Nexans

HALF-YEAR FINANCIAL REPORT

(six months ended June 30, 2010)

# CONTENTS

# INTERIM ACTIVITY REPORT
## (Six months ended June 30, 2010)

The purpose of this report is to present an overview of the operations and results of the Nexans Group and its parent company for the first half of fiscal year 2010. It is based on the parent company's financial statements and the consolidated financial statements for the six months ended June 30, 2010.

Nexans' shares are traded on the NYSE Euronext Paris market (Compartment A) and are included in the SBF 120 index. The Company's estimated ownership structure, broken down by shareholder category, was as follows at June 30, 2010:

- Institutional investors: 85.6%, of which (i) 9.2% corresponding to the Madeco Group (Chile), (ii) 5.2% corresponding to Fonds Stratégique d'Investissement (France), and (iii) 4.9% corresponding to Deutsche Bank AG (Germany).
- Private investors and employees: 14%.
- Unidentified shareholders: 0.4%.

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# 1. Operations during first-half 2010

## 1.1 Consolidated results of the Nexans Group

### 1.1.1 Overview

Sales for the first half of 2010 totaled 2,955 million euros, up 17.5% on the 2,514 million euros recorded for the first six months of 2009.

This increase is primarily attributable to the ongoing rise in non-ferrous metal prices in early 2010 following the hike already experienced in 2009. The average implicit billing price for copper and aluminum were respectively 60% and 7% higher in first-half 2010 than in the same period of 2009. Based on constant non-ferrous metal prices , sales for the first six months of 2010 came in at 2,100 million euros, on a par with the 2,085 million figure for first-half 2009.

Based on constant non-ferrous metal prices, constant exchange rates and a comparable scope of consolidation, the Group's total sales retreated 5.3%, with the cables business only (Energy and Telecom combined) contracting by 6.3%.

South America posted the sharpest sales drop, with less pronounced decreases in Europe, Asia-Pacific and North America. Conversely, the MERA Area (Middle East, Russia and Africa) reported a near 10% rise in its sales performance.

Operating margin amounted to 83 million euros, or 4.0% of sales at constant non-ferrous metal prices (2.8% at current metal prices), compared with 110 million euros, or 5.3% of sales at constant non-ferrous metal prices (4.4% at current metal prices) in first-half 2009.

EBITDA (operating margin before, depreciation and amortization) came to 150 million euros during the first six months of 2010, or 7.1% of sales at constant metal prices, compared with the first-half 2009 figure of 173 million euros, or 8.3% of sales at constant metal prices.

(1) To neutralize the effect of fluctuations in non-ferrous metal prices and therefore measure the underlying trend in its business, the Group also presents its sales figures based on a constant price for copper and aluminum. These reference prices have been set at 1,500 euros per tonne for copper and 1,200 euros per tonne for aluminum.

As a result of the ongoing rise in non-ferrous metal prices in the first few months of the year, the core exposure effect in the first-half 2010 income statement represented a gain of 50 million euros (net of the impact of the reduction in volume of core exposure inventories – see Section 1.1.2 on unallocated operations), whereas in first-half 2009 it represented an accounting charge of 41 million euros (with no cash impact). This is due to the fact that non-ferrous metal inventories are measured at the period-end using the weighted average unit cost method, leading to the recognition in the accounts of the impact of the temporary price difference between the copper actually used in production and the copper implicitly allocated to orders through the hedging mechanism. No such gains or costs would have been recognized if the Group had continued to apply the Last In-First Out (LIFO) method used until 2004 before the transition to IFRS.

The Group recorded 5 million euros in income before taxes in first-half 2010 versus a 36 million euro pre-tax loss for the comparable prior-year period. The first-half 2010 figure includes the impact of 56 million euros worth of restructuring costs (versus 53 million euros for first-half 2009).

After a 20 million euro tax charge, the Group ended the first six months of 2010 with an attributable net loss of 17 million euros compared with a loss of 57 million euros in the same period of 2009.

### 1.1.2 Analysis by business line

(Sales figures by origin at constant non-ferrous metal prices)

#### ENERGY

The Energy business posted 1,743 million euros in sales, down 6.6% on first-half 2009.
The Industry market reported an 11.7% sales rise thanks to a sustained recovery, particularly in the segments firstly hit by the global economic crisis. However, this sharp growth only partially offset the impact of lower sales in the Building market (down 15.9% on first-half 2009 on an organic basis) and smaller contraction in the Energy Infrastructure market (which reported an 8.9% decrease).

*Energy Infrastructure cables*

Sales of Energy Infrastructure cables came in 8.9% lower than in first-half 2009 on a like-for-like basis. This reflects the fact that the first three months of the year were affected by severe weather conditions in Europe, which led to reduced installation works performed by our customers and in turn adversely affected the Group's invoicing level (12.8% lower than in the same period of 2009). The second quarter saw a strong upturn, with 15.2% organic growth versus the first three months of the year. All of the Transmission and Distribution segments contributed to this rise.

The **high-voltage cables** segment delivered growth of close to 22.5% in the second quarter of the year following an extremely weak first quarter due to contract performance difficulties arising as a result of production overloads for submarine cables at the Halden plant.

Sales recorded by high-voltage submarine cables remained fairly stable in first-half 2010, edging back just 2.2% compared with the same period of 2009. Certain production projects had to be rescheduled due to overloads at the Halden plant as well as technical problems encountered in late 2009 and early 2010. The Group took immediate action to remedy this situation.
The main contracts that contributed to the first-half 2010 sales figure for high-voltage submarine cables concerned the supply and installation of cables to create power links, such as the high-voltage direct current undersea link between the Spanish mainland and the Balearic Islands (as part of the COMETA project), and the Fenno-Skan 2 power interconnection between Finland and Sweden. Other contributions to sales for the period came from contracts to supply infield cables and equipment for Sheringham Shoal offshore wind farm in the United Kingdom and subsea power export cables for the Belwind offshore wind farm project in Belgium, as well as deliveries of umbilical cables such as the one for the Tambaù gas field in Brazil.
The high-voltage submarine cables business keeps a good visibility on its workload, with an order book representing around 18 months of sales. Two major new contracts were won during first-half 2010: a 64 million euro project to link the island of Euboea with the region of Attica in Greece with a view to developing a wind farm project, and a 104 million euro contract to replace the over thirty-year old high-voltage link crossing the Oslofjord.

High-voltage terrestrial cables, reported organic sales growth of over 9% compared with first-half 2009. The activity remained sustained with evenly allocated production workloads between the various plants, in line with the manufacturing reorganization plan set up in 2008 aimed at pooling more of the Group's production capacities.
The main contracts that contributed to the first-half 2010 sales figure for high-voltage terrestrial cables were power link projects in the Middle East – including Phase II of the Libya contract, Phase VIII of the Qatar project and the Al Saadyat contract in Abu Dhabi – as well as a steady stream of business with incumbent power suppliers in France, Spain and Belgium. The Tottenham plant in Australia ran at capacity during the period, thanks to the contract won in 2009 for supplying a cable to power the country's largest seawater desalination plant that is currently being built in the State of Victoria.
Following new orders taken in the first half of 2010 and recent successful responses to tenders, the high-voltage terrestrial cables order book now represents 16 months of sales and the Group's three main high-voltage cable plants will be running at full capacity for the rest of 2010. Nexans notched up two key contract wins in the Middle East during the first half of 2010 – (i) a 90 million euro turnkey contract awarded by DEWA to construct Dubai's first Extra High Voltage (EHV) underground cable system operating at 400 kV and (ii) a 73 million euro contract as part of a turnkey project to modernize Abu Dhabi's energy infrastructure.

**Medium-/low-voltage cables** posted a 16.4% like-for-like decline in sales in the first half of 2010. Latin America and Asia felt deep falloff in the first quarter of the year, whereas Europe reported a more contained contraction (10.0% for the six months overall). In the second quarter, however, sales picked up significantly, climbing 10.6%.

Europe got off to a difficult start to the year due to particularly adverse weather conditions, which notably affected sales in Northern Europe (Sweden, Norway and Germany). Although operators started up works again in the second quarter – leading to a recovery in cable orders – market conditions remained relatively sluggish. Competition continued to be fierce in many countries, including in Northern Europe. France once again delivered sales growth in first-half 2010, led by the ongoing rollout of ERDF's capital expenditure plan as well as higher export sales (particularly to Ghana). Meanwhile, sales in Italy were boosted by an exceptional order from ENEL as part of the Italian recovery plan. However, this one-off contract was not sufficient to guarantee the long-term future of the Latina plant and in late May the Group announced that it intended to close this site.

Sales performance in Spain was sharply down on first-half 2009, reflecting the general market contraction and exacerbated by the government's decision to reduce subsidies for renewable energy projects (e.g. wind power). In tandem, strong price pressure in a fiercely competitive environment drove down sales in the United Kingdom. Europe's export markets (Africa, Russia and the Middle East) continued to be weighed down by a lack of financing as well as by overcapacity in certain countries.

In North America, sales shed 15.8% at constant exchange rates compared with the first half of 2009, but quarter-on-quarter growth topped 18.5% during the period.
Demand for infrastructure cables in Canada slowed following the large-scale capital expenditure programs carried out in 2009 in preparation for the Olympic Games. In the United States, unit sales of power distribution cables were once again hit by the persistently weak residential property market, with business volumes down by more than 30%. However, the impact of these lackluster markets on the Group's profitability in the area was contained due to the closure of the Quebec plant in the first quarter of 2009.

In the Asia-Pacific Area, sales slipped 24.1% on a like-for-like basis, but climbed 18.4% in the second quarter compared with the first three months of the year.
Australia's sales fell 27.7% compared with the same period of 2009, reflecting the fact that certain provinces are increasingly opening up their markets to imports of entry-level products from low-cost countries such as China and ASEAN countries. At the same time, sales of underground cables for low-voltage power distribution networks were hit by Australia's weak residential market.
South Korea's sales dropped 27.9%, primarily as a result of stiff competition in the domestic market, which was heightened by the crisis in the construction industry.

The MERA Area, delivered a steep 16.9% rise in sales, fueled mainly by the start-up of sales activity by the Group's new Russian plant.
Sales fell 13% in Morocco due to a decrease in purchases by the national power supplier and a slowdown in major tourist infrastructure projects. However, the Moroccan facility continued to expand its sales to West Africa during the period.
The year-on-year decrease came down 18.4% in Egypt, reflecting a significant drop in sales of infrastructure cables for medium-voltage distribution networks against a backdrop of increasingly tough competition in the Middle East. The overall decrease was, however, partially offset by growth in sales of high-voltage cables for power transmission infrastructures.
Sales in Lebanon were temporarily weighed down by delays in a number of orders from the national power supplier. Going forward, the falloff in exports should be offset by the higher domestic demand.

South America's sales slumped 41.4%, with the trends observed at the end of 2009 continuing into 2010, particularly the postponement of numerous overhead power line projects in Brazil. As a result of this situation, the Group decided to close its Lorena plant and to transfer selected production lines to its Americana site in Sao Paulo and its Rio de Janeiro plant. Meanwhile, sales generated by insulated distribution cables rose steadily during the period despite fierce competitive market conditions.
Peru reported a 3.9% increase in sales driven by robust demand in the domestic market.

**Power accessories** sales advanced 2.7% like-for-like against first-half 2009, boosted by measures taken to tap into new markets as well as by an upturn in unit sales with certain customers. Conditions remained extremely difficult in the Spanish market, which was a major sales outlet for the Group before the crisis hit.

### *Industrial cables*

Sales of Industrial cables advanced 11.7% at constant exchange rates compared with first-half 2009, confirming a clear trend of quarter-on-quarter improvement.
Automotive cables and harnesses were major growth drivers during the period. At the same time, momentum remained strong for the railway and aeronautical segments as well as for high value-added cables for off-shore projects, and business levels for cables for the robotics and mining industries began to pick up following a very difficult year in 2009.

Sales of **cable harnesses** jumped by more than 50% in first-half 2010, following on from the upward trend begun as of mid-2009. Demand from major customers was sustained, both in Germany for cars and in the United States for trucks, and sales forecasts are constantly on the rise. In addition, the Group's market share increased in the United States during the period, due to measures taken by major automakers to streamline their supplier bases.
In first half 2010, the business confirms its return to profitability.

Sales of **special cables for industrial applications** rose 3.7% like-for-like. This business has seen consistent quarter-on-quarter improvements since the third quarter of 2009, reporting sales growth of 4.8% in first-quarter 2010 versus fourth-quarter 2009 and 6.9% in second-quarter 2010 versus the first three months of the year.

> <u>In Europe</u>, sales edged back 2.5% compared with the first half of 2009 but were up 12.6% on the second half. First-half 2010 performance was mixed across the business's various segments.
>
> The automotive cable market experienced a strong recovery in the first six months of 2010, requiring the manufacturing sites to react swiftly to adapt their production capacity both to demand and short customer lead-times (especially in Sweden). The machine tool market is picking up steadily but price competition is increasingly fierce. Italy and Germany are gradually returning to breakeven, boosted by a recovery in sales volumes combined with the positive effects of restructuring measures carried out in 2009.
> The railway segment pursued its growth trajectory which was uninterrupted during the global crisis thanks to very favorable fundamentals. The nuclear and petrochemicals markets have also begun to trend upward, led by a larger number of invitations to tender and the return of major capital expenditure projects. Although margins are still very tight, a number of large-scale export orders have been signed (for China and Slovakia), with certain deliveries scheduled for 2010.
> The shipbuilding sector in Europe is still experiencing difficulties.
>
> <u>In Asia</u>, sales contracted 24.5% like-for-like in first-half 2010.
> South Korea reported a rise of 23.2%, buoyed by Singapore export markets in the offshore sector as well as projects for Russia, notably for the Group's new ICEFLEX cables which can withstand extremely low temperatures. Sales of cables for the automotive industry doubled compared with the first half of 2009. Conversely, sales were down for the shipbuilding sector, with low workloads at certain shipyards leading to heightened price pressure. In tandem, sales posted by South Korea suffered from the country's stronger currency.
> In China sales surged 69%, driven by growth in cables for the railway industry, in which China has injected substantial amounts of public funds. Sales of cables for the shipbuilding industry rose year-on-year, but the decrease in export markets curbed further growth potential.

