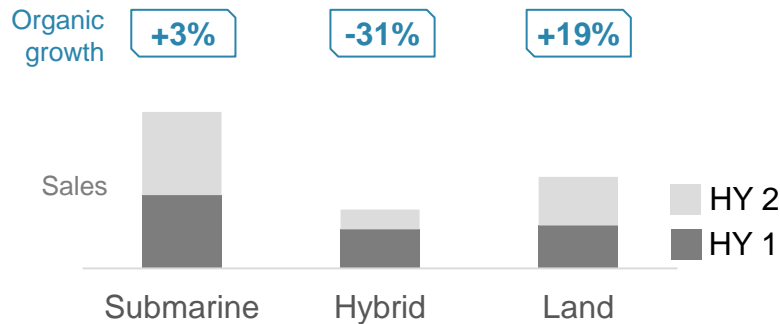
Source IEA/ WEO 2015

2000 17 Cumulative global Wind Power Capacity - Source GWEC Forecast 2016 493 GW

# 2 TD&O / Transmission

A strong order backlog for a promising FY'17 growth

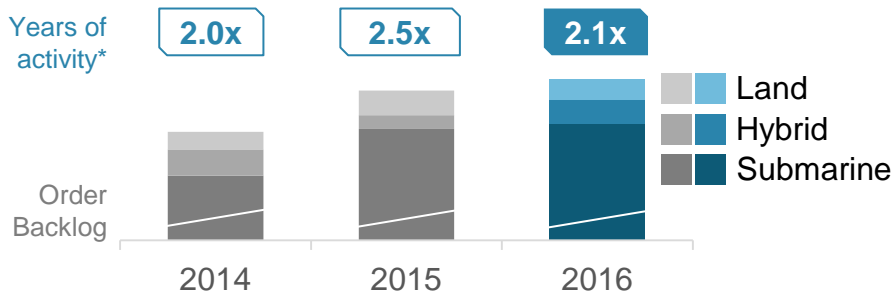
## Organic Growth: -2.2%



## Sub-sea

- Umbilical's down from sharp decline in upstream O&G however strong order intakes securing load for 2017 and promising growth in sales
- Lower activity in Submarine High Voltage due to project phasing and maintenance before strong growth in FY'17

## Order backlog



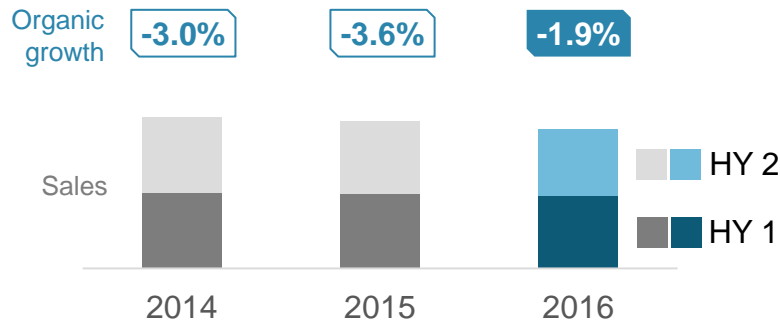
## Land High Voltage

- Orderly progression resulting in regular improvement in margin despite the negative impact of production issues in Europe and under activity in China and the US

