



Interim financial report  
Six months ended June 30, 2009

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# INTERIM FINANCIAL REPORT

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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 2009. It is based on the parent company's financial statements and the consolidated financial statements for the six months ended June 30, 2009.

Nexans' shares are traded on the NYSE Euronext Paris market (Compartment A) and are included in the CAC Next 20 index. The Company's estimated ownership structure, broken down by shareholder category, was as follows at July 10, 2009 :

- Institutional investors: 83.7%, of which (i) 9.2% corresponding to the Madeco Group (Chile), (ii) 5.9% corresponding to Morgan Stanley (United States), (iii) 5.07% corresponding to Fonds Stratégique d'Investissement (France), and 5% corresponding to Barclays Global Investors (United Kingdom) ;
- Private investors and employees: 15.6% ;
- Unidentified shareholders: 0.7%.

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## 1- Operations during first-half 2009

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### 1.1 Consolidated results of the Nexans Group

Sales for the first half of 2009 totaled 2,514 million euros, down 29.3% on the 3,554 million euros recorded for the first six months of 2008. This decline is primarily attributable to the steep fall in non-ferrous metal prices that began as of the third quarter of 2008 and continued through to the end of the year before prices picked up again in early 2009, although without reaching the high levels of the first half of 2008. Based on constant non-ferrous metal prices, sales came in at 2,085 million euros, versus 2,419 million euros in the corresponding period of 2008.

The second explanatory factor for the sharp falloff is the Group's ongoing measures to focus its Electrical Wires business purely on Nexans' internal requirements, leading to a more than 45% year-on-year drop in sales generated by these operations based on constant exchange rates and a comparable scope of consolidation (like-for-like).

Lastly, first-half 2009 sales were affected by major changes in the Group's structure, with the consolidation of Nexans' two recent acquisitions, namely Intercond as of August 1, 2008 and Madeco's cables business as of October 1, 2008. These new Group companies contributed 14 million euros and 155 million euros respectively to sales at constant non-ferrous metal prices in the first six months of 2009.

The contribution by Santander – which was sold in late May 2008 to UK-based B3 – was also adjusted for the purpose of comparable scope analyses. In the first six months of 2008 this business represented 24 million euros worth of sales at constant non-ferrous metal prices.

Based on constant non-ferrous metal prices, constant exchange rates and a comparable scope of consolidation, sales were 18.5% down on first-half 2008, with the cables business alone sliding 16.4%.

Europe and North America were the two areas that experienced the sharpest downturn in sales against the equivalent prior-year period. In Asia, South America and MERA (Middle East, Russia and Africa), sales were on a par with the first six months of 2008.

Operating margin amounted to 110 million euros, or 5.3% of sales at constant non-ferrous metal prices (4.4% at current metal prices), compared with 220 million euros, or 9.1% of sales at constant non-ferrous metal prices (6.2% at current metal prices) in first-half 2008.

EBITDA (earnings before interest, tax, depreciation and amortization) came to 173 million euros during the period under review, or 8.3% of sales at constant non-ferrous metal prices, versus the first-half 2008 figure of 273 million euros, or 11.3% of sales at constant non-ferrous metal prices.

The Group recorded a 36 million euros consolidated loss before taxes in the first six months of 2009 versus income of 174 million euros in the year-earlier period. This negative swing was mainly due to the impact of non-recurring items, including 53 million euros for restructuring plans launched during first-half 2009 and 41 million euros in non-cash costs stemming – as in 2008 – from the accounting treatment of the fall in copper prices. Under current Group accounting policies, non-ferrous metal inventories are measured by the weighted average unit cost method, leading to the recognition in the accounts of the price difference between the copper actually used in production and the copper implicitly allocated to the order through the hedging mechanism. No such cost 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.

After the 19 million euros tax charge, the Group posted an attributable net loss of 57 million euros in the first six months of 2009 versus attributable net income of 119 million euros in the prior-year period.

## 1.2 Analysis of the Group's consolidated results

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

### ENERGY

The Energy business posted 1,752 million euros in sales, down 11.1% on first-half 2008, or 16.3% like-for-like. The falloff was particularly steep in Industry and Building, where sales dropped by more than 20%, but was less pronounced in Energy Infrastructure where the decline was contained 5.8% on an organic basis.

Operations acquired in 2008 (Madeco's cables business and Intercond) contributed an additional 139 million euros in sales to the Energy business, around half of which derived from Energy Infrastructure which reported 3.3% growth at constant non-ferrous metal prices and exchange rates.

#### Energy Infrastructure Cables

On an organic basis, sales posted by Energy Infrastructure cables decreased 5.8% compared with first-half 2008.

However, quarter-on-quarter during the period under review, this business registered organic sales growth of 10.7%. The second-quarter 2009 increase was achieved by all of the business's sub-segments, but especially by high-voltage cables whose sales surged 17% following on from a first three months marked by invoicing delays.

For the first half overall, sales recorded by the **high-voltage cables** segment edged back 2.8% on an organic basis. The volume of sales generated by this business reflects how the manufacturing base ran to full capacity over the period, following the successful completion of capacity investment programs in the Group's Norwegian, Belgian and Japanese units. The goal now is to consolidate the positions won and smoothly carry out the contracts in process.

Submarine cable sales – which accounted for approximately 60% of high-voltage sales at end-June 2009 – were up 9.1% on the first half of 2008. This performance was fueled by projects to create power links between island and mainland networks, such as the connection between Hainan Island and Guangdong province in China which was inaugurated on June 30, 2009. During the period under review, the Group also participated in the project to create a power link between Bahrain and Saudi Arabia.

In first-half 2009, Nexans won a number of major new contracts, including the supply of umbilical cables for Petrobras in Brazil (the Tambaù gas field) and the supply of a direct electrical heating (DEH) system for the Skarv oil and gas field subsea production pipeline in the Norwegian Sea.

Sales from high-voltage terrestrial cables contracted over the first six months of the year due to time lags arising from a particularly difficult project as well as to a problem related to approval of a manufacturing facility refused by the concerned customer.

During the period, Nexans participated in various power link projects in the Middle East and China and conducted a steady stream of business with power network operators in France, Belgium and Spain.

**Medium-/low-voltage cables** reported 13.6% sales growth at constant exchange rates, spurred mainly by the contribution of newly-consolidated companies resulting from the 2008 acquisition of Madeco's cables business in South America.

Like-for-like sales fell back 4.8%, chiefly reflecting declines in Europe and North America. The Asia-Pacific and MERA areas posted growth of 16.3% and 13.3%, respectively.

In Europe, sales slid 15.2% like-for-like against first-half 2008. The picture was mixed across the Group's various operating countries, however. In Germany, Italy, Switzerland and the United Kingdom the main national operators cut back on their network investments. At the same time, certain renewable energy projects that are awaiting financing were temporarily put on hold.

Export sales to Central Europe retreated sharply due to a decrease in demand as a result of the economic context, as well as to the Group's decision to limit its commitments towards certain customers.

In some countries, such as Italy and Greece, domestic sales contracted by over 30%, which could not be offset by the Group's ongoing high business volumes with regions such as the Middle East.

Sales in the Scandinavian countries and Switzerland were impacted by highly adverse weather conditions in the first quarter. In the second quarter, though, these countries notched up more than 50% higher sales than in the first three months.

In France, business with the incumbent operator remained buoyant, while in Spain Nexans won a key contract with a local operator, enabling it to report growth of over 15% during the first half of the year.

In North America, business was eroded by almost 20% at constant exchange rates, chiefly reflecting a fall in demand for power distribution cables in connection with the housing market slowdown, which led to the closure of the Quebec facility in early 2009.

In the Asia-Pacific Area, sales advanced 16.3% on a like-for-like basis, propelled by a return to satisfactory business volumes with national operators in Australia and Korea, where organic growth came in at 16.4% and 54.9% respectively.

In Vietnam, sales rose 9.2% on the back of high sales of overhead lines in the first quarter.

Sales also increased in the MERA Area, climbing 13.3% at constant exchange rates. Each country in the area reported a strong rise.

In Egypt, sales climbed 14.4%, led by the first sales of high-voltage cables following the start-up of new equipment in late 2008. In tandem, demand for medium- and low-voltage infrastructure cables remained sustained.

Lebanon continued to enhance its performance despite an unsettled local political context, posting a 26.5% jump in sales against first-half 2008. The country continues to represent a growth market and the Lebanese unit has a strong export order book for medium-voltage cables.

Sales inched up in Morocco, with the domestic market leading the way and offsetting the slowdown in exports to West Africa.

In Russia, the Uglich plant generated its first sales in the first six months of 2009, notably in low-voltage overhead lines. The manufacture of medium-voltage infrastructure cables is scheduled to start during the summer. However, the deep economic recession in Russia, combined with the more than 25% devaluation of the ruble in late 2008, weighed heavily on cable trading activities carried out on behalf of the Group's other units.

In South America, Nexans Brazil reported 6.6% growth in sales levels.

Sales generated by the units purchased from Madeco were relatively buoyant, notably those turned in by Ficap in Brazil, as well as sales recorded in Peru and Columbia.

Ficap reaped the benefits of firm demand for overhead lines during the first four months of the year, although this was followed by a slowdown from the month of May. Demand was weaker for medium-voltage copper cables, as the main OEM customers scaled back their capital spending.

In Brazil the Group launched a plan to streamline its manufacturing base in order to enable its plants to make optimal use of their distinctive strengths. In the second half of 2009, the Group plans to merge the country's two legal entities – Ficap and Nexans Brazil.

In Peru, business volumes remained high even though certain network operators curbed their capital expenditure as from the second quarter.

In Columbia, quarter-on-quarter sales growth during the period topped 20%, primarily driven by (i) capital spending programs that had been postponed from 2008 to 2009 and (ii) a steady flow of exports to Venezuela.

**Power Accessories** sales slipped 23.4% year-on-year, pushed down by a decrease in sales in the Spanish market, which has been buffeted by the economic headwinds.

### Industrial Cables :

Sales for Industrial Cables dropped 20.4% at constant exchange rates compared with the first six months of 2008. Newly-consolidated businesses contributed 41 million euros to the overall sales figure, mainly generated in Italy, Argentina, Brazil and Peru.

Like-for-like, the contraction was 28.4% compared to the same prior-year period. Segments directly associated with the automotive industry were once again strongly impacted, including automotive harnesses and special cables designed for this industry whose sales trended further down in line with the falloff recorded in the second half of 2008.

The harness sector alone experienced a slide of more than 42% during the period under review.

The robotics segment (of which the automotive industry is a major customer) has also showed marked signs of a slowdown since the beginning of the year.

Demand likewise tailed off in cables for the oil and mining industries during first-half 2009, triggered by the sharp fall in commodity prices which has temporarily called into question the profitability of extraction projects and resulted in postponements. Conversely, cables for wind farms and nuclear plant equipment were better able to weather the economic turmoil.

Businesses related to the public transport sector were relatively sheltered from the global crisis, although the picture was mixed across the various segments concerned. Sales growth was brisk for railway rolling stock and the marine and offshore segments also held up well.

Sales of **special cables for industrial applications** fell back by 12.7% at constant exchange rates. Like-for-like, the decrease was 26.0%.

Excluding the automotive and robotics segments, sales declined by approximately 18%.

In Europe, sales shrank by 23.8% compared with the equivalent year-ago period and at constant exchange rates.

France – which booked a 31.3% fall – was severely affected by the slowdown in the petrochemical industry. Nevertheless, the increase in oil prices should lead to an upswing in capital spending. Sales generated in the shipbuilding market posted a moderate drop of less than 15%. The nuclear power cables business reported growth during the period and enjoys significant potential.

