2014 HALF-YEAR FINANCIAL REPORT

The purpose of this report is to present an overview of the operations and results of the Nexans Group for the first half of fiscal year 2014. It is based on the consolidated financial statements for the six months ended June 30, 2014.

Nexans' shares are traded on the NYSE Euronext Paris market 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, 2014:

- Institutional investors: 90% of which approximately 28% held by Invexans (Quiñenco group, Chile), 7.9% by Manning & Napier Advisors (United States), 7.8% by Bpifrance Participations (France), and 5.6% by Amber Capital (United Kingdom)
- Private investors and employees: 9.8%
- Unidentified shareholders: 0.2%

This interim activity report must be read in conjunction with the consolidated financial statements for the six months ended June 30, 2014 (including the notes to those financial statements), as well as with Nexans' Registration Document for the year ended December 31, 2013 which was filed with the French financial markets authority (*Autorité des Marchés Financiers* – AMF) on April 7, 2014 under number D.14-0296.

CONTENTS

1. Significant events of first-half 2014

1.1. Governance and Executive Management

Members of the Board of Directors of Nexans SA

At the Annual Shareholders' Meeting held on May 15, 2014, Nexans' shareholders re-elected Véronique Guillot-Pelpel as a director for a four-year term and elected two new directors, also for four-year terms: Philippe Joubert and Fanny Letier (a new director put forward by BPI to replace its previous representative, Jérôme Gallot, who remains on the Board as an independent director). At the close of the Shareholders' Meeting the Board of Directors comprised 14 members, after taking into account the expiration of François Polge de Combret's term of office and the resignation of Nicolas de Tavernost which he tendered in order to comply with the recommendations of the AFEP-MEDEF Corporate Governance Code.

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

On May 15, 2014, on the recommendation of its Chairman, the Board of Directors approved the principle of splitting the duties of Chairman of the Board and Chief Executive Officer. Consequently, the Board decided that Frédéric Vincent will retain his role as Chairman of the Board and Arnaud Poupart-Lafarge will become Chief Executive Officer, effective from end-September 2014.

Long-term partnership between Invexans (a Quiñenco group subsidiary) and Nexans

On May 22, 2014, Nexans announced that (i) the agreement between Nexans and Invexans (a Quiñenco group subsidiary) dated March 27, 2011, as modified by the amendment of November 26, 2012, had been terminated, and (ii) Invexans had given a long-term commitment, expiring on November 26, 2022, concerning the future of the two companies' partnership. In this commitment – the full wording of which is available on Nexans' website at www.nexans.com (under Finance/Documentation) – Invexans has undertaken not to request representation on the Board in excess of three non-independent members in a Board of 14 members, or if the Board were to be enlarged, in excess of a number of directors proportionate to its shareholding.

1.2. International employee share ownership plan

At its meeting held on May 15, 2014, and in accordance with the authorizations granted at the Annual Shareholders’ Meeting of the same date, the Board of Directors announced the launch of an employee share ownership plan involving a maximum of 400,000 new shares to be issued as part of an employee rights issue which is expected to take place in early 2015. This will be the sixth international employee share ownership plan set up by the Group.
It will propose a "leveraged" structure in the same way as in the 2010 and 2012 plans, whereby employees are provided with a capital guarantee.
Subject to approval by the AMF, the shares will be subscribed through a corporate mutual fund and will be offered at a 20% discount to the benchmark price (apart from in countries where this is not possible for legal or tax reasons).

1.3. Antitrust investigations: April 7, 2014 notification of the European Commission's decision

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

On July 4, 2014, Nexans France SAS paid the 70.6 million euro fine imposed by the European Commission.

At June 30, 2014, Nexans France SAS has booked a debt of 70,6 million euros (identified as "Other current liabilities" in the consolidated accounts of the Company at June 30, 2014) for payment of the fine which was made by Nexans France SAS in early July 2014 (thus within 90 days since the receipt of the notification of the decision as provided for in the European regulations). Nexans France SAS also booked a provision for risks of 80 million euro for the direct and indirect consequences of the European Commission's decision and of other on-going proceedings in the same sector of activity.