In Australia, sales troughed in first-half 2010 (falling 20.1% on first-half 2009), in line with the general market context. The number of requests for quotations has nevertheless picked up in recent weeks and business is therefore expected to improve in the second half of the year.

In the MERA Area, sales soared 78.1% like-for-like. Morocco tripled its sales figure year-on-year, fueled by strong demand from automakers and growth in sales of cables for the aeronautical market. In Turkey, weak demand for instrumentation cables for the oil and shipbuilding industries was offset by higher sales of power cables for gas field markets.

In South America, sales fell 41.2% at constant exchange rates.
Performance in Brazil has been weak since mid-2009, with sluggish business levels since the completion of contracts in progress in the oil platform sector. The outlook seems to be brightening, however, as there has been an increase in the number of requests for quotations. A major order for umbilical cables was taken in the first quarter of the year, which will be delivered from the Group's Halden facility in Norway.
In Chile, sales climbed 11.1%, with capital spending taking off again in the mining sector although competition is still extremely fierce.

Sales of **electronic cables for industry** slipped 7.5% at constant exchange rates.
In Europe, where operations are focused on the production of cables for the aeronautical industry, business remained almost stable. In the United States, the Elm City plant posted a sales decrease of 16.0% compared with first-half 2009.
China reported a 9.0% reduction in sales due to lower demand from major telecom equipment manufacturers.

### *Building cables*

Sales of cables for the Building sector dropped 15.9% like-for-like. The discontinuation of building cable production in Germany and the closure of the Vacha plant accounted for around a third of the overall decrease.

The second quarter of 2010 saw sales rise 6.7% at constant exchange rates compared with the first three months of 2010. All of the Group's geographic regions contributed to this growth apart from Europe where sales once again decreased slightly, inching down 1.6% in the second quarter of 2010 compared with the first three months of the year.

In Europe, sales slid 21.0% against the first half of 2009, partly due to the Group's withdrawal from the German market in 2009 in view of its structurally low price levels. Adjusted of this impact, the decrease would be 13.3%. Price pressure remained strong during the period but the Group renewed its efforts to continue its policy of defending margins.
Profitability in the Building sector deteriorated due to low business volumes and strong pressure on selling prices but the Group was able to contain the impact of this situation in an extremely beleaguered market thanks to the closure of its Vacha facility in Germany and other measures taken at all of its sites in 2009.

In North America, sales retreated 21.1% in first-half 2010 compared with the same period of 2009 but rose 12.6% in the second quarter of 2010 versus the first quarter.
The Group retained its solid positions in the Canadian market, thanks to its policy of defending margins to the detriment of unit sales. As a result of highly volatile copper prices, distributors kept their inventories very low. In the United States the market continued to experience strong competitive pressure as well as historically low business volumes.

In Australia, sales of cables for the retail and wholesale building markets shrank 34.8% in the first half of 2010, reflecting the delayed effect of the global crisis. Business was particularly weak in the first quarter, due to the twofold impact of losing market share with one of the main national distributors and a sharp increase in imports. Some business volumes were recovered in the second quarter, when sales climbed 20.4% at constant exchange rates against the first three months of the year. Meanwhile, the restructuring program launched in 2009 at the Lilydale site helped the Group to better weather the difficult economic conditions in the region.

In the MERA Area, sales advanced 7.2% versus first-half 2009.
Lebanon reported a 10.3% increase, spurred by demand arising from the country's reconstruction efforts.
Following a marked slowdown in its home market combined with strong price pressure in the fourth quarter of 2009, the Group's Turkish unit posted an upswing in its domestic performance in first-half 2010 but was unable to return to its previous robust business levels.
Morocco reported a 1.9% dip in sales against an increasingly competitive backdrop. In order to mitigate the impact of this adverse trend, the unit launched a geographic redeployment plan for its distribution activities, both in Morocco (entailing the opening of distribution centers in Tangiers, Marrakech and Fez) and elsewhere in Africa (Senegal).

In South America, performance was mixed across the region's different countries during the first six months of 2010, but overall organic sales growth for the period came to 15.6%.
In Brazil, sales surged 68.4%, propelled by social housing development programs launched by the government. Distributors ended their inventory-shedding measures and orders returned to normal levels.
Sales in Chile were boosted by the reconstruction activity that took place following the earthquake in February. Demand remained robust in Peru, driven by social housing programs and sales of halogen-free cables for public buildings.
In Colombia, sales dropped 14.3%, reflecting an extremely weak first quarter.

**Operating margin for the Energy business as a whole** came in at 76.2 million euros in first-half 2010 (representing 4.4% of sales at constant metal prices) versus 118 million euros in the comparable prior-year period (6.7% of sales at constant metal prices).

The overall reduction in operating margin is due to the combined impact of the following factors:

- Very low business levels in the first quarter, partly due to extremely adverse weather conditions.
- Squeezed margins in an economic context where there is still only an unsteady return to higher business volumes, coupled with higher prices for certain commodities, particularly for petroleum by-products used in insulation materials.
- Fits and starts in the recovery process, resulting in the need for a highly flexible manufacturing base.
- Performance difficulties encountered on certain contracts for high-voltage submarine cables, which meant that the Group lost some of its revenue potential in that segment in the first six months of the year.

Operating margin for **Energy Infrastructure** stood at 6.8% in the first half of 2010, compared with 9.3% in the comparable prior-year period. This decrease was due to the above-mentioned difficulties experienced in **high-voltage submarine cables** as well as low business volumes for **medium-voltage cables** which led to a lower coverage of fixed costs. This situation resulted in the Group pursuing its restructuring program, as planned, with the announcement of the closures of the Lorena plant in Brazil and the Latina facility in Italy. Profitability for **industrial cables** is improving steadily, with operating margin coming in at 1.6% in the first six months of 2010 after having slightly exceeded break even in first-half 2009. In the special cables sector, operations in Germany and Italy – which reported significant negative operating margins in 2009 – globally returned to breakeven, but the positive impact of this improvement was wiped out by the continuing weak performance of certain activities in France.

Cables for the **Building** sector reported an operating margin of 2.1% versus 6.2% in the first half of 2009 (4.3% in second-half 2009). The 5.6% year-on-year decrease in fixed costs at constant exchange rates – achieved following restructuring measures launched in 2009 – could not fully offset the impact of (i) lower sales prices triggered by competitive pressure from certain smaller-scale European players or (ii) ongoing extremely difficult market conditions in the United States.

## TELECOM

Sales of Telecom cables came to 206 million euros, down 5.2% at constant perimeter and exchange rates on the first six months of 2009. However, while sales fell sharply for infrastructure cables, the market for LAN cables started to trend upward.

### *Telecom Infrastructure*

Sales declined 18.2% like-for-like in the first half of 2010.

<u>Europe</u>, which accounted for over 80% of Group sales in this market, reported a 20.5% decrease compared with the first six months of 2009.
In the copper telecom cables segment – where the Group continues to offer a limited product range to certain incumbent operators – sales were down for all countries in both quarters of the period.
In the optical fiber cable segment, the first half was marked by numerous postponements of projects due to a lack of financing. At the same time, the segment was hit by uncertainty in the procedures for allocating capital expenditure between incumbent and alternative operators. However, in the second quarter there seemed to be signs of a recovery for the laying of local loops, particularly in Sweden and Norway where sales at constant exchange rates jumped by 25.3% and 16.7% respectively versus the first three months of the year.

<u>In Asia (South Korea and Vietnam)</u>, sales surged by more than 45% in the first half of 2010. As in Europe, sales of copper cables dropped sharply but in South Korea the Group recovered significant market share in optical fiber cables with the national operator.

<u>In South America</u>, sales decreased 5.8%. This reflects the fact that in Brazil and Peru, which reported respective sales drops of 10.2% and 8.2%, the Group did not agree to the price reductions required by the national operators for renewing their supply contracts. Conversely, sales generated by optical fiber cables rose sharply in Argentina, up 24%.

### *Local Area Networks (LAN)*

The Group recorded 6.4% organic sales growth in this segment in first-half 2010. Following a steep falloff in the first half of 2009, the turnaround observed in the second half of that year continued into 2010 with steady quarter-on-quarter sales rises.

In Europe, following a difficult start to 2010, the second quarter saw sales growth of 7.4%, limiting the overall first-half decrease to 3.9% on the comparable prior-year period. Sales in the systems business continued to pick up in the second quarter (especially in the United Kingdom). However, sales of cables – whose main production site in France underwent a staff reduction plan at the beginning of the year – remained extremely low.
Nexans' numerous data center projects for large private corporations in the financial and manufacturing sectors continued to progress satisfactorily in Western Europe and are expected to buoy demand in the coming months.

In the United States (representing 55% of the segment's sales), first-half 2010 sales were 21.3% higher than in the equivalent period of 2009. The significant impact of the sharp reduction in distribution inventories in the first half of 2009 was no longer felt in the first six months of 2010 and the segment's business levels held firm despite the crisis in the building industry. Demand was boosted by the Group's positioning in high value-added products – both 10Gbit copper cables and optical fiber cables.

In Asia, sales slipped 9.0% in first-half 2010 versus the first six months of 2009. In China, the move towards an offering focused on higher value-added products and systems fueled a 14.0% rise.
In South Korea where additional production capacities came onto the market, business volume declined.

In Turkey, sales of LAN cables to Europe (particularly the United Kingdom) were up 2.6% on first-half 2009.

In Brazil, sales declined 26.7% following the Group's decision not to reduce its prices in a number of responses to tenders.

**Operating margin for the Telecom business** came in at 9.6 million euros for the first six months of 2010 (4.7% of sales at constant metal prices) versus 6 million euros in first-half 2009 (2.9% of sales at constant metal prices).
**Telecom Infrastructure** managed to break even, reflecting across-the-board lackluster business volumes both for copper and optical fiber networks. **LAN** operating margin was 6.7% in the first half of 2010 versus close to zero in the corresponding prior-year period. The increase was achieved thanks to improved business levels in North America and cost cutting measures carried out in 2009.

## ELECTRICAL WIRES

Sales for the Electrical Wires business totaled 137 million euros in first-half 2010, up 12.1% like-for-like on the first six months of 2009.

> Wirerods: At constant exchange rates, sales advanced 9.5% in first-half 2010.
> In Europe, the manufacturing base has now been optimized and Nexans only has a low level of business outside the Group (6 million euros in first-half 2010). Wirerods operations in Europe returned to profit during the period, helped by the closure of the continuous casting and wire-drawing plant in Chauny at end-2009 and the allocation of business to other sites in France and Germany.
> In North America, sales jumped 23.8% and margins were robust.
>
> Bare wires: Sales of bare wires increased 11.9% at constant exchange rates.
> In Germany, they surged 42.6% reflecting a recovery in the automotive sector to which the Group sells special wires.
> Sales in the United Kingdom climbed 10.5%, spurred by demand from UK cable manufacturers who were more competitive during the period as a result of the weak pound sterling versus the euro.
>
> Winding wires: The winding wires segment in Brazil reported a 32.8% leap in sales in the period under review, driven by renewed consumer spending, which boosted the household appliance and automotive sectors.

**Operating margin for the Electrical Wires business** swung from a negative 2 million euros in the first half of 2009 to a positive 6.4 million euros in first-half 2010, representing 4.7% of sales at constant metal prices. This performance was chiefly fueled by the business's European activities which have undergone a large-scale restructuring.

## UNALLOCATED OPERATIONS

The Group's various businesses each bear a portion of the cost of the holding company's operations ("head office costs") pro rata to their business levels.

In addition, certain income and expense items cannot be directly allocated to a specific operating activity and are therefore not allocated to the business line concerned. For example, in first-half 2010 as in 2009, the Group had to incur non-recurring expenses for the organization of its legal defense following investigations launched by a number of competition authorities against the Group and other cable manufacturers. At the same time, the closure of certain manufacturing sites and ongoing successful efforts in first-half 2010 to improve its working capital position (notably by speeding up turnover of inventories), enabled the Group to significantly reduce its core exposure.  This reduction led to a positive 15.0 million euro impact on operating margin during the period, with a counterpart entry recorded under "Core exposure effect" within "operating income". Core exposure is measured at historic value at operating margin level – a value that is lower than its resale value (see Note 1.i to the consolidated financial statements at December 31, 2009).

Operating margin for unallocated operations in first-half 2010 came to a negative 9 million euros versus a negative 11 million euros in the same period of 2009.

## 1.2 Other items of first-half 2010 consolidated results

### 1.2.1 Core exposure effect

The core exposure effect amounted to a positive 50 million euros at June 30, 2010 (net of the impact of lower inventory volumes – see section 1.1.2 above on unallocated operations), compared with a positive 18 million euros at December 31, 2009 and a negative 41 million euros at June 30, 2009.
This effect represents the impact described in section 1.1.1 – "Overview" of measuring core exposure at weighted average cost.
The core exposure effect is not included in operating margin, as changes in value of inventories that are included in operating margin are measured based on replacement cost, in line with the Group's policy of hedging the price of the metals contained in the cables sold to customers.