Germany – another major player in this segment largely focused on export – saw its sales figure decrease by 26.2% and its profitability was impacted by deflated business volumes. The Nuremberg site, which derives a significant portion of its sales from the automotive and robotics industries, has been hit hard by the economic crisis. The Rheydt plant fared better during the period thanks to growth in sales of cables designed for railway rolling stock suppliers as well as sustained sales of material handling cables. Cost-saving plans have been launched at both sites in order to lower their breakeven point.

In addition, it has been decided to close the Arad site in Romania which is dedicated to manufacturing cables for the automotive industry. Part of the customer base of this plant will be served by other Group units.

In Asia, sales contracted 5.1% like-for-like.

Korea reported an 8.8% rise, however. Although the shipbuilding sector is undergoing in-depth restructuring in the whole of Asia, the Kukdong unit captured strong market positions with key shipyards in Korea, Japan and Singapore, and has a strong order book for 2009. During the first six months of the year, the unit continued to receive new orders for the construction of high-technology ships and platforms (such as for the navy and the oil industry), within a fiercely competitive market. Sales of cables for the automotive industry were nevertheless also sharply down in Korea, decreasing by over 40%.

In China, sales fell by 31.3% against the first half of 2008 (although second-quarter performance was approximately 30% up on the first three months), with the Shanghai plant – present on the merchandise transport vessel segment – suffering delays in orders. However, this decline was partly offset by strong expansion in railway infrastructure projects.

In Australia, sales decreased 20.9%, pushed down by the postponement to 2010 of major current projects, such as for mining and wind power.

Sales in South America posted a sharp increase at constant exchange rates, due to the impact of the Madeco acquisition.

Otherwise, business was stable during each of the first two quarters, although it

remained relatively weak. In Brazil, Ficap protected its positions in the oil platform sector. In Chile, business was affected by the postponement or cancellation of certain mining projects, and sales in Argentina were dragged down by the troubled automotive market.

Sales of **electronic cables for industry** contracted 11% on a like-for-like basis. Although sales were more or less stable in France, decreasing by just 1.4% thanks to sustained sales levels of aeronautical cables, China-based sales of cables for large telecom manufacturers dropped by a sharp 16.4% following a weak second quarter. The falloff in sales was similar in the United States, corresponding to 18.8%.

Sales reported by the **harness** business slumped 42.4% year-on-year. Average sales volume during the first two quarters of 2009 decreased by around 15% compared with the last three months of 2008 which would imply that demand is stabilizing.

In response to the plunge in harness operations for the automotive industry, capacity reduction plans were launched as of end-2008 and continued during the first half of 2009, resulting in headcount being reduced by more than 1,100 compared with end-June 2008. The breakeven point has therefore been lowered, which in turn enabled the plants concerned to return close to breakeven in the second quarter of 2009.

Confecta's sales of harnesses for the railway industry were up on first-half 2008, whereas harnesses for industrial vehicles experienced a strong contraction in volumes.

### *Cables for the building sector :*

Sales of cables for the building sector dropped 23.1% like-for-like, with the downswing mainly arising in Europe and North America. The other geographic areas posted declines of less than 10%.

Against the backdrop of a sharp reduction in volumes, price pressure heightened in a number of countries while the Group continued its policy of defending margins. In Germany, the continuation of strongly deteriorated market conditions – both in terms of price and volumes – led the Group to decide to close its Vacha site.

In Europe, sales fell 27.5% against the first half of 2008.

All of the countries in the region experienced a downturn, albeit to differing degrees:

- Countries in which real estate speculation had been less widespread (e.g. Belgium, the Netherlands, Sweden and Norway) posted sales declines of between 10% and 20% and managed to maintain profitability levels.
- Countries affected by the bursting of the real estate bubble (Spain, the United Kingdom and Greece – which was indirectly impacted due to its strong export positioning, notably with the United Kingdom) recorded falls of more than 30%.
- France, which accounted for 43% of the region's sales in this segment, registered a 19.3% decrease in domestic sales, and a steeper decline in its exports.

In North America, sales retreated 20.1%.

Volumes were stable in the Canadian market where the Group retained its solid positions. Industrial building cables remained a growth market, while the residential and commercial sectors suffered a certain amount of price pressure.

In the United States, the residential market experienced fierce competition, whereas the volumes and margins of the industrial and commercial segments held up slightly better.

In Australia, sales eased back 8.2% due to falling demand in the second quarter.

In the MERA Area, sales dipped 3.6%.

Despite a lackluster domestic market, Turkey's sales decline was contained 6.4%, thanks to the development of special products for the local market (such as halogen-free cables), whose sales levels remained buoyant.

In Lebanon, sales increased 10.6%, fueled by strong demand from distributors in the domestic market.

In South America, performance was mixed across the various countries.

In Peru, business remained strong as a result of (i) social housing development programs financed by the government and (ii) demand for halogen-free cables for hospitals.

Conversely, in Brazil and Chile, demand was low due to inventory shedding measures by distributors and price squeezing that has taken place since the beginning of the year. In Brazil, the industrial building sector suffered a downturn, while the residential sector remained solid. In Chile, demand was sustained mainly by public projects such as for hospitals, prisons and subway systems.

**Operating margin for the Energy business as a whole** totaled 118 million euros in the first half of 2009 (representing 6.7% of sales at constant non-ferrous metal prices), compared with 202 million euros (10.2% of sales at constant non-ferrous metal prices) in the same period of 2008.

Newly-consolidated companies (Madeco's cables business in South America and Italy-based Intercond) made a positive contribution to the Group's operating margin.

The overall reduction in operating margin is essentially attributable to the sharp fall in volumes and a lower coverage of fixed costs. Gross margin as a percentage of sales at constant non-ferrous metal prices was more or less stable, down by just 1 point on first-half 2008. All of the business line's units launched cost-cutting plans in response to the widespread fall in volumes. These measures enabled the Energy business to reduce its fixed costs by nearly 3% in first-half 2009 against the same period of 2008, on a like-for-like basis. Based on the lack of visibility as to a significant upturn in market trends, the Group will continue to adapt its manufacturing base and its structures to the operating context, which will subsequently result in a further reduction in its fixed costs.

The lower profitability level mainly concerned Industrial cables, whose operating margin was only slightly positive for the period (1% of sales at constant non-ferrous metal prices) after taking into account the losses of the harness business. Steps therefore had to be taken to scale capacity to demand, primarily in Europe, with capacity reduction measures in the harness business and a streamlining of the Nuremberg and Rheydt plants in Germany.

Cables for the Building sector reported an operating margin of 6.2% in the first six months of 2009 versus 9.7% in the year-earlier period, reflecting lower volumes recorded in certain countries. At 30.5%, gross margin was on a par with the 30.7% posted for first-half 2008, buoyed by sales prices holding firm and savings achieved in commodity purchases, which offset lower productivity arising from the higher number of batch changeovers required due to the reduced sizes of orders. The closure of the Athlone plant in 2008 enabled the UK market to return to near-breakeven in the first half of 2009. On the other hand, significant losses from German operations led to the decision taken in consultation with the employee representative

bodies, to set in motion the process of closing the country's Vacha plant.

Operating margin for Energy Infrastructure stood at 9.3% versus 11.4% in first-half 2008. The decrease stemmed particularly from high-voltage terrestrial cables, accessories and certain special products. The lower profitability level for high-voltage terrestrial cables was due to additional costs borne by the business as a result of difficulties encountered with a number of projects. In parallel, the accessories segment was impacted by plunging volumes, and profitability figures for the highly specific Norwegian business of special cables for the oil and petrochemical industry were reduced sharply following the decline in business activity. Conversely, low- and medium-voltage cables – which accounted for 57% of the Group's Energy Infrastructure cable sales – reported a rise in profitability in the first half of 2009 against the corresponding period of 2008.

## TELECOM

Sales of Telecom cables came to 210 million euros, down 21.7%, or 18.6% like-for-like, on the first six months of 2008. Impacts relating to changes in Group structure concerned (i) the acquisition of Madeco's cables business, which contributed 8 million euros to first-half 2009 sales at constant non-ferrous metal prices and (ii) the divestment in late May 2008 of the Santander plant, whose sales contribution over the period was 24 million euros.

### *Telecom Infrastructure :*

Sales declined 6.2% like-for-like in the first half of 2009.

In Europe, sales decreased by 4.2%.

Following the joint venture set up in 2008 between Sumitomo Electric Industries (SEI) and Opticable, a new product line dedicated to optical fiber cables and components has been created. It groups the products of Opticable and Nexans Interface and its purpose is to provide a product and systems offering for the FTTH market in Europe. Performance in the region was affected by a slowdown in capital spending by incumbent telecom operators in France and Belgium, which significantly impacted sales of cables despite considerable growth in sales generated with alternative telephone operators in France.

In Germany, demand remained high for DuoTrack® cables for railway equipment. During the period under review the Group stepped up its commercial drive among local operators in certain countries, particularly Norway, Sweden and Switzerland, to which it delivers both copper cables designed for the maintenance of existing equipment and optical fiber cables to partner the expansion of local loop networks that is continuing in Northern Europe.

The erosion in sales was high in the segment's other geographic areas, particularly Asia. Across the segment as a whole the Group is pursuing a local strategy of complementing the product range.

### *Local Area Networks (LAN)*

This segment's sales fell 26.3% on a like-for-like basis, in the wake of the downturn observed in late 2008 in Europe and North America following the crisis in the building and financial sectors.

In Europe, which accounted for 32% of the segment's sales, volumes dropped 30.1%. Unlike the previous year, the segment did not have any large-scale projects with the Middle East. In addition, financing difficulties severely hampered capital spending projects in the real estate sector in Central Europe as well as in the finance sector where Nexans has a strong operating presence, notably in the United Kingdom.

In the United States (representing 47% of the segment's sales), sales contracted 29.8% for the same reasons as above. The decline was exacerbated by major inventory reduction measures taken by distributors during the first five months of the year. However, June saw the initial signs of a leveling off. Lastly, the rise in sales of high value-added products (10 Gbit) mitigated the impact of the estimated 40% contraction in market volume.

In the Asia-Pacific Area, sales rose 8.0%, lifted by key projects in Korea, which offset the adverse impact on China's sales of the downswing in its local economy and lower exports to Europe.

In Turkey, sales slid 18.7% due to dampened European demand.

In Brazil, sales decreased 14.6%.

**Operating margin for the Telecom business** came in at 6 million euros in the first six months of 2009 (2.9% of sales at constant non-ferrous metal prices) versus 24 million euros in the same period of 2008.

At 6.3%, Telecom Infrastructure operating margin was on a par with the 6.8% recorded for first-half 2008. The rise in gross margin for copper cable operations, arising from Nexans' positioning in certain niche markets, was not sufficient to offset the impact of lower sales volumes in accessories.

LAN operating margin went from 10.4% of sales at constant non-ferrous metal prices in first-half 2008 to breakeven in the first six months of 2009, due to the steep fall in volumes in North America and Europe.

## ELECTRICAL WIRES

Sales in the Electrical Wires business in first-half 2009 were 112 million euros, of which 19 million euros derived from the cables business purchased from Madeco in 2008. On a like-for-like basis, sales dropped 45.4% against the first six months of 2008.

### Wirerods

Like-for-like, wirerod sales fell 50.2% against first-half 2008. The decrease reflects a reduction in deliveries outside the Group, attributable to (i) the Group's ongoing strategy of focusing its continuous casting operations solely on internal requirements and (ii) lower demand from external customers as a result of the economic downturn. This situation highlights the fact that production capacity largely outstrips demand, notably in Europe.

In South America the Group has manufactured wirerods in Chile and Peru since the Madeco acquisition. The first half of the year saw relatively sluggish demand and the Group sought to reduce its working capital requirement by concentrating on higher-margin volumes.

### Bare wires

Sales of bare wires fell back 33.2% like-for-like in first-half 2009. In Germany, where the Group is positioned in special wires for industry, sales leveled off during the period having

dropped sharply in the second half of 2008. Sales rose in the United Kingdom compared with second-half 2008. In France, however (where Nexans sells mostly standard wires) they were half the level recorded in the first six months of 2008.

