

# 2017 REGISTRATION

DOCUMENT

INCLUDING THE 2017 ANNUAL FINANCIAL REPORT

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This Registration document contains Nexans' annual financial report for fiscal year 2017.



This Registration document was filed with the *Autorité des Marchés Financiers* (French stock market authorities) on March 30, 2018, in accordance with article 212-13 of the General Regulations of the AMF. It may be used in connection with a financial transaction only if supplemented by a transaction memorandum which has been reviewed by the AMF. This document has been established by the issuer and is binding upon its signatories.

## PROFILE

# A global player in the cable industry linking people, ideas and the future

Cables make up a hidden network powering everything around us. Millions of homes, cities, businesses are powered every day by Nexans' high-quality sustainable cabling solutions. Both economic development and quality of life are dependent on access to energy and information, building and infrastructure safety, and the movement of goods and people.

As a global player in the cable industry, Nexans is behind the scenes delivering the innovative services and resilient products that carry thousands of watts of energy and terabytes of data per second around the world. We help our customers meet the challenges they face in the fields of energy infrastructure, energy resources, transport, buildings, telecom and data, providing them with solutions and services for the most complex cable applications in the most demanding environments.

With over 120 years of experience we drive a safer, smarter and more efficient future. On the leading edge of the cable industry, Nexans brings energy to life.

Nexans is listed on the regulated market of Euronext Paris.



As a member of the United Nations Global Compact, Nexans is committed to supporting and implementing ten universally-accepted principles in the areas of human rights, labor, the environment and anti-corruption.

## IN FIGURES

# 26, 000

EMPLOYEES

# 6.4

BILLION EUROS  
IN SALES<sup>(1)</sup>

MANUFACTURING  
SITES IN

# 34 COUN- TRIES

# WORLD- WIDE

SALES PRESENCE

<sup>(1)</sup> At current metal prices.

## Message from the Chairman of the Board of Directors

2017 was the last year of the *Nexans in Motion* strategic plan devoted to restoring the Group's profitability. The plan's objective was met despite the collapse in oil industry investment during the three-year period covered by the plan. I and my fellow Board members would like to congratulate the Executive Management and all Nexans teams for this achievement. We would particularly like to commend the strong personal commitment and unifying leadership of Arnaud Poupart-Lafarge, who successfully led this ambitious project before making the decision to step down from his role as Chief Executive Officer for personal reasons.

Return on capital employed (ROCE) more than doubled over the plan period, to 12.5% in 2017. The same applied in just one year to net income, which rose from 61 million euros in 2016 to 125 million euros in 2017.

This performance enables us to propose to the Annual Shareholders' Meeting on May 17, 2018 an increase in the dividend from 0.50 euros to 0.70 euros per share.

2017 was also a year of dynamic advances in the area of governance that were recognized at the Corporate Governance Awards organized by Agefi, a French financial and business media. The judges were particularly impressed with the secure collaborative platform set up to facilitate the work of the Board and its committees, the annual self-assessment of the Board's composition, organization and practices, the results of which are reported in the registration document, and the integration and training program for new directors.

Concerning the composition of the Board, since last October it has included a director representing employees appointed on the recommendation of the French Group Works Council. Employee shareholders, who together own 3.34% of Nexans' capital, have also been represented on the Board since 2012.

Nexans has also been recognized for its initiatives in the areas of ethics, compliance and risk assessment. Ethics & Solidarity is one of the four areas of priority covered by its CSR ambitions, the other three being People, Customers and the Environment. In this area too, the Group is continuing to advance, earning recognition from the non-financial rating agencies which significantly upgraded its ratings in 2017.

In early 2018, Nexans published its first integrated report, underscoring the extent to which CSR and sustainable development considerations drive its strategy, innovation processes and resource management processes.



**“Since Nexans has returned to profit, at the Annual Shareholders’ Meeting we will propose raising the dividend from 0.50 euros to 0.70 euros per share.”**

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For example, Nexans has recently signed an agreement with its main copper supplier, Codelco, that will enable the Group to give end-customers a guarantee concerning the origin of the copper used in its products and compliance with corporate social responsibility and environmental standards at every stage in the value chain.

*Nexans in Motion* has enabled the Group to get back on the growth path. This is the ambition of the new 2018-2022 strategic plan, called *Paced for Growth*.

The Group is committed to partnering with its customers engaged in the energy and ecological transition and to supporting them with its increased resources and enhanced cabling and connectivity offers for major submarine interconnection projects, wind farms, electric vehicle charging infrastructure as well as recycling solutions.

*Paced for Growth* marks a new stage in Nexans' development. We are embracing this challenge with confidence and determination.

**Georges Chodron de Courcel,  
Chairman of the Board of Directors**

## Interview with the Chief Executive Officer

### How would you sum up 2017?

We delivered a robust performance, in line with our forecasts, for the third consecutive year. We achieved organic growth of over 5% in an increasingly difficult economic environment, shaped by eroding prices in most of our markets. Our organic growth in operating margin was more than three times greater, at 16%, while net income more than doubled, rising from 61 million euros in 2016 to 125 million euros in 2017.

Among our marketing successes in 2017, we won a contract worth more than 100 million euros to supply and install the cables to transport wind power from Germany's DolWin6 offshore wind farm. We will also supply and install cables for the Hornsea project off the coast of Yorkshire in the United Kingdom, which is set to become the world's largest offshore wind farm. And we will contribute to Norway's Roan wind farm, which will be the largest onshore wind farm in Europe. In the telecoms sector, we have been awarded a contract for a new subsea cable system between Malaysia and Indonesia. We are also helping to prepare for the 2022 Football World Cup in Qatar, by equipping Doha's new subway system, tram lines and the new Port Hamad commercial port.

### What are the new developments in the group's various businesses?

Nexans serves very different markets which have exhibited contrasting trends.

The electricity transmission business enjoyed very strong growth, with sales rising 34.3% led by the submarine high-voltage cables segment. However, electricity distribution sales were down 3% over the year, although demand recovered in the second half, while sales to telecoms operators grew 10.5%. In all, the Transmission, Distribution & Operators division reported 13% organic sales growth and a 27% increase in operating margin to 155 million euros, representing 7.7% of sales versus 6.6% in 2016.

Industry division sales volumes were down 1.6%, due to a 30% fall in business with oil operators, particularly in the oil and gas and shipbuilding industries. Sales to other industries were higher year on year, particularly in Europe and North America. At 56 million euros, the division's operating margin represented 5% of sales, unchanged from 2016.



**“With Paced for Growth, we are embarking on our new 2018-2022 strategic plan with three watchwords: competitiveness, selectiveness and solutions.”**

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Lastly, in the building segment, organic growth was 0.9%, reflecting higher power cable sales and lower sales of LAN cables, particularly in the United States. Operating margin came to 53 million euros, representing 4.7% of sales versus 6.9% in 2016.

### What has been the impact of the Nexans in Motion plan?

We achieved the three-year plan's main objective, which was to restore the Group's profitability. Between 2014 and 2017, operating margin increased from 3.2% to 6% and return on capital employed rose from 5.8% to 12.5%. We have reported a net profit every year since 2015, enabling us to resume paying a dividend, and reduced our net debt from 460 million euros at end-2014 to 332 million euros at the 2017 year-end.

Looking more closely at the results of our strategic initiatives, our fixed costs have been reduced by 115 million euros and

our variable costs by 94 million euros. Our initiatives in the area of market leadership contributed 124 million euros as a result of the strengthening of our positions and our margins through pricing policy, product mix, expansion of our offering and innovation. In all, these initiatives drove a 333 million euro improvement in our operating margin between 2014 and 2017, including 108 million euros in 2017 alone. This offsets cost and pricing pressures which squeezed operating margin by 208 million euros, including 77 million euros in 2017 alone.

These results were achieved despite the steep fall in oil and gas industry investments and the crisis that affected our businesses in South America. We have spent the last three years improving our management of the business and modernizing and strengthening the Group. We are now ready to get on the path of growth and are entering a new longer cycle, with our Paced for Growth strategic plan covering a period of five years.

### What are your objectives?

We have set the target of deriving 25% more revenues from our current scope of businesses by 2022, which will lift sales to around 6 billion euros<sup>(1)</sup>, increasing EBITDA<sup>(2)</sup> by 50% and delivering a return on capital employed<sup>(3)</sup> of over 15%. This should enable us to add around 1.5 to 2 billion euros in sales through acquisitions, while maintaining a healthy balance sheet.

The energy transition, e-mobility and the Internet of Things and resulting exponential increase in data all represent opportunities for business growth and value creation. We want to help our customers to take up these challenges by offering them efficient, safe and lasting solutions.

The strategic plan's three watchwords are competitiveness, selectiveness and solutions.

Competitiveness to offset price erosion and cost inflation, which have an annual impact of some 70 million euros.

Selectiveness so that resources are focused on the segments where we can clearly achieve competitive advantage, generate profitable growth and win market share.

Solutions to be developed by systematically looking at ways to expand our offers beyond cables, including by expanding our skill-sets and technology base through acquisitions. We did this recently in order to build a comprehensive e-vehicle recharging system offer including multi-standard charging stations and management software, and to equip wind turbines with connector kits that reduce installation time.

### Which markets are you targeting on a priority basis?

We have reconfigured the business around four segments, aligned with our customers and market trends.

The **Building & Territories** segment comprises solutions for the building market, energy operators, local authorities and rural communities. Smart cities, e-mobility and the energy transition represent sources of opportunities in this segment. We are aiming to achieve 2.5% annual growth, in line with the market.

The **High Voltage & Projects** segment includes turnkey submarine interconnector projects, offshore wind farms, offshore oil and gas projects and land based high voltage projects. We have set a target of 8% average annual growth to start with, led by energy transition projects, and expect the rate to increase rapidly as from 2020, once the new production capacity in the United States comes on stream and our second high-voltage submarine cable laying ship is put into service.

The **Industry & Solutions** segment should grow by an average of 7.5% per year to start with and at a faster rate as from 2020. To achieve this objective, we will focus on five buoyant markets where we have the greatest competitive advantage: aeronautics, railway, renewables, automation (Industry 4.0) and oil & gas downstream (refineries, petro-chemicals).

**Telecom & Data** has become a separate segment. We want to double our sales by 2022, with a unique ready-to-install cable and connectivity solutions offer for transoceanic cables that leverages our repositioning in this market, urban fiber optic networks, and the new generation of super-energy efficient hyperscale data centers that are supporting the digital revolution.

(1) At constant non-ferrous metal prices.

(2) EBITDA: operating margin before depreciation and amortization.

(3) ROCE: operating margin divided by capital employed excluding the anti-trust provision.

The expertise in cost competitiveness and operational efficiency demonstrated during the *Nexans in Motion* plan will be the cornerstone of our new strategic plan. Agile innovation, digital transformation, industrial automation, stronger sales and marketing capabilities, training and the hiring of new talent will all help us to make this plan a success.

### **Why have you decided to step down as Chief Executive Officer of Nexans?**

I am extremely proud to have been Chief Executive Officer of Nexans for the last four years. Surrounded by a first-rate management team, I am pleased to have led the *Nexans in Motion* plan to its successful completion.

I have made the difficult decision to step down as Chief Executive Officer of Nexans for strictly personal reasons. At the request of the Board of Directors, I have agreed to oversee the

management transition until 30 September 2018 alongside Pascal Portevin, Deputy CEO.

Together, we will continue to manage the day-to-day implementation of the Paced for Growth plan, which we developed alongside the Management Board and which has my full support.

The Group boasts strong growth potential in developing markets and I have every confidence in the success of the Paced for Growth plan and in the Management Board's ability to establish Nexans as a global leader in advanced cabling and connectivity solutions.

**Arnaud Poupart-Lafarge,  
Chief Executive Officer**



NEXANS  
SKAGERRAK  
OSLO





# Presentation of the Group and its activities

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# 1.1. Mission, Businesses and Markets

## We bring energy and information to life...

Nexans is an essential link for societies in a world undergoing constant transformation. We link people and put ideas into action to build the future. We connect industry to society and we uphold this responsibility with the utmost integrity. Our heightened sense of corporate social responsibility forms an integral part of our business strategy to the benefit of all stakeholders and the community.

- **Our Expertise:** Producing cables, we are the material link at the heart of industry with high performance characteristics developed through constant innovation for over 120 years.
- **Our Mission:** Beyond cables, our systems deliver energy & data, building the essential link that transports information & power everywhere to everyone.
- **Our Purpose:** As a life link, we support development and social contacts. Without us, there can be no communities, exchanges, communications, energy, modern life.

## ... Being the essential link for energy and data revolution.

In the 21<sup>st</sup> century, information and energy have become inextricably intertwined. These two fundamental trends are the key drivers of a major shift in our society and they also have the largest impact on our business and clients.

With the growth of the global population, the world's energy demand is ever-increasing. International Energy Agency (IEA) predicts that in some 20 years, we will need 48% more energy than today. By then, new energy infrastructures are likely to emerge, especially as distributed energy systems go live, bringing new challenges and opportunities to the cabling industry.

And as climate concerns push sustainable development to the top of international agenda, nations will further look to improve their energy efficiency and integrate more clean energy resources while addressing the associated intermittency issue.

This is where data will play a key role.

In order to respond to consumption peaks in times when the wind is not blowing and the sun is not shining, we will increasingly rely on data regarding power production and consumption patterns to improve the efficiency of our energy use.

In parallel, such data-based approach aimed at efficiency improvement will continue to spread across other sectors,

too. Since many years in our business, we have seen the rapidly growing need for hybrid cables, capable of carrying both power and data. In the automation sector, for instance, this allows to both power industrial applications and control their processes. At the same time, in the aerospace segment, the super lightweight cables are used to power in-flight entertainment systems and transmit music, films or games to passengers' screens.

Such proliferation of smart infrastructures and devices in all industries and all areas of our daily life is not without consequences for global data volumes. By 2021, data traffic is expected to reach over 3.3 billion terabytes annually<sup>(1)</sup>, i.e. an equivalent of over 108 million years of high-definition video. New data infrastructures, including cabling solutions, will be needed to support this exponential growth of transmitted information.

At Nexans, our aim is to support this global shift driven by energy and data revolutions.

Our new structure and our 'Paced for Growth' strategic plan are the foundations that will allow us to deliver on our promise and build the world of tomorrow, powered with Nexans cutting-edge cabling and connectivity solutions.

(1) <https://www.cisco.com/c/en/us/solutions/collateral/service-provider/visual-networking-index-vni/vni-hyperconnectivity-wp.html>

# 4 market segments to support the energy and information transitions

## BUILDING & TERRITORIES



- Provide reliable cabling and smarter energy solutions to support buildings and territories to become more efficient, livable and sustainable.
- Building & Territories cover the following markets: Building, Smart Cities / Smart Grids, E-mobility, Local infrastructure, Decentralized energy systems, Rural electrification.

## HIGH VOLTAGE & PROJECTS



- Support customers from the beginning (design, engineering, funding, asset management) to the end (system management) in finding the right cable system solution to address their efficiency and reliability challenges.
- High Voltage & Projects include the following markets: Offshore wind farms, Submarine interconnections, Land high voltage, Smart solutions for Oil & Gas (Direct Electrical Heating, Subsea heating cables).

## TELECOM & DATA



- Help customers to easily deploy copper and optical fiber infrastructure with 'plug-and-play' cable, connectivity and solutions.
- Telecom & Data include the following businesses: Data transmission (submarine, fiber, FTTx), Telecom network, Hyperscale data centers, LAN cabling solutions.

## INDUSTRY & SOLUTIONS



- Support OEMs and industrial infrastructure projects in customizing their cabling & connectivity solutions addressing their electrification, digitalization and automation challenges.
- Industry & Solutions cover the following markets: Transportation (Aerospace, Railways, Rolling Stock, Shipbuilding, Automotive), Automation, Renewables (Solar, Wind), Resources (Oil & Gas, Mining), Other (nuclear, medical, handling).

## BUILDING & TERRITORIES

Building & Territories remains our core business in scale and global reach, representing roughly 40% of total revenue in 2017. In mature markets, the drive towards connected cities, energy efficiency and e-mobility are key growth areas, while in regions such as Africa and South America, there is increasing demand for off-grid systems to bridge the electrification gap. Nexans is well positioned to meet these needs and provide new solutions for sustainable communities and smart cities as well as industry renowned low and medium voltage cables.

Nexans pursues a strategy of differentiation through technical performance, particularly in terms of fire resistance, energy efficiency and ease of installation. We also propose a wide range of services in this market, including professional training, paced deliveries for major projects, shared inventory management at distributors' premises, and e-services for both buyers and installers.

The Group is committed to meeting the most stringent standards of the industry, aimed at encouraging sustainable construction and renovation methods, by reconciling energy efficiency, long lasting, recyclable materials and environmental protection.

## TELECOM & DATA

In line with the increasing demand for data transmission and storage capacities, expanding our telecom and data offer is core to our ambitions. In today's hyper-connected world, we see our role in connecting people, businesses, cities and continents through our full range of differentiated connectivity solutions, including LAN cabling, telecom solutions, FTTx networks, solutions for hyperscale data centers, as well as submarine backbones.

The Group can provide its customers with easy-to-install solutions and cutting-edge technologies. For example, the Group manufactures submarine telecommunications cables, including for transoceanic communications spanning several thousand kilometers, a market on which it has repositioned itself. In land-based infrastructure, Nexans focuses on high performance solutions such as copper-based networks and fiber-to-the-home (FTTH) systems intended for ultra-fast broadband applications. Nexans secures its sourcing of fiber from Sumitomo Electric Industries, one of the world's largest optical fiber manufacturers.

## HIGH VOLTAGE & PROJECTS

The high voltage segment has been the main contributor to the doubling of our operating margin over the last three years. The continuing expansion of offshore windfarms and other renewable energy sources requiring local, regional and international interconnections needs ever more performant and resistant cabling and connectivity solutions. High voltage submarine installation is a particularly promising area for major players such as Nexans, as this requires extensive technical expertise.

In submarine networks, some of the most prominent Nexans know-how include network interconnections between countries as well as offshore wind farm connections and island-to-mainland links. The Group offers turnkey solutions, covering the cables' design right through to services such as installation, maintenance or repair.

In Land High Voltage networks market segment, Nexans offers advanced solutions: composite core cables for overhead lines, HVDC interconnections, superconducting cables for urban networks and superconducting fault current limiters that enhance network security.

As a leading global supplier of cables for submarine applications, we design hybrid and umbilical cables to power and control installations, as well as direct electrical heating (DEH) systems used to maintain flow in submarine pipelines. These solutions can be used in deep water oil and gas fields, including in the Arctic.

## INDUSTRY & SOLUTIONS

In the attractive Industry market, our key sectors include Automation, Renewables & Wind OEMs, Aerospace, Rail & Rolling stock, as well as Downstream Oil & Gas industry. As these segments are increasingly impacted by the megatrends (energy revolution, global mobility, and smart infrastructures in particular), it is our goal to support OEMs with customized cabling and connectivity solutions for all their power, data transmission and automation needs.

We work in close cooperation with our manufacturing and OEM customers with a view to meeting their demand for safe, lightweight, compact, easy to install and recyclable products and in-vehicle equipment.

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## 1.2. Strategy

### Paced For Growth 2018-2022: Capitalizing on new opportunities

In a rapidly transforming world that is increasingly reliant on connectivity, Nexans is well-placed to capitalize on developing opportunities. Several interlinked megatrends such as energy transition, digital revolution and global mobility all hold vast potential.

To become a leader in advanced cabling and connectivity solutions, we have built our strategy around three strategic axis:

- Continue to improve performance through cost competitiveness
- Build on core strengths in our existing portfolio in promising markets and regions
- Accelerate growth by developing new offers linked to critical megatrends

#### ANTICIPATING CUSTOMER NEEDS

We are preparing today to meet future customer challenges in four key market segments. Each of the segments will develop its own differentiated strategic approach in line with market dynamics.

- **Building & Territories:** providing new smart solutions for buildings, cities and regions to become more sustainable in e-mobility and energy transition.

Our focus will be to maintain our leading position in core markets in construction and utilities, while focusing on productivity and competitiveness of industrial operations and fixed costs. Customer proximity is crucial in this segment, and we will leverage our local market presence in the regions where the Group is currently well positioned while expanding offers in high-growth areas, such as smart grids and smart cities, decentralized energy distribution and e-mobility. In parallel, we aim to invest selectively in emerging territories with strong potential, e.g. the rapidly developing countries of the Middle East or on the African continent, where the need for microgrid solutions is growing fast.

- **High Voltage & Projects:** continuing to grow in the subsea cabling business while improving high voltage land cabling competitiveness, helping customers find the most efficient and reliable cable solution.

Our aim is to be the premium provider of high voltage connectivity solutions, capitalizing on the ongoing energy transition. Manufacturing, installation and maintenance of submarine cabling systems remains a key focus, with particularly

strong demand in Europe, North America and the Asia-Pacific region. The interest for ultra-high voltage land cabling is also growing, with several large-scale projects currently underway. To address these needs, we are developing turnkey subsea and land cabling solutions that support customers at all stages of the process, from design and engineering to installation and system management.

- **Telecom & Data:** supporting customers in selecting the right optical fiber infrastructure including submarine backbones and providing 'plug-and-play' cable and connectivity solutions, with a specific offer for hyperscale data centers.

It is our ambition to reinforce our position in the Telecom and Data market by increasing our production capacities and supporting the digital economy driven by 5G, smart devices, connected and autonomous cars. We intend to develop 'ready-to-install' cable and connectivity solutions as well as full turnkey solutions for submarine fiber installations. We will also maintain our position in the LAN sub-market and continue to focus on hyperscale data centers with a tailored approach based on quick and easy installation, cost-efficiency and optimized space use.

- **Industry & Solutions:** partnering with original equipment manufacturers to develop customized cabling and connectivity solutions for power, data transmission and automation needs.

Our goal is to continue to provide added-value connectivity solutions in a highly heterogenous market, growing our market share in the most attractive segments while defending our historically strong positions in other markets and leveraging the expected partial recovery of certain segments, such as

Shipyards and O&G upstream. We will boost our innovation programs aiming at complementing our offer beyond cables with new services, including connectivity solutions, engineering and asset management services.

## LEVERAGING OUR CAPACITIES

To successfully implement our plan in the rapidly evolving market landscape, we will underpin our strategy with concrete enablers that will help us to achieve our goals:

- **Cost competitiveness:** To offset price cost squeeze, we will keep on improving our operational performance and further reduce our variable and fixed costs through targeted initiatives to reduce the purchasing cost of raw material as well as their consumption by redesign to cost analysis. The same rigorous approach applies to sales, general and administration functions for example through organizational effectiveness and workforce planning.
- **Operational Efficiency:** We will increase our productivity by upgrading our assets, focusing on operational reliability, lean manufacturing, and optimized processes (such as supply chain, standardization, machine intelligence) enabled by the development of factories of the future in Nexans manufacturing facilities.
- **Agile Innovation:** Innovation will remain at the core of Nexans' activity with 70% of our R&D investment dedicated to the optimization of core existing products for our customers. At the same time, 20% of Nexans R&D budget will be allocated to adjacent innovation aimed at expanding from existing business to 'new to the company business', while the remaining 10% will be dedicated to transformational

activities, including industry breakthroughs and new inventions for markets that do not yet exist.

- **Sales Excellence:** In the framework of its five-year plan, Nexans will boost its salesforce, notably through training and increased customer focus based on global client relationship management and a dedicated Key Account Management program.

In addition, new differentiated 'beyond the cable' offering with a new portfolio of services and solutions will be developed and coupled with a new Artificial Intelligence (AI)-based pricing management strategy.

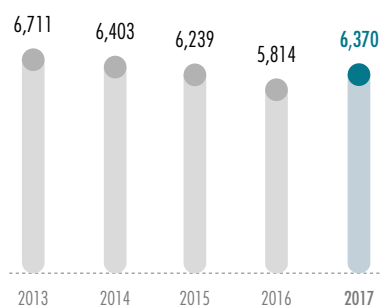
- **Digital Transformation:** To deliver on our promises, Nexans will leverage the potential of technology, driving digital transformation across the entire Group. We will build on automation and data & analytics platforms to streamline operations and accelerate the adoption of Industry 4.0 across our factories. In parallel, we will harness the technology to transform our organization and develop new competencies through dedicated training programs. From a sales perspective, digital technology will serve to improve customer experience and, at the same time, to refine our understanding of evolving client needs in order to adapt our offers accordingly.

- **Organization and People:** To successfully pursue our vision, we will continue to rely on Nexans people. In addition to training programs and the reallocation of resources internally in order to support our major development areas, we will acquire new skills and capabilities in some of the priority functions, including sales, customer services, as well as product design and development.

# 1.3. Key figures

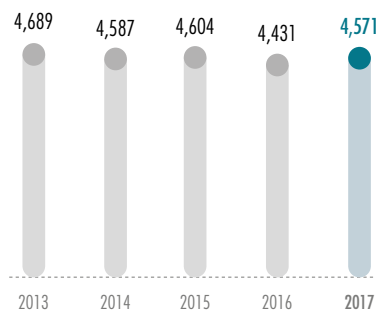
## SALES AT CURRENT METAL PRICES

(in millions of euros)

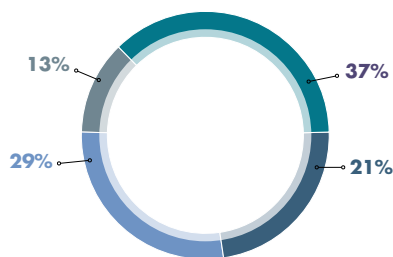


## SALES AT CONSTANT METAL PRICES<sup>(1)</sup>

(in millions of euros)



## 2017 SALES BY BUSINESS AT CURRENT METAL PRICES



- Transmission, Distribution & Operators (Infrastructure)
- Industry (Energy resources & Transport)
- Distributors & Installers (Building)
- Other

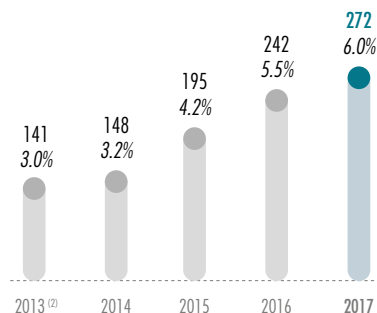
## SALES BY BUSINESS AT CONSTANT METAL PRICES

(in millions of euros)

	2016	2017
Transmission, Distribution & Operators	1,842	2,029
Industry	1,171	1,126
Distributors & Installers	1,127	1,125
Other	291	290
<b>TOTAL</b>	<b>4,431</b>	<b>4,571</b>

## OPERATING MARGIN

(in millions of euros and as a % of sales at constant metal prices)



## OPERATING MARGIN BY BUSINESS

(in millions of euros and as a % of sales at constant metal prices)

	2016		2017	
Transmission, Distribution & Operators	122	6.6%	155	7.7%
Industry	59	5.0%	56	5.0%
Distributors & Installers	78	6.9%	53	4.7%
Other	(17)	N/A	7	N/A
<b>TOTAL</b>	<b>242</b>	<b>5.5%</b>	<b>272</b>	<b>6.0%</b>

(1) To neutralize the effect of fluctuations in non-ferrous metal prices and measure the underlying sales trend, Nexans also calculates its sales using constant copper and aluminum prices.

(2) Excluding the 30 million euro non-recurring impact of pensions on operating margin.

As a result of the 2018-2022 five-year strategic plan, Paced for Growth, unveiled on December 13, 2017, Nexans' operating activities have been reconfigured around four new segments, each with its own strategy and identified growth levers:

- The **Building & Territories** segment comprises the current sales of cables to the building market (Distributors) and to energy operators (Distribution). This segment offers moderate growth prospects in mature economies. Nevertheless, future challenges such as smart cities, the energy transition and e-mobility are creating new opportunities. Combined with strict cost discipline, the Group believes that these opportunities will deliver profitable growth..
- In the **High Voltage & Projects** segment, the Group intends to continue leveraging its competitive advantage. Growth will be driven by the energy transition in Europe, North America and Asia-Pacific, thanks in particular to the Group's strong pipeline of offshore wind farm and interconnector projects. Past and future investments in production and installation capacity and R&D will allow the Group to keep pace with the very promising growth outlook.
- In the **Telecom & Data** segment, the Group intends to double its market presence with a unique point-to-point connectivity offer (telecom infrastructure and data cabling systems) that responds to the exponential growth in demand for bandwidth.
- Lastly, in the **Industry & Solutions** segment, global mobility, the energy revolution and industry 4.0 are driving growth. The Group will focus on expanding its positions in the markets where it has the greatest competitive advantage. Aeronautics, railway, power generation renewables, automation and Oil & Gas upstream are just a few examples of the Group's high value-added Industry & Solutions product categories.

The table below lists the pro forma sales and operating margin based on the new configuration:

## 2017 SALES AND PROFITABILITY BY NEW SEGMENT

<i>(in millions of euros)</i>	Sales	EBITDA	Operating margin
Building & Territories	1,757	126	77
High Voltage & Projects	885	118	80
Telecom & Data	512	62	52
Industry & Solutions	1,126	89	56
Other	290	16	7
<b>TOTAL GROUP</b>	<b>4,571</b>	<b>411</b>	<b>272</b>

## 2017 SALES AND PROFITABILITY BY NEW SEGMENT BY QUARTER AND HALF-YEAR

<i>(in millions of euros)</i>	Sales				EBITDA		Operating margin	
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	1 <sup>st</sup> Half	2 <sup>nd</sup> Half	1 <sup>st</sup> Half	2 <sup>nd</sup> Half
Building & Territories	427	456	436	438	59	67	33	44
High Voltage & Projects	207	239	214	224	62	56	43	37
Telecom & Data	131	139	119	124	37	25	31	20
Industry & Solutions	295	292	268	271	50	40	33	23
Other	76	73	72	68	3	13	(1)	9
<b>TOTAL GROUP</b>	<b>1,137</b>	<b>1,199</b>	<b>1,109</b>	<b>1,126</b>	<b>211</b>	<b>200</b>	<b>140</b>	<b>132</b>

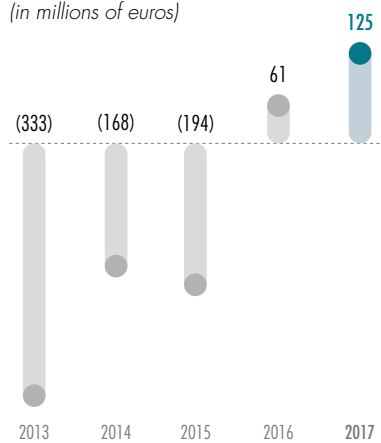


## SPLIT OF MARKET SEGMENTS

Transmission, distribution & operators	Industry	Distributors & installers	Others	High Voltage & Projects	Telecom & Data	Industry & Solutions	Building & Territories	Others
Land High Voltage	Harnesses	Building	Rodmill	Land High Voltage	Operators	Harnesses	Building	Rodmill
	Shipbuilding					Shipbuilding		
Submarine High Voltage	Railways			Railways				
Special Telecom	Aerospace	Aerospace		Submarine High Voltage	Special Telecom	Mining	Utilities	
Umbilicals	Mining	Mining				O&G		
	O&G	O&G		Umbilicals	LAN cables & systems	Renewables	Utilities	
Utilities	Renewables	Renewables	Automation					
Operators	Automation	Automation			Others (Medical, Nuclear, ...)	Others (Medical, Nuclear, ...)		

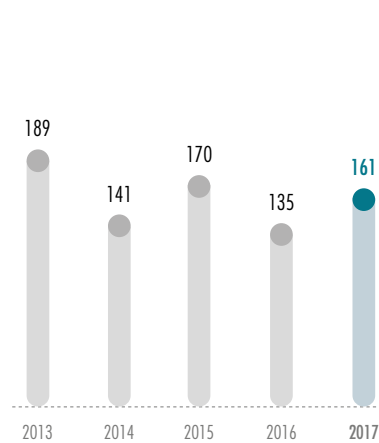
## NET INCOME/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

(in millions of euros)



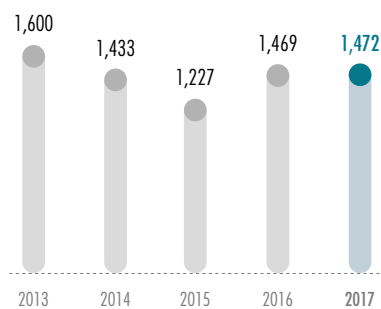
## NET CAPITAL EXPENDITURE

(in millions of euros)



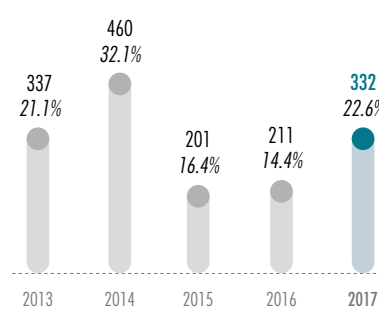
## EQUITY

(in millions of euros)



## NET DEBT

(in millions of euros and as a % of equity)



# 1.4. Operations during 2017

## 1.4.1. Consolidated results of the Nexans Group

### 1.4.1.1. OVERVIEW

Organic growth accelerated to 8.2% in the second half of the year from 2.4% in the first half, despite slowdowns in businesses in South America and in Oil & Gas business in Asia. Growth was led by a strong 45% increase in sales by the submarine high-voltage business, continuing a trend that was also a feature of first-half performance, and by a second-half recovery in cable sales to the building industry and energy operators.

In this environment, the performances of the project-based businesses helped to drive a 30 million euro increase in the Group's consolidated operating margin (to 272 million euros in 2017 from 242 million euros in 2016) and a 36 million euro increase in EBITDA<sup>(1)</sup> (to 411 million euros from 375 million euros).

Sales for 2017 came to 6.370 billion euros at current metal prices and 4.571 billion euros at constant metal prices<sup>(2)</sup>, representing organic growth of 5.1% compared with 2016. Organic growth accelerated in the second half to 8.2% from 2.4% in the first half, led by a recovery in demand for low-voltage power cables in the building market and for medium-voltage cables among energy operators.

Operating margin totaled 272 million euros compared with 242 million euros in 2016, corresponding to 6.0% of sales at constant metal prices *versus* 5.5% in 2016.

These figures reflect mixed operating environments across the different businesses:

- The high-voltage projects business enjoyed robust 34.3% organic growth thanks to the efficient execution of submarine high-voltage contracts for which sales were up 44.9%. With a solid order book, the Group is guaranteed a high level of sales over the next two years.
- Organic growth in sales of low- and medium-voltage cables to energy operators was a negative 3.0%. However, demand from energy distributors recovered in the third quarter of 2017 after twelve months of flagging sales.
- Telecom infrastructure cable sales continued to enjoy strong momentum, with organic growth reaching 10.5%. However, the LAN cables business contracted by 6.9%, reflecting period-on-period declines of 11.4% in the first half and 1.3% in the second.
- Oil & Gas sector activities (cables and umbilical projects) ended the year down 14%, posting 14.4% growth in the second half following a 31.7% fall in the first six months of the year.

Sales by geographic area can be analyzed as follows:

- In Europe, excluding high-voltage projects (up 36.8%) and automotive harnesses (up 2.3%), sales grew 2.7% thanks to stronger demand for specialty cables in certain markets, the second-half recovery in sales of power cables for the building market and growing demand from telecommunications operators.
- Sales in North America contracted by 4.0%, with resilient demand for cables in the building market and among energy operators only partly offsetting weak sales of LAN cables and systems.
- Difficult economic conditions in South America led to an 18.7% decline in sales.
- In the Asia-Pacific region, sales were down 1.4%. The renewed momentum enjoyed by most businesses in China, combined with market share gains in Australia and New Zealand, softened the negative impact of lower cable sales to South Korean and Chinese shipyards.
- Sales in the Middle East/Africa region rose 9.2%, reflecting gains in all countries except for Morocco.

(1) Consolidated EBITDA is defined as operating margin before depreciation and amortization.

(2) To neutralize the effect of fluctuations in non-ferrous metal prices and therefore measure the underlying sales trend, Nexans also calculates its sales using a constant price for copper and aluminum.

Presentation of the Group and its activities	Corporate governance	Main risk factors and risk management	Corporate Social Responsibility	Financial statements	Information about the share capital and ownership structure	Additional informations	Concordance tables
p. 6	p. 28	p. 70	p. 90	p. 136	p. 236	p. 252	p. 274

## 1.4.1.2. ANALYSIS BY BUSINESS

### Transmission, Distribution & Operators

Sales generated by the Transmission, Distribution & Operators division amounted to 2,387 million euros at current metal prices and 2,029 million euros at constant metal prices, with organic growth at 13.0%. This performance reflects strong 34.3% growth in sales by the project-based businesses and stable sales in the Distribution & Operators sub-segment.

#### Land high-voltage

The recovery that began in the first quarter of 2017 continued over the rest of the year. Organic growth for the year of 9.5% was led by the Europe region. Plants in China (Yanggu) and in the United States continued to operate below capacity.

Operating margin remained negative, with profits in Europe failing to cover the losses generated by the Goose Creek plant. The decision has been made to convert Charleston to submarine cable manufacturing to meet this business's need for additional capacity in a cost-efficient manner while also enabling the plant to return to profit.

#### Submarine high-voltage

Organic growth in the submarine cables business stood at 44.9%. The plants are operating at full capacity and installation activity was at an historic high in 2017, at nearly double the 2016 level, creating the need for a second cable laying ship.

In the Oil & Gas sector, Direct Electrical Heating (DEH) systems and umbilical cables grew at a more subdued rate of 5.4%. In total, 2017 saw deliveries on contracts continue in line with expectations both in terms of revenue and margin at completion.

Several capacity extension initiatives were launched during the year: such as the buyout of the Group's joint venture partner, Viscas, in NVC, the extension of the Goose Creek plant and decision to implement a two-year plan to convert this plant to submarine cable manufacturing, the construction of a new cable laying ship, etc. In view of the time necessary for these facilities to come online, a step up in productivity is anticipated for 2020-2022, following 2018-2019 levels similar to the peak in 2017.

#### Distribution

After a contraction of sales both in second-half 2016 and first-half 2017 (negative 9.7% in the first half), sales of distribution cables started to recover in the second half 2017 (4.8% organic growth) to reach with negative organic growth of 3.0% overall the full year.

In Europe, the upturn in demand among energy operators that began in third quarter 2017 continued through the end of the year, with growth reaching 9.9% in the second half compared with a negative 17.7% in the first half. The situation was generally difficult in Germany, Italy, Greece and the Nordic countries. However, the industrial restructuring operation carried out two years ago helped to keep the business in profit.

Sales increased in the other regions, except for South America where business continued to be hampered by a lack of overhead power line contracts in Brazil and low levels of investment in Chile.

In the Asia-Pacific region, sales growth was limited in China and sharper in Australia and New Zealand, where the Group won back market share.

Operating margin for the Distribution business as a whole was adversely affected by the negative performance in South America.

#### Operators

Organic growth in sales of cables to telecommunications operators was 10.5% year on year. All regions contributed to the increase, which was accompanied by an upturn in operating margin driven by higher demand for optical fiber cables and telecom accessories.

Operating margin for the Transmission, Distribution & Operators division as a whole came to 155 million euros, or 7.7% of sales at constant metal prices versus 6.6% in 2016.

#### Industry

Industry division sales totaled 1,332 million euros at current metal prices and 1,126 million euros at constant metal prices. Organic growth was a negative 1.6%.

Sales of automotive harnesses rose 2.3% over the year. Operating margin for this business reflected the Group's investment in developing new models, notably for hybrid and electric vehicles. Initiatives to optimize production costs were pursued in Europe, including by reallocating production between the plants in Eastern Europe and those in Tunisia.

Sales of other industrial cables contracted by 4.0% due to the 30.1% decline in cables for Oil & Gas sector business, particularly in Asia.

For example, in South Korea, cable sales to shipyards fell 32.0% compared with 2016. In China, demand from the shipbuilding industry declined at a similar rate; however, the 12.4% growth in sales of cables for railway networks and completion of the new plant in Suzhou helped to drive a sharp improvement in operating margin.

In Europe, organic growth came to 4.1%, reflecting robust sales of railway and automation cables. Growth in other flagship sectors, such as renewable energies and aeronautics, reached a plateau but their performance over the year was still positive.

In North America, AmerCable staged a recovery, with sales rising 6.9% in 2017. The turnaround was helped by renewed demand for mining extraction cables, leading to an 18.4% increase in sales, and stable sales of extraction cables for the Oil & Gas sector *versus* 2016.

The operating margin remained stable at 5% totaling 56 million euros *versus* 59 million euros in 2016. The erosion of margins for the automotive harnesses activity and the continued decrease in Oil & Gas sector business were offset by higher margins for other industrial cables.

### Distributors & Installers

The Distributors & Installers division posted sales of 1,823 million euros at current metal prices and 1,125 million euros at constant metal prices, representing organic growth of 0.9% that reflected contrasting trends between power cables and LAN cables.

Organic growth in sales of **power cables** for the building industry came to 3.5% in 2017, thanks to a sharp acceleration in the second half after the 0.4% negative growth in the first six months. All regions contributed to the recovery, except for South America where demand remained flat.

In Europe, demand picked up strongly in most countries, led by France, once the new EU Construction Products Regulation (CPR) came into effect. Although margins were broadly stable compared with 2016, they increased in the second half of the year. Range enhancements have not yet translated into extra margin points.

In North America, sales were comparable between the first and second halves, with each period seeing around 2.0% growth compared with the year earlier period. Growth continued to be more robust in the United States than in Canada, although Canadian volumes recovered in the second half. Margins narrowed due to the time lag before higher copper prices could be passed on to customers.

In the other regions, sales grew throughout the year, particularly in the Middle East/Africa region thanks to strong momentum in the Lebanese and Turkish markets.

Sales of **LAN cables and systems** remained on the downward trend that began in the second half of 2016. Organic growth for the year was a negative 6.9%, although the downtrend flattened in the second half when sales contracted 1.3%. The Europe, Asia Pacific, South America and Middle East/Africa regions all returned to growth in the second half.

In China, the Group installed an optical fiber and optical fiber connectors assembly line to meet local demand.

Overall demand contracted in North America, where the LAN sales represents approximately 50% of the total Group sales in this segment. Margins in the United States were eroded by volume-led pricing pressures.

Overall operating margin stood at 53 million euros, representing 4.7% of sales at constant copper prices, compared with 78 million euros in 2016.

### Other Activities

External sales of copper wires came to 828 million euros at current metal prices and 290 million euros at constant metal prices, representing negative organic growth of 0.5%.

Operating margin for this segment was 7 million euros *versus* a negative 17 million euros in 2016. It corresponds to the profit on sales of copper wires offset by central costs that cannot be allocated to the other divisions, as well as provision reversals.

## 1.4.2. Other items in the 2017 consolidated financial statements

### 1.4.2.1. CORE EXPOSURE EFFECT

The core exposure effect represented income of 64 million euros in 2017 compared with an expense of 6 million euros in 2016. The positive effect on 2017 consolidated net income was attributable to the sharp rise in copper prices during the year.

The expense in 2016 was mainly due to a volume effect.

The definition of core exposure is provided in **Note 1.E.c** to the consolidated financial statements.

### 1.4.2.2. RESTRUCTURING COSTS

Restructuring costs came to 37 million euros in 2017 (see breakdown in **Note 22** to the consolidated financial statements), versus 33 million euros in 2016:

- The 2017 figure corresponds mainly to provisions recognized for employee-related costs (notably in Brazil, Europe and the United States), and costs recognized on a cash basis in accordance with IFRS.
- The 2016 figure primarily concerned (i) provisions recognized for employee-related costs (notably in the United States, Europe and the Asia-Pacific area), (ii) costs recognized on a cash basis in accordance with IFRS and (iii) proceeds from the sale of a land use right in China.

The Group's restructuring plans include assistance measures negotiated with employee representative bodies as well as measures aimed at limiting lay-offs and facilitating redeployment.

### 1.4.2.3. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses represented a net expense of 19 million euros in 2017 versus 22 million euros the previous year, chiefly comprising:

- **Net asset impairment** of 8 million euros in 2017 as in 2016. 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 of impairment. The main assumptions used for these impairment

tests as well as explanations concerning the impairment losses recognized during the period are set out in **Note 6** to the consolidated financial statements.

The 8 million euro net impairment loss resulting from the tests conducted in 2017 concerned intangible assets allocated to the "Asia-Pacific" cash-generating unit (CGU).

In 2016, the 8 million euro net impairment loss concerned property, plant and equipment allocated to the "Asia Pacific" cash-generating unit (CGU).

- **Expenses and provisions for antitrust investigations** amounted to a net 6 million euros in 2017, and as in 2016 corresponded chiefly to an addition to a contingency provision, on top of the additional amount set aside in 2016, to cover the potential cost of the investigations described in **Note 30** to the consolidated financial statements. In 2016, the net expense was 20 million euros.

- **Gains and losses on asset disposals:** this item represented a net gain of 1 million euros in 2017.

In 2016, the Group recorded a 7 million euro net loss on the sale of Nexans Russia LLC, a wholly-owned subsidiary, in the fourth quarter.

- **Acquisition-related costs on completed and planned acquisitions:** an expense of 6 million euros was recorded in 2017.

### 1.4.2.4. NET FINANCIAL EXPENSE

Net financial expense amounted to 62 million euros in 2017, compared with 88 million euros in 2016.

Cost of net debt totaled 56 million euros in 2017, versus 64 million euros the previous year. The year-on-year decrease mainly reflects a reduction in borrowing costs on ordinary and convertible bond debt following the redemption on May 2, 2017 of the bonds due in 2017.

Other financial income and expenses represented a net expense of 6 million euros compared with 24 million euros in 2016. The improvement was mainly due to a more favorable currency effect.

### 1.4.2.5. INCOME TAXES

The Group's income tax expense for 2017 was 91 million euros, *versus* 37 million euros the previous year. The increase was mainly due to the 122 million euro growth in income from ordinary activities before tax and to the roughly 15 million euro negative effect of US and Belgian tax reforms on the carrying amount of deferred tax assets.

### 1.4.2.6. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Group's total consolidated assets declined slightly, to 5,147 million euros at December 31, 2017 from 5,296 million euros at December 31, 2016. Changes in the structure of the Group's statement of financial position between those two reporting dates were as follows:

- Non-current assets amounted to 1,767 million euros at December 31, 2017, *versus* 1,840 million euros at December 31, 2016.
- Operating working capital requirement (trade receivables plus inventories less trade payables and accounts related to long-term contracts, excluding the impact of foreign currency translation, changes in scope of consolidation, the core exposure impact and reclassifications to assets and related liabilities held for sale) increased by 94 million euros in 2017.
- Net debt amounted to 332 million euros at December 31, 2017 *versus* 211 million euros at December 31, 2016.
- Provisions for contingencies and charges – including for pension and other long-term employee benefit obligations – decreased by 80 million euros over the year to 560 million euros at December 31, 2017.
- Total equity stood at 1,472 million euros at December 31, 2017 compared with 1,469 million euros at December 31, 2016.

### 1.4.2.7. MAIN CASH FLOWS FOR THE PERIOD

Cash flow from operations before gross cost of debt and tax totaled 332 million euros in 2017.

The increase in working capital requirement amounted to 111 million euros. The increase concerned the cables businesses and was due to less favorable cash flow patterns compared with the end of 2016 as well as to the business growth observed in the fourth quarter of 2017. The working capital requirement for the project-based businesses was flat compared with 2016, despite last year's rapid business growth.

Net cash used in investing activities came to 191 million euros in 2017, chiefly corresponding to purchases of property, plant and equipment and, to a lesser extent, share acquisition costs (25 million euros).

Net cash used in financing activities totaled 178 million euros, primarily reflecting:

- Redemption of 2017 bonds, representing an outflow of 350 million euros.
- The 199 million euro proceeds from a new bond issue due April 5, 2024.
- Interest payments of 61 million euros.
- Dividend payments of 23 million euros.
- Share buybacks, representing an outflow of 11 million euros.

Overall, taking into account the effect of currency translation differences, net cash and cash equivalents decreased by 223 million euros during the year to 794 million euros at December 31, 2017 (including 805 million euros in cash and cash equivalents less 11 million euros of short-term bank loans and overdrafts).

### 1.4.2.8. OTHER SIGNIFICANT EVENTS OF THE YEAR

#### a) Issuance of 200 million euros worth of bonds due April 5, 2024

During the first half of 2016, Nexans issued 200 million euros worth of 7-year 2.75% fixed-rate bonds due April 5, 2024. The bonds were issued at par and their initial yield to maturity was therefore 2.75%. The bonds were issued at par and have an annual coupon of 2.75%.

The issue was successful, with some 160 international institutional investors taking up the bonds. HSBC and Société Générale acted as global coordinators and book runners for the issue. BNP Paribas and Banco Santander also acted as book runners.

The bonds have been listed on Euronext Paris since April 5, 2017.

#### b) Redemption of 2007-2017 bonds

All of the 2007-2017 bonds were redeemed in cash at maturity on May 2, 2017 for 370 million euros including accrued interest.

Presentation of the Group and its activities	Corporate governance	Main risk factors and risk management	Corporate Social Responsibility	Financial statements	Information about the share capital and ownership structure	Additional informations	Concordance tables
p.6	p.28	p.70	p.90	p.136	p.236	p.252	p.274

### c) Consolidation of the sector

On March 1, 2017, NKT Cable (Denmark) completed the acquisition of ABB's (Switzerland) high-voltage cable business, creating a world leader in submarine projects.

On December 4, 2017, the Prysmian Group (Italy) announced the acquisition of General Cable (USA). This transaction will lead to the creation of the world's leading cable industry player with sales of around 11 billion euros. These developments show an acceleration in the consolidation of the sector.

## 1.4.3. The Company

### 1.4.3.1. ACTIVITIES AND RESULTS

The Company is an ultimate holding company.

For the year ended December 31, 2017, the Company reported sales of 27 million euros, derived primarily from services billed to Group subsidiaries (22 million euros in 2016).

After taking into account net operating expense of 45 million euros, net financial income of 49 million euros and non-recurring expenses of 6 million euros, the Company ended 2017 with net income of 25 million euros (*versus* 7 million euros in 2016).

The Company's equity amounted to 1,853 million euros at December 31, 2017, 7 million euros higher than the prior-year figure.

#### Payment periods of trade payables

In accordance with the requirements of Articles L.441-6-1 and D.441-4 of the French Commercial Code (*Code de commerce*), it is hereby disclosed that the Company had outstanding trade payables of 2,812,803 euros at December 31, 2017 and 812,425 euros at December 31, 2016.

Information on supplier payment periods is set out below:

At December 31, 2017	1 to 30 days	30 to 60 days	Beyond 60 days	Total
<b>Invoices received not past due by maturity</b>				
Total amount of invoices concerned in euros (including taxes)	1,713,019	12,420	-	<b>1,725,439</b>
Number of invoices concerned	9	1	-	<b>10</b>
<b>Invoices past due by late payment tranche<sup>(1)</sup></b>				
Total amount of invoices concerned in euros (including taxes)	1,065,861	6,913	14,590	<b>1,087,364</b>
Number of invoices concerned	7	1	3	<b>11</b>
Percentage of Purchases	2.82%	0.02%	0.04%	<b>2.88%</b>
<b>Accrued invoices not received at December 31, 2017</b>				<b>15,961,738</b>
Accrued external Supplier invoices (including taxes)				<b>2,703,567</b>
Accrued Intra-Group invoices (including taxes)				<b>13,258,170</b>

(1) The reference payment terms used to calculate late payment are contractual dates (of 30 days most often) or 15 days from the invoice date.

### Payment terms for trade receivables

With the Company's receivables comprising only amounts receivable from Group companies, certain information required by Article D.441-4 of the French Commercial Code (*Code de commerce*) is not included below as it is deemed irrelevant. Trade receivables totaling 4,344,348 euros (including taxes) at December 31, 2017 break down as follows:

- Trade receivables not past due: 4,012,618 euros
- Trade receivables past due: 331,730 euros

At the year-end, unbilled revenue amounted to 10,705,014 euros (including taxes) and concerned only intra-Group receivables.

### 1.4.3.2. PROPOSED APPROPRIATION OF 2017 RESULTS AND DIVIDEND PAYMENT

The Annual Shareholders' Meeting to be held on May 17, 2018 will be asked to appropriate the Company's results for 2017 – corresponding to net income of 25,332,856 euros – as follows:

■ Retained earnings brought forward from prior years	92,939,188 euros
■ 2017 results	25,332,856 euros
■ Transfer to legal reserve	835,668 euros
■ Total distributable income	117,436,376 euros

At the same meeting, the Board of Directors will recommend a dividend payment of €0.70 per share.

In the event that the Company holds any treasury shares at the time the dividend is paid, the amount corresponding to the dividends not paid on these shares will be allocated to the retained earnings account.

In compliance with Article 243 bis of the French Tax Code (*Code général des impôts*), it is hereby disclosed that all of the Company's shares are of the same class and that all dividends paid will be eligible for the 40% tax relief applicable to French tax residents as referred to in Article 158, section 3, subsection 2 of said Code.

The total amount of dividends paid for the last three fiscal years and the total amount of the dividends qualifying for the 40% tax relief were as follows:

	2016 (paid in 2017)	2015 (paid in 2016)	2014 (paid in 2015)
Dividend per share	€0.50	-	-
Number of shares qualifying for the dividend	43,210,277	-	-
Total payout	€21,605,138.50	-	-



## 1.5. Progress made and difficulties encountered in 2017

The Nexans in Motion **strategic initiatives** helped drive a 333 million euro improvement in operating margin between 2014 and 2017, with some delivering better results than others. These initiatives will be pursued over the duration of the 2018-2022 strategic plan. They will include actions to improve the Group's cost competitiveness that are projected to have a total impact of some 270 to 290 million euros over the five year period.

- Measures to reduce **fixed costs** had a 31 million euro positive effect on 2017 operating margin before inflation, on top of the previous year's 22 million euro impact. In all, fixed cost efficiency measures added around 115 million euros to operating margin over the past three years.
- **Variable cost** savings (in the form of lower purchasing costs and improved industrial efficiency measures) had a positive net impact on operating margin of 26 million euros in 2017 and 58 million euros in 2016. Price rises for chemicals and

plastics over the year were passed on in sales prices with a time lag, resulting in a more contained reduction in variable costs.

All told, over the past three years, the Group has delivered a 94 million euro reduction in variable costs.

- **"Market Leadership"** initiatives had a positive 51 million euro effect on operating margin for 2017. The strong performance by the submarine high-voltage business and robust cable sales to telecommunications operators offset downturns in North and South America. The cumulative gain over the three-year period was 124 million euros, with the decline in Oil & Gas business eroding the positive contribution of the high-voltage and telecommunications cables businesses.

Over the three-year period 2015-2017, cost and pricing pressures squeezed operating margin by 208 million euros, including 77 million euros in 2017 alone.

## 1.6. Innovation and Technology (R&D)

The Group places particular importance on Innovation and Technology, and its total research and development expenses amounted to over 100 million euros in 2017, including significant increases in the budgets allocated to High-Voltage and electric vehicle projects. More than 900 researchers, engineers and technicians work in the R&D centers and local product development units. The Group currently has a portfolio of approximately 615 patent families, and 53 new patent applications were filed in 2017. This high number attests to the creative abilities of our technical teams and strengthens the Group's market positioning by protecting its intellectual property and innovation-led differentiation.

The Group's technical activities are divided into four main areas, which are referred to together as PACT:

- **Product innovation**, focused on incorporating technological advances, enhancing product performance, creating offerings that stand out from others in the market, and renewing the products and services making up the Group's portfolio.
- **Advanced development of innovative materials and processes** enabling new technical solutions to be identified in the medium term.
- **Competitiveness projects** focused on redesigning products to achieve cost and manufacturing efficiencies and streamline manufacturing processes in order to boost the Group's financial performance.
- **Tests and technical support** in all of our plants to ensure that product performance is managed sustainably and that we continuously improve our manufacturing processes.

The objective of the Group's Innovation and Technology teams is to work closely with the Marketing teams to identify technological developments in our customers' applications and then devise new products and services accordingly. In so doing, we can build strong positions in these new developments by creating value for customers and standing out from the competition. At the same time, the Group contributes to these technological developments through its ongoing work on standardization, notably by participating in the drafting of new international standards.

The Nexans Research Centers (NRCs) work with external partners (such as universities, laboratories and research organizations) to help design state-of-the-art materials, fine tune new technologies and develop new products.

Our Process Centers are tasked with streamlining and improving production processes. These Centers provide technical support to the Group's plants, either for specific projects or as part of its continuous improvement program for product operations.

With the view to creating a closer fit between technical priorities and commercial developments within the Group, we have also set up Technology, Engineering and Knowledge Centers (TEK Centers) in which operations-based technical teams are grouped by market. The TEK Centers are coordinated by the Innovation & Technology Department in order to ensure that the Group's technical developments are aligned with its commercial priorities and to benefit from the resources and support of the Research and Process Centers.

In 2017, Nexans pursued its action to support and accelerate energy transition projects with a particular focus on grid systems.

By including smart connections in energy grids, with connectors incorporating current and voltage sensors, power fluctuations can be managed in real time, leading to improved management of power flows when renewable energy sources (solar power and wind farms) are connected to the grid.

Leveraging the qualifications obtained in 2016 in high-voltage direct current (HVDC) extruded insulation cables, last year the Group won its first contract to supply 320kV DC submarine cables to transport electricity from offshore wind farms in Germany. We also continued the development effort to have our HVDC extruded insulation cables qualified to 600kV, in order to prepare a highly competitive offer for new interconnection contracts.

Following the successful initial demonstrations of our new electric vehicle smart recharging solutions for apartment blocks, Nexans worked in partnership with a start-up to add a dynamic load management system to our offer.

2017 was an important year for fire safety in Europe, with the implementation of the EU Construction Product Regulation (CPR). For Nexans, this was an opportunity to upgrade all of our cable ranges for the building market, not only to incorporate the requirements of the new regulations but also to enhance their performance.

Nexans continues the deployment of eco-design with its technical teams, in order to reduce the environmental impact of products throughout their life cycle, by working in particular on the choice of materials and manufacturing processes.

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All of these development projects comply with Eco-design principles and use environmentally friendly materials and processes. They demonstrate our technical teams' ability to incorporate environmental aspects into cable design with a view to reducing both the cables' CO<sub>2</sub> impact and the joule losses when they are used.

The new Digital Lab created to support the Group's digital transformation has delivered its first innovative prototypes incorporating connected objects and software in cable offers. The aim is to add new functions to the cables installed in the Group's customers' applications that provide them with more information and allow them to manage the applications more efficiently.

## 1.7. Significant events between the end of the reporting period and the approval of the 2017 Management Report

No significant events occurred between the end of the reporting period and the date on which this Registration Document was approved for issue.

## 1.8. Trends and outlook

The “Nexans in Motion 2015-2017” transformation plan delivered the expected results. Consolidated operating margin was almost doubled and return on capital employed rose twofold, despite flat sales and an economic environment shaped by the global oil crisis and very challenging market conditions in South America. The plan enabled the Group to return to and increase profit, while reducing its debt from 460 million euros at the end of 2014 to 332 million euros at the end of 2017.

Today, thanks to its new ‘Paced for Growth’ plan, Nexans is aiming for a 25% increase in sales at constant non-ferrous metal prices by 2022, as well as a roughly 50% increase in EBITDA to about 600 million euros and a return on capital employed of over 15% (for further details on Nexan’s ‘Paced for Growth’ plan, see the Group’s website for a presentation made at the Investor Day event held on December 13, 2017).

The Group’s outlook is, however, subject to several major uncertainties:

- The impact on O&G customers’ exploration-production of oil and gas price fluctuations.
- The worsening political and economic situation in South America, which is affecting the building market and major infrastructure projects in the region as well as creating exchange rate volatility and an increased risk of customer default.
- The political crisis between Qatar and its fellow members of the Gulf Cooperation Council (GCC), political instability in Libya and Côte d’Ivoire, and persistent geopolitical tensions in Lebanon, the Persian/Arabian Gulf and the Korean peninsula.
- The sustainability of the high rates of growth in the data center, renewable energy and energy transmission segments.
- The economic and political environment in the United States and Europe, with potential major changes in US trade policy on one side of the Atlantic and the possible consequences of Brexit and the Catalan crisis on the other.
- The impact of changes in exchange rates on the conversion of the financial statements of the Group’s subsidiaries located outside the euro zone.
- Inherent risks related to carrying out major turnkey projects for submarine high-voltage cables, which will be exacerbated in the coming years as this business becomes increasingly concentrated and centered on a small number of large scale projects (Beatrice, Nordlink, NSL, East Anglia One and DoWin6, which will be our first contract to supply and install HVDC extruded insulation cables), and the high capacity utilization rates of the plants involved.
- The risk that certain programs designed to improve the Group’s competitiveness, certain R&D and innovation programs, or certain business development plans targeting new markets experience delays or do not fully meet their objectives.
- The inherent risks associated with major capex projects, particularly the risk of completion delays. These risks notably concern the construction of a new submarine cable laying ship and the extension of the Goose Creek plant in North America to add production of submarine high-voltage cables, two projects that will be instrumental in ensuring that we fulfil our 2021-2022 objectives.

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A large, stylized number '2' in a light green color, positioned at the top center of the page. The background of the page is a photograph of a dam with water flowing through its spillways, set against a sunset sky with pink and blue clouds. The dam structure is dark and industrial, with multiple spillways visible. The overall tone is professional and modern.

## Corporate governance

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For corporate governance matters, Nexans refers to the Corporate Governance Code for listed companies published by the *Association Française des Entreprises Privées* (AFEP) and *Mouvement des Entreprises de France* (MEDEF), as amended in November 2016 (the "AFEP-MEDEF Code"). The AFEP-MEDEF Code is available on the MEDEF website, [www.medef.com](http://www.medef.com), and the AFEP website, [www.afep.com](http://www.afep.com).

Nexans' application of the AFEP-MEDEF Code recommendations is presented in section 2.3.4., Corporate governance code.

The Board of Directors' report on corporate governance was reviewed by the Appointments, Compensation and Corporate Governance Committee on February 12, 2018. It was approved by the Board of Directors at its meeting of February 14, 2018, as required by Article L.225-37 of the French Commercial Code (Code de commerce), and is included in this section.

## 2.1. Governance structure

### Splitting the duties of Chairman of the Board and Chief Executive Officer

On May 15, 2014, on the recommendation of its Chairman, the Board of Directors approved the principle of splitting the duties of Chairman of the Board and Chief Executive Officer.

This organization allows the Company and Executive Management to concentrate on its strategic priorities and implement the strategic plan under the best possible conditions. It is carried out in conjunction with the Group's transformation. It also helps ensure that the Board of Directors operates better. The validity of this separation of duties has been confirmed by the Board appraisals carried out each year since 2014.



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## 2.2. Management bodies

### Chief Executive Officer

**Arnaud Poupart-Lafarge** has been the Chief Executive Officer of Nexans since October 1, 2014.

Number of shares held: 27,738

Number of corporate mutual fund units invested in Nexans shares: 1,780

52 years old, French nationality

Address: 4 Allée de l'Arche, 92400 Courbevoie, France

#### Expertise/Experience

Arnaud Poupart-Lafarge joined Nexans in July 2013 as Chief Operating Officer. Previously, he managed various operations in Europe, Africa and the Commonwealth of Independent States (CIS) for the ArcelorMittal group. He was also a member of the ArcelorMittal management council until July 2013.

Arnaud Poupart-Lafarge is a graduate Engineer from Ecole Polytechnique and Ecole des Ponts et Chaussée and holds a Master of Science in Economics from Stanford University in the United States.

#### Directorships and other positions held during 2017 (and still in force at the year-end)

Director of HSBC France

#### Directorships and other positions that have expired in the last five years

None

# Management Board



The Management Board is chaired by Arnaud Poupart-Lafarge. It is responsible for determining the Group's strategy, allocation of resources, and organization. It is also tasked with ensuring that the Group is managed efficiently and effectively.

The Management Board's members are:

**1. Vincent Dessale**

Senior Executive Vice President  
Subsea and Land Systems  
Business Group

**2. Anne-Marie Cambourieu**

Senior Corporate Vice President,  
Human Resources in charge of  
Communications and  
Corporate Social Responsibility

**3. Dirk Steinbrink**

Chief Technical Officer

**4. Pascal Portevin**

Deputy Chief Executive Officer  
International and Operations

**5. Arnaud Poupart-Lafarge**

Chief Executive Officer

**6. Benjamin Fitoussi**

Senior Executive Vice  
President, Industry Solutions  
& Projects and MERA  
(Middle-East Russia, Africa)

**7. Nicolas Badré**

Chief Financial Officer

**8. Christopher Guérin**

Senior Executive Vice President,  
Telecom/Datacom, Power  
Accessories Business Group  
and Europe

# Management Council

The Management Council is chaired by Arnaud Poupart-Lafarge. Its role is to reflect on, debate and discuss the challenges facing the Group and it is responsible for defining the Group's overall strategic vision, driving breakthrough projects, and monitoring and enhancing the Group's operating procedures. It brings together the members of the Management Board, the Group's main functional departments, as well as Executive Vice Presidents in charge of areas and business groups:

- **Kamil Beffa,**  
Executive Vice President, Shared Services & Processes for Europe
- **Norbert Bluthé,**  
Executive Vice President, Asia-Pacific Area
- **Giuseppe Borrelli,**  
Executive Vice President, Building & Territories for Europe
- **Yvan Duperray,**  
Executive Vice President, Power Accessories Business Group
- **Juan Ignacio Eyzaguirre,**  
Executive Vice President Strategy and Mergers & Acquisitions
- **Paul Floren,**  
Senior Corporate Vice President, Communications
- **Pierre Kayoun,**  
Corporate Vice President, Innovation & Technology
- **François Lavernos,**  
Chief Information Officer
- **Vijay Mahadevan,**  
Executive Vice President, Middle-East Russia Africa Area (MERA)
- **Patrick Noonan,**  
Senior Corporate Vice President, General Secretary
- **Jean-Marc Réty,**  
Executive Vice President, Purchasing
- **Heike Sengtschmid,**  
Executive Vice President, Industrial Operations
- **Steven Vermeulen,**  
Executive Vice President, North and South America Areas
- **Andreas Wolf,**  
Executive Vice President, Automotive and Industrial Harness Business Group

## 2.3. Administrative body

### 2.3.1. Composition of the Board of Directors

In accordance with Article 11 of the Company's bylaws, the Board of Directors may have between 3 and 18 members at the most.

As of December 31, 2017, the Board of Directors comprised 13 members from diverse backgrounds. Members are selected for their expertise and experience in varied fields, and taking into account the Board's diversity (representation of men and women, nationalities, international experience).

In accordance with Recommendation 6.2 of the AFEP MEDEF Code, the Board discussed the balance reflected in its composition and that of its committees at its meeting of January 22, 2018:

- The directors considered that given the breakdown of its share capital and the fact that three representatives of the main shareholder Invexans (Quiñenco group) sit on the Board, the size and independence rate of more than 54.5%<sup>(1)</sup> at the end of 2017 were satisfactory. The Board set itself the objective of maintaining an independence rate of at least 50% in accordance with Recommendation 8.3 of the AFEP-MEDEF Code.
- The proportion of women on the Board, currently 41.7%<sup>(2)</sup>, is satisfactory and in line with the provisions of Article L.225 18-1 of the French Commercial Code.
- With four foreign residents and three foreign nationals on the Board, as well as two members who have dual nationality, the Board further strengthened its international dimension in 2017.

Pursuant to Article 12 *bis* of the bylaws, one of the members of the Board of Directors is appointed at the Ordinary Shareholders' Meeting, based on the proposal of the Board of Directors, from among the salaried members of the Supervisory Board(s) of the corporate mutual fund(s) (*fonds commun de placement d'entreprise* — FCPE), to represent employee shareholders.

Pursuant to Article 12 *ter* of the bylaws, as amended by the Annual Shareholders' Meeting of May 11, 2017, a director representing employees was designated for the first time by the Group Works Council in France on October 11, 2017. Angéline Afanoukoé, External Affairs Senior Manager for the Nexans Group, was therefore appointed as a director for a four-year term.

Pursuant to Article 12 of the bylaws, the term of office of directors is four years. The terms of office of directors appointed by the Annual Shareholders' Meeting expire as follows:

2018 ANNUAL SHAREHOLDERS' MEETING	Véronique Guillot-Pelipel, Fanny Letier <sup>(3)</sup> , Philippe Joubert
2019 ANNUAL SHAREHOLDERS' MEETING	Georges Chodron de Courcel, Cyrille Duval, Hubert Porte <sup>(4)</sup>
2020 ANNUAL SHAREHOLDERS' MEETING	Marie-Cécile de Fougères <sup>(5)</sup> , Colette Lewiner, Kathleen Wantz-O'Rourke
2021 ANNUAL SHAREHOLDERS' MEETING	Marc Grynberg, Francisco Pérez Mackenna <sup>(4)</sup> , Andronico Luksic Craig <sup>(4)</sup>

<sup>(3)</sup> Director proposed by the shareholder Bpifrance Participations.

<sup>(4)</sup> Directors proposed by the main I shareholder Invexans (Quiñenco group).

<sup>(5)</sup> Director representing employee shareholders.

<sup>(1)</sup> Independence rate calculated without counting the director representing employee shareholders, in accordance with Recommendation 8.3 of the AFEP-MEDEF Code.

<sup>(2)</sup> Proportion of women on the Board calculated without counting the director representing employees, in accordance with paragraph 2 of Article L225-27 of the French Commercial Code.

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The summary table below lists the changes that occurred in the composition of the Board of Directors during fiscal 2017:

Date of event	Person concerned	Change that occurred
May 11, 2017	Jérôme Gallot	Expiration of term of office
May 11, 2017	Marc Grynberg	Election as a director
October 11, 2017	Angéline Afanoukoé	Designation by the Group Works Council in France as director representing employees

At the Annual Shareholders' Meeting held on May 11, 2017, Nexans' shareholders also re-elected Andrónico Luksic Craig and Francisco Pérez Mackenna as directors.

On November 22, 2017, the Board of Directors appointed Anne Lebel as a censor with a view to proposing her as a candidate to become a director at the 2018 Annual Shareholders' Meeting. Since that date, Anne Lebel has attended Board meetings in an advisory capacity.

### 2.3.1.1. MEMBERS OF THE BOARD OF DIRECTORS

At December 31, 2017, the members of the Board of Directors were as follows:

(\*) Positions held in foreign companies or institutions.

**Companies in bold are listed companies (French and non-French).**

**Georges Chodron de Courcel**, Chairman of the Board of Directors

- Chairman of the Board of Directors of Nexans
- First elected as a director: June 15, 2001
- Appointed as Chairman of the Board of Directors: March 31, 2016
- Expiration of current term: 2019 Annual Shareholders' Meeting
- Number of shares held: 500
- 67 years old, French nationality
- Address: 4 Allée de l'Arche, 92400 Courbevoie, France

#### Expertise/Experience

Georges Chodron de Courcel joined BNP in 1972. After holding several management positions, he became Deputy CEO in 1993, then Managing Director in 1996. From 1999 to 2003, he was a member of the Executive Committee and Head of the Finance and Investment Bank of BNP Paribas and he served as Chief Operating Officer of the Group from June 2003 until June 2014. Since November 2014, he has held the position of Chairman of GCC Associés (SAS), a strategy and financial advisory firm. In March 2016, he was appointed as Chairman of the Board of Directors of Nexans.