See **Note 16** to the condensed interim consolidated financial statements for further details.

2. Operations during first-half 2014

2.1. Overview

Consolidated sales for the six months ended June 30, 2014 came to 3.216 billion euros compared with 3.412 billion euros for the same period of 2013. This year-on-year contraction includes a negative copper effect of 99 million euros due to the decrease in copper prices and a 182 million euro adverse currency effect compared with the first six months of 2013.

At constant non-ferrous metal prices, sales amounted to 2.304 billion euros versus 2.351 billion euros in first-half 2013.

This decrease breaks down into an organic sales growth of 3.2% more than offset by a negative currency effect.

In the second quarter of 2014, sales were up 8% on first-quarter 2014 and 2.7% on the second quarter of 2013 on a comparable basis.

The first six months of 2014 saw the following three main trends:

- Strong activity in submarine high-voltage cables with favorable timing of projects and highly dynamic automotive harnesses business.
- A modest sales recovery in Europe in some industrial sectors and a return to growth in North America during the second quarter.
- A marked slowdown in sales in South America due to the unsettled economic environment in the region, as well as in the Middle East and in Russia as a result of geopolitical tensions.

A sales analysis shows that the Group experienced organic growth in each of its main businesses compared with first-half 2013, as follows:

- a 0.6% increase in the building market, reflecting a slight rise in sales volumes; in an environment that remains very difficult;

- a 1.1% rise in the industry market, fueled by brisk sales of automotive harnesses and the Group's position in Europe within seven segments that it has identified as strategic;
- 4.7% growth for energy infrastructure, with very mixed performances between (i) the submarine business which turned in a robust performance (particularly strong in umbilical cables), (ii) the land high-voltage business (sharp contraction), and (iii) low- and medium-voltage operations (slight sales decline).

Consolidated operating margin amounted to 77 million euros in first-half 2014 compared with 75 million euros in the equivalent prior-year period and 66 million euros in the second half of 2013. At constant exchange rates, this represents a year-on-year increase of 10%.

In a difficult market environment exacerbated by a still strong euro and by slowdowns in South America, Russia, the Middle East and the mining sector in general, growth initiatives did not yet produce the expected effects. However, ongoing strategic structural initiatives (recovery in submarine high-voltage sales, reduction of fixed costs in Europe and the Asia-Pacific area and the drive to enhance competitiveness by reducing variable costs) were the main contributors to the improved operating margin, with an estimated positive impact of 27 million euros over the period, compared with 19 million euros for the whole of 2013.
The Group reported strong results in certain specific businesses, such as umbilical cables, harnesses, and low- and medium-voltage accessories, which offset the negative impacts of difficult or deteriorated economic environments.

Overall, first-half 2014 operating margin represented 3.4% of sales at constant metal prices, versus 3.2% in the first six months of 2013.

2.2. Analysis by division

Distributors & Installers

The Distributors & Installers division registered sales of 565 million euros for first-half 2014 at constant metal prices, up 0.6% on the first half of 2013 on an organic basis.

In Europe, business performance remained mixed between Scandinavia and Belgium on the one hand (which reported high growth) and France and the Netherlands on the other. Sales volumes were stable during the period and prices remained on a par with the second half of 2013.

Sales of cables for the building industry in North America experienced the contrasting effects of a recovery in the industrial construction sector in Canada and ongoing weak business levels in the US construction sector.
Sales of LAN cables were boosted by the positive effects of an upswing in business in the United States, where the benefits of the Group's partnership with Leviton are gradually beginning to feed through in a still lackluster market.

The Asia-Pacific and Middle East, Russia and Africa areas also contributed to the division's organic increase, delivering strong growth spurred by buoyant market conditions in Korea, Turkey and Morocco and, to a lesser extent, by a slight recovery in the Australian building industry.