#### Winding wires

Ficap's winding wires business in Brazil, which is focused on exports, was badly hit by the economic downturn, especially by the contraction in the US market as the company manufactures wires for US household appliances.

**Operating margin for the Electrical Wires business** contracted to a negative 2 million euros in the first half of 2009 from a positive 2 million euros in the equivalent period of 2008. The decrease in profitability mainly stems from a slump in volumes and intense competition on transformation prices due to overcapacity.

## UNALLOCATED OPERATIONS

The Group's various businesses each bear a portion of the cost of the holding company's operations. Certain income and expense items cannot be directly allocated to a specific operating activity and are therefore not allocated to the business line concerned. During the period under review a non-recurring amount was dedicated to the Group's legal defense following competition enquiries launched against the Group and other cable manufacturers.

Operating margin for unallocated operations in first-half 2009 came to a negative 12 million euros versus a negative 7 million euros in the same period of 2008.

## 2- Other items of first-half 2009 consolidated results

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### 2.1 Core exposure effect

The core exposure effect amounted to a negative 41 million euros at June 30, 2009 versus a positive 18 million euros at June 30, 2008 and a negative 165 million euros at December 31, 2008.

This effect represents the impact described in paragraph 1.1. ("Consolidated results of the Nexans Group") 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.

### 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, 2009, Nexans carried out a review of the principal information used for the purposes of impairment testing by combining actual figures for the first months of 2009 with the estimated data used at the previous period-end, and adjusting for medium-term trends in cash-generating units considered to be sensitive.

The review conducted for first-half 2009 resulted in the recognition of a 9 million euro impairment loss, mainly corresponding to (i) partial impairment of the harness business which has been strongly impacted by the crisis in the automotive market and (ii) maintenance investments for Group operations that were already fully written down (mainly metallurgy). In first-half 2008 the review gave rise to the recognition of a net 10 million euro impairment loss, the majority of which related to the full write-down of the property, plant and equipment of the "Vietnam" cash-generating unit.

### 2.3 Restructuring costs

Restructuring costs came to 53 million euros in first-half 2009 compared with 22 million euros in full-year 2008, of which 17 million euros related to the first six months.

The restructuring plans announced during the first half of 2009 involve approximately 1,200 people and include assistance measures to be negotiated with the employee representative bodies, aimed at reducing the impact of the plan on the members of staff concerned. The plans mainly concern Europe and, to a lesser extent, 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 is also in the process of being closed and part of its customer base will be served by other Group units.

In the **Building** market, the Group has announced the closure in Germany of its Vacha plant, following the closure of the Athlone site in Ireland in 2008. The decision to close Vacha was made due to the fact that despite the various measures taken in recent years and during 2008, the site was unable to return to breakeven (even at the level of operating income) and the plant's competitive positioning in the domestic German market was not such that a return to profit could be envisaged within the medium term. Closing the Vacha site is expected to result in the departure of around 170 employees.

Structural and capacity adjustments have also been made within several German units in response to the sharp downturn in the cable markets, particularly those serving the automotive and machine tool sectors.

Reorganization measures have likewise been launched in a number of other European countries – albeit on a lesser scale – for the same reasons as above.

In North America, the Group decided to close its Quebec plant. The steep falloff in demand resulting from the real estate crisis led the Group to redeploy part of the plant's production equipment to other sites. Closing the Quebec plant resulted in the departure of just under one hundred employees.

### 2.4 Changes in fair values of non-ferrous metal derivatives

Nexans uses futures contracts negotiated primarily on the London Metal Exchange (LME) to reduce its exposure to non-ferrous metal price fluctuations (copper and aluminum).

However, 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 within the meaning of IAS 39. Consequently, when these instruments (i) are used to hedge future transactions (e.g., copper cathode purchases) that are highly probable but not

yet invoiced, and (ii) meet the applicable requirements in IAS 39 for cash flow hedge accounting, they are accounted for similarly to foreign exchange derivatives 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 "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 2009, only a few of the Group's units did not yet fulfill the conditions enabling their derivatives to qualify for hedge accounting. The related impacts recorded in the income statement under "Changes in fair value of non-ferrous metal derivatives" were therefore limited.

## **2.5 Net gains (losses) on asset disposals**

The Group recorded a 2 million euros net gain under this item in first-half 2009 (versus a 2 million euros net loss in the equivalent prior-year period), corresponding mainly to the disposal of 40% of Opticable's shares.

## **2.6 Net financial expenses**

Net financial expenses came to 48 million euros in the first six months of 2009, compared with 45 million euros in the same period of 2008.

The cost of net debt increased by 8 million euros due to the acquisition of Madeco's cables business in the second half of 2008 as well as to lower yields on variable-rate short-term investments. Average net debt of the first half year in 2009 was on a par with the corresponding period in 2008 (409 million euros versus 403 million euros).

Other financial expenses were 4 million euros lower than in first-half 2008, chiefly reflecting less adverse currency effects during the period under review.

## **2.7 Income taxes**

Nexans' income tax charge was 19 million euros in the first half of 2009 against 56 million euros for first-half 2008. This difference was attributable to the impairment of deferred tax assets that were recognized in prior periods as well as to the non-recognition of new deferred tax assets arising from first-half losses incurred in certain countries. The effective tax rate for profit-making entities at June 30, 2009 was 23.8% compared with 26.3% at December 31, 2008.

## **2.8 Principal cash flows for the period**

Cash flow from operations (including changes in working capital requirement) came to 186 million euros in the first six months of 2009. This amount was primarily used to finance a net 84 million euros capital expenditure program and a dividend payout of 56 million euros.

Net working capital requirement decreased by 88 million euros, to 916 million euros at June 30, 2009 from 1,004 million euros at December 31, 2008. This change includes the ongoing

positive effect of the decrease in non-ferrous metal prices that began in the second half of 2008.

At June 30, 2009, operating working capital requirement (receivables plus inventories less payables) represented 21.3% of sales at current copper prices calculated on an annualized basis for the reference quarter, versus 23.7% at June 30, 2008.

Overall, at June 30, 2009 the Group's net debt totaled 312 million euros – 224 million euros lower than at December 31, 2008.

## 2.9 Balance sheet

At June 30, 2009 the Group's balance sheet showed :

- 1,678 million euros in equity excluding minority interests.
- Net debt of 312 million euros, giving rise to a gearing ratio (net debt/total equity) of 18.2%.
- 916 million euros in working capital requirement.
- Provisions for contingencies and charges – including for pensions and other long-term employee benefit obligations – totaling 463 million euros, up 42 million euros on December 31, 2008 primarily as a result of restructuring provisions.
- Fixed assets, excluding deferred tax assets, totaling 1,588 million euros compared with 1,525 million euros at December 31, 2008. This amount includes 233 million euros in goodwill arising on the acquisition of Madeco's cables business and Intercond, and whose initial accounting will be completed in the second half of 2009. Concerning Madeco, the related amount is subject to final adjustments based on the financial statements at September 30, 2008. On July 9, 2009, Madeco informed Nexans that it had decided to launch arbitration proceedings for the purpose of setting the amount of the final adjustment.
- 6 million euros in assets held for sale, which mainly consist of the Canadian Rodmill business which is in the process of being sold. The sale transaction was formalized at the beginning of July by the signing of a sales agreement; however, the agreement is subject to certain conditions precedent concerning, in particular, the transaction's financing as well as the setting up of third party copper supply contracts.

The capital gain generated by the projected sale would not be material for the Group as a whole. The Canadian Rodmill business's fixed assets were written down in full during previous annual impairment tests.

### 3- Other significant events of first-half 2009

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#### a) Signature of a final joint-venture agreement with Polycab

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 and managed in close cooperation with its Indian partner.

Polycab currently has sales of some 600 million dollars, with 12 plants employing more than 3,500 people for the manufacturing of power and building cables.

The joint venture, whose headquarters will be based in Vadodara in the state of Gujarat, will cover the manufacturing and marketing of special cables for the shipbuilding, handling, 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 within a period of around 24 months to 30 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 the course of 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, 2009 was not material.

#### b) Issue of OCEANE convertible/exchangeable bonds

On June 23, 2009, Nexans carried out a new issue of bonds convertible into and/or exchangeable for new or existing shares (OCEANE), due January 1, 2016, for an aggregate amount of 212.6 million euros. The issue comprised 4,000,000 bonds, each with a nominal value of 53.15 euros, representing an issue premium of 30% over the reference price of Nexans shares on Euronext Paris, i.e. 40.89 euros (reference price determined based on the average price, weighted by trading volumes, of Nexans shares on Euronext Paris from the opening of trading of June 15, 2009 until the final issue procedures for the bonds were set on the same date).

The bonds entitle their holders to receive new and/or existing Nexans shares at a ratio of one share for one bond, subject to any further adjustments. They bear interest at an annual rate of 4% and are redeemable at par, or 53.15 euros per bond, on January 1, 2016. Bondholders may request that the bonds be redeemed in advance on January 1, 2015.

The French securities regulator (*Autorité des Marchés Financiers*) approved the French prospectus for the issue under visa number 09-187 dated June 15, 2009.

The main purpose of the bond issue is to allow Nexans to reinforce its financial structure and flexibility. The net proceeds of the issue will be allocated to financing the Group's general corporate needs and may also be used if required, in whole or in part, to finance specific development projects.

## 4- Progress made and difficulties encountered in first-half 2009

---

During the period, the Group made strides in the two key areas of cost control and support processes for manufacturing operations.

In view of the deep economic crisis, the Group swiftly mobilized its business units to implement all measures necessary to tackle the slump in demand and adapt its cost base to plant output.

During the first half of 2009, Nexans stepped up efforts to roll out its "Purchasing" strategy aimed at improving cost control and enhancing the professionalism of its teams and processes.

The key steps launched were :

- A systematic review of all changes in commodities prices in order to benefit from lower market prices as of fall 2008. This action plan focused particularly on commodities-based semi-finished products. Major industrial equipment, services and supply contracts were reviewed and adapted to market conditions, enabling the Group to reduce the number of suppliers in certain segments in exchange for improved terms from those retained.
- Changes in qualified suppliers based on the outcome of quarterly price negotiations.
- The extension of Nexans' purchasing policies, notably for wooden drums and travel reservations, which led to a 20% decrease in the average cost of travel. Further studies were also launched on other purchasing categories such as transport and the optimization of product flows, steel drums and intellectual services, as well as on a more systematic approach to drum recovery designed to improve recycling rates.

While these steps mainly focused on variable costs, the Group also rolled out a program to rein in fixed costs which bore fruit as from the first half of the year, with a like-for-like decrease of around 4% compared with the same prior-year period, i.e., some 20 million euros.

In certain segments, the extent of the downturn in volumes and lack of visibility over the business outlook required additional measures and even plant closures, as described in section 2.3 – "Restructuring costs".

Finally, in order to respond to soaring financing costs, Nexans redoubled efforts to reduce its working capital requirement. At June 30, 2009, the working capital decrease exceeded even the fall in business revenues.

### **Support processes and industrial coordination**

Nexans' Industrial Management Department has been heavily involved in the following cross-functional projects:

Management of major projects: Following the completion of the construction phase at the end of 2008, the Uglich plant in Russia was successfully ramped up during the first half of the year. Two new sites are currently on going : the construction of a plant in Qatar launched by

the QICC joint-venture, and a plant in India owned by a company held in common by Nexans and Polycab.

#### Industrial performance:

Three priorities were addressed within all of the Group's business units: **health and safety** with the aim of halving the number of occupational accidents in two years; **inventory reduction**, with the objective of cutting coverage by 10% over the year; and **commodities consumption**, targeting a 0.5% per annum reduction.