#### Directorships and other positions held during 2017 (and still in force at the year-end)

- Director of **F.F.P. (Société Foncière Financière et de Participations)**, Scor Holding (Switzerland) AG\*, Scor Global Life Rückversicherung Schweiz AG\*, Scor Switzerland AG\*, and Scor Global Life Reinsurance Ireland\*
- Member of the Supervisory Board of **Lagardère SCA**
- Chairman of GCC Associés (SAS)
- President of the Ecole Centrale de Paris Foundation

#### Directorships and other positions that have expired in the last five years

- Chief Operating Officer of **BNP Paribas**
- Chairman of BNP Paribas (Switzerland) S.A. \*
- Vice-Chairman of Fortis Bank S.A./N.V. \*
- Director of **Alstom**, **Bouygues SA**, CNP (Compagnie Nationale à Portefeuille)\* and **GBL (Groupe Bruxelles Lambert)\***
- Censor of Exane (BNP Paribas group)

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**Angéline Afanoukoé**, director representing employees

- External Affairs Senior Manager for Nexans
- First elected as a director: October 11, 2017
- Expiration of current term: October 10, 2021
- Number of shares held: 0
- Number of corporate mutual fund units invested in Nexans shares: 738
- 47 years old, French nationality
- Address: 4 Allée de l'Arche, 92400 Courbevoie, France

#### Expertise/Experience

Angéline Afanoukoé has been External Affairs Senior Manager for the Nexans Group since January 2017. In this role, Angéline is in charge of improving the Group's visibility and enhancing the brand image among Nexans stakeholders by managing the Group's media relations as well as its external and institutional communications on a global scale.

From 2001, Angéline was in charge of communications with individual and employee shareholders within the Investor Relations department, before taking over the Group's press relations activities in 2012. Angéline first joined the financial department of the Metallurgy division of Alcatel Cables and Components in 1998. She started her career in 1991, working in small and medium-sized companies in the sales and events sector.

Angéline holds a Master's in International Business (Master 1) from University Paris V René Descartes as well as a Certified European Financial Analyst (CEFA) certificate from Société Française des Analystes Financiers (SFAF). She has also completed the Company Director certificate program run jointly by Sciences-Po and Institut Français des Administrateurs (IFA), the French institute of company directors.

#### Directorships and other positions held during 2017 (and still in force at the year-end)

- None

#### Directorships and other positions that have expired in the last five years

- None
- 

**Cyrille Duval**, independent director

- Chief Executive Officer of Sorame
- First elected as a director: May 31, 2011
- Expiration of current term: 2019 Annual Shareholders' Meeting.
- Number of shares held: 1,284 (including shares held by his wife)
- 69 years old, French nationality
- Address: 38 rue Guersant, 75017 Paris, France

#### Expertise/Experience

Cyrille Duval is Chief Executive Officer of Sorame and Chairman of CEIR – two companies that together hold a 37% interest in Eramet. He was General Secretary of the Alloys division of Eramet from 2007 until April 2016. Prior to that he served as Chief Financial Officer of both Eramet's Alloys division and Aubert & Duval (an Eramet subsidiary). He has been a director and member of the Finance Committee of Metal Securities (Eramet's centralized cash management company) since 2005 and a director of Comilog (a mining subsidiary of Eramet's Manganese division) since 2006.

#### Directorships and other positions held during 2017 (and still in force at the year-end)

- Chief Executive Officer of Sorame SAS
- Chairman of CEIR SAS
- Permanent representative of Sorame on the Board of Directors of **Eramet**
- Director of Comilog\* (Eramet group) and Metal Securities (Eramet group)

#### Directorships and other positions that have expired in the last five years

- Legal Manager of Transmet (Eramet group) and SCI Grande Plaine (Eramet group)
  - Chairman of Forges de Monplaisir (Eramet group) and Brown Europe (Eramet group)
  - Chief Operating Officer of EHA (Eramet group)
-

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### Marie-Cécile de Fougères, director representing employee shareholders

- Industry & Solutions Europe Customer Service Manager EPC<sup>1)</sup>s and Operators at Nexans
- First elected as a director: May 12, 2016
- Expiration of current term: 2020 Annual Shareholders' Meeting
- Number of shares held: 10
- Number of corporate mutual fund units invested in Nexans shares: 1,907
- 47 years old, French nationality
- Address: 4 Allée de l'Arche, 92400 Courbevoie, France

#### Expertise/Experience

Marie-Cécile de Fougères began her career in 1996 in the logistics department of a leading sports retailer. In 1999, she joined the Nexans Group where she has held both on-site operations positions as well as corporate head-office posts in management control/finance, IT, project management, and logistics and supply chain management, in both France and abroad. After helping the project managers implement the Group's strategic transformation projects, she was appointed as Industry & Solutions Europe Customer Service Manager EPC<sup>1)</sup>s and Operators on February 1, 2018. She holds a Master's in Fundamental Physics and is also a graduate from Lyon Management School where she studied financial and management control for the industrial sector – a program that was run in conjunction with the Ecole Centrale de Lyon.

#### Directorships and other positions held during 2017 (and still in force at the year-end)

- Chair of the Supervisory Board of FCPE Nexans Plus 2014 (corporate mutual fund)
- Member of the Supervisory Board of FCPE Nexans Plus 2016 (corporate mutual fund)

#### Directorships and other positions that have expired in the last five years

- None

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### Marc Grynberg, independent director

- Chief Executive Officer of Umicore
- First elected as a director: May 11, 2017
- Expiration of current term: 2021 Annual Shareholders' Meeting
- Number of shares held: 500
- 52 years old, Belgian nationality
- Address: Rue du Marais 31, 1000 Brussels, Belgium

#### Expertise/Experience

Marc Grynberg was appointed Chief Executive Officer of Umicore in November 2008. He was head of the Group's Automotive Catalysts business unit from 2006 to 2008 and served as Umicore's CFO from 2000 until 2006. He joined Umicore in 1996 as Group Controller. Marc holds a Commercial Engineering degree from the University of Brussels (Ecole de Commerce Solvay) and, prior to joining Umicore, worked for DuPont de Nemours in Brussels and Geneva.

#### Directorships and other positions held during 2017 (and still in force at the year-end)

- Chief Executive Officer of **Umicore\***
- Other positions held within the **Umicore\*** group
  - Director of Umicore Marketing Services (Hong Kong) Ltd\*, Umicore Japan KK\*, Umicore Marketing Services Korea Co., Ltd\* and Umicore International (Luxembourg)\*
  - Chairman of the Supervisory Board of Umicore Management AG (Germany)\*

#### Directorships and other positions that have expired in the last five years

- Director of Agoria (Belgium Federation of Technological Industry)
- 

(1) EPC = Engineering, Procurement and Consulting.

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**Véronique Guillot-Pelpel**, independent director

- Judge at the Paris Commercial Court
- First elected as a director: May 25, 2010
- Expiration of current term: 2018 Annual Shareholders' Meeting
- Number of shares held: 3,885
- Number of corporate mutual fund units invested in Nexans shares: 1,898
- 67 years old, French nationality
- Address: 8 rue de Tocqueville, 75017 Paris, France

**Expertise/Experience**

From 1971 to 1990, Véronique Guillot-Pelpel held various public relations positions and went on to become Head of Communications of the BASF group and La Compagnie Bancaire. In 1990, she joined Paribas as Head of Communications, and then in 1997 became Head of Human Resources and Communications and a member of the Paribas Group's Executive Committee. She joined the Nexans Group in 2000 as Head of Communications and held the position of Head of Human Resources and Communications from 2006 to 2008. She was a member of Nexans' Executive Committee from October 2001 until she left the Group in 2008. Véronique Guillot-Pelpel is a judge at the Paris Commercial Court.

**Directorships and other positions held during 2017 (and still in force at the year-end)**

- Judge at the Paris Commercial Court

**Directorships and other positions that have expired in the last five years**

- None
- 

**Philippe Joubert**, independent director

- Senior Advisor and Special Envoy for Energy and Climate for the World Business Council for Sustainable Development (WBCSD)
- First elected as a director: May 15, 2014
- Expiration of current term: 2018 Annual Shareholders' Meeting
- Number of shares held: 700
- 63 years old, French and Brazilian nationalities
- Address: 19 boulevard Suchet, 75016 Paris, France

**Expertise/Experience**

Philippe Joubert is the Executive Chair of the Global Electricity Initiative (GEI – a partnership including the World Energy Council), Senior Advisor and Special Envoy for Energy and Climate for the World Business Council for Sustainable Development (WBCSD) and Chairman of HRH The Prince of Wales's Corporate Leaders Group on Climate Change. He is a member of the Advisory Board of A4S (Accounting for Sustainability) and a lecturer at the University of Cambridge Institute for Sustainability Leadership (CISL). Between 1986 and 2012, he held managerial positions in the Alstom group, including President of the Transmission & Distribution sector from 2000 until 2004, President of the Power sector from 2008 to 2011, and Deputy CEO in charge of Strategy and Development from 2011 to 2012. He was a member of Alstom's Executive Committee between 2000 and 2012. Philippe Joubert is also a director of a number of companies, as listed below.

**Directorships and other positions held during 2017 (and still in force at the year-end)**

- Senior Advisor and Special Envoy for Energy and Climate for the World Business Council for Sustainable Development\* (WBCSD)
- Permanent representative of The Green Option on the Board of Directors of **Volitalia**
- Executive Chair of the Global Electricity Initiative\* (GEI – a partnership including the World Energy Council)
- Chairman of The Green Option (SAS)
- Director of ENEO Cameroun S.A.\*
- Trustee of ClientEarth\*
- Chairman of HRH The Prince of Wales's Corporate Leaders Group on Climate Change\*
- Member of the Advisory Board of A4S\* (Accounting for Sustainability)
- Lecturer and Advisory Board member at the University of Cambridge Institute for Sustainability Leadership (CISL)\*

**Directorships and other positions that have expired in the last five years**

- None
-



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#### Fanny Letier, director proposed by Bpifrance Participations

- Executive Director, Small and Mid Cap Investments and Accelerator Programs at Bpifrance
- First elected as a director: May 15, 2014
- Expiration of current term: 2018 Annual Shareholders' Meeting
- Number of shares held: 110
- 38 years old, French nationality
- Address: 6-8 boulevard Haussmann, 75009 Paris, France

#### Expertise/Experience

Fanny Letier has been Executive Director for Small and Mid Cap Investments at Bpifrance since March 2015. She also manages Bpifrance's advisory services and coordinates its Accelerator Programs for SMEs and mid-market companies. Fanny Letier previously held several positions in the French civil service, including Deputy Chief of Staff in the Industrial Recovery Ministry in 2012-2013, Secretary General of the Interministerial Committee for Industrial Restructuring (CIRI) in 2010-2012 and various positions within the Treasury Department. She was also a financial advisor for the Permanent Representation of France to the EU in Brussels from 2008 to 2010. She is currently a member of the boards of directors of the BioMérieux group and of non-profit organization Alliance Industrie du Futur.

#### Directorships and other positions held during 2017 (and still in force at the year-end)

- Executive Director, Small and Mid Cap Investments and Accelerator Programs at Bpifrance
- Director of the BioMérieux group and of Alliance Industrie du Futur

#### Directorships and other positions that have expired in the last five years

- None

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#### Colette Lewiner, independent director

- Advisor to the Chairman of Cap Gemini
- First elected as a director: June 3, 2004
- Expiration of current term: 2020 Annual Shareholders' Meeting
- Number of shares held: 2,287
- 72 years old, French nationality
- Address: Capgemini, Tour Europlaza - La Défense 4, 20 avenue André Prothin, 92927 Paris La Défense Cedex, France

#### Expertise/Experience

Following several years of physics research and university lecturing (*maître de conférences* at University Paris VII), Colette Lewiner joined Electricité de France in 1979 where she set up the Development and Commercial Strategy Department in 1989. She was appointed Chair and Chief Executive Officer of SGN-Réseau Eurysis in 1992, before joining Cap Gemini in 1998 to set up the International Utilities Department. After Cap Gemini's merger with Ernst & Young, she was made Head of the extended Energy, Utilities & Chemicals Department. In 2004, she also set up the Global Marketing Department of Cap Gemini which she managed until 2007. In September 2010, in addition to her role at Cap Gemini, Colette Lewiner became non executive Chair of TDF, a position she held until March 2015. In 2012, she became Advisor to the Chairman of Cap Gemini on "Energy and Utilities" matters. Colette Lewiner is also a director of several major companies, as listed below.

#### Directorships and other positions held during 2017 (and still in force at the year-end)

- Advisor to the Chairman of **Cap Gemini**
- Director of **Ingenico**, **EDF**, **Getlink** (formerly Eurotunnel), **Bouygues** and **Colas** (a Bouygues subsidiary)
- Member of the Académie des Technologies
- Member of the Strategic Research Council chaired by the French Prime Minister

#### Directorships and other positions that have expired in the last five years

- Director of **Lafarge** and **Crompton Greaves\***
  - Director of **TGS-NOPEC Geophysical Company ASA\***
  - Non-executive Chair of TDF
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**Andrónico Luksic Craig**, director proposed by Invexans (Quiñenco group)

- Chairman of the Board of Directors of Quiñenco
- First elected as a director: May 14, 2013
- Expiration of current term: 2021 Annual Shareholders' Meeting
- Number of shares held: 500
- 63 years old, Chilean nationality
- Address: Enrique Foster Sur 20, piso 15, Las Condes, Santiago, Chile

#### Expertise/Experience

Andrónico Luksic Craig is currently Chairman of the Board of Directors of Quiñenco, one of the main conglomerates in Chile, and has been a member of the Board of Directors since 1978. He holds several offices within the companies of the Quiñenco group, including Banco de Chile, one of the main financial institutions in Chile, where he has served as Vice Chairman of the Board of Directors since 2002. Also, within the Quiñenco group, he is Chairman of the Board of Directors of LQ Inversiones Financieras, Chairman of the Management Board of Compañía Cervecerías Unidas (CCU), Vice Chairman of the Board of Directors of Compañía Sudamericana de Vapores (CSAV) and a member of the Board of Directors of Tech Pack and Antofagasta Minerals Plc. He is also advisor to the Board of Directors of Enx.

Outside the Quiñenco group, Andrónico Luksic Craig has non-executive duties within Barrick Gold as a member of the International Advisory Board. He is also an active member of several leading organizations and advisory boards, both in Chile and internationally, including the Chilean Federation of Manufacturers (Sociedad de Fomento Fabril – SOFOFA), the Chile-Pacific Foundation, the International Business Leaders' Advisory Council of the municipality of Shanghai, the International Advisory Council of the Brookings Institution and the Advisory Board of the Panama Canal Authority. Andrónico Luksic Craig is extremely committed to education. He helps manage the educational foundation that he created and takes part in advisory committees for Columbia and Harvard Universities, MIT, the University of Oxford, Tsinghua University, Fudan University and Babson College.

#### Directorships and other positions held during 2017 (and still in force at the year-end)

- Chairman of the Board of Directors of **Quiñenco S.A.\***
- Positions held within Quiñenco group companies:
  - Vice-Chairman of the Board of Directors of **Banco de Chile\*** and **CSAV\* (Compañía Sudamericana de Vapores S.A.)**
  - Chairman of the Board of Directors of LQ Inversiones Financieras\* and **CCU\* (Compañía Cervecerías Unidas S.A.)** (and its wholly-owned subsidiaries CCU Chile\*, CCU Argentina\* and ECUSA\*)
  - Director of **Invexans\***, **Antofagasta Minerals Plc\***, **Tech Pack S.A.\*** and **SM Chile\***
  - Advisor to the Board of Directors of **ENEX\***
- Member of the Chilean Federation of Manufacturers – SOFOFA\* (Sociedad de Fomento Fabril) and the Chile-Pacific Foundation\*
- Member of the International Business Leaders' Advisory Council of the municipality of Shanghai\*
- Member of the International Advisory Board of **Barrick Gold\***, the International Advisory Council of the Brookings Institution\*, the Advisory Board of the Panama Canal Authority\* and the Chairman's International Advisory Council in the Council of the Americas\*
- Member of the Global Advisory Council of Harvard University\*, the Global Advisory Board of Harvard Business School\*, the Global Leadership Council of Columbia University\*, the International Advisory Board of the Blavatnik School of Government\* at the University of Oxford, and the Advisory Boards of the School of Economics and Management at Tsinghua University\* in Beijing and the School of Management at Fudan University\* in Shanghai.
- Member of the Latin American Executive Board at the MIT Sloan School of Management\*
- Emeritus Trustee of Babson College\*

#### Directorships and other positions that have expired in the last five years

- Member of the APEC Business Advisory Council\* (ABAC)
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#### Francisco Pérez Mackenna, director proposed by Invexans (Quiñenco group)

- Chief Executive Officer of Quiñenco
- First elected as a director: May 31, 2011
- Expiration of current term: 2021 Annual Shareholders' Meeting
- Number of shares held: 500
- 59 years old, Chilean nationality
- Address: Enrique Foster Sur 20, piso 14, Las Condes, Santiago, Chile

#### Expertise/Experience

Francisco Pérez Mackenna has served as Chief Executive Officer of the Chilean company Quiñenco S.A. since 1998. He is also a director of a number of Quiñenco group companies, including Banco de Chile, Tech Pack, CCU (Compañía Cervecerías Unidas S.A.), CSAV (Compañía Sud Americana de Vapores), SM SAAM (Sociedad Matriz SAAM S.A.) and Enx (Empresa Nacional de Energía Enx S.A.). Before joining Quiñenco, between 1991 and 1998 Francisco Pérez Mackenna was Chief Executive Officer of CCU. He is also on the advisory boards of the Booth School of Business at the University of Chicago (United States). Francisco Pérez Mackenna teaches at the Catholic University of Chile.

#### Directorships and other positions held during 2017 (and still in force at the year-end)

- Chief Executive Officer of **Quiñenco S.A.\***
- Chairman of the Boards of Directors of the following Quiñenco group companies: **CSAV\* (Compañía Sud Americana de Vapores S.A.)**, **ENEX\* (Empresa Nacional de Energía Enx S.A.)**, **Invexans S.A.\*** and **Tech Pack\***
- Director of the following Quiñenco group companies: **Banco de Chile\***, **CCU\* (Compañía Cervecerías Unidas S.A.)** (and various wholly-owned subsidiaries) and **SAAM\* (Sudamericana Agencias Aéreas y Marítimas S.A.)**
- Member of the Supervisory Board of **Hapag-Lloyd AG\***, a Quiñenco group company

#### Directorships and other positions that have expired in the last five years

- Director of Banchile Corredores de Bolsa\*

#### Hubert Porte, director proposed by Invexans (Quiñenco group)

- Founding Partner and CEO of Ecus Administradora General de Fondos S.A.
- First elected as a director: November 10, 2011
- Expiration of current term: 2019 Annual Shareholders' Meeting
- Number of shares held: 571
- 53 years old, French nationality
- Address: Isidora Goyenechea 3477, 7th floor, Las Condes, Santiago, Chile

#### Expertise/Experience

Hubert Porte is Founding Partner and CEO of the private equity firm Ecus Administradora General de Fondos S.A., which was founded in 2004 and invests in Chile through the private equity funds Ecus Private Equity I and Ecus Agri-Food. He is a director of the Chilean companies Invexans S.A. (Quiñenco group), AMA Time, Plastic Omnium Chile S.A. and Loginsa S.A. He is also managing partner of Latin American Asset Management Advisors Ltda (LAAMA), which he founded in 2004 and which is the exclusive distributor for the Chilean and Peruvian pension funds of AXA Investment Managers' mutual funds. LAAMA currently manages USD 1.2 billion worth of investments for these funds.

#### Directorships and other positions held during 2017 (and still in force at the year-end)

- Director of **Invexans\*** (Quiñenco group) and **Plastic Omnium S.A. Chile\***
- The following positions in Chilean companies whose financial investments are managed by Ecus Administradora General de Fondos S.A.:
  - Director of **AMA Time\*** (agri-food company)
  - Director of **Loginsa\*** (logistics company)
  - Managing Partner of **Latin America Asset Management Advisors\*** (asset management firm)

#### Directorships and other positions that have expired in the last five years

- Executive Chairman of Ecus Administradora General de Fondos S.A.\* (private equity firm)
- Chairman of the Board of Directors of **Central Frenos S.A.\***, **Albia S.A.\*** and **AMA Time\***
- Director of **Vitamina S.A.\*** and **Tabali S.A.\***
- Executive Chairman of Ecus Administradora General de Fondos S.A.\*

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**Kathleen Wantz-O'Rourke**, independent director

- Group Senior Vice-President Operations & Performance at AKKA Technologies in 2017
- First appointed as censor: November 24, 2015
- First elected as a director: May 12, 2016
- Expiration of current term: 2020 Annual Shareholders' Meeting
- Number of shares held: 500
- 52 years old, French and Australian nationalities
- Address: 20 avenue du Recteur Poincaré, 75016 Paris, France

**Expertise/Experience**

Kathleen Wantz-O'Rourke held the position of Group Senior Vice-President Operations & Performance at AKKA Technologies in 2017. Prior to that, she was Senior Vice-President of Group Performance and Transformation and of Finance "Métiers" at Engie, which she joined in 2012. Between 1984 and 2012, she held various positions within the Siemens group, in finance, business development and general management in large regional companies. She is a member of the Board of Directors of the Trust Management Institute (TMI).

**Directorships and other positions held during 2017 (and still in force at the year-end)**

- Member of the Board of Directors of the Trust Management Institute (TMI)

**Directorships and other positions that have expired in the last five years**

- Director of Storengy (Engie group)
- Member of the Supervisory Board of Compagnie Nationale du Rhône
- Censor of Nexans

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**Anne Lebel**, Censor

- Chief Human Resources Officer of Natixis
- Appointed as censor: November 22, 2017
- Number of shares held: 0
- 51 years old, French nationality
- Address: 30 avenue Pierre Mendès France, 75013 Paris, France

**Expertise/Experience**

Anne Lebel has been Chief Human Resources Officer of Natixis since July 1, 2016. She began her career in 1987 at Bossard Consultants as an organization and change management consultant. In 1997, Anne joined Schering Plough France as Human Resources and Training Manager for France and later headed up HR Organization and Development in Europe. In 2004, she joined Serono France as Head of Human Resources in France. In 2008, Anne moved to Allianz Global Corporate & Specialty where she was appointed Head of Human Resources for France, Italy and Spain, and later for Europe and Asia, before becoming Global Head of Human Resources between 2012 and 2016. Anne Lebel is a graduate of the Institute of Political Studies in Strasbourg and holds a postgraduate diploma in Business Management and Administration (DESS CAAE) from the Institut d'Administration des Entreprises graduate school of management in Paris.

**Directorships and other positions held during 2017 (and still in force at the year-end)**

- Director of Natixis Assurances

**Directorships and other positions that have expired in the last five years**

- None
-

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### 2.3.1.2. INDEPENDENCE

The characterization of the independence of Nexans' directors is discussed by the Appointments, Compensation and Corporate Governance Committee and reviewed by the Board of Directors each year, whenever a new director is appointed and prior to the preparation of the report on corporate governance.

On January 22, 2018, the Board of Directors examined the individual status of each of its members in light of the independence criteria defined by Recommendation 8.4 of the AFEP-MEDEF Code and confirmed the characterization previously used, namely that, as at December 31, 2017:

- The following directors were independent:
  - (1) Cyrille Duval, (2) Marc Grynberg, (3) Véronique Guillot-Pelpel, (4) Philippe Joubert, (5) Colette Lewiner and (6) Kathleen Wantz-O'Rourke.
- Furthermore, the Board of Directors considers that belonging to a board for more than 12 consecutive years does not automatically mean losing one's status as an independent director. The criterion of length of service on the board is designed in particular to determine whether time spent by directors impedes their economic independence, business independence, and critical judgment with respect to Executive Management. This is a legitimate concern in this case that must be analyzed and assessed by the Board of Directors.

The Board of Directors considers **Colette Lewiner** to be independent with respect to the Group from an economic standpoint given that she has income from other various business activities. Thus, the directors' fees that she receives from Nexans only represent a small portion of her total income.

In addition, Colette Lewiner is independent from a business standpoint as she has many other business activities that are not related to the Group.

Lastly, through Colette Lewiner's personality, she demonstrates that her judgment is completely independent. Her length of service on the Board strengthens her understanding of challenges and risks, and her ability to question Executive Management and express herself.

Therefore, the Board of Directors does not consider that the length of Colette Lewiner's service on the Board affects in any way her independence given the great freedom of judgment and the ability for critical thinking that she demonstrates.

- **Philippe Joubert** is a member of Nexans Brazil's Strategy Committee, a statutory body that does not have the power to make decisions or represent the Company and that is responsible for advising Nexans Brazil on its strategy. Nexans Brazil has given Philippe Joubert a specific role, which covers special technical issues for the sole benefit of Nexans Brazil, not the Group as a whole or the company Nexans. As a result, the business relationship created between Nexans Brazil and Philippe Joubert is not significant for the Nexans Group or for Philippe Joubert.

In addition, the 4,000 euros of annual compensation represents only a small proportion of the total directors' fees received by Philippe Joubert, who also has many other business activities that are not related to the Group.

- The following directors are not independent:
  - (1) Georges Chodron de Courcel, in view of the length of his service (16 years) and the fixed compensation paid to him for his role as Chairman of the Board of Directors;
  - (2) Andrónico Luksic Craig, (3) Francisco Pérez Mackenna and (4) Hubert Porte, as these three directors were proposed by the main shareholder Invexans;
  - (5) Fanny Letier, the director proposed by the shareholder Bpifrance Participations; and
  - (6) Marie-Cécile de Fougères and (7) Angéline Afanoukoé, as employees of the Group.

At December 31, 2017, six of Nexans' eleven directors were therefore independent, representing an independence rate of more than 54.5%<sup>(1)</sup>. This exceeds the proportion of 50% recommended by the AFEP-MEDEF Code for widely held companies.

On January 22, 2018, the Board of Directors also examined the status of the censor in light of the same independence criteria.

**Anne Lebel** is Chief Human Resources Officer of Natixis, which is one of the banks that provides financing to Nexans. The Board of Directors has reviewed the business relationships between Natixis and Nexans, taking into account both quantitative and qualitative criteria.

The net revenues generated by Natixis' business with Nexans in 2017 amounted to less than 500,000 euros. Given that Natixis' total net revenues amounted to around 8.7 billion euros, the relationship between Natixis and Nexans is not significant for Natixis. In addition, based on the total amount of fees paid by Nexans to Natixis in 2017, which was less than 500,000 euros, Natixis does not rank as one of Nexans' top 5 banks. The relationship between the two groups is therefore not deemed significant with regard to independence criteria.

<sup>(1)</sup> Independence rate calculated without counting the directors representing employees and employee shareholders, in accordance with Recommendation 8.3 of the AFEP-MEDEF Code.

The Board also took into account other criteria such as the length and continuity of the relationship between the two companies – which existed long before Anne Lebel was appointed as censor since it dates back to Nexans' creation in 2001 – and the duties carried out by Anne Lebel within Natixis as Chief Human Resources Officer – a position that does not give her direct decision-making power over the agreements and financial arrangements that constitute the business relationship between Nexans and Natixis.

The Board therefore concluded that Anne Lebel would be characterized as independent if she was a director, due to the absence of significant business ties between the Nexans and Natixis groups.

In addition, to maintain her character of independence, Anne Lebel has undertaken not to participate in (i) the preparation or solicitation of offers of Natixis' services from Nexans or any Group company, (ii) the work performed by Natixis under a contract signed with Nexans or any Group company and, if appointed as a director of Nexans, (iii) any votes on matters discussed by the Board of Directors of Nexans relating to projects in which Natixis would or could be interested as a provider of corporate and retail banking services and financing

## 2.3.2. Operation and work of the Board of Directors

### 2.3.2.1. INTERNAL REGULATIONS, CODE OF ETHICS, DECISIONS RESERVED FOR THE BOARD, THE CHAIRMAN OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER

#### Internal Regulations

The Board of Directors adopted Internal Regulations in 2003. Their purpose is to supplement legal and regulatory rules and the Company's bylaws by setting out detailed operating procedures for the Board and its Committees and the duties of directors, particularly in light of the corporate governance principles contained in the AFEP-MEDEF Code, which serves as the Company's reference framework. The Internal Regulations include a Code of Ethics. They are published in their entirety on the Company's website and updated on a regular basis (and most recently on March 14, 2017).

#### Board decisions

The Board's Internal Regulations stipulate that, in addition to the cases set out in applicable legal provisions, some decisions require prior approval from the Board, in particular the following deals/plans:

- (i) Any merger, acquisition, divestment or other industrial or finance projects with a unit value of more than 50 million euros (enterprise value for mergers, acquisitions or divestments).
- (ii) Opening the capital of a subsidiary through a joint venture or initial public offering amounting to an inflow of more than 25 million euros.

- (iii) Any transaction or plan representing diversification outside the Group's lines of business irrespective of its value.

The Board of Directors also reviews the principal basis for significant internal restructuring plans at the Group level, subject to any consultation procedures required by law and without prejudice to decisions relating to entities that may be concerned.

#### Role and powers of the Chairman of the Board of Directors

The Internal Regulations set out the role and powers of the Chairman of the Board of Directors. The Chairman represents the Board and, except under special circumstances, is the only person with the power to act and communicate on behalf of the Board.

He organizes and oversees the Board of Directors' work and ensures that the management bodies operate efficiently and in accordance with principles of good governance. He coordinates the work of the Board of Directors and that of the Committees.

The Chairman ensures that the directors are able to fulfill their duties and that they have all the information that they need to accomplish these duties.

The Chairman is regularly informed by the Chief Executive Officer of significant events or situations within the Group, particularly as regards strategy, organization, major investment and divestment projects, and major financial transactions. He may ask the Chief Executive Officer for any information that could help the Board of Directors and its Committees fulfill their duties.

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He may ask to meet with the Statutory Auditors in order to prepare the Board of Directors' work. He monitors, in conjunction with the Accounts and Audit Committee, the efficiency of the internal audit system and the access to the work of the Internal Audit Department and can, on behalf of the Board of Directors and after having informed the Chief Executive Officer and the Chairman of the Accounts and Audit Committee, ask the Internal Audit Department for specific studies. He reports on his findings to the Committee. He also follows, in connection with the Accounts and Audit Committee, the financing of the Group and the risk management process. He monitors with the Strategy and Sustainable Development Committee, the good progress of annual updates and the execution of strategic plans and ensures that the short-, middle- and long-term objectives of the different stakeholders are being taken into account.

The Chairman also takes part in some of the Appointments, Compensation and Corporate Governance Committee's work. In particular, he takes part in the Board of Directors' evaluation of its operating procedures, in the work on the composition of the Board and of its Committees, and in the selection process and preliminary review of the appointment of new directors.

The Chairman may participate, with consultative input, in all meetings of the Board's committees of which he is not a member and may consult the Committees on any question within their scope of responsibility. In particular, he may consult the Appointments, Compensation and Corporate Governance Committee on governance matters and the Accounts and Audit Committee on matters relating to internal audit and internal control.

### Management structure

The Chief Executive Officer is responsible for executive management of the Company. He has the broadest powers to act under any circumstances on behalf of the Company subject to the powers granted by law to the Board of Directors and the Annual Shareholders' Meeting, and the Company's own corporate governance rules.

He represents the Company and can bind the Company in relations with third parties.

He is responsible for the financial information disclosed by the Company and regularly presents the Group's results and prospects to its shareholders and the financial community.

He reports to the Board of Directors and particularly the Chairman on significant events within the Group.

### Other provisions of the Internal Regulations and Code of Ethics

The Board's Internal Regulations also cover:

- information provided to the directors;
- the internal regulations of the Board Committees;
- the Directors' Charter.

Nexans has also adopted a Group-wide insider trading policy whereby executives or any person with access to non-public information is required to refrain from trading, either directly or indirectly, in Nexans securities. In addition to reminders about legally required blackout periods, the policy also includes a simplified calendar of additional non-trading periods.

### 2.3.2.2. BOARD MEETINGS IN 2017

The Board is convened in accordance with applicable laws, the bylaws and the Internal Regulations of the Board.

The Board met ten times in 2017, sometimes as part of sessions without the presence of the Chief Executive Officer or internal Board members, with an average annual attendance rate of 92.76%<sup>(1)</sup>. The number of 2017 meetings attended by each Board member as of the end of 2017 is indicated in the table below:

Director	Number of meetings attended <sup>(2)</sup>
Georges Chodron de Courcel	10
Angéline Afanoukoé	3 <sup>(3)</sup>
Marie-Cécile de Fougères	10
Cyrille Duval	10
Jérôme Gallot	3 <sup>(3)</sup>
Marc Grynberg	6 <sup>(4)</sup>
Véronique Guillot-Pelpel	10
Philippe Joubert	10
Anne Lebel	1 <sup>(8)</sup>
Fanny Letier	9 <sup>(5)</sup>
Colette Lewiner	10
Andrónico Luksic Craig	5 <sup>(6)</sup>
Francisco Pérez Mackenna	9 <sup>(7)</sup>
Hubert Porte	10
Kathleen Wantz-O'Rourke	9 <sup>(5)</sup>

<sup>(2)</sup> Out of 10 meetings, of which 7 meetings set in advance and 3 special meetings on specific topics.

<sup>(3)</sup> 100% of meetings held during the director's term of office.

<sup>(4)</sup> Of which 2 meetings as censor and 4 meetings as voting director.

<sup>(5)</sup> Of which 7 meetings set in advance and 2 special meetings on specific topics.

<sup>(6)</sup> Of which 4 meetings set in advance and 1 special meeting on a specific topic.

<sup>(7)</sup> Of which 6 meetings set in advance and 3 special meetings on specific topics.

<sup>(8)</sup> 100% of meetings held during the censor's term of office.

<sup>(1)</sup> Annual attendance rate determined based on the number of directors in office present at the Board meeting in question and including members who left the Board during the year (Jérôme Gallot) and those who joined the Board during the year (Marc Grynberg and Angéline Afanoukoé).

As stipulated in the Internal Regulations, prior to each meeting, Board members are sent details, via the Board's digital platform, about any agenda items that require particular analysis and prior reflection.

The main topics discussed by the Board during its meetings in 2017 were as follows:

Monitoring the Group's key strategic areas and activities	<ul style="list-style-type: none"> <li>■ Review of the strategic plan and of strategic initiatives</li> <li>■ Review of strategic options and acquisitions</li> <li>■ Review of business performance</li> <li>■ Authorization of acquisitions and investments</li> <li>■ Comparison of competition's performance</li> </ul>
The Group's financial position, cash position and commitments	<ul style="list-style-type: none"> <li>■ 2017 budget</li> <li>■ Approval of the parent company and consolidated financial statements for the year ended December 31, 2016 and the six months ended June 30, 2017</li> <li>■ Adoption of the management report on the operations and results of the Nexans Group and its parent company</li> <li>■ Adoption of the interim activity report</li> <li>■ Review and approval of press releases on such topics as the annual and interim consolidated financial statements</li> <li>■ Approval of management forecast documents</li> <li>■ Funding projects (including a bond issue)</li> </ul>
Internal control and risk management	<ul style="list-style-type: none"> <li>■ Review of the Group's risk management system and the external assessment of risk management</li> <li>■ Internal Audit and internal control report</li> <li>■ Review of the Ethics Compliance Program</li> <li>■ Adoption of the Chairman's Report on internal control and risk management procedures</li> </ul>
Management compensation	<ul style="list-style-type: none"> <li>■ Adoption of the compensation policy for executive directors for 2017</li> <li>■ Determination of the Chairman of the Board's compensation and benefits for 2017</li> <li>■ Review of the Chief Executive Officer's 2016 performance and determination of his compensation and benefits for 2017</li> <li>■ Launch of performance share and free share plans for 2017</li> <li>■ Determination that the performance conditions of the long-term compensation plans had been met – Specific conditions applicable to the Chief Executive Officer</li> <li>■ Review of publicly available information about the compensation of executive directors</li> </ul>
Corporate governance	<ul style="list-style-type: none"> <li>■ Formal assessment of the composition, organization and operation of the Board and its Committees with the help of an external consultant and initiatives to be implemented following this assessment</li> <li>■ Amendments to the Internal Regulations</li> <li>■ Launch (end-2017) of an annual assessment of the Board</li> <li>■ Adoption of a projected work program for the Board and its committees</li> <li>■ Adoption of the Chairman's Report on Corporate Governance</li> <li>■ Candidates for election or re-election to the Board to be recommended at the 2017 Annual Shareholders' Meeting</li> <li>■ Characterization of the independence of Board members</li> <li>■ Succession plans for executive directors</li> <li>■ Composition of Committees</li> <li>■ Review of the appointment of a director representing employees</li> <li>■ Amendments to the rules for allocating directors' fees</li> <li>■ Appointment of a censor</li> </ul>
Market transactions	<ul style="list-style-type: none"> <li>■ Decision to launch an employee share issue under "Act 2018"</li> <li>■ Capital increases following the exercise of stock options</li> <li>■ Share buyback program</li> </ul>
Other	<ul style="list-style-type: none"> <li>■ Review of the Company's ownership structure</li> <li>■ Relocation of the Company's head office</li> <li>■ Notice of the Annual Shareholders' Meeting, approval of the texts of the proposed resolutions and the reports to be presented to the Meeting</li> <li>■ Appointment of a Statutory Auditor to be submitted to the Annual Shareholders' Meeting</li> <li>■ Authorizations to grant parent company guarantees</li> <li>■ Authorization of two related-party agreements</li> <li>■ Information about the Audit Committee procedure for authorizing the provision of non audit services by the Statutory Auditors</li> <li>■ Review of the Corporate Social Responsibility program</li> </ul>

Reports are also presented to the Board of Directors on a regular basis by the Management Board and the various managers in charge of functional departments. The directors attended a two-day strategy seminar in late September 2017.



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### 2.3.2.3. THE BOARD COMMITTEES

In July 2001, the Board of Directors set up the Accounts and Audit Committee and the Appointments and Compensation Committee, whose purview was extended in 2012 to cover corporate governance. Starting in 2013, the Board also put in place a Strategy Committee, whose purview was extended in 2015 to cover sustainable development.

The Board of Directors' Internal Regulations, which are regularly updated, set out the rules relating to these committees' membership structure, roles and responsibilities, and operating procedures, which comply with legal requirements and the recommendations of the AFEP-MEDEF Code.

#### The Accounts and Audit Committee

At December 31, 2017, the Accounts and Audit Committee comprised the following three members, who are all non executive directors:

Cyrille Duval	Chairman
Hubert Porte	Member
Kathleen Wantz-O'Rourke	Member

In accordance with the recommendations of the AFEP-MEDEF Code, the independence rate of this committee, as assessed on the basis of the annual review of independence characterization of directors conducted beginning 2018, was of 66.67%. The Accounts and Audit Committee is chaired by an independent director.

All members of the Accounts and Audit Committee have training and experience in finance, accounting or audit that surpass the obligations laid down in paragraph 2 of Article L.823-19 of the French Commercial Code, which require the appointment of at least one committee member with financial, accounting or audit expertise:

- Cyrille Duval, in view of the range of financial positions he has held during his career with the Eramet group, especially as General Secretary of Eramet Alliages.

- Hubert Porte, in view of his experience in private equity and asset management, especially as Executive Chairman of Ecus Private Equity and Managing Partner of Latin America Asset Management Advisors.

- Kathleen Wantz-O'Rourke, in view of the range of financial positions she has held at Siemens and Engie.

For the implementation of the assignments of the Accounts and Audit Committee, the Company applies the recommendations of the Final Report on Audit Committees published by the French Financial Markets Authority (AMF) on July 22, 2010 and the government order dated March 17, 2016 on statutory audits.

The main roles and responsibilities of the Accounts and Audit Committee are described in the Board of Directors' Internal Regulations which are available on the Group's website.

Pursuant to Article 13 of the bylaws, the Chairman of the Accounts and Audit Committee can convene a Board meeting and set the agenda.

In the course of its work, the Accounts and Audit Committee may request to meet with any member of the Finance Department and the Statutory Auditors, including without the presence of the Company's Executive Management. Presentations are made to the Committee once a year by the Head of Risk Management and Security, the Compliance Program Officer and the Ethics Officer. The Committee can also seek the advice of external specialists.

The Accounts and Audit Committee reports to the Board of Directors and is under its responsibility.

The Accounts and Audit Committee met four times in 2017, with an attendance rate of 100%. The meetings were also attended by the Chief Financial Officer and the Secretary General, and as needed by the Statutory Auditors, the Head of Internal Audit and Internal Control, the Head of Consolidation, and the Head of Financial Control.

In 2017, the Committee discussed the following main issues:

Financial information	<ul style="list-style-type: none"> <li>■ Review of the annual financial statements (asset impairment, provisions for post employment obligations and disputes)</li> <li>■ Review of the interim financial statements</li> <li>■ Press releases on annual and interim earnings</li> <li>■ Review of new accounting standards (IFRS)</li> </ul>
Internal audit, internal control, risk management and ethics compliance procedures	<ul style="list-style-type: none"> <li>■ Internal audit and internal control activity report</li> <li>■ Review of the maturity of the internal audit and internal control system</li> <li>■ Review of the "Risk factors" section of the 2016 Management Report</li> <li>■ Review of the 2016 Chairman's Report on internal control and risk management</li> <li>■ Review of the "Risks and uncertainties" section in the 2017 interim activity report</li> <li>■ Information about the policy on non-public information</li> <li>■ Review of risk management procedures and analysis of the risks relating to the 2018-2022 strategic plan</li> <li>■ Review of the ethics compliance program and of the action plan for 2018</li> <li>■ Presentation by the Ethics Correspondant of reported and potential ethics violations investigated and dealt with in 2016 and 2017</li> </ul>
Statutory Auditors	<ul style="list-style-type: none"> <li>■ Presentation by the Statutory Auditors on their work</li> <li>■ Modification of the procedure for authorizing the provision of non-audit services by the Statutory Auditors</li> <li>■ Monitoring of the services provided by the Statutory Auditors and authorization of non-audit services</li> <li>■ Review of the appointment of a Statutory Auditor to be submitted to the 2018 Annual Shareholders' Meeting</li> </ul>
Other	<ul style="list-style-type: none"> <li>■ Review of funding projects (including a bond issue)</li> </ul>

### The Appointments, Compensation and Corporate Governance Committee

At the end of 2017, the Appointments, Compensation and Corporate Governance Committee comprised the following four members, who are all non-executive directors:

Véronique Guillot-Pelpel	Chairwoman
Cyrille Duval	Member
Fanny Letier	Member
Francisco Pérez Mackenna	Member

On the basis of the annual review of the characterization of the independence of directors conducted in early 2018, the proportion of independent members on the Appointments, Compensation and Corporate Governance Committee amounted to 50%, taking into account the characterization of Fanny Letier and Francisco Pérez Mackenna as non-independent. The Appointments, Compensation and Corporate Governance Committee is chaired by an independent director.

The main roles and responsibilities of the Appointments, Compensation and Corporate Governance Committee are described in the Board of Directors' Internal Regulations which are available on the Group's website.

Pursuant to Article 13 of the bylaws, the Chairwoman of the Appointments, Compensation and Corporate Governance Committee can convene a Board meeting and set the agenda.

During 2017, the Appointments, Compensation and Corporate Governance Committee met five times with a total average attendance rate of 90%.

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During the year, the Committee particularly focused on the following matters:

<b>Appointments</b>	<ul style="list-style-type: none"> <li>■ Review of terms of office expiring at the 2017 Annual Shareholders' Meeting, proposal of the re-election and election of directors</li> <li>■ Work on the composition of the Board and its Committees</li> <li>■ Monitoring of the process to designate a director representing employees</li> <li>■ Proposed appointment of a censor</li> <li>■ Succession plans</li> <li>■ Changes to the Group's organization</li> </ul>
<b>Compensation</b>	<ul style="list-style-type: none"> <li>■ Compensation policy for executive directors for 2017</li> <li>■ Compensation policy for other executives</li> <li>■ Variable portion of the Chief Executive Officer's compensation for 2016</li> <li>■ 2017 compensation of the Chairman of the Board of Directors and the Chief Executive Officer</li> <li>■ Acknowledgment of the partial achievement of performance conditions under Long Term Compensation Plan No. 13</li> <li>■ 2017 Long-Term Compensation Plan</li> <li>■ The Chief Executive Officer's supplementary pension plan</li> <li>■ Review of publicly available information about the compensation of executive directors</li> <li>■ Draft report on the resolutions submitted to the 2017 Annual Shareholders' Meeting ("say-on-pay")</li> <li>■ International employee share ownership plan ("Act 2018")</li> </ul>
<b>Corporate governance</b>	<ul style="list-style-type: none"> <li>■ Characterization of the independence of Board members</li> <li>■ Results of the Board's assessment conducted for 2016 with the help of an external consultant and initiatives to be implemented following this assessment</li> <li>■ Launch of an assessment of the Board for 2017</li> <li>■ Proposed amendments to the rules for allocating directors' fees</li> <li>■ Amendments to the Internal Regulations</li> <li>■ Review of the 2016 Chairman's Report on Corporate Governance</li> <li>■ Review of the 2016 Management Report on corporate governance and executive compensation</li> <li>■ Review of the 2017 work program for the Board and its Committees</li> <li>■ Review of the Committee's 2018 work program</li> </ul>

## The Strategy and Sustainable Development Committee

At the end of 2017, the Strategy and Sustainable Development Committee had four members, who are all non-executive directors:

Philippe Joubert	Chairman
Fanny Letier	Member
Colette Lewiner	Member
Francisco Pérez Mackenna	Member

The roles and responsibilities of the Strategy and Sustainable Development Committee are described in the Board of Directors' Internal Regulations, which are available on the Group's website.

During 2017, the Strategy and Sustainable Development Committee met four times with an attendance rate of 87.5%. The Committee focused in particular on reviewing: the strategic plan and its implementation timeline; several strategic options; the results of the working session on megatrends that took place in 2016; several acquisition projects; and the Group's Corporate Social Responsibility policies and initiatives. Presentations were made to the Committee by several senior managers from the Group and by external consultants. The Strategy Director acted as Committee Secretary.

#### 2.3.2.4. DIRECTORS' TRAINING

Directors receive all information necessary to complete their duties upon taking office and may request any documents they deem useful.

The Board's Internal Regulations stipulate that each director may benefit from additional training, should it be deemed necessary, on specific Company operating procedures, its businesses or business sector.

Upon taking office, Marc Grynberg received several days' training with members of the management team and representatives from the main corporate departments for a presentation on the Nexans Group, its manufacturing businesses, strategy, financial and accounting matters, risk management, corporate governance and human resources.

An equivalent induction program was initiated in early 2018 for Anne Lebel, following her appointment as censor.

In the continuous improvement of their knowledge of the Group, directors meet the main representatives from the functional departments or geographic areas.

#### 2.3.2.5. EVALUATION OF THE BOARD OF DIRECTORS

The Board of Directors' annual evaluation procedure covers its operating procedures, composition and organization. This evaluation assesses the contribution and involvement of directors, and makes it possible to ensure that significant issues

are properly prepared, dealt with and discussed at Board meetings.

The Board's evaluation is conducted annually in one of two ways. Either a detailed questionnaire is sent to each director, and the Appointments, Compensation and Corporate Governance Committee then generates a synthesis of the results that is reviewed at a Board meeting; or individual interviews are held by specialized consulting firms without the presence of representatives from the Company.

The Board of Directors discusses the various recommendations for improvement that emerge from these evaluations and selects those to be implemented.

An evaluation based on a detailed questionnaire sent to each director was carried out at the end of 2017. It showed significant improvements, particularly in how long in advance information is sent out prior to meetings and in the operation of the Committees. The results of the evaluation confirmed the validity of the decision to separate the positions of Chairman and Chief Executive Officer.

Areas for improvement were also identified, including strengthening the process for selecting directors and reviewing the frequency of meetings with the heads of the main Business Groups.

In order to promote continuous improvement, an assessment of the individual contribution of each director was carried out during the evaluation.

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### 2.3.3. Additional information

To the best of the Company's knowledge, there are no family relationships between Nexans' corporate officers, or any service contracts between any of the Board members and the Company or any of its subsidiaries, with the exception of the employment contracts of the director representing employee shareholders and the director representing employees.

Also to the best of the Company's knowledge, during the past five years none of its corporate officers:

- have been convicted of fraud;
- have been involved in any bankruptcies, receiverships or liquidations;
- have been the subject of any official public sanctions by any statutory or regulatory authority;
- have been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from participating in the management or conduct of the affairs of an issuer.

In addition, certain Board members or executive directors serve as corporate officers and/or senior managers for companies that may enter into contractual agreements with companies of the Nexans Group for commercial transactions (e.g., customers). As any such contracts are negotiated and signed under arm's length conditions, the Company is not aware of any possible conflicts of interest between the corporate officers' duties towards Nexans and their private interests and/or any of their other obligations.

Apart from this undertaking and any related-party agreements and commitments approved in advance by the Board, including the Board's practice of proposing to the shareholders at the Annual Shareholders' Meeting directors proposed by the two major shareholders, no agreements or arrangements have been entered into with the Company's main shareholders, customers, suppliers or other parties concerning the appointment of a Nexans corporate officer.

## 2.3.4. Corporate governance code

For corporate governance matters, Nexans refers to the AFEP-MEDEF Code, as amended in November 2016. It is available on the MEDEF website ([www.medef.com](http://www.medef.com)) and the AFEP website ([www.afep.com](http://www.afep.com)).

The Company's practices are in line with the recommendations contained in the AFEP-MEDEF Code, with the exception for 2017 of the following recommendations:

	Recommendation in the AFEP-MEDEF Code	The Company's practices and explanations
§ 8.5	In order to qualify a director as independent, the Board of Directors must review the following criterion: "not to have been a director of the corporation for more than twelve years."	<p>The Board of Directors considers that belonging to a board for more than 12 consecutive years does not automatically mean losing one's status as an independent director. The criterion of length of service on the board is designed in particular to determine whether time spent by directors impedes their economic independence, business independence, and critical judgment with respect to Executive Management. This is a legitimate concern that must be analyzed and assessed by the Board of Directors.</p> <p>The Board of Directors considers Colette Lewiner to be independent with respect to the Group from an economic standpoint given that she has income from other various business activities. Therefore, the directors' fees that she receives from Nexans only represent a small portion of her total income;</p> <p>In addition, Colette Lewiner is independent from a business standpoint as she has many other business activities that are not related to the Group.</p> <p>Lastly, through Colette Lewiner's personality, she demonstrates that her judgment is completely independent. Her length of service on the Board strengthens her understanding of challenges and risks, and her ability to question Executive Management and express herself.</p> <p>Therefore, the Board of Directors does not consider that the length of Colette Lewiner's service on the Board affects in any way her independence given the great freedom of judgment and the ability for critical thinking that she demonstrates.</p>
§ 16.1 and 17.1	The committee that deals with appointments and the committee that focuses on compensation must be comprised mostly of independent directors.	The Appointments, Compensation and Corporate Governance Committee has four members. Due to the Company's ownership structure, which includes two major shareholders, 50% of the Committee members are independent directors and the other 50% are directors proposed by the two major shareholders. The Committee is chaired by an independent director.
§ 17.1	It is recommended that one of the members of the compensation committee be a director who represents employees or employee shareholders.	Given that the scope of the Appointments, Compensation and Corporate Governance Committee goes beyond compensation, the director representing employees and the director representing employee shareholders are not members of the Committee. However, they do attend the Board of Directors' meetings in which compensation matters are reviewed, discussed and decided on.

## 2.4. Transactions in the Company's securities by corporate officers and senior managers

In accordance with the disclosure requirements in Article 223-26 of the AMF's General Regulations, transactions in the Company's securities carried out and disclosed to the AMF during fiscal 2017 by the corporate officers and senior managers referred to in Article L.621-18-2 of the French Monetary and Financial Code (*Code monétaire et financier*) are listed in the following table.

	Date of transaction	Type of transaction	Financial instrument	Number (of mutual fund units or shares)	Total gross amount (in euros)
<b>Guillot-Pepel Véronique</b> Member of the Board of Directors	06/12/2017	Sale	Employee mutual	1,675	€82,290.64
<b>Portevin Pascal</b> Senior Corporate Executive Vice President, International and Operations	07/28/2017	Purchase	Shares <sup>(1)</sup>	12,350	€0
<b>Poupart-Lafarge Arnaud</b> Chief Executive Officer	07/28/2017	Purchase	Shares <sup>(1)</sup>	15,925	€0
<b>Badré Nicolas</b> Chief Financial Officer	07/28/2017	Purchase	Shares <sup>(1)</sup>	8,645	€0
<b>Grynberg Marc</b> Member of the Board of Directors	08/08/2017	Purchase	Shares	500	€24,108.76

(1) Performance shares granted under Long-Term Compensation Plan no. 13 of July 24, 2014, which vested in 2017 [see section 2.5.5.3. for more information on the plan conditions].

Pursuant to Article 11 of the Company's bylaws, all directors – except the director representing employees – must own at least 10 shares. This principle is respected by all directors. Furthermore, the Directors' Charter appended to the Board of Directors' Internal Regulations recommends that each Board member should own at least 500 shares.

## 2.5. Compensation and benefits

### 2.5.1. Directors' compensation

At December 31, 2017, the Company's Board of Directors comprised 13 non-executive members. The aggregate annual amount of directors' fees was set at 650,000 euros at the Annual Shareholders' Meeting held on May 15, 2012, effective from the fiscal year that commenced on January 1, 2012, and has remained unchanged since that date.

Generally, the methods for allocating the directors' fees approved by the Board of Directors include the calculation of a fixed portion and a predominant variable portion based on the directors' attendance at Board meetings and their membership of Committees.

Since January 18, 2017, the aggregate amount of directors' fees is allocated between the individual directors as follows. Each director receives:

- A fixed fee of 13,000 euros.
- A fee of 3,000 euros for every Board meeting attended, capped at an aggregate 21,000 euros per year.
- If they are a member of a Board Committee (other than the Committee Chairman), a fee of 3,000 euros per Committee meeting attended, capped at an aggregate 18,000 euros per year.
- If they are the Chairman of a Board Committee, a fee of 6,000 euros per Committee meeting attended, capped at an aggregate 36,000 euros per year.

The Chairman of the Board of Directors and the directors representing employee shareholders and employees will still not receive any directors' fees.

In accordance with the Group's policy, none of Nexans' Board members received any directors' fees in 2017 for positions held in Group subsidiaries, except for Philippe Joubert, who received 4,000 euros from Nexans Brazil in his capacity as a member of that company's Strategy Committee (for more details, see section 2.3.1.2., Independence).

Non-executive directors did not receive any compensation from the Company in 2017 other than that shown below, apart from the directors representing employees and employee shareholders, who receive compensation from the subsidiary that employs them.



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The total amount of directors' fees allocated for 2017 was 519,485 euros. The table below shows the allocation between the individual directors for 2016 and 2017 (in euros).

Board members in 2016	Directors' fees allocated in 2016 (for 2016)	Directors' fees allocated in 2017 (for 2017)
Georges Chodron de Courcel <sup>(1)</sup>	33,232	-
Angéline Afanoukoe <sup>(2)</sup>	-	-
Cyrille Duval	58,000	61,000
Marie-Cécile de Fougères <sup>(3)</sup>	-	-
Jérôme Gallot <sup>(4)</sup>	58,000	25,666
Marc Grynberg <sup>(5)</sup>	-	20,370
Véronique Guillot-Pelpel	58,000	64,000
Philippe Joubert	58,000	58,000
Fanny Letier	58,000	58,000
Colette Lewiner	46,000	46,000
Andrónico Luksic Craig	31,000	28,000
Francisco Pérez Mackenna	58,000	52,000
Hubert Porte	43,000	46,000
Frédéric Vincent <sup>(6)</sup>	15,232	-
Kathleen Wantz-O'Rourke	23,576	46,000
Lena Wujek <sup>(7)</sup>	13,525	-
<b>TOTAL</b>	<b>553,565</b>	<b>519,485</b>

(1) Chairman of the Board of Directors since March 31, 2016 (end of day). Directors' fees allocated as Director and Chairman of the Accounts and Audit Committee before March 31, 2016.

(2) Director representing employees, designated by the Group Works Council in France on October 11, 2017.

(3) Director representing employee shareholders, elected on May 12, 2016.

(4) Director whose term of office expired on May 11, 2017.

(5) Director elected for the first time on May 11, 2017.

(6) Chairman of the Board of Directors until March 31, 2016.

(7) Director representing employee shareholders, who resigned from the Board on February 17, 2016.

In addition, Marc Grynberg received 10,025 euros in his capacity as censor between January 18, 2017 and May 11, 2017, when he was elected as a director, and Anne Lebel received 4,425 euros in her capacity as censor between November 22, 2017 and December 31, 2017. They therefore received an amount equivalent to the directors' fees received by Board members. It is made up of (i) a fixed annual fee of 13,000 euros calculated on a proportionate basis from the time they were appointed as censor until the termination of their duties, and (ii) an additional fee of 3,000 euros per Board meeting attended, capped at an aggregate 21,000 euros per year.

## 2.5.2. Compensation policy for executive directors for 2018

The compensation policy for executive directors sets out the principles and criteria used to determine, allocate and award the fixed, variable and exceptional components making up the total compensation and benefits of all kinds payable to Nexans' executive directors for 2018. It was decided by the Board of Directors at its meeting of February 14, 2018, based on the recommendation of the Appointments, Compensation and Corporate Governance Committee. It was amended by the Board of Directors on March 16, and March 20, 2018.

In accordance with Article L.225-37-2 of the French Commercial Code, the principles and criteria presented in this section will be submitted for approval to the 2018 Annual Shareholders' Meeting. In addition, payment of the 2017 annual variable compensation (and, where applicable, any exceptional compensation) due to executive officers is subject to its approval by the 2018 Annual Shareholders' Meeting.

Pursuant to Article L.225-100 of the French Commercial Code, the fixed, variable and exceptional components making up the total compensation and benefits of all kinds for 2018, paid or due to each of the executive directors under this policy, will also be submitted to a vote, at the 2019 Annual Shareholders' Meeting.

### 2.5.2.1. PRINCIPLES APPLICABLE TO ALL EXECUTIVE DIRECTORS

The work of the Appointments, Compensation and Corporate Governance Committee is structured around three to four reflection sessions throughout the year and intermediate preparatory work carried out by the Chairwoman of the Committee. The principles and criteria used to determine, allocate and award the components of the total compensation and benefits of all kinds payable to Nexans executive directors for 2018 were examined by the Appointments, Compensation and Corporate Governance Committee during four meetings between November 2017 and March 2018, before being proposed to and approved by the Board of Directors.

The Board takes constant care to ensure that the various components that make up the compensation of executive directors result in compensation that is competitive, fair, comprehensible, consistent and performance-related.

The compensation components of executive directors, whether acquired or potential, are made public after the decision of the Board of Directors having determined them.

### 2.5.2.2. COMPENSATION OF THE NON-EXECUTIVE OFFICERS

In order to propose the compensation structure for the Chairman of the Board of Directors, the Appointments, Compensation and Corporate Governance Committee relied on studies of external consultants indicating market practices for comparable companies. It also takes into account the specific tasks entrusted to the Chairman of the Board as detailed in the Internal Regulations available on the website ([www.nexans.com](http://www.nexans.com)).

The Chairman of the Board receives a fixed annual compensation. He does not receive variable compensation. He does not receive directors' fees or other benefits.

### 2.5.2.3. COMPENSATION OF THE EXECUTIVE OFFICERS

When the Appointments, Compensation and Corporate Governance Committee sets the rules applicable for calculating the compensation of executive officers, it ensures that they are consistent with the annual appraisal of the individual performance of the Group's executives as well as the Company's performance. It also takes into account all of the Company's strategic, financial, environmental, and corporate social responsibility objectives, the interests of shareholders and other stakeholders and any changes to the AFEP-MEDEF Code.

When determining the structure of executive officers' compensation packages, the Committee compares them to the median compensation package of a panel of 12 French and international companies that are comparable to Nexans (Alstom, BIC, Essilor, Imerys, Ingenico, Legrand, Rexel, SEB, SPIE, Thales, Valeo, Vallourec). The panel is reviewed every few years.

It ensures that none of the components of the compensation package is disproportionate and analyzes the compensation package as a whole by taking into account all of its components: fixed compensation, variable compensation, long-term incentive plan, supplementary pension plan and benefits of all kinds.

Variable components make up a predominant portion of the compensation paid to executive officers.

#### Fixed compensation

The fixed compensation package for executive officers is determined by taking into account the level and complexity

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of their responsibilities, their experience in the position, and market practices for comparable groups and companies. It is only reviewed every three years. However, an early review is possible if the scope of responsibilities changes significantly or the comparison of compensation with the benchmark panel shows a significant gap.

### Annual variable compensation

Executive officers are entitled to annual variable compensation for which the Board of Directors, upon recommendation of the Appointments, Compensation and Corporate Governance Committee, defines each year performance criteria that are diverse, demanding, precise and pre-defined, allowing for a comprehensive performance analysis, aligned with the Company's challenges and strategy and shareholders' interests. The assessment of performance is based on a balance between predominant collective criteria, common to all Group managers, and individual criteria, both operational and managerial.

The Board of Directors defines annually the target rate and the maximum rate of annual variable compensation as a percentage of the annual fixed compensation. It determines the proportion of collective and individual objectives and the corresponding set of criteria.

Payment of the annual variable compensation due to executive officers is subject to its approval by the Annual Shareholders' Meeting.

### Long-term compensation

The Group's long-term compensation policy is part of a global strategy to retain and motivate its employees under competitive market practices and in the interests of the Company and its shareholders. Each long-term incentive plan is subject to prior approval by the Annual Shareholders' Meeting.

Performance shares granted to executive officers will only vest if the Appointments, Compensation and Corporate Governance Committee notes that the performance conditions set by the Board at the grant date have been met. The vesting, performance and continued employment conditions and the vesting and lock-up periods are the same for all grantees. Performance conditions are precise and demanding and are measured over a three-year period.

Performance shares are valued in accordance with IFRS and must not represent a percentage that is disproportionate to the overall compensation and shares granted to each executive officer.

The Board makes awards each year in periods consistent with prior Company practice, unless a decision with the reasons thereof is provided under special circumstances.

Executive officers who receive performance shares formally undertake not to use hedging instruments during the vesting period.

Executive officers may not sell their vested shares during certain "blackout" periods, in accordance with the applicable legal and regulatory requirements and the Group's "Insider Trading" procedures.

Executive officers who are removed from their position forfeit their right to any shares that have not yet vested on the date of their removal. On retirement, executive officers automatically maintain their rights to performance shares unless the Board of Directors decides otherwise with good reason. On departure for other reasons, performance share rights are maintained unless the Board of Directors decides otherwise, upon recommendation of the Appointments, Compensation and Corporate Governance Committee.

### Shares holding obligation

In accordance with the law and the procedures adopted periodically by the Board of Directors, executive officers must hold a significant and increasing number of shares.

Executive officers are thus required to hold, in registered form and for as long as they remain in office, one quarter of the performance shares that they acquire at the end of the vesting period. This requirement applies unless the Board of Directors decides otherwise in view of the executive officer's situation and particularly taking into account the objective of holding an increasing number of shares acquired under such plans.

### Extraordinary compensation

Highly specific circumstances may warrant the award of extraordinary compensation (e.g., due to their importance for the Company; the involvement they demand and the difficulties they present). The allocation of extraordinary remuneration would be exceptional, justified and disclosed by the Board.

Its payment would be subject to approval by the Annual Shareholders' Meeting and the amount would be capped at 100% of the beneficiary's fixed compensation.

In addition, a specific compensatory indemnity could be granted – in cash and/or in securities – as part of the modification of the supplementary defined benefit pension plan of the Chief Executive Officer. For more information, see section «Supplementary pension plan» below.

### Benefits for taking up a position

Benefits for taking up a position may only be granted to a new executive officer who has come from a company outside the Group. The payment of this benefit is intended to compensate

the executive officer for the loss of the entitlements from which he or she previously benefited before joining the Group. It is explicitly indicated and the amount is made public at the time it is determined. It cannot be higher than the value of the entitlements lost by the new executive officer upon leaving his or her previous position.

### Commitments given to executive officers

All commitments given to executive officers are authorized by the Board of Directors and submitted for approval to the Annual Shareholders' Meeting in accordance with the provisions of Article L.225-42-1 of the French Commercial Code. Details can be found in section 2.5.5.4. of this document.

#### Termination payments

In accordance with the AFEP-MEDEF Code, the termination indemnity and the payment made under a non-compete clause must not exceed two (2) years of effective compensation (fixed and variable).

#### Termination indemnity

The payment to an executive officer of a termination indemnity is conditional upon the acknowledgment by the Board that the performance conditions determined by the Board have been satisfied and can only occur in case of forced departure and linked to a change of control or strategy (the latter condition being presumed met unless otherwise decided by the Board of Directors, particularly in the case of serious misconduct).

The termination indemnity must not exceed two (2) years of effective compensation (fixed and variable).

#### Non-compete indemnity

The Chief Executive Officer has undertaken 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. In return for his undertaking, he will receive a non-compete indemnity which will be paid in 24 equal and successive monthly installments and will not exceed one year of his total fixed and variable compensation.

In accordance with Article 23.3 of the AFEP-MEDEF Code, in the event of an executive officer's departure, the Board of Directors will decide whether or not the non-compete agreement entered into with him will apply and will be entitled to cancel it (in which case no non-compete indemnity will be payable).

### Supplementary pension plan

Executive officers have a defined benefit pension plan established by the Group for the benefit of certain employees and corporate officers. The regulations for the defined benefit plan – which the Board of Directors adopted in 2004 and subsequently amended several times – make the plan's benefits conditional upon the beneficiary ending his professional career while still with the Company. The beneficiary shall also have at least five years of seniority in the Group, be aged at least 62 years and have obtained the liquidation of his basic and supplementary pension rights.

The plan provides for the payment of a supplementary pension benefit corresponding to 10% of the beneficiary's reference income (average of the sum of his fixed and variable compensation and benefits-in-kind paid during the three years preceding his retirement), plus 1.70% of tranche D per year of seniority.

The amount of the annuity paid under the plan, which applies for the lifetime of the beneficiary with 60% survivor benefits, is based on the beneficiary's average annual compensation for the last three years before his retirement. This supplementary pension is payable in addition to the amounts due under the basic and top-up state pension plans and must not result in a replacement rate that, including the basic and top-up state amounts, is less than 30% of the reference income. The supplementary benefit is therefore equal to the difference between the total benefits receivable under the basic and top-up state pension plans and 30% of the reference income, representing a replacement rate that is lower than the 45% rate provided for in the AFEP MEDEF Code. The amount of the supplementary benefit alone may not exceed 30% of the reference income and is capped at eight times the annual social security ceiling, i.e., around 314,000 euros in 2017.

Rights under the supplementary pension plan are funded through quarterly contributions from Nexans with an insurer in a dedicated fund. The amounts necessary to serve pensions of retired beneficiaries are taken from this dedicated fund as of retirements.

This plan was closed to new entrants in 2014. The beneficiaries are members of the former Executive Committee of the Nexans Group.

With the aim of reducing the annual burden borne by the Company under the current defined benefit supplementary pension plan (Article 39 of the French Tax Code), on the recommendation of the Appointments, Compensation, and

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Corporate Governance Committee, and in line with the proposal described in the compensation policy for executive directors for 2018 published in February 2018, the Board of Directors of March 20, 2018, decided to close this plan for the beneficiaries who are within 7 years from the age at which they will be able to obtain their pension under the general social security scheme.

This raises the question of a future supplementary pension plan and the rights accumulated in the past and to be lost by the beneficiaries.

Regarding the future supplementary pension plan, the Company has decided to set up a new defined contribution pension plan (Article 82 of the French Tax Code) at a lesser cost for the Company in favor of the members of the Management Board who will no longer benefit from the defined benefit pension plan and those who will join the Management Board in the future. Arnaud Poupart-Lafarge will not benefit from this new plan.

Regarding the rights accumulated in the past under the defined benefits plan and to be lost by the beneficiaries which will be removed from it, the Board has decided to partially compensate this loss of rights, with a component in shares and a component in cash.

The Board of Directors therefore decided to submit to the approval of the Annual General Meeting of May 17, 2018 an authorization to grant up to 40,000 free shares without performance conditions as compensation for the rights accumulated in the past under the defined benefit pension plan and to be lost by the beneficiaries, including the Chief Executive Officer. The Board of Directors decided not to subject these free shares to performance and attendance conditions because of the compensatory nature of this free shares grant.

Arnaud Poupart-Lafarge benefited from the defined benefit pension plan as an employee upon his entry into the Group in 2013. The partial compensation so decided as it relates to the Chief Executive Officer consists in the grant of a maximum amount of 16,800 of free shares and the payment of an amount of €620,430 in cash, subject to the approval of the Annual General Meeting of May 17, 2018.

The Company would also realize a resulting accounting net gain of approximately 7 million euros (reduction of approximately 11.5 million euros in provision for the past services compared to a cost of approximately 4.5 million euros – estimation based on the current share price) in the financial statements of the company in 2018.

### **Pension and health plans and unemployment insurance plan**

Executive officers benefit from Group pension and health care plans (medical, disability, invalidity and death) under the same terms and conditions as Nexans employees. They have coverage for loss of employment, acquired from an insurance agency, guaranteeing them, in case of an involuntary loss of professional activity, daily indemnities in the amount of 55% of 1/365<sup>th</sup> of tranches A, B and C of their professional income for the fiscal year preceding their departure, applicable for a twelve-month period following the loss of employment.

### **Benefits-in-kind**

Executive officers benefit from the use of a company car.

### **Other components of compensation**

Executive officers do not benefit from multi-annual or deferred variable compensation in cash. The Board of Directors prefers to use a share-based mechanism to strengthen the alignment of the executive officers' interests with those of shareholders. They are also not entitled to any directors' fees.

### **Discontinuance of the employment contract in case of appointment to a corporate office**

When a senior executive of the Group becomes Chief Executive Officer, Deputy Chief Executive Officers or Chairman and CEO of the Company, the employment contract with the Company is terminated either contractually or by resignation, unless the Board of Directors decides otherwise.

## **2.5.2.4 APPENDIX TO THE COMPENSATION POLICY FOR EXECUTIVE DIRECTORS: COMPONENTS SET FOR 2018**

### **Compensation of the Chairman of the Board of Directors**

The fixed annual compensation of Georges Chodron de Courcel as Chairman of the Board of Directors for 2018 has been set at 250,000 euros. This amount has been unchanged since the Chairman's appointment in 2016.

## Compensation of the Chief Executive Officer

The Board of Directors acknowledged the wish of Arnaud Poupart-Lafarge to leave his duties as Chief Executive Officer as soon as possible due to personal reasons. As the Board has determined that it is in the best interests of the Company for him to remain in office until September 30, 2018 to ensure a transition period and to allow a transfer of powers in optimal conditions, the Board has requested him to so remain. Arnaud-Poupart-Lafarge has accepted this mission.

In this context, the Board of Directors has taken the following decisions regarding the Chief Executive Officer's compensation:

### 1. Fixed compensation

The total fixed annual compensation of €700,000 approved by the Board of Directors on February 14, 2018 is reduced to 75% of the amount originally fixed and will be paid to the Chief Executive Officer until September 30, 2018.