### 1.2.2 Net asset impairment

In the fourth quarter of each year, the Group carries out impairment tests on goodwill, property, plant and equipment and intangible assets, based on estimated medium-term data updated for the various business units.

At June 30, 2010, Nexans carried out a review of the principal information used for the purposes of impairment testing by combining actual figures for the first six months of 2010 with the estimated data used at the previous period-end, and adjusting the medium-term trends for cash-generating units considered to be sensitive.

This review resulted in the recognition of a 26 million euro impairment loss in first-half 2010, mainly corresponding to partial impairment of the "Australia" cash-generating unit which groups Nexans' operations in Australia and New Zealand. A sharp increase in imports into the Australian market from low-cost countries led to Olex losing market share with a number of customers who are facing fiercer competition themselves. As the Group considers that this situation will continue in the long term, it wrote down a portion of the value specifically allocated to Olex's customer portfolio at the time of the company's acquisition (see Note 9 to the interim consolidated financial statements).

The review conducted for first-half 2009 gave rise to the recognition of an 8.7 million euro net impairment loss, the majority of which related to (i) partial impairment of the harness business which was strongly impacted by the crisis in the automotive market and (ii) maintenance investments for Group operations that were already fully written down (mainly metallurgy).

### 1.2.3 Restructuring costs

Restructuring costs came to 56 million euros in first-half 2010 (see analysis provided in Note 12 to the condensed interim consolidated financial statements for the six months ended June 30, 2010) versus 53 million euros in the corresponding prior-year period.

The first-half 2010 figure primarily reflects provisions set aside for plans to close two cable manufacturing plants (Latina in Italy and Lorena in Brazil) which mainly serve the energy infrastructure market.

The Group's infrastructure cable business in Italy rarely managed to break even, despite various corporate restructurings carried out in the past as well as major injections of funds. The ongoing falloff in orders by power network operators – both in the local market and internationally, especially in Spain – left the Group no alternative but to decide to definitively close the site. The planned closure will affect a total of 155 employees. Production will be transferred to other Group plants in Europe – including Battipaglia in southern Italy – in order to keep up the services offered within the country.

In Brazil, the Group continued to implement capacity reduction measures during the period due to a steep falloff in the overhead power lines market – which is the main production market for the Lorena site – combined with the Group's overcapacity for copper cables as a result of plants it acquired from the Madeco group in 2008. Following the closure of the Lorena plant, which will affect 291 people, the Group's production capacity in Brazil will be grouped at two sites without losing any coverage of existing markets.

Lastly, 6 million euro worth of restructuring costs correspond to routine closure expenses relating to operations discontinued in 2009, particularly in France.

As was the case in 2009, all of these plans will include assistance measures negotiated with employee representative bodies aimed at reducing the impact of the closures on the employees concerned.

### 1.2.4 Changes in fair value of non-ferrous metal derivatives

Nexans 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).
Due to the sharp volatility in non-ferrous metal prices, 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, when these instruments (i) are used to hedge future transactions (notably copper cathode purchases) that are highly probable but not yet invoiced, and (ii) meet the requirements in IAS 39 for cash flow hedge accounting; they are accounted for similarly to foreign exchange hedges that qualify for cash flow hedge accounting as follows: the portion of the unrealized gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity, and the ineffective portion is recognized in income under "Changes in fair value of non-ferrous metal derivatives". Any gains or losses previously recognized in equity are recycled to the income statement in the period in which the hedged item (e.g., the purchase of copper cathodes) affects income.

At end-June 2010, only a few of the Group's units did not yet fulfill the conditions enabling their derivatives to qualify for hedge accounting. For these units, gains and losses arising from fair value adjustments to non-ferrous metal derivatives are recognized in the income statement under "Changes in fair value of non-ferrous metal derivatives".

### 1.2.5 Net gains on asset disposals

The Group recorded a 2 million euro net gain under this item in first-half 2010, primarily corresponding to the gain realized on the sale of Nexans Morocco's battery manufacturing business in the first quarter of the year.

### 1.2.6 Net financial expense

The Group recorded a net financial expense of 40 million euros in first-half 2010, compared with 48 million euros for the first six months of 2009.
The cost of net debt increased by 4 million euros, reflecting the Group's decision to continue to extend the average maturity of its debt through its June 2009 issue of OCEANE bonds redeemable in 2016 (see Note 24 to the consolidated financial statements at December 31, 2009).
Other financial expenses were 13 million euros lower than in first-half 2009, chiefly due to foreign exchange gains.

### 1.2.7 Income taxes

Nexans reported an income tax expense of 20 million euros in the first half of 2010 against 19 million euros for first-half 2009. The Group's income tax charge was significantly affected by the fact that no new deferred tax assets were recognized in relation to the first-half 2010 losses incurred in certain countries, notably as a result of restructuring costs. The effective tax rate for profit-making entities at June 30, 2010 was 17,6% compared with 21.4% at December 31, 2009.

### 1.2.8 Principal cash flows for the period

Cash flow from operations came to 95 million euros in the first six months of 2010. This amount was primarily used to finance a net 54 million euro capital expenditure program and a dividend payout of 28 million euros. Cash outflows for restructuring costs totaled 32 million euros during the period.

Net working capital requirement increased by 148 million euros at June 30, 2010 compared with December 31, 2009, mainly reflecting higher non-ferrous metal prices and the impact of the slight upturn in business levels during the second quarter of 2010. In the second quarter 2010, the average operating working capital requirement (trade receivables plus inventories less trade payables) represented 18.3% of annualized sales for the last three month of 2010 half year (versus 19.8% for the last three months of 2009).

Overall, at June 30, 2010 the Group's net debt totaled 277 million euros, 35 million euros lower than at June 30, 2009 but 136 million euros higher than at December 31, 2009, chiefly as a result of higher copper prices.

### 1.2.9 Balance sheet

At June 30, 2010 the Group's balance sheet showed:

- 1,973 million euros in equity excluding minority interests, up 97 million euros on December 31, 2009, primarily due to positive currency translation adjustments.
- Net debt of 277 million euros, giving rise to a gearing ratio (net debt/total equity) of 13.7%.
- 1,056 million euros in working capital requirement.
- Provisions for contingencies and charges – including for pensions – totaling 502 million euros, up 12 million euros on December 31, 2009 primarily as a result of restructuring provisions.

- Fixed assets, excluding deferred tax assets, totaling 1,783 million euros at June 30, 2010, versus 1,693 million euros at December 31, 2009. Goodwill was 33 million euros higher due to the currency effect. The goodwill figure for Madeco's cables business is still subject to final adjustments based on the financial statements at September 30, 2008. On July 9, 2009, Madeco notified Nexans that it had decided to launch arbitration proceedings in connection with the price adjustment. However, the amount disputed by Madeco is less than 30 million USD.

### 1.2.10 Other significant events of first-half 2010

**"ACT 2010" EMPLOYEE SHARE OWNERSHIP PLAN**

On February 10, 2010 Nexans announced its intention to carry out a new employee rights issue involving the issuance of a maximum of 500,000 shares as part of an employee share ownership plan. The plan offers a leveraged formula enabling employees to subscribe to Nexans shares at a discounted price; under the proposed formula, the employees benefit at the term of the plan from a capital guarantee on their personal contribution and a multiple of the potential performance of the Nexans share. The shares are subject to a five-year lock-up period which can only be terminated in certain specific circumstances.

In countries where the leverage formula raises legal or tax difficulties, an alternative formula was offered comprising the allocation of Stock Appreciation Rights (SAR). Société Générale, acting on behalf of Nexans, is committed to underwriting a share issue to hedge local employers' commitments under the Stock Appreciation Rights plans. The number of shares issued will be determined based on the value of employee subscriptions to the SAR formula and will not exceed 100,000 shares.

The reservation period ran between May 21 and June 7, 2010 and was followed by a subscription/cancellation period between July 12 and July 16, 2010. The offer price was set on July 9, 2010 at 40.51 euros (representing a 20% discount on the average price quoted for the Nexans share during the 20 trading days preceding the pricing date). The settlement-delivery date for the shares is August 5, 2010, when 482,467 new shares in total will be issued representing an aggregate amount of approximately 19.5 million euros.

The 2 million euro expense relating to this plan was recognized during the first half of 2010.

## 2. Progress made and difficulties encountered in first-half 2010

The committed drive of Nexans' employees enabled the Group to continue to roll out the measures and action plans begun in 2009 in response to the tough operating environment. The plans already put in place to cut costs, reduce working capital requirement and improve operating performance at the Group's manufacturing facilities were further stepped up in the first six months of 2010. In parallel, we continued to streamline our manufacturing base, announcing plans to close two additional sites – one in Italy and the other in Brazil.

The Group also continued to invest in information systems, which are a key element of our operations.

At end-June 2010, Nexans' employees demonstrated their trust in and commitment to the Group and its future by participating on an extremely large scale in Nexans' fourth employee rights issue. The overall participation rate was 20.1%, with a 53% increase in the number of employees taking up shares compared with the previous issue in 2008.

### Cost control

The Purchasing Department took specific measures to react to a number of factors during first-half 2010. These factors included:

- Currency fluctuations, which required prompt action to adjust the selection of suppliers in line with their invoicing currency.
- Tight supply of certain plastics raw materials, as certain suppliers that reduced their capacity in 2009 in response to lower consumption levels experienced under capacity in 2010 as orders picked up. This impact then fed through to market prices. The Group's long-standing strategy of avoiding supplier monopolies paid off, enabling it to deal with this new market situation without any impact on production while at the same time limiting the adverse effect on its purchase prices.

The Purchasing Department also stepped up its efforts in the following areas:

- Adapting the copper supply policy to Nexans' new organizational structure for metallurgy operations.
- Integrating operations in Latin America and Asia, where the Group's purchasing best practices are gradually being put in place and synergies are starting to be generated both within and outside these Areas.
- Continuing to seek out new cost-reduction opportunities (such as for freight).
- Implementing "green" purchasing measures, in cooperation with certain suppliers, such as using wooden drums certified by the PEFC (Programme for the Endorsement of Forest Certification) and carbon offsets for business travel. A large number of suppliers responded favorably to the Group's request to sign a CSR Charter.

In addition to these measures focused on variable costs, the Group took steps to cut its fixed costs during the period, which resulted in a comparable-structure reduction of around 3.3% versus the first half of 2009, representing savings of some 20 million euros.

## Support processes and industrial coordination

- Nexans Excellence Way: During the first half of 2010 the Nexans Excellence Way program was rolled out extensively. Forty-one sites are now involved in the program and performance indicators have improved considerably in the pilot areas. Numerous training and communication tools have been set up and a network of seven industrial excellence champions are responsible for coordinating the rollout across all of the Group's Areas.

- Health and Safety: Nexans continued to implement its program to reduce the number of workplace accidents at all of its entities. In first-half 2010, the workplace accident frequency rate was 32,6% lower than for the first six months of 2009.

- Certification of manufacturing plants: Nexans has launched an international program for the certification of its manufacturing plants, with the assistance of an external firm and using consistent methods and processes across the Group. In addition to optimizing costs, this program will enable Nexans to more swiftly roll out best practices relating to quality, the environment, and health and safety.

- Inventory reduction: The IRIS program (Inventory Reduction & Improved Services) is entering its third year. The Group's inventory coverage rate is still falling (down 4.7% at end-June 2010 versus one year earlier) despite a more difficult context in that most customers have themselves significantly reduced their inventory levels. This situation requires a highly flexible supply chain. Consequently, a production lead-time reduction plan has been launched in several countries, including pilot sites in France, aimed at meeting the new demands of our customers.

- Reducing consumption of raw materials: In first-half 2010 the Group continued to implement measures to reduce the consumption of raw materials at all of its sites. In particular, waste reduction measures and steps to prevent over-consumption have been fully incorporated into the Nexans Excellence Way program. At end-June 2010, the over-consumption rate was 6.5% lower in the first half of 2010. In addition, training sessions have been organized as part of value analysis projects in order to optimize the design of our products.

- New manufacturing plants: The Group's Industrial Management Department lent its support during the period to developing new plants in Qatar and India. In both cases, the objective is to help the plants concerned gain from Nexans' best expertise both from a technical perspective and in terms of industrial excellence.

## Use of optimized information systems

During first-half 2010 the Group continued to strengthen and optimize its IT infrastructures. Going forward, the plan is to develop a shared services center to bring together all of the Group's data centers in Europe.

In addition, a project team has been set up with a view to preparing for the migration of SAP 4.6c applications specific to cable operations to the new ECC6.0 version. The stated aim is to complete a «core model» in the second half, which will then be rolled out within the subsidiaries. This large-scale project encompasses numerous countries, including France, Germany, the Benelux countries, Switzerland, Norway, Spain, Greece, South Korea and the United States. Final decisions concerning the rollout schedule for the various countries concerned will be made in the second half of 2010.

**Main difficulties encountered in first-half 2010**:

Although the first six months of the year saw business begin to level off after bottoming out in the last quarter of 2009, the operating environment was still difficult.

In addition, the first three months were particularly affected by extremely adverse weather conditions.
Consequently, the Group had to continue to implement restructuring measures and announced its decision to close another two plants – Latina in Italy and Lorena in Brazil.

At the same time, the Group encountered performance difficulties on several high-voltage submarine cable contracts due to very tight workload schedules at the Halden plant as well as a number of complex production programs. A return to a more normal situation is expected thanks to a complete organizational overhaul and the strengthening of certain key industrial processes.