- Health and safety: this priority program concerns all of the Group's manufacturing sites. Following a systematic analysis of all critical accidents, this drive was given fresh impetus by awareness-raising days aimed at top management, and the preparation and distribution of new standards. Tangible early results were reflected in the 41% like-for-like decrease in the accident rate in the first half of 2009 compared with the average rate in 2008.
- Inventory reduction: Nexans extended the Inventory Reduction and Improved Service (IRIS) program beyond its European operations. Training in inventory management tools and best inventory reduction practice was dispensed in Europe, North America and the MERA areas. Similar programs are planned for South America and Asia in the second half of the year. Special emphasis was placed on increasing the flexibility of the Group's manufacturing base through SMED (Single Minute Exchange of Die) lean production techniques. Average inventory coverage at end-June was down 7.5% on a like-for-like basis compared with the same prior-year period. At the same time, the average customer service rate for the first half of 2009 surged to 89.5% from 83.1% in 2008.
- Commodities consumption: an across-the-board review of sites for potential gains in commodities consumption with regard to the Theoretical Minimum Cost ("TMC") allowed Nexans to measure the potential improvement at around 10% on the most common products. Specific action plans were drawn up and set in motion at each manufacturing site, and training was given on cutting waste and excessive consumption.

#### **Difficulties encountered in the first six months of 2009 mainly concerned the following:**

- Sharp fall-offs in demand at certain plants on the Industry, Building and LAN markets, which led the Group to use all available measures to adapt output to the workload (cuts in temporary positions, working time credits, short time, headcount reductions, etc.).
- The pressing need to reassess certain manufacturing sites in light of the lasting structural decline in certain markets, which culminated in the announcement of the closure of the Vacha site in Germany, the Arad site in Romania and the Quebec plant in Canada.

## 5- Outlook for the second half of 2009

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First-quarter 2009 was marked by the weakness of the Building, Industry and LAN markets in Europe and North America. The sharp decline in volumes recorded in the first three months of the year was exacerbated by steps taken to cut inventories and a particularly unfavorable seasonal effect. These weak volumes are reflected in the sharp deterioration in operating margin rate.

During the second quarter, due to the slower rate of decline in sales compared to the first three months of the year, the acceleration of invoicing in the high voltage cables business, the early benefits feeding through from cost cutting measures as well as resilient market prices, Group operating margin advanced strongly to the end of June 2009 at a better-than-expected rate of 5.3% versus the initial estimate of between 4.5% and 5%.

Given these elements and the expected impact of measures to adapt to the crisis undertaken in the first half of the year, the Group remains focused on the ambitious – but realistic – internal objective of achieving operating margin of 6% based on the assumption that volumes do not worsen further compared with the first half of the year, and that market prices remain relatively stable over the coming months.

## 6- Main risks and uncertainties to which the Group is exposed

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Nexans considers that the main risks to which the Group is exposed are the same as those set out in pages 107 to 113 and 238 to 252 of the Group's 2008 Registration Document filed with the French Securities Regulator (*Autorité des Marchés Financiers*) on April 16, 2009 under visa number D.09-255.

The main uncertainties for the second half of 2009 relate to the following:

- The outlook for global economic growth, and particularly the impact in Europe of a prolonged downturn in the building market and certain segments of industry that could squeeze prices and margins.
- The negative impacts of these changes on manufacturing workload and the need to carry out additional restructuring measures in the event of a continuation of this deterioration.
- Changes in the US dollar exchange rate against the world's other major currencies, notably the euro, which could generate price distortions between market competitors.
- The Group's ability – for businesses whose order books have been squeezed in recent months – to convert a sustained stream of quote requests into firm orders with satisfactory margins.

## 7- Trends

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The fourth quarter of 2008 was marked by a sudden and sharp deterioration in the economic landscape and an acceleration in the decline in copper prices, which impacted the approach of market players.

These trends continued into the first half of 2009 and the risks identified at the end of 2008 were confirmed with a sharper-than-expected fall off in business levels.

- Building, particularly in Europe, faced a steep drop in volumes in 2009, although the Group was able to keep margins firm. Nevertheless, a decrease in prices cannot be ruled out in the second half of the year. In the event that the economy deteriorates to a greater degree than expected, specific measures may be necessary to adapt to the new context.
- Industry was characterized by a very sharp worsening in market conditions in 2009:
  - The collapse of the automotive and automation markets has been particularly brutal. It seems that the automotive market may have bottomed out at the end of May, although this remains to be confirmed in the coming months.
  - The concern at end-2008 of mining, oil and renewable energies businesses postponing a portion of their capital expenditure seems to have been confirmed.
- The Local Area Network cables business could remain durably weak due to the absence of clear signs of an upturn in capital expenditure, especially in the services sector.
- The structural balance of Nexans' Metallurgy activities in Europe seems durably compromised given the size of the Group's plants in a context of overcapacity on the market.
- Energy Infrastructure remains on a positive trend, however. The stability of this sector, which currently represents more than 45% of net sales of the cables activities at constant non-ferrous metals prices, has helped offset the impacts of the economic crisis. This business should also benefit from capital spending commitments contained in various government stimulus plans. Energy Infrastructure provides a solid development platform for the medium term.

## 8- Related party transactions

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The Company considers that there were no significant changes in its main transactions with related parties compared with those described in pages 119 to 124 of the 2008 Registration Document and in Note 30 to the consolidated financial statements for the year ended December 31, 2008, as well as in page 3 of the update to the 2008 Registration Document filed on June 12, 2009.

## 9- Parent company business overview

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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. Since October 2008, the Company no longer manages the Group's financing or centralizes its cash holdings. This is now carried out by a dedicated company, Nexans Services.

The parent company's sales for the six months ended June 30, 2009 totaled 7.5 million euros, derived primarily from services billed to its subsidiaries. Net income for the period came in at 86.9 million euros, versus 101.5 million euros in first-half 2008.

The Company's equity at June 30, 2009 was 1,695 million euros, compared with 1,662 million at December 31, 2008.

## 10- Corporate governance

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The appointment of Frédéric Vincent as the new Chairman and CEO of Nexans was effective following the Annual General Meeting of May 26, 2009. Frédéric Vincent succeeded Gérard Hauser, who left his position as Group Chairman but will retain a seat on the Board of Directors until May 2010. The handover brought an end to a transition process originally set in motion in 2006 when Frédéric Vincent was appointed Chief Operating Officer.

Nexans' new Chairman and CEO has reorganized Group Management so as to ensure greater responsiveness in light of the challenges brought about by the changes in the cable industry and the general economic environment. Accordingly, as of June 1, 2009, a restricted Management Committee has been set up, chaired by the Chairman and CEO, tasked with the general management of the Group, and with setting out and delivering on strategy.

The line up of the Management Committee is as follows:

- Frédéric Michelland, appointed Chief Financial Officer, Senior Corporate Executive Vice President;
- Pascal Portevin, Senior Corporate Executive Vice President, in charge of defining and implementing commercial and innovation policies and responsible for the MERA, Asia-Pacific, North America, and South America areas.
- Yvon Raak, Senior Corporate Executive Vice President, in charge of defining and implementing industrial and logistics policies and responsible for the Europe area.

The role of the Group's Executive Committee is now to consider, debate and discuss the challenges facing the Group.

The terms of office of the members of the Board of Directors expire as follows:

Expiration date	Director
- 2010	Gérard Hauser François Polge de Combret
- 2011	Gianpaolo Caccini Jean-Marie Chevalier Georges Chodron de Courcel Jérôme Gallot Jacques Garaïalde Jean-Louis Gerondeau Ervin Rosenberg Nicolas de Tavernost
- 2012	Colette Lewiner Frédéric Vincent Guillermo Luksic Craig

July 27, 2009



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

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2009

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# Consolidated income statement

<i>(in millions of euros)</i>	Notes	First-half 2009	First-half 2008
<b>Net sales</b>	(3)	<b>2,514</b>	<b>3,554</b>
Metal price effect*		(430)	(1,135)
<b>Sales at constant metal prices*</b>	(3)	<b>2,085</b>	<b>2,419</b>
Cost of sales		(2,134)	(3,065)
Cost of sales at constant metal prices*		(1,704)	(1,930)
<b>Gross profit</b>		<b>380</b>	<b>489</b>
Administrative and selling expenses		(237)	(237)
R&D costs		(33)	(33)
<b>Operating margin*</b>	(3)	<b>110</b>	<b>220</b>
Core exposure effect**		(41)	18
Net asset impairment	(6)	(9)	(10)
Changes in fair value of non-ferrous metal derivatives		3	10
Net gains (losses) on asset disposals	(4)	2	(2)
Restructuring costs	(13)	(53)	(17)
<b>Operating income</b>		<b>12</b>	<b>219</b>
Cost of debt (gross)		(33)	(33)
Income from cash and cash equivalents		5	13
Other financial expenses	(5)	(20)	(25)
Share in net income of associates		0	0
<b>Income (loss) before taxes</b>		<b>(36)</b>	<b>174</b>
Income taxes	(8)	(19)	(56)
<b>Net income (loss) from continuing operations</b>		<b>(55)</b>	<b>118</b>
Net income from discontinued operations		-	0
<b>Net income (loss)</b>		<b>(55)</b>	<b>118</b>
Attributable to equity holders of the Company		(57)	119
Attributable to minority interests		2	(0)
<b>Attributable net income (loss) from continuing operations per share (in euros)</b>	(9)		
- basic earnings (losses) per share		(2.04)	4.67
- diluted earnings (losses) per share		(1.60)	4.18
<b>Attributable net income (loss) from discontinued operations per share (in euros)</b>	(9)		
- basic earnings (losses) per share		-	-
- diluted earnings (losses) per share		-	-
<b>Net income (loss) per share attributable to equity holders of the Company (in euros)</b>	(9)		
- basic earnings (losses) per share		(2.04)	4.67
- diluted earnings (losses) per share		(1.60)	4.18

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

\*\* Effect relating to the revaluation of core exposure at its weighted average cost.

# Consolidated statement of comprehensive income

<i>(in millions of euros)</i>	<b>First-half 2009</b>	<b>First-half 2008</b>
<b>Net income (loss) for the period</b>	<b>(55)</b>	<b>118</b>
<b>Available-for-sale financial assets</b>	<b>(0)</b>	<b>-</b>
- Gains (losses) generated during the period (net of tax)	(0)	-
- Amounts recycled to the income statement (net of tax)	-	-
<b>Currency translation differences</b>	<b>64</b>	<b>(26)</b>
- Gains (losses) generated during the period (net of tax)	64	(26)
- Amounts recycled to the income statement (net of tax)	-	-
<b>Cash flow hedges</b>	<b>120</b>	<b>29</b>
- Gains (losses) generated during the period (net of tax)	50	22
- Amounts recycled to the income statement (net of tax)	70	7
<b>Share of other comprehensive income of associates</b>	<b>-</b>	<b>-</b>
<b>Total other comprehensive income items</b>	<b>184</b>	<b>2</b>
<b>Total comprehensive income</b>	<b>129</b>	<b>120</b>
<b>Attributable to equity holders of the Company</b>	128	121
<b>Attributable to minority interests</b>	1	(1)

Note 8.c) provides a breakdown of the tax impacts on comprehensive income.