### 2. Variable compensation

The Board of Directors, at its meeting of February 14, 2018, set the objectives of the Chief Executive Officer's variable compensation for 2018 paid in 2019. This variable compensation may vary based on the achievement of objectives set by the Board of Directors, from 0% to 150% of his fixed annual compensation. It will be determined based on the fulfillment of collective objectives for 60% and on the achievement of demanding, pre-defined individual objectives for 40%. These objectives were set as follows:

## Collective objectives for 2018

Criteria	Weighting
ROCE	30%
Organic growth in standard sales	25%
EBITDA/sales	25%
Free cash flow	20%
<b>TOTAL</b>	<b>100%</b>

## Individual objectives for 2018

The individual objectives for 2018 are as follows:

- Deployment of the strategic plan;
  - Improvement the Group's profile regarding CSR;
  - Evolution of the net income;
  - Sales growth (especially in Industry & Solutions and Telecom).
- These objectives were set in line with the Group's strategy and on the basis of the projected budget reviewed by the Board of Directors on January 22, 2018. Hence, part of the annual bonus now depends on the Group's organic growth.

The target amount of the 2018 variable annual compensation approved by the Board of Directors on February 14, 2018 is reduced to 75% of the amount originally fixed, and this compensation will be payable subject to the achievement of the annual performance conditions detailed above.

### 3. Exceptional bonus for the transition period

An exceptional bonus for the transition will be paid to the Chief Executive Officer, for the transitional period, for a total gross amount of up to €700,000, depending on a financial criterion for 40%, and his performance in accompanying and preparing the transition to his successor for 60%. The amount of the bonus may vary according to the achievement of one or both of the above criteria, depending on their respective weight.

This commitment to pay a bonus for the transition period is subject to the related-party commitment procedure under Article L.225-42-1 of the French Commercial Code and the amount due in respect of this exceptional bonus for the transition period will only be paid upon the approval in 2019 by the shareholders general meeting of the resolution related to the fixed, variable and exceptional items comprising the total compensation and benefits of all kinds paid or granted to the Chief Executive Officer related to 2018.

### 4. Non-compete indemnity

On July 24, 2014, the Board of Directors decided to subject the Chief Executive Officer to a non-compete obligation under which he committed to refrain from engaging in a business activity that directly or indirectly competes with that of the Company for a two-year period following the end of his term as Chief Executive Officer, regardless of the reason for the end of this term.

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In the case where the Board decides to apply the non-compete obligation, the Chief Executive Officer will receive a non-compete indemnity equal to one year of total compensation, in other words, 12 times the amount of the last monthly base salary (the fixed portion) plus an amount equal to the target bonus rate times his last base monthly compensation paid in the form of 24 equal consecutive monthly payments.

The Board of Directors has decided to implement the non-compete obligation, and therefore to pay the non-compete indemnity calculated from the CEO's last fixed monthly remuneration and the target bonus rate (100%) applied to this base salary, and paid starting the month following the departure.

This indemnity will be submitted to the 2019 Shareholders' General Meeting, but the first payment will be made as soon as this non-compete obligation takes effect.

### 5. Long term incentive plans (performance shares)

27,000 performance shares were granted by the Board of Directors to the Chief Executive Officer on May 12, 2016 and 19,800 performance shares were granted to him on March 14, 2017. The rules for these plans provide that the performance shares vest at the end of a four-year vesting period (respectively May 12, 2020 and March 14, 2021) subject to a condition of continuing employment and to performance conditions.

In the event of resignation or dismissal, it is expressly stated that the right to receive performance shares is lost.

The vesting of the performance shares is also subject to the achievement of two performance conditions:

- 50% of the total number of performance shares granted is subject to a stock market performance condition measured over a period of 3 years;
- 50% of the total number of performance shares granted is subject to economic performance conditions measured over a period of 3 years.

The Board of Directors has decided to waive the condition of continuing employment under these two plans for the Chief Executive Officer, the performance conditions remaining applicable. This waiver of the continuing employment condition is subject to the procedure of related-party commitments under

Article L.225-42-1 of the French Commercial Code; this waiver will be submitted to the General Shareholders' Meeting of May 17, 2018.

### 6. Occupational insurance schemes and healthcare

Executive officers benefit from a collective occupational insurance scheme (covering death, permanent and temporary disability) and healthcare under the same terms and conditions as Nexans employees.

The Board of Directors has decided to extend these schemes to the Chief Executive Officer for a period of 12 months following the termination of his term in office.

This extension is subject to approval by the general shareholders' meeting of the Company of May 17, 2018, under Article L. 225-37-2 of the French Commercial Code. In accordance with Article L 225-100 II of the French Commercial Code, this benefit will be submitted to the General Shareholders' Meeting in 2019.

## 2.5.3. Compensation payable for 2017 to Georges Chodron de Courcel, Chairman of the Board of Directors

At its meeting of January 18, 2017, the Board of Directors decided that the Chairman of the Board would receive fixed annual compensation of 250,000 euros. This amount is unchanged from when he took up his duties on March 31, 2016. The Chairman of the Board does not receive directors' fees. He is not entitled to any variable or long-term compensation or to any benefits-in-kind.

### Summary of compensation payable to Georges Chodron de Courcel, Chairman of the Board of Directors

	2016	2017
Compensation due for the year	€220,732	€250,000

### Breakdown of compensation payable to Georges Chodron de Courcel, Chairman of the Board of Directors

	Amounts due for 2016	Amounts paid in 2016	Amounts due for 2017	Amounts paid in 2017
Fixed compensation <sup>(1)</sup>	€187,500	€187,500	€250,000	€250,000
Variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees <sup>(2)</sup>	€33,232	€33,232	-	-
Benefits-in-kind	-	-	-	-
<b>TOTAL</b>	<b>220,732€</b>	<b>220,732€</b>	<b>€250,000</b>	<b>€250,000</b>

(1) Compensation paid in his capacity as Chairman of the Board of Directors since March 31, 2016.

(2) Directors' fees received in his capacity as a director and Chairman of the Accounts and Audit Committee before his appointment as Chairman of the Board on March 31, 2016.

## 2.5.4. Compensation payable for 2017 to Arnaud Poupart-Lafarge, Chief Executive Officer

The compensation paid to the Chief Executive Officer comprises a fixed portion and a variable portion linked to the Group's short-and medium-term performance. His overall package takes into account the fact that he is a member of a supplementary pension plan and includes the benefits shown in the table below.

### Summary of Arnaud Poupart-Lafarge's compensation and benefits

	2016	2017
Compensation due for the year	€1,572,830	€1,537,480
Valuation of performance shares granted during the year <sup>(1)</sup>	€948,510	€673,893
Valuation of performance shares vested during the year <sup>(2)</sup>	€438,047	€816,952

(1) Valuation performed at the time of the performance share grant using the Monte Carlo method.

(2) Valuation at vesting date.



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## Breakdown of Arnaud Poupart-Lafarge's compensation and benefits

	2016		2017	
	Amounts due for 2016	Amounts paid in 2016	Amounts due for 2017	Amounts paid in 2017
Fixed compensation	€700,000	€700,000	€700,000	€700,000
Variable compensation	€868,630	€814,803	€833,280	€868,630
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits-in-kind <sup>(1)</sup>	€4,200	€4,200	€4,200	€4,200
<b>TOTAL</b>	<b>€1,572,830</b>	<b>€1,519,003</b>	<b>€1,537,480 €</b>	<b>€1,572,830</b>

(1) Company car.

### 2.5.4.1 FIXED COMPENSATION OF THE CHIEF EXECUTIVE OFFICER

On January 18, 2017, the Board of Directors approved the recommendation of the Appointments, Compensation and Corporate Governance Committee and maintained the Chief Executive Officer's fixed compensation at 700,000 euros for 2017. This amount has been unchanged since Arnaud Poupart Lafarge was appointed as Chief Executive Officer in 2014.

### 2.5.4.2 VARIABLE COMPENSATION OF THE CHIEF EXECUTIVE OFFICER

As decided by the Board of Directors at its meeting on January 18, 2017, the targeted percentage of Arnaud Poupart Lafarge's variable annual compensation for 2017 will represent 100% of his fixed annual compensation, with 60% determined by reference to the achievement of group-based objectives and 40% on the achievement of specific pre defined individual objectives. Arnaud Poupart-Lafarge's variable compensation for 2017 may therefore vary depending on the achievement levels of the objectives set by the Board of Directors, ranging from 0% to 150% of his fixed annual compensation.

The Board of Directors set the financial objectives for the group-based portion and their relative weighting as follows:

(1) operating margin: 40%; (2) ROCE: 40% and (3) free cash flow: 20%. Furthermore, if a minimum level for the operating margin objective is not reached, none of the variable compensation contingent on group-based objectives will be paid for 2017.

On February 14, 2018, the Board of Directors set the amount of Arnaud Poupart-Lafarge's variable compensation for 2017 as follows:

- For the portion contingent on group-based objectives, the Board based its calculation on a strict application of the achievement levels for the objectives set for 2017 (with the objective related to operating margin accounting for 40%, ROCE 40%, and free cash flow 20%), and noted the following:
  - The achievement rate for the operating margin objective was 73.5% of the maximum, reflecting an increase in this indicator compared with 2016.
  - The achievement rate for the ROCE objective was 75.2% of the maximum, reflecting an increase in this indicator compared with 2016.
  - The achievement rate for the free cash flow objective was 72.5% of the maximum, representing a total of 171.5 million euros.

Based on these figures, the Board of Directors noted that the portion of Mr. Poupart-Lafarge's variable compensation contingent on group-based objectives amounted to 465,780 euros (representing 73.9% of the maximum potential amount of 630,000 euros).

- For the portion contingent on specific, pre-defined individual objectives, the Board assessed the achievement level of the objectives over the period from January 1 to December 31, 2017.
  - the achievement rate of the Company's profile improvement regarding CSR, as assessed in particular by non-financial rating agencies is 95% of the maximum, given the significant improvement in the ratings obtained by agencies such as Oekom, CDP, EcoVadis and Vigeo and awards received by Nexans in 2017 in the fields of CSR and corporate governance;

- the achievement rate of the evolution of the net income is 90% of the maximum, the net profit before taxes having more than doubled, from 97 to 219 million euros (from 60 to 127 million euros after taxes), and being specified that prior to the Nexans In Motion plan, the net result was approximately € - 170 million in 2014;
- the achievement rate of sales growth, in particular in high voltage, is 95% of the maximum, given sales growth of 5% over the previous year, and even 35% for the high voltage business;
- the achievement rate of balance sheet improvement is 70% of the maximum, taking into account the debt refinancing, the extension of the maturity to 2023 and the maintenance of the Standard & Poor's rating.

Based on this assessment, it set the related amount of Arnaud Poupart-Lafarge's variable compensation at 367,500 euros (representing 87.5% of the maximum potential amount of 420,000 euros).

The total amount of the variable compensation paid to Arnaud Poupart-Lafarge as determined by the Board for 2017 was thus 833,280 euros or 79.4% of the maximum amount.

Payment of the Chief Executive Officer's variable compensation is subject to its approval by the 2018 Annual Shareholders' Meeting.

### 2.5.4.3 STOCK OPTIONS AND PERFORMANCE SHARES GRANTED TO ARNAUD POUPART-LAFARGE

#### Stock options granted during the year to the Chief Executive Officer

In accordance with the Group's long-term compensation policy, the Chief Executive Officer did not receive any stock options in 2017. Since 2010, the Company no longer grants any stock options.

#### Performance shares granted to Arnaud Poupart-Lafarge

At its meeting on July 26, 2017, the Board of Directors noted that the performance conditions for Plan no. 13 of July 24, 2014 had been partially met, with the result that a portion of the performance shares granted to employees and corporate officers (including Arnaud Poupart-Lafarge in his capacity as Chief Operating Officer on the grant date) had vested. The number of shares that vested for Arnaud Poupart-Lafarge in 2017 was 15,925, representing 65% of the original grant (24,500 shares based on maximum performance). No vested performance shares reached the end of their lock-up period in 2017.

	Plan no. 12 July 26, 2013	Plan no. 13 July 24, 2014	Plan no. 14 July 28, 2015	Plan no. 16 May 12, 2016	Plan no. 17 March 14, 2017
Number of shares granted	Between 0 and 23,312 <sup>(2)(3)</sup>	Between 0 and 24,500 <sup>(2)</sup>	Between 0 and 42,000	Between 0 and 27,000	Between 0 and 19,800
Value of shares based on the method used in the consolidated financial statements <sup>(1)</sup>	€428,707	€398,415	€702,642	€948,510	€673,893
Portion of total shares under the plan granted to Arnaud Poupart Lafarge	7.73%	7.85%	12%	12%	10%
% capital represented by shares granted	0.05% <sup>(4)</sup>	0.06%	0.10%	0.06%	0.05%
Vesting date	07/26/2016	07/24/2017	07/28/2018	05/12/2020	03/14/2021
End of lock-up period	08/26/2018	07/24/2019	07/28/2020	05/12/2020	03/14/2021
Performance conditions	Yes	Yes	Yes	Yes	Yes

(1) Valuation performed at the time of the performance share grant using the Monte Carlo method.

(2) Granted as Chief Operating Officer prior to October 1, 2014.

(3) After adjustments made following a rights issue carried out on November 8, 2013.

(4) Company share capital as at November 8, 2013, following the rights issue.

In accordance with the Group's long-term compensation policy and the authorization given at the Annual Shareholders' Meeting of May 12, 2016, on March 14, 2017 the Board of Directors approved the recommendation of the Appointments, Compensation and Corporate Governance Committee and adopted a new long-term compensation plan (Plan no. 17). This plan involves grants of performance shares and free shares to the Group's key senior managers. Under the plan, the Board granted Arnaud Poupart Lafarge

(1) For Nexans, capital employed at the end of the year corresponds to the sum of the goodwill, property, plant and equipment, intangible assets and operating and non operating working capital requirement amounts in the year-end financial statements. A simulation of the formula applied to previous financial statements published by Nexans is available in the "2017 Annual Shareholders' Meeting" section of the Nexans website.

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between 0 and 19,800 performance shares. The vesting of these shares is subject to the achievement of the following two performance conditions, which have equal weighting and are applicable to all performance share beneficiaries:

- A share performance condition, which applies to 50% of the shares granted and is based on Nexans' TSR (total shareholder return) as compared with that of a benchmark panel made up of the following 11 companies: Alstom, Legrand, Prysmian, Rexel, ABB, Schneider-Electric, Saint-Gobain, Leoni, NKT Cables, General Electric and Siemens.
- A financial performance condition, which applies to 50% of the shares granted and is based on measuring the Company's Simplified Economic Value Added, which corresponds to the value created in excess of the average cost of capital, at the end of 2019. Simplified Economic Value Added will be calculated as follows: operating margin – 10% of capital employed<sup>(1)</sup>.

#### 2.5.4.4 COMMITMENTS GIVEN TO THE CHIEF EXECUTIVE OFFICER

First appointed as Chief Executive Officer: October 1, 2014.

Employment contract	Supplementary pension plan	Indemnities or benefits related to termination or a change in duties	Non-compete indemnity
No	Yes	Yes	Yes

#### Employment contract

In accordance with the recommendation of the AFEP-MEDEF Code, Arnaud Poupart-Lafarge's employment contract was terminated when he was appointed Chief Executive Officer of the Company on October 1, 2014.

#### Termination payments

As Chief Executive Officer, Arnaud Poupart-Lafarge has received commitments from the Company concerning termination payments. They were authorized at the Board Meeting of July 24, 2014, and ratified at the Annual Shareholders' Meeting held on May 5, 2015.

In accordance with Article 23.5 of the AFEP-MEDEF Code, Arnaud Poupart-Lafarge's total termination payments and non-compete indemnities may not exceed two years' worth of his actual compensation (fixed plus variable) received prior to his departure.

#### Termination indemnity

As Chief Executive Officer, Arnaud Poupart-Lafarge is entitled to a termination indemnity. This indemnity would be payable only in the event of a forced departure due to a change of control or strategy, which will be deemed to be the case unless specifically decided otherwise by the Board of Directors, notably in the event of serious misconduct, in accordance with the Board's Internal Regulations and after the Board of Directors has noted whether the performance conditions have been met.

The indemnity would be equal to two years of his total fixed and variable compensation, namely 24 times the amount of his most recent monthly base salary (fixed portion) prior to the month of his termination plus the most recent corresponding percentage of his bonus.

The payment of the indemnity would be subject to three performance conditions, each measured over a three-year period:

- (1) A share performance condition based on Nexans' share performance as compared with that of the SBF 120 index (or any equivalent index that may replace it in the future), measured over a three-year period ending on the date of Arnaud Poupart-Lafarge's forced departure. This condition would be deemed to be met if during the 60-day period ending on the date of the forced departure, the average of Nexans' share price ratio on the SBF 120 index (based on closing prices) equals at least 50% of the same average calculated over the 60-day period ending three years before the date of the forced departure.
- (2) A financial performance condition based on achievement of the Group's annual operating margin objective. This condition would be deemed to be met if the average achievement rate of the Group's annual operating margin objectives for the three calendar years preceding the date of the forced departure were at least 50%.

(3) A financial performance condition based on free cash flow, which would be deemed to be met if free cash flow was positive for each of the three calendar years preceding the date of the forced departure. Free cash flow corresponds to EBITDA less CAPEX and less the average change in working capital for the year concerned and the previous year.

If Arnaud Poupart-Lafarge's forced departure takes place before the end of three full years as from the date he took up his position, the operating margin and free cash flow conditions will be assessed based on the number of full years completed (either one or two years). In this case, the period used for measuring the attainment of the share performance condition would be the period between the date he took up his position and the date of his departure.

The amount of the termination indemnity would be determined as follows: (i) 100% of the indemnity would be due if at least two of the three conditions are met, (ii) 50% of the indemnity would be due if one of the three conditions is met, and (iii) no indemnity would be due if none of the conditions are met.

The Appointments, Compensation and Corporate Governance Committee would determine the achievement rate of the applicable conditions.

The final amount due in relation to the termination indemnity would be paid in one installment within a maximum of one month after the Board of Directors' assessment of whether the applicable criteria have been met.

In compliance with the compensation policy for executive officers described in section 2.5.3. above, the termination indemnity may not exceed two years of Mr. Poupart-Lafarge's actual compensation (fixed and variable).

### Non-compete indemnity

Arnaud Poupart-Lafarge has undertaken 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, irrespective of the reason for the termination of his duties.

In return for this undertaking, he will receive a non-compete indemnity which will be paid in 24 equal and successive monthly installments and will correspond to one year of his total fixed and variable compensation, namely 12 times the amount of his most recent monthly compensation (fixed portion) prior to the month of his termination plus the corresponding percentage of his bonus.

In accordance with Article 23.3. of the AFEP-MEDEF Code, in the event of Arnaud Poupart-Lafarge's departure, the Board of Directors will decide whether or not the non-compete agreement

entered into with him will apply and will be entitled to cancel it (in which case no non-compete indemnity will be payable).

### Supplementary pension plan

Arnaud Poupart-Lafarge is a member of the defined benefit pension plan set up by the Group for certain employees and corporate officers in accordance with Article 39 of the French Tax Code (*Code général des impôts*). The regulations for this defined benefit plan were adopted in 2004 and amended in 2008 by the Board of Directors.

In order to comply with new regulations relating to pension plans, on November 23, 2016 the Board of Directors authorized further amendments to the plan as follows:

- The retirement age was increased from 60 to 62 years with pension rights frozen as from the age of 62.
- The annual pension has been capped at eight times the social security ceiling (around 314,000 euros in 2017).
- Survivor benefits have been reduced from 100% to 60%.

The plan's benefits are conditional upon the beneficiary ending his professional career while still with the Company. The beneficiary must also have at least five years' seniority with the Group, be at least 62 years of age and be entitled to payment of his basic and top-up state pensions.

The plan provides for the payment of a supplementary pension benefit corresponding to 10% of the beneficiary's reference income (average of the sum of his fixed and variable compensation and benefits-in-kind paid during the three years preceding his retirement), plus 1.70% of tranche D per year of seniority.

The amount of the annuity paid under the plan, which applies for the lifetime of the beneficiary with 60% survivor benefits, is based on the beneficiary's average annual compensation for the last three years before his retirement. This supplementary pension is payable in addition to the amounts due under the basic and top-up state pension plans and must not result in a replacement rate that, including the basic and top-up state amounts, is less than 30% of the reference income. Conversely, the supplementary pension alone (excluding the basic and top-up state pension plans) must not exceed 30% of the reference income, which is less than the 45% cap set in the AFEP-MEDEF Code.

Rights under the supplementary pension plan are funded through quarterly contributions from Nexans with an insurer in a dedicated fund. The amounts necessary to serve pensions of retired beneficiaries are taken from this dedicated fund as of retirements.

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The gross annuity payable to Arnaud Poupart-Lafarge would be 205,446 euros, bearing in mind that this amount has been calculated on the basis of him drawing the annuity as from January 1, 2018, and without taking into account the fact that specific criteria have not yet been met, namely the applicable conditions relating to seniority, retirement age, ending his career with the Company, and being entitled to his state pension. Based on this figure, the total payroll and similar taxes payable by the Company in relation to Mr. Poupart-Lafarge's supplementary pension plan would amount to 640,070 euros.

This plan was closed to new entrants in 2014. The beneficiaries are members of the former Executive Committee of Nexans.

## Welfare plan and unemployment insurance plan

Arnaud Poupart-Lafarge is a member of the welfare plan (covering death and disability benefits and medical expenses) set up for the Company's employees. He is also a beneficiary under an unemployment protection plan set up with an insurer and effective from October 1, 2014. Under this plan, if he loses his job he will receive daily indemnities amounting to 55% of 1/365<sup>th</sup> of tranches A, B and C of his professional income for the year preceding his departure, payable for a maximum period of 12 months as from the date of his unemployment. The annual cost of the premiums for the Company was 12,357 euros in 2017.

## 2.5.5. Stock options and performance shares

### 2.5.5.1. THE GROUP'S LONG-TERM COMPENSATION POLICY

The Group's long-term compensation policy is part of a global strategy aimed at retaining and motivating its employees and providing them under competitive market practices. Each long-term compensation plan is put to the vote of shareholders at the Annual Shareholders' Meeting.

The Group's long-term compensation policy is adjusted according to the population concerned. For the Chief Executive Officer, it is based for the 2017 plan on grants of performance shares, which are subject to vesting conditions linked to the Group's economic value added (the value created in excess of the weighted average cost of capital) and comparative stock market performance. The stock market performance condition consists of measuring Nexans' TSR (total shareholder return) over a three-year period compared with that of a benchmark panel. The financial performance conditions apply consistently to all executives who receive performance shares, as do the conditions relating to vesting, continued employment and holding periods.

Senior executives (except for the Chief Executive Officer) also receive a long-term incentive bonus calculated by reference to the Group's performance over a three-year period.

Performance shares granted to executive officers will only vest if the Appointments, Compensation and Corporate Governance Committee notes that the performance conditions set by the Board at the grant date have been met.

Performance shares are valued in accordance with IFRS and must not represent a percentage that is disproportionate to the overall compensation and shares granted to each executive officer.

In addition, for each performance share grant, the Board ensures that the grants made to executive officers do not represent an excessive proportion of the total number of shares granted. The Board therefore capped the shares granted to the Chief Executive Officer for 2017 at 6% of the aggregate number of performance shares granted, or 0.05% of the Company's share capital at December 31, 2017 (made up of 43,494,691 shares).

The Board makes awards each year in periods consistent with prior Company practice, unless a decision with the reasons thereof is provided under special circumstances.

Executive officers who receive performance shares formally undertake not to use hedging instruments during the vesting period.

Executive officers may not sell their vested shares during certain "blackout" periods, in accordance with the applicable legal and regulatory requirements and the Group's "Insider Trading" procedures.

The Board of Directors has set at 15,000 the minimum number of shares that Arnaud Poupart-Lafarge is required to hold in his capacity as Chief Executive Officer, and decided that these shares may come from the vesting of performance shares granted to him.

## 2.5.5.2. STOCK OPTIONS

### Summary of stock option plans

Following the rights issue carried out on November 8, 2013, adjustments were made to the Company's stock option plans in terms of their exercise price in accordance with the French Commercial Code, and consequently also in terms of the number of options granted. These adjustments were calculated in accordance with the regulations of the relevant plans, and in particular the legal formula applicable for adjusting the exercise price.

	Plan no. 9
Date of Annual Shareholders' Meeting	05/26/09
Grant date	03/09/10
Number of options or shares granted <sup>(1)</sup>	389,026
o/w to the Chief Executive Officer <sup>(1)</sup>	48,723
o/w to the ten employees receiving the most options <sup>(1)</sup>	101,407
Total number of beneficiaries	240
Start date of exercise period	03/09/11
Expiration date	03/08/18
Exercise price <sup>(1)</sup>	€46.30
Exercise conditions	One quarter each year Performance conditions
Number of shares purchased at Dec. 31, 2017 <sup>(1)</sup>	104,350
Number of options canceled <sup>(1)</sup>	113,916
Options outstanding at Dec. 31, 2017 <sup>(1)</sup>	170,760

*(1) After adjustments made following the rights issue carried out on November 8, 2013.*

### Shares purchased in 2017 following exercise of stock options by the ten employees exercising the most options (excluding corporate officers)

	Number of shares purchased	Price
Plan no. 9 – March 9, 2010	39,521	€52.40

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### 2.5.5.3. PERFORMANCE SHARES AND RESTRICTED (FREE) SHARES

#### Summary of performance share and restricted (free) share grants

At its meeting on July 26, 2017, the Board of Directors noted that the performance conditions for Plan no. 13 of July 24, 2014 had been partially met, with the result that 65% of the total performance shares originally granted under the plan (based on maximum performance) had vested. For more details on the achievement of the performance conditions, see the "Corporate Governance – Compensation of executive directors" section of the [www.nexans.com](http://www.nexans.com) website.

	Plan no. 12	Plan no. 13	Plan no. 14	Plan no. 15	Plan no. 16	Plan no. 16 bis	Plan no. 17
Date of Annual Shareholders' Meeting	05/14/13	05/15/14	05/05/15	05/05/15	05/12/16	05/12/16	05/12/16
Grant date	07/24/13	07/24/14	07/28/15	01/01/16	05/12/16	11/23/16	03/14/17
Number of performance shares granted (based on maximum)	301,473 <sup>(1)</sup>	296,940	291,000	30,000	223,200	3,900	195,300
o/w to the Chief Executive Officer (based on maximum performance)	58,280 <sup>(1)</sup>	50,000	42,000	-	27,000	-	19,800
o/w to the ten employees receiving the most shares	167,846 <sup>(1)</sup>	162,800	121,100	30,000	83,800	3,900	73,800
Number of free shares granted	17,534 <sup>(1)</sup>	15,000	29,960	-	30,000	-	30,000
Vesting date (French tax residents)	07/24/16	07/24/17	07/28/18	01/01/19	05/12/20	11/23/20	03/14/21
End of lock-up period (French tax residents)	07/24/18	07/24/19	07/28/20	01/01/19	05/12/20	11/23/20	03/14/21
Total number of beneficiaries	173	172	187	1	181	6	216
Number of shares vested	119,477	106,358	-	-	-	-	-
Number of performance share rights canceled	119,530	146,211	14,880	-	4,800	-	400

(1) After adjustments made following the rights issue carried out on November 8, 2013.

The performance conditions applicable for the performance shares granted under Plan no. 14 of July 28, 2015 and Plan no. 15 of January 1, 2016 are as follows:

(1) A share performance condition based on Nexans' share performance over a period of three years as compared with that of a benchmark panel, and (2) a financial performance condition based on the achievement rate at end-2017 of objectives relating to operating margin on sales at constant metal prices and ROCE.

The performance conditions applicable for the performance shares granted under Plan no. 16 of May 12, 2016 and Plan no. 16 bis of November 23, 2016 are as follows:

(1) A stock market performance condition based on Nexans' TSR (total shareholder return) as compared with that of a benchmark panel, and (2) a financial performance condition based on the achievement rate at end-2018 of objectives relating to operating margin on sales at constant metal prices and ROCE.

The performance conditions applicable for the performance shares granted under Plan no. 17 of March 14, 2017 are as follows:

(1) A stock market performance condition based on Nexans' TSR (total shareholder return) as compared with that of a benchmark panel, and (2) a financial performance condition, based on measuring the Company's Simplified Economic Value Added, which corresponds to the value created in excess of the average cost of capital, at the end of 2019. Simplified Economic Value Added will be calculated as follows: operating margin – 10% of capital employed.

The potential dilutive impact of the performance shares and free shares granted under Plan no. 17 was approximately 0.52% at end 2017.

#### Characteristics of stock options and performance shares granted to executive directors

Since the Group adopted the AFEP-MEDEF Code, any grants of performance shares and/or stock options to executive directors have complied with the recommendations set out in said Code and all such grants are now subject to performance conditions. For more information, please see section 2.5.4.3.



SUPERS





# 3

## Main risk factors and risk management within the Group

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## 3.1. Risk factors

### 3.1.1. Legal risks

In the same way as all other industrial players, in view of the Group's wide geographic reach it is required to comply with numerous national and regional laws and regulations, notably concerning commercial, customs and tax matters. Any amendments to these laws or regulations and/or how they apply to the Group could result in a decrease in its profitability and earnings.

#### 3.1.1.1. ANTITRUST INVESTIGATIONS

The identified legal risk to which the Group is currently most exposed is still the risk relating to investigations by antitrust authorities.

In late January 2009, antitrust investigations were launched in several countries against various cable manufacturers including Group companies in relation to anticompetitive behavior in the submarine and land high-voltage power cables sector.

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 participated directly in a breach of European antitrust legislation in the submarine and land high-voltage power cables sector. The Company was held jointly liable for the payment of a portion of the fine imposed on Nexans France SAS by the European Commission. Nexans France SAS and the Company 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 on it by the European Commission. As an indirect consequence of the European Commission's decision, one of the Group's competitors, which has been subject to follow-on damages claims launched by customers in the United Kingdom since the beginning of 2015, has filed a contribution claim against the other cable producers sanctioned by the European Commission, including Nexans France SAS and Nexans SA.

In November 2015, the United States Department of Justice Antitrust Division closed its investigation into the submarine and land 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.

Similarly, on July 20, 2016, an Australian court declined to impose sanctions against the Company following an investigation into the submarine and land high-voltage cable industry by the Australian Competition and Consumer Commission (ACCC). The ACCC has not appealed this ruling.

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 described in the consolidated financial statements, two of Nexans' subsidiaries in South Korea 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 and in the consolidated financial statements, Nexans' local Korean subsidiaries are cooperating with South Korea's antitrust authority (KFTC) in investigations launched between 2013 and 2015 into businesses other than the high-voltage business. Rulings have been issued for seven cases and due to the cooperation of Nexans' Korean subsidiaries, the KFTC exempted them from paying a fine.

Regarding follow-on claims based on the KFTC's rulings, in connection with procedures mentioned above or dating back prior to 2013, the Korean subsidiaries were issued six summonses from customers and were ordered to pay 200,000 euros in one case and 6 million euros in a second case (against which the Korean subsidiaries have appealed). Other follow-on claims with customers are still in progress to date.

Lastly, legal procedures and local antitrust investigations have also been launched against the Group's Spanish subsidiary and one of its Australian subsidiaries (see **Note 30** to the consolidated financial statements for further details).

On March 10, 2017, the Federal Court dismissed the antitrust proceedings in a segment other than high voltage cables brought by the Australian competition authority (ACCC) against the Australian subsidiary. The ACCC has not appealed this judgment.

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On November 24, 2017, Nexans Iberia and the Company (in its capacity as Nexans Iberia's parent company) were notified of a decision by the Spanish competition authority ("CNMC"), which found that Nexans Iberia had participated directly in an infringement of Spanish competition laws in the low- and medium-voltage cable sectors. The Company was held jointly liable for the payment of part of the fine levied on Nexans Iberia by the CNMC. Nexans Iberia and the Company have appealed the CNMC's decision. In early January 2018, Nexans Iberia settled the 1.3 million euro fine levied by the CNMC.

The Group has recorded a 64 million euro contingency provision to cover all the investigations mentioned above as well as the direct and indirect consequences of the related rulings that have been or will be handed down and in particular the follow-on damages claims by customers (existing or potential claims). The amount of the provision is based on management's estimates, which take into account the consequences in similar cases and currently available information. Consequently, there is still uncertainty about the extent of the risks associated with these procedures and any subsequent customer claims.

The Group's risk prevention and compliance systems have been strengthened regularly and significantly in recent years (see sections 3.2.2. and 4.3.4. below). However, the Group cannot guarantee that all risks and problems relating to practices that do not comply with the applicable rules of ethics and business conduct will be fully controlled or eliminated. The Group's compliance program includes detection measures that can trigger in-house – and ultimately external – investigations.

In line with its previous communications, the Company indicates that if any of the above described procedures and/or antitrust investigations result in an unfavorable outcome, this could have a material adverse effect on the Group's earnings and therefore its financial position

### 3.1.1.2. OTHER COMPLIANCE RISKS

The Group has put in place rules and procedures for managing compliance risks, which have been regularly strengthened over the past several years. These notably include the Ethics Compliance Program, the Code of Ethics and Business Conduct, and the related internal procedures, including the Code of Ethics and Business Conduct, guidelines for complying with competition law, and the anti-corruption procedure (see section 3.2.2. and 4.3.4. below).

In addition to compliance risk, the Group, like many other businesses, is also exposed to the risk of both internal and external fraud, particularly the theft of funds, notably through cybercrime. Almost all of the attacks on subsidiaries have been successfully countered, except for a few cases which did not represent a material amount.

The procedures and processes put in place by the Group cannot, however, provide an absolute guarantee that all compliance risks and issues will be fully controlled or eliminated. Likewise, the Group cannot provide absolute assurance that it (i) has always been or will always be fully compliant with all the relevant standards and regulations in all circumstances, (ii) is completely protected against the risk of fraud, (iii) will not incur any major costs or be held liable for ensuring its future compliance with these regulations, or (iv) will be able to finance potential future liabilities.

### 3.1.1.3. RISKS RELATED TO CLAIMS AND LITIGATION

Due to the nature of its business the Group is exposed to the risk of commercial and technical disputes.

As part of its day-to-day business, the Group is subject to legal risks arising from relations with partners, customers and suppliers. A number of Group subsidiaries are currently involved in disputes, primarily relating to contractual liability (see section 3.1.2.1. below entitled Risks related to contractual liability). Disputes and contingent liabilities are also described in **Note 30**, Disputes and contingent liabilities and **Note 22**, Provisions to the 2017 consolidated financial statements.

One example of these disputes was a claim made by a European transmission link owner against a Nexans subsidiary for reimbursement of significant repair costs relating to an interconnection cable installed more than ten years ago (which is therefore no longer covered by a warranty) as well as the future costs of replacing this cable. The case has been closed in Nexans' favor.

In some countries, the complexity of tax legislation and uncertainty about how it should be interpreted by the authorities or the courts increases the risk of tax disputes and may influence the outcome of ongoing procedures. This is the case for Nexans' subsidiaries in Brazil and Peru.

## 3.1.2. Business-related risks

### 3.1.2.1. RISKS RELATED TO CONTRACTUAL LIABILITY

#### Product liability

The manufacturing and commercial activities of the Group's operating companies expose it to product liability claims and claims for damage to property or third parties allegedly caused by its products. A number of the Group's companies supply products to the automotive industry, which sometimes carries out product recalls that can affect a large number of vehicles. These recalls can be due to the alleged non-compliance of products delivered by Group companies.

The Group's operating companies provide warranties concerning the performance of their products, which may cover a long period of time, and in several markets customers are increasingly calling for longer warranty periods. In addition, warranties given to the Group's various companies pursuant to contracts for the supply of materials and components used in these companies' products may be less extensive than the warranties that the companies give to their end-customers (for example steel tubes in umbilical cables and the optical fiber in optical fiber cables).

#### Contracts related to turnkey projects

The majority of contracts for the supply and installation of cables as part of turnkey infrastructure projects involve submarine and land high-voltage cable operations. The sales generated on such projects vary from one year to another and represent approximately 19% of consolidated sales at constant non-ferrous metal prices. The individual value of these contracts is often high and they contain penalty and liability clauses that could be triggered if a Group company does not comply with the delivery schedule and/or with quality requirements (for example, technical defects requiring major intervention after installation due to product non-conformity resulting from production anomalies). In 2015 Nexans received orders for two major high-voltage subsea power links, between Norway and Germany (Nordlink) and between Norway and the United Kingdom (NSL). These two "megaprojects" (which represent an aggregate of more than 800 million euros worth of orders for Nexans) followed on from the cable project linking Montenegro and Italy (around 300 million euros).

In 2016 Nexans won contracts for connecting two offshore wind farms to the UK grid, which represent an aggregate of over 400 million euros in orders for Nexans – (i) Beatrice (around 600 MW), located off the coast of Scotland, for which Nexans is working in a consortium with the Siemens group which will supply the transformers, and (ii) East Anglia One (700 MW), located off the coast of East Anglia. These megaprojects illustrate the growing scale and complexity of the turnkey projects in which the Group is involved.

In 2017, the Group won an order to supply and install HVDC extruded insulation cables for the DoWin6 offshore wind farm direct current link. This will be the Group's first contract of its type and will represent a new technical challenge benefiting our customers and the energy transition process.

Cables – which have to comply with a certain number of specifications and international standards – are tested before they are delivered or brought into service. In view of the growing complexity of technical standards, increases in transmission voltage and high customer expectations, the need to successfully complete certain tests after the contract signature can lead to delays in the manufacturing schedule and/or require certain cables to be remanufactured.

Likewise, successfully carrying out turnkey infrastructure projects can depend on and/or be affected by the occurrence of unforeseen events or the existence of circumstances that were not taken into account during the project preparation phase. When such events or circumstances arise, the Group company concerned sometimes negotiates with the customer to amend the related contractual provisions, but that company may have to temporarily or permanently bear extra production or installation costs.

If a Group company is held liable for a problem in connection with a turnkey contract, this could have a material adverse effect on the financial position and earnings of the Group as a whole as (i) heavy penalties may be incurred, (ii) all or some of the cables concerned may have to be replaced (before or after delivery), (iii) damage claims may be filed against the Group company involved, (iv) warranty periods may have to be extended, and/or (v) the liability may result in other more far-reaching consequences such as production delays for other projects.

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In addition, a number of turnkey contracts are performed as part of consortia set up between one or more of the Group's operating companies and a manufacturer and/or service provider or with the large-scale involvement of a manufacturer or subcontractor. In this case, the Group companies share to a certain extent their partners' performance risks.

If the Group or its companies are subject to any such claims, the Group takes their impact into account when calculating the margins recognized on the contracts concerned, as described in **Note 1.E.a** to the consolidated financial statements.

One example of the risks related to turnkey projects is a claim that was ongoing for a number of years and which has now been settled in the Group's favor. In 2009, during the performance of a contract for submarine high-voltage cables, a ship operated by a Chinese subcontractor involved in the cable laying process accidentally damaged a submarine optical fiber link owned by the Chinese army. The Chinese army then impounded the ship and would not allow the equipment on board – which belonged to a Group company – to be unloaded. The subcontractor claimed the payment of invoices for the leasing costs of its ship during the period when it was impounded by the Chinese army. Conversely, the Group company concerned claimed from the subcontractor compensation for losses caused by the accident (notably delays in the project) in an arbitration in Singapore. The arbitration tribunal ruled in favor of the Group company.

As at end-2017, 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 in the financial statements or specific disclosure as contingent liabilities.

### Risk management

All major contracts entered into by the Group's operating subsidiaries are subject to a systematic risk-assessment procedure and all bids representing over 25 million euros for the high-voltage business and 5 million euros for other businesses are submitted to the Group Tender Review Committee. Particular focus is placed on ensuring that the Group's sales and technical teams are able to pinpoint the risks inherent in sales contracts and that they involve the Group's Legal Department in contractual negotiations. However, for certain contracts – notably in the transport sector – some customers will not agree to liability caps.

In order to mitigate product liability risk, the Group has set up stringent product quality control procedures. The majority of its units are ISO 9001-certified and many of them also hold certifications that are specific to their business (e.g. automotive, aeronautic or railway certifications). In addition, each unit tracks a set of indicators on a monthly basis in order to assess progress made in terms of quality and customer satisfaction.

The Group currently has third party liability insurance that covers product liability, which it considers to be in line with industry standards and whose coverage amounts largely exceed any past claims. However, the Group cannot guarantee that its insurance policies would provide sufficient coverage for all forms of liability claims (see the section entitled Insurance, below) as although the coverage amounts are high, they are capped at annual levels and the policies contain standard exclusion clauses, notably concerning the cost of the product itself and late-delivery penalties.

### 3.1.2.2. RISKS RELATED TO CUSTOMERS

The Group's activities span a broad range of businesses, encompassing cables for the infrastructure, building and industry markets for both energy and telecommunications purposes, and it has many different types of end-customers – including distributors, installers, equipment manufacturers, general manufacturers and operators of public energy, transport and telecommunications networks – in a wide variety of countries. This diversity helps to mitigate the risk of customer dependency at Group level and no customer accounted for more than 5% of consolidated sales in 2017.

However, in some countries, a customer may represent a significant portion of a particular production unit's business, and the loss of one such customer could have a significant impact on a local level, potentially leading to the closure of certain manufacturing lines.

In addition, given the level of operating income involved and the current difficult market conditions, the loss of one customer, particularly in markets with a small number of players, such as aeronautics, shipbuilding, or the automotive industry, could affect the Group's earnings.

Lastly, the demand for certain products depends on the economic environment of the related business sector, such as in the oil & gas or mining industries. The sharp falls seen since 2014 in the price of oil and certain minerals have led to fewer capital expenditure projects, and therefore lower demand for cables, in the oil & gas and mining sectors.

### 3.1.2.3. RISKS RELATED TO RAW MATERIALS AND SUPPLIES

Copper, aluminum and plastics (particularly PE and PVC) are the main raw materials used by the Group's operating companies, with copper and aluminum accounting for the vast majority of their raw material purchases. Optical fiber is also an essential raw material for the Group's manufacture of telecommunications and data cables.

Consequently, price fluctuations and product availability have a direct effect on the Group's business. A global shortage of raw materials, interruptions of supplies or the inability to obtain raw materials at commercially reasonable prices could have an adverse effect on the Group's earnings, even though it has diversified its sources of supply as much as possible in order to reduce these risks and has developed close – but non-exclusive – partnerships with certain key suppliers. This partnership strategy has been pursued and extended over the past three years. However, should the price of its supplies increase, the Group may not be able to fully pass on the increases to its customers.

Copper consumption in 2017 amounted to around 460,000 tonnes (excluding the approximately 88,000 tonnes processed on behalf of customers). To cover their main requirements, Group companies enter into annual contracts with various copper producers for the purchase of pre determined amounts. The Group's aluminum consumption in 2017 totaled 103,000 tonnes.

Non-ferrous metal markets (copper, aluminum and lead) work on the basis of take or pay contracts. Group entities enter into these types of contracts and negotiate volume flexibility clauses to avoid the risk of oversupplies. In addition, in the event of exceptional market circumstances resulting in a significant decrease in volumes, any hypothetical surpluses purchased but not subsequently used can be traded on a regulated market, with a potential loss or gain arising on any ensuing differences in prices and premiums.

The financial instruments used by Group subsidiaries to manage exposure to commodities risks for copper and aluminum are described in paragraph C, Change and metals price risk of **Note 26**, Financial risks to the consolidated financial statements. The sensitivity of the Group's earnings to copper prices is described in paragraph E, Market risk sensitivity analysis of the same note.

Contracts entered into by Group subsidiaries for other raw materials are generally negotiated annually without any firm purchase commitments, and orders are placed monthly on the basis of requirements.

Risks related to the supply of raw materials are specifically monitored by each purchaser for the product family concerned. The purchasing strategy based on partnerships with a number of key suppliers is aimed at reducing the Group's exposure to shortages of supplies that are essential for its business activities, including metals, plastics, equipment and services. The Group's policy is to have at least two suppliers for any raw material or component used in manufacturing its products. Programs launched in 2008 in conjunction with the Innovation & Technology Department in order to lessen the Group's dependence on sole suppliers have enabled it to make major headway in this area and it did not experience any raw material shortages in 2017.

For 2018, in view of the current market situation and despite its efforts to diversify its supply sources, the Group cannot rule out the possibility of tight supply conditions for optical fiber, which could potentially affect its telecommunications and data cables operations.

In addition, the Group relies on a limited number of suppliers for supplies of certain plastics – particularly specialty plastics – and is therefore exposed to these suppliers' industrial risks (such as the risk of fire or explosions). If such a risk were to occur, the business of some of the Group's operating subsidiaries could be significantly impacted.

Lastly, the Group exercises its duty of vigilance when it comes to selecting suppliers and has strengthened its supplier qualification procedures in order to limit the risk of unethical practices in the supply chain (for more information about supplier qualification procedures, see section 4.3.3. Sustainable purchasing).

### 3.1.2.4. RISKS RELATED TO EXTERNAL GROWTH

The Group carries out external growth transactions as part of its overall expansion strategy. These include acquiring new business activities and companies, setting up joint ventures and entering into partnerships.

Aside from the difficulties involved in carrying out acquisitions or forging partnerships under satisfactory conditions, the Group may encounter difficulties with integrating acquired companies or in realizing the full potential of partnerships (notably in terms of synergies). In turn, this can limit the benefits expected from such transactions or even lead the Group to withdraw from them.

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The Group has put in place specific processes for controlling these transactions. In particular, it has set up a Mergers and Acquisitions Committee which is responsible for examining and approving all acquisition and divestment projects as well as potential strategic alliances or partnerships.

The Group is party to a certain number of joint venture agreements. These agreements can only work if the joint venturers have the same objectives, and there is always a risk that these objectives may diverge, leading to operational difficulties for the entities concerned.

### 3.1.2.5. GEOPOLITICAL RISKS

Certain high-growth regions are important for the Group's development but are exposed to major geopolitical risks. In 2017, some 11% of the Group's sales at current non-ferrous metal prices were generated in the MERA Area (Middle East, Russia, Africa) and around 3% in countries which are classified by the Group's credit insurer as having a very unsettled economic and political environment or representing a very high risk. The Group closely monitors its industrial and commercial operations and its turnkey projects in countries exposed to geopolitical risks, such as Brazil, China, Ivory Coast, Egypt, Ghana, Lebanon, Libya and Turkey.

The political developments currently happening, or due to happen, in the United States and Europe are also factors of risk and uncertainty for the Group's operations in view of the proportion of revenue generated by the Group in these two regions. Particularly significant risks are Brexit and the Catalan crisis, and their potential political and economic consequences for Europe, as well as the future trade policy changes that may occur in the United States in terms of customs protection and embargoes.

In an environment shaped by chronic budget deficits in many countries in the past several years, governments are now tending to introduce stricter tax laws in order to maximize their income from taxes and levies. Consequently, they sometimes take positions that could lead to legal disputes or double taxation of certain sums. This fiscal instability – which is often accompanied by fiscal uncertainty – exists not only in emerging markets (particularly Brazil) but also in developed countries.

### 3.1.2.6. RISKS RELATED TO THE COMPETITIVE ENVIRONMENT OF THE GROUP'S OPERATING SUBSIDIARIES

The cable industry is still very fragmented both regionally and internationally, and the cable and cabling system markets are extremely competitive. The number and size of competitors of the Group's operating companies vary depending on the market, geographical area and product line concerned. Consequently, they have several competitors in each of their businesses. Furthermore, for some businesses and in certain regional markets, the main competitors of the Group's operating companies may have a stronger position or have access to greater know-how or resources. In addition to large-scale global competitors, new market players have more recently emerged, which are drawing on low-cost production equipment and organizational structures and therefore creating additional capacity and an extremely competitive environment (in both domestic and international markets), particularly for cables for the energy infrastructure and building sectors. These players have emerged over the last ten years and are growing rapidly, particularly in Southern and Eastern Europe, the Middle East, South Korea and China. A similar trend may emerge in the future in the submarine high-voltage cables market.

In addition, the recently announced acquisition of General Cable by Prysmian may reshape the competitive environment in the geographical regions and market segments where both groups are present.

OEM (Original Equipment Manufacturers) customers are shifting away from standardized products, and the Group's operating companies therefore have to constantly develop new products in order to accommodate increasingly demanding specifications.

The principal competitive factors in the cable industry are cost, service, product quality and availability, innovation, geographical coverage and the range of products offered.

Furthermore, the activity of certain operating subsidiaries is strongly correlated with economic cycles and capital expenditure strategies, notably for companies working in the infrastructure and natural resource sectors. Some markets are changing due to the evolution of energy policies in many countries worldwide.

Exchange rate fluctuations may also affect the competitiveness of certain subsidiaries in relation to their export markets or may render them more vulnerable to imports. This is notably the case for the Group's subsidiaries in Brazil (BRL vs USD), Canada (CAD vs USD), Norway (NOK vs EUR, GBP, JPY and USD) and Switzerland (CHF vs EUR).

In this environment the Group must constantly invest and improve its performance in order to retain its competitive edge in certain markets. In addition, it is continuing to focus on the customer-centric, R&D, logistics and marketing aspects of its businesses in order for its operating subsidiaries to be able to stand out from the competition. In parallel, faced with downward pressure on prices, it is striving to reduce costs by introducing cost-efficiency measures in its support and procurement functions, implementing plans to boost its manufacturing performance, and continuously streamlining the production sites of its operating subsidiaries.

The Group's cost-reduction efforts can sometimes give rise to reorganization plans whose implementation involves risks both in terms of temporary cost overruns and loss of market share.

### 3.1.2.7. RISKS RELATED TO TECHNOLOGIES USED

To remain competitive, the Group must constantly monitor and, as far as possible, anticipate technological advances, new materials and new processes.

In order to respond to the growing demand for low-energy consumption, recyclable and less polluting products as well as value-for-money solutions, we need to regularly review the design of our products and introduce innovative manufacturing processes. Most of the markets in which the Group's operating subsidiaries are present tend to favor the use of highly technological products; it is therefore important that the Group undertakes advanced research in its Research Centers and Process Centers into materials and manufacturing processes, and tests them thoroughly in order to have access to cutting-edge technologies. Any delay in identifying, developing and obtaining certification for new technologies could hold up the Group's access to strategic market segments, particularly those with high added value and strong growth potential.

Conversely, by offering its customers ever-more innovative solutions and despite carrying out strict tests prior to launching a new product or manufacturing process, the Group cannot rule out the risk that once they are marketed, its new innovations might reveal certain problems or shortcomings that were not identified before. This could have major consequences on critical applications and therefore a significant financial impact

on the Group. An example of this risk is the Group's soon-to-be launched first project for the supply and installation of high-voltage direct current extruded insulation cables (DoIWin6 project in Germany).

In Europe, the EU Construction Products Regulation (CPR) – which notably applies to cables for buildings and tunnels – came into force on July 1, 2017. In response to the new performance standards, the Group introduced new materials, reviewed its cable designs with a view to improving them and launched major testing and qualification exercises in order to comply with the CPR and seize the commercial opportunities associated with these higher value-added products. In addition, as in all cases when new regulations of this type are introduced, there was a risk that some of the Group's inventories would become obsolete when the CPR came into force on July 1, 2017. The Group's Supply Chain teams in Europe implemented measures to minimize this risk.

The Group takes steps to protect its innovations by filing patents in strategic market segments and securing the right to use the patents. If it does not own the intellectual property rights in the countries or markets concerned, its competitors could develop and use similar technologies and products, thereby adversely affecting the competitiveness of its offers, its image and its financial results.

Moreover, despite the Group's significant R&D efforts, and the ongoing monitoring of potentially competitive technologies, there is no guarantee that the technologies currently used by the Group's operating subsidiaries will not be subject to claims for alleged patent infringement. In the event of a patent infringement case, the Group could be compelled to stop using the technologies protected by the disputed intellectual property rights.

The Group's companies are regularly involved in patent infringement claims filed either by themselves against third parties or by competitors against them. Until now, the financial consequences of such disputes have not been material for the Group but it cannot be ruled out that legal proceedings currently in process or new proceedings could have a major impact on the Group's resources and lead to significant expenses (notably legal costs, royalty fees or compensation payments).



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### 3.1.2.8. INDUSTRIAL AND ENVIRONMENTAL RISKS

As the Group's operating companies carry out manufacturing activities, they are exposed to the risk of damage to their production sites as well as major machinery breakdown incidents, which could lead to production stoppages and significant adverse consequences. Some of the Group's manufacturing sites are located in areas at risk of natural disasters (earthquakes, tornadoes, floods, etc.) For example, the new Charleston plant in the United States is located close to a river and therefore has access to the sea. This means that the site is subject to natural disaster risks that had to be taken into account at the time of its construction. Although the Group draws up a systematic audit plan of its sites in conjunction with its property and casualty insurer for the purpose of implementing plant integrity risk management processes, it is impossible to rule out all risks of production stoppages.

Some sites, particularly in Brazil, can be subject to operating risks related to potential water and electricity supply shortages.

In view of the importance to the Group of the submarine high voltage cables market, it needs a cable-laying vessel capable of performing installation contracts within the required timeframes. As there are very few of these vessels available worldwide, the Group has its own cable-laying vessel, the Skagerrak (owned through one of its Norwegian subsidiaries), which is one of the rare ships in the world specially designed to transport and lay submarine high-voltage cables over long distances and in deep waters. It also regularly charters cable laying ships. These ships are exposed to marine risks (e.g., storms, icebergs and acts of piracy). In 2017, work began on a new cable-laying ship which is due to be delivered to the Group in 2020 to support business growth.

As is the case for any industrial player, the Group is subject to numerous environmental laws and regulations in the countries where it operates. These laws and regulations impose increasingly strict environmental standards, particularly concerning emissions to air, water and land, wastewater disposal, the emission, use and handling of toxic waste and materials, waste disposal methods and site clean-ups. Consequently, the Group's operating subsidiaries are exposed to the possibility of liability claims being filed against them, and of incurring significant costs (e.g., for liability with respect to current or past activities or related to assets sold).

The Group ensures that its manufacturing sites have sufficient resources to identify and track regulatory requirements that concern them, as well as changes in those regulations, and also that they have the financial resources they need to ensure regulatory compliance (see section 4.1.1. below for a description of the Group's environmental management system).

In the United States, the Group's operating companies are subject to several federal and state environmental laws, under which certain categories of entity (as defined by law) can be held liable for the full amount of environmental clean-up costs, even if no fault against said entity is determined or even if the relevant operations comply with the applicable regulations.

No Group companies are currently involved in any legal proceedings of this type but no guarantees can be given that no such proceedings will arise in the future which could negatively impact the Group.

In general, various environmental claims are filed against the Group's companies in the normal course of business. Based on the amounts claimed and the status of the proceedings concerned, together with its evaluation of the risks involved and provisioning policy, the Group believes that there is little risk that these claims will have a material adverse effect on its future earnings or financial position.

At December 31, 2017, consolidated provisions for environmental risks amounted to approximately 7.5 million euros and mainly included amounts set aside for (i) clean-up costs for a number of manufacturing sites and (ii) a dispute with the purchasers of a plot of land and the local authorities in Duisburg, Germany concerning soil and groundwater pollution. The Group has also performed surveys at its sites in order to establish whether any environmental clean-up processes may be required. It estimates that any site clean-up costs it may incur that have not already been provisioned should not have a material impact on its earnings in view of the value of the land concerned, which in the past has always exceeded the amount of any required clean-up costs.

The Group cannot guarantee that future events, in particular changes in legislation or the development or discovery of new facts or circumstances, will not lead to additional costs that could have a material adverse effect on its business, earnings or financial position.

Finally, when implementing capital expenditure projects, the Group is exposed to the risk of failing to achieve its targets. This could have a material impact, particularly in the case of new plants built with a view to enabling the Group to break into markets where it does not have an operating presence.

### **3.1.2.9. RISKS RELATED TO TALENT LOSS, REORGANIZATIONS AND THE SOCIAL CLIMATE**

In order to limit the risks related to talent loss, the Group has put in place procedures, programs and specific measures with a view to fostering employee loyalty and building the skill sets required for its development. See section 4.2. Social approach below, for further information.

With respect to reorganizations, the Group may negotiate restructuring plans whose final costs might exceed the related provisions initially set aside. Furthermore, although the restructuring plans implemented by the Group are carried out in compliance with the applicable laws and regulations, it cannot be ruled out that the employees affected by the plans may take legal action. The total compensation claimed in this type of lawsuit can represent material amounts, especially when the restructuring concerns a site closure. Such lawsuits are currently in progress in several countries.

Lastly, the Group cannot guarantee that there will be no industrial unrest that could lead to lengthy operational stoppages. Such unrest – which has resulted in litigation in the past, some of which is still ongoing – could have a negative impact on the Group's financial position, earnings, market position, outlook and image.

### **3.1.2.10. ASBESTOS**

The manufacturing processes used by the Group's various operating subsidiaries do not involve any handling of asbestos.

In the past (and particularly to comply with French army specifications), asbestos was used to a limited extent to improve the insulation of certain kinds of cables designed for military purposes. It was also used in the manufacture of furnaces for enamel wire at two sites in France, but this activity was discontinued a long time ago. Several claims and lawsuits have been filed against the Group by current and former employees, in France and abroad, concerning alleged exposure to asbestos.

At end-2016, approximately 60 people in France had been classified as suffering from an asbestos-related occupational illness, of whom several (fewer than ten) had filed lawsuits against their employers that are still in progress.

Also in France, a lawsuit has been filed against the Group and a claim lodged with the relevant authorities following the closure of a manufacturing site. The lawsuit involves some 200 plaintiffs, who are seeking compensation for anxiety as a result of alleged exposure to asbestos. In March 2015 the site concerned was classified by the French government as a site that could entitle workers to retire early as a result of their exposure to asbestos (known as ACAATA sites). The Group made an application to cancel this classification. The classification was subsequently canceled by the administrative court but the French government has appealed the court's ruling.

Similar proceedings are also under way in Italy and the United States.

The Group does not currently believe that the foreseeable outcomes of these claims and lawsuits would have a material adverse effect on its earnings or financial position.

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### 3.1.3. Financial risks

This section should be read in conjunction with **Note 26**, Financial risks to the consolidated financial statements, which also sets out a sensitivity analysis for 2017.

Please also refer to **Note 1.F.c** to the consolidated financial statements as well as **Note 6**, Net asset impairment, which sets out the assumptions used for the purpose of impairment testing.

#### Liquidity risks

The Group's main liquidity risks relate to:

- its obligation to repay or redeem its existing debt, primarily corresponding to (i) three issues of bonds maturing in 2018, 2021 and 2024, (ii) an issue of convertible bonds maturing in 2019 (which have early redemption options exercisable at the discretion of the bondholders on June 1, 2018), (iii) a trade receivables securitization program used by one subsidiary, (iv) mezzanine financing and factoring programs and (v) to a lesser extent, short-term debt taken out by a number of the Group's subsidiaries;
- the Group's future financing requirements; and
- compliance with the financial ratios provided for in the syndicated loan agreement signed by the Group on December 14, 2015 (net debt to equity of less than 1.1:1 and net debt expressed as a multiple of EBITDA of less than 3).

Details of the Group's cash requirements and resources (especially cash surpluses and credit facilities), together with its policy for managing and monitoring liquidity are described in **Note 26** to the consolidated financial statements.

#### Metal price risks

The nature of the Group's business activities exposes it to volatility in non-ferrous metal prices (copper and, to a lesser extent, aluminum and lead). In line with general practice in the cable industry, the policy of the Group's operating subsidiaries concerned is to pass on metal prices in their own selling prices and to hedge the related risk either through a natural hedge or by entering into futures contracts on metal exchanges. These companies also hedge currency risks arising on their non-ferrous metal transactions, which are mainly carried out in US dollars.

The Group's strategy for managing non-ferrous metal price risks, the potential impact of fluctuations in copper prices and the hedges put in place are described in **Notes 26.C** and **26.E** to the consolidated financial statements.

#### Interest rate and foreign exchange risks

The Group structures its financing in such a way as to limit its exposure to interest rate risk. A sensitivity analysis concerning changes in interest rates is provided in **Note 26.E** to the consolidated financial statements.

The foreign exchange risk to which the Group is exposed is described in **Note 26.C** to the consolidated financial statements. Apart from in relation to non-ferrous metal transactions (see below), the Group considers its exposure to foreign exchange risk on operating cash flows to be limited for the Group as a whole, due to its underlying operational structure whereby most subsidiaries primarily operate in their domestic markets, with the main exception being export contracts in the high-voltage business. Currency hedges are set up by the Group in order for operating units' cash flows to remain denominated in their functional currency. A sensitivity analysis concerning fluctuations in the two main currencies that present a foreign exchange risk for the Group (the US dollar and the Norwegian krone) is provided in **Note 26.E**.

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

#### Credit and counterparty risk

The nature of the Group's business activities exposes it to three main types of credit risk:

- Customer credit risk relating to its trade receivables portfolio. The Group's diverse business and customer base and wide geographic reach are natural mitigating factors for customer credit risk. The Group also applies a proactive policy for managing and reducing its customer credit risk by means of a credit management policy which was rolled out to all of Nexans' subsidiaries in 2013.

The Group has also set up a master credit insurance program for its subsidiaries, although a portion of its trade receivables in China, Lebanon, Libya and certain other countries is not covered by this program.

Credit risk has been heightened by the difficult market environment caused by the recent global economic and political crises. It is currently difficult to obtain credit insurance in Brazil, Greece, Morocco and Turkey, which means that the Group's customer credit insurance is very limited in those countries. The political situation in the Middle East, particularly Saudi Arabia and Qatar, is also restricting the availability of credit insurance for these countries. The Group

assists its insurer in obtaining financial information about customers and analyzing the customer credit risk for certain risk classes or countries.

Lastly, despite divesting businesses in a number of countries, notably Egypt, the Group still has receivables there, whose recovery is uncertain due to the general economic context in those countries as well as the financial situations of the individual counterparties concerned.

The Group is also exposed to the risk of its customers terminating commercial contracts in advance of term, which could lead to (i) losses due to the liquidation of currency positions or purchases of non-ferrous metals no longer having a counterparty, or (ii) impairment losses on inventories of specific products.

- Counterparty risk arising from derivatives set up to hedge currency risks and non-ferrous metal price risks.
- Counterparty risk arising from deposits placed with financial institutions.

These different types of risk are described in **Note 26.D** to the consolidated financial statements.

### 3.1.4. Insurance

The Group's Insurance Department has put in place master insurance programs since 2003, covering companies that are over 50%-owned and/or over which the Group exercises managerial control. Local policies are issued in certain countries where there is an obligation to take out insurance. Newly-acquired entities are incorporated into the Group's programs as soon as possible.

The insurance programs are negotiated with top-rated insurers, taking into account their solvency ratings. Whenever possible multi-year policies are put in place, which include exit clauses for the insurer in the event that the loss amount exceeds the premiums. The coverage limits on these policies are based on a risk assessment taking into account the Group's claims experience and the advice of its brokers as well as on specific and/or actuarial studies. Although they generally exceed the maximum amount of insured losses incurred by the Group in the past (apart from for credit insurance), they do not always cover the entire risk as they may be capped in terms of insured

#### Financial risks associated with climate change and low-carbon strategy

In 2016, a review was performed with the Group's property & casualty insurer to assess the possible impact of global warming on the Group's exposure to flood and storm risks and make any necessary adjustments to its insurance coverage of these risks. The review showed that the standard global warming scenarios should not lead to any significant increase in the flood and storm risk exposure of the Group's sites.

As explained in section 4.1. below, the Group is pursuing its long standing policy of reducing water and energy use.

It is also striving to transition to renewable energy. For example, solar panels have been installed at the Cortaillod plant in Switzerland; the Suzhou plant in China has been equipped with a solar heating system; two wind turbines have been installed at the Buizingen plant in Belgium and solar panels have been installed at the Nahr Ibrahim plant in Lebanon.

amounts or not include certain types of coverage (for example, the value of replacement products and late delivery penalties are not covered in the Group's third party liability policy).

The Group relies on the expertise of global networks of insurance brokers to assist it with managing and deploying its insurance programs in all the countries where it operates.

The overall cost of insurance policies (excluding life, health and bodily injury insurance) taken out at Group level represents less than 0.5% of consolidated sales at constant non-ferrous metal prices. The Group regularly invites insurers to bid for its insurance programs, a policy that helps to ensure that cover is closely aligned with the Group's risk exposure and optimize insurance costs.

Apart from the directors and officers liability policy, the main insurance programs set up by the Group to cover its manufacturing and operating activities are described below.

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## Property damage – business interruption

The Group is covered for property claims as well as business interruption arising from damage to insured assets.

In certain geographic areas, insurers will only provide limited coverage for natural disaster risks, such as areas with a high risk of earthquakes (e.g., Chile, Greece, Japan, Lebanon, Peru and Turkey) or those exposed to other natural risks such as high winds and flooding (United States).

These coverage limits are generally lower than the related exposure amounts and it is becoming increasingly difficult to obtain such coverage for a reasonable price. A more detailed analysis of the Group's exposure to earthquake risk conducted in 2017 showed that the maximum cover provided under existing policies currently appears to be adequate.

As part of its risk management process, the Group has set up a specific capital expenditure program aimed at helping to prevent industrial risks. This program is designed in close collaboration between the Industrial Management Department, the Insurance Department and expert advisors from the Group's property insurer. These advisors regularly visit manufacturing sites, making targeted recommendations on how to improve risk prevention and health and safety procedures. The Industrial Management Department, in conjunction with the Insurance Department, subsequently monitors that the relevant recommendations are followed.

## Third-party liability (general, environmental, aeronautics and aerospace)

General policies cover the Group's entities for third-party liability claims incurred during the course of their business or as a result of the products they manufacture. Environmental, aeronautics and aerospace risks are covered by specific policies.

With respect to third-party liability resulting from aerospace products, coverage for losses caused to third parties is limited to severe accidents or decisions to ground aircraft made by domestic or international civil aviation authorities, and excludes all other types of liability. A rare but highly serious claim could considerably exceed the insured amounts (or the policy's coverage) and could therefore significantly affect the Group's earnings.

Third parties and insurers are turning increasingly toward litigation in order to either reduce or, conversely, expand the scope of contractual undertakings. The possibility of legal action being taken creates further uncertainties as to the amount of risk transferred.

## Transport

Transport risks that are covered by insurance concern supplies and deliveries for which the Group is responsible as well as transfers between sites, irrespective of the type of transport used.

## Comprehensive construction insurance for laying land and submarine cables

Site work relating to the laying of both land and submarine cables is covered by two specific insurance programs tailored to the operations concerned. Whether or not such cable-laying work can be included in these two master programs depends on its specific nature and characteristics and it is sometimes necessary to set up separate policies, notably for very large contracts which exceed the coverage limits in the master programs. This was the case, for example, for a project concerning a submarine cable between Montenegro and Italy, for which a specific insurance policy was set up in 2014. The after-delivery warranties requested by certain customers sometimes exceed the coverage periods available in the insurance market.

## Coverage for the Group's cable-laying ship Skagerrak

The Group's cable-laying ship, Skagerrak, is covered by hull & machinery/loss of hire and protection & indemnity insurance.

## Short-term credit risk insurance covering receivables owed by certain domestic and export customers

A short-term credit insurance policy has been negotiated by the Group, covering most of its subsidiaries. In 2013 this policy was rounded out by a Group-wide credit management policy.

## Captive reinsurance entity

The Group has a captive reinsurance entity – Nexans Re – which has been operational since January 1, 2008 and is aimed at optimizing and managing the Group's risk retention strategy, as well as preventing and managing risks. It has reinsured the following risks since 2008: property and casualty and business interruption risks, short-term credit risks, and transport risks. It operates on a program by program basis, with maximum coverage amounts per loss and a cumulative cap per insurance year. The maximum amount reinsured by Nexans Re across all programs currently stands at 2 million euros.

## 3.2. Internal control and risk management procedures implemented at Nexans

### 3.2.1. Definitions, scope, objectives and limitations

The Group has put in place risk management procedures to identify and manage the risks related to its activities. Such risks may affect people, the environment, the Group's assets, its reputation, or even prevent the Group from reaching its objectives. These procedures enable the Group to identify the risks to which it is exposed and to better control these risks so that it can deploy its strategy properly. They are a key part of its governance structure. In accordance with law, the Accounts and Audit Committee monitors the effectiveness of risk management procedures.

The risk management procedures provide a systematic approach to identify, assess, prioritize and deal with the main risks to which the Group is exposed, and to monitor risk exposure over time. These procedures help operational staff understand and take account of risk in their day-to-day management, and ensure that mitigation, control and monitoring plans are put in place, along with programs transferring major identified risks to the insurance market where appropriate, in line with the Group's levels of risk appetite.

They cover the Group's main short-, medium- and long-term risks (strategic, operating, financial, legal, compliance, ethics and reputation risks). This means that coverage includes but is not limited to financial controls and the reliability of published financial and non-financial information, extending to all of the Group's transactions and processes, as well as its human capital and tangible, intangible and financial assets. The procedures are deployed at all operational and functional levels within the Group.

In this regard, **the Group's operating departments and entities** play a front-line role in managing risks in their respective geographic and business areas. Their departments are

responsible for applying all of the Group's risk management and internal control policies and procedures in their area of responsibility, covering such issues as compliance with applicable laws and regulations and with the Group's Code of Ethics and Business Conduct.

**The functional departments** (Finance, Legal, Human Resources, Purchasing, Information Systems, Industrial Management, Technology & Innovation) track regulatory developments and emerging risk management practices in their specific area of expertise, provide methodological support to the operating departments and entities for the management of their risks and check the effectiveness of their risk management procedures, define specific internal control rules for their area of expertise and oversee application of these rules throughout the Group. They may also assist operating departments and entities in monitoring their risk exposures and implementing specific risk mitigation measures. This is the case, for example, for the management of market risks affecting the main non-ferrous metals used by the Group (copper and aluminum) or the Group's main operating currencies. The Group Finance Department provides methodological support for managing these risks, as well as overseeing risk exposures and implementing the necessary hedging programs on the operating entities' behalf. The Group's increasingly cross-functional processes help to strengthen their overall effectiveness, including for risk management and internal control.

**The Internal Audit Department** contributes to overseeing the risk management and internal control system. Its role and responsibilities are described in the Group's Internal Audit Charter. It reports to Executive Management and meets with the Accounts and Audit Committee at least twice a year to discuss the audits carried out by the team and their findings.

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An internal audit plan is drawn up each year based mainly on the Group risk map. The aim is for all Group entities to be audited at least once every four to five years. The plan is submitted to Executive Management for approval and the approved plan is presented to the Accounts and Audit Committee. The audits cover not only financial and operational processes but also ethics and corporate governance issues. Following each audit, a report is issued describing any observed weaknesses or failures in applying the Group's rules or meeting the Group's objectives, and recommending improvements. Implementation of the most important and urgent recommendations is monitored on a quarterly basis by Executive Management.

**The Internal Control Department** – which is combined with the Internal Audit Department – contributes to the drafting of rules and compulsory controls to mitigate certain risks or limit their occurrence, particularly transaction-related risks. These controls help *inter alia* to limit the risk of errors and fraud. The internal control system is built around a list of 25 key controls and an internal control manual, which is supplemented by regular "Flash Reports" and "Best Practice Memos" issued by the Department on internal control issues.

**The Risk Management Department** helps to lead the entire system and check its effectiveness in ensuring that the Group meets its objectives, working in partnership with the Internal Control Department and the Internal Audit Department. In particular, it participates in identifying and monitoring strategic risks alongside the operating departments and the Strategy Department. It is responsible for managing the insurance programs and ensuring that they are consistent with the Group's risk exposures. It reports regularly to the Accounts and Audit Committee on its activities and the effectiveness of the risk management system.