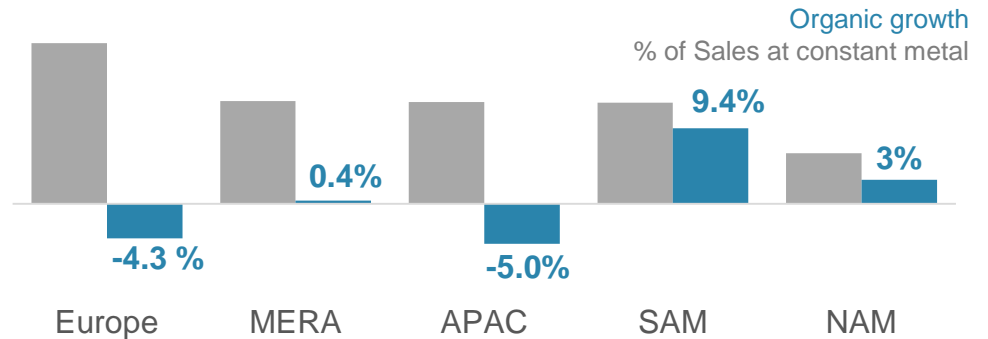
# 2 TD&O / Utilities and Operators

## Softer demand from Utilities in the second half

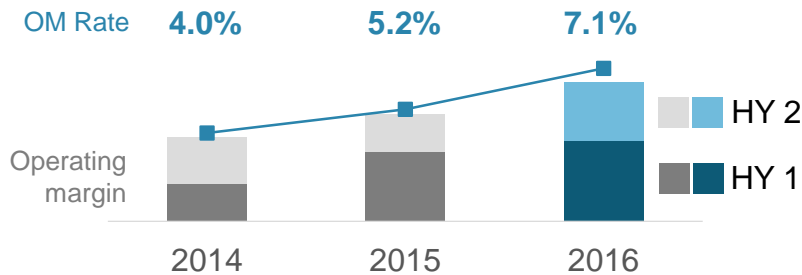
### Organic growth: -1.9%



### Business Update



### Operating Margin



#### UTILITIES: -2.8% organic growth

- Lower sales in HY 2 in APAC and Europe
- Strong momentum confirmed in SAM

#### OPERATORS: +3.3% organic growth

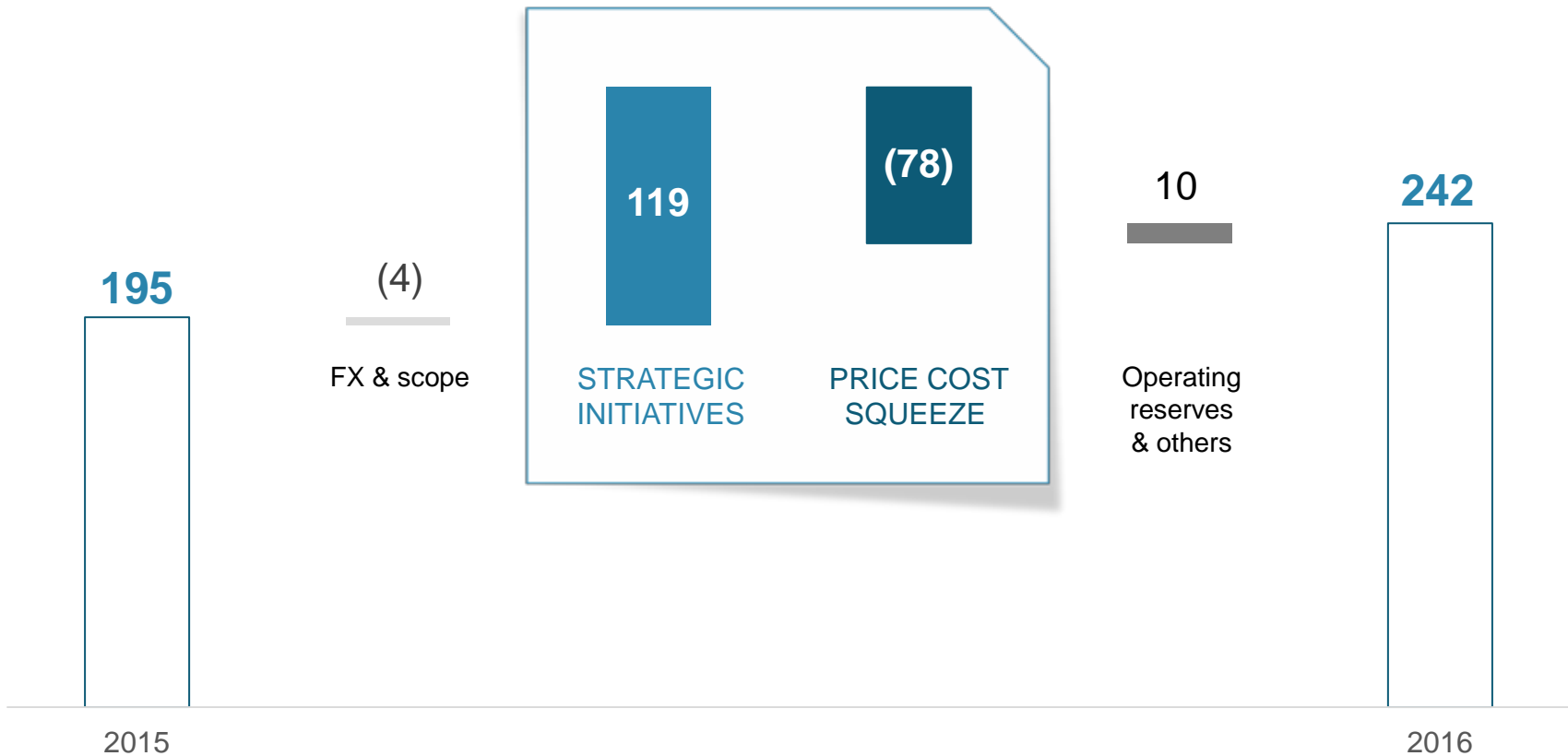
- Good level of activity after a slow start in Q1'16
- Mainly driven by fiber optical and accessories sales in Europe

### Margins

- Improvement in the operating margin rate mainly from industrial efficiency programs