# Consolidated statement of financial position

<i>(in millions of euros)</i>	Notes	June 30, 2009	Dec. 31, 2008
<b>ASSETS</b>			
Goodwill	(10)	426	400
Other intangible assets		93	85
Property, plant and equipment		1,021	997
Investments in associates		5	4
Other non-current financial assets		39	35
Deferred tax assets		52	91
Other non-current assets		4	4
<b>NON-CURRENT ASSETS</b>		<b>1,640</b>	<b>1,616</b>
Inventories and work in progress		799	922
Amounts due from customers on construction contracts		207	195
Trade receivables		986	1,110
Other current financial assets		135	320
Current income tax receivables		29	26
Other current non-financial assets		79	84
Cash and cash equivalents	(11)	643	398
Assets and groups of assets held for sale	(7)	36	1
<b>CURRENT ASSETS</b>		<b>2,914</b>	<b>3,055</b>
<b>TOTAL ASSETS</b>		<b>4,554</b>	<b>4,671</b>
<b>EQUITY AND LIABILITIES</b>			
Capital stock		28	28
Additional paid-in capital		1,257	1,256
Consolidated reserves		471	554
Other components of equity		(77)	(260)
<b>Equity excluding minority interests</b>		<b>1,679</b>	<b>1,578</b>
Minority interests		42	39
<b>TOTAL EQUITY</b>	(12)	<b>1,721</b>	<b>1,617</b>
Pension and other retirement benefit obligations		317	317
Other long-term employee benefit obligations		13	13
Long-term provisions	(13) & (16)	28	27
Convertible bonds	(14)	449	271
Other long-term debt	(14)	361	389
Deferred tax liabilities		67	45
<b>NON-CURRENT LIABILITIES</b>		<b>1,235</b>	<b>1,062</b>
Short-term provisions	(13) & (16)	105	65
Short-term debt	(14)	145	274
Liabilities related to construction contracts		125	111
Trade payables		791	908
Other current financial liabilities		181	376
Accrued payroll costs		162	160
Current income tax payables		26	43
Other current non-financial liabilities		34	54
Liabilities related to groups of assets held for sale	(7)	29	1
<b>CURRENT LIABILITIES</b>		<b>1,598</b>	<b>1,992</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,554</b>	<b>4,671</b>

# Consolidated statement of cash flows

<i>(in millions of euros)</i>	Notes	First-half 2009	First-half 2008
Net income (loss) attributable to equity holders of the Company		(57)	119
Minority interests		2	0
Depreciation, amortization and impairment of assets (including goodwill)		72	63
Cost of debt (gross)		33	33
Core exposure effect*		41	(18)
Other restatements**		46	68
<b>Cash flows from operations before gross cost of debt and tax***</b>		<b>137</b>	<b>264</b>
Decrease (increase) in receivables		124	(252)
Decrease (increase) in inventories		98	(58)
Increase (decrease) in payables and accrued expenses		(109)	46
Income tax paid		(37)	(34)
Impairment of current assets and accrued contract costs		(5)	7
<b>Net change in current assets and liabilities</b>		<b>71</b>	<b>(291)</b>
<b>Net cash generated from (used in) operating activities</b>		<b>208</b>	<b>(27)</b>
Proceeds from disposals of property, plant and equipment and intangible assets		1	6
Capital expenditures		(85)	(60)
Decrease (increase) in loans granted		177	(1)
- of which margin calls on metal derivatives		138	-
Purchase of shares in consolidated companies, net of cash acquired	(2)	(0)	(6)
Proceeds from sale of shares in consolidated companies, net of cash transferred	(2)	9	17
<b>Net cash generated from (used in) investing activities</b>		<b>102</b>	<b>(44)</b>
<b>Net change in cash and cash equivalents after investing activities</b>		<b>310</b>	<b>(71)</b>
Proceeds from (repayment of) long-term borrowings	(14)	135	-
- of which proceeds from new borrowings		172	-
- of which repayments		(36)	-
Proceeds from (repayment of) short-term borrowings	(14)	(148)	(11)
Cash capital increases (reductions)		38	(23)
Interest paid		(39)	(39)
Dividends paid		(56)	(52)
<b>Net cash used in financing activities</b>		<b>(70)</b>	<b>(125)</b>
Net effect of currency translation differences		5	4
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>245</b>	<b>(192)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>388</b>	<b>594</b>
<b>Cash and cash equivalents at period-end</b>		<b>633</b>	<b>402</b>
Of which cash and cash equivalents recorded under assets		643	437
Of which short-term bank loans and overdrafts recorded under liabilities		(9)	(35)

\* Effect relating to the revaluation of core exposure at its weighted average cost - no cash impact.

\*\* Other restatements for the six months ended June 30, 2009 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.

In first-half 2008 the item included 56 million euros in relation to offsetting the income tax charge.

\*\*\* The Group also uses the "operating cash flow" concept which is calculated after adding back restructuring costs (11 million euros and 7 million euros for the first half of 2009 and 2008 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	Consolidated reserves	Changes in fair value	Cumulative translation adjustments	Equity excluding minority interests	Minority interests	Total equity
<b>January 1, 2009</b>	<b>27,936,953</b>	<b>28</b>	<b>1,256</b>	<b>-</b>	<b>554</b>	<b>(153)</b>	<b>(107)</b>	<b>1,578</b>	<b>39</b>	<b>1,617</b>
Net loss for the period					(57)			(57)	2	(55)
Other comprehensive income items						119	66	185	(1)	184
<b>Total comprehensive income</b>						<b>119</b>	<b>66</b>	<b>128</b>	<b>1</b>	<b>129</b>
Dividends paid					(57)			(56)	(3)	(59)
Employee stock option plans:										
- Service cost					2			2		2
- Proceeds from share issues	33,850	0	1					1		1
OCEANE equity component (4% - 01/2016)					24			24		24
Changes in scope of consolidation (sale/buyout of minority interests)					-			-	6	6
Cancellation of treasury stock										
Other					3	1	(2)	2	(1)	1
<b>June 30, 2009</b>	<b>27,970,803</b>	<b>28</b>	<b>1,257</b>	<b>-</b>	<b>471</b>	<b>(33)</b>	<b>(44)</b>	<b>1,679</b>	<b>42</b>	<b>1,721</b>
<b>January 1, 2008</b>	<b>25,678,355</b>	<b>26</b>	<b>1,133</b>	<b>-</b>	<b>526</b>	<b>25</b>	<b>12</b>	<b>1,722</b>	<b>36</b>	<b>1,758</b>
Net income for the period					119			119	(0)	118
Other comprehensive income items						29	(26)	2	(1)	2
<b>Total comprehensive income</b>						<b>29</b>	<b>(26)</b>	<b>121</b>	<b>(1)</b>	<b>120</b>
Dividends paid					(51)			(51)	(1)	(52)
Employee stock option plans*:										
- Service cost					3			3		3
- Proceeds from share issues	144,125	0	6					6		6
Changes in scope of consolidation (sale/buyout of minority interests)									(3)	(3)
Cancellation of treasury stock		(0)	(29)					(29)		(29)
Other					(2)			(2)	0	(2)
<b>June 30, 2008</b>	<b>25,401,703</b>	<b>25</b>	<b>1,110</b>	<b>-</b>	<b>595</b>	<b>54</b>	<b>(15)</b>	<b>1,770</b>	<b>31</b>	<b>1,801</b>

\* including shares issued under the 2008 ACT plan

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 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 CAC Next 20 index.

The 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, 2008.

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

They were reviewed by Nexans' Board of Directors on July 27, 2009.

#### ▪ Basis of preparation

The accounting policies adopted for the financial statements at June 30, 2009 are consistent with those applied in the annual consolidated financial statements for the year ended December 31, 2008, 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 new standards and amendments which was compulsory in the first half of 2009:

- ✓ **Improvements to IFRSs issued in May 2008** as part of the IASB's annual improvements project. The 35 amendments to IFRSs set out in this document are effective from January 1, 2009 but did not have a material impact on the Group's financial statements for the six months ended June 30, 2009.
- ✓ **Revised version of IAS 1, Presentation of Financial Statements.** The aim of the revised version of IAS 1 – which has been effective since January 1, 2009 – is to

improve users' ability to analyze and compare the information given in financial statements. The Group adopted this revised standard in its interim financial statements at June 30, 2009, opting to present two performance statements – an income statement and a statement of comprehensive income.

- ✓ **Amendments to IAS 23, Borrowing Costs.** The amended version of IAS 23 – which was published on March 29, 2007 and whose application is mandatory for annual periods beginning on or after January 1, 2009 – requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed.

The Group has applied this amended standard prospectively since January 1, 2009 for new projects launched as from that date. Application of the amended version of IAS 23 did not have a material impact on the Group's interim financial statements at June 30, 2009.

- ✓ **Amendments to IFRS 2, Share-based Payment – Vesting Conditions and Cancellations.** The amended standard, which has been effective since January 1, 2009, clarifies that vesting conditions are restricted to service conditions and performance conditions. Consequently, any other features of a share-based payment, such as non-competition clauses, are not vesting conditions and must be taken into account when estimating the grant-date fair value of the equity instruments.

The new version of the standard also specifies that all cancellations, whether by the entity or another party, should receive the same accounting treatment, i.e. be recorded as an acceleration of vesting.

Application of the amended version of IFRS 2 did not have a material impact on the Group's interim financial statements at June 30, 2009.

- ✓ **IFRS 8, Operating Segments,** which replaces IAS 14 for annual periods beginning on or after January 1, 2009 and was applied by the Group in its interim financial statements at June 30, 2009.

The main impacts of this standard on the Group's financial statements are as follows:

- The Group's operating segments under IFRS 8 correspond to its business lines as these form the basis for Nexans' long-term strategic vision as well as for the markets' analysis and understanding of its financial performance. This position is consistent with the approach adopted by the Group during its assessment of IAS 14 in 2005 when it defined its business lines as primary reporting segments and geographic areas as secondary reporting segments.
- The Group's reportable segments remain identical to those defined for the application of IAS 14, i.e. Energy, Telecom and Metallurgy as the structure of the Group's business lines has not undergone any major changes since the IAS 14 segments were determined.

The fact that IFRS 8 does not have any material impact on the Group's operating segments reflects the considerable overlap between Nexans' accounting and operations reporting systems which are based on a single reporting tool and the same segmentation methods and accounting policies.

Application of the following amended standards and interpretations was mandatory from January 1, 2009 but they are not relevant to the Group's operations, as described in the consolidated financial statements at December 31, 2008:

- ✓ **Amendments to IAS 32 and IAS 1, Puttable Financial Instruments and Obligations Arising on Liquidation**
- ✓ **Amendments to IFRS 1 and IAS 27, Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate**
- ✓ **Amendment to IFRIC 9, Reassessment of Embedded Derivatives**
- ✓ **IFRIC 13, Customer Loyalty Programs**
- ✓ **IFRIC 15, Agreements for the Construction of Real Estate**

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

- ✓ **IFRIC 11, IFRS 2 – Group and Treasury Share Transactions**
- ✓ **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 standards or interpretations in its interim financial statements at June 30, 2009:

- ✓ **Improvements to IFRSs issued in April 2009**
- ✓ **Amendments to IAS 39, Financial Instruments: Recognition and Measurement – Eligible Hedged Items**
- ✓ **Revised version of IFRS 3, Business Combinations (phase 2) and the related amendments to IAS 27, Consolidated and Separate Financial Statements.**
- ✓ **Amendments to IFRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments**
- ✓ **Amendments to IFRIC 9 and IAS 39, Embedded Derivatives**
- ✓ **IFRIC 17, Distributions of Non-cash Assets to Owners**
- ✓ **IFRIC 18, Transfers of Assets from Customers**

## ▪ 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 critical judgments made by Management in applying the Group's accounting policies within the interim consolidated financial statements as well as the main sources of uncertainty relating to estimates are the same as those described in the annual consolidated financial statements for the year ended December 31, 2008. During the first six months of 2009, 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 over the period of the change if it only affects that period or over the period of the change and subsequent periods if they are also affected by the change.

## **b) 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 have been applied in addition to the recognition, measurement and presentation rules described in paragraph a):

- The current and deferred tax charge for the period has been 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 have been estimated based on half of the amount expected for the full year, except in specific cases when adjustments were required.