**The Ethics Correspondent** receives and processes reports of violations of the Group's Code of Ethics and Business Conduct. He reports directly to the General Secretary, with a dotted-line reporting relationship with the Chief Executive Officer. He reports the cases handled at least once a year to the Accounts and Audit Committee and the CSR Committee.

In 2015, an **Ethics Compliance Program Manager** was appointed, reporting directly to the General Secretary and with a dotted-line reporting relationship with the Chief Executive Officer. The Ethics Compliance Program Manager is responsible for proposing to Executive Management measures to prevent, detect and handle breaches of ethics laws and regulations, and supporting the functional and operational managers in implementing the Ethics Compliance Program. He reports on his work to the Accounts and Audit Committee at least once a year.

In 2016, a **Data Protection Officer** was appointed with responsibility for establishing rules and procedures to ensure that the processing of personal data within the Group complies with the applicable legislation by protecting the private nature of the information.

In addition, the Group has set up several committees that help identify and/or monitor the main risks:

- **The Disclosure Committee**, whose role is to help identify the main legal and financial risks surrounding the Group's businesses and entities, assess their materiality and ensure that risks are communicated properly outside the Group.
- **The Tender Review Committee** reviews the commercial, legal, financial and technical terms and conditions of all bids in excess of 5 million euros and 25 million euros for the High Voltage business.
- **The Mergers & Acquisitions Committee** reviews and approves (subject to prior approval by the Board of Directors of projects with a unit value higher than 50 million euros) any potential business acquisition or divestment projects, or possible strategic alliances or partnerships.
- **The CSR Committee** determines the Group's corporate social responsibility policies and monitors its CSR initiatives. It is assisted by two specialized committees, the Governance and Social Affairs Committee and the Environment and Products Committee.

## 3.2.2. Risk management policies and procedures

### 3.2.2.1. CODE OF ETHICS AND BUSINESS CONDUCT

The Group's Code of Ethics and Business Conduct sets out the values, principles of behavior and rules of conduct with which employees are required to comply with in the course of their work. It focuses on the principles of legal and regulatory compliance, fair business practices, transparent information, commitment to the environment, product safety and respect for diversity. All new employees receive a copy of the Code of Ethics and Business Conduct and commit to applying it by signing an annual compliance certificate. Certain Group procedures address in more detail certain specific issues covered by the Code. They include the Procedure for the Prevention of Corruption Risk and the Antitrust Law Compliance Guidelines.

The program to prevent, detect and deal with ethical breaches is described in section 4.3.4.

### 3.2.2.2. WHISTLE-BLOWING PROCEDURE

The Group has set up a procedure for managing reported violations and potential violations of the Code of Ethics and Business Conduct. See section 4.3.4.

### 3.2.2.3. OTHER RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES

A dozen procedures have been established by Executive Management covering the main ethics, governance and internal control issues, including the Code of Ethics and Business Conduct, anti-corruption procedures, antitrust compliance procedures, insider trading risk procedures, procedures to ensure compliance with the rules applicable to commercial contracts, due diligence procedures for mergers and acquisitions, capital projects or real estate transactions, crisis management and communication procedures, the 25 key controls and the internal control manual. A delegation of authority procedure has also been established, setting limits on managers' signature authority in the various Group entities. The Group has also drawn up an Accounting Manual based on the practices recommended by the Reference Framework published by the AMF.

In accordance with the Group's procedures, each subsidiary implements all of the above points.

In addition, several specific procedures developed by the Finance Department and that apply to all the Group's entities also contribute to risk management and accounting and financial internal control, particularly the procedures for treasury management, currency risk management, non ferrous metals management, credit risk management and physical inventories. The procedures for the management of currency risk and non-ferrous metals risk are described in **Note 26** to the consolidated financial statements.



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### 3.2.3. Main risk management initiatives in 2017

- The ten golden rules of information systems security were published and distributed to all users of the Group's systems in order to raise their awareness of security risks and promote adoption of best practices in this area.
- A cyber-security audit was performed at Nexans Services, the Group's cash management subsidiary, in response to a request issued by SWIFT to all of its members to upgrade their protection.
- A vigilance plan was prepared in compliance with France's new Corporate Duty of Vigilance Act.
- Written procedures were issued describing the integration process for newly acquired companies.
- A review was performed of earthquake risks at the Group plants that are the most exposed to this risk. The review showed that the Group has adequate insurance cover.
- The Nexans Management Handbook was published. The handbook describes the Group's organization and its operating principles and rules. It includes a booklet listing around one hundred rules covering the main business processes.
- A data analytics tool was used by the Internal Audit Department several times in 2017 to provide additional insight for certain internal audits (covering for example the Purchasing and Accounting functions). The Group is now looking into the possibility of deploying the tool in order to have access to continuously updated internal control data.
- The continuation of exchange risk management actions initiated in 2015.

### 3.2.4. Preparation and processing of financial and accounting information

Control activities are based on a financial and accounting reporting system and a set of internal control procedures.

#### 3.2.4.1. PROCESS FOR THE PREPARATION OF FINANCIAL AND ACCOUNTING INFORMATION

Financial and accounting information is generated in consolidated form as follows.

All amounts reported on the face of the financial statements are obtained from the accounting systems of the legal entities, whose accounts are kept according to local accounting principles and then restated in accordance with the accounting principles and methods applied by Nexans to prepare the consolidated financial statements, which are drawn up in

accordance with IFRS pursuant to EC Regulation 1606/2002. The Group's entire financial and accounting reporting process is structured around the Hyperion System.

Reporting packages are based on the information from each unit's management accounts. These accounts are prepared according to standard accounting principles defined in numerous procedures. In particular, to ensure the consistency of the information produced, Nexans has an accounting manual which is used by all Group units and defines each line in their income statement by function and statement of financial position.

Based on the Group's five-year Strategic Plan, which sets out the main strategic and financial directional guidelines, each unit establishes an annual budget by market line in the last quarter of every year. The budget is discussed by both local management and the management of the area or business group and is

submitted to the Group's Management Board for final approval. The Group's budget is presented each year to the Board of Directors. It is then broken down into monthly figures.

Each month, the units prepare a reporting package which is analyzed by Management as part of the quarterly business review. The figures are compared with the budget, with new year-end forecast data and with actual data for the previous year. The consolidated results by area are analyzed with the Group's management at area meetings.

A consolidated accounts closing procedure is carried out on a half-yearly basis. The procedure includes a specific review and analysis of the financial statements during meetings which are attended by the Group Finance Department, the Finance Departments from the countries of the Group's main operating subsidiaries and the financial controllers for the areas concerned. These meetings also provide an opportunity to review the various main points to be considered for the upcoming close.

Any off-balance sheet commitments are reviewed by the Consolidation Department based on information provided by the business units, the Treasury and Non-Ferrous Metals Management Departments, and the Group General Secretary's Department. This information is set out in the notes to the Group's consolidated financial statements.

Lastly, the Group has set up a half-yearly procedure whereby the Chief Executive Officers and Chief Financial Officers of all Nexans' subsidiaries sign internal representation letters giving – for the scope for which they are responsible – a written commitment concerning the quality and completeness

of the financial information reported to the Group departments and concerning the existence of adequate internal control procedures that are effectively implemented.

### **3.2.4.2. MAIN INTERNAL CONTROL PROCEDURES FOR FINANCIAL AND ACCOUNTING INFORMATION**

The Group's Finance Department keeps the above-mentioned procedures up to date. It has also drawn up procedures for the main areas that fall within its purview, particularly procedures for reporting, treasury management, non-ferrous metals management, credit risk management and physical inventories.

The Group's Finance Department also seeks to ensure at all times that there are clear procedures to deal with sensitive issues or identified financial risk factors (described in the Management Report) that are specific to the Nexans Group's business and could have an impact on its assets or earnings.

This is the case, for example, with the management of risks associated with exchange rates, interest rates, and the fluctuation of non-ferrous metal prices, for which specific reporting procedures are in place at business unit level. These risks are controlled and analyzed by both the Treasury and Financing Department and the Non-Ferrous Metals Management Department.

The Internal Audit Department performs controls to ensure that adequate internal controls are in place and function effectively and that Group procedures are complied with.

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## 3.2.5. Oversight of internal control

As a result of the powers conferred upon it by law and by the Board of Directors' Internal Regulations, **the Accounts and Audit Committee** monitors the process for preparing the financial information and, where appropriate, makes recommendations to ensure its integrity. It examines the annual and interim financial statements and ensures the relevance and continuous application of accounting methods adopted by the Company for its parent company and consolidated financial statements, in particular for dealing with significant transactions. It ensures that systems of internal control and risk management and, where applicable, the internal audit of the procedures relating to the preparation and processing of the accounting and financial information, are in place; it follows up on their effectiveness by ensuring that corrective actions are taken in case of identified weaknesses and significant anomalies. Each year, the internal audit plan is reviewed by the Accounts and Audit Committee and the Committee is given a presentation on the main conclusions every six months.

The Board of Directors contributes to monitoring internal control through the work and reports of the Accounts and Audit Committee.

**The Internal Audit Department** contributes to overseeing the internal control system through the assignments it performs and the reports it draws up, as well as by monitoring the implementation of recommendations issued.

In addition, **the Group's Executive Management** carries out its oversight role for internal control, notably through reviews with the Head of Risk Management, regular business reviews for the Group, and performance-indicator monitoring.





# Corporate social responsibility

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# Nexans brings Energy to life !

In a slow-growth and difficult economic environment, our world is full of challenges and opportunities: growing demographics, fast urbanization and data exchange explosion require the safest, most reliable and adapted cabling solutions.

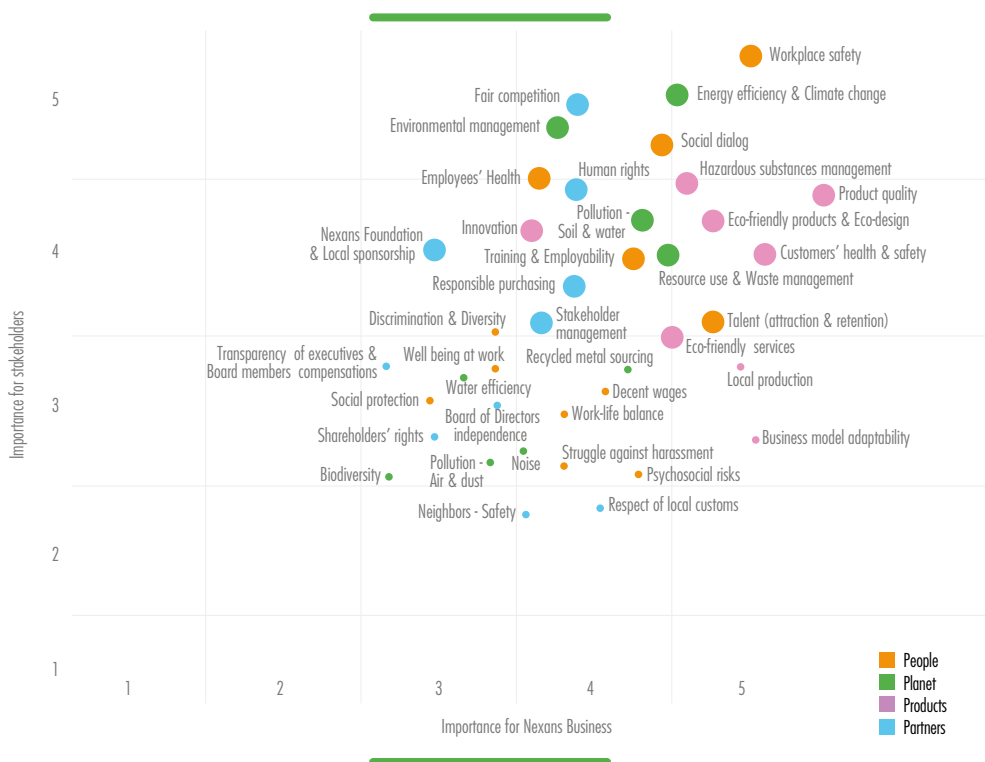
At Nexans, committed actor has for vocation to transport the energy and data essential to the world's current and future development is our sense of purpose. The products and solutions we design, manufacture and deliver everyday benefit the world, people and the economy.

The Group works responsibly every day to respond to major challenges and meet stakeholder needs. CSR is an integral part of the Group's strategy.

## CSR strategy

To define a CSR strategy that addresses major issues in today's society, the Group conducted a materiality test based on the key CSR issues covered in ISO 26000: human rights, labor relations, working conditions, environment, good business practices, questions involving consumers and social engagement. See the methodology used in section 4.3.8., Data compilation methodology for social data.

This test was used to establish the materiality matrix below. It shows the key issues covered in ISO 26000 that are important for Nexans' business and for stakeholders. This matrix was used to define four priorities for the Group and its stakeholders. These priorities have been integrated into the 2018-2022 Group's roadmap.



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The four priorities in Nexans' CSR strategy break down into 12 ambitions that represent the CSR issues where the Group focuses its efforts. These CSR priorities draw on the Sustainable Development Goals set by the United Nations, which the Group adopted in 2008 when it joined the Global Compact.

**PEOPLE: Bring individual and collective performance to our business**

- Workplace safety: *guarantee health and safety on sites*
- Human capital: *build people who build business*
- CSR awareness: *empower employees on CSR issues*

**PLANET: Manage environmental impacts**

- Environmental management: *maintain a high standard of environmental management*
- Energy: *improve production energy efficiency*
- Climate: *reduce our impact on the climate*

**PRODUCTS: Manage in a competitive and innovative sustainable mode**

- Energy transition: *engage with customers to contribute to a sustainable economy*
- Innovation: *guarantee an innovative collaboration with stakeholders*
- Resources: *optimize resource efficiency*

**PARTNERS: Embedding leadership based on values and ethics**

- Business ethics: *maintain a compliant framework and fair business practices*
- Stakeholders: *maintain sustainable stakeholder relationship*
- Nexans Foundation: *help underprivileged communities to access energy*

Efforts to achieve the 12 CSR ambitions are overseen by dedicated representatives based on the 2018-2022 roadmap, which is structured into key performance indicators and their targets.

		KPI	Baseline 2016	Baseline 2017	Target 2022
PEOPLE	Workplace safety	Workplace accident frequency rate <sup>(1)</sup>	1.8	2.02	<1
	Human capital	Managers with an Individual Development Plan	58%	72%	100%
		Women in management positions	22.60%	22.9%	25%
	CSR awareness	Directors and managers having CSR goals in their annual performance targets	NA	NA	100%
PLANET	Environmental management	Industrial sites certified EHP and/or ISO 1400 <sup>(2)</sup>	94%	93%	97%
	Energy	Energy intensity <sup>(3)</sup>	279	255	-3%
	Climate	Reduction of GHG emissions (scopes 1, 2 and 3) <sup>(4)</sup>	0.83%	2.70%	-5%
PRODUCT	Energy transition	Activities revenues generated from sustainable products and services <sup>(5)</sup>	m€485	m€770	NC
	Innovation	R&D investments (% of revenues in constant metal price sales) <sup>(6)</sup>	€89m (2.0%)	€102m (2.2%)	NC
	Resources	Total waste recycled <sup>(7)</sup>	42%	44%	> 50%
PARTNERS	Business ethics	Managers having signed the Compliance Certificate <sup>(8)</sup>	95%	96%	100%
	Stakeholders	OTIF - 1C <sup>(9)</sup>	92.6%	93.3%	94%
		Employee engagement index	72%	NA	+3
	Nexans Foundation	Amount allocated by the Nexans Foundation	€300,000	€300,000	€300,000

(1) Overall workplace accident frequency rate: total number of workplace accidents with more than 24 hours of lost time/total number of hours worked x 1,000,000. This rate relates to internals and externals.

(2) EHP: Highly Protected Environment - Group's internal environmental label.

(3) MWh consumed by the industrial sites / m€ in constant metal price sales.

(4) Greenhouse Gas (GHG) emissions include direct and certain indirect emissions (from electricity and steam consumption, upstream power line losses, use of fossil fuels and wastes treatment, as well as fugitives emissions).

(5) Revenues generated from products and services that contribute to energy transition (offshore wind farm, interconnexions projects, e-mobility, smart grids, accessories, solar energy and wind energy).

(6) Total R&D expenses (including R&D, innovation, local development and assistance engineering costs).

(7) Recycling rate of non ferrous metal waste generated.

(8) So called in HR tool My Click «graded» employees to sign a compliance certificate by which they commit to comply with Nexans Code of Ethics and Business Conduct and declare conflict of interest, if any.

(9) On Time In Full first confirmed: Nb of order lines shipped in the right quantity at first confirmed date / Total number of shipped order lines in the month. including logistic and plants data.

The CSR performance of the Group's approach is regularly measured and recognized by its stakeholders, in particular non-financial rating agencies (see section 4.3.2., Relations with stakeholders).

### CSR governance

To steer its CSR ambitions, the Group has set up a dedicated governance structure overseen by the CSR Department, which reports to the Group's Senior Corporate Vice President Human Resources, in charge of Communications and CSR, and member of the Management Board.

The Group's highest decision-making bodies, and operating and support departments are closely involved in CSR governance. This is reflected in the commitment to integrate CSR into its strategy through various committees.

Primarily, the **CSR Committee** chaired by Arnaud Poupart-Lafarge, Chief Executive Officer<sup>(1)</sup>, is made up of members of the Management Board. This committee meets at least once a year to define CSR policy and assess the various initiatives. The CSR Committee works with two expert committees that meet at least once a year to translate the CSR ambitions and other CSR issues into operations:

- **Governance and Social Affairs Committee** co-chaired by Anne-Marie Cambourieu (Senior Corporate Vice President Human Resources, in charge of Communications and CSR, and member of the Management Board) and Patrick Noonan (Senior Corporate Vice President, General Secretary, and member of the Management Council): Governance, ethics and business conduct, CSR risks, labor relations, human capital, internal opinion surveys, CSR reporting, stakeholder relations, CSR communication, Nexans Foundation.

- **Environment and Products CSR Committee** chaired by Pascal Portevin (Senior Corporate Executive Vice President, International and Operations, and member of the Management Committee): Workplace safety, environmental management and on-site audits, recycling and waste, soil testing, energy efficiency, responsible purchasing, innovation and new product development, life cycle assessment and eco-declarations, Ecodesign products, legislation on chemicals.

Twice a year, the Strategy and Sustainable Development Committee of the Board of Directors also reviews how the Group takes into account sustainable development issues in defining its strategy.

The involvement of the highest governance bodies and the organization's operating departments and support functions in developing CSR policy attests to the strong commitment to incorporate CSR issues into Group strategy.

This commitment is embodied by the publication in early 2018 of the Group's first integrated report available on the Group's website ([www.nexans.com](http://www.nexans.com)).

### Independent data verification

The presence and accuracy of the environmental, human resources and societal data disclosed in this report is in accordance with Article R.225-105-2 of the French Commercial Code.

<sup>(1)</sup> CSR goals in the variable portion of the Chief Executive Officer's compensation, see section 2.5.4.2. of this report.



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# 4.1. Environmental approach

The Group has set ambitious targets to reduce the impact its business activity and of its products on the environment:

**PLANET: Manage environmental impacts**

- Environmental management: *maintain a high standard of environmental management*
- Energy: *improve production energy-efficiency*
- Climate: *reduce our impact on the climate*

**PRODUCTS: Manage in a competitive and innovative sustainable and mode**

- Energy transition: *engage with customers to contribute to a sustainable economy*
- Innovation: *guarantee an innovative collaboration with stakeholders*
- Resources: *optimize resource-efficiency*

## 4.1.1. Limiting the environmental impact of business activity

### 4.1.1.1. WORKING TOWARDS RIGOROUS ENVIRONMENTAL MANAGEMENT

The Industrial Management Department ensures that the applicable laws and regulations and the Group’s policies on conservation and environmental protection are respected. The environmental rules and targets apply to Group operations worldwide.

The Group’s main environmental objectives are as follows:

- respecting regulatory requirements;
- rolling out environmental certification programs: ISO 14001 and HPE (*Environnement Hautement Protégé* or Highly Protected Environment – Group label);
- controlling energy, water and raw materials consumption;
- preventing pollution risks created by our businesses and reducing CO<sub>2</sub> emissions;
- reducing the volume of waste generated and improving waste recovery and recycling.

The continuous performance improvement program for production sites is steered by the Environment and Products CSR Committee and coordinated by the Group’s Environment Manager.

### Environmental evaluation and certification

As part of the continuous improvement approach and of the prevention of the main environmental risks identified in consideration with the Group’s activity, Nexans undertook two additional steps of evaluation and certification of its environmental performance, supported on sites by a network of representatives:

- An external certification: ISO 14001;
- An internal label: HPE (Highly Protected Environment) which is not only an environmental management system, but also a management system of the environmental risks constituting an obligation of result for the sites, what distinguishes it from ISO 14001. As such, since the 2000s, Nexans has anticipated the recent evolutions of the ISO 14001. This label is awarded under the responsibility of the Group’s Industrial Management Department further to the periodic audits made by certified internal auditors specifically trained for this purpose. In 2015, the Environment and Products CSR Committee defined the HPE2 label, which applies more stringent criteria to aim for excellence.

In 2017, 66 sites were ISO 14001 certified, representing 75% of the Group's sites (76% in 2016), and 78 sites held the HPE label, or 89% of sites (85% in 2016). Only two years since the launch of the label, the Hannover and Hof sites in Germany have been awarded HPE2.

Accordingly, 93% of sites are covered, in minima, by an environmental certification. The 2022 objective of the CSR roadmap is to have 97% of sites certified.

The HPE label covers 12 main areas<sup>(1)</sup>, broken down into 39 criteria that are managed and consolidated using a special system. A few criteria and objectives required to obtain the HPE/HPE2 label are provided as examples in the table below.

Main criteria	HPE	HPE2
Implementing an energy efficiency policy	Self-assessment completed + dedicated action plan	Self-assessment over 60%
Recycling of cooling water	In minima 50%	In minima 75%
Water drainage systems	Site equipped by an hydrocarbon separator for the rain water evacuation network	No potential pollution outside the site
Safe storage of hazardous liquids	All tanks with a capacity of over 1 cu.m must feature a containment system	Same, including for wire drawing tanks
Operating a waste sorting policy	Recovery of the waste (by weight) between 50% and 80%	Waste recovery over 80%
Volatile Organic Compounds (VOCs)	Emissions of over 10 tonnes per year	Emissions of less than 10 tonnes per year
Liquid refrigerants	HCFC (R22) without replacement plan	HCFC (R22) with replacement plan
Regulatory non-compliance	Known cases of NC and planning <3 months	Compliant with regulations

### Providing training and information to employees on environmental protection

Specific training sessions are provided to employees based on their level of responsibility.

Regular environmental audits of production sites also raise awareness about environmental management strategy.

The Group provides its employees with training in other specific areas, such as REACH<sup>(2)</sup> (see section 4.2.2.3., Group training policy).

In addition, diverse and targeted communications campaigns are regularly carried out jointly by the Industrial Management Department and the Communications Department in order to update employees on the Group's environmental policy and rally support for the measures and initiatives adopted. Best environmental practices can be viewed by all employees on the Group's intranet.

Employees are also involved in local environmental protection programs (see section 4.3.1., Regional, economic and social impact of the Group's businesses).

### Preventing environmental risks

**Crisis management** - All of the Group's sites draw up environmental crisis management plans. These plans are audited as part of the environmental audits and are backed by investments in protective equipment such as containment basins and valves to prevent external pollution, as well as emergency intervention kits (contaminant booms, mobile valves, etc.). This protective equipment is regularly tested during dedicated verification exercises.

The environmental risk prevention program is included in the Lean Manufacturing methodology called Nexans Excellence Way (NEW) and the management processes at the Group's manufacturing sites.

**Asbestos** - The Group's environmental policy provides for continuous monitoring of asbestos at its operational sites and is incorporated into the audit tools used in HPE assessments. As part of this monitoring, all sites affected by asbestos have carried out special surveys on their buildings and equipment. These surveys – which are updated annually for all manufacturing sites – provide a precise inventory of any materials still present in buildings or equipment that contain bonded asbestos (i.e., not likely to release fibers into the atmosphere). Where risk areas are identified, specific instructions are provided to anyone who may be required to work in those areas in order to ensure that all necessary protective measures are taken and respected.

(1) The main areas are raw materials, water, air, waste, noise, energy, land and groundwater, storage of liquids.

(2) REACH: EU Directive on the Registration, Evaluation, Authorization and Restriction of Chemicals.

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The Group uses asbestos-free materials in new buildings and in the equipment it uses worldwide (including in countries where asbestos might still be authorized). Leased buildings undergo a preliminary asbestos assessment to make sure there is no risk.

**ICPE<sup>(1)</sup>** - Most production sites in France comply with ICPE regulations. These sites are required to monitor and report on areas which mainly include waste management, noise pollution, water and soil pollution and greenhouse gas emissions. ICPE sites are closely monitored to ensure they meet all regulatory requirements.

Industrial, environmental and financial risks associated with climate change and low-carbon strategy are presented in Chapter 3, Main risk factors and risk management within the Group.

### Environmental expenditure and investments

In 2017, environment-related expenditure amounted to 4.3 million euros (*versus* 4.7 million euros in 2016) and mainly concerned the following items: environmental taxes (including water tax), maintenance (including purchase of filters), analyses and tests, royalties and licenses, and external environmental services. The Group continued to invest in environmental initiatives within its plants through awareness-raising and the rollout of its environmental program launched the previous years.

In view of the industrial projects presented, a total of 3.2 million euros worth of environment-related investments were approved for 2017 (*versus* 2.7 million euros in 2016). These investments were used for example to replace less energy efficient equipment, buy new cooling towers, remove asbestos from roofs and repair electric machinery. Other expenses may be incurred for the clean-up of closed sites and sites earmarked for sale, but the Group expects the related amounts to be less than the market value of the sites in question.

#### 4.1.1.2. MANAGING POLLUTION RISKS

HPE and ISO 14001 certifications and their audits contribute to this approach to reducing the Group's environmental footprint. One of the objectives of the Group's environmental policy is to control its pollution risks. It has therefore analyzed the sources of pollution within its business activities, based on the key processes used, the overall risks they generate, and measures implemented.

### Sources of pollution

**Continuous casting** - These operations require large volumes of water and gas and cause air pollution. Smoke generated by the casting furnaces is processed and monitored based on the thresholds set in the applicable regulations. The Group's copper and aluminum continuous casting facilities also use stripping and passivation products (alcohol and acid). These hazardous products are stored and transported in accordance with both the applicable local regulations and Group standards.

**Metallurgy** - The main resources used by metallurgy operations (wire drawing) are electricity and water, which is used for emulsions and cooling. Emulsions used for wire drawing purposes are processed and filtered in order to extend their duration of use and are subsequently eliminated by specially authorized service providers.

**Cable manufacturing** - Extrusion cable manufacturing requires large quantities of water for cooling. Most of this water is recycled, ensuring that consumption remains low. Air emissions are processed by filter extractors specific to each facility and subject to the emissions thresholds established by country. Solvent consumption primarily concerns marking inks, for which special processing is required by the Group, such as solvent storage cabinets and fume hoods used when cleaning ink jets and wheels.

**Compound production** - The production of compounds (such as PVC, rubber and HFFR<sup>(2)</sup>, – which are used as raw materials for insulating cables – requires the use of certain products that are potential pollutants (peroxide, silane and plasticizing agents) and which require the 17 sites concerned to take particular precautions for their storage, transport and utilization in accordance with the relevant regulations in force in each country (e.g., ventilation of premises, storage with adequate containment facilities and the use of spill pallets for on-site transportation).

### Preventive and corrective measures

#### Discharges into water

In order to mitigate the risk of an accidental spillage into water networks which could pollute surface water or public facilities, certain specific measures are taken by the Group's sites.

The measures taken have already allowed 46 sites to be equipped with such network shutters to contain fire water and stop the spread of a potential spill thanks to containment basins, containment valves and network valves. To date, no spills or major discharges have been reported.

(1) ICPE : Installations classified for the protection of the environment.  
(2) HFFR: Halogen-Free Flame Retardant.

### Land use and discharges

The Group's activities have little impact on the soil as they do not involve any extraction or spraying operations and are located in dedicated industrial areas. For its underground and submarine cable laying operations, the Group strictly complies with the applicable regulatory requirements.

The Group has set up a special committee to deal with the pollution risks related to its sites' environmental liabilities, as well as an environmental management procedure for its real estate assets, applied when sites are acquired or sold. The committee also ensures that it is consistently and proactively implemented across all of the Group's sites. Its aim is to enable the Group to identify and effectively control pollution risks and to mitigate their potential consequences.

Studies of past activity are conducted every year at selected sites. If pollution risks are identified, land and groundwater surveys may also be carried out. Other actions may be considered based on the findings of each phase of the study.

The Group's sites are subject to the risk of causing gradual or accidental pollution as they store hazardous products, even if sites have emergency intervention kits that can be used in the event of an accidental spillage. The Group regularly assesses this risk, which is a major component in the environmental audit checklist. For example, sites must make sure that all tanks with a capacity of over 1 cu.m used to store hazardous liquids feature a containment system.

The Group therefore launched a program to systematically protect all tanks containing hazardous substances that do not yet feature protection systems to totally eradicate this risk. In 2017, €632,000 was invested in this program, with further investments planned in the years to come.

Concerning Persistent Organic Pollutants (POPs), a program to replace equipment containing PCBs has been put in place for the Group's manufacturing companies.

To date, no major incidents have been reported.

### Air emissions

Even though air emissions are extremely limited due to the nature of the Group's businesses, manufacturing sites strictly monitor their operations to remain compliant with their environmental certification. Their emissions are monitored locally to comply with legislation and checked over the course of environmental audits. Emissions are then consolidated at Group level by the Industrial Management Department.

Special measures are taken to channel and treat NO<sub>x</sub>, SO<sub>x</sub> and particulate emissions by filters where necessary, notably in casting operations.

Emissions of Volatile Organic Compounds (VOCs) are limited as the Group only uses a low amount of solvents (occasional use of inks).

The levels of these emissions are not significant enough to be reported externally.

To date, no air pollution incidents have been reported.

### Noise pollution

Noise pollution is also an area that the Group takes care to address. For example, it is one of the criteria taken into account, especially when purchasing manufacturing equipment. Machinery and equipment, including those used for transportation and handling, can also emit noise. Sound levels are checked regularly and measured at site perimeters when applying for operating permits from the local authorities in the light of applicable regulations. The few sites whose activities could give rise to noise pollution have adopted appropriate solutions such as special training sessions, use of personal protective equipment, reducing noise at source thanks to quieter equipment, covering machines with soundproof enclosures, installing noise barriers, and setting specific times for noise-generating activities. If, despite all of these measures, any case of noise pollution were brought to the Group's attention, it would take all possible steps to reduce it through appropriate corrective measures.

No complaints were filed in 2017.

### Vibrations

The Group takes great care to ensure that the equipment used by its manufacturing companies does not generate vibrations that could be a source of disturbance for either its employees or local residents. However, should any of the manufacturing companies be informed of such a disturbance, it would take all possible steps to reduce the vibrations concerned through appropriate corrective measures.

### Odor pollution

The Group's operations do not give rise to any significant odor pollution as its manufacturing activities do not generally generate any odors. As far as the Group is aware, no complaints have been filed against the Group with respect to odor pollution.

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### 4.1.1.3. CONSERVING RESOURCES

One of the objectives of the Group's environmental and risk management policy is to establish a sustainable approach that enables our manufacturing processes to conserve resources, as defined in the environmental management system.

In environmental audits, the measures taken to protect resources are assessed based on defined objectives.

#### Water consumption

The cable manufacturing process implies the use of water for cooling operations. In order to limit this water consumption, the Group has invested in closed-loop cooling systems. To date, out of the 68 sites that use water for cooling, 60 have a recycling rate of over 75% (see HPE table).

The sites with the highest water consumption are individually monitored and specific action plans have been put in place.

Certain sites, particularly in Brazil, may be subject to operating risks due to potential disruptions in water and electricity supply (see section 3.1.2.8., Industrial and environmental risks).

#### Utilization of raw materials

The Group is taking measures to maximize the portion of recycled copper used in its cables. In 2017, around 22,090 tonnes of copper waste (22,070 in 2016) were used in the Group's continuous casting operations in Montreal, Canada and Lens, France.

The Group has also taken the initiative to reduce the impact of packaging, cardboard and plastic, notably cable drums. In line with this, the majority of cable drum supplies for our European sites come from sustainably-managed forests, which guarantees that the wood is sustainably sourced.

#### NEXANS EASYREEL

In November 2016, Nexans launched its NEXANS EASYREEL app that can be downloaded onto Android and Apple smartphones, offering a convenient new way to organize the pickup of cable drums at worksites or stores. Users can scan the cable drum barcode, define the collection point (by using the phone's geolocation or entering an address manually) and send the information to the site that will then rapidly take care of pickup. First deployed in Switzerland in 2016, the app is currently available in Belgium and France, and can easily be deployed in other countries.

The Industrial Management Department monitors consumption from packaging through an annual questionnaire sent to sites as part of the environmental management system

#### Energy consumption

Saving energy is a major focal point for the Group. Energy management is integrated into the environmental management system. The Group's strategy for reducing its energy consumption is made up of two action areas: enhancing energy efficiency at production sites and optimizing the transportation of products.

Within the scope of the energy efficiency program at production sites, energy audits were conducted to define the appropriate action plans:

- In 2015, regulatory audits at the European sites;
- In 2016, self-assessments at all manufacturing sites (based on the ISO 50001 recommendations, which offer a methodology to improve energy efficiency).

The findings of these assessments were used to implement measures that aim to continue action towards a low-carbon policy and to improve its energy intensity (target of a 3% reduction between baseline 2017 and 2022).

All German sites are ISO 50001-certified and a few sites have introduced initiatives to begin shifting towards this methodology. One of these sites – in Casablanca, Morocco – has reduced its electricity consumption by 20% since deploying an ambitious program.

Over 26% of the Group's environment-related investments in 2017 focused on making equipment and production lines more energy efficient, for example by replacing air compressors and cooling towers or installing highly energy-efficient motors.

Several of the Group's factories, depending on local energy prices, have taken steps to replace traditional lightings with more energy efficient LED lighting. The Purchasing Department is looking into ways to encourage the use of service providers offering to finance these initiatives.

Some countries also use renewable energy. For example:

- Cortaillod (Switzerland) has installed solar panels;
- Suzhou (China) has put in a solar heating system;
- Buizingen (Belgium) has installed two 2 MW wind turbines, resulting in savings of €200,000 a year;
- the Lebanon site has installed solar panels that have been in operation since June 2017. The renewable energy they produce is expected to eventually cover 10% of its electricity consumption.

## Waste management

The management of waste from manufacturing processes, an issue central to the shift towards a circular economy model, is one of the 12 CSR ambitions. The Group has two main objectives:

- Reducing waste: production waste is monitored monthly by each individual site and consolidated by the Group Industrial Management Department. In 2017, the proportion of production waste per tonne of cable produced was 3.9% (5.6% in 2016);
- Increasing our waste recycling rate, through sorting, recovery, treatment and recycling:
  - **Sorting and recovery** - All sites have put in place a waste sorting program at source (for wood, cardboard, metals, etc.) and wherever possible production waste is re-used directly on site as a secondary raw material. Hazardous waste (which requires specific processing) is identified, sorted and then processed by specially authorized service providers in accordance with the applicable local rules and regulations.
  - **Processing and recycling** - The Group recycles a portion of its manufacturing waste, notably through RecyCâbles, a company in which it owns a 36% interest. In 2017, it recycled 14,720 tonnes of cable waste (13,355 in 2016). In late 2017, the Group launched Nexans Recycling Services, which enables its customers and partners to recover and dispose of their waste copper and aluminum cables.

In the fight against food waste, Nexans has taken strong action to monitor its catering service providers in the main countries where it operates. This policy consists in measuring the performance of current suppliers through environmental and HR performance indicators and in using evaluation criteria to rate supplier proposals in the bidding process for catering services. Of all the indicators measured, Nexans focuses on the reduction of resources used, waste reduction and management and food waste monitoring

## Conserving biodiversity

The Group's manufacturing operations only have a limited impact on biodiversity. To date, no major impact on biodiversity at Group sites has been reported.

Nevertheless, biodiversity is taken into account for each new facility construction project and cable laying or removal operation. Certain sites have put in place biodiversity conservation initiatives. For example, measures to protect swallow nests on site grounds have been implemented in the Aisne region in France, while a river basin protection campaign has been initiated in the Rhone region.

In another measure, bee hives were installed at the new site of the Group's new registered office. Activities will be organized to raise the awareness of employees and their families as to the life and role of bees in our ecosystem.

### 4.1.1.4. REDUCING THE IMPACT OF OUR BUSINESS ACTIVITY ON THE CLIMATE

Due to the low carbon intensity of its operations, the Group is not subject to European carbon emissions quotas but, in its support for the climate, it measures its emissions of greenhouse gases (GHGs) annually on a worldwide basis via the following indicators:

- emissions related to the use of fossil fuels and fugitive GHG emissions (scope 1);
  - indirect emissions related to the purchase of electricity and steam (scope 2);
  - emissions arising from waste management (partial scope 3).
- The Group is working to expand its coverage of scope 3 to significant sources of emissions, such as the purchasing and transportation of raw materials, the transportation of products, use of products and the end of their useful life.

The Group's target is to reduce total greenhouse gas emissions 5% by 2022. GHG emissions were reduced by 2.70% in 2017 (versus 0.83% between 2015 and 2016).

For example, Belgian sites have all signed regional industry-level agreements that set targets for reducing GHG emissions.

The Group brings concrete responses that span every phase of its business activities to reduce the carbon impact of products throughout their life cycle.

Its approach to low-carbon production includes measures that aim to:

- improve energy efficiency;
- optimize resources;
- use recycled materials;
- reduce waste.

The main source of direct GHG emissions within the Group is energy consumption. Measures taken to improve energy efficiency at sites and the use of renewable energy are outlined in section 4.1.1.3., Conserving resources.

CFC and HCFC emissions are monitored through air conditioning systems in compliance with local regulations. An R22 replacement program is under way at sites that use these air conditioning units. The use of SF6 is strictly reserved for the laboratories of test of the high voltage cables. The Group set of procedures to control its use, to avoid any leaks, to substitute it and to reduce it.

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To tackle emissions generated by employee travel, the Group has rolled out a policy to limit this form of travel and reduce its impact. Remote communication tools are available at most sites to limit unnecessary travel so that employees from around the world can easily communicate with each other (videoconferencing, teleconferencing, etc.).

In addition, local initiatives have been taken to encourage employees to reduce their emissions during their commute. In France, Nexans promotes the use of energy-efficient service vehicles on lease and offers sales employees training in environmentally friendly driving techniques. The Group's

registered office provides an electric car and electric bicycles for employees to use. Employees are partially reimbursed for their public transport passes, while employees at the Group's registered office can benefit from a program encouraging them to work remotely.

### Climate change risks

Every year, the Group's property insurer visits production sites to assess risks, including risks related to climate change (see Chapter 3, Main risk factors and risk management within the Group).

## 4.1.2. Limiting the environmental impact of our products

### 4.1.2.1. PROMOTING ECODESIGN

In 2014, an ecodesign test project led to the launch of the new EDRMAX by Nexans™ medium-voltage cable, which has since won two ecodesign awards.

Building on this success, Nexans continued to roll out its ecodesign program at other Group units in two ways:

- a qualitative approach taking into consideration the different stages in product life cycles;
- a global, quantitative approach based on life cycle assessments in line with ISO 14040 and 14044.

Incorporating these two programs into the environmental management system also contributes to meeting the requirements of ISO 14001:2015 by integrating life cycle aspects into product design.

### Circular economy

The circular economy features in the Group's CSR policy as one of the main ambitions. This model aims to limit the consumption of resources by implementing a close-loop system for materials and resources.

Within the Group, circular economy policy focuses on:

- increasing the use of recycled materials in products from internal or external sources;
- reducing the amount of raw materials used in products;
- providing recycling services to customers.

The use of renewable resources in products, such as biosourced materials, was measured but is currently limited for two main reasons:

- inadequate technical properties prevent cables from meeting the specific required level in standards;
- mixed environmental impact of biosourced products. For example, the environmental advantages of biopolymers (reducing climate impact or consumption of resources) are generally offset by a rise in other environmental indicators (water consumption, water toxicity, energy consumption).

### Life cycle assessment of products

The Group assesses the environmental impact of some of its products, at every stage in their life cycle, covering the extraction of raw materials used in their composition, manufacturing, distribution, installation, use and scrapping or recycling.

To conduct life cycle assessments of products, the Group uses the PEP (Product Environmental Profile) methodology developed by the PEPecopassport® program, of which Nexans France is a founding member.

This program meets ISO 14025 concerning type III environmental declarations, which provide the findings of the assessment of the product's environmental impact.

The PEP, or Product Environmental Profile, applies:

- recognized methodology based on ISO 14040 standards that define the principles, framework, requirements and guidelines for best practices in life cycle assessment;
- product category rules in line with ISO 14025 and defined jointly with other electrical and electronic equipment manufacturers;

- internationally recognized methodology used to determine life cycle impact assessments (CML), with indicators that comply with the EN 15804 standard and include nine environmental indicators (including global warming, water scarcity, water and air pollution) and 18 indicators to monitor consumption of energy, water, waste, etc.

Each PEP is checked by an independent verifier accredited by the PEPecopassport® program.

To date, Nexans has registered 45 PEPs to cover nearly a thousand product references (19 PEPs registered in 2017 covering 42 references), essentially on the markets in France, Belgium and Germany, as well as the United States and Norway. In the United States and France, these environmental declarations are mainly used to obtain environmental certification for buildings, such as the LEED® program and the E+/C- label for energy-positive, low-carbon buildings.

### Product use

The EcoCalculator was developed for our customers to help them identify cables combining energy efficiency, CO<sub>2</sub> emissions reduction and personal safety. Users select the technical features and the solution suggests the cable best suited to minimize energy losses due to heating effects. The EcoCalculator calculates the kWh, use phase CO<sub>2</sub> emissions, savings, return on investment and the end benefit of the particular facility. Halogen-free alternatives are suggested whenever possible to improve fire safety.

### Product life cycle

Group products have long life cycles (generally lasting several decades) as they are by nature used in long-term infrastructure. This feature reduces the relevance of product obsolescence for Nexans. However, the Group works to improve product life cycles to further minimize their environmental impact. For example, the Group performs a wide range of tests to measure, improve and estimate the life cycle of materials used to make the end cable and full cables, in compliance with product standards.

All cables have their own aging procedures to measure and estimate the life of cables (UV resistance, resistance to ozone, sea mist test, thermal aging, resistance to fluids, alternative or continuous electric performance at high temperatures, etc.).

The Technology and Innovation Department works with universities and private companies to improve the life cycle of products.

## End of product life - Recycling

Taking a circular economy approach, products and their parts are recycled at the end of the product's useful life.

As an industry pioneer in recycling, the Group offers customers and partners its Recycling Services range, a comprehensive solution for recovering and disposing of copper and aluminum cables.

## 4.1.2.2. DRIVING THE ENERGY TRANSITION

As a global player in cables and cabling systems, Nexans draws on its expertise and innovation capacity to advance towards the energy transition. Climate change is a key issue for Nexans, which brings concrete responses that span every phase of its business activities to reduce the carbon impact of products throughout their life cycle.

In signing the French Business Climate Pledge in December 2017, alongside 90 other French organizations, the Group reiterated the commitments it made at COP21 to fight climate change.

### Innovative products

#### Developing zero-carbon electricity

As a partner to large-scale projects, the Group secures the operation of wind turbines with cables that can resist twisting and the most severe weather conditions. Nexans optimizes the life and yield of photovoltaic installations, and collects and channels the electricity generated with minimum loss. As world leader in submarine applications, Nexans is stepping up its research and development efforts in hydraulic energy.

#### Adapting electricity transmission and distribution

The Group helps meet growing worldwide demand by facilitating the integration of renewable energy production and electricity exchanges between countries, and by improving grid resilience and energy efficiency through safer solutions for powering cities. Nexans provides solutions to interconnect networks, secure the power supply, develop installed solar and wind capacity and supply energy to islands and offshore facilities.

#### Reducing energy consumption and emissions from transport

To reduce the weight of vehicles and therefore their energy consumption, Nexans develops finer, more lightweight cables. The Group contributes to the development of electric mobility with cable solutions that allow the engine in hybrid and electric vehicles to operate. In partnership with the startup G2mobility, Nexans offers a comprehensive solution to facilitate the rollout of smart charging infrastructure for electric cars.



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### Improving the energy efficiency of buildings and data centers

Nexans assists in the construction and renovation of sustainable buildings. Its approach combines safety, energy efficiency and a limited environmental footprint. The EcoCalculator application helps professionals select the best low voltage cable solution for improving energy efficiency, reducing environmental impact and ensuring fire safety. Nexans cables also optimize the energy efficiency of data centers.

### Bringing electrical power to more people

Access to electricity is a challenge for the economic development of emerging countries. But providing this access also offers the opportunity to take action to protect the climate by reducing deforestation and fossil energy consumption. The Group supports large-scale electrification programs in emerging countries through a simple, complete and easy-to-manage offer. In addition, the Nexans Foundation supports access to carbon-free electricity for disadvantaged communities.

### 4.1.2.3. REDUCING THE USE OF CHEMICAL SUBSTANCES

The use of chemical substances is managed by the Technology and Innovation Department, which works with a network of local, regularly trained representatives.

#### Hazardous substances

Nexans' products must comply with laws on chemical substances, in particular REACH regulations, which aim to improve protection of human health and the environment. In 2017, the Group continued its action to comply with and uphold these regulations:

- **Anticipate:** by identifying chemicals currently being assessed at the European level and participating in the European consultations by managing the use of these substances at our factories and in our products. Twice a year, the Technology and Innovation Department issues an internal roadmap on the substances used at Nexans and for which Europe has launched a process to assess the risk of a change in classification or restriction in use.

- **Innovate:** several research programs were initiated to find innovative solutions to replace substances that could potentially be subject to restriction or authorization under REACH regulations.

- **Communicate:** through dialogue with its suppliers, the Group maintained its strict monitoring of the composition of raw materials used to manufacture its products. Nexans also continued to roll out its Nexans Tracker tool, which provides information and full traceability of substances defined as dangerous by REACH that are contained in finished products. This tool provides customers with easy access to information on any dangerous substance on the REACH authorization list that could be present in products. Information is updated in real time in line with EU regulations so that customers always have access to the most recent developments.

The other major piece of legislation on the use of certain hazardous substances in electrical and electronic equipment is the RoHS Directive (Restriction of Hazardous Substances – Directive 2011/65/EC). An extremely small number of Nexans products fall within the scope of application of this European directive and all these products meet directive standards.

#### Environmental disclosures

In addition to its legal obligations to disclose information about dangerous substances covered by REACH regulations, Nexans also provides other environmental information on its products in the ECO Material Declaration and Product Environmental Profile (PEP).

ECO Material Declaration is an environmental communication format developed by Europacable, the trade association for Europe's leading cable manufacturers. The ECO Material Declaration is used to provide customers with information on the general composition of cables, their compliance with REACH regulations or the RoHS Directive and other environmental aspects (product-related emissions, end-of-life, packaging).

## 4.1.3. Data compilation methodology for environmental indicators

The environmental indicators are presented in section 4.4.

The Group's environmental data is tracked, analyzed and consolidated by the Group Industrial Management Department. The information disclosed in section 4.1. above is based on environmental data collected annually, by entity, through an internal data collection system (EMP – Environmental Management Plan), as well as discussions with teams during site visits and internal audits.

If an error is brought to the attention of the person in charge of the Group's environmental reporting process, only he or she can make the necessary changes.

If an indicator has already been officially published (Management Report), it will not be amended after the fact in subsequent publications (comparison table). However, a footnote will be added for the indicator showing the change and the reason for it.

**Scope** - The scope of consolidation for the environmental data covers all of the Group's manufacturing sites (88 sites) and covers companies that are over 50%-held by the Company, either directly or indirectly. Sites acquired in year Y are included in the scope of environmental reporting in year Y+1. Administrative and logistics sites are not included in the scope of consolidation as their environmental impact is not significant.

Where information is provided on resource consumption per tonne of cable produced, the scope is limited to the Group's cable entities (excluding harnesses, accessories and metallurgy), corresponding to 51 sites.

**Referential** - The indicators referred to are based on the Group's standard definitions set out in the Group Environmental Manual.

Definitions of key indicators used:

**Energy consumption** - Fuel oil consumption corresponds to purchases of fuel oil made during the year rather than actual consumption.

**Raw materials** - Use of solvents corresponds to purchases of solvents made during the year rather than actual consumption.

**Waste production** - Waste sent by one Nexans manufacturing site to another Nexans site – whether for recycling or not – is counted as waste. Waste is counted as such once it leaves the site where it was generated.

**Controls** - Consistency controls are performed by entities when data is entered and by the Group at the end of the data collection process. Any inconsistency in data is discussed with the entities concerned, and corrected as necessary.

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## 4.2. Social approach

The Group's social approach is a key focus of its CSR policy and one of its four CSR priorities. It covers employee related issues and targets workplace health and safety, human capital and CSR awareness.

These targets are in line with the Sustainable Development Goals set by the United Nations, which the Group adopted in 2008.

Workplace health and safety is an absolute priority and a fundamental value upheld at all times by the Group. With a dedicated structure, a worldwide network of HSE representatives, defined and shared standards, specific programs and action plans, progress was made and must continue in this area.

Regarding human capital, in 2017, the Group capitalized on the work accomplished in previous years to support employee development: a performance appraisal system that follows management cycles, evaluations based on 360° feedback, more structured succession plans and individual development plans.

Meanwhile, the Group expanded its skills development scheme for all staff members. A comprehensive leadership program covering the needs of employees ranging from high-potential young leaders to Group senior managers, and a management basics course called *Manage Me Up*, are now available.

The Group developed programs to build business expertise through academies featuring e-learning programs, particularly in finance and purchasing, to close skill and knowledge gaps. Certifications and microlearning certificates are delivered on completion of these programs.

Programs to develop individual skills and employability were rolled out at each site and in each country based on needs and operational priorities. In some cases, these programs can lead to professional certification.

Aware that employee dedication is crucial to enhancing performance, the Group continued to develop additional projects designed to motivate employees. Based on the most recent opinion poll conducted in 2016, action plans were implemented across all Group entities in 2017, laying out nearly 600 initiatives. In Europe, employee forums were held

at most sites to take a hands-on approach to developing action plans to improve working conditions, smooth communication pathways and bring meaning to the contribution of each individual.

RewYre, a collective adventure addressing Generation Y, was led in the form of "DiscoverY" expeditions to better understand the expectations of younger individuals, come up with ideas and launch trial projects. Four main development topics were selected for these expeditions: recognition, feeling of belonging, learning organization and collaboration. The takeaways from each idea are then shared with others.

In the area of recognition, the Nexans Remarkable People awards, organized to applaud outstanding individual or collective achievements, was carried into its second successful year: 218 cases were reviewed by the selection committees and 75 employees received awards.

These employee engagement and sharing plans have played an integral role in the Group's transformation plan and are central to the social dialogue exercise conducted with employee representative bodies and all employees.

As part of the Group's digital transformation, four projects were launched to develop the factory of the future, customers, employees and the range of products and services. Under this program, Nexans continued rolling out its global HR IT system<sup>(1)</sup> in 2017, adding new functions for managers and other staff members (performance appraisal, recruitment, employee profile, talent management and individual development plans) to promote dialogue and monitor processes.

These plans are in keeping with Nexans' strategy to become a learning organization, where each employee can play an active role in his or her personal development, a diverse organization, concerned about individual well-being and safety at the workplace, and capable of attracting the talent the Group needs for its future growth.

Human Resources strategy is a key focus within the Group's transformation plan, which empowers the men and women of Nexans every day to achieve its mission of bringing energy and information to the people of the world and thus play a role in building bonds within society.

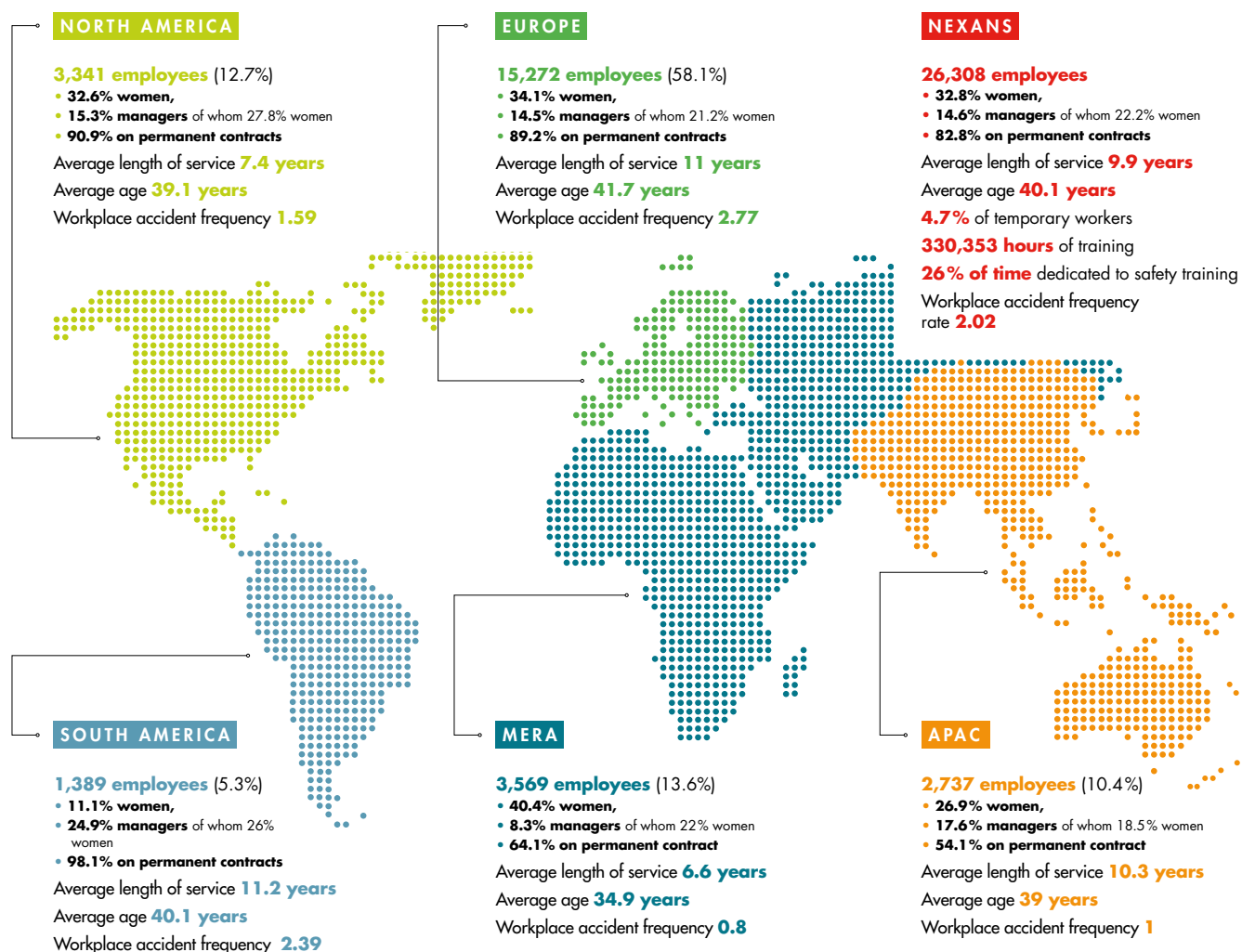
(1) HR IT: Human Resources Information Technology.

## 4.2.1. Taking action with and for our employees

At December 31, 2017, the Group's 26,308 employees (26,258 in 2016) broke down as follows:

- its international scope: 89% of the Group's employees work outside France and 42% work outside Europe;
- a substantial proportion of headcount (15%) made up of executives, engineers or equivalent;
- proportion of women within the Group of 33%;
- a high proportion of employees in full-time employment (98%), on permanent contracts (83%).

The proportion of managers and engineers has increased by 3 points and represents 15% of headcount, of which 22% are women.



Definition of the workplace accident frequency rate: see section 4.2.3.

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Group hires by age bracket broke down as follows in 2017: 58% of employees were under 30, a total of 27% were between 31 and 40, another 12% were between 41 and 50 and 4% were over 50.

Average length of service for the Group's employees was 9.9 years, stable compared with 2016, for an average age of 40.1 years.

Monitoring absenteeism is a key element of management. In 2017, the Group's absenteeism rate stood at 5.9%. It stabilized at 4.4% for Cables and 8.4% for the Harness business.

In 2017, 17.2% of the Group's total headcount were on fixed-term contracts. 4.7% of temporary workers increased the total headcount in 2017.

Overtime accounted for 6% of total hours worked.

## 4.2.2. Management, development and accountability at every level

To achieve operational excellence and develop products and services to stand out in globalizing markets, the Group upholds its policy to attract, retain and develop talent. Nexans has set up a number of initiatives to welcome its new employees and works continuously to provide an environment and development opportunities that will allow its employees to grow professionally and enhance their skills.

The Group has designed and continues to expand a range of training programs (professional, technical, managerial, personal development) to support its employees and foster individual motivation and drive. Migrating its training programs to digital format remains a constant priority to guarantee equal access for all employees.

In addition, new development experiences are persistently pursued, such as special projects in multi-cultural groups, opportunities to temporarily trade job positions, or mobility to new job functions and/or geographic locations. The Group is focusing on developing this mobility to guide its employees towards greater agility and open-mindedness. In an initial phase set for 2018, managers will be able to post their profile and expertise online to enhance their visibility and better take advantage of career opportunities.

### 4.2.2.1. ATTRACTING AND DEVELOPING TALENT

The Group aims to develop its internal resources over the long term and gain the new competencies needed to attain its strategic plans.

#### Attracting talent

To attract new talent, enable the Group to design new products and services, and create value in other ways than through its products, Nexans also invests in its employer branding strategy to develop a clearer, more attractive image on social media and communicate the values of a modern, agile and sustainable manufacturing company.

In keeping with this philosophy, the Group developed a Volunteering for International Experience (VIE) program managed by Business France. This program provides the opportunity for young people aged 18 to 28 to take an assignment from six to 24 months at an overseas subsidiary of a French company. At December 31, 2017, the Group had 25 employees working under the VIE program in ten countries (Belgium, Brazil, Chile, Germany, Morocco, Norway, South Korea, Switzerland, United Kingdom and United States). About 50% of these workers are recruited at the end of their assignment on either a local contract in the host country or in France.

Furthermore, a partnership with AIESEC, the largest student organization worldwide, was signed to offer foreign students 6- to 18 month internships. At end-2017, 12 interns worked at the Group's registered office.

Below are two examples of valuable initiatives:

#### **BUSINESS GAME IN GERMANY**

In December 2017, a business game called the 48-Hour Challenge was organized at the Hannover site in Germany. About 20 students from different departments at Leibniz Universität Hannover participated in this two-day business game event. Employer branding was the focus of the game, and students were asked to work on a specific issue: How to create a strong employer brand image in Hannover, and more broadly in Germany. Over the course of the game, students had the opportunity to attend presentations, participate in project management training, visit the Hannover site and of course work in small groups on the issue at hand. The jury awarded a prize to the team with the best proposal.

#### **INDUCTION PROGRAM – Example of Europe**

The Induction Program is the occasion for new employees to come together for three days at the Group's registered office. The program gives them the opportunity to develop a feeling of belonging to the organization and recognition for the importance of newcomers, to create an internal network with coworkers from other departments, entities and countries, and to understand Group history, products, markets, structure, values, policies and processes. During this three-day event, new employees are given the opportunity to meet Group senior managers, participate in working groups, answer questionnaires, attend presentations, visit a factory and take part in activities to build team spirit. About 100 new employees were able to participate in this program in 2017.

### **Developing managerial talent**

Several years ago, the Group implemented a talent review process (SPID) applicable to all levels of the organization. This process is used to identify employees with the capacity and drive to advance through different levels of the organization or gain specific expertise, and to prepare them to realize their full potential. At this time the Group also introduced a talent management module into its HR software suite (My Click Talent) to aid Human Resources and managers in supporting employees' professional development. For example, a structured succession planning process for key Group positions involves managers in the career development of their employees while raising their awareness to long-term skills planning, or gender and cultural (nationality) diversity of their teams.

To support its goals (80% of top managers were promoted internally), the Group has led an intensive leadership program since 2009, Leading in a Global Nexans. Two versions of the program were developed to:

- Welcome the youngest future managers (LGN 2.0);

- Include experience outside Nexans borders (learning expeditions);
- Work on a project basis to enable managers to co-create initiatives that can be duplicated within the Group (Employer Brand, Manage Me Up, etc.);
- Boost the diversity (in terms of gender, nationality, background) of future managers.

To date, over 350 people have benefited from these programs that aim to enhance career development and personal skills.

#### **4.2.2.2. DEVELOPING SKILLS AND CAREERS**

The diversity of professional backgrounds is also a key factor in managing employees at the Group. To improve this form of diversity, managers and their team members share various tools, including individual development plans (IDP), annual performance and career appraisals and systematic publication of vacant positions.

The Group's target is for 100% of managers to have an individual development plan by 2022 (72% in 2017).

Extensive resources are available for employees to guide them in creating these plans. Employees are responsible for writing their own development objectives and reviewing, with their line manager and Human Resources representative, the most appropriate solutions for workplace learning, mentoring, coaching and classroom or virtual training.

The Group places special emphasis on the skills described below.

#### **People management skills**

The Group wanted to create a solid base of people management fundamentals as an integral part of its continuous improvement policy. Quality people management, efficient routines and performance feedback provide powerful ways of guaranteeing long-term operational excellence.

That is why the Group developed the special program called Manage Me Up, which addresses all managers. Created by managers for managers, this four-day training course will be deployed worldwide in local languages. It aims to standardize managerial practices, foster a positive, shared culture, develop greater maturity in team management, and nurture attitudes and behavior to allow the Group to easily adapt and grow. This new managerial model based on unifying leadership must garner support from all employees for the Group's key objectives.

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As Arnaud Poupart-Lafarge states, “Our organization must gently adapt to this changing environment, full of new challenges for Nexans, and avoid letting internal friction impede efficiency. Improving managerial behavior will by definition immediately contribute to operational performance. So we will reinforce the development of our teams, who will in turn become better managers in the future. No one is born a good or bad manager. Managerial skill can and must be learned and put into practice.”

### Technical skills and excellence

Every major Group function is responsible for keeping its employees’ professional expertise up to date. In addition to local initiatives, there are Group-wide programs coordinated by academies (group of experts in charge of defining the basic training, experience and skills needed to fully understand a given field). Each function is also dedicated to developing a digital approach to implement its standards effectively.

For example:

#### PURCHASING ACADEMY

The Purchasing Department implemented a set of training courses to develop the strategic, business and interpersonal skills of its 300 employees. All purchasing employees can access the dedicated platform, which, based on their buyer profile, brings them up to speed with the defined model of purchasing expertise. A microlearning application is also available for download onto employees’ digital devices.

#### FINANCE ACADEMY

In 2017, the Finance Department significantly extended its range of professional development options with four new business certification programs in a blended learning format, covering metal management, cash and forex management, accounting and transactional finance, and management control. 50 finance modules were developed by Group experts for 200 finance professionals, who will benefit from a comprehensive learning environment in terms of both available content and learning experience.

To lead this project, Nexans brought together a multidisciplinary team drawing on the Group’s HR development engineering, and finance and digital/rich media expertise.

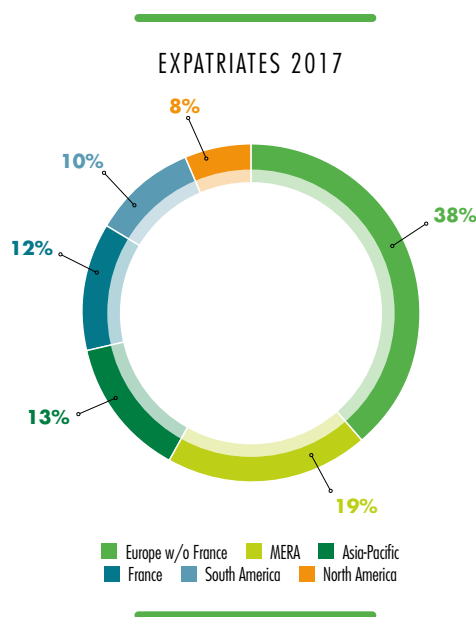
### International mobility

Active in 34 countries, Nexans promotes international mobility for the professional development of its managers. This policy also provides a means of retaining talent, transferring expertise, relaying the Group’s corporate values throughout the world, and bringing our international customers Group representatives with a global perspective.

At end-2017, 79 employees were on international mobility assignments, all of whom were covered by one of two versions of a formal policy – one for within Europe and one for outside Europe – which ensures equal treatment for all participants in the mobility program.

Most of the international mobility positions were in Industry, accounting for 23% of expatriates in 2017, followed by Finance with 13%.

Average length of service for expatriates in the Group is 13 years.



### 4.2.2.3. GROUP TRAINING POLICY

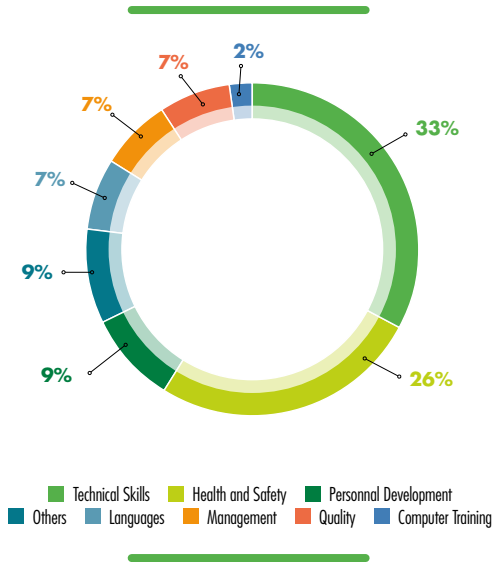
Training is a key issue for Nexans and its employees, and is an important factor, in addition to those mentioned above, in its approach to skills development.

The Group’s continuous improvement policy reinforces this choice to provide employees with the means to adapt to their business, expand and develop their knowledge, reward their curiosity, and enhance their employability.

At end-2017, the total time devoted to training (in the workplace or outside the Company) amounted to 330,353 hours, of which the Cables business accounted for 78%.

For whole Group, a total of 16,069 employees (over 61% of the Group’s average headcount in 2017) followed one or more training courses during the year, representing an average of 25 hours’ training per employee in 2017. Managers represented 16% of the total training numbers.

As in 2016, the theme-based breakdown of training time in the pie chart highlights the considerable effort to develop courses concerning workplace health and safety, which represents 26% of training delivered.



Various local and global training programs are led simultaneously to account for the diversity of the Group's sites. For global programs, in addition to supporting functions and academies, Nexans University also provides support to its people during business transformation programs, promotes knowledge management and helps disseminate best practices. Nexans University supports operational staff in designing training programs in all areas and for all levels, including skills-based training for operators in the Group's core businesses (extrusion, metallurgy, etc.), as well as training in technical, support services and managerial domains. Special expertise is provided for course design techniques, in-house train-the-trainer programs, selection of service providers, and digital technology applied to knowledge transfer.

For example:

#### NEW'S CHAMPIONS

To support the rollout of NEW (Nexans Excellence Way), in 2017 Nexans University opened two regional academies, one in APAC and one in MERA, to develop "continuous improvement champions". These champions magnify training efforts to reach the degree of granularity necessary for continuous improvement schemes to truly take hold. Nine classes were opened in 2017, with 137 participants from production and support functions.

#### QUALITY-Example of Lebanon

Nexans Lebanon wanted to bolster its efforts in quality management. A general 55-hour training program for all Quality operators was organized in 2017, with 130 employees enrolled. In turn, Quality department staff members themselves turned into trainers to organize and share their knowledge. Based on the success of this first experiment, Nexans Lebanon has decided to train even more in-house trainers to further drive knowledge sharing and professional expertise. Ten managers were trained to lead classes (two days of training) and 24 took a continuous improvement training course.

#### 4.2.2.4. COMPENSATION, BENEFITS AND EMPLOYEE SHARE OWNERSHIP

The main underlying goals of the Group's compensation policy are to strengthen employees' commitment, reward skills acquisition and encourage individual and collective performance.

##### Compensation policy

The Group's compensation policy is driven by the principles of competitiveness on local markets, fairness within the organization and differentiating compensation based on performance to attract, motivate and help employees grow.

It aims to ensure that the Group's entities offer fair and competitive compensation packages by providing for regular and systematic use of compensation surveys and for salary increase budgets to be set in line with local market trends in each country concerned. This policy is adapted in every country where Nexans operates, in line with local legislation (collective bargaining, application of industry-wide collective agreements on compensation, etc.).



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Gender equality has received special emphasis, especially in France in application of the agreement signed on this issue.

For the Group's managers, the compensation policy is underpinned by a worldwide job classification system (Nexans Grading System). Initiated in 2011, this system is now fully rolled out and updated regularly, and serves as a reference for Human Resources programs.

In accordance with the Group's policy, compensation structure may include fixed and variable components.

Short-term variable compensation (for managerial and specialist staff) is based on target amounts which may represent up to 50% of the employee's basic annual salary (depending on his or her level of responsibility). The amount of variable compensation actually paid is calculated by reference to the achievement of both individual and Group objectives.

Individual salary raises of fixed compensation are granted based on the set budget, each employee's pay positioning by reference to both the market and in-house practices. They also take into account assessments of employees' actual and potential performance as well as the skills they have acquired and demonstrated.

Information on the Group's total payroll and its changes is available in the parent company financial statements (wages and salaries) published in the registration document.

The Group's long-term compensation policy is aligned with Nexans' three-year strategic objectives. The policy is based on the following:

- For senior managers – a mix of performance shares and long-term bonuses, the vesting/payment of which are contingent on the Group's share performance and financial performance as assessed at the end of a three-year period.
- For other high-potential managers, or managers who have made an exceptional contribution – free shares are granted with the aim of giving them a stake in the Group's future performance and providing them with a differentiated form of compensation.

The Group is convinced that CSR contributes to the company's overall performance. Following the example of the Chief Executive Officer (see section 2.5.4.2., Variable compensation of the Chief Executive Officer), the Group plans to integrate CSR objectives into the variable, performance-based compensation for all management and executive staff by 2022.

## Employee benefits

Employee benefits are an essential component of the Group's compensation system and reflect the different needs of its employees.

As employee benefit plans can vary significantly from one country to the next due to different levels of employee benefits and tax and legal regulations, Nexans tailors its employee benefits programs to each country.

All compensation and employee benefit policies comply with local regulations and agreements.

They include employee savings plans, in particular the International Group Savings Plan introduced in 2001 and available in all countries. In France, employees also have access to a Group Savings Plan and employer contributions from Nexans France paid on top of the amounts they invest.

The collective retirement savings plan (PERCO), created in France in 2011, enables employees to save for retirement with the support of the Company, primarily in the form of employer contributions.

## Employee share ownership

Nexans firmly believes that employee share ownership provides a powerful means of strengthening a company's financial and human capital, turning employee shareholders into long-term partners.

Since 2002, Nexans has offered employees the opportunity to buy stock in the Company every two years.

This employee share ownership plan reflects not only the Group's policy of incentivizing employees but also rewarding them for contributing to its growth every day.