Business volumes narrowed sharply in South America, particularly in Brazil – due to weak domestic growth – and Chile, which saw a steep falloff in mining infrastructure projects.

Operating margin for the Distributors & Installers business came to 14 million euros and corresponded to 2.5% of sales, representing a decrease compared with the first-half 2013 figure of 4.1% due to price reductions that occurred in the third quarter of 2013. However the first-half 2014 operating margin was up on the 2.2% reported for the second half of 2013, due to an improved performance by LAN cables in the United States.

Industry

Sales for the Industry business totaled 600 million euros in the first half of 2014, up 1.1% year on year on an organic basis. Performance was mixed, however, in the division's two main sub-segments:

- The energy resources segment reported a 13% contraction. Sales for the upstream Oil & Gas sector increased sharply, particularly in Korea and the United States, and observed a more moderate growth in the downstream sector for which the Group's operations are mainly based in the Middle East, Russia and Africa area. The situation in the mining sector showed no signs of improvement during the period, particularly in South America and the Asia-Pacific area, due to financial difficulties experienced by the main mining companies and industrial unrest in South America. The renewable energy sector was also severely impacted by market conditions during the period.

- The transport segment experienced the same brisk momentum as in previous quarters. Automotive cables once again delivered double-digit growth, and the railways sector also performed well, driven mainly by the Chinese market which saw fresh capital expenditure for high-speed trains. Meanwhile, the shipbuilding sector retreated compared with the first half of 2013, which saw particularly strong sales volumes in Korea. Sales of cables to the aeronautical industry continued to trend upwards in Europe, buoyed by the Group's partnership with Airbus. In North America, however, they slowed considerably.

- In the other segments of the Industry business, the Group's strategy of focusing on high value-added sectors drove up sales of automation cables, but sales of cables for other industrial applications remained sluggish, and in some cases contracted year on year.

Lastly, the plans for the Group's restructuring in Europe are proceeding on schedule.
Operating margin for the Industry business amounted to 24 million euros, or 3.9% of sales, up by 50 basis points on the first half of 2013.

Transmission, Distribution & Operators

Sales generated by the Transmission, Distribution & Operators business totaled 993 million euros, representing organic growth of 4.7% compared with the first half of 2013.

Distribution & Operators

Sales of low- and medium-voltage cables decreased by 1.9% on an organic basis.

Sales of cables to energy operators contracted by 2.9% due to a sharp decline experienced in France and the Asia-Pacific area. In addition, the political situation in the Middle East weighed on sales in Europe which is the export base for these markets (notably Libya). In China, the Group's subsidiary Yanggu saw a temporary slowdown and Australia continued to suffer from weak domestic demand.

Sales momentum was brisk in North America but South America posted a sales contraction in Chile and Peru as a result of a slowdown in infrastructure expenditure, although this effect was temporarily offset by the delivery of overhead line projects in Brazil.

In the Middle East, Russia and Africa area, the operating environment was more difficult in Russia, growth picked up pace in Morocco and business continued to trend upward in Lebanon.

Sales to telecom operators increased once again, up 3.7% on first-half 2013, led by sales of fiber optic cables.

Land high-voltage cables

The land high-voltage business reported a 13% sales decline as a result of an ongoing challenging market context and increased use of internal subcontracting for the land-based portion of submarine projects. Restructuring measures continued to be rolled out during the period.

Submarine high-voltage cables

Sales of submarine high-voltage cables climbed by over 30% in first-half 2014, driven by high volumes for umbilical cables. In addition, the last projects affected by the operational difficulties of 2012 were delivered during the second quarter of 2014.

Operating margin for the Transmission, Distribution & Operators business as a whole came to 48 million euros, or 4.8% of sales, up significantly on the 34 million euros posted in first-half 2013, with the price pressure experienced for low- and medium-voltage cables in second-half 2013 and land high-voltage cables more than offset by the strong showing from submarine cables.