# 2 Strategic initiatives delivered as expected to overcome volume & price pressure effects

## Operating margin evolution in M€



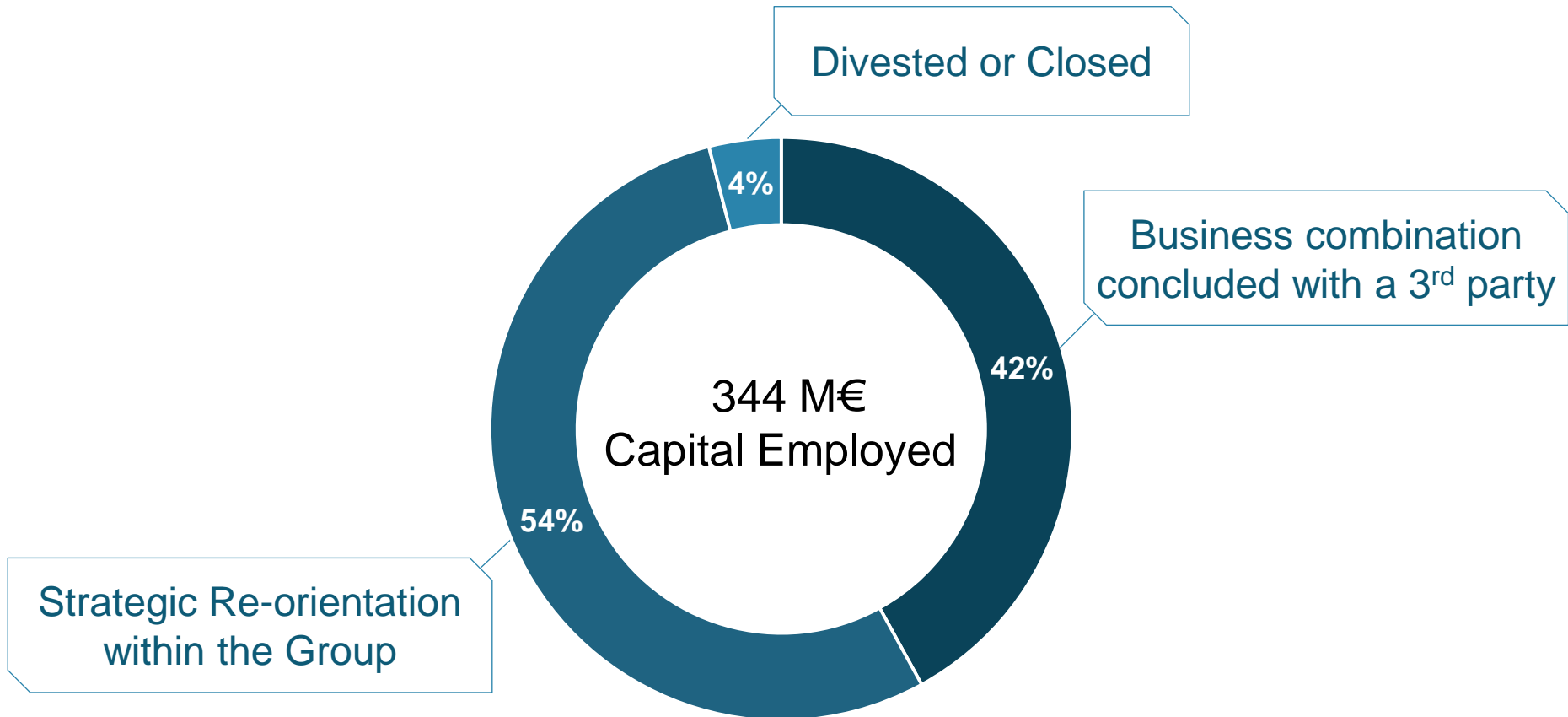


# 2 Strategic Initiatives progressing as planned

<p>2013 European plan</p> <p>2015 European plan</p> <p>OPEX and other plans</p>	<p><b>Fixed Cost Reduction</b></p> <p><b>22 M€</b></p>	<ul style="list-style-type: none"> <li>+ 22 M€ before inflation in addition to the 62 M€ already delivered in 2015</li> <li>All OPEX and other Industrial plans launched over the last 3 years are now fully deployed</li> </ul>
<p>Purchasing Saving</p> <p>Industrial Efficiency</p>	<p><b>Variable Cost Reduction</b></p> <p><b>58 M€</b></p>	<ul style="list-style-type: none"> <li>+ 58 M€ impact on operating margin compared to 10 M€ in 2015</li> <li>Purchasing and Industrial saving plans delivered as planned</li> <li>Decrease in volumes reduced the impact of the action plans and affected the productivity</li> </ul>
<p>Profitable Growth</p> <p>Product Customer Optimization,</p> <p>Service development</p>	<p><b>Market Leadership</b></p> <p><b>39 M€</b></p>	<ul style="list-style-type: none"> <li>Product Customer Optimization helped improving the operating margin in Building and Industry segments where growth is negative</li> <li>Greater result will come in 2017 from the submarine activity</li> </ul>

# 2 Strategic Initiatives progressing as planned

## Business Portfolio review almost completed





## ○○ 3 ○ Key financials

*Nicolas BADRÉ, CFO*

# 3 Income Statement (1/2)

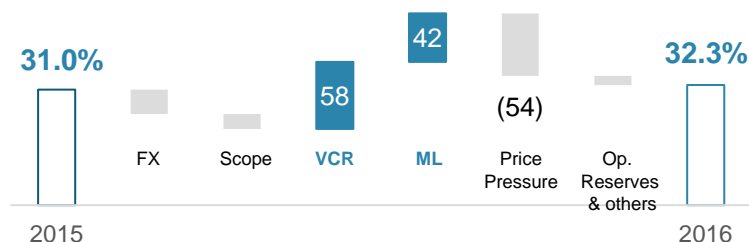
## Key figures

In M€	2015	2016
Sales at actual metal prices	6,239	5,814
<b>Sales at constant metal prices</b>	<b>4,604</b>	<b>4,431</b>
Margin on variable costs	1,428	1,432
margin rate (*)	31.0%	32.3%
Indirect costs	(1,095)	(1,057)
<b>EBITDA(**)</b>	<b>333</b>	<b>375</b>
EBITDA rate (*)	7.2%	8.5%
Depreciation	(138)	(133)
<b>Operating margin</b>	<b>195</b>	<b>242</b>
Operating Margin rate (*)	4.2%	5.5%

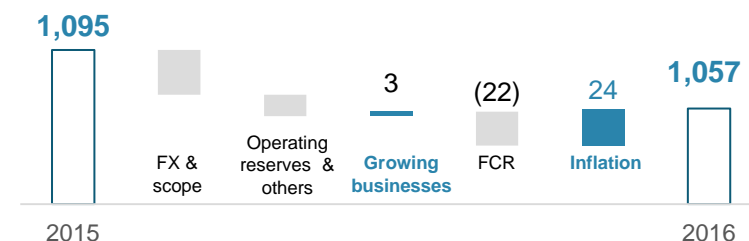
Notes: (\*) margin on Sales at constant metal price