At December 31, 2017, 18% of Group employees owned shares in Nexans, representing 3.34% of the share capital.

### Act 2012

The share ownership plan Act 2012 reached maturity in 2017 after a five-year holding period. Employee share owners were then given the option of cashing in on their investment and the realized gains, or keeping the funds in the Group's Savings Plan through the corporate mutual fund invested in Nexans shares. Nearly 30% of assets remained invested in Nexans shares.

## 4.2.3. An active workplace health and safety policy

«**SAFETY FIRST! Think Safe, Act Safe, Be Safe**», such is the commitment of Nexans carried to the highest level decision making.

Employee health and safety is an absolute priority for the Group, both in relation to its own employees and those of all its partners (subcontractors, temporary staff, customers, etc.) fully part of the Group's core Values. Workplace health and safety is a key performance indicator covered by the CSR ambitions and an integral part of the managerial routines.

With a view to encouraging risk prevention, in 2008 the Group set up a dedicated Health and Safety unit reporting to the Industrial Management Department which relays health and safety standards and implements related initiatives across the Group through a network of HSE representatives.

### 4.2.3.1. WORKPLACE SAFETY

The Group has put in place the following programs and initiatives:

#### Safety Standards

In view of the main risks inherent in its business, the Group has defined a set of basic rules to guarantee its employees' safety. These rules cover technical aspects (handling of cable drums, electric testing, etc.), methodology (maintenance rules, consignment, etc.) and behavior described below:

**The Basic Safety Tools** used by operations teams with the support of the HSE and Continuous Improvement teams (as part of the Nexans Excellence Way program) include:

- Job Safety Analysis (JSA) to analyze tasks performed, identify risks of exposure and determine corrective measures;
- Safe and Un-Safe Act (SUSA) to report safety problems and suggestions;
- Safety Proactivity to calculate performance criteria by monitoring the number of issues resolved compared with the number of issues observed.

#### Alert Management System (AMS)

The Group made the 8D problem solving methodology the standard for analyzing all accidents involving lost working time. Each accident analysis is shared in the Group-wide Alert Management System base (AMS), which is used to manage alerts in real time and generate flash reports to be distributed to all employees.

This system was considerably improved in 2017: unlimited access and global information sharing, simplification of flash reports, guarantee that alerts are sent to all members of the QHSE network, site managers, manufacturing managers and top management (for serious or near-miss serious accidents).

#### Measures implemented

In addition to the safety standards described above, Nexans defined in 2016 its 15 Safety Golden Rules, which mainly address behavior and must be applied at all Group sites. They were defined based on an analysis of the main risks and most serious or common types of accidents. The rules mainly cover drum storage, handling, work at height, traffic flow, wearing required protective equipment, etc.

Every quarter, the Group's overall compliance is measured and analyzed to determine any potential cases of non-compliance. Each site then defines corrective measures to meet the requirements of each golden rule.

At end-2017, the Group's overall compliance came to 95%.

Since 2014, the Group has held its annual **Safety Day** event at all its sites. On September 11, 2017, all employees took part in a variety of activities focusing on workplace health and safety. Each site established a Safety Day Challenge, using a shared format, to set a goal for 2017 and the initiatives to be taken to reach this goal. The day provided an opportunity to remind each entity how important safety is and to share best practices through a specially created Group-wide forum that brings together all sites worldwide.

In 2017, the Group highlighted the involvement of management, behavior, and compliance with the 15 Safety Golden Rules. Several entities decided to devote an entire day to on-site working groups, with all employees, and managers, together focusing on topics such as analyzing risks, understanding working conditions in the field, using work equipment, environmentally friendly driving techniques, workstation ergonomics and first aid.

## Workplace Safety indicators

Despite the efforts made over the year, the total workplace accident frequency rate with lost working time increased slightly to 2.02 at end-2017, as against the target of 1.5. The Group clearly plans to continue its work on workplace health and safety in the years to come, and targets a frequency rate of 1 by 2022. However, the frequency rate has fallen by over 78% since 2010.

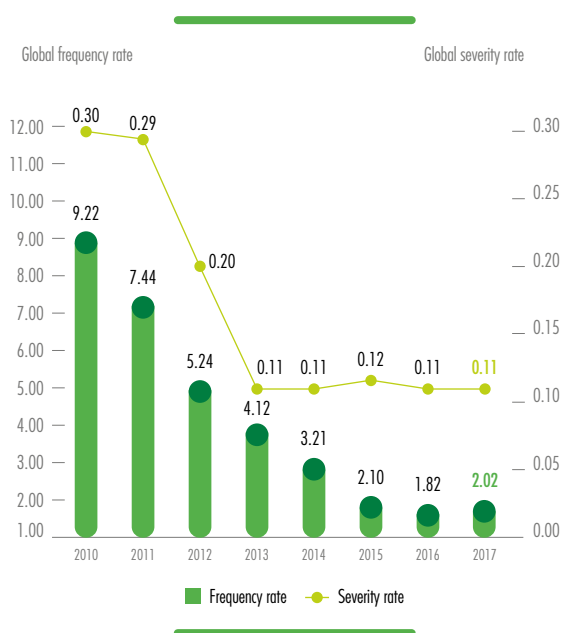
This frequency rate breaks down as follows:

- Frequency rate for internal employees: 1.80 (with 86 accidents)
- Frequency rate for external employees: 6.20 (with 15 accidents)

In 2017, 35 out of the 88 manufacturing sites (i.e., 40%) did not record any occupational accidents involving lost working time in excess of 24 hours. No fatal accidents occurred in any of the Group's sites.

Several sites have stood out as not having any significant accidents for a number of years. For example, the Tokyo Bay site in Japan, with over 4,000 days without any accidents, the Langhus site (Norway) and Amercable (US) with 2,000 days without any accidents, Eumseong (South Korea), Andrézieux (France) and Milton Keynes (United Kingdom) with over 1,500 days without any accidents. Out of 88 sites, 36, or 41%, have not had any significant accidents for a number of days equal to more than a year.

The Group's severity rate was stable at 0.11. The stability of this rate since 2013 testifies to the Group's vigilance towards workplace health and safety.



The definitions of the frequency rate and severity rate are included in section 4.4., Environmental and social indicators – CSR concordance tables.

40% of the manufacturing sites are OHSAS 18001 certified.

## Behaviour Based Safety

To further boost its safety performance, the Group is now developing a BBS, or Behavior-Based Safety, program.

A train-the-trainer session took place at the Cortaillod site in Switzerland in September 2017, representing the official launch of this program initially developed in Sweden to enable each employee to change habits based on mutual encouragement.

Communicating about behavior contributes to improving workplace safety performance. BBS methodology mainly involves practical exercises performed in workshops with HSE experts. They become real teachers who will then be responsible for developing this culture throughout their own sites.

### 4.2.3.1. WORKPLACE HEALTH

The main prevention measures cover risks involving manual handling, cable drums and/or strenuous movements and extrusion processes. Entities identify and monitor possible occupational illnesses according to their local legislation. Currently these figures are not consolidated at the Group level.

Given our activity, the following may be identified as occupational illnesses: musculoskeletal disorders, hearing problems and exposure of employees to chemical risks.

Some sites have started offering special workstation ergonomics awareness training sessions as well as regular check-ups for staff to monitor for musculoskeletal, cardiovascular and psychosocial issues. Other safety measures include the systematic use of personal protective equipment when risk assessments require it in certain site areas or workstations.

In addition to regular health check-ups, employees were surveyed to assess their stress level, exposure to noise pollution and hazardous substances, workstation ergonomics, etc., to prevent health and safety risks and invest in the appropriate equipment.

Along with its measures to reduce the risks of damage to employee health or loss of capacity to work, Nexans also takes local initiatives to support health education and public health programs.

These programs encourage employees to adopt healthy behavior on a day-to-day basis. They may involve:

- free health check-ups for employees in countries where access to health care is difficult or costly:
  - in Canada, Singapore, South Korea, the United States and Morocco, Nexans provides medical exams and vaccinations;

- encouraging physical activity and exercise by making sports equipment available:

- Nexans Sweden and Nexans UK offer access to a fitness room,
- Nexans USA provides a fitness coach for its employees,
- Nexans Lebanon gives quiz winners at its Safety Day a connected object that measures their physical activity;

- awareness and prevention campaigns (addictions, nutrition, cardiovascular diseases, etc.) that can be tailored to local priorities:

- Nexans Chile disseminates a Drug and Alcohol Charter and has introduced a Quality of Life improvement program,
- Nexans USA and Nexans Canada offer a well-being program with personalized monitoring and coaching.

Information on asbestos is provided in section 3.1.2.10., Asbestos.

## 4.2.4. Labor relations and social dialogue: a key component in change

Through its adherence to the Ten Principles of the Global Compact, Nexans demonstrates its vast support for freedom of association and collective bargaining as universal fundamental rights. Nexans employees agree to uphold local legislation at all times in every country where the Group operates and to develop internal the best labor standards for its employees.

The Code of Ethics and Business Conduct remains the Group's shared set of standards that applies to all its employees around the world. This Code of Ethics and Business Conduct is derived from the UN Global Compact Ten Principles, the Universal Declaration of Human Rights and international labor standards, especially those concerning forced labor and child labor.

Social dialogue is handled at country level by country managers and HR managers who work with employee representative bodies and labor unions. At the transnational level, the Nexans European Works Council (NEWCO) is responsible for most of Europe.

Social dialogue is also fully integrated into the Group's social reporting system.

As for obligations under the Labor Act no. 2016-1088 of August 8, 2016, related to work, the modernization of labor relations and job security, Nexans stays looking forward to the publication of the decree.

### 4.2.4.1. PROACTIVE SOCIAL DIALOGUE

Social dialogue and listening to employees are a central focus in the Group's transformation plan.

These priorities are reflected in the ambitious program to promote new forms of social dialogue with Group employees (employee forums, internal work groups, dealing with social irritants through site action plans, etc.) that continues being rolled out in Europe.

This innovative program has won several awards, including at the Ayming Business Performance Awards in November 2017 for its Shift economic and social transformation program (see section 4.2.6., Employee commitment and engagement).

It also strengthens the Group's corporate culture, which is based on the principles of collective free expression and mutual respect to maintain lasting, constructive collective labor relations with all employees and their representatives.

This commitment is relayed on a daily basis by local management with the employment representative bodies at Nexans' various entities, as well as at Group level through the European Works Council (NEWCO).

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In 2017, the Group's subsidiaries entered into over 50 agreements with employee representative bodies in 12 countries in all regions of the world. The main agreements signed during the year concerned the following topics:

- compensation and benefits (salaries, bonuses, profit sharing, etc.);
- organizational issues (skills and performance, job classifications, restructuring, etc.);
- working conditions (working time, training, paid leave, psychosocial risks, strenuous working conditions, non-discrimination, gender equality, etc.);
- health and safety.

#### 4.2.4.2. A EUROPEAN BODY FOCUSING ON SOCIAL DIALOGUE

Set up on July 16, 2003, the Nexans European Works Committee (NEWCO) is dedicated to sharing information, exchanging views and opinions, and discussing labor issues at European level.

It serves as a veritable cross-border body, with a role that is separate from but complementary to that of the national representative bodies and it has its own specific prerogatives.

Ordinary plenary meetings are held twice a year and it is informed, and if necessary consulted, on cross-border issues that have an impact on Group employees. NEWCO has a committee comprising four members (elected by their peers) which meets at least twice a year to prepare and review issues to be raised at the plenary meetings, as well as to discuss and share information with Group Management.

In 2017, NEWCO's employee representatives closely monitored the preparation of the Group's new five-year strategic plan for 2018-2022.

## 4.2.5. Diversity and equal treatment

Promoting diversity is a core Group commitment to its teams and professional environment.

The Group has set a target of 25% female managers by 2022 (22.9% in 2017).

With over 24 nationalities represented at the registered office, of which eight nationalities on the Management Council (36% of members are not French citizens), the Group's governance structure is rich in cultural diversity.

The Group places great importance on eliminating all forms of discrimination in terms of employment and professional activities (gender, age, race, political affiliation, religion, etc.) and pays special attention to professional equality, gender equality, the employment of seniors and young people, the employment of people with disabilities and access to training.

These principles are stated in the Group's Code of Ethics and Business Conduct, and its Human Resources policy, and are in line with the United Nations Global Compact, which Nexans joined in 2008.

**WOMEN IN NEXANS**

WIN (Women in Nexans) is a special program set up in 2016 to support women's professional development and form a Group-wide women's network. After a year of preparation, regional women's networks will be in place in early 2018.

A number of initiatives to support women's issues were organized in most countries for International Women's Day on March 8.

The Group's subsidiaries respect the applicable local legislation on the employment of people with disabilities and the Nexans

Code of Ethics and Business Conduct specifically prohibits all forms of discrimination based on health or disability.

**DISABILITY EMPLOYMENT WEEK**

In France, during European Disability Employment Week in November 2017, disability awareness workshops designed to change behavior (cooking and theater workshops, wellness massages by people with a disability) and a hotline service provided by an independent firm were again made available to employees at the Group's registered office and the Nexans France registered office.

## 4.2.6. Employee commitment and engagement

Employee commitment is vital to achieving operating excellence and meeting the Group's performance objectives.

Nexans has launched a number of initiatives over the past several years to engage all its employees and reinforce their feeling of belonging. This approach features both worldwide programs, such as Safety Day, and regional events, for example the launch of i-Day in Europe in 2017. i-Day is a digital event where nearly 4,000 ideas were collected by Group employees on a wide range of topics such as customer service, technological development, safety, communication and well-being at the workplace.

Local events also take place regularly at sites to open our organization to families (Family Day) and customers at sharing events held at manufacturing units.

Special focus is given to integration programs to teach people about the Group's culture and enable new employees to network in their first months on the job. Over the past 12 months, four three-day integration sessions were held at the Group's registered office, bringing together some 40 people from across Europe.

The engagement and outstanding contribution of certain employees is celebrated every year with the Nexans Remarkable People Program, which handed out awards to over 75 people in 2017.

**REMARKABLE PEOPLE**

The program confirmed its positive fundamental role within the Group, with 218 nominations submitted by Group managers who recognized the outstanding engagement and contribution of 75 employees. For that "Wow" effect.

A multidisciplinary selection committee reviewed the nominees and submitted a shortlist to the Management Board. The Board then decided which employees and/or groups of employees would receive the award.

This honor was then handed to the employee by a member of the Group's Management Council and widely covered in staff communication disseminated among all employees.

**Employee commitment**

The 2016 internal opinion survey was launched worldwide to assess how employees view topics related to their work life (management, organizational structure and operating efficiency, training and personal development, etc.). A Group action plan was implemented with the following key points:

- Bringing meaning to action through a shared vision;
- Becoming a learning organization;
- Promoting recognition and conditions for workplace well-being.

The employee engagement rate measured by the 2016 opinion survey stood at 72%. The Group aims to improve that rate by three points by 2022.

A platform designed to monitor the progress of action plans tallied some 600 initiatives launched in 2017 in about 30 countries were completed or being implemented by the end of June 2018.

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### South Korea/Day of Thanks

In October 2017, Nexans Korea launched Empathy Day. This one-hour monthly event offers managers and their teams the opportunity to discuss various issues to better understand the needs of employees and foster team unity. The initiative is the result of one of the ten action plans based on the 15 Golden Rules at Nexans following the 2016 Nexans opinion survey.

It helped build closer relationships between coworkers and better anticipate employees' future needs. The event marks a change in culture that combines South Korean culture with that of the Group.

### Live my life!

For one day, employees can climb a rung in the professional ladder, get a break from their usual workload, or learn about a job that they have always wondered or dreamed about, through the Live my life initiative launched under the RewYre project "Collaboration and crossing disciplines".

Employees can shadow a coworker for a day or half day, giving them the chance to ask questions, better grasp the involvement required by the position and learn about operational processes. This program also helps roll back some preconceived notions and form an objective opinion about jobs at Nexans, and, more importantly, better understand the duties and demands put on coworkers.

### France – Sweden – Germany: RewYre program

The findings of the internal opinion survey conducted in 2016 highlighted the low engagement of younger employees. A more in-depth qualitative survey was led in Europe to focus on Generation Y.

Dubbed "RewYre", the project aims to listen to this new generation of employees, and draw on their energy and creativity while getting them involved in the issues inherent to the company's transformation. The purpose is to come up with concrete ideas and new drivers to boost the engagement of the "Y" population, who represent the future of Nexans. An international consultation was launched to survey 60 Generation Y employees at different sites.

Within the scope of this continuous progress-oriented initiative, Nexans' next survey is scheduled to start in September 2018 to assess the headway made.

In addition to conducting this Group-wide survey, Nexans' European businesses continued their initiative of holding employee forums to strengthen relations with their employees. The purpose of these forums is to provide local staff with a platform for expression, with a view to working together on trouble-shooting, coming up with pragmatic solutions based on concrete experience and developing the site action plan hand in hand to improve working conditions and operating performance.

The European Human Resources Department organizes these forums at as many sites as possible in the region, more specifically the sites directly affected by the Group's transformation program.

### EUROPEAN EMPLOYEE FORUMS

Employee forums offer a special opportunity for sharing and dialogue to work towards success in transforming our professional practices. 29 employee forums have been held to date in nine European countries. Each forum has produced an action plan that has been monitored and widely disseminated among all staff. The program will continue in 2018, with all European sites covered by the end of the first quarter.

### Employee engagement

Transforming organizations and the professional practices of our staff while instilling a new managerial mindset to improve business, human resource and industrial performance requires engagement and commitment from a vast majority of employees.

An HR transformation program was implemented to bring together the ideal conditions for successfully leading this large-scale transformation in Europe, by getting unions and employee representative bodies involved early on in the process. The primary objectives of the program are to encourage the majority of employees to embrace the changes needed and significantly boost their engagement.

Helping people find ways of giving meaning to their work is a key component in this plan to deeply transform the Group's professional practices and foster engagement and commitment throughout the organization.

These five fundamental social and managerial drivers were developed to create an environment that promotes employee engagement, motivation and commitment:

- **Workplace safety and well-being:** *Achieving zero accidents involving lost working time and creating conditions that promote performance through the quality of the work environment.*
- **Recognition:** *Implementing a system of recognition including material and immaterial rewards to drive employee motivation and commitment, and defining principles and rules perceived as objectives by most employees.*
- **Social climate:** *Eliminating social irritants through proactive management, increasing productivity and efficiency and reducing absenteeism.*
- **Managerial practices:** *Developing close, high-quality collective and interpersonal communication practices and boosting team performance through human empowerment.*

- **Sociodynamic management model:** *Making transformation an integral part of work methods by bringing about a collective work ethic and accelerating the rollout of "technical" transformation modules.*

Several quantitative and qualitative indicators are used to measure the success of the social transformation program: Absenteeism rate, frequency rate, assessment of the social climate, workplace well-being, map of partners in labor dynamics, etc.

Social transformation is first and foremost a pragmatic and operational approach that involves unions and employee

representative bodies early on in the process. They become active participants who come up with creative solutions to deploy the program at each site, contributing to understanding the social context, determining potential drivers and obstacles and adapting tools. These bodies act as stakeholders in the operational implementation of the program, participating in periodic assessments of the social climate and quality of working life and in determining and monitoring the action taken.

By fostering interaction between the key players in the organization in these areas, we can develop the conditions needed to create a work environment in which everyone can identify ways to drive their own commitment and motivation.

## 4.2.7. Data compilation methodology for social indicators

Social indicators are presented in section 4.4.

The Group's social data is tracked, analyzed and consolidated by the Group Human Resources Department as follows:

- Quantitative social data is compiled in each country or entity on a quarterly basis via an internal data system and is then accessed using a business intelligence system. The data compilation process is subject to internal consistency checks. Data on health and safety is analyzed jointly with the Industrial Management Department. Headcount data is reconciled with the figures reported in the Finance Department's system and discussions may take place between the head office and the entities concerned in relation to other data.
- Qualitative social data is compiled both quarterly – via the internal system – and annually, through a questionnaire sent to each of the Group's countries. Discussions may take place on the information provided in this questionnaire in order to obtain further details and to fine-tune snapshot analyses of the Group's HR situation.

The scope of consolidation for the social data covers companies that are over 50%-held by the Company, either directly or indirectly. 2017 was the first year that Ghana and Ivory Coast were covered in reporting.

The Group's reporting process is based on a pre-defined timeline that is reiterated in the guide on definitions of the Group's social indicators which is sent at the beginning of each year to all contributors to the Group's HR reporting process.

If an error is brought to the attention of the person in charge of the Group's reporting process, only he or she can make the necessary changes. If an indicator has already been officially

published (Management Report), it will not be amended after the fact in subsequent publications (comparison table). However, a footnote will be added for the indicator showing the change and the reason for it.

Definitions of HR indicators:

- **Headcount:** This indicator includes employees who have an employment contract with the Group (permanent or fixed-term contracts, people on work placements and employees whose employment contract has been suspended).
- **Absenteeism rate:** This indicator is calculated based on the ratio of the number of hours' absence compared with the theoretical, contractual number of hours worked. The number of hours' absence includes absences for illness, work accidents or commuting accidents, maternity leave and unauthorized absences. It does not include absences that are longer than six months.
- **Workplace accident frequency and severity rates:** These indicators are calculated based on the actual number of hours worked, the number of workplace accidents with more than 24 hours of lost time and the number of calendar days lost due to workplace accidents. The frequency rate also takes into account fatal accidents when they occur. Note: This data is for Nexans employees and subcontractors.
- **Training hours:** The number of training hours includes hours of training delivered both at or outside Nexans sites. It does not include training taken outside working hours.

A number of calculation formulae are provided below the table on social indicators provided in section 4.4. of this document.



## 4.3. Societal approach

The undertakings given by the Group and formally documented in its Code of Ethics and Business Conduct are a clear demonstration of its intention to be a responsible corporate citizen.

### 4.3.1. Regional, economic and social impact of the Group's businesses

The Group's interaction on a regional level is based on fostering close links with local organizations and communities. Through the nature of its business, the Group contributes to local employment and therefore plays a role in regional development.

As reiterated in the Code of Ethics and Business Conduct, it places great importance on building up close ties with local and regional communities, economic and social players, universities, schools and training centers with a view to capitalizing on its strong local presence.

The Group also contributes to community projects and its subsidiaries' sites seek to forge high-quality relationships with their neighboring communities both financial and human resources to supporting non-profit organizations, aid programs, voluntary work, and partnerships with schools. The following are just a few examples of the initiatives supported in 2017:

- Local economic and industrial development projects organized through employer federations, chambers of commerce and industry and cooperatives. For example in South Korea, Nexans is represented by the country's Chamber of Commerce and Industry;
- Contribution to organizations that take measures to improve the environment (litter pick-up, recycling, energy spending awareness, pollution, etc.): For example, in South Korea, every year employees take part in cleaning the river near the site;
- Well-being programs for both employees and their families (addiction counseling, nutrition advice, sports facilities, massages, etc.) and sponsorship of disease control and disaster relief organizations;
- Higher education: Most countries work with universities and technical schools to train students with the plan of eventually hiring them as interns, recruiting young talent to take on professional positions and developing the image of Nexans:
  - In Italy, the innovative Special Stage charity project is the first music contest to take place at hospitals in cooperation with young musicians,
  - In South Korea, different initiatives are organized to support the elderly, the needy and orphans,
  - In Chester in the United States, several non-profit organizations (fight against breast cancer, construction of children's hospitals) are promoted by Nexans as well as given donations;
  - In Switzerland every year, the Group gives 20,000 Swiss francs to a student selected by a jury from the University of Neuchâtel,
  - In China, scholarships are granted to students in need,
  - In Canada, four scholarships were granted to finance the undergraduate education of children of Group employees. Donations were also given to colleges and engineering schools,
  - In Lebanon and Morocco, aid was given, in partnership with the Nexans Foundation, to the "Seeds of Hope" project coordinated by IECD, an organization that provides training for jobs in the electricity industry;
- Children's programs and education: The Group supports children's programs in several countries. For example, in Brazil, Nexans backed a music education project run by the Ministry of Culture to provide children and teenagers from underprivileged backgrounds with music classes and workshops led by social educators. Peru sponsors and collects donations to supply schools with textbooks.

In 2017, the Group continued its contribution to the Public Establishment of the Palace, Museum and National Estate of Versailles, marking ten years of continuous partnership to support the *Grand Versailles* restoration project. Nexans supplies the power cables and data needed to renovate the Palace's technical networks, and especially the Queen's grand apartment, her private apartments, and the King's grand apartment. Nexans is also involved in the restoration of the water tower building.

In 2017, a partnership was formed with Leonard de Vinci Engineering School in Paris to strengthen relations between universities and Nexans in France. This partnership involves participating in lectures and various events, helping design training programs, and hiring students for internships and work placements.

The Group also set up a sponsorship program with Vinci EcoDrive, an organization made up of students from different departments at Leonard de Vinci Engineering School. They are working to develop a prototype for an electric battery powered vehicle. They have the chance to compete in races such as the Shell Eco-Marathon in which teams complete seven laps aiming to achieve the highest possible fuel efficiency.

## 4.3.2. Relations with stakeholders

The Group has a policy of encouraging frequent high-quality dialogue with its stakeholders. This policy is underpinned by a rigorous and proactive ethical and CSR approach.

Since 2012, the Group has focused on better taking stakeholder expectations into account. This led to the development of its materiality matrix used to define CSR strategy.

Furthermore, to define its long-term strategy, Nexans 2030, a panel of stakeholders was formed with customers and companies from the Energy & data management ecosystem, a "green" investment fund, a Collège de France member, an economist, Group staff, etc.

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## Examples of dialogue with stakeholders:

Stakeholder	Type of dialogue	Department
Customers	<ul style="list-style-type: none"> <li>■ Regular satisfaction surveys</li> <li>■ Online publication of environmental data on products</li> <li>■ Trade fairs and exhibitions</li> <li>■ Customer events</li> <li>■ Publication of environmental data on products</li> </ul>	Market lines, Marketing, Technical, Communications
Shareholders and investors	<ul style="list-style-type: none"> <li>■ Conference calls to present results</li> <li>■ Meetings with investors (roadshows, etc.)</li> <li>■ Meetings with all shareholders (AGMs, etc.)</li> <li>■ Information meetings</li> <li>■ Registration document</li> <li>■ Quarterly shareholder newsletters</li> <li>■ Shareholders' e-club and toll-free shareholder hotline</li> <li>■ Response to non-financial rating agencies</li> <li>■ Response to questions from SRI analysts</li> <li>■ Individual meetings with SRI analysts</li> </ul>	Finance, Communications, Legal, Site Management
Suppliers	<ul style="list-style-type: none"> <li>■ CSR supplier Charter<sup>(1)</sup></li> <li>■ Supplier CSR risk map</li> <li>■ Supplier audits</li> </ul>	Purchasing
Employees	<ul style="list-style-type: none"> <li>■ Intranet</li> <li>■ NewsWire, electronic newsletter</li> <li>■ Surveys</li> <li>■ Employee forum at European sites</li> <li>■ Corporate values</li> <li>■ Safety day</li> <li>■ Individual skills development meetings</li> <li>■ Social dialogue with employee representative bodies</li> </ul>	Human Resources, Communications, Site Management
ESG analysts and investors <sup>(2)</sup>	<ul style="list-style-type: none"> <li>■ Response to rating questionnaires</li> <li>■ Individual meetings</li> </ul>	CSR, Finance
Technical and Research Centers	<ul style="list-style-type: none"> <li>■ Collaborative approach, setting up and participating in competitiveness clusters, R&amp;D programs, university chairs and trade associations</li> <li>■ Partnerships with universities</li> <li>■ Taking on apprentices and interns</li> <li>■ PEPecopassport<sup>®</sup> program</li> </ul>	Technical
Communities, NGOs	<ul style="list-style-type: none"> <li>■ Corporate citizenship programs</li> <li>■ Partnerships with local NGOs</li> <li>■ Open house days</li> </ul>	CSR, Communications, Countries

[1] CSR: Corporate Social Responsibility.

[2] Environment, Social and Governance.

### Employees

The Group is working on improving the engagement rate of its employees (see section 4.2.6., Employee commitment and engagement).

### Customers

Customer relations is one of Nexans' priority CSR ambitions. Customer satisfaction is measured through OTIF-1C<sup>(1)</sup> delivery performance (2022 target of 94% versus 93.3% in 2017).

Customer satisfaction surveys are conducted regularly by different market segments to understand their expectations and better serve them.

### Suppliers

See section 4.3.3., Sustainable purchasing.

### Non-financial rating agencies

The Group's CSR performance is measured regularly by non-financial rating agencies. Nexans maintains structured relations with analysts and takes their scores into account as part of its continuous improvement policy.

The Group's CSR performance improved further in 2017, as measured by:

- Oekom research: C+ rating (up from C in 2016 – B is the best rating in the industry), awarding the Group Prime status. At end-2017, Nexans was ranked 11 out of 80 in the Electronic Components industry;
- CDP (Carbon Disclosure Project): B rating (up from C in 2016 and D in 2015), placing the Group at "Management" level along with 21% of the other organizations from the manufacturing industry that answer the CDP questionnaire;

- EcoVadis: Advanced rating of 72%, (up from 68% in 2016 and 2015), earning the Group the EcoVadis Gold level CSR recognition medal. Nexans now ranks among the top 5% of companies analyzed by EcoVadis.

### Financial community

The Group maintains regular dialogue with the financial community, reporting on events indicated in the table above or other special events, such as Investor Day in December 2017 to present the Group's strategic direction, the new CSR roadmap and scores from non-financial rating agencies.

### Sphere of influence

Nexans engages in lobbying in line with the Code of Ethics and Business Conduct. These activities primarily take place through professional organizations of which Group companies are a member. They cover issues relating to cable manufacturing, especially renewable energy and safety, but can also involve policy in technical areas such as governance, labor relations or taxation.

On September 22, 2017, Nexans signed up on the European Union Transparency Register under number 386192928276-28, in category II, "In-house lobbyists and trade, business and professional associations". Further information on its budget, interests, main professional organizations with which Group companies are affiliated, and additional details are available through the link below:

<http://ec.europa.eu/transparencyregister/public/consultation/searchControllerPager.do?declaration=Nexans&search=search&locale=en#en>

## 4.3.3. Sustainable purchasing

One of the objectives of the Group's Purchasing policy is to ensure that we work with a base of high-performing and reliable suppliers who can help us achieve our business objectives while at the same time respecting export control requirements and environmental, financial, ethical and social obligations, as well as national and international compliance rules.

The Group's subsidiaries strive to develop fair and sustainable relations with their subcontractors and suppliers while taking into account the social and environmental impacts of their activities. In 2017, subcontracting represented 1.87% of the Group's purchases, which comes to 1.24% of its consolidated sales.

(1) OTIF-1C : On Time In Full first Confirmed

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This sustainable purchasing policy was reinforced in 2017 and is based on:

- CSR Supplier Charter, introduced in 2009 in line with the Code of Ethics and Business Conduct, which aims to raise suppliers' awareness to issues covered in ILO principles and OECD Guidelines, human rights, labor, environmental and corporate governance standards, product liability, etc. It is available in English, French and Spanish.
- A risk analysis tool used to identify purchasing categories and suppliers and subcontractors that should be assessed as a priority. This assessment, performed with the support of EcoVadis, is based on criteria including company size, operations in a high-risk country, business streams with Nexans, labor and environmental risks, and the supplier's logistics chain.
- CSR assessment of suppliers and subcontractors via the EcoVadis platform. Questions are grouped into four main categories (environment, fair labor practices, ethics/fair business practices and supply chain) covering 21 criteria, including requirements under the Sapin II Act, the new French anti-corruption legislation, and under the duty of care.
- Internal and external supplier audits (including Bureau Veritas) featuring CSR criteria. They are conducted regularly for some of our businesses and are currently being standardized for Group-wide use and application.

As mentioned above, the Group's sustainable sourcing policy is reviewed every year by EcoVadis. With a rating of 72% in 2017, Nexans ranks in the Advanced category (65% to 84%)

## 4.3.4. Fair practices

Compliance with rules on ethics is one of Nexans' underlying commitments in conducting business. Nexans' Code of Ethics and Business Conduct lays down the ethical rules and values with which Group employees are required to comply within the course of their work. Nexans' business partners are also expected to comply with these rules and values. They cover competition law, the prevention of fraud, corruption and conflicts of interest, compliance with applicable regulations on embargoes, money laundering, personal data protection, etc.

### Executive management commitment

Nexans' Executive Management is the cornerstone in this commitment, which it firmly upholds. This is reflected in the CEO's

and earned the EcoVadis Gold level CSR recognition medal. Nexans now ranks among the top 5% of companies analyzed by EcoVadis.

### Minerals from conflict zones

As the Group is not quoted on any U.S. stock exchange, it is not required to comply with the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act on minerals from conflict zones (Democratic Republic of the Congo and adjoining countries).

However, Nexans takes the rules of the Dodd-Frank Act seriously, in line with its CSR commitments, especially to the United Nations Global Compact. As such, it has implemented a procedure to address this issue within its own supply chain and meet its customers' requests:

- As a downstream manufacturer, Nexans works with its suppliers at the greatest risk (primarily suppliers of tin and compounds containing gold) to ensure that the minerals used originate from sources free of these conflict minerals. Inquiries led thus far have confirmed that supplies come from "conflict-free" sources, as defined by the Dodd-Frank Act;
- If Nexans became aware of any supplier that sources minerals from conflict zones, it would take immediate action to remedy the situation. This position was articulated in the Group's Conflict Mineral Policy signed by the Executive Vice President for Purchasing and updated in January 2015.

The Group is currently working to conduct broader investigations on the traceability of the materials and minerals it sources beyond the scope defined in the U.S. Dodd-Frank Act.

opening statement to the Code of Ethics, which underscores everyone's responsibility and interest in complying with these rules, and zero tolerance and application of sanctions for any violation. This commitment also took form in Nexans' adherence to the United Nations Global Compact and its ten fundamental principles, which cover anti-corruption.

### Special ethics compliance program

In all these areas, the purpose of the Group's Ethics Compliance Program is to establish the actions to prevent, detect and handle any breaches.

Above and beyond the Code of Ethics and Business Conduct, which lays down basic rules, this program applies specific procedures and guidelines adapted to the Group's mapping of ethical risks. These procedures and guidelines explain and illustrate the rules and/or processes that all Group employees must follow in the areas of corruption prevention, gifts and hospitality, competition law, and export controls. The Group's business partners are also required to sign a special Ethics Charter or at least a written commitment that they will comply with the same rules.

Detailed due diligence procedures on ethics compliance must be conducted prior to any mergers and acquisitions, investments or real estate transactions.

### **Certified anti-corruption procedure**

The detailed anti-corruption procedure developed by Nexans requires due diligence on the integrity of agents and business partners in high corruption risk countries, commitments to comply with applicable international regulations relating to anti corruption and the content of services provided by intermediaries.

Nexans was awarded the ETHIC Intelligence certificate in 2016, demonstrating the quality of the anti-corruption prevention policy featuring in its Ethics Compliance Program.

### **Targeted and motivated actions**

Each year, a specific action plan is established and rolled out throughout the Group by top management and executive management at operating entities and subsidiaries.

It includes in particular the signing of Ethics Code compliance certificates by all Group managers and an advanced required training program consisting of e-learning or classroom instruction, depending on the year and the topic.

The sales and purchasing teams are particularly made aware of competition rules, anti-corruption measures and embargoes. Adapted measures and procedures are defined mainly based on a specific assessment of compliance risks using a risk map created with the contribution of the operational departments. These measures and actions are reviewed regularly.

The annual review of managers' performance encompasses their compliance with and their teams' implementation of the Group's rules and procedures covered in the areas of the Code of Ethics and Business Conduct and in the updated annual action plan included in the Ethics Compliance Program.

### **High accountability and involvement from operating departments**

These programs involve not only the central functions that regularly work to strengthen the rules and procedures implemented and develop awareness, training and control measures but also all the Group's subsidiaries that implement the Ethics Compliance Program locally and take any other necessary steps to comply with and/or adapt to all applicable regulations. The operational departments also contribute to defining the ethical risk map. The commitment from operational division directors and country directors culminates twice a year in a report prepared for the Group's CEO describing any cases of non-compliance and the application of the Nexans action plan.

### **Compliance with rules**

The Group's general internal control and audit program covers the policies and systems relating to compliance oversight. As such, the Group's internal audit team reviews the implementation and completion of the annual action plan under the Ethics Compliance Program every year during on-site audits.

### **Whistle-blowing procedure**

A whistle-blowing procedure is open to all Group employees and third parties to report any violations of the Code of Ethics and Business Conduct. They can report any suspected wrongdoing to the Group's Ethics Officer or other designated individuals. Reports are then investigated without disclosing the identity of the persons involved or their data. Investigations may lead to recommendations for corrective action or disciplinary sanctions.

The Ethics Officer reports directly to the General Secretary and has a dotted-line reporting relationship with the Chief Executive Officer. He reports the cases handled at least once a year to the Accounts and Audit Committee and to the Governance and Social Affairs Committee. The Ethics Officer also informs the Accounts and Audit Committee of reports concerning members of the Management Board and manages directly with the Committee reported cases concerning the CEO or the Chairman of the Board of Directors.

### **Program coordination**

About 20 people are involved in managing and coordinating the Ethics Compliance Program, which comes under the responsibility of the Group's General Secretary:

- Ethics Officer;
- Ethics Compliance Program Manager, who is responsible for designing the program and supporting managers in its rollout;
- Data Protection Officer;
- Head of Risk;
- About 20 legal advisors throughout the Group.

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Other key functions are also involved. Audit and internal control run verifications, human resources makes sure employees, especially senior managers, agree to uphold ethical practices when they are hired.

### Achievements in 2017 and goals for 2018

The following achievements were made in 2017:

- Senior staff stated that over 5,178 Group managers, about 95% of total Group managers, had signed the compliance certificate and the conflicts of interest statement;
- 87% of Group managers took the required ethics training course;
- The Group updated its anti-corruption procedure and enhanced its system used to monitor conflicts of interest (statement introduced in the annual compliance certificate);
- The Group introduced a gifts and hospitality procedure.

The 2018 action plan includes the following initiatives:

- Updating the corruption risk map and reinforcing the accounting control system at subsidiaries;
- Organizing “Compliance Week”, with special awareness actions;
- Creating a personal data risk map: the Group fully adheres to the new European General Data Protection Regulation (EU Reg. 2016/79); and
- Like every year, providing required training on ethics for all Group employees.

Under its CSR ambitions, the Group has set a target to have 100% of its managers sign the compliance certificate by 2022.

## 4.3.5. Duty of care plan

For the past several years, the Group has been developing a duty of care plan to strengthen its environmental and social responsibility, and has implemented several risk management procedures and systems in this area.

Most of the requirements defined in French law 2017-399 of March 27, 2017, or “duty of care” law requiring companies to define a risk map and implement a duty of care plan adapted to the identified risks on issues involving the environment, workplace health and safety, human rights and fundamental freedoms, are already in place at Nexans, but are not necessarily set out in a single plan. After the law was passed, the main managers responsible for issues falling within the scope of the law (CSR, Legal, Purchasing, Human Resources, Risks, Industrial Management and Internal Audit) first determined existing practices and procedures that address these issues, and then proceeded to identify further measures that would bring the system into compliance. The duty of care plan will be presented in the 2018 registration document in accordance with the law.

This section outlines the duty of care tools and procedures already implemented within the Group, which will be supplemented by the duty of care plan currently being drafted.

### Risk identification and assessment

The Group is exposed to a number of internal and external risks. The main risks identified by the Group are described in Chapter 3, Main risk factors and risk management within the Group. Most CSR risks are monitored using maps that are periodically updated and used to adapt prevention and management procedures.

### Sustainable purchasing policy

See section 4.3.3., Sustainable purchasing.

### Assessment and control

The Group has set up an internal control and risk management system to better prevent and reduce the risks to which Nexans is exposed.

The internal control and risk management principles and procedures are described in Chapter 2, Corporate governance. These principles apply to all Group subsidiaries and employees, and state that they must comply with the Code of Ethics and Business Conduct and the principles of the United Nations Global Compact. Twice a year, the Group sends subsidiaries a self-assessment questionnaire in which they must indicate if they comply with Group principles. This questionnaire

is used to assess the processes implemented to identify and prevent the materialization of certain ethical risks. The reliability of the answers provided in these questionnaires is confirmed in a statement signed by the Chief Executive Officer and the Chief Financial Officer at each entity. Furthermore, the Legal Department, working with the Internal Audit team, performs yearly compliance audits at selected subsidiaries.

The Accounts and Audit Committee, whose members and duties are also indicated in Chapter 2, Governance and internal control, plays an extensive role in supervising internal and external control.

#### **Whistle-blowing mechanisms**

See section 4.3.4., Fair practices.

## 4.3.6. Measures taken to protect consumers' health and safety

Protecting consumers' health and safety is a priority for the Group. Nexans takes steps to achieve this in two main areas:

- managing and tracing chemical substances used to manufacture its products;
- disclosing environmental product information.

Nexans has developed a special tool (REACH Supplier) available in all European Union (EU) countries and other countries to identify the composition of raw materials and monitor the use of hazardous substances (see section 4.1.2.3., Reducing the use of hazardous substances).

Nexans designed another tool (Nexans Tracker) to provide customers with up-to-date information and full traceability of substances of very high concern. If these substances are found in its products, Nexans, in line with REACH regulations, informs its customers through an ECO Material Declaration or through the Nexans Tracker. Substances of very high concern are

those included in the REACH candidate list of substances and substances subject to an authorization or restriction process.

Nexans has a worldwide network of technical and HSE experts who are informed whenever a substance used by the company changes status under REACH regulations. They can also express an opinion during the consultation process concerning substances at EU level.

An internal "substances roadmap" informs Nexans sites of the regulatory status of substances of high concern, and identifies the factories impacted and the measures taken to develop alternative solutions. Various R&D programs have been launched to find substitutes for several substances that could be restricted in the future due to their classification as being hazardous to health.



## 4.3.7. The Nexans Foundation: for fair access to electrical power

In 2013, Nexans became the first cable player to create a Foundation to act and serve in the general interest of society. The Nexans Foundation aims to support initiatives that help bring electrical power to disadvantaged communities throughout the world by giving priority to grassroots-level organizations and sustainable solutions.

Energy plays a key role in Nexans' business, so the Group decided to make it a priority for its Foundation.

This commitment follows on from the United Nation (UN)'s call in 2012 to promote awareness worldwide about energy poverty and the importance of developing access to energy. In 2015, the UN took this initiative further by including an energy component in its new sustainability targets – to ensure access to affordable, reliable, sustainable and modern energy for all (Sustainable Development Goal no. 7) – a priority long recommended by the International Energy Agency (IEA)<sup>(1)</sup>, which advocates universal energy access by 2030.

Energy does not only provide access to light; it facilitates education, healthcare, teaching, women's empowerment, economic development and more. These are essential needs that must be met.

Sustainable Energy for All<sup>(2)</sup> currently estimates that 1.1 billion people do not have access to electricity and at least 2.9 billion people do not have access to clean energy for cooking. More than 95% of these people live in sub-Saharan Africa or in developing countries in Asia.

The governance of the Nexans Foundation is organized with a project selection committee made up of employees from different countries and functions who meet every year to review the projects submitted in the annual call for projects. A short-list of projects is then presented to the Board of Directors, which is chaired by the Group's CEO and includes eight members divided into three groups (founding companies, employee representatives and qualified experts).

### Supporting 39 organizations and helping over 700,000 people since 2013

With an annual budget of 300,000 euros, the Nexans Foundation has supported 68 projects in 30 countries in partnership with 39 organizations since it was created. These projects have brought or plan to bring electrical power to nearly 700,000 people.

Due to the ever growing involvement of the Group's local entities, the Nexans Foundation supports large non-profits that are well known in the area of access to energy such as Electricians Without Borders, the Group for the Environment, Renewable Energy and Solidarity (GERES) and the *Fondation Énergies pour le Monde* for large-scale projects, as well as smaller organizations. It works in all countries and primarily in countries affected by energy poverty. While most of the Foundation's projects are developed in sub-Saharan Africa (in 14 countries), projects also exist in Morocco, Lebanon, Asia (in 10 countries), South America (in three countries), Haiti and France.

An activity report must be submitted to ensure that the project meets all the necessary requirements to receive financial assistance.

### A Foundation that acts fast in emergencies

Working with Electricians Without Borders for many years, the Nexans Foundation also supports one-off projects involving emergency situations. Recent examples include Haiti in 2016 and several Caribbean territories in 2017 after Hurricane Irma. To respond even faster in handling humanitarian emergencies, the Nexans Foundation, along with 10 other leaders from the electricity industry, formed a partnership in late 2017 with the crisis center of the French Ministry for Europe and Foreign Affairs and Electricians Without Borders.

In the event of a humanitarian crisis, Electricians Without Borders intervenes to restore access to energy. This action is crucial in an emergency because it allows international solidarity organizations to act in the best conditions possible to help people in need.

For more information on the Nexans Foundation, please visit: [www.fondationnexans.com](http://www.fondationnexans.com)

<sup>(1)</sup> [www.iea.org](http://www.iea.org)  
<sup>(2)</sup> [www.se4all.org](http://www.se4all.org)

## 4.3.8. Data compilation methodology for societal data

The data set out above was compiled as follows: ethics data was compiled by the Internal Audit Department, anti-corruption data by the Legal Department, and the other data by the Departments concerned (Communications Department, Human Resources Department, Technical Department).

The Group's subcontractor data is tracked, analyzed and consolidated by the Purchasing Department. The information disclosed in section 4.3. is collected annually through a survey of the Group's different units. Amounts include value added tax (VAT).

Methodology for the materiality test:

Each key issue in ISO 26000 is subject to a relevance and importance test for the Group and for its stakeholders. It is then weighted based on the following criteria:

- **Relevance:** degree of relation to Nexans businesses and values, or relation to major social issues that impact Nexans' industry and stakeholders;

- **Importance:** impact on the Group's business activity.

This weighting is based on information reported by the Group's various support functions.

## 4.4. Environmental and social indicators - CSR concordance tables

### Environmental indicators

	2017	2016	2015
<b>MANAGEMENT</b>			
Number of sites monitored	88	85	90
Number of ISO 14001 certified sites	66	65	66
% of ISO 14001 certified sites	75%	76%	73%
Number of EHP <sup>(1)</sup> certified sites	78	72	72
% of EHP certified sites	89%	85%	80%
<b>CONSUMPTION</b>			
Energy purchased (MWh)	1,174,576	1,235,928	1,218,955
Energy intensity (MWh/m€)	257	279	265
■ Electricity (MWh)	689,309	699,377	732,011
■ Fuel oil (MWh)	64,411	62,004	78,186
■ Gas (MWh)	407,852	461,010	393,143
■ Steam (MWh)	13,004	13,536	15,615
Water consumption (m <sup>3</sup> )	2,299,150	2,080,471	2,272,977
Water intensity (m <sup>3</sup> /m€)	503	470	494
Solvent purchased (Tonnes)	476	433	460
Copper consumption (Tonnes) <sup>(2)</sup>	460,000	470,000	445,000
Aluminium consumption (Tonnes) <sup>(2)</sup>	103,000	110,000	113,000
<b>WASTES AND EMISSIONS</b>			
Waste tonnage (Tonnes)	87,014	80,123	84,832
Waste intensity (Tonnes/m€)	19	18	18
■ Of which hazardous wastes (Tonnes)	10,152	5,048	5,368
Hazardous wastes intensity (Tonnes/m€)	2	1	1
CO <sub>2</sub> emissions <sup>(3)</sup> (Tonnes eq CO <sub>2</sub> )	396,976	407,973	411,396
CO <sub>2</sub> emissions intensity (Tonnes/m€)	87	92	89
■ Of which scope 1 (Tonnes eq CO <sub>2</sub> )	130,598	139,910	139,353
■ Of which scope 2 (Tonnes eq CO <sub>2</sub> )	232,073	233,904	234,794
■ Of which scope 3 (Tonnes eq CO <sub>2</sub> )	34,305	34,159	37,249

(1) EHP: Highly Protected Environment - Group's internal environmental label.

(2) The raw material consumed correspond to the tons sold to Group external customers during the year.

(3) Direct and certain indirect emissions of CO<sub>2</sub> (from electricity and steam consumption, upstream power line losses, use of fossil fuels, fugitives emissions and wastes treatment).

# Social indicators

	2017	2016	2015
<b>NEXANS GROUP</b>			
<b>TOTAL HEADCOUNT</b>	<b>26,308</b>	<b>26,258</b>	<b>26,607</b>
Europe	15,272	14,849	15,194
Asia-Pacific	2,737	2,882	2,707
North America	3,341	3,227	3,415
South America	1,389	1,540	1,585
Middle East, Russia, Africa	3,569	3,760	3,706
<b>CABLES BUSINESS</b>			
<b>HEADCOUNT, CABLES BUSINESS</b>	<b>16,111</b>	<b>16,329</b>	<b>16,606</b>
% female employees	16%	16%	16%
% female managers (into manager population)	22%	23%	22%
Average age	43.6 years	43.5 years	43.5 years
Average length of service	13.1 years	13.1 years	13.1 years
% temporary employees	6.8%	5.2%	8.5%
Disabled employees <sup>(1)</sup>	304	365	333
<b>EMPLOYMENT DATA</b>			
Natural departures	-1,501	-1,375	-2,316
Restructurings	-237	-389	-520
New hires	1,678	1,488	2,289
Impact of changes in Group structure <sup>(2)</sup>	-182	-3	-187
Transfers <sup>(3)</sup>	24	12	10
Employee turnover rate <sup>(4)</sup>	7.6%	6.7%	7.9%
Overtime rate <sup>(5)</sup>	6.2%	6.1%	5.7%
Part-time contracts	389	394	477
% fixed-term contracts	7.8%	8.9%	7.9%
Absenteeism rate	4.4%	4.6%	5.2%
<b>HEALTH AND SAFETY</b>			
Global workplace accident frequency rate <sup>(6)</sup>	3.03	2.62	2.75
Number of entities with a zero accident	35	34	35
Global workplace accident severity rate <sup>(7)</sup>	0.17	0.18	0.18
<b>TRAINING</b>			
Total number of training hours	258,078	233,029	237,087

(1) This figure does not take into account countries where this information is not disclosed due to local regulations.

(2) In 2015 and 2016, the impact of changes in Cables business are -187 and -3, and not 1 and 7.

(3) In 2015 and 2016, transfers within the Cables business are 10 and 12, and not -58 and 60.

(4) Personal turnover rate = number of departures (resignations, contract expirations, individual terminations, death) excluding departures due to retirement, restructurings, business disposals and employee mobility transfers/average headcount x 100.

(5) Overtime rate = number of overtime hours worked/total number of hours worked.

(6) Global workplace accident frequency rate = total number of workplace accidents with more than 24 hours of lost time/total number of hours worked x 1,000,000. This rate relates to internals and externals.

(7) Global workplace accident severity rate = total number of lost work days (due to accidents at work)/total number of hours worked x 1,000. This rate relates to internals and externals.

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	2017	2016	2015
<b>HARNESSES BUSINESS</b>			
<b>HEADCOUNT, HARNESSES BUSINESS</b>	<b>10,197</b>	<b>9,929</b>	<b>10,001</b>
Europe	5,925	5,691	5,836
Asia-Pacific	550	569	423
North America	1,859	1,796	1,894
Middle East, Russia, Africa	1,863	1,873	1,848
% female overall employees	59%	59%	60%
% female managers (into manager population)	20%	19%	15%
Average age	34.5 years	34.3 years	33.9 years
Average length of service	4.8 years	4.6 years	4.3 years
<b>EMPLOYMENT DATA</b>			
Natural departures	-3,953	-4,068	-4,185
Restructurings <sup>(1)</sup>	-2	-140	-8
New hires	4,351	4,184	4,462
Impact of changes in Group structure <sup>(2)</sup>	0	-50	79
Transfers <sup>(3)</sup>	-128	2	210
<b>HEALTH AND SAFETY</b>			
Overall workplace accident frequency rate <sup>(4)</sup>	0.3	0.4	0.9
Overall workplace accident severity rate <sup>(5)</sup>	0.00	0.01	0.01
<b>TRAINING</b>			
Total number of training hours	72,275	127,061	49,444

(1) In 2016, restructuring for Harnesses business are -140 and not -1400.

(2) In 2016, the impact of changes in Harnesses business are -50 and not -0.

(3) In 2015 and 2016, transfers within the Harnesses Business are 201 and 2, and not -71 and 0.

(4) Global workplace accident frequency rate = total number of workplace accidents with more than 24 hours of lost time/total number of hours worked x 1,000,000. This rate relates to internals and externals.

(5) Global workplace accident severity rate = total number of lost work days (due to accidents at work)/total number of hours worked x 1,000. This rate relates to internals and externals.

## CSR concordance tables

The CSR concordance tables are available in section 8.4.

The concordance tables include the following:

- The concordance between articles R225-104 et seq. of the French Commercial Code and the GRI-G4 indicators,
- The concordance with the principles of the Global Compact.

## 4.5. Report by the appointed independent third party on the consolidated social, environmental and societal information provided in the Management Report

For the year ended December 31<sup>st</sup> 2017

To the Shareholders,

In our capacity as independent third party of the company NEXANS and certified by the COFRAC under number 3-1058 (available at [www.cofrac.fr](http://www.cofrac.fr)), we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31, 2017, included in the management report (hereinafter named «CSR Information»), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

### Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the protocols used by the Company (hereinafter the «Guidelines»), summarised in the management report and available on request from the company's head office.

### Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11-3 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

### Responsibility of the independent third party

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the Management Report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is

provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);

- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

It is however not our responsibility to attest compliance with other legal dispositions where appropriate, in particular those included in article L. 225-102-4 of the French Commercial Code (vigilance plan of parent companies) and law n° 2016-1691, dated December 9, 2016, said Sapin II (fight against corruption).

Our work involved 5 persons and was conducted between beginning of November 2017 and beginning of February 2018 during a 8 week-period.

We performed our work in accordance with the professional standards and with the order dated May 13, 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000<sup>(1)</sup> concerning our conclusion on the fairness of CSR Information.

### 1. ATTESTATION REGARDING THE COMPLETENESS OF CSR INFORMATION

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

(1) ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information.

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We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the sections "Methodological note for environmental information" and "Methodological note for social information" of the Management Report.

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the Management Report.

## 2. CONCLUSION ON THE FAIRNESS OF CSR INFORMATION

### Nature and scope of our work

We conducted around twenty interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate ;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important<sup>(1)</sup>:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the Management Report;
- at the level of a representative sample of entities selected by us<sup>(2)</sup> on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average 26% of headcount considered as material data of social issues and between 20% and 28% of quantitative environmental data considered as material data<sup>(3)</sup> of environmental issues.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

(1) HR information: Total Workforce (breakdown by gender and age); External hirings; Individual and collective redundancies; Absenteeism rate; Frequency and severity rate of work accidents; Total number of training hours; Organization of social dialogue; Occupational health and safety conditions; Policies implemented regarding training.

Environmental information: Energy consumptions (electricity, natural gas, fuel); Water consumptions; Quantities of solvents bought; Quantities of produced waste; Greenhouse Gas Emission related to energy consumptions; Proportion of sites certified ISO 14001; Organization of the company to integrate environmental issues; Actions and resources to prevent and recycle waste.

(2) HR information: Canada (Montreal site); Peru; Germany; France; Ukraine.

Environmental information: Lebanon (Nahr Ibrahim); France (Noyelles Casting); Peru (Lima); South Korea (Incheon); Canada (Montreal site); Norway (Halden for electricity consumptions and waste produced); Sweden (Grimsas for electricity consumptions and waste produced).

(3) Social information: Legal Department; Purchasing Department.

Greenhouse gas emissions related to energy consumptions and energy consumptions.

## Conclusion

During our work, we observed that the data related to the working hours of external employees have not been exhaustively reported, which impact the frequency rate of external employees work accidents and severity rate presented.

Based on our work, and except the qualification on the risk of completeness observed on the working hours of external employees as mentioned above, we did not identify any material anomaly likely to call into question the fact that the CSR Information, taken as a whole, is presented fairly in accordance with the Guidelines.

## Emphasis of matter

Without qualifying the above conclusion, we draw your attention to the following matters:

- The consolidation process for human resources information of the Harness business does not allow a systematic distribution of departures according to the different categories communicated by the Group.

Paris La Défense, February 16, 2018  
**MAZARS SAS**

**Isabelle Sapet**  
 Partner

**Edwige Rey**  
 Sustainable Development Partner



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# 5

## Financial statements

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# 5.1. Consolidated financial statements

## 5.1.1. Consolidated income statement

<i>(in millions of euros)</i>	Notes	2017	2016
<b>NET SALES</b>	1.E.a and 3	<b>6,370</b>	<b>5,814</b>
Metal price effect <sup>(1)</sup>		(1,799)	(1,383)
<b>SALES AT CONSTANT METAL PRICES<sup>(1)</sup></b>	1.E.a and 3	<b>4,571</b>	<b>4,431</b>
Cost of sales		(5,510)	(5,002)
Cost of sales at constant metal prices <sup>(1)</sup>		(3,711)	(3,619)
<b>GROSS PROFIT</b>		<b>860</b>	<b>812</b>
Administrative and selling expenses		(489)	(489)
R&D costs		(99)	(81)
<b>OPERATING MARGIN<sup>(1)</sup></b>	1.E.b and 3	<b>272</b>	<b>242</b>
Core exposure effect <sup>(2)</sup>	1.E.c	64	(6)
Other operating income and expenses <sup>(3)</sup>	5	(19)	(22)
Restructuring costs	22.B	(37)	(33)
Share in net income of associates		2	4
<b>OPERATING INCOME</b>	1.E.d	<b>281</b>	<b>185</b>
Cost of debt (net) <sup>(4)</sup>	1.E.e	(56)	(64)
Other financial income and expenses	1.E.e and 8	(6)	(24)
<b>INCOME BEFORE TAXES</b>		<b>219</b>	<b>97</b>
Income taxes	9	(91)	(37)
<b>NET INCOME FROM CONTINUING OPERATIONS</b>		<b>127</b>	<b>60</b>
Net income from discontinued operations		-	-
<b>NET INCOME</b>		<b>127</b>	<b>60</b>
■ attributable to owners of the parent		125	61
■ attributable to non-controlling interests		2	(1)
<b>ATTRIBUTABLE NET INCOME PER SHARE <i>(in euros)</i></b>	10		
■ basic earnings per share		3.04	1.43
■ diluted earnings per share		2.71	1.40

(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 2017 versus 8 million euros in 2016.

(4) Financial income amounted to 3 million euros in 2017 versus 4 million euros in 2016.

## 5.1.2. Consolidated statement of comprehensive income

<i>(in millions of euros)</i>	Notes	2017	2016
<b>NET INCOME</b>		<b>127</b>	<b>60</b>
Recyclable components of comprehensive income		(105)	169
■ Available-for-sale financial assets		0	0
■ Currency translation differences		(133)	56
■ Cash flow hedges	25	28	113
Tax impacts on recyclable components of comprehensive income	9.C	(8)	(26)
Non-recyclable components of comprehensive income		23	9
■ Actuarial gains and losses on pensions and other long-term employee benefit obligations	21.B	23	9
■ Share of other non-recyclable comprehensive income of associates		-	-
Tax impacts on non-recyclable components of comprehensive income	9.C	(9)	(2)
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>		<b>(99)</b>	<b>150</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>28</b>	<b>210</b>
■ attributable to owners of the parent		29	211
■ attributable to non-controlling interests		(1)	(1)

## 5.1.3. Consolidated statement of financial position

<i>(At December 31, in millions of euros)</i>	Notes	2017	2016
<b>ASSETS</b>			
Goodwill	6	236	254
Intangible assets	11	127	146
Property, plant and equipment	12	1,129	1,170
Investments in associates	13	40	30
Deferred tax assets	9.D	135	180
Other non-current assets	14	100	60
<b>NON-CURRENT ASSETS</b>		<b>1,767</b>	<b>1,840</b>
Inventories and work in progress	15	1,107	926
Amounts due from customers on construction contracts	16	199	238
Trade receivables	17	1,033	996
Derivative instruments	25	59	70
Other current assets	18	177	201
Cash and cash equivalents	23.A	805	1,025
Assets and groups of assets held for sale		0	0
<b>CURRENT ASSETS</b>		<b>3,380</b>	<b>3,456</b>
<b>TOTAL ASSETS</b>		<b>5,147</b>	<b>5,296</b>

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(At December 31, in millions of euros)	Notes	2017	2016
<b>EQUITY AND LIABILITIES</b>			
Capital stock, additional paid-in capital, retained earnings and other reserves		1,372	1,253
Other components of equity		52	159
<b>Equity attributable to owners of the parent</b>		<b>1,424</b>	<b>1,412</b>
Non-controlling interests		48	57
<b>TOTAL EQUITY</b>	20	<b>1,472</b>	<b>1,469</b>
Pensions and other long-term employee benefit obligations	21	387	430
Long-term provisions	22	94	100
Convertible bonds	23	267	263
Other long-term debt	23	451	504
Non-current derivative liabilities	25	3	10
Deferred tax liabilities	9.D	103	90
<b>NON-CURRENT LIABILITIES</b>		<b>1,305</b>	<b>1,397</b>
Short-term provisions	22	79	110
Short-term debt	23	419	469
Liabilities related to construction contracts	16	163	209
Current derivative liabilities	25	36	47
Trade payables	24	1,342	1,244
Other current liabilities	24	331	351
Liabilities related to groups of assets held for sale		0	0
<b>CURRENT LIABILITIES</b>		<b>2,370</b>	<b>2,430</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,147</b>	<b>5,296</b>

## 5.1.4. Consolidated statement of changes in equity

(in millions of euros)	Number of shares outstanding <sup>(3)</sup>	Capital stock	Additional paid-in capital	Treasury stock
<b>JANUARY 1, 2016</b>	<b>42,597,718</b>	<b>43</b>	<b>1,577</b>	<b>-</b>
Net income for the year	-	-	-	-
Other comprehensive income	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Dividends paid	-	-	-	-
Capital increases	-	-	-	-
Equity component of OCEANE bonds	-	-	-	-
Employee stock option plans:				
■ Service cost <sup>(1)</sup>	-	-	-	-
■ Proceeds from share issues <sup>(2)</sup>	813,703	0	24	-
Transactions with owners not resulting in a change of control	-	-	-	-
Other	-	-	-	-
<b>DECEMBER 31, 2016</b>	<b>43,411,421</b>	<b>43</b>	<b>1,601</b>	<b>-</b>
Net income for the year	-	-	-	-
Other comprehensive income	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Dividends paid	-	-	-	-
Capital increases	-	-	-	-
Share buyback program	(224,489)	-	-	(11)
(Purchases)/sales of treasury stock	142,412	-	-	7
Equity component of OCEANE bonds	-	-	-	-
Employee stock option plans:				
■ Service cost	-	-	-	-
■ Proceeds from share issues	83,270	0	4	-
Transactions with owners not resulting in a change of control	-	-	-	-
Other	-	-	-	-
<b>DECEMBER 31, 2017</b>	<b>43,412,614</b>	<b>43</b>	<b>1,605</b>	<b>(4)</b>

(1) Including a 0.7 million euro expense related to the Act 2016 plan.

(2) Including the impact of the Act 2016 plan following the share settlement-delivery that took place on July 28, 2016 (see **Note 20.HI**).

(3) At December 31, 2017, the number of shares outstanding is made of 43,494,691 shares making up the Company's capital stock, less 82,077 shares in treasury stock.



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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
<b>(467)</b>	<b>(90)</b>	<b>110</b>	<b>1,173</b>	<b>54</b>	<b>1,227</b>
61	-	-	61	(1)	60
7	87	56	150	0	150
<b>68</b>	<b>87</b>	<b>56</b>	<b>211</b>	<b>(1)</b>	<b>210</b>
-	-	-	-	(1)	(1)
-	-	-	-	-	-
-	-	-	-	-	-
6	-	-	6	-	6
-	-	-	24	-	24
2	-	(3)	(1)	5	4
(1)	-	0	(1)	0	(1)
<b>(392)</b>	<b>(3)</b>	<b>163</b>	<b>1,412</b>	<b>57</b>	<b>1,469</b>
125	-	-	125	2	127
14	20	(130)	(96)	(3)	(99)
<b>139</b>	<b>20</b>	<b>(130)</b>	<b>29</b>	<b>(1)</b>	<b>28</b>
(22)	-	-	(22)	(2)	(23)
-	-	-	-	-	-
-	-	-	(11)	-	(11)
(7)	-	-	-	-	-
-	-	-	-	-	-
5	-	-	5	-	5
-	-	-	4	-	4
1	-	2	4	(6)	(2)
1	0	0	2	(1)	2
<b>(273)</b>	<b>17</b>	<b>36</b>	<b>1,424</b>	<b>48</b>	<b>1,472</b>

## 5.1.5. Consolidated statement of cash flows

(in millions of euros)	Notes	2017	2016
Net income		127	60
Depreciation, amortization and impairment of assets (including goodwill) <sup>(1)</sup>	11, 12	147	141
Cost of debt (gross)		60	68
Core exposure effect <sup>(2)</sup>		(64)	6
Current and deferred income tax charge (benefit)	9	91	37
Net (gains) losses on asset disposals	7	(1)	6
Other restatements <sup>(3)</sup>		(28)	(63)
<b>CASH FLOWS FROM OPERATIONS BEFORE GROSS COST OF DEBT AND TAX<sup>(4)</sup></b>		<b>332</b>	<b>255</b>
Decrease (increase) in working capital	19	(109)	(105)
Income taxes paid		(56)	(37)
Impairment of current assets and accrued contract costs		(2)	17
<b>NET CHANGE IN CURRENT ASSETS AND LIABILITIES</b>		<b>(167)</b>	<b>(125)</b>
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>165</b>	<b>130</b>
Proceeds from disposals of property, plant and equipment and intangible assets		8	11
Capital expenditure	11, 12	(169)	(146)
Decrease (increase) in loans granted and short-term financial assets		(5)	1
Purchase of shares in consolidated companies, net of cash acquired		(25)	0
Proceeds from sale of shares in consolidated companies, net of cash transferred		1	23
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(191)</b>	<b>(111)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS AFTER INVESTING ACTIVITIES</b>		<b>(26)</b>	<b>19</b>
Proceeds from (repayments of) long-term and short-term borrowings	23	(90)	17
■ of which proceeds from 2016-2021 ordinary bond issue		-	248
■ of which proceeds from 2017-2024 ordinary bond issue		199	-
■ of which repayment of the 2016 OCEANE convertible/exchangeable bonds		-	(213)
■ of which repayment of the 2007-2017 ordinary bonds		(350)	-
Cash capital increases (reductions)	20	(7)	24
Interest paid		(61)	(62)
Transactions with owners not resulting in a change of control		3	2
Dividends paid		(23)	(1)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(178)</b>	<b>(20)</b>
Net effect of currency translation differences		(19)	19
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(223)</b>	<b>18</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	23.A	<b>1,016</b>	<b>998</b>
<b>CASH AND CASH EQUIVALENTS AT YEAR-END</b>	23.A	<b>794</b>	<b>1,016</b>
■ of which cash and cash equivalents recorded under assets		805	1,025
■ of which short-term bank loans and overdrafts recorded under liabilities		(11)	(9)

(1) In 2016, the Group changed the presentation of impairment losses related to restructuring operations and recorded them under "Other restatements".

(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 2017 primarily included (i) a negative 52 million euros to cancel the net change in operating provisions (including provisions for pensions, restructuring costs and antitrust proceedings) and (ii) a positive 23 million euros related to the cash impact of hedges. In 2016, this item primarily included a negative 70 million euros to cancel the net change in operating provisions (including provisions for pensions, restructuring costs and antitrust proceedings).

(4) The Group also uses the "operating cash flow" concept, which is mainly calculated after adding back cash outflows relating to restructurings (63 million euros and 86 million euros in 2017 and 2016 respectively), and deducting gross cost of debt and current income tax paid during the year.

## 5.1.6. Notes to the consolidated financial statements

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## Note 1. Summary of significant accounting policies

### A. GENERAL PRINCIPLES

Nexans S.A. (the "Company") 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 Le Vinci, 4 allée de l'Arche, 92070 Paris La Défense Cedex, France.

Nexans S.A. is listed on 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. Rounding may in some cases lead to non-material differences in totals or year-on-year changes. The consolidated financial statements were approved by Nexans' Board of Directors on February 14, 2018 and will become final after approval at the Annual Shareholders' Meeting, which will take place on May 17, 2018 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, 2017.

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, 2017, and which were as follows:

- Amendments to IAS 12, "Recognition of Deferred Tax Assets for Unrealized Losses".
- Amendments to IAS 7, "Disclosure Initiative" (see **Note 23.B**).

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".
- Amendments to IFRS 15, "Clarifications to IFRS 15".
- IFRS 9, "Financial Instruments", and amendments to IFRS 9.
- IFRS 16, "Leases".

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

- Amendments to IFRS 2, "Classification and Measurement of Share-based Payment Transactions".
- Annual improvements to IFRSs (2014-2016 cycle).
- Amendments to IAS 40, "Transfers of Investment Property".
- Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture".
- Amendment to IFRS 9, "Prepayment Features".
- Amendments to IAS 28, "Long Term Interests in Associates and Joint Ventures".
- IFRIC 22, "Foreign Currency Transactions and Advance Consideration".
- IFRIC 23, "Uncertainty over Income Tax Treatments".

The Group is currently analyzing the potential impacts of these new standards and amendments as part of the transition process.

For example, in line with IFRS 15, it is examining the method of transitioning to the cost-based percentage-of-completion method. The change of method will be applied retrospectively, leading to the publication in 2018 of adjusted 2017 comparatives. The switch from a technical percentage-of-completion method to a cost-based percentage-of-completion method can lead to time differences in revenue recognition. As per analyses made, the aggregate impact of the change in contracts' progress calculation on the 2017 consolidated income statement will not be material.

The Group is also examining the changes in the method of determining impairment losses on receivables and treatment of shares in non-consolidated companies that will result from the application of IFRS 9. The expected impacts are not material. Last, the Group is examining the consequences of IFRS 16 on lease contracts. The calculation of the impacts will be made during 2018.

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## 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 noncontrolling 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).

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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 both 2017 and 2016, 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 and acquisition fees and costs related to planned acquisitions; (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, as 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 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 pensions 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.



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## F. ITEMS RECOGNIZED IN THE CONSOLIDATED 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
<b>BUILDINGS FOR ADMINISTRATIVE AND COMMERCIAL USE</b>	<b>20-40 years</b>

The depreciation method and periods applied are reviewed at each yearend 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 also 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:

- CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups 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 five years, with an extrapolation calculated in conjunction with local management for the last two years if required.
- 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.i**).

#### **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:

- With respect to continuous casting activities, the Core exposure represents the minimum quantity of non-ferrous metal inventories necessary to establish and maintain casting operations.
- In respect to Nexans cabling activities, the Core exposure represents the amounts of non-ferrous metals required for the Group's cable 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

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“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 or existing 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 other reserves".

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 "Pensions 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.i**):

- 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 recognized in the consolidated statement of financial position under "Pensions 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

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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.

## l. 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.

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

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## Note 2. Significant events of the year

### BOND ISSUE & REDEMPTION

On April 5, 2017, Nexans issued 200 million euros worth of fixed-rate bonds with a seven-year term, maturing on April 5, 2024. The bonds were issued at par and have an annual coupon of 2.75%. Their yield to maturity is 2.75%.