Sales reported by Other Activities amounted to 146 million euros, up 14% on the first half of 2013 on an organic basis due to higher sales volumes in Canada.

2.3. Other items in the first-half 2014 consolidated income statement

2.3.1. Core exposure effect

For the six months ended June 30, 2014, the Core exposure effect was a negative 17 million euros compared with a negative 27 million euros in first-half 2013. The year-on-year difference is due to the fact that copper prices decreased by a lesser extent during first-half 2014 than in the first six months of 2013.

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

2.3.2. Restructuring costs

Restructuring costs came to 16 million euros in first-half 2014 versus 32 million euros in the corresponding prior-year period.

- The 16 million euro figure for first-half 2014 relates to (i) various restructuring plans launched during the period – notably in China and Brazil – which accounted for 6 million euros of the total, and (ii) restructuring plans launched in previous years, notably in connection with the cost-saving plan implemented in Europe and the industrial reorganization measures put in place in Australia.
- Of the 32 million euros in restructuring costs recorded for first-half 2013, 13 million euros related to Australia and the remainder corresponded to costs expensed as incurred under restructuring plans launched in previous years, notably in France, Germany, Italy and Brazil.

2.3.3. Other operating income and expenses

Other operating income and expenses represented net income of 45 million euros for the first six months of 2014 versus a net expense of 94 million euros for first-half 2013. The main explanatory factors for this positive swing are as follows:

- **Net asset impairment**, which represented a net charge of 5 million euros in first-half 2014, versus 92 million euros in the corresponding period of 2013. 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 provided by its business units.

  At June 30, 2014, Nexans carried out a review of these assets to identify any indications of impairment that may have arisen since the tests carried out in the fourth quarter of 2013. No indications of impairment requiring an impairment test were identified at June 30, 2014.

  The 5 million euro net impairment loss recognized in the first half of 2014 mainly concerned intangible assets affected by a loss of clientele.

- **Expenses and provisions for antitrust investigations**, which represented net income of 48 million euros in first-half 2014 and mainly corresponded to (i) the reversal of the 200 million euro provision set aside in June 2011 to cover the risks of a fine being imposed by the European Commission for anti-competitive behavior, and (ii) the recognition of a 70.6 million euro expense corresponding to the actual fine imposed by the European Commission and an 80 million euro provision to cover the direct and indirect consequences of the European Commission's decision and of other on-going proceedings in the same sector of activity (see **Note 16** to the condensed interim consolidated financial statements).

2.3.4. Financial income and expenses

The Group recorded a net financial expense of 53 million euros in the first six months of 2014, compared with 46 million euros in first-half 2013.

The net cost of debt contracted to 43 million euros in first-half 2014 from 45 million euros one year earlier, notably attributable to a lower level of external borrowings for certain subsidiaries.

However, other financial expenses increased by 9 million euros year on year, mainly as a result of the 1 million euro net foreign exchange loss recorded in first-half 2014 versus a 7 million euro net foreign exchange gain in the same period of 2013.

2.3.5. Income taxes

The Group recognized an income tax expense of 14 million euros in the first six months of

2014 for 36 million euros in income before taxes and share in net income of associates, representing an effective tax rate of 38.1%. In first-half 2013, the income tax expense was 21 million euros.

2.3.6. Principal cash flows for the period

Cash flows from operations before gross cost of debt and tax totaled 105 million euros in first-half 2014.

The increase in working capital requirement in the first half of 2014 primarily reflects a seasonal effect. Net cash used in investing activities came to 84 million euros, chiefly corresponding to purchases of property, plant and equipment.

Net cash used in financing activities totaled 104 million euros, chiefly comprising 64 million euros in interest paid and 43 million euros in repayments of external borrowings.