## 3. Trends and outlook for the second half of 2010

In view of the ongoing difficult and unsettled economic climate, the Group will continue to focus on the following key priorities:

- Keeping a close eye on changes in selling prices.
- Pursuing efforts to scale down working capital requirement by seeking to achieve a reduction in inventory levels proportionately higher than the drop in business levels.
- Optimizing the manufacturing base in order to absorb the fall in production workload to the extent possible and lower the breakeven point as far as possible through industrial excellence which is one of the Group's key competitive strengths.
- Closing sites with no potential for recovery in the medium-term in view of the Group's competitive positioning.
- Launching a number of priority commercial measures with major customers.

For the second half-year, sales should improve when compared with the first half of 2010. In this same second half, operational profitability should rise given the non-recurrence of certain unfavorable aspects of the first quarter, pointing to an operating margin as a percentage of sales of 4.5% for the year as a whole. This allows for further potential gains should the market hypotheses adopted turn out to be even better. After a net loss (Group share) of 17 million euros in the first half of 2010, the Group should end the year with a profit*. Net debt should decrease at year end compared with the situation at June 30, 2010[1].

## 4. Main risks and uncertainties to which the Group is exposed

Nexans considers that the main risks to which the Group is exposed are substantially the same as those set out in pages 35 to 42 and 173 to 183 of the Group's 2009 Registration Document filed with the French financial markets authority (*Autorité des Marchés Financiers*) on April 8, 2010 under number D.10-0232, including the risks related to investigations by competition authorities.

(1) At metal prices for December 31, 2010 comparable to those at June 30, 2010.

The main uncertainties for the second half of 2010 relate to the following:

- The outlook for global economic growth, particularly if demand for cables for the building sector remains weak in Europe and North America and there is no marked recovery for special cables.

- The negative consequences of these developments on workloads at the Group's manufacturing facilities and whether it will be necessary to carry out additional restructuring measures if the situation continues to deteriorate.

- Whether the current fierce competitive context will continue, which could result in further price pressure and in turn squeeze margins.

- The outcome of discussions currently underway with certain customers in the high-voltage business. Due to difficulties encountered in the performance of the contracts concerned, the Group needs to finalize with customers agreements before further proceeding in the realization of the project or transferring the ownership of the product to the customer.

- The Group's ability to convert a sustained stream of quote requests into firm orders with satisfactory margins (for businesses whose order books are under capacity).

## 5. Related party transactions

The Company considers that there were no significant changes in its main transactions with related parties compared with those described in pages 43 to 51 of the 2009 Registration Document and in Note 30 to the consolidated financial statements for the year ended December 31, 2009.

## 6. Parent company business overview

Nexans serves as the Group's holding company and also plays a central role in collecting intragroup royalty fees for R&D, which it then allocates among its subsidiaries according to the R&D programs they carry out for the benefit of the entire Group. The Group's financing and centralized cash management is carried out by a dedicated entity – Nexans Services.
The parent company's sales for the six months ended June 30, 2010 totaled 6.6 million euros, derived primarily from services billed to its subsidiaries. Net income for the period came in at 57.0 million euros, versus 86.9 million euros in first-half 2009.

The Company's equity at June 30, 2010 was 1,704 million euros, compared with 1,672 million euros at December 31, 2009.

July 27, 2010

**The Board of Directors**
**Represented by Frédéric Vincent,**
**Chairman and CEO**

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS SIX MONTHS ENDED JUNE 30, 2010

# Consolidated income statement

| *(in millions of euros)* | Notes | First-half 2010 | First-half 2009 |
|---|---|---|---|
| Net sales | (3) | 2,955 | 2,514 |
| Metal price effect* | | (855) | (430) |
| Sales at constant metal prices* | (3) | 2,100 | 2,085 |
| Cost of sales | | (2,594) | (2,134) |
| Cost of sales at constant metal prices* | | (1,739) | (1,704) |
| Gross profit | | 361 | 380 |
| Administrative and selling expenses | | (241) | (237) |
| R&D costs | | (37) | (33) |
| Operating margin* | (3) | 83 | 110 |
| Core exposure effect** | | 50 | (41) |
| Net asset impairment | (6) | (26) | (9) |
| Changes in fair value of non-ferrous metal derivatives | | (8) | 3 |
| Net gains on asset disposals | (4) | 2 | 2 |
| Restructuring costs | (12) | (56) | (53) |
| Operating income | | 45 | 12 |
| Cost of debt (gross) | | (35) | (33) |
| Income from cash and cash equivalents | | 3 | 5 |
| Other financial expenses | (5) | (8) | (20) |
| Share in net income of associates | | (0) | 0 |
| Income (loss) before taxes | | 5 | (36) |
| Income taxes | (7) | (20) | (19) |
| Net income (loss) from continuing operations | | (15) | (55) |
| Net income (loss) from discontinued operations | | - | - |
| Net income (loss) | | (15) | (55) |
| Attributable to owners of the parent | | (17) | (57) |
| Attributable to non-controlling interests | | 2 | 2 |
| Attributable net income (loss) from continuing operations per share (in euros) | (8) | | |
| - basic earnings (losses) per share | | (0.62) | (2.04) |
| - diluted earnings (losses) per share | | (0.18) | (1.60) |
| Attributable net income (loss) from discontinued operations per share (in euros) | (8) | | |
| - basic earnings (losses) per share | | - | - |
| - diluted earnings (losses) per share | | - | - |
| Net income (loss) per share attributable to owners of the parent (in euros) | (8) | | |
| - basic earnings (losses) per share | | (0.62) | (2.04) |
| - diluted earnings (losses) per share | | (0.18) | (1.60) |

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

** *Effect relating to the revaluation of core exposure at its weighted average cost. In first-half 2010 this line also included a 15 million euro negative impact arising from a further sharp reduction in the volume of core exposure during the period following the restructuring of Nexans' European metallurgy operations, as well as the Group's ongoing efforts to reduce working capital requirement. This effect was offset by a positive impact included in operating margin.*

# Consolidated statement of comprehensive income

| *(in millions of euros)* | First-half 2010 | First-half 2009 |
|---|---|---|
| Net income (loss) for the period | (15) | (55) |
| **Available-for-sale financial assets** | (0) | (0) |
| - Gains (losses) generated during the period (net of tax) | (0) | (0) |
| - Amounts recycled to the income statement (net of tax) | - | - |
| **Currency translation differences** | 165 | 64 |
| - Gains (losses) generated during the period (net of tax) | 165 | 64 |
| - Amounts recycled to the income statement (net of tax) | - | - |
| **Cash flow hedges** | (27) | 120 |
| - Gains (losses) generated during the period (net of tax) | (3) | 50 |
| - Amounts recycled to the income statement (net of tax) | (24) | 70 |
| **Share of other comprehensive income of associates** | - | - |
| Total other comprehensive income | 138 | 184 |
| Total comprehensive income | 123 | 129 |
| Attributable to owners of the parent | 118 | 128 |
| Attributable to non-controlling interests | 5 | 1 |

**Note 7.b** provides a breakdown of the tax impacts on other comprehensive income.

# Consolidated statement of financial position

| *(in millions of euros)* | *Notes* | June 30, 2010 | Dec. 31, 2009 |
|---|---|---|---|
| ASSETS | | | |
| Goodwill | *(9)* | 368 | 335 |
| Other intangible assets | | 188 | 189 |
| Property, plant and equipment | | 1,170 | 1,117 |
| Investments in associates | | 8 | 8 |
| Other non-current financial assets | | 42 | 42 |
| Deferred tax assets | | 69 | 57 |
| Other non-current assets | | 7 | 2 |
| NON-CURRENT ASSETS | | 1,852 | 1,750 |
| Inventories and work in progress | | 950 | 803 |
| Amounts due from customers on construction contracts | | 178 | 215 |
| Trade receivables | | 1,170 | 955 |
| Other current financial assets | | 150 | 162 |
| Current income tax receivables | | 13 | 15 |
| Other current non-financial assets | | 100 | 97 |
| Cash and cash equivalents | *(10)* | 793 | 817 |
| Assets and groups of assets held for sale | | 1 | 1 |
| CURRENT ASSETS | | 3,355 | 3,065 |
| TOTAL ASSETS | | 5,207 | 4,815 |
| EQUITY AND LIABILITIES | | | |
| Capital stock | | 28 | 28 |
| Additional paid-in capital | | 1,264 | 1,258 |
| Retained earnings | | 495 | 538 |
| Other components of equity | | 187 | 52 |
| **Equity excluding non-controlling interests** | | **1,973** | **1,876** |
| Non-controlling interests | | 46 | 42 |
| TOTAL EQUITY | *(11)* | 2,019 | 1,918 |
| Pension and other retirement benefit obligations | | 308 | 309 |
| Other long-term employee benefit obligations | | 13 | 12 |
| Long-term provisions | *(12) & (15)* | 74 | 49 |
| Convertible bonds | *(13)* | 469 | 459 |
| Other long-term debt | *(13)* | 373 | 359 |
| Deferred tax liabilities | | 112 | 109 |
| NON-CURRENT LIABILITIES | | 1,349 | 1,297 |
| Short-term provisions | *(12) & (15)* | 106 | 120 |
| Short-term debt | *(13)* | 228 | 140 |
| Liabilities related to construction contracts | | 144 | 174 |
| Trade payables | | 979 | 845 |
| Other current financial liabilities | | 152 | 96 |
| Accrued payroll costs | | 174 | 168 |
| Current income tax payables | | 18 | 28 |
| Other current non-financial liabilities | | 37 | 29 |
| Liabilities related to groups of assets held for sale | | 1 | 1 |
| CURRENT LIABILITIES | | 1,839 | 1,601 |
| TOTAL EQUITY AND LIABILITIES | | 5,207 | 4,815 |

# Consolidated statement of cash flows

| *(in millions of euros)* | Notes | First-half 2010 | First-half 2009 |
|---|---|---|---|
| Net income (loss) attributable to owners of the parent | | (17) | (57) |
| Non-controlling interests | | 2 | 2 |
| Depreciation, amortization and impairment of assets (including goodwill)* | | 104 | 72 |
| Cost of debt (gross) | | 35 | 33 |
| Core exposure effect** | | (50) | 41 |
| Other restatements*** | | 51 | 46 |
| **Cash flows from operations before gross cost of debt and tax****** | | **125** | **137** |
| Decrease (increase) in receivables | | (113) | 124 |
| Decrease (increase) in inventories | | (48) | 98 |
| Increase (decrease) in payables and accrued expenses | | 57 | (109) |
| Income tax paid | | (27) | (37) |
| Impairment of current assets and accrued contract costs | | (3) | (5) |
| **Net change in current assets and liabilities** | | **(134)** | **71** |
| **Net cash generated from (used in) operating activities** | | **(9)** | **208** |
| Proceeds from disposals of property, plant and equipment and intangible assets | | 2 | 1 |
| Capital expenditures | | (54) | (85) |
| Decrease (increase) in loans granted | | 0 | 177 |
| *- of which margin calls on metal derivatives* | | *-* | *138* |
| Purchase of shares in consolidated companies, net of cash acquired | (2) | (1) | (0) |
| Proceeds from sale of shares in consolidated companies, net of cash transferred | (2) | 7 | - |
| **Net cash generated from (used in) investing activities** | | **(46)** | **93** |
| **Net change in cash and cash equivalents after investing activities** | | **(55)** | **301** |
| Proceeds from (repayment of) long-term borrowings | (13) | 13 | 135 |
| *- of which proceeds from new borrowings* | | *14* | *172* |
| *- of which repayments* | | *(1)* | *(36)* |
| Proceeds from (repayment of) short-term borrowings | (13) | 52 | (148) |
| Cash capital increases (reductions) | | 3 | 38 |
| Interest paid | | (38) | (39) |
| Transactions with owners not resulting in a change of control | | - | 9 |
| Dividends paid | | (32) | (56) |
| **Net cash used in financing activities** | | **(2)** | **(61)** |
| Net effect of currency translation differences | | 26 | 5 |
| **Net increase (decrease) in cash and cash equivalents** | | **(31)** | **245** |
| | | | |
| **Cash and cash equivalents at beginning of period** | | **810** | **388** |
| **Cash and cash equivalents at period-end** | | **779** | **633** |
| *Of which cash and cash equivalents recorded under assets* | | *793* | *643* |
| *Of which short-term bank loans and overdrafts recorded under liabilities* | | *(14)* | *(9)* |

* *Including the portion of restructuring costs corresponding to impairment of non-current assets.*

** *Effect relating to the revaluation of core exposure at its weighted average cost, which has no cash impact.*

*** *Other restatements for the six months ended June 30, 2010 included (i) 20 million euros in relation to offsetting the Group's income tax charge and (ii) 22 million euros to cancel the effect of changes in fair value of derivative instruments, which had no cash impact.*
*In first-half 2009, this item included (i) 19 million euros in relation to offsetting the Group's income tax charge and (ii) 25 million euros to eliminate the net change in operating provisions.*

**** *The Group also uses the "operating cash flow" concept which is calculated after adding back restructuring costs (32 million euros and 11 million euros for the first half of 2010 and 2009 respectively), and deducting gross cost of debt and the current income tax charge.*