The issue was successful, with some 160 international institutional

investors taking up the bonds. HSBC and Société Générale acted as global coordinators and book runners for the issue, in addition to BNP Paribas and Banco Santander.

The bonds have been listed on Euronext Paris since April 5, 2017.

On May 2, 2017, all the 2017 bonds were redeemed in cash at maturity for 370 million euros including accrued interest.

## 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 telecommunications operators, and high-voltage & submarine 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 telecommunications (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 wire rods, electrical wires and winding wires production operations.

Two specific factors are reflected in this column:

- A total of 90% of the sales at constant metal prices recorded in the “Other Activities” column in 2017 were generated by the Group’s Electrical Wires business (compared with 92% in 2016).
- Operating margin for “Other Activities” came in at a positive seven 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

2017 (in millions of euros)	Transmission, Distribution & Operators	Industry	Distributors & Installers	Other Activities	Group total
Net sales at current metal prices	2,387	1,332	1,823	828	6,370
Net sales at constant metal prices	2,029	1,126	1,125	290	4,571
Operating margin	155	56	53	7	272
Depreciation and amortization	(72)	(33)	(25)	(9)	(139)
Net impairment of non-current assets (including goodwill) (see Note 6)	(7)	-	-	(1)	(8)

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
Net sales at constant metal prices and 2017 exchange rates	1,839	1,168	1,112	291	4,410
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)

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

## B. INFORMATION BY MAJOR GEOGRAPHIC AREA

2017 (in millions of euros)	France	Germany	Norway	Other <sup>(2)</sup>	Group total
Net sales at current metal prices <sup>(1)</sup>	1,023	841	858	3,647	6,370
Net sales at constant metal prices <sup>(1)</sup>	663	753	800	2,355	4,571
Non-current assets (IFRS 8) <sup>(1)</sup> (at December 31)	175	168	180	1,009	1,532

(1) Based on the location of the assets of the Group's subsidiaries.

(2) Countries that do not individually account for more than 10% of the Group's net sales at constant metal prices.

2016 (in millions of euros)	France	Germany	Norway	Other <sup>(2)</sup>	Group total
Net sales at current metal prices <sup>(1)</sup>	864	807	634	3,509	5,814
Net sales at constant metal prices <sup>(1)</sup>	630	735	587	2,479	4,431
Net sales at constant metal prices and 2017 exchange rates <sup>(1)</sup>	630	735	583	2,463	4,410
Non-current assets (IFRS 8) <sup>(1)</sup> (at December 31)	161	179	153	1,107	1,600

(1) Based on the location of the assets of the Group's subsidiaries.

(2) 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 2017 or 2016.



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## Note 4. Payroll costs and headcount

		2017	2016
Payroll costs (including payroll taxes)	<i>(in millions of euros)</i>	1,174	1,115
Staff of consolidated companies at year-end	<i>(in number of employees)</i>	26,308	26,258

Payroll costs in the above table include share-based payments within the meaning of IFRS 2. These payments totaled 5 million euros both in 2017 and in 2016 (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

<i>(in millions of euros)</i>	Notes	2017	2016
Net asset impairment	6	(8)	(8)
Changes in fair value of non-ferrous metal derivatives		-	12
Net gains (losses) on asset disposals	7	1	(6)
Acquisition-related costs (completed and planned acquisitions)		(6)	-
Expenses and provisions for antitrust investigations		(6)	(20)
<b>OTHER OPERATING INCOME AND EXPENSES</b>		<b>(19)</b>	<b>(22)</b>

The expenses recorded in 2017 and 2016 under “Expenses and provisions for antitrust investigations” take into consideration reassessments of provisions covering the investigations mentioned in **Note 30**.

## Note 6. Net asset impairment

<i>(in millions of euros)</i>	2017	2016
Impairment losses – non-current assets	(8)	(8)
Reversals of impairment losses – non-current assets	-	-
Impairment losses – goodwill	-	-
Impairment losses – assets and groups of assets held for sale	-	-
<b>NET ASSET IMPAIRMENT</b>	<b>(8)</b>	<b>(8)</b>

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.

In 2017, these tests led to the recognition of an 8 million euro impairment loss on intangible assets (see also **Notes 3, 11 and 12**). The 8 million euro impairment loss recorded in 2016 mainly concerned property, plant and equipment.

Impairment tests were then performed on goodwill, at the level of the cash generating units (CGUs) to which it is allocated.

## A. RESULTS OF THE IMPAIRMENT TESTS PERFORMED IN 2017

Goodwill balances and movements in goodwill in 2017 can be analyzed as follows by CGU:

<i>(in millions of euros)</i>	AmerCable CGU	Asia-Pacific CGU	South America CGU (excluding Brazil)	Other CGUs	Total
<b>DECEMBER 31, 2016</b>	<b>30</b>	<b>84</b>	<b>71</b>	<b>69</b>	<b>254</b>
Business combinations	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment losses	-	-	-	-	-
Exchange differences and other	(4)	(5)	(6)	(3)	(18)
<b>DECEMBER 31, 2017</b>	<b>26</b>	<b>79</b>	<b>65</b>	<b>66</b>	<b>236</b>

No impairment loss on goodwill was recognized by the Group in either 2017 or 2016.

## B. MAIN ASSUMPTIONS

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

- Stable discount rates in the Group's main monetary areas at December 31, 2017 compared with December 31, 2016, except for the discount rate used for Lebanon, which was 100 basis points higher, and that for Turkey, which was 50 basis points higher.
- The perpetuity growth rates used for the Group's CGUs at December 31, 2017 were stable compared with those used at December 31, 2016.
- 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 2018 Budget and the 2018-2022 Strategic Plan). Cash flows are projected over a five-year period for the purpose of these assumptions.

## C. SENSITIVITY ANALYSES

The main assumptions described above were used for measuring the CGUs that were tested for impairment. In addition, analyses were performed to test the sensitivity of the calculations to a 50 basis point increase or decrease in the discount rate and perpetuity growth rate. These analyses did not reveal any probable scenario that would cause the recoverable amount of a CGU to fall below its carrying amount.

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

<i>(in millions of euros)</i>	2017	2016
Net gains (losses) on disposals of fixed assets	1	4
Net gains (losses) on disposals of investments	-	(10)
Other	-	-
<b>NET GAINS (LOSSES) ON ASSET DISPOSALS</b>	<b>1</b>	<b>(6)</b>

The 10 million euro net loss recorded under “Net gains (losses) on disposals of investments” in 2016 corresponded mainly to the 7 million euro net loss on the sale of Nexans Rus. LLC.

## Note 8. Other financial income and expenses

<i>(in millions of euros)</i>	2017	2016
Dividends received from non-consolidated companies	1	1
Provisions	2	(1)
Net foreign exchange gain (loss)	3	(7)
Net interest expense on pensions and other long-term employee benefit obligations <sup>(1)</sup>	(6)	(10)
Other	(6)	(7)
<b>OTHER FINANCIAL INCOME AND EXPENSES</b>	<b>(6)</b>	<b>(24)</b>

(1) See Note 21.B.

## Note 9. Income taxes

### A. ANALYSIS OF THE INCOME TAX CHARGE

<i>(in millions of euros)</i>	2017	2016
Current income tax charge	(45)	(48)
Deferred income tax (charge) benefit	(46)	11
<b>INCOME TAX CHARGE</b>	<b>(91)</b>	<b>(37)</b>

Nexans S.A. heads up a tax group in France that comprised 11 companies in 2017. Other tax groups have been set up where possible in other countries, including in Germany, North America, Italy and South Korea.

## B. EFFECTIVE INCOME TAX RATE

The effective income tax rate was as follows for 2017 and 2016:

Tax proof (in millions of euros)	2017	2016
Income before taxes	219	97
■ of which share in net income of associates	2	4
<b>INCOME BEFORE TAXES AND SHARE IN NET INCOME OF ASSOCIATES</b>	<b>217</b>	<b>93</b>
Standard tax rate applicable in France (in %) <sup>(1)</sup>	34.43%	34.43%
<b>THEORETICAL INCOME TAX CHARGE</b>	<b>(75)</b>	<b>(32)</b>
Effect of:		
■ Difference between foreign and French tax rates	23	18
■ Change in tax rates for the period	(7)	2
■ Unrecognized deferred tax assets	(17)	(15)
■ Taxes calculated on a basis different from "Income before taxes"	(7)	(4)
■ Other permanent differences	(8)	(6)
<b>ACTUAL INCOME TAX CHARGE</b>	<b>(91)</b>	<b>(37)</b>
<b>EFFECTIVE TAX RATE (IN %)</b>	<b>42.04%</b>	<b>40.17%</b>

(1) For the purpose of simplicity, the Group has elected to only use the standard tax rate for France, i.e., including surtaxes.

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

## C. TAXES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

Taxes recognized directly in other comprehensive income in 2017 can be analyzed as follows:

(in millions of euros)	January 1, 2017	Gains (losses) generated during the year <sup>(1)</sup>	Amounts recycled to the income statement <sup>(1)</sup>	Total other comprehensive income (loss)	December 31, 2017
Available-for-sale financial assets	0	-	-	-	0
Currency translation differences	(5)	0	-	-	(5)
Cash flow hedges	1	(19)	11	(8)	(7)
<b>TAX IMPACT ON RECYCLABLE COMPONENTS OF COMPREHENSIVE INCOME<sup>(2)</sup></b>	<b>(4)</b>	<b>(19)</b>	<b>11</b>	<b>(8)</b>	<b>(12)</b>
Actuarial gains and losses on pensions and other long-term employee benefit obligations	57	(9)	N/A	(9)	48
Share of other non-recyclable comprehensive income of associates	-	-	-	-	-
<b>TAX IMPACT ON NON-RECYCLABLE COMPONENTS OF COMPREHENSIVE INCOME</b>	<b>57</b>	<b>(9)</b>	<b>-</b>	<b>(9)</b>	<b>48</b>

(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.

(2) 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).

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## 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, 2016	Impact on income	Change in consolidation scope	Impact on equity	Exchange differences and other	December 31, 2017
Fixed assets	(81)	14	-	-	7	(60)
Other assets	(35)	(27)	-	(1)	4	(59)
Employee benefit obligations	85	(8)	-	(9)	(1)	67
Provisions for contingencies and charges	32	(13)	-	-	(1)	18
Other liabilities	24	(16)	-	(6)	(2)	0
Unused tax losses	591	(45)	-	0	(13)	533
<b>DEFERRED TAX ASSETS (GROSS) AND DEFERRED TAX LIABILITIES</b>	<b>616</b>	<b>(94)</b>	<b>-</b>	<b>(16)</b>	<b>(7)</b>	<b>499</b>
Unrecognized deferred tax assets	(526)	48	-	1	9	(468)
<b>NET DEFERRED TAXES</b>	<b>90</b>	<b>(46)</b>	<b>-</b>	<b>(15)</b>	<b>3</b>	<b>32</b>
■ of which recognized deferred tax assets	180					135
■ of which deferred tax liabilities	(90)					(103)
<b>NET DEFERRED TAXES EXCLUDING ACTUARIAL GAINS AND LOSSES</b>	<b>32</b>					<b>(15)</b>

At December 31, 2017 and 2016, deferred tax assets in the respective amounts of 468 million euros and 526 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 533 million euros at December 31, 2017 (591 million euros at December 31, 2016). The main entities to which these tax losses related at those dates were as follows:

- German subsidiaries, in an amount of 157 million euros (156 million euros at December 31, 2016), of which 44 million euros were recognized in deferred tax assets at December 31, 2017 (55 million euros at December 31, 2016).
- French subsidiaries, in an amount of 180 million euros (228 million euros at December 31, 2016), of which 13 million euros were recognized in deferred tax assets at December 31, 2017 (11 million euros at December 31, 2016). The change in tax losses of French subsidiaries between 2016 and 2017 is mainly due to the decrease of the corporate income tax introduced by the 2017 *Loi de Finance*.

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)	2017	2016
Year Y+1	2	5
Years Y+2 to Y+4	10	19
Year Y+5 and subsequent years <sup>(1)</sup>	521	567
<b>TOTAL</b>	<b>533</b>	<b>591</b>

(1) This line includes the potential tax benefits derived from unused tax losses that may be carried forward indefinitely.

## 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 per share and diluted earnings per share:

	2017	2016
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT <sup>(1)</sup>	125	61
Interest expense on convertible OCEANE bonds, net of tax <sup>(1)</sup>	(7)	Anti-dilutive
ADJUSTED NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT <sup>(1)</sup>	132	61
ATTRIBUTABLE NET INCOME FROM DISCONTINUED OPERATIONS <sup>(1)</sup>	-	-
Average number of shares outstanding	43,328,672	42,930,486
Average number of dilutive instruments	5,226,150	986,737
■ of which free shares and performance shares	955,955	969,721
■ of which stock options	17,033	17,016
■ of which convertible bonds	4,253,162	Anti-dilutive
Average number of diluted shares	48,554,822	43,917,223
ATTRIBUTABLE NET INCOME PER SHARE		
■ Basic earnings per share <sup>(2)</sup>	3.04	1.43
■ Diluted earnings per share <sup>(2)</sup>	2.71	1.40

(1) In millions of euros.

(2) In euros.

## Note 11. Intangible assets

<i>(in millions of euros)</i>	Trademarks	Customer relationships	Software	Intangible assets in progress	Other	Total
Gross value	61	212	77	29	51	430
Accumulated amortization and impairment	(23)	(180)	(69)	-	(12)	(284)
<b>NET AT JANUARY 1, 2017</b>	<b>38</b>	<b>32</b>	<b>8</b>	<b>29</b>	<b>39</b>	<b>146</b>
Acquisitions and capitalizations	-	-	3	5	-	8
Disposals	-	-	-	-	-	-
Amortization expense for the year	-	(4)	(5)	-	(5)	(14)
Impairment losses <sup>(1)</sup>	(5)	(3)	-	-	-	(8)
Changes in Group structure	-	-	-	-	-	-
Exchange differences and other	(3)	(3)	9	(6)	(2)	(5)
<b>NET AT DECEMBER 31, 2017</b>	<b>30</b>	<b>22</b>	<b>15</b>	<b>28</b>	<b>32</b>	<b>127</b>
Gross value	56	195	87	28	48	415
Accumulated amortization and impairment	(26)	(173)	(73)	-	(16)	(288)

(1) See Note 6.

## Note 12. Property, plant and equipment

<i>(in millions of euros)</i>	Land and buildings	Plant, equipment and machinery	Property, plant and equipment under construction	Other	Total
Gross value	948	2,295	113	234	3,590
Accumulated depreciation and impairment	(577)	(1,651)	-	(192)	(2,420)
<b>NET AT JANUARY 1, 2017</b>	<b>371</b>	<b>644</b>	<b>113</b>	<b>42</b>	<b>1,170</b>
Acquisitions and capitalizations	12	47	92	11	162
Disposals	1	(7)	-	-	(6)
Depreciation expense for the year	(22)	(91)	-	(11)	(124)
Impairment losses <sup>(1)</sup>	-	-	-	-	-
Changes in Group structure	-	-	-	-	-
Exchange differences and other	0	31	(103)	(1)	(73)
<b>NET AT DECEMBER 31, 2017</b>	<b>362</b>	<b>624</b>	<b>102</b>	<b>41</b>	<b>1,129</b>
Gross value	910	2,239	102	219	3,470
Accumulated depreciation and impairment	(548)	(1,615)	-	(178)	(2,341)

(1) See Note 6.

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

### A. EQUITY VALUE

<i>(At December 31, in millions of euros)</i>	% control	2017	2016
Qatar International Cable Company	30.33%	14	17
Cobrecon/Colada Continua	33.33%/41.00%	9	9
Recycables	36.50%	4	4
IES Energy	27.80%	13	N/A
<b>TOTAL</b>		<b>40</b>	<b>30</b>

### 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

<i>(At December 31, in millions of euros)</i>	2017	2016
Property, plant and equipment and intangible assets	119	74
Current assets	173	152
<b>TOTAL CAPITAL EMPLOYED</b>	<b>292</b>	<b>226</b>
Total equity	132	77
Net financial debt	13	26
Other liabilities	147	123
<b>TOTAL FINANCING</b>	<b>292</b>	<b>226</b>

#### Condensed income statement

<i>(in millions of euros)</i>	2017	2016
Sales at current metal prices	312	276
Operating income	10	18
Net income	4	14



## Note 14. Other non-current assets

<i>(At December 31, in millions of euros, net of impairment)</i>	2017	2016
Long-term loans and receivables	36	22
Available-for-sale securities <sup>(1)</sup>	23	16
Pension plan assets	7	2
Derivative instruments	22	8
Other	12	12
<b>TOTAL</b>	<b>100</b>	<b>60</b>

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

The maturity schedule for non-current assets at December 31, 2017 is presented below (excluding (i) available-for-sale securities which correspond to shares in non-consolidated companies, and (ii) pension plan assets):

<i>(At December 31, 2017, in millions of euros)</i>	Carrying amount	1 to 5 years	> 5 years
Long-term loans and receivables	36	32	4
Derivative instruments	22	22	-
Other	12	4	8
<b>TOTAL</b>	<b>70</b>	<b>58</b>	<b>12</b>

Movements in impairment losses were as follows in 2017:

<i>(in millions of euros)</i>	Long-term loans and receivables	Available-for-sale securities	Other
<b>AT DECEMBER 31, 2016</b>	<b>11</b>	<b>7</b>	<b>4</b>
Additions	0	0	-
Disposals/Reversals	(2)	-	-
Other	(1)	(0)	(1)
<b>AT DECEMBER 31, 2017</b>	<b>8</b>	<b>7</b>	<b>3</b>

## Note 15. Inventories and work in progress

<i>(At December 31, in millions of euros)</i>	2017	2016
Raw materials and supplies	408	280
Industrial work in progress	300	289
Finished products	447	417
<b>GROSS VALUE</b>	<b>1,155</b>	<b>986</b>
<b>IMPAIRMENT</b>	<b>(48)</b>	<b>(60)</b>
<b>NET VALUE</b>	<b>1,107</b>	<b>926</b>

## Note 16. Construction contracts

Construction contracts are measured and presented in accordance with **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, 2017 and 2016 break down as follows:

<i>(At December 31, in millions of euros)</i>	2017	2016
<b>ASSETS RELATED TO CONSTRUCTION CONTRACTS</b>	<b>199</b>	<b>238</b>
■ of which “Amounts due from customers on construction contracts”	199	238
<b>LIABILITIES RELATED TO CONSTRUCTION CONTRACTS</b>	<b>163</b>	<b>209</b>
■ of which “Amounts due to customers on construction contracts”	60	99
■ of which advances received on construction contracts	103	110
<b>TOTAL NET ASSETS (LIABILITIES) RELATED TO CONSTRUCTION CONTRACTS</b>	<b>36</b>	<b>29</b>

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, 2017 and 2016 can be analyzed as follows (aggregate amounts for construction contracts in progress at the year-end):

<i>(At December 31, in millions of euros)</i>	2017	2016
Aggregate amount of costs incurred plus profits recognized (net of any losses recognized, including any losses to completion)	2,528	2,211
Progress billings	2,389	2,072
<b>NET BALANCE EXCLUDING ADVANCES RECEIVED</b>	<b>139</b>	<b>139</b>
■ of which “Amounts due from customers on construction contracts”	199	238
■ of which “Amounts due to customers on construction contracts”	(60)	(99)

Sales at current metal prices recognized in relation to construction contracts at December 31, 2017 amounted to 907 million euros, versus 647 million euros at December 31, 2016.

There were no significant contingent liabilities at either December 31, 2017 or 2016 that could negatively affect the expected margins on the Group’s construction contracts.

The amount of retentions relating to progress billings issued totaled 37 million euros at December 31, 2017 versus 58 million euros at December 31, 2016.

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## Note 17. Trade receivables

(At December 31, in millions of euros)	2017	2016
Gross value	1,068	1,034
Impairment	(35)	(38)
<b>NET VALUE</b>	<b>1,033</b>	<b>996</b>

At December 31, 2017 and 2016, as part of a receivables securitization program set up by the Group in 2010, renewed for five years on March 30, 2015 and amended in May 2017 (referred to as the "On Balance Sheet" program), Nexans France SAS had respectively sold 93 million euros and 31 million euros worth of euro denominated trade receivables to a bank (excluding security deposit). 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 January 1	Additions	Utilizations	Reversals	Other (currency translation differences, IFRS 5 requirements)	At December 31
<b>2017</b>	<b>38</b>	<b>5</b>	<b>(2)</b>	<b>(3)</b>	<b>(3)</b>	<b>35</b>
2016	39	10	(6)	(4)	(1)	38

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
<b>DECEMBER 31, 2017</b>	<b>35</b>	<b>28</b>
December 31, 2016	30	27

At December 31, 2017 and 2016, the remaining receivables past due but not written down mainly related to leading industrial groups, major public and private electricity companies and telecommunications operators, and major resellers. They are generally located in geographic areas where contractual payment dates are often exceeded and they historically present an extremely low default rate.

## Note 18. Other current assets

(At December 31, in millions of euros)	2017	2016
Prepaid and recoverable income taxes	48	47
Other tax receivables	64	58
Cash deposits paid	8	9
Prepaid expenses	22	24
Other receivables, net	35	63
<b>NET VALUE</b>	<b>177</b>	<b>201</b>

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**) is presented under "Cash deposits paid" in the above table and amounted to 3 million euros at December 31, 2017 and 2 million euros at December 31, 2016.

## Note 19. Decrease (increase) in working capital

<i>(At December 31, in millions of euros)</i>	2017	2016
Inventories and work in progress	(163)	(54)
Trade receivables and other receivables	(63)	(137)
Trade payables and other debts	117	86
<b>DECREASE (INCREASE) IN WORKING CAPITAL</b>	<b>(109)</b>	<b>(105)</b>

In 2016, the Group sold 9 million euros worth of tax receivables. As the sales concerned transferred substantially all the risks and rewards of ownership, they met the derecognition criteria in IAS 39 and were therefore derecognized.

## Note 20. Equity

### A. COMPOSITION OF CAPITAL STOCK

At December 31, 2017, Nexans S.A.'s capital stock comprised 43,494,691 fully paid-up shares with a par value of one euro each, (43,411,421 shares at December 31, 2016). 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 0.70 euros per share, representing an aggregate payout of 30.4 million euros based on the 43,494,691 shares making up the Company's capital stock at December 31, 2017.

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, 2018 and the date of the Annual Shareholders' Meeting that approves 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 11, 2017 to approve the financial statements for the year ended December 31, 2016, the Company's shareholders authorized payment of a dividend of 0.50 euros per share, representing an aggregate payout of 22 million euros based on the 43,210,277 shares making up the Company's capital stock on the payment date (May 19, 2017).

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## C. TREASURY STOCK

In 2017, Nexans S.A. purchased 224,489 shares into treasury under the buyback program approved by the Board of Directors on November 23, 2016.

During the year, 142,412 shares were delivered under free share and performance share plans.

At December 31, 2017, 82,077 shares were held in treasury stock. No shares were held in treasury stock at December 31, 2016.

## D. STOCK OPTIONS

At December 31, 2017, there were 170,760 stock options outstanding, each exercisable for one Nexans share, i.e., 0.39% of the Company's capital stock. At December 31, 2016, a total of 254,030 options were outstanding, exercisable for 0.6% of the Company's capital stock.

The options outstanding at December 31, 2017 and at December 31, 2016 can be analyzed as follows:

### Plan characteristics

Grant date	Number of options originally granted	Number of options granted as adjusted after the rights issue <sup>(1)</sup>	Number of options outstanding at the year-end	Exercise price (in euros)	Exercise price as adjusted after the rights issue <sup>(1)</sup> (in euros)	Exercise period
March 9, 2010	335,490	389,026	170,760	53.97	46.30	From March 9, 2011 <sup>(2)</sup> to March 8, 2018
<b>TOTAL</b>	<b>335,490</b>	<b>389,026</b>	<b>170,760</b>			

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

<sup>(2)</sup> Vesting at a rate of 25% per year as from the grant date.

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)
<b>OPTIONS OUTSTANDING AT BEGINNING OF YEAR</b>	<b>254,030</b>	<b>46.30</b>
Options granted during the year	-	-
Options canceled during the year	-	-
Options exercised during the year	(83,270)	46.30
Options expired during the year	-	-
<b>OPTIONS OUTSTANDING AT THE YEAR-END</b>	<b>170,760</b>	<b>46.30</b>
■ of which exercisable at the year-end	170,760	46.30

### Valuation of options

The vesting conditions applicable to stock options are described in section 2.5.5.

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 2017 or 2016, no corresponding expense was recognized in the income statement.

## E. FREE SHARES AND PERFORMANCE SHARES

The Group granted an aggregate 225,300 free shares and performance shares in 2017; 287,100 free shares and performance shares were granted in 2016.

At December 31, 2017, there were 869,724 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 (886,859 at December 31, 2016, representing 2.0% of the Company's capital stock).

The free shares and performance shares outstanding at December 31, 2017 can be analyzed as follows:

### Plan characteristics

Grant date	Number of shares originally granted	Number of shares granted as adjusted after the rights issue <sup>(1)</sup>	Number of shares outstanding at the year-end	End of vesting period
July 24, 2013	275,000	319,007	-	July 24, 2017 for non-French tax residents, and July 24, 2016 followed by a two-year lock-up period for French tax residents
July 24, 2014	311,940	N/A	56,444	July 24, 2018 for non-French tax residents, and July 24, 2017 followed by a two-year lock-up period for French tax residents
July 28, 2015	320,960	N/A	306,080	July 28, 2019 for non-French tax residents, and July 28, 2018 followed by a two-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	248,400	May 12, 2020
November 23, 2016	3,900	N/A	3,900	November 23, 2020
March 14, 2017	225,300	N/A	224,900	March 14, 2021
<b>TOTAL</b>	<b>1,420,300</b>		<b>869,724</b>	

(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
<b>SHARES OUTSTANDING AT BEGINNING OF YEAR</b>	<b>886,859</b>
Shares granted during the year	225,300
Shares canceled during the year	(100,023)
Shares vested during the year <sup>(1)</sup>	(142,412)
<b>SHARES OUTSTANDING AT THE YEAR-END</b>	<b>869,724</b>

(1) Including 142,412 shares allocated from treasury stock.

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## Valuation of free shares and performance shares

The assumptions applied to value the shares impacting income for 2017 and 2016 were as follows:

Grant date	July 24, 2013	July 24, 2014	July 28, 2015	Jan. 1, 2016	May 12, 2016	Nov. 23, 2016	Mar. 14, 2017
Share price at grant date (in euros)	40.21	34.85	36.19	33.84	43.47	49.80	48.31
Vesting period	3 to 4 years	3 to 4 years	3 to 4 years	4 years	4 years	4 years	4 years
Volatility (%) <sup>(1)</sup>	41%	42%	35%	35%	37%	37%	38%
Risk-free interest rate (%)	0.35%	0.25%	0.00%	0.00%	0.00%	0.00%	0.06%
Dividend rate (%)	2.8%	2.3%	2.0%	2.0%	1.0%	1.0%	2.0%
Fair value of each share (in euros)	12.94 - 35.95	11.61 - 31.79	12.04 - 33.41	17.27 - 31.24	28.50 - 41.76	25.76 - 47.85	23.48 - 44.59

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

See also section 2.5.5.

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. This expense totaled 5 million euros both in 2017 and 2016 income statements.

## F. PUT OPTIONS GRANTED TO NON-CONTROLLING INTERESTS

At December 31, 2017 and 2016, Nexans had no commitment to buy non-controlling interests shareholdings, as the put options granted on non-controlling interests in Liban Cables expired in 2016.

## 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 included 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".

## 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 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 94% of the Group's pension obligations at December 31, 2017):

	Discount rate 2017	Estimated future salary increases 2017	Discount rate 2016	Estimated future salary increases 2016
France	1.70%	2.00% - 2.50%	1.70%	2.00% - 2.50%
Germany	1.70%	3.00%	1.70%	3.00%
Norway	2.60%	N/A	2.25%	N/A
Switzerland	0.70%	0.40%	0.60%	0.40%
Canada	3.55%	3.50%	3.55%	3.50%
United States	3.85%	3.50%	4.35%	3.50%
Australia	3.10%	2.00%	2.90%	2.00%

The discount rates applied were determined as follows:

- 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.
- 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)	2017	2016
<b>RETIREMENT COSTS FOR THE YEAR</b>		
Service cost	(16)	(21)
Net interest expense	(6)	(10)
Actuarial gains/(losses) (on jubilee benefits)	(0)	(1)
Past service cost	4	11
Effect of curtailments and settlements	(3)	-
Impact of asset ceiling	-	-
<b>NET COST FOR THE YEAR</b>	<b>(21)</b>	<b>(21)</b>
■ of which operating cost	(15)	(11)
■ of which finance cost	(6)	(10)

(in millions of euros)	2017	2016
<b>VALUATION OF BENEFIT OBLIGATION</b>		
<b>PRESENT VALUE OF BENEFIT OBLIGATION AT JANUARY 1</b>	<b>893</b>	<b>911</b>
Service cost	16	21
Interest expense	13	19
Employee contributions	2	2
Plan amendments	(4)	(11)
Business acquisitions and disposals	-	1
Plan curtailments and settlements	(23)	-
Benefits paid	(52)	(72)
Actuarial (gains)/losses	7	11
Other (exchange differences)	(40)	11
<b>PRESENT VALUE OF BENEFIT OBLIGATION AT DECEMBER 31</b>	<b>812</b>	<b>893</b>

(in millions of euros)	2017	2016
<b>PLAN ASSETS</b>		
<b>FAIR VALUE OF PLAN ASSETS AT JANUARY 1</b>	<b>465</b>	<b>462</b>
Interest income	7	9
Actuarial gains/(losses)	30	19
Employer contributions	18	14
Employee contributions	2	2
Business acquisitions and disposals	-	-
Plan curtailments and settlements	(26)	-
Benefits paid	(30)	(50)
Other (exchange differences)	(34)	9
<b>FAIR VALUE OF PLAN ASSETS AT DECEMBER 31</b>	<b>432</b>	<b>465</b>

(At December 31, in millions of euros)	2017	2016
<b>FUNDED STATUS</b>		
Present value of wholly or partially funded benefit obligations	(527)	(563)
Fair value of plan assets	432	465
<b>FUNDED STATUS OF BENEFIT OBLIGATION</b>	<b>(95)</b>	<b>(98)</b>
Present value of unfunded benefit obligation	(285)	(330)
<b>BENEFIT OBLIGATION NET OF PLAN ASSETS</b>	<b>(380)</b>	<b>(428)</b>
Unrecognized surplus (due to asset ceiling)	-	-
<b>NET PROVISION RECOGNIZED</b>	<b>(380)</b>	<b>(428)</b>
■ of which pension assets	7	2

(in millions of euros)	2017	2016
<b>CHANGE IN NET PROVISION</b>		
<b>NET PROVISION RECOGNIZED AT JANUARY 1</b>	<b>428</b>	<b>449</b>
Expense/(income) recognized in the income statement	21	21
Expense/(income) recognized in other comprehensive income	(23)	(9)
Utilization	(40)	(36)
Other impacts (exchange differences, acquisitions/disposals, etc.)	(6)	3
<b>NET PROVISION RECOGNIZED AT DECEMBER 31</b>	<b>380</b>	<b>428</b>
■ of which pension assets	7	2

### C. SIGNIFICANT EVENTS OF THE YEAR

The actuarial gains recognized in 2017 primarily reflect (i) the return on plan assets (excluding amounts included in net interest on the net defined benefit obligation), (ii) changes in the discount rates applied, partially offset by (iii) experience adjustments (retiree headcount, tax legislation update). Retirement costs for the year include 1 million euros in net non-recurring income arising from numerous plan amendments that came into effect mainly in Switzerland, the United Kingdom, the Netherlands, the United States and Canada.

The actuarial losses recognized in 2016 primarily reflect (i) the lower discount rates applied, partially offset by (ii) experience adjustments (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 2016 included 11 million euros in non-recurring income arising from numerous plan amendments that came into effect mainly in France, Switzerland and Brazil.

The Group's employer contributions relating to defined benefit plans are estimated at 13 million euros for 2018.

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 89 million euros in 2017 and 84 million euros in 2016.

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## D. ANALYSIS OF ACTUARIAL GAINS AND LOSSES

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

	2017		2016	
	in millions of euros	% of DBO	in millions of euros	% of DBO
Discount rate	(9)	-1%	47	5%
Salary increases	4	0%	(9)	-1%
Mortality	0	0%	(0)	0%
Staff turnover	0	0%	0	0%
Other changes in assumptions	(1)	0%	1	0%
<b>(GAINS)/LOSSES FROM CHANGES IN ASSUMPTIONS</b>	<b>(6)</b>	<b>-1%</b>	<b>39</b>	<b>4%</b>
<b>(GAINS)/LOSSES FROM PLAN AMENDMENTS</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>
<b>(GAINS)/LOSSES FROM EXPERIENCE ADJUSTMENTS</b>	<b>13</b>	<b>2%</b>	<b>(28)</b>	<b>-3%</b>
<b>OTHER</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>TOTAL (GAINS)/LOSSES ARISING DURING THE YEAR</b>	<b>7</b>	<b>1%</b>	<b>11</b>	<b>1%</b>

## E. BREAKDOWN OF PLAN ASSETS BY CATEGORY

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

(At December 31)	2017		2016	
	in millions of euros	% of DBO	in millions of euros	% of DBO
Equities <sup>(1)</sup>	136	32%	144	31%
Bonds and other fixed income products <sup>(1)</sup>	166	38%	180	38%
Real estate	73	17%	83	18%
Cash and cash equivalents	14	3%	13	3%
Other	43	10%	45	9%
<b>FAIR VALUE OF PLAN ASSETS</b>	<b>432</b>	<b>100%</b>	<b>465</b>	<b>100%</b>

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

## F. SENSITIVITY ANALYSES

The present value of the Group's obligation for pensions and other retirement benefits is sensitive to changes in discount rates. In 2017, 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:

	2017		
	Actual DBO in millions of euros	Adjusted DBO in millions of euros	Variance in %
Europe	607	644	6.06%
North America	163	173	6.55%
Asia	28	30	4.88%
Other countries	14	14	6.88%
<b>TOTAL</b>	<b>812</b>	<b>861</b>	<b>6.13%</b>

The present value of the Group's obligation for pensions 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):

	2017		
	Actual DBO in millions of euros	Adjusted DBO in millions of euros	Variance in %
Europe	607	626	3.15%
North America	163	163	0.00%
Asia	28	29	4.62%
Other countries	14	13	1.97%
<b>TOTAL</b>	<b>812</b>	<b>831</b>	<b>2.55%</b>

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

The two plans described below represent 57% of the total present value of the Group's defined benefit obligation at December 31, 2017.

### 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 13 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 11 years.

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## Note 22. Provisions

### A. ANALYSIS BY NATURE

(At December 31, in millions of euros)	2017	2016
Accrued contract costs	36	39
Restructuring provisions	48	81
Other provisions	89	90
<b>TOTAL</b>	<b>173</b>	<b>210</b>

Movements in these provisions were as follows during 2016 and 2017:

(in millions of euros)	TOTAL	Accrued contract costs	Restructuring provisions	Other provisions
<b>AT DECEMBER 31, 2015</b>	<b>237</b>	<b>38</b>	<b>128</b>	<b>71</b>
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
<b>AT DECEMBER 31, 2016</b>	<b>210</b>	<b>39</b>	<b>81</b>	<b>90</b>
Additions	48	15	22	11
Reversals (utilized provisions)	(55)	(7)	(44)	(4)
Reversals (surplus provisions)	(23)	(9)	(7)	(7)
Business combinations	-	-	-	-
Exchange differences and other	(7)	(2)	(4)	(1)
<b>AT DECEMBER 31, 2017</b>	<b>173</b>	<b>36</b>	<b>48</b>	<b>89</b>

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 64 million euros at December 31, 2017 and 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 37 million euros in 2017, breaking down as follows:

<i>(in millions of euros)</i>	Redundancy costs	Asset impairment and retirements <sup>(1)</sup>	Other monetary costs	Total
Additions to provisions for restructuring costs	19	1	3	23
Reversals of surplus provisions	(3)	(1)	(4)	(8)
Other costs for the year	5	-	16	21
<b>TOTAL RESTRUCTURING COSTS</b>	<b>21</b>	<b>0</b>	<b>16</b>	<b>37</b>

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

In 2017, the Group's companies pursued their implementation of previously drawn up cost-cutting plans and continued to work on new plans to effectively respond to changes in the global cable market.

The 37 million euro expense recognized under restructuring costs in 2017 corresponds mainly to provisions for restructuring plans in Brazil, Europe and the United States. It also includes costs recognized on a cash basis.

"Other monetary costs" primarily correspond to site maintenance costs, project management costs and the cost of 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 costs" when the sales are completed.

As was the case in previous years, wherever possible the restructuring plans implemented by the Group in 2017 included assistance measures negotiated with employee representative bodies as well as measures aimed at limiting lay-offs and facilitating redeployment.

In 2016, restructuring costs came to 33 million euros, breaking down as follows:

<i>(in millions of euros)</i>	Redundancy costs	Asset impairment and retirements <sup>(1)</sup>	Other monetary costs	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
<b>TOTAL RESTRUCTURING COSTS</b>	<b>6</b>	<b>18</b>	<b>9</b>	<b>33</b>

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

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

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## Note 23. Net debt

At both December 31, 2017 and 2016, 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)	2017	2016	Notes
Long-term – ordinary bonds <sup>(1)</sup>	447	498	23.C
Long-term – OCEANE convertible bonds <sup>(1)</sup>	267	263	23.C
Other long-term borrowings <sup>(1)</sup>	4	5	
<b>TOTAL LONG-TERM DEBT</b>	<b>718</b>	<b>766</b>	
Short-term – ordinary bonds <sup>(1)</sup>	250	350	23.C
Short-term – OCEANE convertible bonds <sup>(1)</sup>	-	-	23.C
Short-term borrowings and short-term accrued interest not yet due	158	111	
Short-term bank loans and overdrafts	11	9	
<b>TOTAL SHORT-TERM DEBT</b>	<b>419</b>	<b>470</b>	
<b>GROSS DEBT</b>	<b>1,137</b>	<b>1,236</b>	
Short-term financial assets	-	-	
Cash	(711)	(376)	
Cash equivalents	(94)	(649)	
<b>NET DEBT</b>	<b>332</b>	<b>211</b>	

(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 80 million euros (see Note 17).

### B. CHANGE IN GROSS DEBT

(in millions of euros)	December 31, 2016	New borrowings/ Repayments	Change in consolidation scope	Change in accrued interest	Transfers from long-term to short-term	Other	December 31, 2017
Long-term – ordinary bonds	498	199	-	-	(249)	(1)	447
Long-term – OCEANE convertible bonds	263	-	-	-	-	4	267
Other long-term borrowings	5	(1)	-	-	(1)	1	4
Short-term – ordinary bonds	350	(350)	-	-	249	1	250
Short-term – OCEANE convertible bonds	-	-	-	-	-	-	-
Other short-term borrowings	77	62	-	-	1	(7)	133
Short-term accrued interest not yet due	34	-	-	(9)	-	(0)	25
<b>GROSS DEBT EXCLUDING SHORT-TERM BANK LOANS AND OVERDRAFTS</b>	<b>1,227</b>	(90)	-	(9)	-	(2)	<b>1,126</b>

## C. BONDS

(in millions of euros)	Carrying amount at end-2017	Face value at issue date	Maturity date	Nominal interest rate	Exercise price per bond <sup>(3)</sup> (in euros)
2019 OCEANE convertible/exchangeable bonds	273	275	January 1, 2019	2.50%	72.74
<b>TOTAL CONVERTIBLE BONDS<sup>(1)</sup></b>	<b>273</b>	<b>275</b>			
Ordinary bonds redeemable in 2018	258	250	March 19, 2018	4.25%	N/A
Ordinary bonds redeemable in 2021	254	250	May 26, 2021	3.25%	N/A
Ordinary bonds redeemable in 2024	203	200	April 5, 2024	2.75%	N/A
<b>TOTAL ORDINARY BONDS<sup>(2)</sup></b>	<b>715</b>	<b>700</b>			

(1) Including 7 million euros in short-term accrued interest.

(2) Including 17 million euros in short-term accrued interest.

(3) Redemption price at face value. The conversion ratio is 1.1250 shares per 2019 OCEANE bond.

### Ordinary bonds

The ordinary bonds redeemable in 2018 were reclassified to short-term debt at December 31, 2017, as their maturity was within 12 months of that date (see **Note 23.B**).

On April 5, 2017, Nexans carried out a 200 million euro bond issue with a maturity date of April 5, 2024. The issue price was 100.00% of the bonds' face value.

On May 2, 2017, all of the 2017 bonds were redeemed in cash, as they had reached maturity. The total amount paid was 370 million euros including accrued interest on the bonds.

The bonds were reclassified to short-term debt at December 31, 2016, as their maturity was within 12 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' face value.

### Convertible bonds

At December 31, 2017, the Group's debt included 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 on June 1, 2018 or the first business day thereafter.

In light of Nexans' current share price, it is more probable than not that the early redemption option will not be exercised and the 2019 OCEANES have therefore been treated as maturing on January 1, 2019 and not June 1, 2018.

Consequently, in accordance with IAS 39 (paragraph AG8), the amortized cost of the 2019 OCEANE bonds has been revised to reflect cash flows up to the new effective maturity date. This resulted in the recognition of 5 million euros in income under "Cost of debt (net)" at December 31, 2017.

In accordance with IAS 32, the portion of the 2019 OCEANE bonds corresponding to the value of the conversion option was included in equity for a pre-tax amount of 41 million euros at the issue date.

On January 4, 2016, all 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.

### Consolidated statement of financial position

(At December 31, in millions of euros)	2017	2016
Convertible bonds – debt component	226	229
Accrued interest	47	41
<b>TOTAL DEBT COMPONENT</b>	<b>273</b>	<b>270</b>
Convertible bonds – equity component (reserves), before tax	41	41
<b>TOTAL AMOUNT RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR CONVERTIBLE BONDS</b>	<b>314</b>	<b>311</b>



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## Income statement

(in millions of euros)	2017	2016
Contractual interest paid	(7)	(7)
Additional interest calculated at interest rate excluding the option	(3)	(8)
<b>TOTAL FINANCE EXPENSE FOR CONVERTIBLE BONDS</b>	<b>(10)</b>	<b>(15)</b>

## D. ANALYSIS OF GROSS DEBT BY CURRENCY AND INTEREST RATE

### Long-term debt

(At December 31, excluding short-term accrued interest not yet due)	Weighted average EIR <sup>(1)</sup> (%)		In millions of euros	
	2017	2016	2017	2016
2019 OCEANE convertible/exchangeable bonds	5.73	5.73	267	263
Ordinary bonds redeemable in 2018 <sup>(2)</sup>	N/A	4.53	N/A	249
Ordinary bonds redeemable in 2021	3.40	3.40	248	249
Ordinary bonds redeemable in 2024	2.87	N/A	199	N/A
Other	0.67	3.45	4	5
<b>TOTAL</b>	<b>4.10</b>	<b>4.57</b>	<b>718</b>	<b>766</b>

(1) Effective interest rate.

(2) The 2018 ordinary bonds were reclassified to short-term debt in 2017.

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 loans granted to Liban Cables at preferential rates.

### Short-term debt

(At December 31)	Weighted average EIR <sup>(1)</sup> (%)		In millions of euros	
	2017	2016	2017	2016
Ordinary bonds redeemable in 2017	N/A	5.95	N/A	350
Ordinary bonds redeemable in 2018	4.53	N/A	250	N/A
Euro (excluding ordinary bonds)	1.80	5.37	71	16
US dollar	4.13	4.28	25	29
Other	6.65	5.07	49	41
<b>TOTAL SHORT-TERM DEBT EXCLUDING ACCRUED INTEREST</b>	<b>4.28</b>	<b>5.74</b>	<b>395</b>	<b>436</b>
Accrued interest (including short-term accrued interest on long-term debt)	N/A	N/A	24	34
<b>TOTAL SHORT-TERM DEBT</b>	<b>4.28</b>	<b>5.74</b>	<b>419</b>	<b>470</b>

(1) Effective interest rate.

At December 31, 2017, 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 2018 ordinary bonds) is at variable rates.

## E. 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, 2017

<i>(in millions of euros)</i>	Due within 1 year		Due in 1 to 5 years		Due beyond 5 years		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Ordinary bonds redeemable in 2018	250	11	-	-	-	-	250	11
Ordinary bonds redeemable in 2021	-	8	250	24	-	-	250	32
Ordinary bonds redeemable in 2024	-	6	-	22	200	11	200	39
2019 OCEANE convertible/ exchangeable bonds	-	7	275	7	-	-	275	14
Other long-term borrowings	-	0	2	0	2	-	4	0
Short-term bank loans and overdrafts	143	3	-	-	-	-	143	3
<b>TOTAL</b>	<b>393</b>	<b>35</b>	<b>527</b>	<b>53</b>	<b>202</b>	<b>11</b>	<b>1,122</b>	<b>99</b>

Notes concerning the preparation of the maturity schedule:

- It is assumed that the 2019 OCEANE convertible/exchangeable bonds will be redeemed on January 1, 2019. The indentures for the 2019 OCEANE bond issues include early redemption options exercisable by the bondholders on June 1, 2018 or the first business day thereafter. On the date of the approval of consolidated financial statements by the Board of Directors, exercising the early redemption options is considered unlikely.
- Foreign exchange and interest rate derivatives used to hedge the Group's external debt are not material for the Group as a whole.
- The euro equivalent amount for borrowings in foreign currencies has been calculated using the year-end exchange rate at December 31, 2017.
- 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 2018.
- The interest cost has been calculated based on contractual interest rates for fixed-rate borrowings and on weighted average interest rates at December 31, 2017 for variable-rate borrowings (see **Note 23.D** above).

## Note 24. Trade payables and other current liabilities

(At December 31, in millions of euros)	2017	2016
<b>TRADE PAYABLES</b>	<b>1,342</b>	<b>1,244</b>
Social liabilities	215	234
Current income tax payables	47	59
Other tax payables	27	16
Deferred income	0	0
Other payables	42	42
<b>OTHER CURRENT LIABILITIES</b>	<b>331</b>	<b>351</b>

At December 31, 2017, trade payables included approximately 290 million euros (281 million euros at December 31, 2016) related to copper purchases whose payment periods can be longer than usual for such supplies.

Amounts due to suppliers of fixed assets totaled 2 million euros at December 31, 2017 (4 million euros at December 31, 2016).

## Note 25. Derivative instruments

Notional amounts and market value (in millions of euros)	December 31, 2017					December 31, 2016				
	Notional amounts					Market value		Notional amounts	Market value	
	USD	NOK	EUR	Other	Total	Assets	Liabilities		Assets	Liabilities
<b>FOREIGN EXCHANGE DERIVATIVES</b>										
<b>FOREIGN EXCHANGE DERIVATIVES – CASH FLOW HEDGES</b>						21	26		39	31
Forward sales	311	447	363	405	1,526			2,341		
Forward purchases	264	645	366	246	1,521			2,348		
<b>FOREIGN EXCHANGE DERIVATIVES – ECONOMIC HEDGES</b>						10	11		16	12
Forward sales	226	83	369	344	1,022			1,129		
Forward purchases	472	29	239	278	1,018			1,131		
<b>METAL DERIVATIVES</b>	Copper	Aluminum	Lead	Other	Total	Assets	Liabilities	Notional amounts	Assets	Liabilities
<b>METAL DERIVATIVES – CASH FLOW HEDGES</b>						47	1		21	13
Forward sales	63	1	0	-	64			84		
Forward purchases	292	17	33	-	342			409		
<b>METAL DERIVATIVES – ECONOMIC HEDGES</b>						3	1		2	1
Forward sales	37	13	1	-	51			40		
Forward purchases	43	14	1	-	58			77		
<b>TOTAL FOREIGN EXCHANGE AND METAL DERIVATIVES</b>						<b>81</b>	<b>39</b>		<b>78</b>	<b>57</b>

■ Foreign exchange derivatives:

In 2017, the Group recorded a 6 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 3 million euro gain was recognized in the consolidated statement of comprehensive income in 2017 for metal derivatives designated as cash flow hedges and a 16 million euro loss was recycled to the income statement.

■ Metal derivatives:

In 2017, the ineffective portion of gains or losses arising on the fair value remeasurement of metal derivatives designated as cash flow hedges represented a non-material amount that was recognized in the consolidated income statement on the line "Changes in fair value of non-ferrous metal derivatives" in "Other operating income and expenses".

An aggregate 69 million euro gain was recognized in the consolidated statement of comprehensive income in 2017 for metal derivatives designated as cash flow hedges and a 28 million euro loss was recycled 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, 2017 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, 2017, 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 forecasts, which are compared to actual cash 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 shall 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-

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owned by the government of their home country (which must be either an EU member, Canada or the United States).

At December 31, 2017, the Group's cash surpluses were recognized under "Cash and cash equivalents" in the consolidated statement of financial position and were invested in:

- current accounts with banks considered by the Group as acceptable counterparties that do not apply negative interest rates;
- 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 2018, 2021 and 2024 (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 five years. On May 23, 2017, the Off Balance Sheet program was terminated, leaving only the On Balance Sheet program (see **Note 17**). Following termination of the Off Balance Sheet program, Nexans France is now the only participant in the securitization program. The On Balance Sheet program will expire in March 2020. The amount of receivables that may be sold under the program is currently capped at 80 million euros.
  - The other main receivables securitization and factoring programs concern Norway and Morocco.
  - In Norway, receivables sold under the factoring program totaled 51 million euros at December 31, 2017 (77 million euros at December 31, 2016).
  - In Morocco, receivables sold under the factoring program totaled 11 million euros at December 31, 2017 (11 million euros at December 31, 2016).
  - During the first half of 2016, the Group sold CIR and CICE tax receivables for 9 million euros net of fees.
- 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, 2017 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 30 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 2018, 2021 and 2024 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 program renewed for five years on March 30, 2015 and amended in May 2017 contains clauses similar to those negotiated when the original program was set up in 2010. The program does not include any acceleration clauses. However, it does contain change of control and cross default clauses as well as a clause relating to significant changes in the behavior of the portfolios of sold receivables, which could lead to a termination of the receivables purchases and consequently the program itself.

### 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, 2017, the bulk of this debt corresponded to the 2019 OCEANE bonds and the ordinary bonds redeemable in 2021 and 2024.

- The Group's short-term debt includes the 2018 ordinary bonds, which are at a fixed rate of interest. All other short-term debt at December 31, 2017 was at variable rates based on money market rates (EONIA, EURIBOR, LIBOR or local benchmarks). 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 for a shorter maturity than that of the investment). Consequently, the Group's net exposure to changes in interest rates is limited and concerned its variable rate net cash position of 660 million euros at December 31, 2017 and 938 million euros at December 31, 2016.

The Group did not have any interest rate hedges in place at either December 31, 2017 or December 31, 2016.

(At December 31, in millions of euros)	2017			2016		
	Current	Non-current	Total	Current	Non-current	Total
<b>VARIABLE RATE</b>						
Financial liabilities <sup>(1)</sup>	145	2	147	87	3	90
Cash and cash equivalents	(805)	-	(805)	(1,025)	-	(1,025)
<b>NET VARIABLE RATE POSITION</b>	<b>(660)</b>	<b>2</b>	<b>(658)</b>	<b>(938)</b>	<b>3</b>	<b>(935)</b>
<b>FIXED RATE</b>						
Financial liabilities <sup>(1)</sup>	274	716	990	383	763	1,146
<b>NET FIXED RATE POSITION</b>	<b>274</b>	<b>716</b>	<b>990</b>	<b>383</b>	<b>763</b>	<b>1,146</b>
<b>NET DEBT</b>	<b>(386)</b>	<b>718</b>	<b>332</b>	<b>(555)</b>	<b>766</b>	<b>211</b>

(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 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.

The Group's policy for managing non-ferrous metal risks is defined and overseen by the Metals Management Department and 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.

### 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

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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 hedges centrally or locally 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 metal risks. Lastly, the Internal Audit Department systematically checks that the procedures for identifying and hedging metal 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 of metals.

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, see **Note 26.D** part "Metal Derivatives"). 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, 2017, 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 credit risk by means of a Group-wide credit management policy which has been rolled out to Nexans' international subsidiaries. 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 insurance in Brazil and Turkey, although the problem has eased slightly.

### Foreign exchange derivatives

In accordance with Group policy, to keep counterparty risk as low as possible, entities wishing to hedge the foreign exchange risk on their medium- or long-term commercial commitments may only purchase long-term derivatives (expiring in more than one year) from banks that have been assigned medium- and long-term ratings of at least A- by Standard & Poor's and A3 by Moody's. For short-term derivatives (expiring in less than one year), the banks must have been assigned short-term ratings of at least A2 by Standard & Poor's and P2 by Moody's. Where this requirement cannot be fulfilled due to local banking conditions, the entities in the countries concerned limit their counterparty risk by keeping their exposure to a minimum and spreading it between at least three banks.

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 (the sum of the absolute values of notional amounts of buyer and seller positions) at December 31, 2017, the Group's main exposure for all subsidiaries (both members and non-members of the cash pool) is to short-term maturities:

<i>(At December 31, in millions of euros)</i>	2017		2016	
	Notional amounts Buyer positions	Notional amounts Seller positions	Notional amounts Buyer positions	Notional amounts Seller positions
Within 1 year	2,214	2,224	2,778	2,770
Between 1 and 2 years	273	274	594	588
Between 2 and 3 years	50	48	54	56
Between 3 and 4 years	2	2	51	54
Between 4 and 5 years	-	-	2	2
Beyond 5 years	-	-	-	-
<b>TOTAL</b>	<b>2,539</b>	<b>2,548</b>	<b>3,479</b>	<b>3,470</b>

### 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.



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The Metals Management Department performs metal derivatives transactions on behalf of substantially all of the Group's subsidiaries apart from – at December 31, 2017 – 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 metal 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 58 million euros at December 31, 2017 and 33 million euros at December 31, 2016.

<i>(At December 31, in millions of euros)</i>	2017		2016	
	Notional amounts Buyer positions	Notional amounts Seller positions	Notional amounts Buyer positions	Notional amounts Seller positions
Within 1 year	320	115	337	119
Between 1 and 2 years	44	-	91	5
Between 2 and 3 years	33	-	28	-
Between 3 and 4 years	3	-	30	-
Between 4 and 5 years	-	-	0	-
Beyond 5 years	-	-	-	-
<b>TOTAL</b>	<b>400</b>	<b>115</b>	<b>486</b>	<b>124</b>

Cash deposited to meet margin calls on copper forward purchases whose fair value was negative at the year-end (see **Note 18**) amounted to 3 million euros at December 31, 2017 (2 million euros at December 31, 2016).

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, 2017. These Nexans Services deposits and investments amounted to an aggregate 510 million euros at that date, representing 63% of the Group total.

(At December 31, 2017, in millions of euros)

COUNTERPARTY RATINGS <sup>(1)</sup>	AA-	A+	A	A-	BBB+	Money	Total
Cash on hand	89	24	340	-	2	-	455
Short-term money market funds (OPCVM) <sup>(2)</sup>	-	-	-	-	-	30	30
Certificates of deposit/EMTN	-	-	25	-	-	-	25
<b>TOTAL</b>	<b>89</b>	<b>24</b>	<b>365</b>	<b>-</b>	<b>2</b>	<b>30</b>	<b>510</b>

(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 a limited increase in 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 requirement is limited and mainly relates to the timing of derivatives settlement. Potential significant variations could occur 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, 2017 and 2016, with a 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.

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- 62,000 tonnes and 47,000 tonnes of copper included in working capital requirement at December 31, 2017 and 2016 respectively.
- Short-term interest rate (three-month EURIBOR) of -0.33% in 2017 and -0.27% in 2016.
- 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).
- 54,100 tonnes of copper classified as Core exposure at December 31, 2017 (56,155 tonnes at December 31, 2016).
- A theoretical income tax rate of 34.43% for 2017 and 2016.

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)	2017	2016
Impact on operating income	32	29
Impact on net financial expense	0	0
<b>NET IMPACT ON INCOME (AFTER TAX)</b>	<b>21</b>	<b>19</b>
<b>IMPACT ON EQUITY<sup>(1)</sup> (AFTER TAX)</b>	<b>19</b>	<b>19</b>

(1) Excluding net income for the period.

### Sensitivity to the US dollar (USD) 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, 2017 and 2016, e.g., using US dollar/euro exchange rates of 1.32 and 1.16 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 this simulation.

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

Sensitivity at December 31, 2017 (in millions of euros)	Impact on income (net after tax <sup>(2)</sup> )	Impact on equity <sup>(1)</sup> (after tax <sup>(2)</sup> )
Trade receivables	(11)	N/A
Bank accounts	(4)	N/A
Trade payables	21	N/A
Loans/borrowings	(2)	-
<b>NET POSITION – USD UNDERLYINGS<sup>(3)</sup></b>	<b>4</b>	<b>-</b>
Portfolio of forward purchases <sup>(4)</sup>	(24)	(16)
Portfolio of forward sales <sup>(4)</sup>	16	19
<b>NET POSITION – USD DERIVATIVES</b>	<b>(8)</b>	<b>3</b>
<b>NET IMPACT ON THE GROUP</b>	<b>(4)</b>	<b>3</b>

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

(1) Excluding net income 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 (NOK) exchange rate

The Norwegian krone 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/EUR exchange rates of 10.8 and 10.0 at December 31, 2017 and 2016 respectively, without any changes in the forward points curve.

Sensitivity at December 31, 2017 (in millions of euros)	Impact on income (net after tax <sup>(2)</sup> )	Impact on equity <sup>(1)</sup> (after tax <sup>(2)</sup> )
Trade receivables	-	N/A
Bank accounts	(2)	N/A
Trade payables	0	N/A
Loans/borrowings	8	-
<b>NET POSITION – NOK UNDERLYINGS</b>	<b>6</b>	<b>-</b>
Portfolio of forward purchases <sup>(3)</sup>	(4)	21
Portfolio of forward sales <sup>(3)</sup>	-	(25)
<b>NET POSITION – NOK DERIVATIVES</b>	<b>(4)</b>	<b>(4)</b>
<b>NET IMPACT ON THE GROUP</b>	<b>2</b>	<b>(4)</b>

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

(1) Excluding net income 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.

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## 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	2017		2016	
			Carrying amount	Fair value	Carrying amount	Fair value
<b>ASSETS</b>						
Available-for-sale securities	Available-for-sale financial assets		23	23	16	16
Other non-current financial assets	Loans and receivables		48	48	35	35
<b>Commercial receivables</b>						
■ Amounts due from customers	Loans and receivables		199	199	238	238
■ Trade receivables	Loans and receivables		1,033	1,033	996	996
Derivative instruments <sup>(1)</sup>	Financial assets at fair value through profit or loss	Foreign exchange: 2 Metal: 1	31 50	31 50	55 23	55 23
Other current financial assets	Loans and receivables		107	107	129	129
Cash and cash equivalents	Financial assets at fair value through profit or loss	Term deposits: 2 Other: 1	94 711	805	649 376	1,025
<b>LIABILITIES</b>						
<b>Gross debt</b>						
■ Convertible bonds <sup>(2)</sup>	Financial liabilities at amortized cost		273	293	270	302
■ Ordinary bonds <sup>(2)</sup>	Financial liabilities at amortized cost		715	740	874	905
■ Other financial liabilities	Financial liabilities at amortized cost		149	149	92	92
<b>Commercial payables</b>						
■ Amounts due to customers on construction contracts	Financial liabilities at amortized cost		163	163	209	209
■ Trade payables	Financial liabilities at amortized cost		1,342	1,342	1,244	1,244
Derivative instruments <sup>(1)</sup>	Financial liabilities at fair value through profit or loss	Foreign exchange: 2 Metal: 1	37 2	37 2	43 14	43 14
Other current financial liabilities	Financial liabilities at amortized cost		283	283	291	291

(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.

(2) Including short-term accrued interest (see Note 23.C).

At December 31, 2017, the Group's fixed rate debt mainly comprised its ordinary bonds redeemable in 2018, 2021 and 2024 as well as the debt 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 2018, 2021 and 2024 ordinary bonds was calculated based on a bank valuation provided at December 31, 2017 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:

- The market price and historic volatility of Nexans' shares at December 31, 2017 (51.11 euros).
- The spot price of the 2019 OCEANE bonds at December 31, 2017 (77.47 euros).
- A two-year euro swap rate of -0.35% for the 2019 OCEANE bonds.
- A two-year credit spread of 30 basis points for the 2019 OCEANE bonds, based on a 43% implicit volatility.
- A bond lending/borrowing cost representing 50 basis points.

The fair value of the Group's OCEANE bonds at December 31, 2016 was determined 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 2019 OCEANE bonds at December 31, 2016 (79.90 euros).
- iii. A two-year euro swap rate of -0.16% for the 2019 OCEANE bonds. The term applied corresponded 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 corresponded to the term of the investors' put options on the convertible bonds.
- v. A bond lending/borrowing cost representing 50 basis points.

## B. CALCULATIONS OF NET GAINS AND LOSSES

2017 (in millions of euros)	Net gains (losses)					2017 total
	Interest	On subsequent remeasurement			On disposal	
		Fair value adjustments	Currency translation	Impairment		
<b>OPERATING ITEMS</b>						
Receivables	N/A	N/A	13	(2)	-	11
Financial assets and liabilities at fair value through profit or loss	N/A	(24)	N/A	N/A	-	(24)
Financial liabilities at amortized cost	N/A	N/A	13	N/A	-	13
Cost of hedging						2
<b>SUB-TOTAL – OPERATING ITEMS</b>	<b>0</b>	<b>(24)</b>	<b>26</b>	<b>(2)</b>	<b>-</b>	<b>2</b>
<b>FINANCIAL ITEMS</b>						
Available-for-sale financial assets	-	-	-	-	-	-
Loans	0	N/A	(32)	2	-	(30)
Financial assets and liabilities at fair value through profit or loss	N/A	21	N/A	N/A	-	21
Financial liabilities at amortized cost	(51)	N/A	12	N/A	-	(39)
Cost of hedging						(8)
<b>SUB-TOTAL – FINANCIAL ITEMS</b>	<b>(50)</b>	<b>21</b>	<b>(20)</b>	<b>2</b>	<b>-</b>	<b>(56)</b>
<b>TOTAL</b>	<b>(50)</b>	<b>(3)</b>	<b>6</b>	<b>0</b>	<b>-</b>	<b>(54)</b>

- 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**).
- 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 2017 and 3 million euros in 2016. These amounts are calculated taking into account interest received and paid on the instruments concerned, as well as realized and unrealized gains.
- 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 operating receivables are recognized as operating expenses and impairment losses on loans are recognized as financial expenses.

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## Note 28. Operating leases

Future minimum payments under non-cancelable operating leases were as follows at December 31, 2017 and 2016:

(in millions of euros)	Total	Payments due by maturity		
		Within 1 year	Between 1 and 5 years	Beyond 5 years
<b>AT DECEMBER 31, 2017</b>	<b>141</b>	<b>37</b>	<b>75</b>	<b>29</b>
At December 31, 2016	135	40	63	32

## 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)	2017	2016
<b>REVENUE</b>		
■ Non-consolidated companies	35	40
■ Joint ventures	-	-
■ Associates	7	3
<b>COST OF SALES</b>		
■ Non-consolidated companies	(53)	(49)
■ Joint ventures	-	-
■ Associates	(11)	(14)

## B. STATEMENT OF FINANCIAL POSITION

The main items in the statement of financial position affected by related party transactions in 2017 and 2016 were as follows:

<i>(At December 31, in millions of euros)</i>	2017	2016
<b>ASSETS</b>		
■ Non-consolidated companies	6	7
■ Joint ventures	-	-
■ Associates	5	2
<b>FINANCIAL LIABILITIES/(RECEIVABLES)</b>		
■ Non-consolidated companies	(9)	(10)
■ Joint ventures	-	-
■ Associates	1	5
<b>OTHER LIABILITIES</b>		
■ Non-consolidated companies	16	20
■ Joint ventures	-	-
■ Associates	1	7

## C. RELATIONS WITH THE QUIÑENCO GROUP

At December 31, 2017, the Quiñenco group held approximately 29% of the Company's capital stock through two subsidiaries, Invexans and Tech Pack. The Quiñenco group has given 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, 2017, the main contractual relations between Nexans and the Quiñenco group concerned agreements related to the contract dated February 21, 2008 for the acquisition of the Quiñenco group's cables business, as amended by an addendum signed on September 30, 2008.

The impact of the commercial agreements with the Quiñenco group 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, on the line "Associates".



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## D. COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key Management Personnel correspond 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)	2017	2016
Compensation for corporate officer positions <sup>(1)</sup>	2.3	2.4
Directors' fees <sup>(1)</sup>	-	0.0
Compensation under employment contracts and benefits in kind <sup>(1)</sup>	4.7	3.8
Stock options <sup>(2)</sup>	-	-
Performance shares <sup>(2)</sup>	2.0	2.5
Termination benefits <sup>(1)</sup>	-	-
Long-term incentive plan <sup>(2)</sup>	0.4	0.2
Accruals for pensions and other retirement benefit obligations <sup>(3)</sup>	2.3	4.0
<b>TOTAL COMPENSATION</b>	<b>11.7</b>	<b>12.9</b>

(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):

- The Group's total obligation for pensions and other retirement benefits relating to Key Management Personnel (net of plan assets) amounted to 19 million euros at December 31, 2017, compared with 11 million euros at December 31, 2016.
- On May 14, 2017, 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 the Chief Executive Officer

All the commitments given to Arnaud Poupart-Lafarge in his capacity as Chief Executive Officer are described in detail in section 2.5.4.4. "Commitments given to the Chief Executive Officer".

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 at eight times the social security ceiling, corresponding to 314,000 euros in 2017. 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 participated directly in an infringement of European antitrust legislation in the submarine and underground high-voltage power cable sector. The Company was held jointly liable for the payment of a portion of the fine imposed on Nexans France SAS by the European Commission. Nexans France SAS and the Company 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 European Commission's decision, one of the Group's competitors, which has been subject to follow-on damages claims in the United Kingdom since 2015, has filed a contribution claim against the other cable producers sanctioned by the European Commission, including Nexans France SAS and Nexans S.A.

In November 2015, the United States Department of Justice Antitrust Division closed its investigation into the submarine and underground high-voltage 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. Similarly, on July 20, 2016, an Australian court declined to impose sanctions against the Company following an investigation into the submarine and underground high-voltage power cable industry by the Australian Competition and Consumer Commission (ACCC). The ACCC has not appealed this ruling.

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' subsidiaries in South Korea 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 and in the consolidated financial statements, Nexans' local Korean subsidiaries are cooperating with South Korea's antitrust authority (KFTC) in investigations launched between 2013 and 2015 into businesses other than the high-voltage business. Rulings have been issued for seven cases and due to the cooperation of Nexans' Korean subsidiaries, the KFTC exempted them from paying a fine.

Regarding follow-on claims based on the KFTC's rulings in the cases referred to above or dating back prior to 2013, six customers filed claims against the Korean subsidiaries, which were ordered to pay 200 thousand euros in one case and 6 million euros in a second case. The subsidiaries have appealed the related rulings. The four remaining claims are still in progress.

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 court proceedings brought by the ACCC against cable wholesalers and 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 alleged involved antitrust law violations. The case was heard in 2015 and 2016 and the court issued its ruling in 2017 rejecting the allegations made by the ACCC, which was ordered to reimburse part of Olex's legal costs, including lawyers' fees.

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In Spain, in early July 2015 Nexans Iberia received a request for information as part of an investigation carried out by the Spanish antitrust authority ("CNMC") in relation to low- and medium-voltage power cables. On December 16, 2016, Nexans Iberia and the Company, in its capacity as Nexans Iberia's parent company, were notified by the CNMC that they were part of the formal investigation into these sectors. On November 24, 2017, Nexans Iberia and the Company were notified of a decision by the CNMC, which found that Nexans Iberia had participated directly in an infringement of Spanish antitrust law in the low- and medium-voltage cable sectors. The Company was held jointly liable for the payment of part of the 1.3 million euro fine imposed on Nexans Iberia by the CNMC, which Nexans Iberia paid in early January 2018. Nexans Iberia and the Company have appealed the CNMC's decision.

The Group has recorded a 64 million euro contingency provision to cover all the investigations mentioned above as well as the direct and indirect consequences of the related rulings that have been or will be handed down and in particular the follow-on damages claims by customers (existing or potential claims). The amount of the provision is based on management's assumptions that take into account the consequences in similar cases and 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, 2017. While the Group has put in place risk management rules and procedures, including in particular its compliance program (see the section on Risk Management Policies and Procedures in the 2018 Report of the Chairman of the Board of Directors), that have been reinforced over the past several years, 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 outcomes 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 Group considers that the existing or probable disputes for which provisions were recorded at December 31, 2017 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 December 31, 2017, 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 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, 2017 and 2016 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. Following an amendment to the program in May 2017, this guarantee covers (i) the payment obligations of the Nexans subsidiary selling the receivables under the program and (ii) the consequences that could arise if any of the receivables sales under the program were rendered invalid, notably in the event that insolvency proceedings were initiated against the subsidiary selling the receivables.

At December 31, 2017, 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 24 million euros for the portion covering the subsidiary's payment obligations and 95 million euros for the portion covering invalid receivables sales. It had a minimum residual term of more than 12 months at December 31, 2017 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. The residual amount in the escrow account was not material at December 31, 2016 or 2017.

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, 2017, the residual amount in this escrow account was 5 million US dollars.

In late 2017, Nexans acquired 27.8% of the capital of IES, the leading manufacturer of electric vehicle fast-charging solutions. IES was accounted for by the equity method at December 31, 2017.

The purchase agreement includes a market price call option exercisable in June 2019 that enables Nexans to raise its interest to 51%. If the option is exercised, it will lead to a cash outflow of between 14 million euros and 16 million euros.

The agreement also includes a put option for the seller.

#### Acquisition of the Quiñenco group's cable business

When Nexans acquired the cables business of the Chile-based group Quiñenco 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 Invexans SA (formerly 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 Quiñenco group concerning the amounts payable by the Quiñenco group to Nexans Brasil in relation to the outcome of civil, employment law and tax proceedings in Brazil.

Under the terms of this agreement, Quiñenco undertook to pay Nexans Brasil a lump sum of around 23.6 million Brazilian reais (approximately 9.4 million euros). In return, the Quiñenco 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. Settlement agreements were signed between 2014 and 2017 covering part of the amounts involved, in order to enable Nexans to benefit from a tax amnesty in Brazil.

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## B. COMMITMENTS RELATED TO THE GROUP'S FINANCING

The main off-balance sheet commitments related to the Group's financing are summarized below:

(At December 31, in millions of euros)	2017	2016	Notes
<b>COMMITMENTS GIVEN</b>			
Syndicated credit facility <sup>(1)</sup>	660	660	Note 26.A
Collateral	-	-	
<b>COMMITMENTS RECEIVED</b>			
Syndicated credit facility – Unused line expiring on December 14, 2020	600	600	Note 26.A
Receivables securitization program – Maximum amount of receivables that may be sold <sup>(2)</sup>			
■ Off Balance Sheet program	-	25	Note 26.A
■ On Balance Sheet program	80	85	Note 26.A

(1) When the Group's syndicated credit facility was set up, Nexans undertook to guarantee the commitments given by Nexans Services to the banking pool concerned.

(2) The receivables securitization program was set up in April 2010 and amended in May 2017.