Overall, taking into account the effect of currency translation differences, net cash and cash equivalents decreased by 330 million euros during the period and stood at 638 million euros at June 30, 2014 (including 653 million euros in cash and cash equivalents recorded under assets and 15 million euros corresponding to short-term bank loans and overdrafts recorded under liabilities).

2.3.7. Consolidated statement of financial position

The Group's total consolidated assets decreased to 5,326 million euros at June 30, 2014 from 5,461 million euros at December 31, 2013.

Changes in the structure of the Group’s statement of financial position between those two reporting dates were as follows:

- Non-current assets totaled 2,004 million euros at June 30, 2014, versus 1,964 million euros at December 31, 2013.
- Operating working capital requirement (trade receivables plus inventories plus amounts due from customers on construction contracts less trade payables and liabilities related to construction contracts) rose by 209 million euros between December 31, 2013 and June 30, 2014.
- Net debt increased by 270 million euros to 607 million euros at June 30, 2014 from 337 million euros at December 31, 2013.
- Provisions for contingencies and charges – including for pension and other long-term employee benefit obligations – decreased by 108 million euros in the six months between

December 31, 2013 and June 30, 2014, to 716 million euros. The most significant year-on-year change concerned provisions for anti-competitive behavior.

- Total equity stood at 1,632 million euros at June 30, 2014 compared with 1,600 million euros at December 31, 2013.

3. Trends and outlook for the second half of 2014

Despite an extremely mixed operating environment across our various businesses and geographic areas, Nexans' first-half results for 2014 are in line with the plan that was disclosed.

The Group believes that it will still be able to achieve an increase in operating margin in full-year 2014 compared with 2013, notably due to the results of the strategic initiatives that have been put in place. However, the extent of the increase will depend on market conditions in the second half of the year.

Meanwhile, the entire Group is continuing to put all of its efforts into successfully implementing the business transformation plan and speeding up the pace of growth

Please also see section 4 below, "Risk factors and main uncertainties".

4. Risk factors and main uncertainties

Nexans operates in a context of risk and uncertainty as a result of the general economic environment as well as the specific nature of its own business activities.

A detailed description of risk factors and uncertainties is provided in the "Risk Factors" section on pages 25 to 33 of the 2013 Registration Document, in the notes to the consolidated income statement on pages 162 to 175 of the 2013 Registration Document and in **Note 16** to the condensed interim 2014 consolidated financial statements in respect of the antitrust investigations launched in 2009 in relation to the submarine and underground high voltage power cable sector in various countries and for which the European Commission announced on 2 April 2014 its decision to impose a fine on all the major European and Asian cable industry actors.

Nexans does not consider that the main risks identified in the 2013 Registration Document have changed significantly, subject to the risks relating to the antitrust investigations.

If these risks were to materialize they could have a significant adverse effect on the Group's operations, financial position, earnings and outlook.

Nexans may be exposed to other risks that were not identified at the date of this report, or which are not currently considered material.

In addition to these risk factors, the main uncertainties for the second half of 2014 primarily relate to:

- The impacts of execution of the cost-saving plans put in place in Europe and the Asia-Pacific area.
- Maintaining or restoring a sufficient level of demand and prices in Europe.
- The economic and political environment in certain emerging markets (notably China, Brazil, Argentina, Russia, Lebanon, and Lybia).
- The medium-term outlook in those countries and in Australia.
- Demand within the mining sector in general.
- Continuing increased in customer credit risks, which in some cases cannot be insured, or very partially insured, in Southern Europe, Middle East and North Africa and Russia and in some customer segments in China.

5. Related party transactions

Apart from the termination of the agreement with the Group's main shareholder, Invexans, which forms part of the Quiñenco group, as described in section 1.1 above, the Company considers that there were no significant changes in its main transactions with related parties compared with those described in the 2013 Registration Document in **Note 31** to the consolidated financial statements for the year ended December 31, 2013.

July 24, 2014

The Board of Directors

Represented by Frédéric Vincent

Chairman and CEO