(\*\*) Operating margin before depreciation

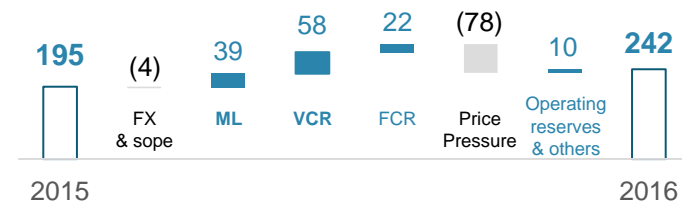
## Gross Margin evolution



## Indirect costs evolution



## Operating Margin evolution



FCR: Fixed Cost Reduction - ML: Market Leadership - VCR: Variable Cost Reduction

# 3 Income Statement (2/2)

## Key figures

<i>In M€</i>	2015	2016
<b>Operating margin</b>	<b>195</b>	<b>242</b>
Restructuring	(100)	(33)
Others	(161)	(24)
<b>Operating income</b>	<b>(66)</b>	<b>185</b>
Financial charge	(105)	(88)
<b>Income before tax</b>	<b>(171)</b>	<b>97</b>
Income tax	(25)	(37)
<b>Net income from operations</b>	<b>(196)</b>	<b>60</b>
<b>Net income Group share</b>	<b>(194)</b>	<b>61</b>

## From Operating Margin to Operating Income

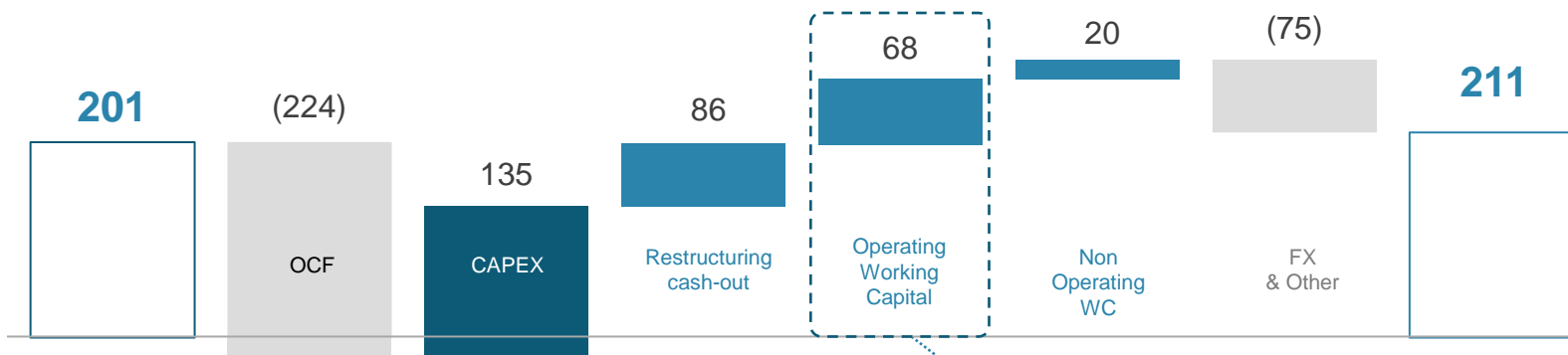
<i>In M€</i>	2015	2016
Core exposure Impact	(52)	(6)
Restructuring	(100)	(33)
Net asset Impairment	(129)	(8)
Provision for Anti-trust investigation	36	(20)
Change in fair value of metal derivatives	(3)	12
Others	(13)	(2)
<b>Adjustments to operating margin</b>	<b>(261)</b>	<b>(57)</b>

## Financial charge

<i>In M€</i>	2015	2016
Cost of debt	(79)	(64)
Net foreign exchange gain loss	(8)	(7)
Interest on Pension	(10)	(10)
Others	(8)	(7)
<b>Financial charge</b>	<b>(105)</b>	<b>(88)</b>