# Consolidated statement of changes in equity

| *(in millions of euros)* | Number of shares outstanding | Capital stock | Additional paid-in capital | Treasury stock | Retained earnings | Changes in fair value and other | Cumulative translation adjustments | **Equity excluding non-controlling interests** | **Non-controlling interests** | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|---|
| **January 1, 2010** | **28,012,928** | **28** | **1,258** | | **538** | **26** | **26** | **1,876** | **42** | **1,918** |
| Net loss for the period | - | - | - | - | (17) | - | - | **(17)** | 2 | **(15)** |
| Other comprehensive income | | - | - | - | - | (27) | 162 | **135** | 3 | **138** |
| **Total comprehensive income** | | **-** | **-** | **-** | **(17)** | **(27)** | **162** | **118** | **5** | **123** |
| Dividends paid | | - | - | - | (28) | - | - | **(28)** | (2) | **(30)** |
| Capital increases | | - | - | - | - | - | 0 | **-** | - | **-** |
| Employee stock option plans: | | | | | | | | | | |
| - Service cost* | | - | - | - | 4 | - | - | **4** | - | **4** |
| - Proceeds from share issues | 89,067 | 0 | 3 | - | - | - | - | **3** | - | **3** |
| Transactions with owners not resulting in a change of control | | - | - | - | - | - | - | **-** | - | **-** |
| Other | | - | 3 | - | (2) | 0 | (1) | **-** | 1 | **1** |
| **June 30, 2010** | **28,101,995** | **28** | **1,264** | **0** | **495** | **0** | **187** | **1,973** | **46** | **2,019** |
| | | | | | | | | | | |
| **January 1, 2009** | **27,936,953** | **28** | **1,256** | **-** | **554** | **(153)** | **(107)** | **1,578** | **39** | **1,617** |
| Net loss for the period | | - | - | - | (57) | | | **(57)** | 2 | **(55)** |
| Other comprehensive income | | - | - | - | | 119 | 66 | **185** | (1) | **184** |
| **Total comprehensive income** | | **-** | **-** | **-** | **(57)** | **119** | **66** | **128** | **1** | **129** |
| Dividends paid | | - | - | - | (56) | | | **(56)** | (3) | **(59)** |
| Employee stock option plans: | | | | | | | | | | |
| - Service cost | | - | - | - | 2 | - | - | **2** | - | **2** |
| - Proceeds from share issues | 33,850 | - | 1 | - | | - | - | **1** | - | **1** |
| OCEANE equity component (4% - 01/2016) | | - | - | - | 24 | - | - | **24** | - | **24** |
| Transactions with owners not resulting in a change of control | | - | - | - | - | - | - | **-** | 6 | **6** |
| Cancellation of treasury stock | - | - | - | - | - | - | - | **-** | - | **-** |
| Other | | - | - | - | 3 | 1 | (2) | **2** | (1) | **1** |
| **June 30, 2009** | **27,970,803** | **28** | **1,257** | **-** | **471** | **(33)** | **(44)** | **1,679** | **42** | **1,721** |

*Including shares issued under the 2010 ACT plan

## Note 1
## Summary of significant accounting policies

### a) General principles

Nexans is a French joint stock corporation (*société anonyme*) governed by the laws and regulations applicable to commercial companies in France, notably the French Commercial Code (*Code de Commerce*). The Company was formed on January 7, 1994 (under the name Atalec) and its headquarters are at 8 rue du Général Foy, 75008 Paris, France. Nexans is listed on the Euronext market (Compartment A) of NYSE Euronext Paris and forms part of the SBF 120 index.

These condensed interim consolidated financial statements are presented in euros rounded to the nearest million.

• Compliance with IAS 34

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. They do not contain all the disclosures required for annual financial statements and should therefore be read in conjunction with the Group's annual financial statements for the year ended December 31, 2009.

The interim consolidated financial statements of the Nexans Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which can be viewed on the European Commission's website at:
(http://ec.europa.eu/internal_market/accounting/ias/index_en.htm)

The application of IFRS as issued by the IASB would not have an impact on the financial statements presented.

These condensed interim consolidated financial statements were reviewed by Nexans' Board of Directors on July 27, 2010.

• Basis of preparation

The accounting policies adopted for the financial statements at June 30, 2010 are consistent with those applied in the annual consolidated financial statements for the year ended December 31, 2009, except (i) where specific conditions apply relating to the preparation of interim financial statements (see ***Note 1.b***), and (ii) for the application of the following revised standards, amendments and interpretations which was compulsory in the first half of 2010:

✓ ***IAS 27****, Consolidated and Separate Financial Statements (2008)* & ***IFRS 3****, Business Combinations (2008)*. These two revised standards include the following main amendments:
  - Entities may choose on an acquisition-by-acquisition basis to measure the non-controlling interest in an acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.
  - All acquisition-related costs are now expensed except for costs incurred to issue debt or equity securities.

- Any contingent consideration is recognized at its acquisition-date fair value.
- Equity transactions (i.e., transactions with owners in their capacity as owners) must now be recorded in equity only if there is no change of control.

As there were no significant changes in the Group's scope of consolidation during the first half of 2010, the impact of these two revised standards on the interim consolidated financial statements was not material. It mainly concerned the presentation of transactions with minority shareholders carried out during the first half of 2009 (reclassifications within the Consolidated statement of cash flows and the Consolidated statement of changes in equity).

Likewise, application of the amended versions of other standards (notably ***IAS 12***, Income Taxes, ***IAS 16***, Property, Plant and Equipment and ***IAS 21***, the Effects of Changes in Foreign Exchange Rates), did not have any impact on the consolidated financial statements for the first half of 2010.

In accordance with the AMF's recommendation issued in November 2009, the accounting treatment for the put options granted to minority shareholders prior to January 1, 2010 has not been amended following application of the revised versions of IFRS 3 and IAS 27. These puts are therefore still recorded as financial liabilities with a corresponding adjustment to goodwill for the amount exceeding that of the non-controlling interests. Where appropriate, goodwill is adjusted each year to reflect the change in the exercise price of the options.

✓ ***Amendment to IAS 39,*** *Financial Instruments: Recognition and Measurement – Eligible Hedged Items.* According to this amendment (i) the time value of a purchased option is not a component of the hedged risk in an option-based hedge and (ii) the inflation component of a fixed-rate financial instrument cannot be designated as a hedged item. This amendment did not have a material impact on the first-half 2010 consolidated financial statements.

✓ ***IFRIC 18,*** *Transfers of Assets from Customers.* This interpretation clarifies the accounting treatment to apply when the Group receives an asset free of consideration in connection with a contract signed with one of its customers. It did not have a material impact on the first-half 2010 consolidated financial statements.

✓ ***Improvements to IFRSs issued in April 2009*** *as part of the IASB's annual improvements project.* The amendments included in these Improvements to IFRSs cover twelve standards and interpretations and are applicable for annual periods beginning on or after July 1, 2009 at the earliest (depending on each specific amendment). None of the amendments had a material impact on the interim consolidated financial statements, particularly as Nexans does not have any land leases that could be classified as finance leases.

The following three amendments were early adopted by the Group in the year ended December 31, 2009 (see the 2009 full-year consolidated statements):

- Amendment to **IFRS 8**, *Operating Segments,* relating to the reporting of segment assets.
- Amendment to **IAS 18**, *Revenue,* relating to determining whether an entity is acting as an agent or a principal.
- Amendment to **IAS 36**, *Impairment of Assets,* which states that each cash-generating unit or group of cash-generating units to which goodwill is allocated must not be larger than an operating segment before aggregation.

Application of the following amended standards and interpretations was also compulsory from January 1, 2010 but they are not relevant to Nexans in view of the Group's operations and organizational structure:

- ✓ Restructured version of *IFRS 1*, *First-time Adoption of International Financial Reporting Standards*
- ✓ *Amendment to IFRS 2, Share-based Payment* – Group Cash-settled Share-based Payment Transactions
- ✓ *IFRIC 15, Agreements for the Construction of Real Estate*
- ✓ *IFRIC 17, Distributions of Non-cash Assets to Owners*

The following new interpretations were early adopted by the Group in its financial statements for the year ended December 31, 2008:

- ✓ *IFRIC 12, Service Concession Arrangements*
- ✓ *IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- ✓ *IFRIC 16*, *Hedges of a Net Investment in a Foreign Operation*

The Group has not early adopted the following new and amended standards and interpretations, whose application was not compulsory in 2010 and whose impact on the consolidated financial statements was not deemed material:

- ✓ *Amendment to IAS 24, Related Party Disclosures*. This amendment could not be early adopted by listed companies in the European Union at June 30, 2010, but the EU's endorsement is expected by the year-end.
- ✓ *Amendment to IAS 32*, *Classification of Rights Issues*. This amendment could not be early adopted at June 30, 2010.
- ✓ *Improvements to IFRSs issued in May 2010 as part of the IASB's annual improvements project.* Only certain amendments could be early adopted at June 30, 2010.
- ✓ *IFRS 9, Financial Instruments.* This standard could not be early adopted at June 30, 2010.
- ✓ *Amendment to IFRIC 14, Prepayments of a Minimum Funding Requirement.* This amendment could have been early adopted in first-half 2010 and the EU's endorsement is expected by the year-end.
- ✓ *IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments.* This interpretation could have been early adopted in first-half 2010 and the EU's endorsement is expected by the year-end.

• Accounting estimates and judgments

The preparation of interim consolidated financial statements requires Management to exercise its judgment and make estimates and assumptions. These estimates and underlying assumptions are based on past experience and other factors considered reasonable under the circumstances.

They serve as the basis for any judgment required for determining the carrying amounts of assets and liabilities when such amounts cannot be obtained directly from other sources. Actual amounts may differ from these estimates.

The main sources of uncertainty relating to estimates used to prepare the interim consolidated financial statements for first-half 2010 were the same as those described in the full-year 2009 consolidated financial statements. During the first six months of 2010, Management reviewed its estimates concerning:

- Deferred tax assets not recognized in prior periods relating to unused tax losses.
- The recoverable amount of certain property, plant and equipment, intangible assets and goodwill.
- Provisions for contingencies, and particularly for accrued contract costs.
- Margins on long-term contracts.
- The measurement of derivative instruments.

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.

As was the case for the year ended December 31, 2009, the critical judgments made by Management in applying the Group's accounting policies mainly relate to the classification of derivatives as cash flow hedges.

Following the implementation in second-quarter 2010 of a new rolling contract for a euro-denominated trade receivables sales program, Management also exercised its judgment on the derecognition of some of the sold receivables. The program comprises two distinct and separate parts, referred to as (i) "ON Balance Sheet" (solely concerning Nexans France) whereby the related receivables are not derecognized and (ii) "OFF Balance Sheet" (concerning Nexans France and Nexans Deutschland GmbH), whereby the receivables are derecognized. Under the "OFF Balance Sheet" program substantially all the risks and rewards of ownership of the sold receivables are transferred to the purchaser at the time of the sale in accordance with the derecognition criteria set out in *IAS 39, Financial Instruments: Recognition and Measurement*. In addition, the program does not involve any special purpose entity that would have to be consolidated in accordance with *IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purpose Entities*. The amount of outstandings under the "OFF Balance Sheet" program has been contractually capped at 25 million euros by Nexans.

### b) Specific issues concerning the preparation of interim financial statements

For the purpose of preparing the Group's condensed interim consolidated financial statements, the following calculations and estimates are applied in addition to the recognition, measurement and presentation rules described in paragraph a):

- The current and deferred tax charge for the period is calculated by applying the estimated average annual tax rate for the current fiscal year to the first-half pre-tax income figure for each entity or tax group. This average annual rate includes, where appropriate, the impact of transactions affecting the legal structure of the Group during the period, such as mergers.
- Expenses relating to pensions and other post-employment benefit obligations are estimated based on half of the amount expected for the full year, except where specific events occur which have a material impact on the consolidated financial statements, in which case adjustments are made.

## Note 2
## Significant events of the period

### a) Employee share ownership plan

On February 10, 2010 Nexans announced its intention to carry out another employee rights issue involving the issuance of a maximum of 500,000 shares. This plan is "leveraged", whereby employees are able to subscribe for the shares at a preferential discount price and at the same time are provided with a capital guarantee plus a multiple based on share performance. The shares are subject to a five-year lock-up period except in certain circumstances.
The offer period ran between May 21 and June 7, 2010 and was followed by a retraction period between July 12 and July 16, 2010. The offer price was set on July 9, 2010 at 40.51 euros (representing a 20% discount in relation to the average price of the Nexans share quoted during the 20 trading days preceding the pricing date). The settlement-delivery of the shares is scheduled for August 5, 2010 and will result in the issue of 482,467 new shares, representing an aggregate amount of 19.5 million euros.
In countries where the leveraged plan using a corporate mutual fund posed legal or tax issues, an alternative formula was offered comprising the allocation of Stock Appreciation Rights (SAR).
The 2 million euro expense incurred by this plan was recognized during the first half of 2010 and includes the impact of valuing the lock-up period applicable to plans in countries where it was possible to set up a corporate mutual fund.

### b) Changes in scope of consolidation

There were no significant changes in the scope of consolidation in first-half 2010.

The main changes in the scope of consolidation in first-half 2009 were as follows:

- On March 3, 2009, Nexans announced that it had signed a final agreement with Polycab, India's largest cable company, for the creation of a joint venture to be majority-held by Nexans (50% + one share) and managed in close cooperation with its Indian partner.

  In 2009, Polycab employed over 3,500 people and generated around 600 million US dollars in sales from 12 plants which manufacture cables for the energy and building sectors.

  The joint venture, whose headquarters are based in Vadodara in the state of Gujarat, will cover the manufacturing and marketing of cables for the shipbuilding, materials handling, mining, railway rolling stock and wind power industries as well as the production of high- and medium-voltage terrestrial power cables.

  Through this agreement, Nexans has teamed up with a high-quality partner to ensure the success of the Group's first industrial venture in the Indian market and spur its future development in a country where there are considerable growth opportunities to be tapped. The joint venture agreement is coherent with Nexans' development strategy which is aimed at growing the Group's leadership in the energy sector and strengthening its presence in emerging countries.

  Construction of the joint venture's cable production unit began immediately and will be completed over a period of around 24 months. The total amount of the investment is expected to represent just under 50 million euros. The new outfit is scheduled to start up operations in late 2011 and should reach cruising speed by around 2016 (generating estimated sales of 100 million euros at current metal prices). The impact of the new entity on the consolidated financial statements at June 30, 2010 was not material.