## Note 2

### Significant events of the period

#### a) Nexans' new Chairman and CEO takes office

The appointment of Frédéric Vincent as the new Chairman and CEO of Nexans was effective following the Annual General Meeting of May 26, 2009. Frédéric Vincent succeeded Gérard Hauser, who left his position as Group Chairman but will retain a seat on the Board of Directors until May 2010. The handover brought an end to a transition process originally set in motion in 2006 when Frédéric Vincent was appointed Chief Operating Officer.

Nexans' new Chairman and CEO has reorganized Group Management so as to ensure greater responsiveness in light of the challenges brought about by the changes in the cable industry and the general economic environment. Accordingly, as of June 1, 2009, a restricted Management Committee has been set up, chaired by the Chairman and CEO, tasked with the general management of the Group, and with setting out and delivering on strategy.

The lineup of the Management Committee is as follows:

- Frédéric Michelland, appointed Chief Financial Officer, Senior Corporate Executive Vice President.
- Pascal Portevin, Senior Corporate Executive Vice President, in charge of defining and implementing commercial and innovation policies and responsible for the MERA, Asia-Pacific, North America, and South America areas.
- Yvon Raak, Senior Corporate Executive Vice President, in charge of defining and implementing industrial and logistics policies and responsible for the Europe area.

The role of the Group's Executive Committee is now to consider, debate and discuss the challenges facing the Group. Further to these restructurings, the Management Council no longer exists.

#### b) Signature of a final joint-venture agreement with Polycab

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.

Polycab currently has sales of some 600 million dollars, with 12 plants employing more than 3,500 people for the manufacturing of power and building cables.

The joint venture, whose headquarters will be based in Vadodara in the state of Gujarat, will cover the manufacturing and marketing of special cables for the shipbuilding, handling, 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 within 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 the course of 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, 2009 was not material.

### **c) Issue of OCEANE convertible/exchangeable bonds**

On June 23, 2009, Nexans carried out a new issue of bonds convertible into and/or exchangeable for new or existing shares (OCEANE), due January 1, 2016, for an aggregate amount of 212.6 million euros. The issue comprised 4,000,000 bonds, each with a nominal value of 53.15 euros, representing an issue premium of 30% over the reference price of Nexans shares on Euronext Paris, i.e. 40.89 euros (reference price determined based on the average price, weighted by trading volumes, of Nexans shares on Euronext Paris from the opening of trading on June 15, 2009 until the final issue procedures for the bonds were set on the same date).

The bonds entitle their holders to receive new and/or existing Nexans shares at a ratio of one share for one bond, subject to any further adjustments. They bear interest at an annual rate of 4% and are redeemable at par, or 53.15 euros per bond, on January 1, 2016. Bondholders may request that the bonds be redeemed in advance on January 1, 2015.

The French Securities Regulator (*Autorité des Marchés Financiers*) approved the prospectus for the issue under visa number 09-187 dated June 15, 2009.

The main purpose of the bond issue is to allow Nexans to reinforce its financial structure and flexibility. The net proceeds of the issue will be allocated to financing the Group's general corporate needs and may also be used if required, in whole or in part, to finance specific development projects.

### **d) Significant events of 2008**

The following main events occurred in full-year 2008:

- 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 and Opticable will continue 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.

- Following the signature of a definitive agreement on February 21, 2008, on September 30, 2008 Nexans acquired all of the cable operations of the Madeco Group, the cable market leader in South America. Through this acquisition, Nexans has taken up a leading position in power cables in a high growth region. The purchase was financed through:
  - The issuance to Madeco of 2.5 million Nexans shares, with Madeco undertaking not to sell its shares until September 30, 2009 except for the purpose of intragroup reclassifications. In

- addition, Madeco agreed not to sell more than 50% of its shares until March 31, 2010 (except for intragroup reclassifications).
- The payment of a total amount of 393 million US dollars (excluding transaction costs), subject to final adjustments based on accounts dated September 30, 2008. Part of the amount is payable in cash and the remainder through assuming liabilities. On July 9, 2009, Madeco informed Nexans that it had decided to launch arbitration proceedings in order to set the final adjustments to this amount.

Following the issuance of the above-mentioned 2.5 million Nexans shares, the Madeco group holds approximately 9% of Nexans' share capital. In accordance with the eighth resolution adopted at Nexans' Annual Shareholders' Meeting held on April 10, 2008, Guillermo Luksic, Chairman of Madeco, was appointed as a member of Nexans' Board of Directors for a four-year term, effective from September 30, 2008.

Nexans recorded 163 million euros in goodwill for this acquisition in its consolidated financial statements for the year ended December 31, 2008, based on provisional fair values assigned to the identifiable assets and liabilities. At June 30, 2009, this goodwill amounted to 178 million euros, taking into account favorable currency effects during the first six months of the year.

As permitted under IFRS 3, the allocation of the purchase cost to the fair values of the assets, liabilities and contingent liabilities acquired was still in process at June 30, 2009 and will be completed during the course of the third quarter. The main items to which fair values will be allocated are expected to correspond to (i) property, plant and equipment (particularly manufacturing equipment in Brazil), (ii) intangible assets (customer relationships in Peru and Colombia, trademarks in Peru and Brazil and certain supply contracts), and (iii) the related deferred taxes. Pro forma accounts for 2008 will be presented with the Group's consolidated financial statements for full-year 2009.

In first-half 2009, Madeco's cables business contributed 212 million euros to Nexans' consolidated sales (at current metal prices) and 16.7 million euros to operating margin.

- On August 1, 2008, Nexans acquired the entire capital of the Italian company Intercond, a leading European manufacturer of special cables, mainly for industrial equipment including submarine operations.

Through this acquisition Nexans has strengthened its leadership position in the high-growth market of cables for industrial applications. Intercond was acquired based on an enterprise value of 87 million euros, and the transaction generated goodwill in the amount of 56 million euros at December 31, 2008, based on provisional fair values allocated to identifiable assets and liabilities (55 million euros at June 30, 2009).

As permitted under IFRS 3, the allocation of the purchase cost to the fair values of the assets, liabilities and contingent liabilities acquired was still in process at June 30, 2009 and will be completed during the course of the third quarter. The main items to which fair values will be allocated are expected to correspond to (i) property, plant and equipment (manufacturing equipment, land and buildings), (ii) intangible assets (especially customer relationships), and (iii) the related deferred taxes. Pro forma accounts for 2008 will be presented with the Group's consolidated financial statements for full-year 2009.

In first-half 2009, Intercond contributed 15 million euros to Nexans' consolidated sales (at current metal prices) and 0.2 million euros to operating margin.

- When the Group released its financial statements for the year ended December 31, 2007, it disclosed that it had entered into negotiations with a third party to sell its copper telecom cables business in Spain. The sale was completed in late May 2008 to the UK-based group B3 Cable Solutions – one of Europe's leading copper cable manufacturers – based on an enterprise value of 19.5 million euros.

This transaction did not have a material impact on the Group's operating margin for 2008. The 5.8 million euro loss arising on the sale was recorded under "Net gains (losses) on asset disposals" in the consolidated income statement.

#### e) Other significant events

- Share buyback programs :
  - On January 30, 2008 the Board of Directors decided to implement a share buyback program representing a maximum amount of 70 million euros. A total of 420,777 shares were purchased under this program in 2008, at a cost of 29 million euros. All of these shares were cancelled by the Board on June 23, 2008.
  - On April 22, 2008 the Board of Directors decided to implement a share buyback program representing a maximum of 26 million euros or 257,000 shares. As stated in the notice issued by the Company on May 7, 2008, the purpose of the program was to cancel the purchased shares. At June 30, 2009 no shares had been purchased under this program, as at December 31, 2008. The program expired on May 26, 2009.
- Employee share ownership plan :
  - In 2007, Nexans announced its intention to carry out an employee rights issue involving the issuance of a maximum of 500,000 shares to members of an employee share ownership plan. This rights issue – which was postponed until the first quarter of 2008 – resulted in the issuance of 91,525 new shares on March 28, 2008. The total expense recorded in first-half 2008 in relation to the plan was not material (less than 1 million euros).
  - The plan included a non-leveraged element, whereby employees could subscribe for Nexans shares at a per-share price based on a 20% discount to the market price. In accordance with the recommendations of the French Accounting Board (CNC) this part of the plan was recognized based on interest rates applicable in the personal investment market, corresponding to 6.36%.
  - The plan also included a "leveraged" element, whereby employees were provided with a capital guarantee plus a multiple based on share performance. The expense relating to this portion of the plan was measured by simulating the gain that an employee would make by immediately selling on the open market the various underlying financial instruments. The assumptions used for this measurement were based on conditions applicable in the personal investment market (including a 6.36% discount rate).

For information purposes, if the full amount of the 20% discount provided to employees was recorded as an expense, this would only have had a 0.3 million euro impact on the Group's operating margin for 2008.

## Note 3

### Operating segments

The Group considers 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 wire rods, 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.

These operating segments form the basis for the monthly performance data presented to Nexans' Management Committee<sup>1</sup> 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.

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. Operating margin is a performance indicator presented within the Group's consolidated income statement.

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

## a) Information by reportable segment

<i>First-half 2009 (in millions of euros)</i>	<b>Electrical Wires</b>	<b>Energy</b>	<b>Telecom</b>	<b>Other</b>	<b>Group total</b>
Sales contribution at current metal prices	204	2,073	225	12	<b>2,514</b>
Sales contribution at constant metal prices	112	1,752	210	11	<b>2,085</b>
Operating margin	(2)	118	6	(12)	<b>110</b>
Depreciation, amortization and impairment of assets (including goodwill)	(3)	(61)	(7)	(1)	<b>(72)</b>

<i>First-half 2008 (in millions of euros)</i>	<b>Electrical Wires</b>	<b>Energy</b>	<b>Telecom</b>	<b>Other</b>	<b>Group total</b>
Sales contribution at current metal prices	525	2,706	318	5	<b>3,554</b>
Sales contribution at constant metal prices	175	1,972	267	5	<b>2,419</b>
Sales contribution at constant metal prices and first-half 2009 exchange rates	171	1,924	271	5	<b>2,371</b>
Operating margin	2	202	23	(7)	<b>220</b>
Depreciation, amortization and impairment of assets (including goodwill)	(2)	(55)	(6)	0	<b>(63)</b>

## b) Information by major geographic area

<i>First-half 2009 (in millions of euros)</i>	<b>France</b>	<b>Germany</b>	<b>Norway</b>	<b>Other</b>	<b>Group total</b>
Sales contribution at current metal prices*	487	274	261	1,492	<b>2,514</b>
Sales contribution at constant metal prices*	422	237	245	1,181	<b>2,085</b>
Non-current assets (excluding deferred taxes)	145	131	108	1,203	<b>1,588</b>
Deferred tax assets	6	16	0	30	<b>52</b>

\* By origin of sales

<i>First-half 2008 (in millions of euros)</i>	<b>France</b>	<b>Germany</b>	<b>Norway</b>	<b>Other</b>	<b>Group total</b>
Sales contribution at current metal prices*	821	429	283	2,021	<b>3,554</b>
Sales contribution at constant metal prices*	560	320	259	1,280	<b>2,419</b>
Sales contribution at constant metal prices and first-half 2009 exchange rates*	560	320	232	1,259	<b>2,371</b>
Non-current assets (excluding deferred taxes)	146	142	108	813	<b>1,209</b>
Deferred tax assets	0	30	0	15	<b>45</b>

\* By origin of sales

### 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 2008 or 2009.

## Note 4 Net gains (losses) on asset disposals

<i>(in millions of euros)</i>	<b>First-half 2009</b>	<b>First-half 2008</b>
Net gains (losses) on disposal of non-current assets	(0)	4
Net gains (losses) on disposal of investments	2	(6)
Other	-	-
<b>Net gains (losses) on asset disposals</b>	<b>2</b>	<b>(2)</b>

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

The net loss on disposals of investments in the first half of 2008 primarily corresponded to the sale of Nexans' copper telecom cables business in Spain (see **Note 2.d**). The overall net gain on asset disposals recorded in first-half 2008 also included a 3.3 million euro gain on the sale of buildings that formed part of the Opglabbeek plant in Belgium, where production ceased in 2006.