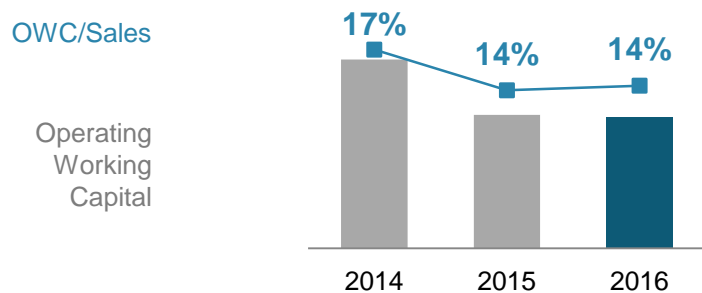
# 3 Focus on cash management

## Net Debt last 12 month evolution in M€

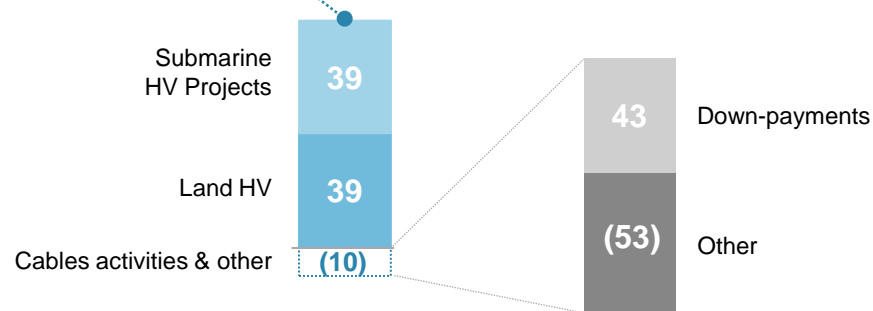


## OWC on Sales - excluding Projects

Evolution of Operating Working Capital excluding Project activities



## OWC 12 month evolution – cash impact

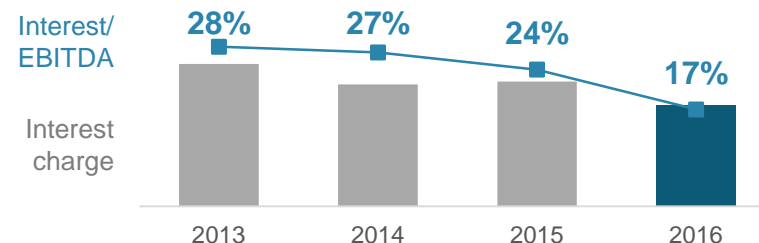


# 3 Balance Sheet strength

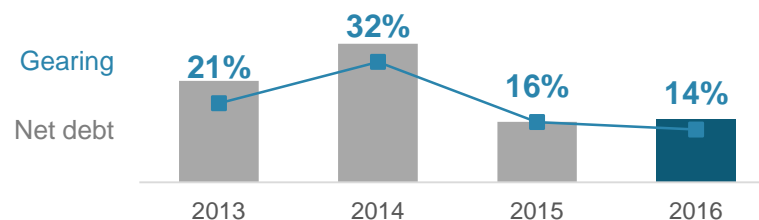
## Balance Sheet

In M€	2015	2016
Long term fixed assets	1,643	1,661
<i>Of which goodwill</i>	250	254
Deferred Tax	192	180
<b>Non-current Assets</b>	<b>1,835</b>	<b>1,840</b>
Working Capital	405	581
<b>Total to be financed</b>	<b>2,240</b>	<b>2,421</b>
Net financial debt	201	211
Reserves	690	641
<i>Of which: - restructuring</i>	128	81
<i>- pension &amp; jubilee</i>	453	430
Deferred tax liabilities	84	90
Derivative liability non current	38	10
Shareholders' equity and minority interests	1,227	1,469
<b>Total financing</b>	<b>2,240</b>	<b>2,421</b>

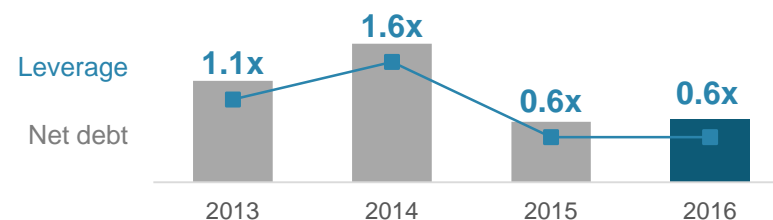
## Interest Charge over EBITDA



## Net debt and gearing ratios



## Leverage ratios



# 3 Strong liquidity covering future debt refinancing needs

## Net Debt breakdown

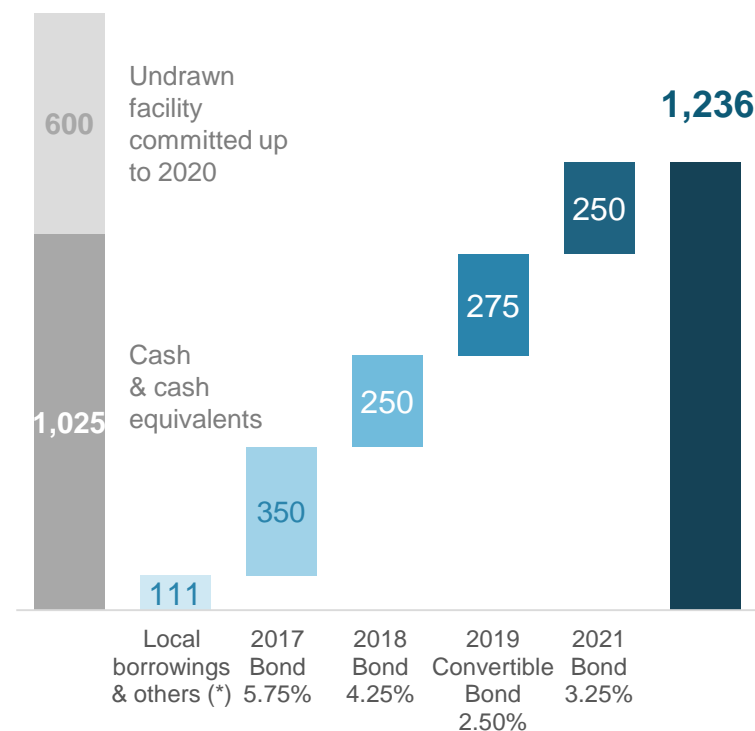
In M€	2016
Long-term ordinary Bonds	498
Long-term convertible Bonds	263
Other long-term borrowings	5
Short-term borrowings and short-term accrued interest not yet due + Short-term ordinary bonds	461
Short-term bank loans and overdrafts	9
<b>Gross Debt</b>	<b>1,236</b>
Short-term financial assets	-
Cash and cash equivalents	(1,025)
<b>Net Debt</b>	<b>211</b>

## Rating & covenants

- S&P rating : BB- stable outlook
- Credit facility covenants : leverage < 3 x EBITDA gearing < 1,1