- On December 5, 2008 Nexans and Sumitomo Electric Industries Ltd. (SEI) announced a joint venture to provide optical fibers for European terrestrial telecommunication networks. The partnership covers all FTTx applications with a focus on Fiber-To-The-Home (FTTH) roll-outs.

  The transaction was cleared by the European Commission competition authorities on January 16, 2009 and was completed on January 30, 2009. At that date, SEI acquired a 40% stake in Opticable at a cost of 9.8 million euros, with Nexans retaining the residual 60% interest. The gain on the transaction was not material for the Group as a whole. Opticable continues to be fully consolidated by Nexans.

  In the first half of 2009 Opticable contributed 3.4 million euros to Nexans' consolidated sales (at current metal prices) and 0.9 million euros to operating margin.

## Note 3
## Operating segments

The Group has identified three reportable segments:

- Energy – comprising power cables for energy infrastructures (low-, medium- and high-voltage cables and related accessories), special cables for industry, and equipment cables for the building market. The Energy segment is made up of three operating segments: Energy Infrastructure, Building, and Industry.

- Telecom – which includes cables for private telecommunications networks, junction components for telecommunications network cables, and copper and optical fiber cables for public telecommunications networks. The Telecom segment is made up of two operating segments: Telecom Infrastructure and Local Area Networks.

- Electrical Wires – comprising wirerods, electrical wires and winding wires production operations. The Electrical Wires segment is made up of one operating segment.

The Group's segment information also includes a column entitled "Other", which mainly comprises certain specific or centralized activities carried out for the Group as a whole that give rise to expenses that are not allocated to the Group's business lines. Two significant events occurred in relation to the Group's segment information in first-half 2010:

- The Group continued to incur non-recurring expenses for the organization of its legal defense following investigations launched by a number of competition authorities against Nexans and other cable manufacturers (see **Note 15**).

- In 2009, Nexans' management team put in place a series of measures aimed at improving its working capital position, notably by speeding up turnover of non-ferrous metal inventories. These measures, combined with the full impact of the restructuring carried out in Nexans' European metallurgy operations, enabled the Group to once again significantly reduce its non-ferrous metal inventories, including core exposure. From an accounting perspective, the reduction in core exposure resulted in a positive 15 million euro impact on operating margin in the first half of 2010, which is offset in the "Core exposure effect" line under "Operating income". Core exposure is measured at historic value on a LIFO basis at operating margin level – a value that is lower than its resale value (see Note 1.i to the consolidated financial statements for the year ended December 31, 2009).

These operating segments form the basis for the monthly performance data presented to Nexans' Management Committee[1] and Executive Committee for the purpose of overseeing the Group's strategy and operations. They also constitute the principal vehicle for measuring and assessing Nexans' operating performance based on operating margin, which is the Group's main performance indicator.

*(1) Nexans' Management Committee comprises the Chairman and CEO as well as the three Senior Corporate Executive Vice Presidents. The Committee is the Group's chief operating decision maker within the meaning of IFRS 8.*

The Management Committee and Executive Committee also analyze the Group's performance based on geographic area.

Transfer prices between 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 the notes.

## a) Information by reportable segment

| *First-half 2010 (in millions of euros)* | Electrical Wires | Energy | Telecom | Other | Group total |
|---|---|---|---|---|---|
| Contribution to net sales at current metal prices | 368 | 2,330 | 242 | 15 | 2,955 |
| Contribution to net sales at constant metal prices | 137 | 1,743 | 206 | 13 | 2,100 |
| Operating margin | 6 | 76 | 10 | (9) | 83 |
| Depreciation, amortization and impairment of assets (including goodwill) | (1) | (84) | (6) | (1) | (92) |

| *First-half 2009 (in millions of euros)* | Electrical Wires | Energy | Telecom | Other | Group total |
|---|---|---|---|---|---|
| Contribution to net sales at current metal prices | 204 | 2,073 | 225 | 12 | 2,514 |
| Contribution to net sales at constant metal prices | 112 | 1,752 | 210 | 11 | 2,085 |
| Contribution to net sales at constant metal prices and first-half 2010 exchange rates | 123 | 1,865 | 217 | 11 | 2,216 |
| Operating margin | (2) | 118 | 6 | (12) | 110 |
| Depreciation, amortization and impairment of assets (including goodwill) | (3) | (61) | (7) | (1) | (72) |

## b) Information by major geographic area

| *First-half 2010 (in millions of euros)* | France** | Germany | Norway | Other | Group total |
|---|---|---|---|---|---|
| Contribution to net sales at current metal prices* | 497 | 300 | 289 | 1,869 | 2,955 |
| Contribution to net sales at constant metal prices* | 388 | 244 | 268 | 1,200 | 2,100 |
| Non-current assets* | 147 | 133 | 137 | 1,318 | 1,735 |

* Based on the location of the assets
** Including Corporate activities

| *First-half 2009 (in millions of euros)* | France** | Germany | Norway | Other | Group total |
|---|---|---|---|---|---|
| Contribution to net sales at current metal prices* | 487 | 274 | 261 | 1,492 | 2,514 |
| Contribution to net sales at constant metal prices* | 422 | 237 | 245 | 1,181 | 2,085 |
| Contribution to net sales at constant metal prices and first-half 2010 exchange rates* | 422 | 237 | 289 | 1,268 | 2,216 |
| Non-current assets* | 145 | 131 | 108 | 1,203 | 1,588 |

* Based on the location of the assets
** Including Corporate activities

## c) Information by major customer

The Group does not have any customers that individually accounted for over 10% of its sales in the first half of 2010 or 2009.

## Note 4
## Net gains on asset disposals

| *(in millions of euros)* | First-half 2010 | First-half 2009 |
|---|---|---|
| Net gains (losses) on disposal of non-current assets | 2 | (0) |
| Net gains (losses) on disposal of investments | (0) | 2 |
| Other | - | - |
| **Net gains on asset disposals** | **2** | **2** |

The net gain reported in first-half 2009 mainly corresponds to the sale of a 40% stake in Opticable (see **Note 2.b**).

## Note 5
## Other financial expenses

| *(in millions of euros)* | First-half 2010 | First-half 2009 |
|---|---|---|
| Dividends received from non-consolidated companies | 0 | 0 |
| Provisions | 0 | 0 |
| Net foreign exchange gain (loss) | 2 | (9) |
| Discounting impact on employee benefit obligations | (17) | (17) |
| Expected return on employee benefit plan assets | 8 | 8 |
| Other | (1) | (2) |
| **Other financial expenses** | **(8)** | **(20)** |

## Note 6
## Net asset impairment

In the fourth quarter of each year, the Group carries out impairment tests on goodwill, property, plant and equipment and intangible assets, based on estimated medium-term data updated for the various business units.

At June 30, 2010, Nexans carried out a review of the principal information used for the purposes of impairment testing by combining actual figures for the first six months of 2010 with the estimated data used at the previous period-end, and adjusting the medium-term trends for cash-generating units considered to be sensitive.

The main assumptions used for this review are presented below.

| | Discount rate (before tax) applied to future cash flows | Discount rate (after tax) applied to future cash flows | Perpetuity growth rate |
|---|---|---|---|
| **First-half 2010** | | | |
| Australia | 12.5% | 10.0% | 3.0% |
| Brazil | 14.1% | 11.0% | 3.0% |
| Canada | 11.0% | 8.0% | 2.0% |
| China | 10.9% | 10.0% | 5.0% |
| Korea | 12.6% | 9.5% | 4.0% |
| Europe (euro zone) | 12.2% | 8.5% | 2.0% |
| United States | 11.8% | 8.5% | 2.0% |
| Lebanon | 18.5% | 16.5% | 5.0% |
| Turkey | 17.1% | 13.5% | 3.0% |
| **First-half 2009** | | | |
| Australia | 12.2% | 9.5% | 3.0% |
| Brazil | 14.8% | 10.5% | 4.0% |
| Canada | 11.7% | 8.5% | 0.5% – 2.0% |
| China | 10.9% | 10.0% | 4.0% |
| Korea | 12.6% | 9.5% | 2.0% – 4.0% |
| Europe (euro zone) | 12.3% | 9.0% | 0.5% – 2.0% |
| United States | 11.7% | 8.5% | 2.0% |
| Lebanon | 18.3% | 16.0% | 5.0% |
| Turkey | 15.9% | 12.5% | 3.0% |

The estimated cash flows used for the Group's impairment tests at June 30, 2010 were based on five-year metal price trends at end-May 2010. The terminal value applied is either equivalent to or approximates the latest available market forecast value. The aluminum and copper price forecasts used were as follows (three-month average prices):

| Euro/tonne | Copper | Aluminum |
|---|---|---|
| 2010 | 5,624 | 1,701 |
| 2011 | 5,495 | 1,755 |
| 2012 | 5,288 | 1,793 |
| 2013 | 5,064 | 1,818 |
| 2014 | 4,858 | 1,833 |
| Terminal value | 4,858 | 1,833 |

The review conducted for first-half 2010 resulted in the recognition of a 26 million euro impairment loss, primarily corresponding to impairment of the customer relationships recognized as assets within the "Australia" cash-generating unit, which groups Nexans' operations in Australia and New Zealand, further to Nexans' acquisition of the Olex group in December 2006. The global economic downturn, whose main effects only hit Australia and New Zealand as from the second half of 2009, led to fierce competition in several market segments, with a sharp increase in imports from foreign competitors and loss of market share with a number of key customers. A specific value was allocated to these customer relationships when Olex was acquired. The remainder of the impairment losses recognized in the first half of 2010 mainly concerned goodwill allocated to the "Spain" CGU (see **Note 9**).

The review conducted for first-half 2009 gave rise to the recognition of a 9 million euro net impairment loss, the majority of which related to (i) partial impairment of the harness business which was severely affected by the crisis in the automotive market and (ii) maintenance investments for Group operations that were already fully written down (mainly metallurgy).

*Sensitivity analyses*

Impairment calculations are based on the latest projections approved by Group Management as well as the main assumptions described above.

A 50 basis-point increase in the discount rate used for all the sensitive CGUs reviewed in first-half 2010 compared with the assumptions presented above would result in an additional impairment loss for the "Australia" CGU amounting to around 15 million euros.

## Note 7
## Income taxes

Nexans SA heads up a tax group in France that comprised 13 companies in first-half 2010. Other tax groups have been set up where possible in other countries, including in Germany and North America.

In France, local business tax (taxe professionnelle) has been abolished as from 2010 and replaced by a new "territorial economic tax" (*contribution économique territoriale* – CET), which includes a contribution based on companies' "value added" (*cotisation sur la valeur ajoutée des entreprises* – CVAE). The Group has decided to classify the CVAE as falling within the scope of application of IAS 12 and has therefore included this new contribution in the "Income taxes" line in the first-half 2010 consolidated income statement. Consequently, it will result in the recognition of deferred taxes where appropriate.

### a) Effective tax rate

The effective income tax rate was as follows for first-half 2010 and 2009:

| *(in millions of euros)* | First-half 2010 | First-half 2009 |
|---|---|---|
| Income before taxes | 5 | (36) |
| Standard tax rate applicable in France (in %) | 34.43% | 34.43% |
| Theoretical income tax (expense) benefit | (2) | 14 |
| Effect of: | | |
| - Differences in current tax rates of foreign countries | 5 | 1 |
| - Expenses not deductible for tax purposes | (5) | (3) |
| - Unused tax losses and other deductible temporary differences for the period not recognized as deferred tax assets | (31) | (20) |
| - Utilization during the period of unused tax losses and other deductible temporary differences not previously recognized as deferred tax assets | 4 | 0 |
| - Income/(expenses) arising from tax losses and other deductible temporary differences due to changes in caps on tax rates during the period | 3 | (16) |
| - Income not subject to tax or taxed at a reduced rate (including gains on asset disposals) | 10 | 8 |
| - Changes in tax rates | 0 | 1 |
| - Tax credits | 5 | 0 |
| - Adjustments in respect of prior years and other impacts | (9) | (4) |
| Actual income tax expense | (20) | (19) |
| Effective tax rate (in %) | (399.9)% | (52.3)% |

The theoretical income tax expense is calculated by applying the parent company's tax rate to pre-tax consolidated income.

### b) Taxes recognized directly in equity

- The impact of taxes on other comprehensive income for the period can be analyzed as follows:

| *First-half 2010 (in millions of euros)* | Gross value | Tax effect | Net impact |
|---|---|---|---|
| Available-for-sale financial assets | (0) | (0) | (0) |
| - Gains (losses) generated during the period | 0 | 0 | 0 |
| - Amounts recycled to the income statement | 0 | 0 | 0 |
| Currency translation differences | 164 | 1 | 165 |
| - Gains (losses) generated during the period | 164 | 1 | 165 |
| - Amounts recycled to the income statement | 0 | 0 | 0 |
| Cash flow hedges | (34) | 7 | (27) |
| - Gains (losses) generated during the period | (4) | 1 | (3) |
| - Amounts recycled to the income statement | (30) | 6 | (24) |
| Other comprehensive income | 130 | 8 | 138 |

| *First-half 2009 (in millions of euros)* | Gross value | Tax effect | Net impact |
|---|---|---|---|
| Available-for-sale financial assets | (0) | 0 | (0) |
| - Gains (losses) generated during the period | (0) | 0 | (0) |
| - Amounts recycled to the income statement | - | - | - |
| Currency translation differences | 68 | (4) | 64 |
| - Gains (losses) generated during the period | 68 | (4) | 64 |
| - Amounts recycled to the income statement | - | - | - |
| Cash flow hedges | 161 | (41) | 120 |
| - Gains (losses) generated during the period | 69 | (19) | 50 |
| - Amounts recycled to the income statement | 92 | (22) | 70 |
| Other comprehensive income | 229 | (45) | 184 |

- At June 30, 2010 and December 31, 2009, taxes recognized directly in other comprehensive income (recyclable reserves) – which mainly related to fair value adjustments on derivatives designated as cash flow hedges and corresponded to deferred tax liabilities – totaled 2 million euros and 10 million euros respectively, breaking down as follows:

| *(in millions of euros)* | June 30, 2010 | Dec. 31, 2009 |
|---|---|---|
| By type of underlying | | |
| Metal derivatives – cash flow hedges | 3 | (6) |
| Foreign exchange derivatives – cash flow hedges | (4) | (2) |
| Net investments in foreign operations and related hedges | (1) | (2) |
| **Total taxes recognized directly in other comprehensive income** | **(2)** | **(10)** |

Deferred and current taxes on cash flow hedges are recorded in "Changes in fair value and other". Deferred and current taxes related to net investments in foreign operations and related hedges are presented within "Cumulative translation adjustments". These taxes will be recycled to the income statement in the periods when the hedged items affect income.