## Note 5 Other financial expenses

<i>(in millions of euros)</i>	<b>First-half 2009</b>	<b>First-half 2008</b>
Dividends received from non-consolidated companies	0	-
Provisions	0	(1)
Net foreign exchange loss	(9)	(15)
Discounting impact on employee benefit obligations	(17)	(18)
Expected return on employee benefit plan assets	8	10
Other	(2)	(1)
<b>Other financial expenses</b>	<b>(20)</b>	<b>(25)</b>

## 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, 2009, Nexans carried out a review of the principal information used for the purposes of impairment testing by combining actual figures for the first months of 2009 with the estimated data used at the previous period-end, and adjusting for medium-term trends in 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
<b>First-half 2009</b>			
Europe (eurozone)	12.3%	9.0%	0.5% - 2.0%
United States	11.7%	8.5%	2.0%
Canada	11.7%	8.5%	0.5% - 2.0%
Australia	12.2%	9.5%	3.0%
China	10.9%	10.0%	4.0%
Korea	12.6%	9.5%	2.0% - 4.0%
Brazil	14.8%	10.5%	4.0%
Turkey	15.9%	12.5%	3.0%
Lebanon	18.3%	16.0%	5.0%
<b>First-half 2008</b>			
Europe (eurozone)	13.5%	9.0%	0.5% - 2.0%
United States	12.9%	9.0%	2.0%
Canada	12.9%	9.0%	0.5% - 2.0%
Australia	14.1%	11.0%	3.0%
China	12.5%	11.5%	4.0%
Korea	13.3%	10.0%	2.0% - 4.0%
Brazil	16.9%	12.0%	4.0%
Turkey	17.3%	14.0%	3.0%
Lebanon	20.2%	18.0%	5.0%
Vietnam	17.4%	13.0%	2.0%

The estimated cash flows used for the Group's impairment tests at June 30, 2009 were based on five-year metal price trends as at end-May 2009. 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):

<b>Euro/tonne</b>	<b>Copper</b>	<b>Aluminum</b>
2010	3,421	1,083
2011	3,412	1,169
2012	3,393	1,242
2013	3,367	1,301
2014	3,341	1,358
Terminal value	3,341	1,358

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

In first-half 2008 the review gave rise to the recognition of a net 9.8 million euro impairment loss, the majority of which related to the full write-down of the property, plant and equipment of the "Vietnam" cash-generating unit.

#### 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 2009 compared with the assumptions presented above would result in a rise in the amount of impairment losses recorded of around 10 million euros.

## Note 7

### Discontinued operations and assets held for sale

At June 30, 2009, assets and groups of assets held for sale mainly comprised the "North American Rodmill" business (Canada) in view of the disposal process currently under way.

A sale agreement for this business was signed in early July 2009 but completion is subject to a number of conditions precedent based on factors such as financing for the transaction and setting up copper supply contracts that involve external parties.

The sale is not expected to generate a material capital gain at Group level as the non-current assets of the North American Rodmill business were already fully written down based on impairment tests performed in prior periods.

As the North American Rodmill business does not meet the criteria in IFRS 5 for separate presentation in the income statement, the related income and expense items have been included line by line in the corresponding income statement headings for continuing operations for first-half 2008 and 2009.

Assets held for sale – which did not represent a material amount at December 31, 2008 – break down as follows:

<i>(in millions of euros)</i>	<b>June 30, 2009</b>	<b>Dec. 31, 2008</b>
Property, plant and equipment and intangible assets	0	0
Inventories and work in progress, net	14	0
Trade receivables and other assets	18	1
Other assets held for sale	4	-
<b>Total assets and groups of assets held for sale</b>	<b>36</b>	<b>1</b>
Pension and other retirement benefit obligations	1	0
Provisions	0	0
Financial liabilities	0	0
Trade payables	29	1
Other liabilities	0	0
<b>Liabilities related to groups of assets held for sale</b>	<b>29</b>	<b>1</b>

## Note 8

### Income taxes

#### a) Analysis of the income tax charge

<i>(in millions of euros)</i>	<b>First-half 2009</b>	<b>First-half 2008</b>
Current income tax charge	(16)	(43)
Net deferred income tax charge	(3)	(13)
<b>Income tax charge</b>	<b>(19)</b>	<b>(56)</b>

## b) Effective income tax rate

The effective income tax rate was as follows for first-half 2009 and 2008:

<i>(in millions of euros)</i>	First-half 2009	First-half 2008
<b>Income before taxes</b>	<b>(36)</b>	<b>174</b>
Standard tax rate applicable in France (in %)	34.43%	34.43%
<b>Theoretical income tax benefit (expense)</b>	<b>14</b>	<b>(60)</b>
Effect of:		
- Differences in current tax rates of foreign countries	1	3
- Expenses not deductible for tax purposes	(3)	(1)
- Unused tax losses and other deductible temporary differences for the period not recognized as deferred tax assets	(20)	(8)
- Utilization during the period of unused tax losses and other deductible temporary differences not previously recognized as deferred tax assets	0	8
- Income/(expenses) arising from tax losses and other deductible temporary differences due to changes in caps on tax rates during the period	(16)	1
- Income not subject to tax or taxed at a reduced rate	8	0
- Impact of changes in tax rates	1	0
- Tax credits	0	1
- Adjustments in respect of prior years and other impacts	(4)	0
<b>Actual income tax expense</b>	<b>(19)</b>	<b>(56)</b>
<b>Effective tax rate (in %)</b>	<b>-52.3%</b>	<b>32.10%</b>

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

### c) Taxes recognized directly in equity

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

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

<i>First-half 2008 (in millions of euros)</i>	Gross value	Tax effect	Net impact
<b>Available-for-sale financial assets</b>	-	-	-
- Gains (losses) generated during the period	-	-	-
- Amounts recycled to the income statement	-	-	-
<b>Currency translation differences</b>	<b>(26)</b>	-	<b>(26)</b>
- Gains (losses) generated during the period	(26)	-	(26)
- Amounts recycled to the income statement	-	-	-
<b>Cash flow hedges</b>	<b>39</b>	<b>(10)</b>	<b>29</b>
- Gains (losses) generated during the period	32	(10)	22
- Amounts recycled to the income statement	7	(0)	7
<b>Other comprehensive income</b>	<b>13</b>	<b>(10)</b>	<b>2</b>

- At June 30, 2009 and December 31, 2008, taxes recognized directly in other comprehensive income (reserves) – which mainly related to fair value adjustments on derivatives designated as cash flow hedges and primarily corresponded to deferred tax assets – totaled 12 million euros and 57 million euros respectively, breaking down as follows :

<i>(in millions of euros)</i>	<b>June 30, 2009</b>	<b>Dec. 31, 2008</b>
<b>By type of underlying</b>		
Metal derivatives – cash flow hedges	8	45
Foreign exchange derivatives – cash flow hedges	2	6
Net investments in foreign operations and related hedges	2	6
<b>Total taxes recognized directly in other comprehensive income</b>	<b>12</b>	<b>57</b>

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

- In addition, deferred tax was recorded directly in equity (consolidated reserves) 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.

#### d) Unrecognized deferred tax assets

At June 30, 2009 and December 31, 2008, deferred tax assets in the respective amounts of 234 million euros and 203 million euros – primarily corresponding to tax losses – were not recognized as the Group deemed that their recovery was not sufficiently probable.

## Note 9

### 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 per share and diluted earnings per share:

	First-half 2009	First-half 2008
<b>Net income (loss) attributable to equity holders of the Company (in millions of euros)</b>	<b>(57)</b>	<b>119</b>
Impact of interest expense (OCEANE bonds)	9	8
Impact of interest expense (OCEANE bonds), net of tax	6	5
<b>Adjusted net income (in millions of euros)</b>	<b>(51)</b>	<b>124</b>
<b>Net income (loss) from discontinued operations</b>	<b>-</b>	<b>-</b>
Average number of shares outstanding	27,962,569	25,431,978
Average number of OCEANE bonds	3,970,833	3,794,037
Average number of stock options	101,235	394,155
Average number of diluted shares	32,034,637	29,620,170
<b>Attributable net income (loss) from continuing operations per share (in euros)</b>		
- basic earnings (losses) per share	<b>(2.04)</b>	<b>4.67</b>
- diluted earnings (losses) per share	<b>(1.60)</b>	<b>4.18</b>
<b>Attributable net income (loss) from discontinued operations per share (in euros)</b>		
- basic earnings (losses) per share	-	-
- diluted earnings (losses) per share	-	-
<b>Net income (loss) per share attributable to equity holders of the Company (in euros)</b>		
- basic earnings (losses) per share	<b>(2.04)</b>	<b>4.67</b>
- diluted earnings (losses) per share	<b>(1.60)</b>	<b>4.18</b>

## Note 10 Goodwill

The increase in goodwill to 426 million euros at June 30, 2009 from 400 million euros at December 31, 2008 primarily stemmed from changes in exchange rates, as the Group's goodwill relates mainly to the acquisitions of Olex in Australia and Madeco in South America.

As explained in **Note 2.d.**, at June 30, 2009 the Group had not completed its initial accounting for the goodwill arising on the acquisitions of Intercond and Madeco. As permitted under IFRS 3, this initial accounting will be completed during the third quarter of 2009.

The prior-year increase in goodwill to 201 million euros at June 30, 2008 from 192 million euros at December 31, 2007 chiefly broke down as (i) 8 million euros relating to the reintegration of the Harnesses business, which was classified as a disposal group held for sale at December 31, 2007; and

(ii) 2.6 million euros in goodwill arising on the buyout of minority interests in the Belgian company, Opticable.

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 2008 consolidated financial statements. No goodwill impairment losses were recorded for the first half of 2009 or 2008.

## Note 11

### Cash and liquidity

#### a) Cash and cash equivalents

<i>(in millions of euros)</i>	<b>June 30, 2009</b>	<b>Dec. 31, 2008</b>
Cash on hand	256	202
Money market funds (SICAV)	250	171
Certificates of deposit	137	25
<b>Cash and cash equivalents</b>	<b>643</b>	<b>398</b>

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 classified as current financial assets rather than "Cash and cash equivalents". These amounts were not material at June 30, 2009 whereas they totaled 140 million euros at December 31, 2008.

At June 30, 2009 and December 31, 2008, cash and cash equivalents totaling 58 million euros and 23 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, 2009 :

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**Main liquidity indicators for the Group at June 30, 2009**

<i>(in millions of euros)</i>	<b>Ceiling</b>	<b>Utilization</b>	<b>Available amount</b>
<b>Unconfirmed facilities</b>			
Commercial paper program	500	0	N/A**
Nexans Services unconfirmed bank lines	200	0	200
Cash pooling overdraft	112	0	112
<b>Confirmed facilities</b>			
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
<b>Total</b>	<b>2,235</b>	<b>843</b>	<b>892</b>
<b>Cash and cash equivalents</b>			<b>643</b>

\* Nominal amount including the conversion option where applicable.

\*\* In view of the market conditions at June 30, 2009 this commercial paper program was not considered to be available at that date.

## Note 12

### Equity

#### a) Composition of capital stock

At June 30, 2009, Nexans' capital stock comprised 27,970,803 fully paid-up shares with a par value of 1 euro each (27,936,953 at December 31, 2008).

The only changes in capital stock during the first six months of 2009 resulted from the issuance of shares following the exercise of 33,850 stock options.