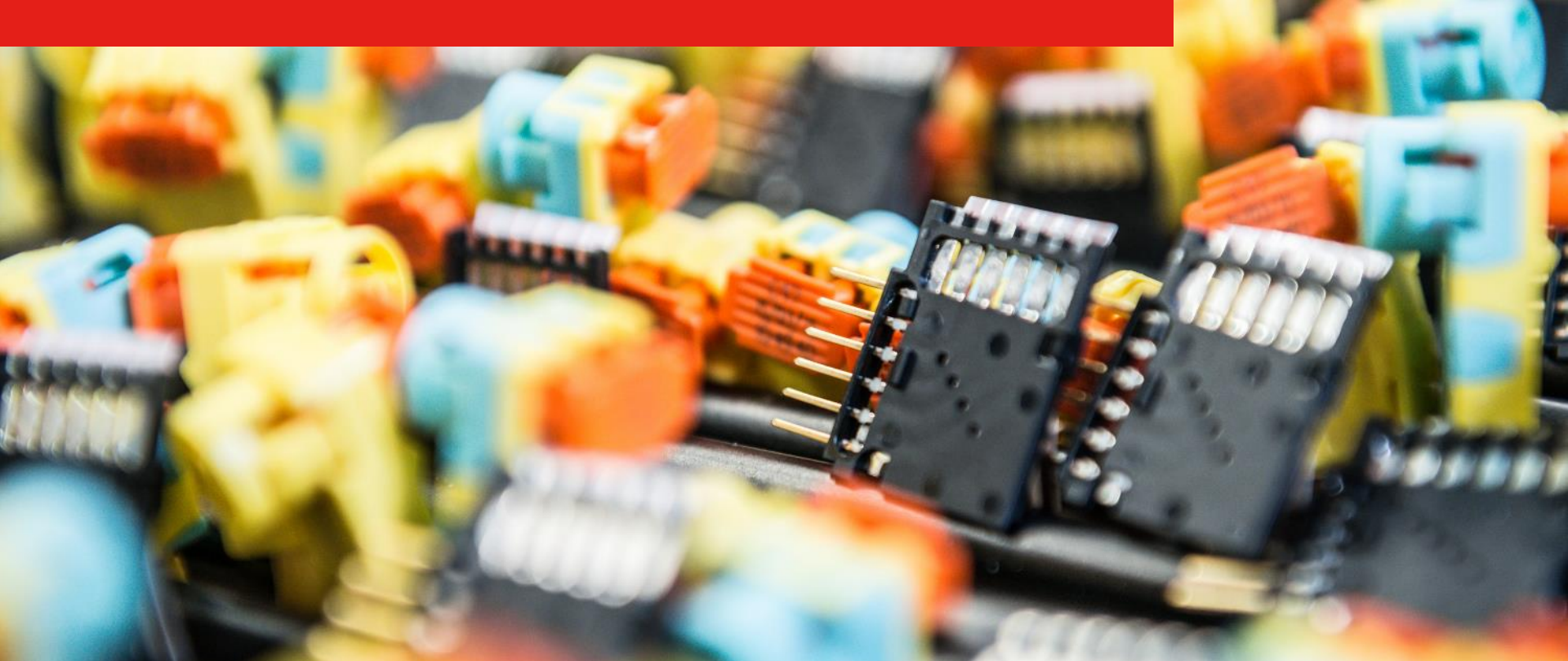
## Debt redemption

In M€



(\*) Note: including IS39 restatements on convertible and ordinary Bonds





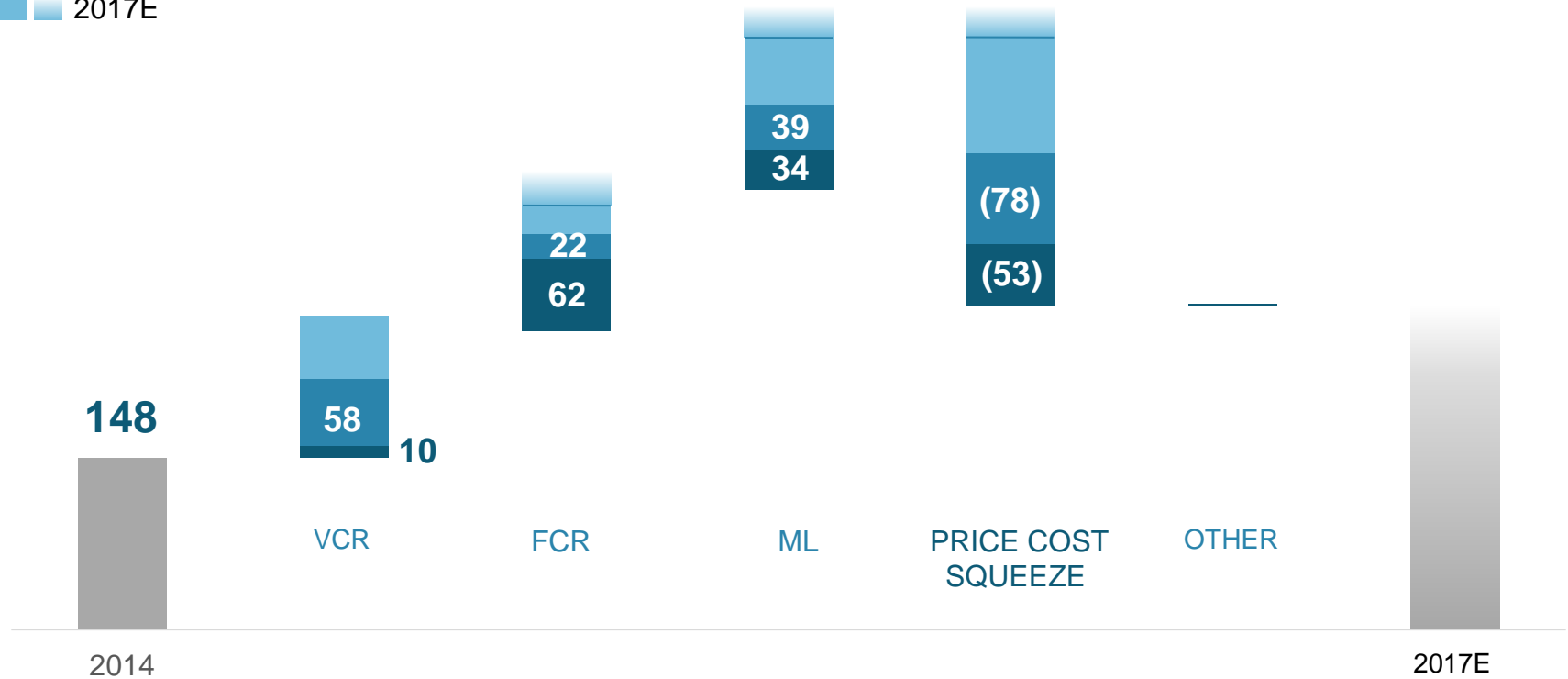
## ○○○ 4 Outlook

*Arnaud Poupart-Lafarge, CEO*

# 4 Strategic initiatives – On the way to 2017

Operating margin evolution in M€

- 2015
- 2016
- 2017E



## ○○○ 4 Priorities ahead: 2017 as a Pivot Year

- Deliver the 2015-2017 Plan despite the O&G impact
  - § Keep momentum on strategic initiatives
  - § Balance the mix of improvement levers
  - § Execute the growth in project businesses on the back of strong backlog
- Restore a pattern for growth
  - § Accelerate the project businesses to serve the energy transition
  - § Explore opportunities to grow higher return businesses
- Continued control over cash and capital employed

Proposal of a 0.5 € dividend per share



●●●● **Appendices**