- In addition, a deferred tax asset was recognized directly in equity (in retained earnings) on the option component of the OCEANE 2013 and 2016 bonds at the time of their issue, corresponding to 13 million euros in June 2009 and 10 million euros in July 2006.

### c) Unrecognized deferred tax assets

At June 30, 2010 and December 31, 2009, deferred tax assets in the respective amounts of 280 million euros and 252 million euros – primarily corresponding to tax losses – were not recognized as the Group deemed that their recovery was not sufficiently probable.

## Note 8
## Earnings per share

Basic earnings per share are calculated on the basis of the weighted average number of shares outstanding during the period, after deducting the weighted average number of any Nexans shares held by consolidated companies.

Diluted earnings per share take into account share equivalents that have a dilutive effect. Net income is adjusted for after-tax interest expense relating to convertible or exchangeable bonds.

The dilutive impact of stock options is calculated using the «treasury stock method», which assumes that the proceeds received at the time of exercise or purchase will be used first and foremost to purchase shares at market price. The dilutive effects of OCEANE bonds that are convertible into and/or exchangeable for new or existing shares are calculated assuming that the bonds will be systematically converted or exchanged for shares (the "if converted method").

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

| | First-half 2010 | First-half 2009 |
|---|---|---|
| Net income (loss) attributable to owners of the parent *(in millions of euros)* | (17) | (57) |
| Impact of interest expense (OCEANE bonds) | 16 | 9 |
| Impact of interest expense (OCEANE bonds), net of tax | 11 | 6 |
| Adjusted net income (loss) attributable to owners of the parent *(in millions of euros)* | (7) | (51) |
| Net income (loss) from discontinued operations | - | - |
| Average number of shares outstanding | 28,063,174 | 27,962,569 |
| Average number of OCEANE bonds | 7,794,037 | 3,970,833 |
| Average number of stock options | 261,283 | 101,235 |
| Average number of diluted shares | 36,118,494 | 32,034,637 |
| Attributable net income (loss) from continuing operations per share *(in euros)* | | |
| - basic earnings (losses) per share | (0.62) | (2.04) |
| - diluted earnings (losses) per share | (0.18) | (1.60) |
| Attributable net income (loss) from discontinued operations per share *(in euros)* | | |
| - basic earnings (losses) per share | - | - |
| - diluted earnings (losses) per share | - | - |
| Net income (loss) per share attributable to owners of the parent *(in euros)* | | |
| - basic earnings (losses) per share | (0.62) | (2.04) |
| - diluted earnings (losses) per share | (0.18) | (1.60) |

## Note 9
## Goodwill

As in 2009, the increase in goodwill in first-half 2010 (to 368 million euros at June 30, 2010 from 335 million euros at December 31, 2009) primarily stemmed from changes in exchange rates as the Group's goodwill mainly relates to the acquisitions of Olex in Australia and Madeco in South America. The impact of goodwill impairment losses recorded during the period is described below.

In accordance with IFRS 3, the initial accounting for the goodwill arising on the acquisitions of Madeco and Intercond was completed in the third quarter of 2009 (see **Note 11** to the consolidated financial statements for the year ended December 31, 2009). The impact of goodwill allocations relating to these acquisitions on the consolidated income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity was not material in first-half 2009.

Goodwill is tested for impairment at least once a year and whenever there is an indication that it may be impaired, using the methods and assumptions described in **Notes 1.k, 1.n, 7** and **11** to the full-year 2009 consolidated financial statements. A 6 million euro goodwill impairment loss was recognized in first-half 2010, corresponding to the full write-down of the "Spain Energy Cables" CGU, which was adversely affected by the difficult economic conditions in Spain, especially in the real estate market. No goodwill impairment losses were recorded in the first half of 2009.

# Note 10
# Cash and liquidity

## a) Cash and cash equivalents

| *(in millions of euros)* | June 30, 2010 | Dec. 31, 2009 |
|---|---|---|
| Cash on hand | 333 | 312 |
| Money market funds (SICAV) | 458 | 439 |
| Certificates of deposit | 2 | 66 |
| Cash and cash equivalents | 793 | 817 |

In addition to cash on hand, the line "Cash and cash equivalents" consists primarily of money market funds (SICAV) and certificates of deposit. These investments are short-term (maturing in less than three months), highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Cash deposited to meet margin calls related to copper futures traded on the LME whose fair value was negative at the period-end is recorded under "Other current financial assets" rather than "Cash and cash equivalents". The amounts concerned were not material at either June 30, 2010 or December 31, 2009.

At June 30, 2010 and December 31, 2009, cash and cash equivalents totaling 51 million euros and 70 million euros respectively were held by legal entities which are subject to certain capital movement restrictions under the applicable local legislation. The Group can, however, access this liquidity through operations such as dividend payments or capital reductions.

## b) Liquidity management

The key liquidity indicator monitored by Nexans' Finance Department is the unused amount of credit facilities granted to the Group and available cash and cash equivalents. The table below sets out the Group's liquidity facilities at June 30, 2010:

**Main liquidity indicators for the Group at June 30, 2010**

| *(in millions of euros)* | Ceiling | Utilization | Available amount |
|---|---|---|---|
| Unconfirmed facilities | | | |
| Commercial paper program | 500 | 0 | N/A** |
| Nexans Services unconfirmed bank lines | 200 | 0 | 200 |
| Cash pooling overdraft | 112 | 0 | 112 |
| Confirmed facilities | | | |
| Syndicated revolving facility | 580 | 0 | 580 |
| Convertible bonds redeemable in 2013* | 280 | 280 | 0 |
| Convertible bonds redeemable in 2016* | 213 | 213 | 0 |
| Ordinary bonds redeemable in 2017* | 350 | 350 | 0 |
| Total confirmed facilities | 1,423 | 843 | 580 |
| Cash and cash equivalents | | | 793 |

* Nominal amount including the conversion option where applicable.
** In view of the Group's short-term credit rating and the market conditions prevailing at June 30, 2010, this commercial paper program was not considered to be available at that date.

# Note 11
# Equity

## a) Composition of capital stock

At June 30, 2010, Nexans' capital stock comprised 28,101,995 fully paid-up shares with a par value of 1 euro each (28,012,928 at December 31, 2009).

The only changes in capital stock during the first six months of 2010 and 2009 resulted from the issuance of shares following the exercise stock options (89,067 options in first-half 2010 and 33,850 in first-half 2009).

## b) Dividends

At the Annual Shareholders' Meeting held on May 25, 2010 to approve the financial statements for the year ended December 31, 2009, the Company's shareholders authorized payment of a dividend of 1.0 euro per share – representing a total of 28.1 million euros – which was paid out on June 2, 2010.

At the Annual Shareholders' Meeting held on May 26, 2009 to approve the financial statements for the year ended December 31, 2008, the Company's shareholders authorized payment of a dividend of 2.0 euros per share – representing a total of 55.9 million euros – which was paid out on June 3, 2009.

## c) Stock options

The expense recognized in first-half 2010 and 2009 relating to stock options amounted to 2.5 million euros and 2.3 million euros respectively.

At June 30, 2010, there were 1,742,348 stock options outstanding, each exercisable for one newly-issued share, i.e. 6.2% of the Company's capital stock. At December 31, 2009 a total of 1,497,525 options were outstanding, exercisable for 5.35% of the Company's capital stock.

The options outstanding at June 30, 2010 can be analyzed as follows:

| Grant date | Number of options originally granted | Number of options outstanding at the period-end | Exercise price (in euros) | Exercise period |
|---|---|---|---|---|
| April 4, 2003 | 644,500 | 30,400 | €11.62 | From April 4, 2004 (1) to April 3, 2011 |
| Nov. 16, 2004 | 403,000 | 202,250 | €27.82 | From Nov. 16, 2005 (1) to Nov. 15, 2012 |
| Nov. 23, 2005 | 344,000 | 207,320 | €40.13 | From Nov. 23, 2006 (1) to Nov. 22, 2013 |
| Nov. 23, 2006 | 343,000 | 340,000 | €76.09 | From Nov. 23, 2007 (1) to Nov. 22, 2014 |
| Feb. 15, 2007 | 29,000 | 26,000 | €100.94 | From Feb. 15, 2009 (2) to Feb. 14, 2015 |
| Feb. 22, 2008 | 306,650 | 298,850 | €71.23 | From Feb. 22, 2009 (1) to Feb. 21, 2016 |
| Nov. 25, 2008 | 312,450 | 302,038 | €43.46 | From Nov. 25, 2009 (1) to Nov. 24, 2016 |
| March 9, 2010 | 335,490 | 335,490 | €53.97 | From March 9, 2011 (1) to March 8, 2018 |
| TOTAL | 2,718,090 | 1,742,348 | | |

(1) Vesting at a rate of 25% per year.
(2) 50% vesting after two years and the balance vesting at an annual rate of 25% thereafter.

# Note 12
# Provisions

## a) Analysis by nature

| *(in millions of euros)* | June 30, 2010 | Dec. 31, 2009 |
|---|---|---|
| Accrued contract costs | 39 | 42 |
| Restructuring provisions | 100 | 90 |
| Other provisions | 41 | 37 |
| **Total** | **180** | **169** |
| Of which short-term | 106 | 120 |
| Of which long-term | 74 | 49 |

Movements in these provisions were as follows in first-half 2010 and 2009:

| *(in millions of euros)* | Total | Accrued contract costs | Restructuring provisions | Other provisions |
|---|---|---|---|---|
| **January 1, 2009** | **92** | **50** | **27** | **15** |
| Additions | 59 | 3 | 55 | 1 |
| Reversals (utilized provisions) | (16) | (4) | (11) | (1) |
| Reversals (surplus provisions) | (6) | (2) | (2) | (2) |
| Business combinations | - | - | - | - |
| Other | 4 | 2 | - | 2 |
| **June 30, 2009** | **133** | **49** | **69** | **15** |
| | | | | |
| **January 1, 2010** | **169** | **42** | **90** | **37** |
| Additions | 55 | 3 | 51 | 1 |
| Reversals (utilized provisions) | (31) | (5) | (25) | (1) |
| Reversals (surplus provisions) | (6) | (3) | (2) | (0) |
| Business combinations | - | - | - | - |
| Other | (7) | 2 | (14) | 5 |
| **June 30, 2010** | **180** | **39** | **100** | **41** |

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 15** on disputes and contingent liabilities). They do not include provisions for losses on construction contracts in progress (within the meaning of IAS 11, Construction Contracts, except for any provisions for losses at completion) as expected losses on the contracts are recognized as contract costs in accordance with the method described in **Note 1.g** to the full-year 2009 consolidated financial statements.

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

The "Other" line includes the impact of fluctuations in exchange rates as well as reclassifications of restructuring provisions that correspond to provisions for impairment of assets to the appropriate line of the statement of financial position.

## b) Restructuring provisions

Restructuring costs amounted to 56 million euros in first-half 2010, breaking down as follows:

| *(in millions of euros)* | Redundancy costs | Asset impairment and retirements | Other monetary expenses | Total |
|---|---|---|---|---|
| Additions to provisions for restructuring costs | 24 | 17 | 10 | 51 |
| Reversals of surplus provisions | (0) | (2) | (0) | (2) |
| Other costs for the period | 4 | - | 3 | 7 |
| Total restructuring costs | 28 | 15 | 13 | 56 |

"Other monetary expenses" primarily correspond to costs for cleaning up and dismantling sites as well as for reallocating assets.

As was the case in 2009, all of the restructuring plans set up by the Group in first-half 2010 included assistance measures negotiated with employee representative bodies and, where appropriate, the relevant authorities, aimed at reducing the impact of the plans on the employees concerned.

The 56 million in restructuring costs for first-half 2010 chiefly corresponds to provisions set aside for plans to close two cable manufacturing plants (Latina in Italy and Lorena in Brazil) which mainly serve the energy infrastructure market.

- The Group's infrastructure cable business in Italy rarely managed to break even in the past ten years, despite various corporate restructurings and major injections of funds. In spite of a one-off order from ENEL in the first half of 2010 as part of the Italian recovery plan, the ongoing falloff in orders by power network operators – both in the local market and internationally (especially in Spain) left the Group no alternative but to decide to definitively close the site. The closure will affect a total of 155 employees. Production will be transferred to other Group plants in Europe – including Battipaglia in southern Italy – in order to keep up the services offered within the country.