## 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 "Commitments for third-party indemnities" below) are summarized in the following table:

(At December 31, in millions of euros)	2017	2016	Note
<b>COMMITMENTS GIVEN</b>			
Forward purchases of foreign currencies <sup>(1)</sup>	2,539	3,479	Note 25
Forward purchases of metals	400	486	Note 25
Firm commitments to purchase property, plant and equipment <sup>(2)</sup>	168	36	
Commitments for third-party indemnities	3,015	3,403	See (a) below
Take-or-pay copper purchase contracts (in tonnes)	122,490	111,178	See (b) below
Future minimum payments under non-cancelable operating leases	141	135	Note 28
Other commitments given	0	0	
<b>COMMITMENTS RECEIVED</b>			
Forward sales of foreign currencies <sup>(1)</sup>	2,548	3,470	Note 25
Forward sales of metals	115	123	Note 25
Take-or-pay copper sale contracts (in tonnes)	108,249	112,254	See (b) below
Other commitments received	584	801	

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

(2) Including at December 31, 2017 a 135 million euro commitment concerning the construction of a new cable laying ship.

### (a) 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 (710 million euros and 805 million euros at December 31, 2017 and 2016 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, 2017, the Group had granted parent company guarantees in an amount of 2,305 million euros (2,598 million euros at December 31, 2016). These mainly correspond to performance bonds given to customers.

#### (b) 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, 2017.

Companies by geographic area	% control	% interest	Consolidation method <sup>(1)</sup>
<b>FRANCE</b>			
Nexans S.A. <sup>(2)</sup>	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%	
IES Energy <sup>(3)</sup>	27.8%	27.8%	Equity method
<b>BELGIUM</b>			
Nexans Benelux S.A.	100%	100%	
Nexans Harnesses	100%	100%	
Nexans Network Solutions NV	100%	100%	
Nexans Services <sup>(4)</sup>	100%	100%	
Opticable S.A. NV	60%	60%	
<b>GERMANY</b>			
Nexans Deutschland GmbH	100%	100%	
Nexans Superconductors GmbH	100%	100%	
Metrofunkabel Union GmbH	100%	100%	
Nexans Auto Electric GmbH <sup>(5)</sup>	100%	100%	
Nexans Power Accessories Deutschland GmbH	100%	100%	

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Companies by geographic area	% control	% interest	Consolidation method <sup>(1)</sup>
<b>NORTHERN EUROPE</b>			
Nexans Nederland BV	100%	100%	
Nexans Norway A/S	100%	100%	
Nexans Subsea Operations <sup>(3)</sup>	100%	100%	
Nexans Suisse S.A.	100%	100%	
Confecta AG	100%	100%	
Nexans Re <sup>(6)</sup>	100%	100%	
Nexans Logistics Ltd	100%	100%	
Nexans Sweden AB	100%	100%	
Nexans Denmark	100%	100%	
Axjo Kabel AG	100%	100%	
<b>SOUTHERN EUROPE</b>			
Nexans Iberia SL	100%	100%	
Nexans Italia SpA	100%	100%	
Nexans Partecipazioni Italia Srl	100%	100%	
Nexans Intercable SpA	100%	100%	
Nexans Hellas S.A. <sup>(2)</sup>	88.57%	88.57%	
Nexans Türkiye Endüstri Ve Ticaret AS	100%	100%	
<b>NORTH AMERICA</b>			
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%	
<b>SOUTH AMERICA</b>			
Invercable	100%	100%	
Nexans Chile S.A.	100%	100%	
Colada Continua S.A.	41%	41%	Equity method
Nexans Colombie	100%	100%	
Indeco Peru <sup>(2)</sup>	96.73%	96.73%	
Cobrecon	33.33%	32.24%	Equity method
Nexans Brasil S.A.	100%	100%	
<b>AFRICA AND MIDDLE EAST</b>			
Liban Câbles SAL	91.15%	91.15%	
Nexans Maroc <sup>(2)(7)</sup>	83.59%	83.59%	
Sirmel Maroc	84.83%	70.91%	
Qatar International Cable Company	30.33%	30.33%	Equity method
Nexans Kabelmetal Ghana Ltd <sup>(8)</sup>	59.13%	59.13%	
Nexans Côte d'Ivoire <sup>(3)</sup>	60%	53.27%	

Companies by geographic area	% control	% interest	Consolidation method <sup>(1)</sup>
<b>ASIA-PACIFIC</b>			
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 <sup>(9)</sup>	100%	100%	
OLEX Australia Pty Ltd	95%	95%	
OLEX New Zealand Ltd	95%	95%	

(1) The companies in this table are fully consolidated, unless otherwise specified.

(2) Listed companies.

(3) Companies consolidated in 2017.

(4) The entity responsible for the Nexans Group's cash management since October 1, 2008.

(5) 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.

(6) Nexans Re is the Group's captive reinsurer.

(7) Nexans Maroc prepares consolidated financial statements that include various subsidiaries located mainly in Morocco and Senegal.

(8) Nexans Kabelmetal Ghana Ltd has been fully consolidated since January 1, 2016.

(9) In 2017, the joint venture Nippon High Voltage Cable Corporation became a wholly-owned subsidiary pursuant to an agreement between its two shareholders, Nexans and Viscas.

## Note 33. Fees paid to the statutory auditors

(in thousands of euros)	Audit of the consolidated financial statements	Audit of the corporate financial statements	Other services <sup>(1)</sup>	Total
Mazars	215	101	397	713
PricewaterhouseCoopers Audit	212	244	22	478
<b>TOTAL</b>	<b>427</b>	<b>345</b>	<b>419</b>	<b>1,191</b>

(1) Other services mainly relate to due diligence missions for merger and acquisition projects and to reports for financing operations.

## Note 34. Subsequent events

No significant event for which disclosure is required has occurred since December 31, 2017.



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## 5.1.7. Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

### OPINION

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Nexans for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Accounts and Audit Committee.

### BASIS FOR OPINION

#### Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements section of our report.

#### Independence

We conducted our audit engagement in compliance with the independence rules applicable to us for the period from January 1, 2017 to the date of our report and in particular we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

### JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

#### Recognition of construction contracts

##### Description of risk

As at December 31, 2017, sales from construction contracts, recognized on a percentage-of-completion basis as described in **Notes 1.E.a** and **16** to the consolidated financial statements, amounted to €907 million. These contracts mainly cover the Group's high-voltage cable and umbilical cable activities.

Sales and earnings on these construction contracts at the end of an accounting period mainly depend on:

- revenue and margin to completion estimates;
- the percentage of completion determined on the basis of physical criteria.

Estimates of the data to completion and the percentage of completion are based on the Group's internal systems and procedures for each contract.

We deemed the recognition of construction contracts to be a key audit matter due to the significant impact of these contracts

on the Group's consolidated financial statements and the level of judgment required from management for the determination of the results to completion.

#### *How our audit addressed this risk*

As part of our audit of the consolidated financial statements, our work consisted mainly in:

- evaluating the Group's internal systems and procedures relating to estimates of revenue and costs at completion and the measurement of the percentage of completion based on physical criteria as well as testing the key controls put in place by management;
- reconciling construction contract management data with accounting records;
- selecting contracts based on their financial impact and risk profile and conducting interviews with the business management controllers, the Business Lines and the Finance Department about the progress of these contracts and their assessment of the risks to:
  - corroborate key revenue and cost-to-complete assumptions in relation to costs incurred to date, contract data and correspondence with the customer or its representatives, as appropriate. This work is based in particular on experience gained in previous years on these contracts or comparable contracts,
  - corroborate the percentage of completion of revenue and assess the appropriate accounting treatment.

### **Antitrust investigations and disputes**

#### *Description of risk*

In the same way as all other industrial players, in view of the Group's wide geographic reach it is required to comply with numerous national and regional laws and regulations, notably concerning commercial, customs and tax matters. In particular, the Group is involved in antitrust investigations or disputes as described in **Note 30** to the consolidated financial statements, in particular in section A. "Antitrust investigations" thereof, which reports on the antitrust investigations initiated against the Group.

As indicated in **Note 1.F.j** to the consolidated financial statements, provisions are recognized when the Company has a present obligation 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.

We deemed this issue to be a key audit matter given the significance of antitrust investigations and disputes and the level of judgment required from management to determine provisions in multiple and constantly changing regulatory environments.

#### *How our audit addressed this risk*

As part of our audit of the consolidated financial statements, our work consisted mainly in:

- evaluating the procedures implemented by the Group to identify and list all disputes and antitrust investigations;
- carrying out interviews with the Group's legal department in order to obtain an understanding of the risks, as well as the status of antitrust proceedings and investigations;
- assessing the factors used by the Group to determine the risks and provisions recognized at the end of the reporting period to cover the financial consequences (direct and indirect) of these disputes, with particular attention paid to the opinions of the Group's legal advisors;
- verifying that the significant risks and disputes identified during the implementation of these procedures are described appropriately in **Note 30** to the consolidated financial statements.

### **Measurement of goodwill, property, plant and equipment and intangible assets**

#### *Description of risk*

As at December 31, 2017, the carrying amount of the Group's goodwill, property, plant and equipment and intangible assets totaled €236 million, €1,129 million and €127 million, respectively.

Goodwill is described in section D "Business combinations" of **Note 1** "Summary of significant accounting policies" and the allocation by cash-generating unit (CGU) is presented in **Note 6** to the consolidated financial statements.

The Group carries out impairment tests on goodwill at each closing date and on property, plant and equipment and intangible assets whenever there is an indication that they may be impaired, as described in section F.c "Impairment tests" of **Note 1** "Summary of significant accounting policies" to the consolidated financial statements.

We deemed the measurement of goodwill, property, plant and equipment and intangible assets to be a key audit matter given the significance of these assets in the Group's financial statements and the level of judgment required from management, particularly in terms of determining the recoverable amount of these assets, most often based on discounted cash flow forecasts that require the use of assumptions and estimates.

#### *How our audit addressed this risk*

We conducted a critical assessment of the methods implemented by management to determine the recoverable amount of goodwill, property, plant and equipment and

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intangible assets. We obtained management's latest budgets and strategic plans and impairment tests for CGUs and property, plant and equipment and intangible assets.

On the basis of this information, our work mainly consisted in:

- assessing the reasonableness of the key assumptions used by management, in particular for the determination of cash flows in relation to the underlying operational data and the long-term growth rate;
- assessing, with the support of our evaluation experts, the relevance of the discount rates used and their components;
- performing our own sensitivity calculations to determine whether a reasonable change in the long-term growth rate and discount rate assumptions could result in the recognition of a significant impairment of the underlying assets.

### Measurement of deferred tax assets

#### Description of risk

As at December 31, 2017, the deferred tax assets recognized in the Group's consolidated statement of financial position amounted to €135 million.

The Group recognizes deferred tax assets on the basis of medium-term earnings forecasts, as described in section E.f "Income taxes" of **Note 1** "Summary of significant accounting policies" to the consolidated financial statements and in **Note 9** "Income taxes" to the consolidated financial statements.

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 losses and differences can be utilized, based on medium-term earnings forecasts (generally covering a five-year period) for the company concerned. The Group strives to ensure consistency between forecasts used for this purpose and those used to determine the recoverable amount of assets (in particular goodwill, property, plant and equipment and intangible assets) as described in section F.c "Impairment tests" of **Note 1** "Summary of significant accounting policies" to the consolidated financial statements.

We deemed the measurement of deferred tax assets to be a key audit matter due to the uncertainty of the recoverability of these assets and the level of judgment required from management in this regard. The recoverability of activated tax losses depends in particular on the ability of the tax group to achieve the objectives defined in the medium-term earnings forecasts established by the management of the tax group or the Group.

#### How our audit addressed this risk

As part of our audit of the consolidated financial statements, our work consisted in assessing the data and assumptions underlying the recognition and recoverability of deferred tax assets.

Our audit approach consisted mainly in:

- assessing the ability of the subsidiaries concerned to make future taxable profits over the term of management's earnings forecasts and the reasonableness of the key assumptions used, in particular for the determination of cash flows, their long-term growth rate and discount rates;
- checking the consistency of the data and assumptions used against those used for impairment tests on goodwill, property, plant and equipment and intangible assets for the subsidiaries concerned;
- assessing the deferred tax liabilities that exist in the same tax jurisdiction and that could be charged against deferred tax assets for the same period.

### VERIFICATION OF THE INFORMATION PERTAINING TO THE GROUP PRESENTED IN THE MANAGEMENT REPORT

As required by law and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Management Report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

#### Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Nexans by the Shareholders' Meetings held on May 15, 2006 (PricewaterhouseCoopers Audit) and May 5, 2015 (Mazars).

As at December 31, 2017, PricewaterhouseCoopers Audit and Mazars were in the twelfth year and the third year of total uninterrupted engagement, respectively.

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for preparing consolidated financial statements presenting a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it expects to liquidate the Group or to cease operations.

The Accounts and Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

## RESPONSIBILITIES OF THE STATUTORY AUDITORS RELATING TO THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of management of the Group.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit. They also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- Assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Group to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- Evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

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## Report to the Accounts and Audit Committee

We submit a report to the Accounts and Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Accounts and Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated

financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Accounts and Audit Committee with the declaration provided for in article 6 of Regulation (EU) No 537-2014, confirming our independence within the meaning of the rules applicable in France, as defined in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Accounts and Audit Committee.

Neuilly-sur-Seine and Courbevoie, February 16, 2018

The Statutory Auditors

PricewaterhouseCoopers Audit  
Xavier Belet

Mazars  
Isabelle Sapet

## 5.2. Corporate financial statements

### 5.2.1. Income statement

<i>(in thousands of euros)</i>	Notes	2017	2016
<b>NET SALES</b>	4.1	<b>27,422</b>	<b>21,917</b>
Other operating income	4.3	1,455	1,801
<b>TOTAL OPERATING INCOME</b>		<b>28,877</b>	<b>23,718</b>
Other purchases and external charges		(31,942)	(26,827)
Taxes other than on income		(1,077)	(1,355)
Payroll expenses	4.2	(11,474)	(8,387)
Net additions to/(reversals of) depreciation, amortization and provisions – Operating items		(1,921)	(1,740)
Other expenses		(519)	(576)
<b>TOTAL OPERATING EXPENSES</b>		<b>(46,933)</b>	<b>(38,885)</b>
<b>NET OPERATING INCOME (LOSS)</b>	4	<b>(18,056)</b>	<b>(15,167)</b>
Dividend income		84,248	497
Net interest expense		(35,038)	(38,649)
Net (additions to)/reversals of amortization and provisions – Financial items		(371)	59,481
Net foreign exchange gains/(losses)		23	(8)
<b>NET FINANCIAL INCOME</b>	5	<b>48,862</b>	<b>21,319</b>
<b>NET INCOME FROM ORDINARY ACTIVITIES BEFORE TAX</b>		<b>30,806</b>	<b>6,152</b>
<b>NET NON-RECURRING INCOME (LOSS)</b>	6	<b>(6,254)</b>	<b>191</b>
Employee profit-sharing		(113)	(145)
Income taxes	7	894	815
<b>NET INCOME</b>		<b>25,333</b>	<b>7,013</b>

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## 5.2.2. Balance sheet

<i>(in thousands of euros)</i>	Notes	Gross amount	Depreciation, amortization and provisions	Net at December 31, 2017	Net at December 31, 2016
<b>ASSETS</b>					
Intangible assets		19	(19)	-	-
Financial assets	8	2,839,948	-	2,839,948	2,941,610
<b>TOTAL FIXED ASSETS</b>		<b>2,839,967</b>	<b>(19)</b>	<b>2,839,948</b>	<b>2,941,610</b>
Prepayments to suppliers		56	-	56	-
Trade receivables	9	15,049	-	15,049	10,345
Other receivables	9	126,712	-	126,712	175,292
Marketable securities	10 and 12.3	3,763	-	3,763	-
Prepaid expenses		122	-	122	120
<b>TOTAL CURRENT ASSETS</b>		<b>145,702</b>	<b>-</b>	<b>145,702</b>	<b>185,757</b>
Other assets	11	4,316	-	4,316	5,153
<b>TOTAL ASSETS</b>		<b>2,989,986</b>	<b>(19)</b>	<b>2,989,967</b>	<b>3,132,520</b>

<i>(in thousands of euros)</i>	Notes	December 31, 2017	December 31, 2016
<b>EQUITY AND LIABILITIES</b>			
Share capital		43,495	43,411
Additional paid-in capital		1,682,135	1,678,363
Legal reserve		3,514	3,163
Regulated reserves		0	0
Retained earnings		92,939	107,882
<b>NET INCOME FOR THE YEAR</b>		<b>25,333</b>	<b>7,013</b>
Regulated provisions		5,953	5,953
<b>TOTAL EQUITY</b>	12	<b>1,853,369</b>	<b>1,845,786</b>
<b>PROVISIONS FOR CONTINGENCIES AND CHARGES</b>	13	<b>3,322</b>	<b>737</b>
Convertible bonds	14 and 15	281,875	281,875
Other bonds	14 and 15	717,298	876,628
Trade payables	15	18,775	17,363
Other liabilities	15	115,328	110,111
<b>DEFERRED INCOME</b>		<b>-</b>	<b>21</b>
<b>TOTAL LIABILITIES</b>		<b>1,133,276</b>	<b>1,285,998</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,989,967</b>	<b>3,132,520</b>

## 5.2.3. Notes to the corporate financial statements

The notes below relate to the balance sheet at December 31, 2017, prior to the appropriation of net income for the year, as well as to the income statement for the year then ended. The fiscal year ran from January 1 to December 31, 2017. The balance sheet total was 2,989,967 thousand euros and the Company ended the year with net income of 25,333 thousand euros.

The tables in these notes are presented in thousands of euros, rounded to the nearest thousand.

### Note 1. The Company's business

As Nexans S.A. is a holding company, its business corresponds to managing the equity interests it holds in other companies.

Nexans S.A. is the consolidating parent company of the Nexans Group.

### Note 2. Significant events

The following significant events occurred in 2017:

1. On July 26, 2017, the Board of Directors:

- noted that the vesting period for French tax residents under Long-Term Compensation Plan no. 13 of July 24, 2014 had expired, resulting in the allocation of 101,985 performance shares and 4,400 free shares for the beneficiaries concerned,
- noted that the vesting period for non-French tax residents under Long-Term Compensation Plan no. 12 of July 24, 2013 had expired, resulting in the allocation of 27,669 performance shares and 8,358 free shares to the beneficiaries concerned,
- decided to allocate to these beneficiaries Nexans shares purchased under the shareholder-approved buyback plan that were held in treasury stock on the allocation date.

2. At its meeting on November 23, 2016, the Board of Directors used the shareholder authorization granted on May 12, 2016 to launch a share buyback program. A total

of 224,489 shares were bought back under the program during the first half of 2017. Of the 224,489 shares bought back, 142,412 shares were allocated to beneficiaries of performance share and free share plans no. 12 dated July 24, 2013 and no. 13 dated July 24, 2014.

At its meeting on July 7, 2017, the Board of Directors used the shareholder authorization granted on May 11, 2017 to launch a new share buyback program.

The main features of this program are described in **Note 12.3**.

3. On May 2, 2017, all of the 2017 bonds were redeemed in cash, as they had reached maturity. The total amount paid was 370 million euros including accrued interest on the bonds.
4. On April 5, 2017, Nexans issued 200 million euros worth of fixed-rate bonds with a seven-year term, maturing on April 5, 2024. The bonds have an annual coupon of 2.75%. They were issued at par and their yield to maturity is therefore 2.75%.



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## Note 3. Summary of significant accounting policies

The accounting policies applied to prepare the 2017 financial statements (as described below in the section “General principles”) are unchanged from the previous year, except for the application of Regulation no. 2015-05 of the French accounting standards authority (*Autorité des normes comptables* - ANC) concerning the accounting treatment of derivative financial instruments and hedging transactions. Application of this new standard did not have a material impact on the corporate financial statements.

### GENERAL PRINCIPLES

The financial statements of Nexans S.A. for the year ended December 31, 2017 have been prepared on a going concern basis in accordance with French generally accepted accounting principles (comprising the general conventions prescribed by ANC Regulation no. 2014-03), including the principles of prudence and segregation of accounting periods. They are presented on a going concern basis and accounting policies have been applied consistently from one period to the next.

Assets and liabilities have been measured according to the historical cost convention.

The main accounting policies applied are described below.

### INTANGIBLE ASSETS

This item consists mainly of software, which is measured at historical cost and amortized on a straight-line basis over three years.

### FINANCIAL ASSETS

#### Shares in subsidiaries and affiliates

The gross value of these shares recognized in the balance sheet prior to December 31, 2006 corresponds to their purchase price (excluding incidental expenses) or their transfer value.

Shares in subsidiaries and affiliates acquired as from January 1, 2007 are stated at their purchase price plus any directly attributable transaction expenses, in accordance with the option available under CRC standard 2004-06.

An impairment loss is booked when the carrying amount of these interests exceeds their fair value.

Fair value is determined on the basis of value in use, which corresponds to the amount that the Company would be prepared to pay for the subsidiary or affiliate in the event of an acquisition. Factors that may be used for estimating value in use are actual and projected earnings, equity, the entity's business outlook, the economic environment, the entity's average share price for the most recent month, etc.

#### Share acquisition costs

Share acquisition costs incurred subsequent to December 31, 2006 and included in the cost of the shares are deducted for tax purposes through excess tax depreciation recorded over a period of five years (Article 209-VII of the French Tax Code).

### TRADE RECEIVABLES

Trade receivables are stated at nominal value. An impairment loss is recorded when it is doubtful that the receivable will be collected.

### RECEIVABLES, PAYABLES AND CASH AND CASH EQUIVALENTS DENOMINATED IN FOREIGN CURRENCIES

Receivables and payables denominated in foreign currencies are translated into euros at the exchange rate prevailing at the year-end:

- Hedged foreign currency receivables and payables do not have any impact on the income statement as the gains and losses on the currency hedging instruments are accounted for on a symmetrical basis with the losses or gains on the underlying hedged items (see below). In accordance with the principle of prudence, a provision is recorded for unrealized foreign exchange losses that are not hedged. Unrealized foreign exchange gains have no impact on the income statement.
- Gains and losses arising on the translation of unhedged foreign currency receivables and payables are recorded in the balance sheet under “Unrealized foreign exchange gains” or “Unrealized foreign exchange losses”.

Cash and cash equivalents and cash pooling current accounts denominated in foreign currencies are translated into euros at the year-end exchange rate and any resulting foreign exchange gains or losses are recognized in the income statement.

## TREASURY SHARES

Nexans buys back its own shares under shareholder authorizations given to the Board of Directors.

The shares are recognized and measured at the year-end based on the purpose for which they are being held:

- Shares that are not allocated to any specific purpose are initially recognized in “Other financial assets” at cost. At the period-end, a provision for impairment is recorded if the shares’ carrying amount is greater than their market value as determined based on the average Nexans share price for the month of December.
- Shares held for allocation to certain employees and executive officers of the Group are recognized under “Marketable securities”:
  - Shares available for allocation to employees but not reserved for any specific share-based payment plan are initially measured at cost. At the period-end, a provision for impairment is recorded if the shares’ carrying amount is greater than their market value as determined based on the average Nexans share price for the month of December.
  - Shares reserved for a specific share-based payment plan are recognized in “Cash equivalents” and are measured at cost if they are allocated at the outset to the plan or, if they are allocated to the plan subsequent to their acquisition, at their net book value on the reclassification date. In accordance with CRC Regulation no. 2008-15 dated December 4, 2008, a provision for charges is recorded in liabilities for these shares due to the commitment to allocate them to employees.

## FINANCIAL INSTRUMENTS

Nexans manages market risks – primarily arising from changes in exchange rates – by using derivative financial instruments, notably currency swaps. These instruments are used solely for hedging purposes.

Gains and losses on the hedging instruments are accounted for in the income statement on a symmetrical basis with the losses or gains on the underlying hedged items. At the balance sheet date, unrealized gains are recorded in “Other receivables” and unrealized losses are included in “Other liabilities”.

## ADDITIONAL PAID-IN CAPITAL

Costs incurred on the issue of shares are charged against additional paid-in capital. If the share issue premium is not sufficient to offset all of these costs, the surplus is recorded as an expense in the income statement.

## PROVISIONS FOR CONTINGENCIES AND CHARGES

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

## BONDS WITH REDEMPTION PREMIUMS

Ordinary and convertible bonds with redemption premiums are recognized as a liability in the balance sheet at their gross value, including the premium.

This applies even when the premium payment is contingent on the bonds not being converted into shares. The redemption premium is recognized as an asset and is amortized on a straight-line basis over the term of the bonds concerned.

## DEBT ISSUANCE COSTS

Costs incurred on the issuance of debt are recorded under deferred charges on the assets side of the balance sheet and amortized over the life of the debt using the straight-line method.

## 5.2.4. Notes to the income statement

### Note 4. Operating income and expenses

After taking into account rebillings to subsidiaries, the Company reported a net operating loss of 18,056 thousand euros for 2017, primarily corresponding to headquarters expenses, commissions and brokerage fees, depreciation, amortization and provisions, and various consulting fees.

#### 4.1. NET SALES

The Company's 2017 net sales came to 27,422 thousand euros, and primarily related to the invoicing of services provided to Group entities.

#### 4.2. PAYROLL EXPENSES

Payroll expenses include employees' gross salaries and related payroll taxes payable by the Company, as well as the net book value of shares allocated to Company employees under free share plans, if any.

##### 4.2.1. Headcount

At December 31, 2017, the Company had an average headcount of ten people (including two corporate officers).

##### 4.2.2. Management compensation

The total amount of compensation (including fringe benefits) paid to the Chairman of the Board of Directors and the Chief Executive Officer in 2017 was 1,823 thousand euros before tax.

In addition, under Long-Term Compensation Plan no. 13 and pursuant to the decisions of the Board of Directors on July 26, 2017 (see **Note 2**), 15,925 free shares were allocated to the Chief Executive Officer. The cost of this share-based payment was 789 thousand euros.

The members of the Board of Directors received an aggregate 519 thousand euros in directors' fees for 2017 (gross amount before social security deductions and withholding taxes). This amount was recorded in the "Other expenses" line of the income statement.

#### 4.2.3. Commitments given to employees

- The Company has put in place pension and other post-employment benefit plans for its employees. At December 31, 2017, the present value of its obligation under these plans, net of plan assets, was 22,740 thousand euros, which was recorded as an off-balance sheet commitment.

The contributions paid by the Company into these plans are recognized in the "Other purchases and external charges" line of the income statement (3,500 thousand euros in 2017 excluding payroll taxes).

- The Chief Executive Officer is eligible for a non-compete indemnity as compensation for agreeing not to exercise, for a period of two years from the end of his term of office, any business activity that would compete with that of the Company. He is also eligible for a termination benefit in the event of a forced departure. At December 31, 2017, total commitments given by the Company to the Chief Executive Officer represented an estimated 3,978 thousand euros.

#### 4.3. OTHER OPERATING INCOME

Other operating income primarily consists of transfers of the costs related to the issue of the bonds maturing in 2024 (1,455 thousand euros) as they are being recognized over the life of the bonds (see **Note 11**).

## Note 5. Financial income and expenses

The Company recorded net financial income of 48,862 thousand euros in 2017, reflecting the combined impact of:

- 36,420 thousand euros in interest expense on the Company's bonds (see **Note 14.1**).
- 1,343 thousand euros in net income from investments.
- 84,248 thousand euros in dividends received.
- Amortization of bond redemption premiums for the bonds redeemable in 2017 and 2018, amounting to 86 thousand euros and 285 thousand euros respectively (see **Note 11**).

## Note 6. Non-recurring items

In 2017, non-recurring items consisted mainly of:

- The loss on free shares allocated to Group employees, for 3,662 thousand euros.
- The provision for charges in the amount of 2,585 thousand euros set aside at December 31, 2017 to cover the Company's liability towards grantees under the Group's free share plans (see **Note 12.3**).

## Note 7. Income taxes

<i>(in thousands of euros)</i>	Net income (loss) from ordinary activities	Non-recurring items and employee profit-sharing	Other tax effects	TOTAL
<b>PRE-TAX INCOME</b>	30,806	(6,367)		24,439
<b>Income taxes:</b>				
■ at standard rate	-	-	963	963
■ benefit/(charge) from tax consolidation	(69)	-	-	(69)
<b>INCOME TAXES</b>	<b>(69)</b>	<b>-</b>	<b>963</b>	<b>894</b>
<b>NET INCOME</b>	<b>30,737</b>	<b>(6,367)</b>	<b>963</b>	<b>25,333</b>

### 7.1. COMMENTS

The 963 thousand euros recorded under "Other tax effects" in 2017 corresponded to research tax credits.

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## 7.2. TAX CONSOLIDATION

Nexans S.A. has entered into a tax consolidation agreement with its French subsidiaries in which it directly or indirectly holds an interest of more than 95%. This agreement, which came into force on January 1, 2002, was signed pursuant to the option taken by Nexans S.A. to adopt a French tax consolidation group in accordance with Articles 223-A *et seq.* of the French Tax Code.

This option is automatically renewable every five years. The current option's expiration date is December 31, 2021. For every taxation period, the contribution of each subsidiary to the corporate income tax payable on the consolidated net income of the tax group corresponds to the corporate income tax and other contributions for which each subsidiary would have been liable if it had been taxed on a stand-alone basis.

In accordance with the provisions of the tax consolidation agreement, the tax savings realized as a result of the tax losses of subsidiaries, which could be passed back to those subsidiaries if they return to profit, are recognized in "Other liabilities" in the balance sheet (see **Note 15**).

As part of the tax consolidation agreement under which Nexans S.A. is liable for the global tax charge, the cumulated tax loss at December 31, 2017 represents an unrecognized tax asset of 239,008 thousand euros.

No non tax-deductible expenses, as defined in Article 39-4 of the French Tax Code, were incurred during 2017.

## 7.3. DEFERRED TAXES

No deferred taxes are recognized in the corporate financial statements. Deferred tax assets arise from (i) expenses that will be deductible for tax purposes in future periods, or (ii) the carryforward of unused tax losses which will reduce the Company's tax base in future periods.

Deferred tax liabilities arise from expenses deducted in advance for tax purposes, or from income that will be taxable in future periods and will therefore increase the Company's future tax base.

For the Nexans S.A. taxable entity alone, temporary differences generating deferred tax assets correspond primarily to tax loss carryforwards, which amounted to 471,663 thousand euros at December 31, 2017 (428,527 thousand euros at December 31, 2016).

As there were no temporary differences that generated deferred tax liabilities at December 31, 2017, the future tax receivable relating to Nexans' corporate financial statements amounted to 162,392 thousand euros at that date (147,542 thousand euros at December 31, 2016).

## 5.2.5. Notes to the balance sheet

### Note 8. Financial assets

<i>(in thousands of euros)</i>	Gross values				Net values	
	December 31, 2016	Increase	Decrease	December 31, 2017	December 31, 2016	December 31, 2017
Shares in subsidiaries and affiliates	2,739,833	-	-	2,739,833	2,739,833	2,739,833
Other financial assets	201,777	101,427	(203,088)	100,116	201,777	100,116
<b>TOTAL FINANCIAL ASSETS</b>	<b>2,941,610</b>	<b>101,427</b>	<b>(203,088)</b>	<b>2,839,948</b>	<b>2,941,610</b>	<b>2,839,948</b>

#### 8.1. SHARES IN SUBSIDIARIES AND AFFILIATES

A breakdown of the shares held by Nexans S.A. in subsidiaries and affiliates is provided in **Note 16.7** (List of subsidiaries and affiliates), and the methods used to calculate any impairment in value of these shares are described in **Note 3**.

##### Movements during the year

There were no movements in shares in subsidiaries and affiliates during 2017.

#### 8.2. OTHER FINANCIAL ASSETS

At December 31, 2017, this item corresponded mainly to a short-term loan granted to an indirect subsidiary, Nexans Services, for a total of 100,041 thousand euros including 41 thousand euros in accrued interest.

This loan – which bears interest at 0.06% – was granted on May 2, 2017 for a period of ten months expiring on March 19, 2018.

At December 31, 2016, this item corresponded primarily to a medium-term loan granted to Nexans Services, representing a principal amount of 200,000 thousand euros and 845 thousand euros in accrued interest.

This loan, granted on April 19, 2015 with an initial term of four years was repaid in advance on May 2, 2017.

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## Note 9. Receivables by maturity

(At December 31, in thousands of euros)	2017				2016
	Gross amount <sup>(1)</sup>	0/w accrued income	Due within one year	Due beyond one year	Gross amount <sup>(1)</sup>
<b>OTHER FINANCIAL ASSETS<sup>(2)</sup></b>	100,116	41	100,041	75	201,777
<b>PREPAYMENTS TO SUPPLIERS</b>	56	53	56	-	-
<b>TRADE RECEIVABLES<sup>(3)</sup></b>	15,049	10,705	15,049	-	10,345
<b>OTHER RECEIVABLES<sup>(4)</sup></b>	126,712	2,592	105,610	21,102	175,292
■ Employee-related receivables and prepaid payroll costs	414	-	414	-	14
■ Prepaid and recoverable income taxes	22,034	-	932	21,102	10,822
■ Prepaid and recoverable VAT	3,785	2,592	3,785	-	4,073
■ Group and associates: tax consolidation	940	-	940	-	34
■ Group and associates: cash pooling current accounts <sup>(5)</sup>	99,286	-	99,286	-	160,178
■ Other debtors	253	-	253	-	171
<b>PREPAID EXPENSES</b>	122	-	122	-	120

(1) No provisions for impairment in value had been recognized against the above receivables at either December 31, 2017 or 2016.

(2) See **Note 8.2**.

(3) At both December 31, 2017 and 2016, trade receivables solely corresponded to intra-group receivables.

(4) Other receivables due beyond one year correspond to tax credits (essentially research and CICE tax credits) due to entities in the tax group headed by the Company (see **Note 7**). These tax credits are considered to be receivable beyond one year because there is a low probability that they will be offset against tax payable by the tax group in 2018.

(5) The cash pooling agreements put in place are open-ended agreements.

## Note 10. Marketable securities

At December 31, 2017, cash equivalents correspond to Nexans shares acquired under the buyback program authorized by the Annual Shareholders' Meeting of May 12, 2016 (see **Note 12.3**).

## Note 11. Other assets

<i>(in thousands of euros)</i>	Net at January 1, 2017	Increases	Additions to provisions for impairment	Other movements	Net at December 31, 2017
Debt issuance costs	4,712	1,455	(1,921)	-	4,246
Bond redemption premiums	441	-	(371)	-	70
Unrealized foreign exchange losses	0	-	-	(0)	0
<b>TOTAL</b>	<b>5,153</b>	<b>1,455</b>	<b>(2,292)</b>	<b>(0)</b>	<b>4,316</b>

### Bond redemption premiums

The bond redemption premiums relate to the bonds maturing in 2017 and 2018. They are being amortized on a straight-line basis over the life of the related bonds. The amortization expense for 2017 amounted to 371 thousand euros.

### Debt issuance costs

The debt issuance costs recognized in 2017 relate to the bonds maturing in 2024 that were issued on April 5, 2017 (see **Note 14**). They are being amortized on a straight-line basis over the life of the bonds.

## Note 12. Equity

### 12.1. BREAKDOWN OF SHARE CAPITAL

At December 31, 2017, the Company's share capital comprised 43,494,691 shares, each with a par value of 1 euro. All of these shares are fully paid up, in the same class and carry the same rights. There are no founder's shares or other rights of participation in profits.

### 12.2. MOVEMENTS IN EQUITY DURING THE YEAR

<i>(in thousands of euros)</i>	Share capital	Additional paid-in capital	Legal reserve	Retained earnings	Net income for the year	Regulated provisions	Total
AT DEC. 31, 2016 (BEFORE APPROPRIATION OF NET INCOME)	43,411	1,678,363	3,163	107,882	7,013	5,953	1,845,786
Appropriation of 2016 net income	-	-	351	6,663	(7,013)	-	-
Dividends paid	-	-	-	(21,605)	-	-	(21,605)
Other movements	83	3,772	-	-	-	-	3,855
2017 net income	-	-	-	-	25,333	-	25,333
<b>AT DEC. 31, 2017 (BEFORE APPROPRIATION OF NET INCOME)</b>	<b>43,495</b>	<b>1,682,135</b>	<b>3,514</b>	<b>92,939</b>	<b>25,333</b>	<b>5,953</b>	<b>1,853,369</b>

Other movements in 2017 mainly concerned the issue of 83,270 new shares with a par value of 1 euro each following the exercise of stock options, and the recognition of the related issue premium totaling 3,772 thousand euros.

Regulated provisions comprise excess tax amortization of share acquisition costs that are included in the cost of the related investments.



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### 12.3. TREASURY SHARES

At December 31, 2017, the Company held 82,077 Nexans shares representing 0.2% of the share capital. These shares are carried in "Marketable securities" in the amount of 3,763 thousand euros.

An estimated 56,444 shares are allocated to the July 24, 2014 performance share and free share plan, for an amount of 2,598 thousand euros. A provision for charges has been recorded in liabilities for the value of these shares (see **Note 13**).

No shares were held in treasury at December 31, 2016.

#### Movements for the year

During the first half of 2017, the Company purchased 224,489 Nexans shares at a total cost of 10,825 thousand euros under the buyback program described above that was decided by the Board of Directors on November 23, 2016.

Following the Board of Directors' decision on July 26, 2017 to allocate free shares to the beneficiaries of Long-Term Compensation Plans no. 12 and no. 13, a total of 142,412 shares were allocated to employees or executive officers of the Group.

The carrying amount of these shares was 7,062 thousand euros, of which 3,400 thousand euros corresponded to the cost of the shares allocated to beneficiaries included in the Company's headcount.

#### Share buyback programs

At its meeting on July 7, 2017, the Board of Directors used the shareholder authorization granted on May 11, 2017 to launch a new share buyback program. The main features of this program are as follows:

- The Company may buy back a maximum of 300,000 Nexans shares on Euronext Paris (compartment A) at a maximum purchase price of 70 euros. The amount that may be invested in the program is capped at 21 million euros.
- At its meeting on July 7, 2017, the Board of Directors decided that the shares would be allocated to the free share plan for eligible employees and corporate officers governed by Articles L.225197-1 et seq. of the French Commercial Code (*Code de commerce*).

- 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, 2017.

At its meeting on November 23, 2016, the Board of Directors used the shareholder authorization granted on May 12, 2016 to launch a share buyback program with the following main features:

- The Company could buy back a maximum of 300,000 Nexans shares on Euronext Paris (compartment A) at a maximum purchase price of 60 euros. The amount that could be invested in the program was capped at 18 million euros.
- At its meeting on November 23, 2016, the Board of Directors decided that the shares would be allocated to the free share and performance share plans for eligible employees and corporate officers.

### 12.4. DIVIDEND PAYMENT

At the 2018 Annual Shareholders' Meeting, the Board of Directors will recommend a dividend payment of 0.70 euros per share, representing a total payout of 30,446 thousand euros based on the 43,494,691 shares making up the Company's capital at December 31, 2017.

If the Company holds any treasury stock at the time the dividend is paid, the amount corresponding to unpaid dividends on these shares will be allocated 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 following the exercise of stock options between January 1, 2018 and the date of the Annual Shareholders' Meeting called to approve the dividend payment.

At the Annual Shareholders' Meeting held on May 11, 2017 to approve the financial statements for the year ended December 31, 2016, the Company's shareholders authorized the payment of a dividend of 0.50 euros per share – representing a total of 21,605 thousand euros – which was paid out on May 19, 2017.

## Note 13. Provisions for contingencies and charges

At December 31, 2017, this item included:

- A 737 thousand euro provision for contingencies set aside to cover risks relating to site dismantling and clean-up costs following the sale of the subsidiary, Indelqui S.A.
- A 2,585 thousand euro provision for the charge resulting from the Company's commitment to allocate free shares to beneficiaries of the Long-Term Compensation Plans (see **Note 12**).

## Note 14. Financial debt

### 14.1. BONDS

The Company's borrowings are primarily made up of bonds, which can be analyzed as follows:

	Issue date	Maturity date	Nominal amount <sup>(1)</sup>	Interest rate	Accrued interest at December 31, 2017 <sup>(1)</sup>	Total bond debt recognized in the balance sheet at December 31, 2017 <sup>(1)</sup>	Interest expense for 2017 <sup>(1)</sup>
<b>CONVERTIBLE BONDS</b>							
2019 OCEANE bonds	Feb. 29, 2012	Jan. 1, 2019	275,000	2.50%	6,875	281,875	6,875
<b>ORDINARY BONDS</b>							
Ordinary bonds maturing in 2017 Issue price: 99.266% of face value	May 2, 2007	May 2, 2017	-	5.75%	-	-	6,727
Ordinary bonds maturing in 2018 Issue price: 99.398% of face value	Dec. 19, 2012	March 19, 2018	250,000	4.25%	8,354	258,354	10,625
Ordinary bonds maturing in 2021	May 26, 2016	May 26, 2021	250,000	3.25%	4,875	254,875	8,125
Ordinary bonds maturing in 2024	April 5, 2017	April 5, 2024	200,000	2.75%	4,068	204,068	4,068
			700,000		17,298	717,298	29,545
<b>TOTAL</b>			<b>975,000</b>		<b>24,173</b>	<b>999,173</b>	<b>36,420</b>

<sup>(1)</sup> In thousands of euros.

All of the bonds in the above table are redeemable at face value at maturity.

At December 31, 2017, total bond debt amounted to 999,173 thousand euros including accrued interest, of which 281,875 thousand euros related to OCEANE bonds. At December 31, 2016, bond debt totaled 1,158,503 thousand euros, of which 281,875 thousand euros related to OCEANE bonds.

The main movements in the Company's bond debt during 2017 were as follows:

- All of the 2017 bonds were redeemed in cash on May 2, 2017 as they had reached maturity. The total amount paid was 370,125 thousand euros including accrued interest.
- On April 5, 2017, Nexans S.A. issued 200,000 thousand euros worth of bonds maturing on April 5, 2024 ("2024 bonds"). The bonds were issued at par and have an annual coupon of 2.75%.

The indentures for the OCEANE bonds maturing on January 1, 2019 (the 2019 OCEANE bonds) include an early redemption option exercisable by the bondholders on June 1, 2018 or the first business day thereafter.

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## 14.2. COVENANTS

At December 31, 2017, Nexans S.A. and its subsidiaries had access to 600 million euros under a medium-term confirmed credit facility expiring on December 14, 2020. None of this facility had been drawn down at the year-end.

The loan agreement related to this credit facility contains standard covenants (negative pledge, cross default, pari passu and change of control clauses). In addition, the Group's debt to equity ratio must be below 1.10 and consolidated debt must not exceed 3x consolidated EBITDA. See **Note 26** to the consolidated financial statements for further information.

These ratios were well within the specified limits at both December 31, 2017 and at the date the Board of Directors approved the financial statements.

## Note 15. Liabilities by maturity

(At December 31, in thousands of euros)	2017					2016
	Amount	O/w accrued expenses	Due within 1 year	Due between 1 and 5 years	Due beyond 5 years	Amount
CONVERTIBLE BONDS <sup>(1)</sup>	281,875	6,875	6,875	275,000	-	281,875
ORDINARY BONDS <sup>(2)</sup>	717,298	17,298	267,298	250,000	200,000	876,628
TRADE PAYABLES	18,775	15,962	18,775	-	-	17,363
OTHER LIABILITIES <sup>(3)</sup>	115,309	5,598	89,679	25,630	-	110,111
■ Employee-related payables and accrued payroll costs	4,414	3,604	4,414	-	-	5,051
■ Accrued VAT	2,247	1,784	2,247	-	-	1,676
■ Other accrued taxes	160	160	160	-	-	227
■ Tax consolidation suspense account <sup>(4)</sup>	74,264	-	74,264	-	-	70,940
■ Group and associates: tax consolidation	34,170	-	8,540	25,630	-	32,150
■ Other liabilities	54	50	54	-	-	67
DEFERRED INCOME	-	-	-	-	-	21

(1) See **Note 14**.

(2) See **Note 14**.

(3) Other liabilities due beyond one year comprise amounts payable to members of the tax consolidation group. These amounts correspond to tax credits (notably research and CICE tax credits) that have a low probability of being offset against taxes payable in 2018.

(4) Tax losses of subsidiaries in the tax consolidation group that may have to be returned to those subsidiaries in subsequent years.

## 5.2.6. Miscellaneous information

### Note 16. Miscellaneous information

#### 16.1. STOCK OPTIONS, FREE SHARES AND PERFORMANCE SHARES

##### Stock options

At December 31, 2017, there were 170,760 outstanding stock options held by employees, representing 0.39% of the Company's share capital, versus 254,030 at December 31, 2016 (0.6% of the share capital).

The options outstanding at December 31, 2017 were granted on March 9, 2010. Their exercise price is 46.30 euros (including adjustments made following the rights issue on November 8, 2013) and they expire on March 8, 2018.

	Number of options
<b>OPTIONS OUTSTANDING AT BEGINNING OF YEAR</b>	<b>254,030</b>
Options granted during the year	-
Options canceled during the year	-
Options exercised during the year	(83,270)
Options expired during the year	-
<b>OPTIONS OUTSTANDING AT THE YEAR-END</b>	<b>170,760</b>
■ of which exercisable at the year-end	170,760

##### Free shares and performance shares

At December 31, 2017, there were 869,724 free share and performance share rights outstanding – each entitling their owner to one share – representing a total of 2.0% of the Company's share capital. At December 31, 2016, there were 886,859 free share and performance share rights outstanding, representing 2.0% of the Company's share capital.

A total of 225,300 free shares and performance shares were granted during 2017.

The free share and performance share rights outstanding at December 31, 2017 can be analyzed as follows:

Grant date	Number of shares originally granted	Number of share rights outstanding at the year-end	End of vesting period
July 24, 2014	311,940	56,444	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	306,080	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	30,000	January 1, 2020
May 12, 2016	253,200	248,400	May 12, 2020
November 23, 2016	3,900	3,900	November 23, 2020
March 14, 2017	225,300	224,900	March 14, 2021
<b>TOTAL SHARES OUTSTANDING</b>		<b>869,724</b>	

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## Movements in outstanding free shares and performance shares

<b>FREE SHARES THAT HAD NOT YET VESTED OR WERE SUBJECT TO A LOCK-UP AT BEGINNING OF YEAR</b>	<b>886,859</b>
Shares granted during the year <sup>(1)</sup>	225,300
Shares vested during the year	(142,412)
Shares canceled during the year	(100,023)
<b>FREE SHARES THAT HAD NOT YET VESTED OR WERE SUBJECT TO A LOCK-UP AT YEAR-END</b>	<b>869,724</b>

(1) Free shares and performance shares, assuming performance target is met.

The vesting conditions applicable to the performance shares are based both on Nexans' financial performance and its share performance.

## 16.2. RELATED PARTIES - RELATED COMPANIES

Related party transactions concern subsidiaries and affiliates and are carried out on arm's length terms. The principal information concerning related companies is provided in the list of subsidiaries and affiliates in **Note 16.7**.

In 2017, no new agreements representing material amounts were entered into on non-arm's length terms with related parties within the meaning of Article 123-198 of the French Commercial Code.

## 16.3. OFF-BALANCE SHEET COMMITMENTS

### Reciprocal commitments (in thousands of euros)

At December 31, 2017 the market value of currency forwards (USD) entered into by the Company amounted to 16 thousand euros (recorded in liabilities).

### Commitments given

- The Company has granted parent company guarantees covering the contractual obligations of certain subsidiaries, amounting to 1,351 million euros at December 31, 2017 (excluding the commitments described below related to receivables sales and the syndicated loan).
- When the Group's syndicated loan was set up, 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, 2017.
- A securitization plan for euro-denominated trade receivables was set up in the second quarter of 2010 and rolled over for up to five years on March 30, 2015. Following an amendment to the program in May 2017, the joint and several guarantee granted by Nexans S.A. to the arranging bank covers (i) the payment obligations of the Nexans subsidiary selling the receivables under the program and (ii) the consequences that could arise if any of the receivables sales under the program were rendered invalid, notably in the event that insolvency proceedings were initiated against the subsidiary selling the receivables.

At December 31, 2017, 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 24 million euros for the portion covering the subsidiary's payment obligations and 95 million euros for the portion covering invalid receivables sales. It had a minimum residual term of more than 12 months at December 31, 2017 and an actual term that varies depending on the seller and type of obligation concerned.

### Commitments received

At December 31, 2017, commitments received corresponded to the Company's 600 million euro unused credit facility expiring on December 1, 2020.

## 16.4. STATUTORY AUDITORS FEES

The total of the Statutory Auditors fees recorded in the income statement for 2017 break down as follows:

<i>(in thousands of euros)</i>	Audit of the corporate financial statements	Audit of the consolidated financial statements	Other services	Total
Mazars 61, rue Henri Regnault, 92075 Paris-La Défense, France	10	215	142	367
PricewaterhouseCoopers Audit 63, rue de Villiers, 92208 Neuilly-sur-Seine, France	15	212	5	232
	<b>25</b>	<b>427</b>	<b>147</b>	<b>599</b>

## 16.5. SUBSEQUENT EVENTS

No significant events occurred between the end of the reporting period and the date on which these corporate financial statements were approved for issue.

## 16.6. OTHER INFORMATION

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 cable sector. The Company was held jointly liable for the payment of a portion of the fine imposed by the European Commission. Nexans France SAS and the Company appealed the European Commission's decision to the General Court of the European Union.

On July 4, 2014, Nexans France SAS paid the 70.6 million euro fine imposed on it by the European Commission.

As an indirect consequence of the European Commission's decision, one of the Group's competitors, which has been subject to follow-on damages claims in the United Kingdom since the beginning of 2015, has filed a contribution claim against the other cable producers sanctioned by the European Commission, including Nexans France SAS and Nexans S.A.

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.

Similarly, on July 20, 2016, an Australian court declined to impose sanctions against the Company following an investigation into the submarine and underground power cable industry by the Australian Competition and Consumer Commission (ACCC). The ACCC has not appealed this ruling.

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) and Brazil.

In addition, on December 16, 2016, Nexans Iberia and the Company, in its capacity as Nexans Iberia's parent company, were notified by the Spanish antitrust authorities (CNMC) that a formal investigation was being launched into Nexans Iberia's conduct as part of its overall investigation into the low- and medium-voltage power cables sector. This notification was received nine months after the other companies concerned were informed of the investigation.

On January 3, 2017, Nexans Iberia and Nexans S.A. received a notification of grievances from the CNMC to which they replied within the timeframe provided for under the applicable Spanish regulations.

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On November 24, 2017, Nexans Iberia and the Company were notified of a decision by the CNMC, which found that Nexans Iberia had participated directly in an infringement of Spanish antitrust law in the low- and medium-voltage cable sectors. The Company was held jointly liable for the payment of part of the 1.3 million euro fine imposed on Nexans Iberia by the CNMC, which Nexans Iberia paid in early January 2018. Nexans Iberia and the Company have appealed the CNMC's decision.

As consistently communicated by the Company in the past, unfavorable outcomes 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.

## 16. 7. LIST OF SUBSIDIARIES AND AFFILIATES

At December 31, 2017

Company name	Share capital <i>(in thousands of currency units)</i>	Total equity (excluding share capital) <sup>(3)</sup> <i>(in thousands of currency units)</i>	Percentage ownership	Dividends received <i>(in thousands of euros)</i>	Gross value of shares held <i>(in thousands of euros)</i>	Net value of shares held <i>(in thousands of euros)</i>	Net sales <sup>(3)</sup> <i>(in thousands of currency units)</i>	Net income (loss) <sup>(3)</sup> <i>(in thousands of currency units)</i>
<b>A - SUBSIDIARIES AND AFFILIATES WITH A GROSS VALUE IN EXCESS OF 1% OF NEXANS' SHARE CAPITAL</b>								
<b>1) SUBSIDIARIES (OVER 50% OWNED)</b>								
NEXANS FRANCE SAS Paris - France (SIREN registration no. 428 593 230)	130,000	(43,683)	100.00%	-	477,400	477,400	1,666,190	38,756
NEXANS PARTICIPATIONS Paris - France (SIREN registration no. 314 613 431)	418,110	1,304,435	100.00%	83,064	2,048,264	2,048,264	1,198	82,918
INVERCABLE SA <sup>(1)</sup> Santiago - Chile	82,400	131,895	100.00%	-	194,948	194,948	-	8,660
<b>2) AFFILIATES (10%-50% OWNED)</b>								
NEXANS KOREA <sup>(2)</sup> Chungcheongbuk - South Korea	17,125,879	84,236,043	35.53%	1,041	16,940	16,940	302,247,706	(29,648)
<b>B - GENERAL INFORMATION ON OTHER SECURITIES</b>								
French subsidiaries (over 50% owned)					-	-		
Foreign subsidiaries (over 50% owned)					-	-		
French affiliates (10%-50% owned)					-	-		
Foreign affiliates (10%-50% owned)					-	-		
Other investments				143	2,281	2,281		

(1) Amount in thousands of USD (US dollars: 1 USD = 0.833820 euros at December 31, 2017).

(2) Amount in thousands of KRW (Korean won): 1,000 KRW = 0.781 euros at December 31, 2017.

(3) Provisional data as these companies' financial statements had not yet been formally approved for issue at the date of the Board of Directors' meeting that approved these corporate financial statements.

Guarantees given by the Company with respect to its subsidiaries are described in the note on off-balance sheet commitments.

## 5.2.7. Parent company results for the last five years

	2017	2016	2015	2014	2013
<b>I - SHARE CAPITAL AT THE END OF THE FISCAL YEAR<sup>(1)</sup></b>					
a) Share capital (in thousands of euros)	43,495	43,411	42,598	42,051	42,043
b) Number of shares issued	43,494,691	43,411,421	42,597,718	42,051,437	42,043,145
<b>II - RESULTS OF OPERATIONS (in thousands of euros)</b>					
a) Sales before taxes	27,422	21,917	22,831	17,843	17,899
b) Income (loss) before tax, employee profit-sharing, depreciation, amortization and provisions	29,429	(51,461)	(101,110)	(64,817)	32,794
c) Income taxes: (expense)/benefit	894	815	816	901	295
d) Employee profit-sharing due for the fiscal year	(113)	(145)	(57)	(94)	(89)
e) Income (loss) after tax, employee profit-sharing, depreciation, amortization and provisions	25,333	7,013	1,885	(66,588)	(50,787)
f) Dividends	30,446 <sup>(2)</sup>	21,605	-	-	-
<b>III - INCOME PER SHARE (in euros)</b>					
a) Income (loss) after tax and employee profit-sharing but before depreciation, amortization and provisions	0.69	(1.17)	(2.37)	(1.54)	0.78
b) Income (loss) after tax, employee profit-sharing, depreciation, amortization and provisions	0.58	0.16	0.04	(1.58)	(1.21)
c) Dividend per share	0.70	0.50	-	-	-
<b>IV - EMPLOYEES</b>					
a) Average headcount during the year	8	6	6	8	8
b) Total fiscal year payroll (in thousands of euros)	4,860	3,945	4,375	4,514	4,797
c) Total amount paid for employee benefits during the fiscal year (in thousands of euros)	1,620	1,315	1,458	1,504	1,599

(1) The number of convertible bonds is set out in paragraph 6.2.1.2.

(2) Based on the number of shares constituting the share capital as of December 31, 2017, ie 43,494,691 shares.



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## 5.2.8. Statutory Auditors' report on the financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

### OPINION

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying financial statements of Nexans for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at December 31, 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit and Accounts Committee.

### BASIS FOR OPINION

#### Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

#### Independence

We conducted our audit engagement in compliance with the independence rules applicable to us for the period from January 1, 2017 to the date of our report and in particular we did not provide any non audit services prohibited by article 5 (1) of Regulation (EU) No 537/2014 or the French Code of Ethics (Code de déontologie) for Statutory Auditors.

### EMPHASIS OF MATTER

Without qualifying our opinion, we draw your attention to the matter set out in **Note 3** to the financial statements, which refers to the change of accounting policy due to the first-time application of ANC regulation 2015-05 of July 31, 2015 on forward financial instruments and hedging.

### JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

#### Valuation of shares in subsidiaries and affiliates

##### Description of risk

As at December 31, 2017, the carrying amount of the company's shares in subsidiaries and affiliates amounted to €2,740 million. These shares are in six companies.

The value in use of shares in subsidiaries and affiliates is assessed by the company's management on the basis of various criteria that may correspond, depending on the situation, to historical or forecast data. As indicated in **Notes 3** and **8** to the financial statements, an impairment loss is booked when the fair value of these shares, which is based on their value in use, falls below their carrying amount.

We deemed the valuation of shares in subsidiaries and affiliates to be a key audit matter due to their significance in the company's financial statements and to the level of judgment required from management in terms of determining and assessing the value in use of each share.

#### *How our audit addressed this risk*

As part of our audit of the financial statements, our work mainly consisted in:

- examining the valuation undertaken by the company, the methods used and the underlying assumptions;
- assessing the value in use on the basis of the factors used in the estimate of value in use: actual and projected earnings, equity, the entity's business outlook, the economic environment and the entity's average share price for the most recent month.

### **Antitrust investigations and disputes**

#### *Description of risk*

In the same way as all other industrial players, in view of the company's wide geographic reach it is required to comply with numerous national and regional laws and regulations, notably concerning commercial, customs and tax matters. In particular, the company is involved in antitrust investigations or disputes as described in **Note 16.6** to the financial statements, which describes the antitrust investigations initiated against your company.

As indicated in **Note 3** to the financial statements, provisions are recognized when the company has a present obligation 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.

We deemed this issue to be a key audit matter given the significance of the antitrust investigations and disputes and the level of judgment required from management to determine these provisions in multiple and constantly changing regulatory environments.

#### *How our audit addressed this risk*

As part of our audit of the financial statements, our work consistently mainly in:

- evaluating the procedures implemented by the company to identify and list all disputes and antitrust investigations;
- carrying out interviews with the company's Legal Department in order to obtain an understanding of the risks, as well as the status of antitrust proceedings and investigations;

- assessing the factors used by the company to determine the risks and provisions recognized at the end of the reporting period to cover the financial consequences (direct and indirect) of these disputes, with particular attention paid to the opinions of the company's legal advisors;
- verifying that the significant risks and disputes identified during the implementation of these procedures are described appropriately in **Note 16.6** to the financial statements.

### **VERIFICATION OF THE MANAGEMENT REPORT AND OF THE OTHER DOCUMENTS PROVIDED TO THE SHAREHOLDERS**

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

### **Information given in the management report and other documents provided to the shareholders with respect to the company's financial position and the financial statements**

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents provided to the shareholders with respect to the financial position and the financial statements.

### **Information on corporate governance**

We attest that the Board of Directors' report on corporate governance sets out the information required by articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of article L.225-37-3 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

Concerning the information given in accordance with the requirements of article L.225-37-5 of the French Commercial Code relating to those items your company has deemed liable to have an impact in the event of a takeover bid or exchange offer, we have verified its consistency with the underlying documents which were disclosed to us. Based on this work, we have no matters to report with regard to this information.

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## Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Nexans by the Shareholders' Meetings held on May 15, 2006 (PricewaterhouseCoopers Audit) and May 5, 2015 (Mazars).

As at December 31, 2017, PricewaterhouseCoopers Audit and Mazars were in the twelfth year and the third year of total uninterrupted engagement, respectively.

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for preparing financial statements presenting a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it expects to liquidate the company or to cease operations.

The Audit and Accounts Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

## RESPONSIBILITIES OF THE STATUTORY AUDITORS RELATING TO THE AUDIT OF THE FINANCIAL STATEMENTS

### Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of management of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit.

They also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the financial statements;
- Assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditors conclude that a material

uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- Evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Report to the Audit and Accounts Committee**

We submit a report to the Audit and Accounts Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit and Accounts Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit and Accounts Committee with the declaration provided for in article 6 of Regulation (EU) No 537-2014, confirming our independence within the meaning of the rules applicable in France, as defined in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit and Accounts Committee.

Neuilly-sur-Seine and Courbevoie, March 29, 2018

The Statutory Auditors

PricewaterhouseCoopers Audit

Xavier Belet

Mazars

Isabelle Sapet

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## Information about the share capital and ownership structure

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# 6.1. Nexans share data

## NEXANS IS LISTED ON EURONEXT PARIS (COMPARTMENT A)

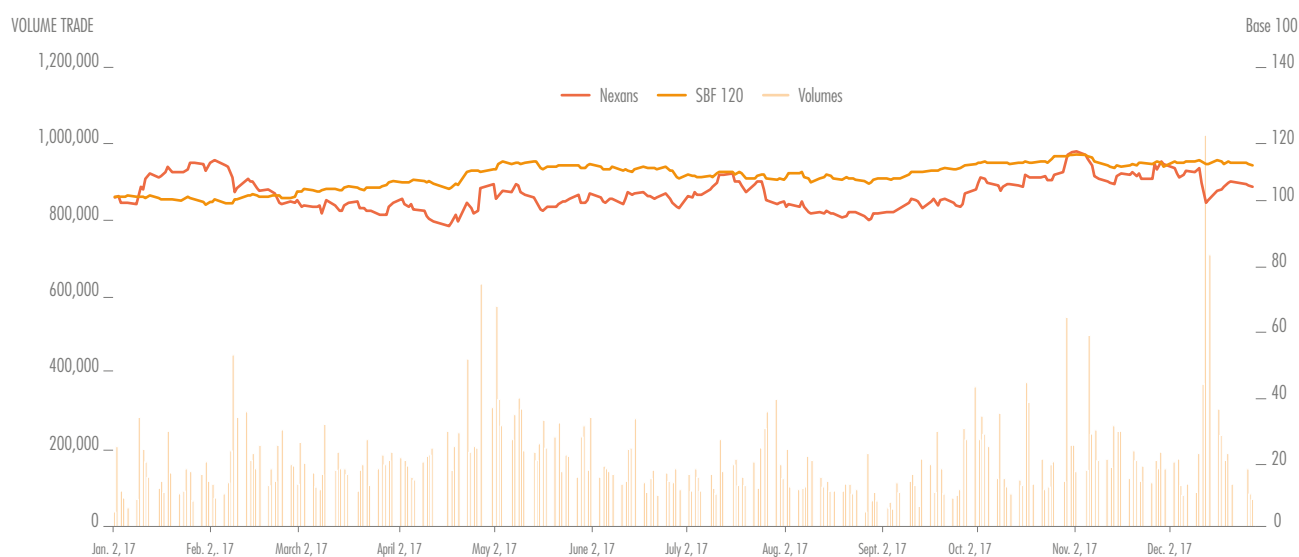
- Deferred settlement service
- ISIN code FRO000044448
- Par value: 1 euro

## MARKET CAPITALIZATION AT DECEMBER 31, 2017

2.223 billion euros

## Share performance

(in euros, from January 1, 2017 to December 31, 2017)



## AVERAGE DAILY TRADING VOLUME IN 2017

175,503 shares

## INDEX

- SBF 120



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## PER SHARE DATA

In euros (except ratios)	2017	2016	2015
Net assets <sup>(1)</sup>	32.74	32.5	27.5
Basic earnings/(loss) per share <sup>(2)</sup>	3.04	1.43	(4.55)
Diluted earnings/(loss) per share <sup>(3)</sup>	2.71	1.40	(4.55)
PER <sup>(4)</sup>	10.77	22.73	-
Net dividend <sup>(5)</sup>	0.70	0.50	-
Dividend yield <sup>(4)</sup>	1.37%	1.02%	-

(1) Equity attributable to owners of the parent divided by the number of shares outstanding at December 31.

(2) Based on the weighted average number of shares outstanding.

(3) Earnings/(loss) per share if all securities carrying rights to the Company's ordinary shares are exercised, thereby increasing the total number of shares outstanding.

(4) Based on the December 31 share price.

(5) At the Annual Shareholders' Meeting of May 17, 2018 the Board of Directors will recommend a dividend payment of 0.70 euros per share for 2017.

## STOCK MARKET DATA

Share price in euros (except percentages)	2017	2016	2015
High	56.72	54.80	39.84
Low	44.99	29.37	23.07
End-of-year closing price	51.11	49.21	33.70
Change over the year	+3.47%	+52.09%	+26.40%
Change in the SBF 120 over the year	+10.29%	+1.78%	+ 6.40%
Change in the CAC 40 over the year	+8.81%	+4.86%	+8.50%
<b>MARKET CAPITALIZATION AT DECEMBER 31<sup>(1)</sup></b>	<b>2,223</b>	<b>2,136</b>	<b>1,436</b>
Average daily trading volume <sup>(2)</sup>	175,503	165,707	205,153
Number of shares in issue at December 31	43,494,691	43,411,421	42,597,718
<b>SHARE TURNOVER<sup>(3)</sup></b>	<b>0.40%</b>	<b>0.38%</b>	<b>0.48%</b>

(1) In millions of euros.

(2) In number of shares.

(3) Daily average over the year.

## 6.2. Share capital

At December 31, 2017, the Company's share capital stood at 43,494,691 euros, fully paid-up and divided into 43,494,691 shares with a par value of one (1) euro each. This amount includes the 83,270 new shares issued upon the exercise of stock options between January 1 and December 31, 2017. Each of the Company's shares carries one voting right.

### 6.2.1. Estimated breakdown of share capital and voting rights at December 31, 2017

#### 6.2.1.1. CHANGES IN THE COMPANY'S SHARE CAPITAL OVER THE LAST FIVE YEARS

Date	Transaction	Number of shares issued/canceled	Nominal amount of the transaction	Total amount of share capital (in euros) and number of shares
January 14, 2013	Capital increase following the exercise of stock options	133,250	€133,250	29,394,042
August 31, 2013	Capital increase following the exercise of stock options	9,500	€9,500	29,403,542
September 30, 2013	Capital increase following the exercise of stock options	24,661	€24,661	29,428,203
October 31, 2013	Capital increase following the exercise of stock options	2,000	€2,000	29,430,203
November 8, 2013	Capital increase through the issuance of new shares paid up in cash	12,612,942	€12,612,942	42,043,145
May 31, 2014	Capital increase following the exercise of stock options	175	€175	42,043,320
June 30, 2014	Capital increase following the exercise of stock options	933	€933	42,044,253
November 19, 2014	Capital increase following the vesting of free shares and performance shares	7,184	€7,184	42,051,437
January 21, 2015	Employee share issue	499,862	€499,862	42,551,299
November 24, 2015	Capital increase following the vesting of free shares and performance shares	46,419	€46,419	42,597,718
July 27, 2016	Capital increase following the exercise of stock options	70,655	€70,655	42,668,373
July 27, 2016	Capital increase following the vesting of free shares and performance shares	83,450	€83,450	42,751,823
July 28, 2016	Employee share issue	483,612	€483,612	43,235,435
November 23, 2016	Capital increase following the vesting of free shares and performance shares	30,356	€30,356	43,265,791
January 18, 2017	Capital increase following the exercise of stock options	145,630	€145,630	43,411,421
July 26, 2017	Capital increase following the exercise of stock options	24,570	€24,570	43,435,991
January 22, 2018	Capital increase following the exercise of stock options	58,700	€58,700	43,494,691

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### 6.2.1.2. POTENTIAL SHARE CAPITAL AT DECEMBER 31, 2017

The following securities carry rights to the Company's shares:

(1) The OCEANE bonds issued on February 29, 2012. This public issue involved 3,780,588 OCEANE bonds, each with a face value of 72.74 euros, and represented a total value of approximately 275 million euros (the "2.5% 2019 OCEANE bonds"). The prospectus for the issue was approved by the AMF on February 21, 2012 under number 12-083. The term of the bonds was set at six years and 307 days. If the bonds run until their scheduled redemption date, they will be redeemed in full on January 1, 2019 at their face value, namely at a price of 72.74 euros per bond. However, the Company has an early redemption option under which it is entitled to require the bondholders to convert their bonds into shares if the Company's share price exceeds a certain level. The bondholders also have a right to early redemption of the bonds exercisable on June 1, 2018. The bonds bear interest at 2.5% per annum, payable in arrears on January 1 each year and their gross yield-to-maturity is 2.5% (if they are not converted and/or exchanged for shares, and if they are not redeemed in advance). The option to convert or exchange the bonds can be exercised by the OCEANE bondholders at any time until the seventh business day preceding the scheduled or early redemption date. At December 31, 2016, all of the 2.5% 2019 OCEANE bonds were still outstanding. As a result of the rights issue carried out on November 8, 2013 and in accordance with the adjustment formulae provided for in the issue terms and conditions of the 2.5% 2019 OCEANE bonds, since November 8, 2013, one

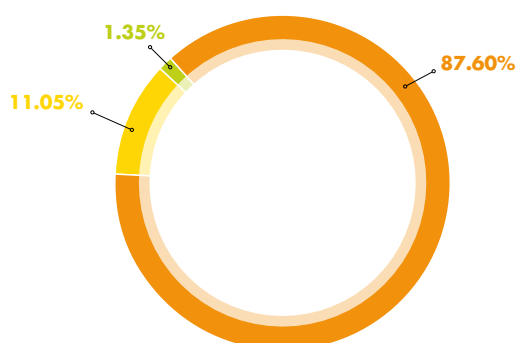
2.5% 2019 OCEANE bond has been convertible into 1.1250 Nexans shares compared with the previous conversion ratio of one share per bond. Consequently, if all of the OCEANE bonds were converted they would represent an aggregate 4,253,161.5 shares, or 9.79% of the Company's share capital.

- (2) The 170,760 outstanding stock options granted by the Company and not yet exercised, representing approximately 0.39% of the Company's share capital and exercisable for one share each.
- (3) The 773,544 performance shares (based on the achievement of maximum performance targets) granted to employees and corporate officers and not yet definitely vested, representing approximately 1.77% of the Company's share capital at December 31, 2017.
- (4) The 96,180 free shares (with no performance conditions attached) granted to certain employees and not yet definitely vested, representing approximately 0.22% of the Company's share capital at December 31, 2017.

Except for the above-mentioned instruments, at December 31, 2017 there were no other securities that were convertible, redeemable, exchangeable or otherwise exercisable for the Company's shares.

The Company's potential share capital, namely its existing capital plus any shares to be issued on the exercise of rights to the Company's shares, represented approximately 112.17% of the Company's capital at December 31, 2017.

### 6.2.1.3. ESTIMATED BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS<sup>(1)</sup> AT DECEMBER 31, 2017



- Institutional investors: 87.60% o/w:
  - Invevans and Tech Pack (Quiñenco Group, Chile): approximately 28.99% (12,610,914 shares)
  - Bpifrance Participations (France): 7.73% (3,363,446 shares)
- Private investors and employees: 11.05% (4,804,051 shares) o/w:
  - Private investors: 7.70%
  - Employees: 3.34%
- Unidentified shareholders: 1.35% (586,778 shares)

Sources: Euroclear France, Nexans share register, shareholder identification survey and threshold disclosures filed with the AMF.

<sup>(1)</sup> For resolutions in Extraordinary Shareholders' Meetings that relate to major structural transactions (such as mergers and significant capital increases) no single shareholder may exercise voting rights representing more than 20% of the total voting rights of shareholders present or represented at the meeting concerned (see Article 21 of the Company's bylaws).

As the Company's ownership structure changes frequently, the breakdown above is not necessarily representative of the situation at the date this Registration Document was published.

At December 31, 2017, corporate officers owned approximately 0.09% of Nexans' share capital.

To the best of the Company's knowledge, no shareholder other than those cited above holds more than 5% of the share capital.

At December 31, 2017, the Company held 82,077 of its own shares in treasury and each member of the Board of Directors held at least the minimum number of shares set out in the Company's bylaws.