# ○○○○ Sales and profitability by segment

Sales at constant metal prices, in M€				2016		
In M€	2015			2016		
	Sales	OM	OM %	Sales	OM	OM %
Transmission, Distribution & Operators	1,935	108	5.6%	<b>1,842</b>	<b>122</b>	<b>6.6%</b>
Industry	1,250	57	4.6%	<b>1,171</b>	<b>59</b>	<b>5.0%</b>
Distributors & Installers	1,136	63	5.5%	<b>1,127</b>	<b>78</b>	<b>6.9%</b>
Other	283	(33)	n/a	<b>291</b>	<b>(17)</b>	<b>n/a</b>
<b>TOTAL GROUP</b>	<b>4,604</b>	<b>195</b>	<b>4.2%</b>	<b>4,431</b>	<b>242</b>	<b>5.5%</b>

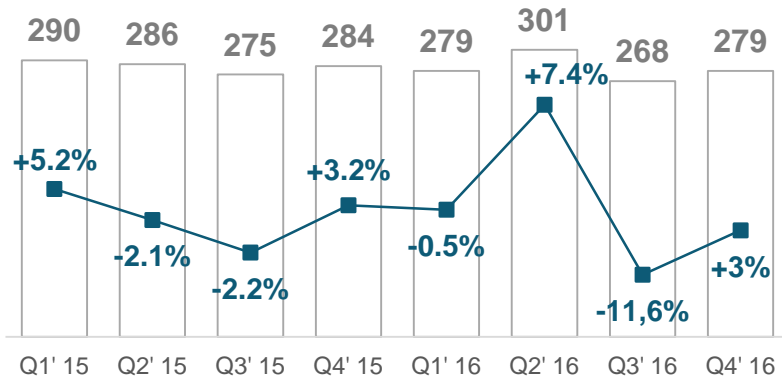
## ○○○○ Impact of foreign exchange and consolidation scope

Sales at constant metal prices, in M€	2015	FX	Organic growth	Scope	2016
Transmission, Distribution & Operators	1,935	(39)	(37)	(18)	1,842
Industry	1,250	(10)	(46)	(23)	1,171
Distributors & Installers	1,136	(20)	6	5	1,127
Other	283	(5)	22	(9)	291
<b>TOTAL GROUP</b>	<b>4,604</b>	<b>(74)</b>	<b>(54)</b>	<b>(45)</b>	<b>4,431</b>