Changes in capital stock during the first half of 2008 arose as a result of (i) the cancellation of 420,777 treasury shares purchased under the share buyback program; (ii) the issuance of 91,525 shares under an employee rights issue in accordance with the 2008 ACT plan; and (iii) the issuance of shares following the exercise of 52,600 stock options.

#### b) Dividends

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

At the Annual General Meeting held on April 10, 2008 to approve the financial statements for the year ended December 31, 2007, the Company's shareholders authorized the payment of a dividend of 2.0

euros per share – representing a total amount of 50.7 million euros – which was paid out on April 29, 2008.

### c) Stock options

The expense recognized in first-half 2009 and 2008 relating to stock options amounted to 2.3 million euros and 3.1 million euros respectively.

At June 30, 2009, there were 1,558,250 stock options outstanding, each exercisable for one newly-issued share, representing an aggregate 5.6% of the Company's capital stock. At December 31, 2008 a total of 1,593,100 options were outstanding, exercisable for 5.7% of the Company's capital stock.

The options outstanding at June 30, 2009 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
Nov. 16, 2001	531,500	19,000	17.45	From Nov. 16, 2002 <sup>(1)</sup> to Nov. 15, 2009
April 4, 2003	644,500	36,250	11.62	From April 4, 2004 <sup>(1)</sup> to April 3, 2011
Nov. 16, 2004	403,000	237,000	27.82	From Nov. 16, 2005 <sup>(1)</sup> to Nov. 15, 2012
Nov. 23, 2005	344,000	277,800	40.13	From Nov. 23, 2006 <sup>(1)</sup> to Nov. 22, 2013
Nov. 23, 2006	343,000	343,000	76.09	From Nov. 23, 2007 <sup>(1)</sup> to Nov. 22, 2014
Feb. 15, 2007	29,000	29,000	100.94	From Feb. 15, 2009 <sup>(2)</sup> to Feb. 14, 2015
Feb. 22, 2008	306,650	304,750	71.23	From Feb 22, 2009 <sup>(1)</sup> to Feb. 21, 2016
Nov. 25, 2008	312,450	311,450	43.46	From Nov. 25, 2009 <sup>(1)</sup> to Nov. 24, 2016
<b>Total</b>	<b>2,914,100</b>	<b>1,558,250</b>		

(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 13 Provisions

### a) Analysis by nature

<i>(in millions of euros)</i>	<b>June 30, 2009</b>	<b>Dec. 31, 2008</b>
Accrued contract costs	49	50
Restructuring provisions	69	27
Other provisions	15	15
<b>Total</b>	<b>133</b>	<b>92</b>
Of which short-term	105	65
Of which long-term	28	27

<i>(in millions of euros)</i>	<b>Total</b>	Accrued contract costs	Restructuring provisions	Other provisions	Impact on the income statement (net of incurred expenses)		
					Op. margin	Financial income and expense	Other
<b>January 1, 2008</b>	<b>97</b>	<b>51</b>	<b>32</b>	<b>14</b>			
Additions	31	11	17	3	(13)	(1)	(17)
Reversals (utilized provisions)	(13)	(4)	(7)	(2)			
Reversals (surplus provisions)	(6)	(3)	-	(3)	6	-	-
Business combinations	-	-	-	-			
Other	3	1	1	1			
<b>June 30, 2008</b>	<b>111</b>	<b>55</b>	<b>43</b>	<b>13</b>	<b>(7)</b>	<b>(1)</b>	<b>(17)</b>
<b>January 1, 2009</b>	<b>92</b>	<b>50</b>	<b>27</b>	<b>15</b>			
Additions	59	3	55	1	(4)	-	(55)
Reversals (utilized provisions)	(16)	(4)	(11)	(1)			
Reversals (surplus provisions)	(6)	(2)	(2)	(2)	4	-	2
Business combinations	-	-	-	-			
Other	4	2	-	2			
<b>June 30, 2009</b>	<b>133</b>	<b>49</b>	<b>69</b>	<b>15</b>	<b>(0)</b>	<b>-</b>	<b>(53)</b>

Provisions for accrued contract costs are primarily set up 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 16** on disputes and contingent liabilities). They do not include provisions for losses on construction contracts in progress, which are accounted for as contract costs in accordance with the method described in **Note 1.g.** to the consolidated financial statements for the year ended December 31, 2008.

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 prior balance sheet date (including provisions for expired customer warranties).

## **b) Restructuring provisions**

Net additions to restructuring provisions amounted to 53 million euros in first-half 2009 and mainly relate to redundancy costs as the majority of the assets that will not be redeployed within the Group were written down following impairment tests performed in prior periods. A total of 10 million euros had been paid out of these restructuring provisions at June 30, 2009.

The restructuring plans announced in the first half of 2009 involve approximately 1,200 people and include assistance measures to be negotiated with the employee representative bodies, aimed at reducing the impact of the plans on the members of staff concerned. The plans mainly relate to 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 is also in the process of being closed and part of its customer base will be served by other Group units. Structural and capacity adjustments have also been 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, in the second quarter of 2009 the Group announced the closure of the Germany-based Vacha plant.

Reorganization measures have also been 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 decided to close its 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. Part of the plant's production equipment will be redeployed to existing sites at Weyburn and Chester.

In first-half 2008, a 17 million euro restructuring provision was recorded, including 13.1 million euros relating to the closure of the Athlone plant in Ireland. This amount primarily corresponded to redundancy costs for the 95 employees affected by the restructuring plan.

## Note 14

### Net debt

#### a) Analysis by nature

<i>(in millions of euros)</i>	June 30, 2009	Dec. 31, 2008
Bonds redeemable in 2017*	349	359
OCEANE 2016 convertible/exchangeable bonds*	172	-
OCEANE 2013 convertible/exchangeable bonds*	278	274
Other long-term borrowings*	16	44
Short-term borrowings*	131	248
Short-term bank loans and overdrafts	9	10
<b>Gross debt</b>	<b>955</b>	<b>934</b>
Cash and cash equivalents	643	398
<b>Net debt</b>	<b>312</b>	<b>536</b>

\*Including accrued interest.

#### b) Change in net debt

<i>(in millions of euros)</i>	First-half 2009	First-half 2008
<b>Net (debt) cash at beginning of period</b>	<b>(536)</b>	<b>(290)</b>
(Increase)/decrease in net debt	187	(168)
OCEANE 2016 bond issue*	37	-
Impact of assets and groups of assets held for sale (IFRS 5)	-	1
<b>Net (debt) cash at period-end</b>	<b>(312)</b>	<b>(457)</b>

\* 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 (see also **Note 2.c.**) :

- 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 the 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 8.c.** for details of the related tax impact).

Other bonds outstanding at June 30, 2009 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 the 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 8.c.** for details of the related tax impact).

## Note 15 Derivative instruments

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

<i>(in millions of euros)</i>	<b>June 30, 2009</b>	<b>Dec. 31, 2008</b>
<b>Assets</b>		
Foreign exchange derivatives – Cash flow hedges*	31	36
Metal derivatives – Cash flow hedges*	12	2
Foreign exchange derivatives – Held for trading*	14	36
Metal derivatives – Held for trading*	5	2
<b>Sub-total - Assets</b>	<b>62</b>	<b>76</b>
<b>Liabilities</b>		
Foreign exchange derivatives – Cash flow hedges*	33	65
Metal derivatives – Cash flow hedges*	37	163
Foreign exchange derivatives – Held for trading*	12	31
Metal derivatives – Held for trading*	6	16
<b>Sub-total – Liabilities</b>	<b>88</b>	<b>275</b>

\* Within the meaning of IAS 39

These amounts are included in "Other current financial assets" and "Other current financial liabilities" in the consolidated balance sheet.

## Note 16

### Disputes and contingent liabilities

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

Although certain cases were resolved in 2008, there are still a number of disputes outstanding relating to the Group's operations. Management considers that the provisions recognized 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 and/or independent evaluations of the probability of judgment being entered against Nexans.

The residual disputes for which provisions had been recorded at December 31, 2008 and June 30, 2009 did not represent sufficiently material amounts, when taken individually, to require specific disclosures in the interim 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. This 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 wipers systems, and some of the cables allegedly broke. The 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 both the harness manufacturer and Nexans contest. In addition, the automaker concerned 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 2006 Nexans was part of a consortium that won a contract worth some 100 million euros to supply and install high-voltage cables in the Middle East. At December 31, 2008 Nexans had practically terminated the manufacture of the cables in conjunction with its partner in a joint-venture recently set up in Japan, and had installed the majority of the cables at the project site. Revenues and margin on this contract for the year then ended were recognized in accordance with the percentage of completion method as described in **Note 1.g.** to the 2008 consolidated financial statements. Although the cables' performance capabilities exceeded normal service conditions, at December 31, 2008 they had not yet managed to pass all of the required "type" tests which are carried out under strong constraints. In view of the overall contractual context, when the financial statements for the year ended December 31, 2008 were approved, Nexans did not consider that the

necessary criteria were met for recognizing a provision to cover the cost of bringing these cables back to the manufacturing stage.

The required “type” tests were successfully performed during the first half of 2009. Consequently, the residual risk of the Group failing to respect its performance conditions under this contract is now deemed to be low.

- In late January 2009, the European Commission, as well as competition authorities in Spain, Japan, South Korea and the United States launched investigations against Nexans and other cable producers relating to alleged cartel behavior in the sector of submarine and underground power cables and associated equipment and services.

At this stage, 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 indemnity payments and risks relating to mergers and acquisitions***

- 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 (619 million euros and 687 million euros at June 30, 2009 and December 31, 2008 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 possible 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 possible rather than probable it is disclosed as a contingent liability if the amount concerned is sufficiently material.

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 (see **Note 2.d.**), 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 (33.5 million euros held until December 31, 2009, 28 million euros 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.

- Acquisition of the Madeco group's cables business

When Nexans acquired the cables business of the Chile-based group Madeco on September 30, 2008 it took over a certain number of pending or possible disputes. The most significant of these, subject to certain deductibles, are covered by the seller's warranty granted by Madeco under the purchase agreement. At June 30, 2009 Nexans was still in the process of valuing the contingent liabilities relating to this acquisition and a provision will be recorded if required when the Group allocates the final purchase price during the third quarter of 2009 in accordance with IFRS 3 (**see Note 2.d.**). As described in **Note 2.d.** final adjustments will be made to the acquisition cost based on accounts at September 30, 2008.

In turn, Nexans has granted Madeco a seller's warranty in connection with the 2.5 million Nexans shares issued as consideration for part of Madeco's asset transfer.

## Note 17

### Events after the balance sheet date

No events have occurred since the balance sheet date for which disclosure is required in this report.

# STATUTORY AUDITORS' REVIEW REPORT ON THE 2009 INTERIM FINANCIAL INFORMATION

## **PricewaterhouseCoopers Audit**

63, rue de Villiers  
92200 Neuilly-sur-Seine

## **KPMG Audit**

A division of KPMG SA  
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:

Ø

- the review of the accompanying condensed interim consolidated financial statements of Nexans for the six months ended June 30, 2009;
- 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. They were prepared under the same conditions of extremely volatile financial markets and uncertainty with regard to economic forecasts which already existed at December 31, 2008. 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 16 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 28, 2009

The Statutory Auditors

**PricewaterhouseCoopers Audit**



Dominique Ménard  
Partner

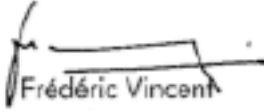
**KPMG Audit**  
A division of KPMG SA



Valerie Besson  
Partner

## STATEMENT BY THE PERSON RESPONSIBLE FOR THE 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, 2009 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of operations of the Company and its subsidiaries, and (ii) the interim management report beginning on page 4 provides a fair view of significant events of half-year 2009, their impact on the interim financial statements, the principal related party transactions and the principal risks and uncertainties to which the Group is exposed for the second half of 2009.



Frédéric Vincent  
Chairman and CEO



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