Nexans is not aware of the existence of any individual or legal entity that, directly or indirectly, acting alone or in concert, exercises control over its share capital, nor of any agreement that, if implemented, could trigger a change of control of the Company.

## 6.2.2. Estimated ownership structure by geographic area

At December 31, 2017, Nexans' estimated ownership structure by geographic area was as follows:

Institutional investors – France	40.31%
Institutional investors – United States	6.89%
Institutional investors – UK and Ireland	4.89%
Institutional investors – Other European countries	6.04%
Institutional investors – Other countries (incl. South America)	29.48%
Private shareholders	7.70%
Employees	3.34%
Unidentified shareholders	1.35%

Sources: Euroclear France, Nexans share register, shareholder identification survey and threshold disclosures filed with the AMF.

## 6.2.3. Legal threshold disclosures filed in 2017

The following threshold disclosures were filed with the AMF in 2017:

Date threshold crossed	Date of disclosure	Declaring company or intermediary	Number of shares and voting rights held	% capital	% voting rights	Disclosure event
03/13/2017	03/15/2017	Norges Bank	2,274,993	5.24%	5.24%	Upward crossing of share ownership and voting rights threshold
03/14/2017	03/15/2017	Norges Bank	2,028,556	4.67%	4.67%	Downward crossing of share ownership and voting rights threshold

## 6.2.4. Changes in Nexans' ownership structure over the last three years

Shareholders	Estimated situation at December 31, 2015			Estimated situation at December 31, 2016			Estimated situation at December 31, 2017		
	Number of shares	% capital	% voting rights	Number of shares	% capital	% voting rights	Number of shares	% capital	% voting rights
Institutional investors	39,974,819	86.8	86.8	37,416,176	86.19	86.19	38,103,862	87.60	87.60
Employees	1,324,516	3.10	3.10	1,714,121	3.95	3.95	1,454,827	3.34	3.34
Executive directors	39,993	0.09	0.09	28,703	0.06	0.06	39,085	0.09	0.09
Private shareholders	2,815,641	6.6	6.6	1,900,574	4.38	4.38	3,267,147	7.42	7.42
Treasury stock	-	-	-	-	-	-	82,077	0.19	0.19
Unidentified shareholders	1,490,920	3.5	3.5	2,363,660	5.44	5.44	586,778	1.35	1.35

## 6.3. Employee share ownership

The proportion of the Company's share capital owned by employees, calculated in accordance with Article L.225-102 of the French Commercial Code (*Code de commerce*), was 3.34% at December 31, 2017.

## 6.4. Shareholders' Meetings

### 6.4.1. Meetings

Nexans' shareholders are called to General Meetings and vote in accordance with the applicable legal provisions and the Company's bylaws.

Information on General Shareholders' Meetings and the procedures for exercising voting rights is provided in Articles 20 (Shareholders' meetings) and 21 (Voting rights) of Nexans' bylaws, which can be viewed on Nexans' website ([www.nexans.com](http://www.nexans.com), Corporate Governance section).

At the Shareholders' Meeting held on November 10, 2011, the "one-share-one-vote rule" was adopted to replace the double voting rights attached to shares owned by a single

shareholder for more than two years. At the same meeting, shareholders raised the 8% limit on each shareholder's total voting rights in a Shareholders' Meeting to 20%, applicable only to decisions made at Extraordinary Shareholders' Meetings on major transactions affecting the structure of the Group. This limit prevents any single major shareholder from having a right to veto strategic decisions and is therefore in the interest of all shareholders. At the Shareholders' Meeting held on May 15, 2014, Article 21 of the bylaws was amended to stipulate that the automatic double voting rights provided for by the French law to regulate the real economy, enacted on March 29, 2014, would not apply to Nexans.

### 6.4.2. 2018 Annual Shareholders' Meeting

Nexans' 2018 Annual Shareholders' Meeting will be held on May 17, 2018. The notice for the meeting – containing the agenda, information on how to participate in the meeting, the proposed resolutions and the Board of Directors' report

on the resolutions – will be available on Nexans' website ([www.nexans.com](http://www.nexans.com)), under Finance and then Shareholders' Information – Shareholders' Meetings – 2018 Annual Shareholders' Meeting.

## 6.5. Summary of authorizations to increase the Company's share capital and their use during 2017

Resolutions approved at the Annual Shareholders' Meetings of May 12, 2016 and May 11, 2017	Limit for each resolution <sup>(1)</sup>	Sub-limits applicable to several resolutions <sup>(1)</sup>	Limits applicable to several resolutions <sup>(1)</sup>	Use during fiscal 2017
<b>CAPITAL INCREASES WITH AND WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS FOR EXISTING SHAREHOLDERS</b>				
Issuance of ordinary shares or securities (French ORAs, OBSAs, OCEANES, ABSAs, ABSOs, ABSARs) with preferential subscription rights (R14 – 2017 AGM), with a greenshoe option if over-subscribed (R18 – 2017 AGM)	€14,000,000 or 14,000,000 shares (≈ 32% of the share capital as of December 31, 2017) Debt securities = €350,000,00	-		
Issuance of ordinary shares via the capitalization of premiums, reserves or profits, or any other sum, the capitalization of which is authorized (R15 – 2017 AGM)	€14,000,000 or 14,000,000 shares (≈ 32% of the share capital as of December 31, 2017)	-		
Issuance of ordinary shares or securities (French ORAs, OBSAs, OCEANES) without preferential subscription rights via a public offering (R16 – 2017 AGM) with a greenshoe option if over-subscribed (R18 - 2017 AGM) or an issuance of shares or securities representing debt and granting rights to equity securities (French ORAs, OBSAs, OCEANES) via a private placement (R17 – 2017 AGM) with a greenshoe option if over-subscribed (R18 – 2017 AGM)	€4,342,000 (4,342,000 shares) (< 10% of the share capital) Debt securities = €350,000,000	€4,342,000 (4,342,000 shares) (< 10% of the share capital)	€14,000,000 (14,000,000 shares)	
Issuance of ordinary shares and securities granting rights to equity securities in consideration of tendered securities: as a method of payment for acquisitions (R19 – 2017 AGM)	€4,342,000 (4,342,000 shares) (< 10% of the share capital)		Securities representing debt and granting rights to equity securities = €350,000,000	
<b>EMPLOYEE INCENTIVE PLANS</b>				
Issuance of ordinary shares or securities granting rights to equity securities and reserved for employees who are members of company savings plans (R20 – 2017 AGM)	€400,000 (400,000 shares)			
In the event that the above delegation is used, an issuance of ordinary shares or securities granting rights to equity securities for the benefit of a credit institution for the purpose of implementing an SAR (stock appreciation right) type alternative formula, in favor of certain foreign employees (USA, Italy, Chile, China, South Korea, Greece, Sweden) (R21 – 2017 AGM)	€100,000 (100,000 shares)	-		
Allocation of performance shares in 2017 (R13 – 2016 AGM)	€330,000 (330,000 shares)			Allocation of 195,300 performance shares on March 14, 2017
Allocation of free shares in 2017 (R14 – 2016 AGM)	€30,000 (30,000 shares)			Allocation of 30,000 performance shares on March 14, 2017
Allocation of performance shares in 2018 (R22 – 2017 AGM)	€300,000 (300,000 shares)			
Allocation of free shares in 2018 (R23 – 2017 AGM)	€50,000 (50,000 shares)			

(1) The maximum number of shares that may be issued corresponds to the maximum nominal amount of the capital increases that could take place as the par value of a Company share is equal to 1 euro.

In the above table, the abbreviation "R - 2016 AGM" stands for the number of the resolution submitted for approval at the Annual Shareholders' Meeting of May 12, 2016.

The abbreviation "R - 2017 AGM" stands for the number of the resolution submitted for approval at the Annual Shareholders' Meeting of May 11, 2017.



## 6.6. Share buybacks

### 6.6.1. Share buybacks in 2017

In 2017, the Company was authorized to implement share buyback programs pursuant to the resolutions to this effect approved at the Annual Shareholders' Meetings of May 12, 2016 and May 11, 2017.

In accordance with Articles L.225-209 *et seq.* of the French Commercial Code (*Code de Commerce*), the Annual Shareholders' Meeting on May 12, 2016 gave the Company an 18-month authorization to buy back its own shares provided that a takeover bid for the Company was not in progress, for the purposes and by the methods specified in the description of the buyback program published on the Company's website. The buyback price was capped at 60 euros per share (or the equivalent on the transaction date in foreign currency) and the number of shares that could be held at any time under the program was capped at 10% of the Company's share capital.

At its meeting on November 23, 2016, the Board of Directors ruled to use the above-mentioned authorization to launch an 18 million euro share buyback program for a maximum of

300,000 shares that complies with the conditions set out in Article 5 of the EU Market Abuse Regulation (Regulation No 596/2014 dated April 16, 2014).

In 2017, a total of 224,489 shares were bought back at a weighted average price of 48.22 euros per share, representing a total investment of 10.8 million euros. All of the shares were allocated to the Company's performance share and free share plans. The Company did not use any derivative instruments.

Of the 224,489 shares bought back and allocated to the performance share and free share plans, 142,412 shares were transferred in 2017 to recipients of performance share rights under plan no.12 dated July 24, 2013 and plan no.13 dated July 24, 2014.

At December 31, 2017, the Company directly held 82,077 shares with a par value of 1 euro, representing approximately 0.19% of the share capital. These shares were bought back at a total cost of 3.9 million euros.

### 6.6.2. Description of the share buyback program presented in application of Articles 241-1 *et seq.* of the General Regulations of the AMF

The following description of the share buyback program to be submitted for approval at the Annual Shareholders' Meeting on May 17, 2018 has been prepared in application of Article 241-2 of the General Regulations of the AMF.

#### **NUMBER OF SHARES AND PERCENTAGE OF THE SHARE CAPITAL HELD BY THE COMPANY**

As of January 31, 2018, the Company held 82,077 of its own shares directly or indirectly, representing 0.19% of the share capital.

#### **ALLOCATION OF THE SHARES HELD AS OF JANUARY 31, 2018 BASED ON THE PURPOSE FOR WHICH THEY WERE ACQUIRED**

The 82,077 shares held by the Company in treasury have been allocated to the free share plan for eligible employees and corporate officers governed by Articles L.225-197-1 *et seq.* of the French Commercial Code (*Code de Commerce*).

During the year, the Company did not cancel any shares held in treasury or re-allocate any shares to other purposes. The Company did not use any derivative instruments and did not hold any open positions.

## PURPOSES OF THE SHARE BUYBACK PROGRAM

Subject to approval of the resolution submitted to the Annual Shareholders' Meeting of May 17, 2018, the shares bought back under the authorization will be used to:

- grant free shares to eligible employees and corporate officers in accordance with Articles L.225-197-1 *et seq.* of the French Commercial Code (*Code de Commerce*); or
- implement stock option plans governed by Articles L.225-177 *et seq.* of the French Commercial Code (*Code de Commerce*) or any similar plan; or
- allocate or sell shares to employees under the statutory profit-sharing plan or any company savings plan as provided for by law, including Articles L.3332-1 *et seq.* of the French Labor Code (*Code du Travail*) or any other employee stock ownership plan governed notably by foreign laws, and carry out any hedging transactions related to the above free share, stock option and employee stock ownership plans; or
- generally, meet any obligations associated with stock option plans or other plans for the allocation of shares to employees or corporate officers of the Company or a related company; or
- cancel all or some of the bought back shares; or
- permit an investment service provider to make a market in Nexans shares under a liquidity contract that complies with the AMF-approved ethics charter; or
- deliver shares upon exercise of rights attached to securities redeemable, convertible, exchangeable or exercisable for shares upon presentation of a warrant or otherwise; or
- deliver shares (in exchange, payment or otherwise) in connection with an acquisition, merger, demerger or capital contribution, provided that the number of shares delivered does not represent more than 5% of the share capital.

## MAXIMUM PERCENTAGE OF THE SHARE CAPITAL, MAXIMUM NUMBER AND CHARACTERISTICS OF THE SHARES THAT THE COMPANY PLANS TO ACQUIRE AND MAXIMUM PURCHASE PRICE

Subject to approval of the related resolution submitted to the Annual Shareholders' Meeting of May 17, 2018, the Company will be authorized to buy back Nexans shares (ISIN FR0000044448) traded in compartment A of Euronext Paris at a maximum price of 70 euros per share. The maximum amount that may be invested in the program would be capped at 100 million euros and the buybacks would not result in the Company holding in treasury more than 10% of its share capital.

The shares could be purchased, sold, exchanged or transferred at any time within the limits authorized by the laws and regulations in force on the transaction date, by any method, on- or off-market, via multilateral trading systems, transactions with systematic internalizers or over-the-counter transactions, including in the form of block trades (without any limit on the proportion of the program implemented by this method), or through a public buyback or exchange offer.

However, in the event of a takeover bid for the Company, the Board of Directors would not be authorized to implement the buyback program during the offer period, unless specifically authorized to do so by the shareholders in the General Meeting.

## DURATION OF THE BUYBACK AUTHORIZATION

In accordance with Article L.225-209 of the French Commercial Code (*Code de Commerce*) and the resolution to be submitted to the Annual Shareholders' Meeting of May 17, 2018, the authorization to buy back shares is being sought for a period of 18 months as from May 17, 2018.

## 6.7. Information with a potential impact in the event of a public offer

In addition to the commitments given to Arnaud Poupart-Lafarge in his capacity as Chief Executive Officer, as described in chapter 2, "Compensation and benefits for executive officers", certain salaried members of the Company's Management Council would be entitled, in the event of termination of their employment contract (for any reason other than gross negligence or serious misconduct), to an indemnity representing one or two years of their total gross compensation.

The following commitments contain provisions relating to a change in control of the Company:

- (1) A multi-year "On Balance Sheet" securitization program set up in April 2010, rolled over for five years in March 2015 and amended in May 2017, under which the amount of receivables that may be sold has been capped at 80 million euros. At December 31, 2017, the amount of financed receivables under the "On Balance Sheet" program was 70.7 million euros. According to the terms of this securitization program, the receivables sales and the program itself may be terminated in the event of a change in control of the Company.
- (2) The syndicated loan agreement (Multicurrency Revolving Facility Agreement), which entered into effect on

December 14, 2015 for an amount of 600 million euros and which contains an acceleration clause that would be triggered by a change in control of the Company.

- (3) The prospectus for the issuance of the 2.5% 2019 OCEANE bonds, which provides bondholders with an early redemption option exercisable on June 1, 2018 (or the first business day thereafter).
- (4) The prospectus for the issuance of the 4.25% ordinary bonds redeemable in 2018, which provides bondholders with an early redemption option at 101% of the bonds' face value in the event of a change in control of the Company leading to a rating downgrade.
- (5) The prospectus for the issuance of the 3.25% ordinary bonds redeemable in 2021, which provides bondholders with an early redemption option at 101% of the bonds' face value in the event of a change in control of the Company leading to a rating downgrade.
- (6) The prospectus for the issuance of the 2.75% ordinary bonds redeemable in 2024, which provides bondholders with an early redemption option at 101% of the bonds' face value in the event of a change in control of the Company leading to a rating downgrade.

## 6.8. Information provided to shareholders

Nexans strives to earn the trust of shareholders by engaging openly with them and providing them with transparent information.

### CUSTOMIZED COMMUNICATION CHANNELS

Each year the Group publishes several documents for information and transparency purposes:

- a Registration Document;
- a summarized activity report entitled "Overview";
- a summarized CSR report which describes the four priorities underpinning Nexans' sustainable development policy, entitled "Corporate Social Responsibility Overview";
- a half-yearly "Shareholder Newsletter", with information of specific interest to shareholders.

This year, Nexans has also published its first integrated report: Transitions. This first integrated report provides information to stakeholders (shareholders, customers and employees) as well as larger communities on the value created by the Group on a daily basis and how it considers developing and improving this process over the short, medium and long term.

Digitalized communications is an area of key importance to the Group and in 2017, the CSR Overview was designed for interactive browsing and the second edition of the Shareholders' Newsletter contains links to the website [www.nexans.com](http://www.nexans.com) providing further information on each article.

Nexans set up an E-Club in 2014, which provides information specific to shareholders who can sign up and receive regular news alerts about Nexans and Nexans' shareholder events by email. Access to the E-Club site [www.eclub.nexans.com](http://www.eclub.nexans.com) is reserved for Nexans shareholders (ownership of one share being sufficient) with a valid email address.

In general, all economic and financial information concerning the Group is available on Nexans' website at [www.nexans.com](http://www.nexans.com).

All queries may be submitted for swift handling via e-mail to [investor.relation@nexans.com](mailto:investor.relation@nexans.com).

### OPEN DIALOGUE

Regularly dialoguing with private shareholders in particular through the E-Club, Nexans also organizes several roadshows each year to promote discussion with institutional investors.

The Annual Shareholders' Meeting was held on first call on May 11, 2017 at the Palais des Congrès in Paris and a webcast is available on the Group's website ([www.nexans.com](http://www.nexans.com)) for a year.

### REGISTERED SHARES

When shareholders register their shares directly with Nexans there are no custody fees. Registered shareholders are also sent information directly about the Group, including the materials for Shareholders' Meetings.

Shareholders wishing to convert their shares to registered form can contact Nexans' securities services agent, Société Générale, at the following address:

Société Générale Service des Titres  
32, rue du Champ de Tir - BP 81236  
44312 Nantes Cedex 3, France  
Tel. +33 (0) 2 51 85 67 89, then press \*122  
Fax +33 (0) 2 51 85 53 42

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# 7.1. Information about the Group and the Company

## 7.1.1. Simplified organizational structure<sup>(1)</sup>

<b>NEXANS S.A.</b>		
<b>NEXANS PARTICIPATIONS S.A. (FRANCE)</b>		
<b>Europe</b>	France	Nexans Interface, Nexans Power Accessories France, Eurocable, Recycables <sup>(2)</sup> , Lixis, Linearis, Netlink, Confecta, Nexans Wires, TLM, IES Energy <sup>(3)</sup> , G2Mobility <sup>(4)</sup>
	Germany	Nexans Deutschland, Nexans Logistik, Nexans Superconductors, Nexans Deutschland Metallurgie GmbH, Lackdraht Union Unterstützungseinrichtung, Nexans Power Accessories Germany, Nexans Autoelectric, Leitungstechnik Ostbayern (LTD), Elektrokontakt, Metrofunkabel-Union, Kabeltrommel, Kabeltrommel GmbH & Co, Logistics Warehousing Systems GmbH
	Belgium	Nexans Benelux, Nexans Harnesses, Nexans Network Solutions, Opticable, Nexans Services <sup>(2)</sup> , Cablebel, Cablinter
	Bulgaria	Makris GPH, Elektrokabel Bulgaria
	Denmark	Nexans Denmark, Nexans Industry Solutions
	Spain	Nexans Iberia
	Greece	Nexans Hellas
	Ireland	Nexans Ireland
	Italy	Nexans Italia, Nexans Intercable, Nexans Partecipazioni Italia
	Lithuania	Gerhardt Petri Vilnius UAB
	Luxembourg	Nexans Ré <sup>(3)</sup>
	Norway	Nexans Norway, Nexans Skagerak, Nexans Subsea Operations
	Netherlands	Nexans Nederland, Nexans Cabling Solutions
	Poland	Nexans Polska, NPAP Sp. z o.o.
	Czech Republic	Elektrometall Sro, Elektromodul Sro, GPH Spol
	Romania	Nexans Romania, Elektrokontakt
	United Kingdom	Nexans UK, Nexans Logistics, Nexans Power Accessories UK
	Slovakia	Nexans Slovakia, Elektroconnect Sro
	Sweden	Nexans Sweden, Axjo Kabel, Elproman AB
	Switzerland	Nexans Suisse, Confecta, Voltimum <sup>(4)</sup>
Ukraine	Elektrokontakt Ukraina TzOV, TOV Nexans Ukraine	
<b>Middle East, Russia, Africa</b>	South Africa	Nexans Trade, Dynamic Cables South Africa <sup>(4)</sup> , Dynamic Cables Convergence <sup>(4)</sup> , Isotech
	Angola	Nexans Angola
	Ivory Coast	Nexans Côte d'Ivoire
	Egypt	ICC
	United Arab Emirates	Nexans Trade JLT
	Ghana	Nexans Kabelmetal Ghana
	Kazakhstan	Nexans Kazakhstan
	Kenya	Nexans Power Network Kenya Limited
	Morocco	Nexans Maroc, Sirmel Maroc, Tourets et Emballages du Maroc, Coprema, Imouka
	Nigeria	Nexans Kabelmetal Nigeria <sup>(4)</sup> , Northern Cable Processing and Manufacturing Company <sup>(4)</sup> , Nexans Power Networks Nigeria, Nexans Subsea Energy Nigeria
	Qatar	Qatar International Cable Company <sup>(4)</sup>
	Russia	Impex Electro <sup>(4)</sup>
	Senegal	Sirmel Sénégal, Les Câbleries du Sénégal
	Tunisia	Nexans Tunisia, Electrocontact Tunisie
Turkey	Nexans Türkiye Endüstri Ve Ticaret	
<b>North America</b>	Canada	Nexans Canada
	United States	Nexans USA, Nexans Energy USA, Nexans Magnet Wire USA, Berk-Tek., Autoelectric USA, Nexans High Voltage USA, Nexans Aerospace USA, AmerCable Incorporated, Nexans Specialty Holding
<b>South America</b>	Brazil	Nexans Brazil
	Chile	Nexans Chile, Catelsa, Colada Continua <sup>(4)</sup> , Inversiones Nexans Uno, Centro Estudios y capacitación Nexans
	Colombia	Nexans Colombia
	Mexico	Elektrokontakt S. de R.L. de C.V., Mexico
<b>Asia-Pacific</b>	Australia	Olex Australia Pty, Olex Holding Pty, Nexans Australia Holding Pty
	China	Nexans China Wires & Cables Co., Nexans Hong Kong, Nexans Communications (Shanghai) Cable Co., Nexans Autoelectric Tianjin, Nexans (Yanggu) New Rihui Cables Co., Nexans Suzhou
	South Korea	Nexans Korea, Kukdong Electric Wire Co., Daeyoung Cable
	Indonesia	PT Nexans Indonesia
	Japan	Nippon High Voltage Cable Corporation
	New Zealand	Nexans New Zealand
	Singapore	Nexans Singapore Pte
<b>INVERCABLE (CHILI)</b>	Indeco Peru, Cobrecon <sup>(4)</sup> (Peru)	
<b>NEXANS FRANCE SAS (FRANCE)</b>	Liban Cables, Liban Cables Contracting, Liban Cables Packing, Cables Technology Invest Holding Company <sup>(4)</sup>	

(1) Simplified operational structure at December 31, 2017. Nexans' main direct and indirect subsidiaries are listed in Note 32 to the 2017 consolidated financial statements.

(2) The company responsible for the Group's cash management.

(3) The Group's captive reinsurance company.

(4) Companies in which Nexans holds a minority interest.



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## 7.1.2. General information

### 7.1.2.1. COMPANY PROFILE

Corporate name and registered office: Nexans  
4, allée de l'Arche, 92400 Courbevoie, France  
Tel: + 33 (0)1 78 15 00 00

### 7.1.2.2. LEGAL FORM AND GOVERNING LAW

Nexans is a French joint stock corporation (*société anonyme*), subject to all the laws governing corporations in France, and in particular the provisions of the French Commercial Code.

### 7.1.2.3. TRADE REGISTER NUMBER

The Company is registered in the Nanterre Trade Register under number 393 525 852. Its APE business identifier code is 7112B.

### 7.1.2.4. DOCUMENTS AVAILABLE TO THE PUBLIC

Nexans' bylaws, the financial statements of the Company and the Group, reports submitted to the Shareholders' Meetings by the Board of Directors and the Statutory Auditors, and all other corporate documents that may be consulted by shareholders in accordance with the applicable laws and regulations are available at the Company's registered office and, in some cases, on Nexans' website at [www.nexans.com](http://www.nexans.com). This website also contains the legal and financial information that has to be published in accordance with Articles 221-1 *et seq.* of the General Regulations of the AMF, the Internal Regulations of the Board of Directors, and Nexans' Code of Ethics and Business Conduct.

### 7.1.2.5. DATE OF INCORPORATION AND TERM

The Company was incorporated on January 5, 1994, under the name "Atalec" (changed to "Nexans" at the Shareholders' Meeting held on October 17, 2000), for a term of 99 years which will expire on January 7, 2093. Nexans was formed from most of Alcatel's cable activities and was floated on the Paris stock market in 2001.

### 7.1.2.6. CORPORATE PURPOSE (SUMMARY OF ARTICLE 2 OF THE BYLAWS)

The Company's purposes in all countries are the design, manufacture, operation and sale of any and all equipment, materials and software for domestic, industrial, civilian, military or other applications in the fields of electricity, telecommunications, information technology, electronics, the aerospace industry, nuclear power, and metallurgy, and in general any and all means of production or means of power transmission and communications (cables, batteries and other components), as well as all activities relating to operations and services which are incidental to these purposes. The acquisition of shareholdings in other companies, regardless of their form, associations, French and foreign groups, regardless of their corporate purpose and activity, as well as, in general, any and all industrial, commercial and financial transactions, involving both securities and real estate, related either directly or indirectly, in whole or in part, to any of the purposes of the Company indicated in the bylaws or to any similar or related purposes.

### 7.1.2.7. FISCAL YEAR

The Company's fiscal year begins on January 1 and ends on December 31.

## 7.1.3. Specific provisions of the bylaws

### 7.1.3.1. FORM OF SHARES, EVIDENCE OF OWNERSHIP AND DISCLOSURE THRESHOLDS (ARTICLE 7 OF THE BYLAWS)

Shares must be held in registered form until they are fully paid up.

Fully paid-up shares may be held in either registered or bearer form, at the shareholder's discretion.

In addition to the legal requirement to inform the Company of holdings exceeding certain fractions of the Company's share capital, any individual or legal entity and/or any existing shareholder whose interest in the Company attains or exceeds 2% of the share capital must notify the Company of the total number of shares held within a period of fifteen days from the time the threshold is crossed; this notification shall be sent by registered letter with return receipt requested. The same disclosure formalities must be carried out each time the threshold of a multiple of 2% of the share capital is crossed. To determine the thresholds, all shares held indirectly shall be taken into account as well as all the forms of shareholding covered by Articles L.233-7 *et seq.* of the French Commercial Code.

In each notification filed as set forth above, the party making the disclosure must certify that it covers all shares held or deemed to be held pursuant to the foregoing paragraph. They must also disclose the relevant acquisition date(s).

In the event of non-compliance with these disclosure obligations and subject to applicable law, the shareholder shall forfeit the voting rights corresponding to any shares that exceed the thresholds which should have been disclosed. Any shareholder whose stake in the share capital falls below any of the above-mentioned thresholds must also notify the Company within fifteen days, in the same manner as described above.

Ownership of shares is evidenced by an entry in the shareholder's name in the share register held by the issuer or by an accredited intermediary. Transfers of registered shares are made by inter-account transfer. All share registrations, payments and transfers shall be made in accordance with the applicable law and regulations. Unless the shareholders concerned are exempted by law, the Company may require that the signatures on disclosures or transaction or payment orders be certified in accordance with the prevailing law and regulations.

In accordance with the applicable laws and regulations the Company may request from any accredited intermediary or other body any information on its shareholders or holders of securities carrying immediate or deferred voting rights, including their

identity, the number of securities held and any restrictions on the securities.

### 7.1.3.2. SHAREHOLDERS' MEETINGS (SUMMARY OF ARTICLE 20 OF THE BYLAWS)

Shareholders' meetings are convened and conduct business in accordance with the provisions set forth by law and the Company's bylaws. When the required quorum is reached, the Shareholders' Meeting represents all the shareholders. Its resolutions are binding on all shareholders, including those who were absent or dissenting at the meeting concerned. In addition, if decided by the Board of Directors, shareholders may participate in and vote at meetings by videoconference or any other remote transmission method that enables them to be identified, in accordance with the terms and methods set forth by law.

For shareholders to be eligible to attend General Meetings, cast a postal or electronic vote or be represented by proxy the following conditions must be met:

- registered shares must be recorded in the name of their owner in the share register managed by the Company or by its accredited intermediary;
- holders of bearer shares must provide a certificate evidencing ownership of their shares, in accordance with the law.

Postal votes and proxy documents may be signed electronically by shareholders or their legal or judiciary representative provided that the identification requirements set out in Article 1367 of the French Civil Code are respected. In order for postal votes to be taken into consideration they must be received by the Company at least one business day before the meeting (by 3 p.m. CET at the latest), unless a shorter timeframe is provided for under the applicable laws and regulations.

### 7.1.3.3. VOTING RIGHTS (ARTICLE 21 OF THE BYLAWS)

Subject to applicable law and the Company's bylaws, each shareholder shall have a number of votes equal to the number of shares that they hold or represent.

As an exception to the last paragraph of Article L.225-123 of the French Commercial Code, the Company's bylaws do not provide for any double voting rights. Voting rights

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are exercisable by the beneficial owner at all Ordinary, Extraordinary and Special Shareholders' Meetings.

#### 7.1.3.4. RESTRICTIONS ON VOTING RIGHTS (ARTICLE 21 OF THE BYLAWS)

Regardless of the number of shares held directly and/or indirectly, when voting on the following types of resolution at Extraordinary Shareholders' Meetings, either in person or by proxy, a shareholder may not exercise a number of voting rights representing more than 20% of the voting rights of all shareholders present or represented at the meeting concerned:

- (i) Any resolutions relating to any form of reorganization transaction in which the Company is involved and which has an impact on the share capital and/or equity of any participating or resulting entity. Such reorganization transactions notably include partial asset transfers – including those governed by the legal regime applicable to demergers – as well as share for share exchanges, mergers, demergers, partial demergers, reverse mergers or any other similar transactions.
- (ii) Any resolutions relating to a public tender offer, public exchange offer, alternative public offer or combined public offer, initiated by or with respect to the Company, including resolutions on how to defend against a takeover bid.
- (iii) Any resolutions – other than those related to the transactions referred to in points (i) and (ii) above – that concern capital increases carried out through the issuance of either (a) ordinary shares representing over 10% of the Company's total outstanding ordinary shares at the date of the Extraordinary Shareholders' Meeting concerned and/or (b) securities carrying rights to shares in the Company within the meaning of Articles L.228-91 *et seq.* of the French Commercial Code, when exercise of such rights could result in a capital increase representing over 10% of the Company's total outstanding ordinary shares at the date of the relevant Extraordinary Shareholders' Meeting.
- (iv) Any resolutions relating to a distribution in kind carried out equally for all shareholders.
- (v) Any resolutions concerning voting rights, except for resolutions relating to (a) creating double voting rights, (b) lowering the limit on voting rights to below 20%, or (c) extending the list of resolutions subject to the 20% voting rights limit.
- (vi) Any resolutions concerning delegating powers to the Board of Directors in connection with any of the transactions referred to in points (i) to (v) above.

For the purpose of applying this voting rights limit, all shares held indirectly shall be taken into account, as well as all the forms of shareholding covered by Articles L.233-7 *et seq.* of the French Commercial Code.

The above-described limit shall automatically become null and void if an individual or legal entity (acting alone or in concert with one or more other persons or legal entities) holds at least 66.66% of the total number of shares in the Company, following a public tender or exchange offer for all of Nexans' shares.

#### 7.1.3.5. APPROPRIATION OF INCOME (ARTICLE 23 OF THE BYLAWS)

The difference between revenue and expenses for the year, net of any provisions, constitutes the net income or loss for the year as recorded in the income statement. Five percent of the net income, less any losses brought forward from prior years, is transferred to the legal reserve until such time as the legal reserve represents one tenth of the share capital. Further transfers are made on the same basis if the legal reserve falls below one tenth of the share capital, whatever the reason.

Income available for distribution consists of net income for the year less any losses brought forward from prior years and any transfer made to the legal reserve as explained above, plus retained earnings brought forward from prior years. On the recommendation of the Board of Directors, shareholders in a general meeting may appropriate all or part of said income to retained earnings or to general or special reserves, or decide to pay all or part of the amount to shareholders in the form of a dividend. In addition, the shareholders may resolve to distribute amounts taken from discretionary reserves either to pay all or part of a dividend or as an exceptional dividend. In this case, the resolution shall indicate specifically the reserve account from which the payments are to be made. However, dividends will first be paid out of distributable income for the year.

Shareholders at an Ordinary General Meeting may decide to offer each separate shareholder the option of receiving all or part of the final dividend or any interim dividend in the form of shares instead of cash.

In the event of interim dividends, the Shareholders' Meeting or the Board of Directors shall determine the date on which the dividend is to be paid.

## 7.1.4. Material contracts

Apart from contracts entered into in the ordinary course of business, including acquisition, divestment and financing contracts relating to current bond debt and the multicurrency revolving facility agreement, as described in this Registration Document in **Note 26** Financial risks and the receivables securitization program described in **Note 26.A** Liquidity risks to the 2017 consolidated financial statements, no other material

contracts were entered into by the Company and/or any other member of the Group in the two years immediately preceding the publication of this Registration Document which contain provisions under which any member of the Group has an obligation or entitlement that could have a material impact on the Group's operations, financial position or cash flow.

## 7.1.5. Investments

Nexans' gross capital expenditure came to 169 million euros in 2017 (versus 146 million euros in 2016).

Capital expenditure during the year was mainly focused on (i) increasing capacity and improving reliability of high voltage submarine cables production at the Halden plant; (ii) developing new products, increasing automation and continuing to deploy production capacity in low-cost countries for the automotive harnesses segment; and (iii) developing new solutions for medium and high voltage accessories.

The investments made in the Group's European plants were mainly dedicated to reducing production costs.

The Group's overall capital expenditure in 2017 was distributed as follows: 66% for expansion projects, 13% for cost reduction projects, 15% for plant maintenance and 3% for environmental and safety improvements.

In 2018, the Group intends to pursue its capital expenditure programs for energy infrastructure cables, particularly in North America, and for automotive harnesses as well as for its continuing expansion in Africa and the Middle East.

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## 7.1.6. Property, plant and equipment

The Group's plants and facilities are located in 43 countries around the world, and they represent a wide range of sizes and types of business. The majority of the Group's property, plant or equipment do not individually represent a material amount for the Group as a whole (i.e., an amount exceeding 5% of the Group's total gross property, plant, and equipment – replacement value). Only two sites exceed this 5% proportion: Halden in Norway

(approximately 8%) and Cortaillod in Switzerland (just under 7%). As an industrial Group, Nexans does not own significant non-operating real estate assets.

The environmental issues raised by the use of property, plant and equipment are addressed in Chapter 4, section 4.1., Environmental approach of this Registration Document.

## 7.1.7. Legal and arbitration proceedings

To the best of the Company's knowledge, other than the cases referred to in this Registration Document, there are no governmental, administrative, legal or arbitration proceedings (including any such proceedings that are pending or threatened) which may have, or have had in the past twelve months, a material impact on the financial position or profitability of the Company and/or the Group, taking into account provisions already recognized, insurance coverage in place and the

possibility of recourse against third parties, and based on Management's assessment of the probability of a material impact occurring in view of these factors. The cases referred to in this Registration Document are described in (i) Chapter 3, section 3.1., Risk factors, and (ii) **Note 22** Provisions and **Note 30** Disputes and contingent liabilities to the 2017 consolidated financial statements.

## 7.1.8. Significant events since the year-end and approval of the 2017 Management Report

Nexans' Board of Directors has been informed that the Group's Chief Executive Officer Arnaud Poupart-Lafarge has requested to leave the company as soon as possible due to personal reasons.

The Board of Directors has requested that Arnaud Poupart-Lafarge ensure a transition period until September 30, 2018 at the latest, which he has accepted.

The Board of Directors unanimously recognizes and warmly thanks Arnaud Poupart-Lafarge for his services and leadership in turning around the company and driving its growth since he started in the role in 2014 as well as accepting to support a period of managerial transition.

The Board of Directors, in application of the Group succession plan, and in full agreement with Arnaud Poupart-Lafarge,

has requested Pascal Portevin, in his role as Deputy CEO to expand his responsibilities to support the transition. He will, together with the CEO, drive the implementation of Nexans' "Paced for Growth" strategic plan.

The Board of Directors has decided to launch a recruitment process both internally and externally to fill the role of Chief Executive Officer as soon as possible.

To the best of the Company's knowledge at the date of this Registration Document, no significant changes in Nexans' financial or trading position have occurred since February 14, 2018 – the date on which the 2017 corporate financial statements were closed and the 2017 Management Report was approved.

## 7.2. List of related-party agreements and commitments

### 7.2.1. Agreements and commitments remaining in force in 2017

In accordance with Article L.225-40-1 of the French Commercial Code, at its meeting on February 14, 2018 the Board of Directors reviewed the agreements and commitments entered into in prior years which remained in force during 2017.

#### 7.2.1.1. CORPORATE OFFICER INVOLVED: ARNAUD POUPART-LAFARGE, CHIEF EXECUTIVE OFFICER

The agreements and commitments below concerning Arnaud Poupart-Lafarge's term of office as Chief Executive Officer were entered into in 2014 and remained in force in 2017. These agreements and commitments were approved at the May 5, 2015 Annual Shareholders' Meeting.

#### Termination indemnity

On July 24, 2014, with effect from October 1, 2014, the Board of Directors approved the allocation of a termination indemnity to Arnaud Poupart-Lafarge in the event of his removal from office as Chief Executive Officer.

The termination indemnity would be payable only in the event of a forced departure due to a change of control or strategy which will be deemed to be the case unless specifically decided otherwise by the Board of Directors, in particular in the event of gross misconduct, and after the Board of Directors has placed on record that the applicable performance conditions have been met, either at the time of or after the termination or change in the Chief Executive Officer's duties, in accordance with Article L.225-42-1 of the French Commercial Code.

The indemnity would be equal to two years of Arnaud Poupart-Lafarge's total fixed and variable compensation, i.e., 24 times his most recent monthly base salary (fixed portion) prior to the month of his departure plus the most recent corresponding percentage of his bonus.

The payment of the indemnity would be subject to three performance conditions, each measured over a three-year period:

- (1) A share performance condition based on Nexans' share performance as compared with that of the SBF 120 index (or any equivalent index that may replace it in the future), measured over a three-year period ending on the date of Arnaud Poupart-Lafarge's forced departure.

This condition would be deemed to be met if during the 60 day period ending on the date of the forced departure, the average of Nexans' share price ratio on the SBF 120 index (based on closing prices) equals at least 50% of the same average calculated over the 60 day period ending three years before the date of the forced departure.

- (2) A financial performance condition based on achievement of the Group's annual operating margin objective. This condition would be deemed to be met if the average achievement rate of the Group's annual operating margin objectives for the three calendar years preceding the date of the forced departure were at least 50%.
- (3) A financial performance condition based on free cash flow, which would be deemed to be met if free cash flow were positive for each of the three calendar years preceding the date of the forced departure. Free cash flow corresponds to EBITDA less CAPEX and less the change in average working capital for the year concerned and the previous year.

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The amount of the termination indemnity would be determined as follows: (i) 100% of the indemnity will be due if at least two of the three conditions are met, (ii) 50% of the indemnity will be due if one of the three conditions is met, and (iii) no indemnity will be due if none of the conditions are met.

The final amount due in relation to the termination indemnity would be paid in one installment within a maximum of one month of the Board of Directors' assessment of whether the applicable criteria have been met.

### Non-compete indemnity

On July 24, 2014, with effect from October 1, 2014, the Board of Directors approved the allocation of a non-compete indemnity to Arnaud Poupart-Lafarge, under which he has undertaken not to perform 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, irrespective of the reason for the termination of his duties.

In return for this undertaking Arnaud Poupart-Lafarge will receive a non-compete indemnity which will be paid in 24 equal and successive monthly installments and will correspond to one year of his total 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 Article 23.2.5 of the AFEP-MEDEF Code, in the event of Arnaud Poupart-Lafarge's departure, the Board will issue a decision as to whether or not the non-compete agreement entered into with him will apply and will be entitled to cancel it (in which case no non-compete indemnity will be payable).

In accordance with Article 23.5 of the AFEP-MEDEF Code, Arnaud Poupart-Lafarge's total termination and non-compete indemnities may not exceed two years' worth of his actual compensation (fixed plus variable) received prior to his departure.

### Supplementary pension, welfare and unemployment insurance plan

On July 24, 2014, in connection with his term of office as Chief Executive Officer, with effect from October 1, 2014, the Board of Directors approved Arnaud Poupart-Lafarge's membership of (i) the defined benefit pension plan set up

by the Group for certain employees and corporate officers, (ii) Nexans' welfare plan (covering death and disability benefits and medical expenses), and (iii) an unemployment protection plan set up with an insurer, under which, if he loses his job, he will receive daily indemnities amounting to 55% of 1/365<sup>th</sup> of tranches A, B and C of his professional income for the year preceding his departure, payable for a maximum period of 12 months as from the date of his unemployment.

The regulations for the defined benefit pension plan were adopted in 2004 and amended in 2008 by the Board of Directors.

In order to comply with new regulations relating to pension plans, on November 23, 2016 the Board of Directors authorized further amendments to the plan as follows:

- The retirement age was increased from 60 to 62 years with pension rights frozen as from the age of 62.
- The annual pension has been capped at eight times the social security ceiling (313,814 euros in 2017).
- Survivor benefits have been reduced from 100% to 60%.

The plan's benefits are conditional upon the beneficiary ending his professional career while still with the Company. The beneficiary must also have at least five years' seniority with the Group, be at least 62 years of age and be entitled to payment of his basic and top-up state pensions.

The amount of the annuity paid under the plan, which applies for the lifetime of the beneficiary with 60% survivor benefits, is based on the beneficiary's average annual compensation for the last three years before his retirement. This pension supplements the amounts due under the basic and top-up state pension plans and must not represent more than 30% of the beneficiary's fixed and variable compensation (i.e., below the 45% ceiling recommended in the AFEP-MEDEF Code). It is capped at eight times the social security ceiling (representing a total of approximately 314,000 euros in 2017).

The supplementary pension plan complies with the recommendations of the AFEP-MEDEF Corporate Governance Code as regards the number of beneficiaries, length of service, and limiting the percentage of the executive corporate officers' fixed and variable compensation as well as the reference period used for calculating plan benefits.

**7.2.1.2. AGREEMENT EXECUTED WITH A SHAREHOLDER HOLDING MORE THAN 10% OF THE COMPANY'S CAPITAL AND VOTING RIGHTS AND CORPORATE OFFICERS INVOLVED: ANDRÓNICO LUKSIC CRAIG (NEXANS AND INVEXANS BOARD MEMBER), FRANCISCO PÉREZ MACKENNA (NEXANS BOARD MEMBER AND VICE-CHAIRMAN OF THE BOARD OF DIRECTORS OF INVEXANS) AND HUBERT PORTE (NEXANS AND INVEXANS BOARD MEMBER)**

**Invexans (Quiñenco group) engagement letter of May 22, 2014**

On May 22, 2014, the Board of Directors accepted Invexans' long term commitment under the terms and conditions of which Invexans will not request representation on the Board in excess of three non independent members on a Board of 14 members, or if the Board were to be enlarged, in excess of a number of directors proportionate to its shareholding.

This commitment entered into force on May 22, 2014 and will expire on November 26, 2022 or before this date should one of the following events occur:

- (1) The filing of a public offer for Nexans' entire share capital and voting rights including, to avoid any ambiguity, by Invexans.
- (2) A third party not acting in concert, within the meaning of Article L.233-10 of the French Commercial Code, with Invexans, holds a share in the Company that exceeds the lower of the following thresholds: (i) 15% of the share capital or voting rights or (ii) the percentage of the share capital or voting rights held by Invexans at that time.
- (3) The percentage of the share capital held by Invexans in Nexans falls below 10%.
- (4) Invexans holds 30% or more of the share capital or voting rights in Nexans following a transaction approved by Nexans' shareholders and has obtained an exemption from the obligation to file a takeover bid from the French financial markets authority (*Autorité des marchés financiers – AMF*).



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## 7.2.2. Agreements and commitments executed in 2017 and submitted for ratification at the May 2018 Annual Shareholders' Meeting

### 7.2.2.1 CORPORATE OFFICER INVOLVED: ARNAUD POUPART-LAFARGE, NEXANS CHIEF EXECUTIVE OFFICER AND HSBC FRANCE BOARD MEMBER

#### Agreement with HSBC France

At its meeting of November 10, 2017, the Board of Directors authorized the Company to enter into a corporate banking agreement with HSBC France to support and assist Nexans in the preparation, organization, negotiation and execution of an external growth transaction.

The objective, nature and compensation of the agreement were reviewed by the Board of Directors without Arnaud Poupart-Lafarge. The Board of Directors acknowledged that it was in the Company's interests to sign the agreement before approving it.

Under the agreement, HSBC could receive a maximum total of 2,250,000 euros, to be paid only if the external growth transaction takes place.

### 7.2.2.2 CORPORATE OFFICER INVOLVED: FANNY LETIER, EXECUTIVE DIRECTOR, SMALL AND MID CAP INVESTMENTS AT BPIFRANCE AND DIRECTOR OF NEXANS

#### Service agreement entered into with Bpifrance Investissement/Le Hub

At its meeting of November 10, 2017, the Board of Directors approved a service agreement with Bpifrance Investissement, which is wholly owned by Bpifrance Participations, which in turn owns a 7.75% stake in Nexans. Under the agreement, Bpifrance Investissement will identify and select promising start-ups operating in markets adjacent to those of Nexans and refer them to the Company.

The objective, nature and compensation of the agreement were reviewed by the Board of Directors, which acknowledged that it was in the Company's interests to sign the agreement before approving it. Fanny Letier was not involved in the decision.

Under the agreement, Bpifrance Investissement received total compensation of 50,000 euros, half of which was paid in January 2018.

## 7.2.3. Agreements and commitments executed in 2018 and submitted for ratification at the May 2018 Annual Shareholders' Meeting

### **CORPORATE OFFICER INVOLVED: ARNAUD POUPART-LAFARGE, CHIEF EXECUTIVE OFFICER**

#### **Supplementary pension plan of the Chief Executive Officer**

With the aim of reducing the annual burden borne by the Company under the current defined benefit supplementary pension plan (Article 39 of the French Tax Code), on the recommendation of the Appointments, Compensation, and Corporate Governance Committee, and in line with the proposal described in the compensation policy for executive directors for 2018 published in February 2018, the Board of Directors of March 20, 2018, decided to close this plan for the beneficiaries who are within 7 years from the age at which they will be able to obtain their pension under the general social security scheme.

This raises the question of a future supplementary pension plan and the rights accumulated in the past and to be lost by the beneficiaries.

Regarding the future supplementary pension plan, the Company has decided to set up a new defined contribution pension plan (Article 82 of the French Tax Code) at a lesser cost for the Company in favor of the members of the Management Board who will no longer benefit from the defined benefit pension plan and those who will join the Management Board in the future. Arnaud Poupart-Lafarge will not benefit from this new plan.

Regarding the rights accumulated in the past under the defined benefits plan and to be lost by the beneficiaries which will be removed from it, the Board has decided to partially compensate this loss of rights, with a component in shares and a component in cash.

The Board of Directors therefore decided to submit to the approval of the Annual General Meeting of May 17, 2018 an authorization to grant up to 40,000 free shares without performance conditions as compensation for the rights accumulated in the past under the defined benefit pension plan and to be lost by the beneficiaries, including the Chief

Executive Officer. The Board of Directors decided not to subject these free shares to performance and attendance conditions because of the compensatory nature of this free shares grant.

Arnaud Poupart-Lafarge benefited from the defined benefit pension plan as an employee upon his entry into the Group in 2013. The partial compensation so decided as it relates to the Chief Executive Officer consists in the grant of a maximum amount of 16,800 of free shares and the payment of an amount of €620,430 in cash, subject to the approval of the Annual General Meeting of May 17, 2018.

The Company would also realize a resulting accounting net gain of approximately 7 million euros (reduction of approximately 11.5 million euros in provision for the past services compared to a cost of approximately 4.5 million euros – estimation based on the current share price) in the financial statements of the company in 2018.

These related-party commitments regarding Arnaud Poupart-Lafarge as Chief Executive Officer (termination of the defined benefit pension plan and payment of compensatory indemnities) will be submitted to the approval of the Annual General Meeting in accordance with Article L.225-38 of the French Commercial Code upon and subject to the authorization to grant free shares as compensation.

#### **Exceptional bonus for the transition period**

An exceptional bonus for the transition will be paid to the Chief Executive Officer, for the transitional period, for a total gross amount of up to €700,000, depending on a financial criterion for 40%, and his performance in accompanying and preparing the transition to his successor for 60%. The amount of the bonus may vary according to the achievement of one or both of the above criteria, depending on their respective weight.

This commitment to pay a bonus for the transition period is subject to the related-party commitment procedure under Article L.225-42-1 of the French Commercial Code and the amount due in respect of this exceptional bonus for the transition period will only be paid upon the approval in 2019 by the shareholders general meeting of the resolution related to the

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fixed, variable and exceptional items comprising the total compensation and benefits of all kinds paid or granted to the Chief Executive Officer related to 2018.

### 2016 long-term incentive plan

27,000 performance shares were granted by the Board of Directors to the Chief Executive Officer on May 12, 2016. The rules for this plan provide that the performance shares vest at the end of a four-year vesting period (May 12, 2020) subject to a condition of continuing employment and to performance conditions.

In the event of resignation or dismissal, it is expressly stated that the right to receive performance shares is lost.

The vesting of the performance shares is also subject to the achievement of two performance conditions:

- 50% of the total number of performance shares granted is subject to a stock market performance condition measured over a period of 3 years;
- 50% of the total number of performance shares granted is subject to economic performance conditions measured over a period of 3 years.

The Board of Directors has decided to waive the condition of continuing employment under the 2016 long-term incentive plan for the Chief Executive Officer, the performance conditions remaining applicable.

This waiver of the continuing employment condition is subject to the procedure of related-party commitments under Article L. 225-42-1 of the French Commercial Code; this waiver will be submitted to the General Shareholders' Meeting of May 17, 2018.

### 2017 long-term incentive plan

19,800 performance shares were granted by the Board of Directors to the Chief Executive Officer on March 14, 2017. The rules for this plan provide that the performance shares vest at the end of a four-year vesting period (March 14, 2021) subject to a condition of continuing employment and to performance conditions.

In the event of resignation or dismissal, it is expressly stated that the right to receive performance shares is lost.

The vesting of the performance shares is also subject to the achievement of two performance conditions:

- 50% of the total number of performance shares granted is subject to a stock market performance condition measured over a period of 3 years;
- 50% of the total number of performance shares granted is subject to economic performance conditions measured over a period of 3 years.

The Board of Directors has decided to waive the condition of continuing employment under the 2016 long-term incentive plan for the Chief Executive Officer, the performance conditions remaining applicable.

This waiver of the continuing employment condition is subject to the procedure of related-party commitments under Article L. 225-42-1 of the French Commercial Code; this waiver will be submitted to the General Shareholders' Meeting of May 17, 2018.

## 7.2.4. Statutory Auditors' special report on related-party agreements and commitments

This is a free translation into English of the Statutory Auditors' special report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Nexans, we hereby report to you on related party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of, and the reasons for, the agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R.225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable it is also our responsibility to provide shareholders with the information required by Article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

### AGREEMENTS AND COMMITMENTS SUBMITTED FOR THE APPROVAL OF THE SHAREHOLDERS' MEETING

#### Agreements and commitments authorized and entered into during the year

In accordance with Article L.225-40 of the French Commercial Code, we were informed of the following agreements and commitments entered into during the year and authorized in advance by the Board of Directors.

#### 1. Agreement entered into with HSBC France on November 14, 2017 – corporate officer involved: Arnaud Poupart-Lafarge, Chief Executive Officer of Nexans and director of HSBC France

At its meeting of November 10, 2017, the Board of Directors authorized the Company to enter into a corporate banking agreement with HSBC France to support and assist Nexans in the preparation, organization, negotiation and execution of an external growth transaction.

The objective, nature and compensation of the agreement were reviewed by the Board of Directors without Arnaud Poupart-Lafarge being present. The Board of Directors acknowledged that it was in the Company's interests to sign the agreement before approving it.

Under the agreement, HSBC could receive a maximum total of 2,250,000 euros, to be paid only if the external growth transaction takes place.

#### 2. Agreement entered into with Bpifrance Investissement/Le Hub on November 28, 2017 – corporate officer involved: Fanny Letier, Nexans Board member and Executive Director, Small and Mid-Cap Investments at Bpifrance

At its meeting of November 10, 2017, the Board of Directors approved a service agreement with Bpifrance Investissement, which is wholly owned by Bpifrance Participations, which in turn owns a 7.75% stake in Nexans. Under the agreement, Bpifrance Investissement will identify and select promising start-ups operating in markets adjacent to those of Nexans and refer them to the Company.

The objective, nature and compensation of the agreement were reviewed by the Board of Directors, which acknowledged that it was in the Company's interests to sign the agreement before approving it.

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Under the agreement, Bpifrance Investissement received total compensation of 50,000 euros, half of which was paid in January 2018.

### Agreements and commitments authorized and entered into since the year-end

We have been informed of the following agreements and commitments, authorized and entered into after the 2017 year-end, which had previously been authorized by the Board of Directors.

## 3. Commitment concerning the Chief Executive Officer, Arnaud Poupart-Lafarge

### 3.1. Supplementary pension plan for the Chief Executive Officer

In order to reduce the expense incurred by the company each year for the supplementary defined benefit pension plan (Article 39 of the French Tax Code), on the recommendation of the Appointments, Compensation and Corporate Governance Committee, the Board of Directors decided at its March 20, 2018 meeting to terminate the plan for beneficiaries who will not be in a position to claim retirement benefits under the French general social security system within the next seven years.

The question therefore arises as to the future supplementary pension plan and the loss of the benefits accrued by beneficiaries in the past under the previous plan.

Concerning the future plan, the Company has decided to introduce a new supplementary defined contributions plan (Article 82 of the French Tax Code) which will reduce its costs and be open to the Management Board members who will no longer benefit from the defined benefit plan and to all new Management Board members. Arnaud Poupart-Lafarge will not benefit from the new plan.

Regarding the benefits accrued in the past under the defined benefit pension plan and lost for the persons who will no longer benefit from the plan, the Board of Directors decided to compensate them partially in the form of cash and shares.

The Board of Directors therefore decided to submit for the approval of the Annual Shareholders' Meeting to be held on May 17, 2018 the allocation of a maximum of 40,000 shares, without performance conditions, as compensation for the benefits accrued in the past under the supplementary defined benefit pension plan and lost by the former beneficiaries of the plan, including the Chief Executive Officer. As the shares will be granted as a compensatory measure, the Board of Directors decided that they would not be subject to the beneficiary's continued presence within the Group or any performance conditions.

Arnaud Poupart-Lafarge has been a member of the defined benefit pension plan since he joined the Group as an employee in 2013. As partial compensation for the loss of his accrued benefits, he will be granted a maximum of 16,800 shares and an amount of 620,430 euros in cash, subject to the adoption of the 22nd resolution of the Annual Shareholders' Meeting relating to free share grants.

### 3.2 Commitment concerning the Chief Executive Officer under the transition period

At its meeting on March 16, 2018, the Board of Directors noted Arnaud Poupart-Lafarge's decision to step down from his position as Chief Executive Officer as soon as possible for personal reasons. Considering that it was in the Company's interests to have a transition period, the Board of Directors asked him to remain in office until September 30, 2018 in order to hand over to his successor in the best possible conditions, to which Arnaud Poupart-Lafarge agreed.

#### 3.2.1. Exceptional transition period bonus

At its March 16, 2018 meeting, the Board of Directors decided to grant the Chief Executive Officer an exceptional transition period bonus in a maximum gross amount of 700,000 euros, 40% of which will be based on a financial criterion and 60% on his preparation of and assistance with the transition to his successor. The amount of the bonus may therefore vary depending on the achievement of one or both of the above criteria according to their respective weightings.

The amount payable as the transition period bonus will only be paid if in 2019 the Annual Shareholders' Meeting approves the fixed, variable and exceptional components making up the total compensation and benefits of all kinds payable to the Chief Executive Officer for 2018.

#### 3.2.2. Lifting of the continued presence condition under the 2016 performance share plan

As Chief Executive Officer, Arnaud Poupart-Lafarge was granted 27,000 performance shares by the Board of Directors on May 12, 2016.

The performance share plan provides that the performance shares granted will only vest at the end of a four-year vesting period (i.e., on May 12, 2020) subject to a condition of continued presence and performance conditions.

In the event that he resigns or is removed from office, it is expressly indicated that he will forfeit the right to receive the performance shares.

The vesting of the performance shares is also subject to two performance conditions:

- 50% of the total number of performance shares granted will be subject to a share performance condition measured over a period of three years;
- 50% of the total number of performance shares granted will be subject to financial performance conditions measured over a period of three years.

The Board of Directors decided to lift the continued presence condition under the 2016 long-term compensation plan for the Chief Executive Officer, but to maintain the performance conditions.

### 3.2.3. Lifting of the continued presence condition under the 2017 performance share plan

As Chief Executive Officer, Arnaud Poupart-Lafarge was granted 19,800 performance shares by the Board of Directors on March 14, 2017.

The performance share plan provides that the performance shares granted will only vest at the end of a four-year vesting period (*i.e.*, on March 14, 2021) subject to a condition of continued presence and performance conditions.

In the event that he resigns or is removed from office, it is expressly indicated that he will forfeit the right to receive the performance shares.

The vesting of the performance shares is also subject to two performance conditions:

- 50% of the total number of performance shares granted will be subject to a share performance condition measured over a period of three years;
- 50% of the total number of performance shares granted will be subject to financial performance conditions measured over a period of three years.

The Board of Directors decided to lift the continued presence condition under the 2017 long-term compensation plan for the Chief Executive Officer, but to maintain the performance conditions.

## AGREEMENTS AND COMMITMENTS APPROVED IN PREVIOUS YEARS

### *a) which were implemented during the year ended December 31, 2016*

Pursuant to Article R.225-30 of the French Commercial Code, we were informed that the following commitment, approved by the Shareholders' Meeting in previous years, remained in force during the year ended December 31, 2017.

### **4. Invexans (Quiñenco Group) Letter of Commitment of May 22, 2014 – Agreement executed with a shareholder holding more than 10% of the Company's capital and voting rights and corporate officers involved: Andronico Luksic Craig, Nexans and Invexans Board member, Francisco Pérez Mackenna, Nexans Board member and Vice-Chairman of the Board of Directors of Invexans, and Hubert Porte, Nexans and Invexans Board member**

On May 22, 2014, the Board of Directors accepted Invexans' long-term commitment, under the terms and conditions of which Invexans will not request representation on the Board in excess of three nonindependent members on a Board of 14 members, or if the Board were to be enlarged, in excess of a number of directors proportionate to its shareholding.

This commitment entered into force on May 22, 2014 and will expire on November 26, 2022 or before this date should one of the following events transpire:

- (1) The filing of a public offer for Nexans' entire share capital and voting rights including, to avoid any ambiguity, by Invexans.
- (2) A third party not acting in concert, within the meaning of Article L.233-10 of the French Commercial Code, with Invexans, holds a share in the Company that exceeds the lower of the following thresholds: (i) 15% of the share capital or voting rights or (ii) the percentage of the share capital or voting rights held by Invexans at that time.
- (3) The percentage of the share capital held by Invexans in Nexans falls below 10%.
- (4) Invexans holds 30% or more of the share capital or voting rights in Nexans following a transaction approved by Nexans' shareholders and has obtained an exemption from the obligation to file a takeover bid from the French financial markets authority (*Autorité des marchés financiers – AMF*).

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## b) which were not implemented during the year ended December 31, 2017

In addition, we have been informed that the following agreements and commitments that were approved by the Shareholders' Meeting in prior years were not implemented during the year.

### 5. Corporate officer involved: Arnaud Poupart-Lafarge, Chief Executive Officer

#### 5.1. Termination indemnity

On July 24, 2014, the Board of Directors approved the allocation of a termination indemnity to Arnaud Poupart-Lafarge in the event of his removal from office as Chief Executive Officer as of October 1, 2014.

The termination indemnity would be payable only in the event of a forced departure due to a change of control or strategy which will be deemed to be the case unless specifically decided otherwise by the Board of Directors, in particular in the event of gross misconduct, and after the Board of Directors has placed on record that the applicable performance conditions have been met, either at the time of or after the termination or change in the Chief Executive Officer's duties, in accordance with Article L.225-42-1 of the French Commercial Code.

The indemnity would be equal to two years of his total fixed and variable compensation, i.e., 24 times his most recent monthly base salary (fixed portion) prior to the month of his termination plus an amount equal to his most recent monthly base compensation (fixed portion) multiplied by his most recent nominal bonus rate.

The payment of the indemnity would be subject to three performance conditions, each measured over a three-year period:

(1) A share performance condition based on Nexans' share performance as compared with that of the SBF 120 index (or any equivalent index that may replace it in the future), measured over a three-year period ending on the date of Arnaud Poupart-Lafarge's forced departure.

This condition would be deemed to be met if during the 60-day period ending on the date of forced departure, the average of Nexans' share price ratio on the SBF 120 index (based on closing prices) equals at least 50% of the same average calculated over the 60-day period ending three years before the date of forced departure.

(2) A financial performance condition based on achievement of the Group's annual operating margin objective. This condition would be deemed to be met if the average achievement rate of the Group's annual operating margin objectives for the three calendar years preceding the date of forced departure were at least 50%.

(3) A financial performance condition based on free cash flow, which would be deemed to be met if free cash flow were positive for each of the three calendar years preceding the date of forced departure. Free cash flow corresponds to EBITDA less CAPEX and less the change in average working capital for the year concerned and the previous year.

If Arnaud Poupart-Lafarge's forced departure takes place before the end of three full years as from the date he took up his position, the operating margin and free cash flow conditions will be assessed based on the number of full years completed (i.e., either one or two years).

The amount of the termination indemnity would be determined as follows: (i) 100% of the indemnity will be due if at least two of the three conditions are met, (ii) 50% of the indemnity will be due if one of the three conditions is met, and (iii) no indemnity will be due if none of the conditions are met.

The final amount payable in relation to the termination indemnity would be paid in one installment within a maximum of one month after the Board of Directors' assessment of whether the applicable criteria have been met.

#### 5.2. Non-compete indemnity

On July 24, 2014, the Board of Directors approved the allocation of a non-compete indemnity to Arnaud Poupart-Lafarge with effect from October 1, 2014 under which he undertakes not to perform 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, irrespective of the reason for the termination of his duties.

In return for this undertaking he will receive a non-compete indemnity which will be paid in 24 equal and successive monthly installments and will correspond to one year of his fixed and variable compensation, i.e., 12 times the amount of his most recent monthly compensation (fixed portion) plus an amount equal to his most recent monthly base compensation (fixed portion) multiplied by his most recent nominal bonus rate.

In accordance with Article 23.2.5 of the AFEP-MEDEF Code, in the event of Arnaud Poupart-Lafarge's departure, the Board of Directors will issue a decision whether or not the non-compete agreement entered into with him will apply and will be entitled to cancel it (in which case no non-compete indemnity will be payable).

On March 16, 2018, the Board of Directors decided to implement the non-compete requirement and to pay the indemnity to the Chief Executive Officer as of the month of his departure. This indemnity will be submitted for approval to the 2019 Annual Shareholders' Meeting.

In accordance with Article 23.5 of the AFEP-MEDEF Code, Arnaud Poupart Lafarge's total termination and non-compete indemnities may not exceed two years' worth of his actual compensation (fixed plus variable) received prior to his departure.

### 5.3. *Supplementary pension, welfare and unemployment insurance plan*

On July 24, 2014, in connection with his term of office as Chief Executive Officer as from October 1, 2014, the Board of Directors confirmed that Arnaud Poupart Lafarge could remain registered with the defined benefit pension plan set up by the Group for certain employees and corporate officers, as well as with Nexans' welfare plan (death, disability, incapacity and medical expenses), and with an unemployment insurance plan, with an insurance agency, guaranteeing him, in case of an involuntary loss of professional activity, daily indemnities in the amount of 55% of 1/365th of tranches A, B, and C of his professional income for the year preceding his departure, for a period of 12 months after the loss of employment.

The regulations for the defined benefit pension plan were adopted in 2004 and amended in 2008 by the Board of Directors.

In order to take into account regulatory changes to pension plans, the Board of Directors' meeting of November 23, 2016 authorized the plan to be amended.

The plan was therefore amended as follows:

- Legal retirement age increased from 60 to 62 years of age with pension rights frozen as from 62;
- The annual pension has been capped at eight times the social security ceiling (approximately 314,000 euros in 2017);

- Reversionary benefits reduced from 100% to 60%.

The plan's benefits are conditional upon the beneficiary ending his professional career while still with the Company. The beneficiary must also have at least five years' seniority with the Group, be at least 62 years of age and be entitled to payment of his basic and supplementary pensions.

The lifetime pension amount, with partial survivor benefits (60%), is based on the beneficiary's average annual compensation for the last three years before his retirement. This pension supplements the mandatory and supplementary basic plans and is limited to 30% of the beneficiary's fixed and variable compensation, i.e., below the 45% ceiling provided for in the AFEP-MEDEF Corporate Governance Code. It is capped at eight times the social security ceiling (approximately 314,000 euros in 2017).

The supplemental retirement plan complies with the recommendations of the AFEP MEDEF Code as regards the number of beneficiaries, length of service, and limiting the percentage of the beneficiary's fixed and variable compensation as well as the reference period used for calculating plan benefits

Neuilly-sur-Seine and Courbevoie, March 29, 2018

The Statutory Auditors

PricewaterhouseCoopers Audit  
Xavier Belet

Mazars  
Isabelle Sapet



## 7.3. Statutory auditors

### STATUTORY AUDITORS

#### Mazars

(member of the Compagnie Régionale des Commissaires aux Comptes de Paris)

Tour Exaltis, 61, rue Henri Régault, 92075 Paris-La Défense Cedex, France, represented by Isabelle Sapet

Appointed on May 5, 2015.

Term expires at the 2021 Annual Shareholders' Meeting.

#### PricewaterhouseCoopers Audit

(member of the Compagnie Régionale des Commissaires aux Comptes de Versailles)

63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex, France, represented by Xavier Belet

Appointed on May 15, 2012.

Term expires at the 2018 Annual Shareholders' Meeting.

### SUBSTITUTE AUDITORS

#### Gilles Rainaut

61, rue Henri Régault, 92075 Paris-La Défense Cedex, France

Appointed on May 5, 2015.

Term expires at the 2021 Annual Shareholders' Meeting.

#### Étienne Boris

63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex, France

Appointed on May 15, 2012.

Term expires at the 2018 Annual Shareholders' Meeting.

### FEES PAID BY NEXANS TO THE STATUTORY AUDITORS IN 2017

(in thousands of euros)	Mazars				PricewaterhouseCoopers Audit			
	Amount (excl. taxes)		%		Amount (excl. taxes)		%	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Audit services – Statutory and contractual audits</b>								
■ Parent company	200	200	9%	12%	225	225	14%	14%
■ Fully consolidated companies	1,451	1,370	67%	82%	1,091	1,079	70%	70%
<b>SUB-TOTAL</b>	<b>1,651</b>	<b>1,570</b>	<b>77%</b>	<b>94%</b>	<b>1,316</b>	<b>1,304</b>	<b>84%</b>	<b>84%</b>
<b>Other non audit-related services</b>								
■ Parent company	468	15	22%	1%	18	48	1%	3%
■ Fully consolidated companies	31	82	1%	5%	230	200	15%	13%
<b>SUB-TOTAL</b>	<b>499</b>	<b>97</b>	<b>23%</b>	<b>6%</b>	<b>248</b>	<b>248</b>	<b>16%</b>	<b>16%</b>
<b>TOTAL</b>	<b>2,150</b>	<b>1,667</b>	<b>100%</b>	<b>100%</b>	<b>1,564</b>	<b>1,552</b>	<b>100%</b>	<b>100%</b>

## **7.4. Statement by the person responsible for the Registration Document containing an annual financial report**

Paris, March 30, 2018

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further declare that to the best of my knowledge, (i) the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of operations of the Company and its subsidiaries, and (ii) the Management Report provides a fair review of the business, results of operations and financial position of the Company and its subsidiaries, as well as a description of the principal risks and uncertainties to which they are exposed.

I obtained a completion letter from the Statutory Auditors confirming that they have read the Registration Document in its entirety and verified the information contained therein relating to the Group's financial position and accounts.

**Arnaud Poupart-Lafarge,**  
Chief Executive Officer

Presentation of the Group and its activities	Corporate governance	Main risk factors and risk management	Corporate Social Responsibility	Financial statements	Information about the share capital and ownership structure	Additional informations	Concordance tables
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## Concordance tables

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## 8.1. Concordance table of the Registration Document

Pursuant to Article 28 of European Regulation no. 809/2004 of April 29, 2004, the following are incorporated by reference in this Registration Document:

- The Group's consolidated financial statements and the Statutory Auditors' reports for the year ended December 31, 2016, presented on pages 134 et seq. of the 2016 Registration Document, and the information contained in the Management Report, also presented in the 2016 Registration Document (see concordance table on pages 274 and 275) filed with the French financial markets authority (Autorité des marchés financiers - AMF) on March 20, 2017 under no. D.17-0186.
- The Group's consolidated financial statements and the Statutory Auditors' reports for the year ended December 31, 2015, presented on pages 128 et seq. of the 2015 Registration Document, and the information contained in the Management Report, also presented in the 2015 Registration Document (see concordance table on pages 274 and 275) filed with the French financial markets authority (Autorité des marchés financiers - AMF) on April 7, 2016 under no. D.16-0294.

The sections of the 2015 and 2016 Registration Documents not included are either not applicable for investors or are covered by another section in this 2017 Registration Document.

The page numbers in the table below refer to this Registration Document.

### Concordance table

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<b>14. ADMINISTRATIVE, MANAGEMENT, SUPERVISORY BODIES AND GENERAL MANAGEMENT</b>		
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## 8.2. Concordance table of the annual financial report

This Registration Document contains all the information included in the annual financial report and referred to in Article L.451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) and Article 222-3 of the AMF's General Regulations.

The page numbers in the table below refer to this Registration Document.

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## 8.3. Concordance table of the Management Report

This Registration Document contains all the information included in the Board of Directors' Management Report, within the meaning of Articles L. 225-100, L.232-1, II and R. 225-102 *et seq.* of the French Commercial Code.

The page numbers in the table below refer to this Registration Document.

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## 8.4. Concordance table on the Corporate Governance Report

This Registration Document contains all the information included in the corporate governance report, within the meaning of Articles L. 225-37 *et seq.* of the French Commercial Code.

The page numbers in the table below refer to this Registration Document.

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## 8.5. Concordance tables for corporate social responsibility

### Concordance between Articles L.225-104 *et seq.* of the French Commercial Code and the GRI-G4 indicators

This Registration Document contains all the information referred to in Articles R.225-104 *et seq.* of the French Commercial Code.

Obligations under Article R.225-104 <i>et seq.</i> of the French Commercial Code	Global reporting Index GRI-G4	Pages of the Registration Document
<b>POLICY</b>		
■ Company efforts to take into account the social and environmental consequences of its activity, as well as its societal commitments to sustainable development; strategy specifying, where necessary, the actions or initiatives implemented	G4-1, G4-2, G4-15, G4-34, G4-36, G4-37 à 42, G4-48	92-131
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