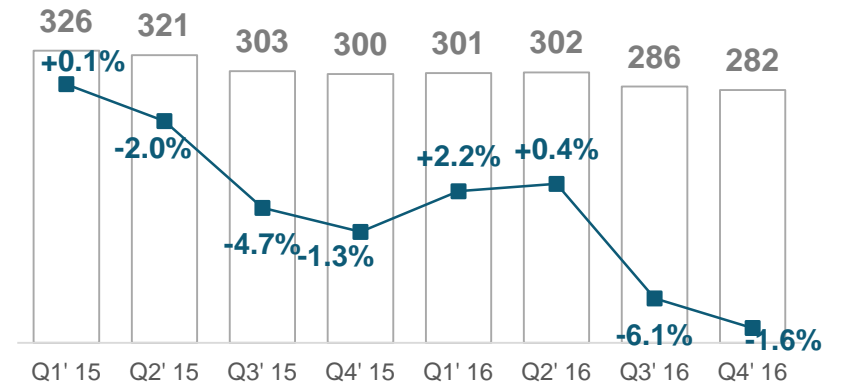
# ○ ○ ○ ○ Sales by quarter by segment

■ Sequential Growth  
 □ Sales at constant metal in M€

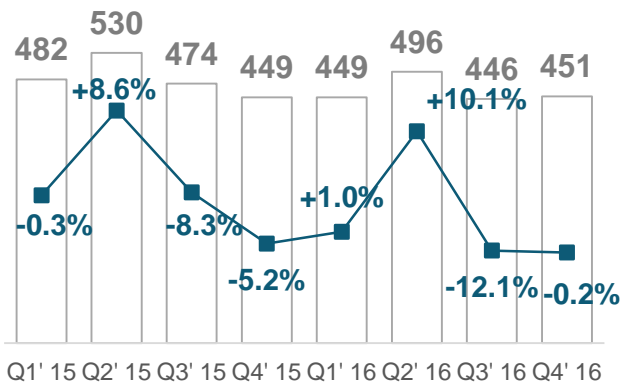
## Distributors & Installers



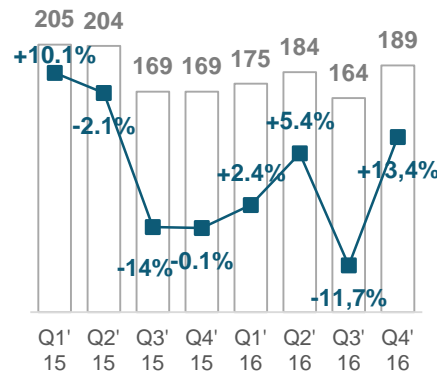
## Industry



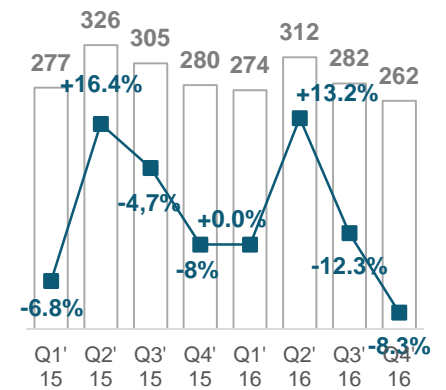
## TD&O



## Transmission

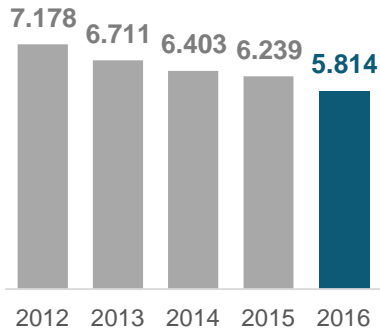


## Utilities & Operators

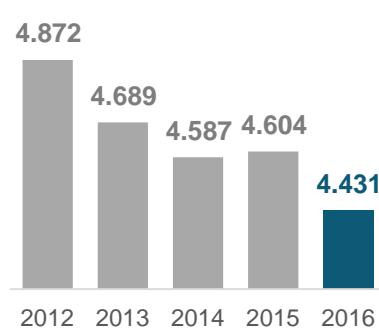


# Financial highlights

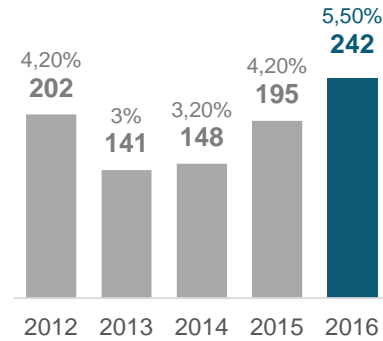
**Sales**  
at current metal prices  
(in M€)



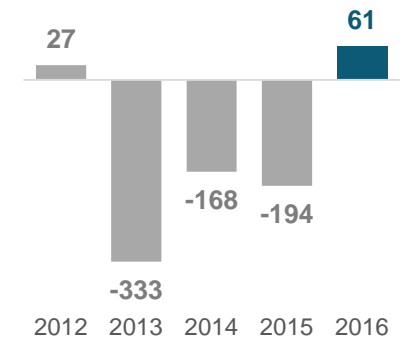
**Sales**  
at constant metal prices  
(in M€)



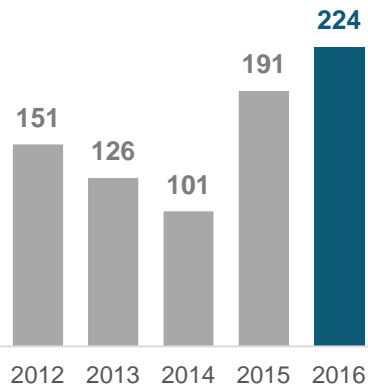
**Operating Margin**  
(in M€ and as % of sales  
at constant metal prices)



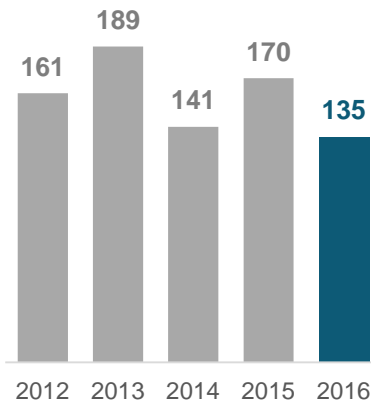
**Net income/(Loss)**  
attributable to the  
owners of the parent  
(in M€)



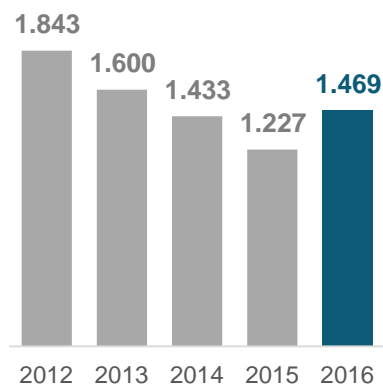
**Operational Cash Flow**  
(in M€)



**Net Capital expenditure**  
(in M€)



**Equity**  
(in M€)



**Net Debt**  
(in M€)