- In Brazil, the steep falloff in the overhead power lines market – which is the main production market for the Lorena site – combined with Nexans' overcapacity for copper cables as a result of plants it acquired from the Madeco group in 2008, led the Group to continue to implement the capacity reduction measures begun following its decision in first-half 2009 to merge the two Nexans entities operating in Brazil. Following the closure of the Lorena plant, which will affect 291 people, the Group's production capacity in Brazil will be grouped at two sites without losing any coverage of existing markets.

- Lastly, 6 million euros worth of restructuring costs correspond to routine closure expenses relating to operations discontinued in 2009, particularly in France.

In first-half 2009, restructuring costs amounted to 53 million euros and mainly related to redundancy costs. The restructuring plans announced during that period involved approximately 1,200 people and primarily concerned Europe and North America.

- In Europe, the restructuring measures chiefly involved operations associated with the automotive and building industries, following on from the measures announced and decisions taken as of the second part of 2008.

The Group continued to adapt its production capacity in harnesses manufactured for the automotive market by closing two additional assembly workshops in the Czech Republic. The automotive cable manufacturing plant based in Arad in Romania was also closed and part of its customer base is now served by other Group units. Structural and capacity adjustments were also made in Germany in response to the sharp downturn in the cable markets, particularly those serving the automotive and machine tool sectors.

In the Building market, the Group closed its Germany-based Vacha plant.

Reorganization measures were also launched in a number of other European countries – albeit on a lesser scale – for the same reasons as above, such as in Belgium and Switzerland.

- In North America, the Group closed the Quebec plant in view of this facility being unable to return to a satisfactory level of performance following the nine-month strike that took place there in 2006 and 2007. Another deciding factor for the closure was the steep falloff in demand resulting from the real estate crisis. The Group therefore decided to redeploy part of the plant's production equipment to existing sites at Weyburn and Chester.

## Note 13
## Net debt

### a) Analysis by nature

| *(in millions of euros)* | June 30, 2010 | Dec. 31, 2009 |
|---|---|---|
| Bonds redeemable in 2017* | 349 | 359 |
| OCEANE 2016 convertible/exchangeable bonds* | 183 | 180 |
| OCEANE 2013 convertible/exchangeable bonds* | 291 | 287 |
| Other long-term borrowings* | 28 | 14 |
| Short-term borrowings* | 205 | 111 |
| Short-term bank loans and overdrafts | 14 | 7 |
| **Gross debt** | **1,070** | **958** |
| Cash and cash equivalents | (793) | (817) |
| **Net debt** | **277** | **141** |

* Including accrued interest.

Since the second quarter of 2010, short-term borrowings have included a program set up by Nexans France for the sale of euro-denominated trade receivables which is contractually capped at 70 million euros.

### b) Change in net debt

| *(in millions of euros)* | First-half 2010 | First-half 2009 |
|---|---|---|
| Net debt at beginning of period | (141) | (536) |
| (Increase)/decrease in net debt | (136) | 187 |
| OCEANE 2016 bond issue* | - | 37 |
| Impact of assets and groups of assets held for sale (IFRS 5) | - | - |
| Net debt at period-end | (277) | (312) |

* Portion of the OCEANE bonds recognized in equity in accordance with IAS 32.

### c) Bonds

On June 23, 2009, Nexans carried out a new issue of OCEANE convertible/exchangeable bonds with the following main features:

- 4,000,000 bonds were issued with a nominal value of 53.15 euros each, representing an aggregate amount of 212.6 million euros.
- The issue price represented a premium of 30% over the reference share price of 40.89 euros on the issue date.
- The bonds are redeemable at par at maturity on January 1, 2016 but the bondholders may request that the bonds be redeemed in advance on January 1, 2015.
- The bonds bear interest at an annual rate of 4%.

In accordance with IAS 32, the portion of these OCEANE bonds corresponding to the value of the conversion option at the issue date is included in equity, in an amount of 37 million euros (see **Note 7.b** for details of the related tax impact).

Other bonds outstanding at June 30, 2010 were as follows:

- Nexans' first bond issue carried out on May 2, 2007, representing an aggregate nominal amount of 350 million euros. The bonds – whose issue price was 99.266% – are redeemable on May 2, 2017 and bear interest at an annual rate of 5.75%.

- The OCEANE bond issue carried out in July 2006, representing an aggregate nominal amount of 280 million euros. The issue comprised 3,794,037 bonds, each with a nominal value of 73.8 euros, bearing interest at an annual rate of 1.5%. and redeemable at a price of 85.76 euros per bond on January 1, 2013.

In accordance with IAS 32, the portion of these OCEANE bonds corresponding to the value of the conversion option at the issue date is included in equity, in an amount of 34 million euros (see **Note 7.b** for details of the related tax impact).

## Note 14
## Derivative instruments

The fair value of derivative instruments used by the Group to hedge foreign exchange risk and the risk associated with fluctuations in non-ferrous metal prices is presented in the following table:

| *(in millions of euros)* | June 30, 2010 | Dec. 31, 2009 |
|---|---|---|
| **Assets** | | |
| Foreign exchange derivatives – Cash flow hedges* | 37 | 24 |
| Metal derivatives – Cash flow hedges* | 10 | 38 |
| Foreign exchange derivatives – Held for trading* | 10 | 10 |
| Metal derivatives – Held for trading* | 2 | 10 |
| Sub-total - Assets | 60 | 82 |
| | | |
| **Liabilities** | | |
| Foreign exchange derivatives – Cash flow hedges* | 28 | 11 |
| Metal derivatives – Cash flow hedges* | 18 | 5 |
| Foreign exchange derivatives – Held for trading* | 29 | 11 |
| Metal derivatives – Held for trading* | 4 | 3 |
| Sub-total – Liabilities | 79 | 30 |

* Within the meaning of IAS 39.

These amounts are included in "Other current financial assets" and "Other current financial liabilities" in the consolidated statement of financial position. Derivatives primarily comprise forward purchases and sales.

For derivatives qualified as cash flow hedges, the opening and closing positions in the statement of financial position cannot be directly reconciled with amounts recorded in equity under "Changes in fair value and other" as certain positions may be rolled over while retaining the cash flow hedge accounting qualification.

## Note 15
## Disputes and contingent liabilities

### *Disputes and proceedings giving rise to the recognition of provisions*

For cases where the criteria are met for recognizing provisions, Nexans considers that the provisions recorded in the financial statements are sufficient to cover the related contingencies, and does not believe that the resolution of the disputes concerned will materially impact the Group's results. Depending on the circumstances, this assessment takes into account the Group's insurance coverage, any third-party guarantees or warranties and independent evaluations of the probability of judgment being entered against Nexans.

- When Nexans completed the initial accounting for its September 30, 2008 acquisition of the Madeco group's cable business (see **Note 11** to the consolidated financial statements for the year ended December 31, 2009), it recognized a 16 million euro provision in the Group's adjusted 2008 financial statements to cover the various risks identified at the acquisition date.

- Performance difficulties were encountered in late 2009 concerning a high-voltage submarine cable contract, as a cable-laying ship operated by a Chinese sub-contractor accidentally damaged a submarine optical fiber link owned by the Chinese army. The Chinese army then impounded the ship and would not allow Nexans' equipment on board to be unloaded. The army subsequently filed a claim against several parties, including Nexans, for around 7 million euros. Nexans does not accept any liability in this case as it considers that the owner/operator of the ship was liable for the damage. An agreement was eventually reached before the judge in the case, between Nexans, the customer, the sub-contractor and the Chinese army, settling all of the claims lodged by the army and the insurer and with no financial impact for Nexans. However, discussions are still in progress with the subcontractor, who is claiming the payment of invoices for the leasing costs of its equipment during the period when it was impounded by the Chinese army.

  In addition, the Group's end-customer – which is a State-owned company – is still challenging the amounts payable for protecting the portion of the cable that has already been laid (and is in working order) alleging that the performance of the contract has taken an excessive amount of time. The total cost of the protective work carried out up to end-December 2009 – which Nexans has not been able to complete since then – amounts to around 20 million euros. The Group considers that the customer's claims are unsubstantiated in view of the terms and conditions of the contract entered into between the two parties. However, in light of the local context it is unable to forecast the outcome of the negotiations currently in progress. Consequently, in its consolidated financial statements for the six months ended June 30, 2010, Nexans recorded a provision based on the amount of its settlement offer put forward to the customer.

Nexans considers that the other existing or probable disputes for which provisions were recorded at December 31, 2009 and June 30, 2010 do not represent sufficiently material amounts when taken individually to require specific disclosures in the consolidated financial statements.

*Contingent liabilities relating to disputes and proceedings*

- The Group has not recorded a provision in relation to the following dispute as the recognition criteria were not satisfied. This case concerns cables manufactured by one of the Group's European subsidiaries and sold to a harness manufacturer. The manufacturer then sold the cables to an automobile equipment manufacturer, which in turn sold them to a European automaker. Nexans' subsidiary was not informed of the end customer's technical specifications. The end customer used Nexans' cables along with switches in its wiper systems, and some of the cables allegedly broke. Nexans' subsidiary considers that the cables sold met the specifications agreed with its customer, the harness manufacturer.
  In January 2008 the automobile equipment manufacturer filed an emergency application against the harness manufacturer to obtain a court order appointing an expert to find and safeguard any available evidence in order to establish the level of liability for each of the parties involved, including Nexans. As part of this procedure, the automobile equipment manufacturer claimed that the cables supplied did not comply with the applicable technical specifications, an allegation that both the harness manufacturer and Nexans contested. In addition, the automaker allegedly undertook a recall affecting around 350,000 installed switches. Finally, the automobile equipment manufacturer confirmed that in 2007 its client, the automaker, filed a 17 million euro claim against it based on the number of vehicles returned at that date.
  Although it is not yet possible to ascertain the impact of the above-described case, Nexans currently does not consider that it will have a material impact on the Group's consolidated financial position. It is, however, not in a position to exclude any such possibility.

- In late January 2009 investigations were launched against Nexans and other cable manufacturers concerning alleged cartel behavior in the sector of submarine and underground power cables and associated equipment and services. These investigations – which are still ongoing – are being conducted by the European Commission, as well as competition authorities in Australia, New Zealand, South Korea (in addition to an investigation into the Group's local operations) and the United States.

  The Group is not in a position to evaluate the possible outcome of these investigations. However, without prejudice to the conclusions of the investigations, given the level of fines imposed by the US and European competition authorities in recent cases and the possible direct and indirect consequences of this type of investigation, it is possible that these investigations may have a material adverse effect on the results of operations and consequently the financial position of the Group.

*Contractual obligations that may give rise to compensation, and risks relating to business combinations.*

- Commercial risks

  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 (621 million euros and 604 million euros at June 30, 2010 and December 31, 2009 respectively).

  When it is probable that Nexans 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 is possible). When such a payment is merely potential rather than probable it is disclosed as a contingent liability if the amount concerned is sufficiently material.

- 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 Nexans will be required to make payments under a warranty a provision is recorded for the estimated risk (where such an estimate is possible). When such a payment is merely potential rather than probable it is disclosed as a contingent liability if the amount concerned is sufficiently material.

  As stated in **Note 2.d** to the full-year 2009 consolidated financial statements, the final purchase price for Madeco's cable business is still subject to final adjustments based on the financial statements at September 30, 2008. On July 9, 2009, Madeco notified Nexans that it had decided to launch arbitration proceedings in order to set the amount of the final adjustments. These proceedings were still ongoing at June 30, 2010 but the amount disputed by Madeco represents less than 30 million US dollars.

  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 (28 million euros held until December 31, 2010, 21 million euros until December 31, 2011, 14 million euros until December 31, 2012 and 7 million euros until December 31, 2013).

## Note 16
## Subsequent events

No significant events for which disclosure is required have occurred since June 30, 2010.

# STATUTORY AUDITORS' REVIEW REPORT ON THE 2010 INTERIM FINANCIAL INFORMATION

**PricewaterhouseCoopers Audit**

63, rue de Villiers
92200 Neuilly-sur-Seine

**KPMG**

1, cours Valmy
92923 Paris La Défense Cedex

*This is a free translation into English of the Statutory Auditors' review 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.*

**Nexans**
8-10, rue du Général Foy
75008 Paris

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meetings and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of Nexans for the six months ended June 30, 2010;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

## I – Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with IAS 34 – "Interim Financial Reporting", as adopted by the European Union.

Without qualifying our conclusion, we draw your attention to the section "Contingent liabilities relating to disputes and proceedings" of Note 15 to the condensed interim consolidated financial statements, which describes competition investigations launched against the Company in late January 2009.

## II – Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and its consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, July 27, 2010

The Statutory Auditors

**PricewaterhouseCoopers Audit**

Dominique Ménard
Partner

**KPMG Audit**
A division of KPMG S.A.

Valérie Besson
Partner

# STATEMENT BY THE PERSON RESPONSIBLE FOR THE 2010 INTERIM FINANCIAL REPORT

I hereby declare that to the best of my knowledge, (i) the condensed interim consolidated financial statements for the six months ended June 30, 2010 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 all the undertakings included in the consolidation, and (ii) the interim management report presented herein provides a fair view of significant events of half-year 2010, their impact on the financial statements, the principal related party transactions and the principal risks and uncertainties to which the Group is exposed for the second half of 2010.

Frédéric Vincent
Chairman and Chief Executive Officer

Nexans, the world's leading cable supplier, demonstrated the solidity of its business model and the resilience of its operations during 2009. We have enhanced our competitiveness and our financial structure. We have improved and enriched the services offered to our customers. We have successfully invested in innovation and strengthened our resources in emerging markets to benefit from regional growth over the long term. 2010 will be another year of challenges for all and we are confident in our capacity to take our business forward.

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