Annual report 2008

Working together,
improving performance

Draka

Core competences & core activities

Draka's core competences are the development, production and sale of cable. Since the Company's inception 99 years ago, it has responded to the ever-changing customer needs. Draka's current portfolio comprises:

Cable material	Semi-manufactures (copper drawing, compounding, optical fiber production);
Cable products	Cable as end-product;
Cable systems/concepts	Cable as part of a system/project, kit concept and/or turnkey project.

As a global manufacturer of wire and cable, Draka is able to offer extensive competences in materials development, production technology, marketing and logistics. Draka's product portfolio covers all mechanical, electrical and environmental requirements. These varied requirements have led to an outstanding range of customised products and established Draka's name as a specialist for challenging applications.

Core values

A fully updated Code of Conduct was published in 2007 which addresses Draka's core values of respect, integrity, accountability and discipline. As well as delineating Draka's personality as an organisation, the Code sets out in detail the high standards Draka demands of all its staff and the principles of ethical conduct with which they are required to comply at all times. The following core values were communicated to all stakeholders and implemented by Draka in 2008.

Respect
- For the individual
- For our customers, suppliers and colleagues
- For our neighbourhood and the environment
- For our communities

Integrity
- In all relationships
- In complying with the law and regulations
- In behaving ethically in everything we do
- In making the right choices

Accountability
- To our stakeholders
- To our customers, by providing the highest possible standard of service
- For our personal growth and our personal contribution to Draka's success
- For our results

Discipline
- In implementing our corporate plans, processes and procedures
- In developing and defining best practices in the sector and implementing them without delay

Mission

Draka's mission is to be one of the world's leading cable manufacturers in all its selected product/market segments, with a sound financial base, a balanced geographical spread and an extensive, technologically advanced product portfolio. To that end, Draka's focus is on quality, growth and profitability. Draka aims in this way to be an attractive partner for all its stakeholders: customers, employees, shareholders, financiers and suppliers. At the same time, Draka takes its social obligations seriously by investing in sustainable technology.

Strategic & financial goals

Draka is committed to achieving the following strategic and financial goals in the medium term:
- Increasing the scale of operations in the special-purpose cable segment of the cable market, through organic growth and acquisitions.
- Widening Draka's geographical presence through organic growth and acquisitions; particularly in regions such as Asia, Eastern Europe, North America and in the emerging markets.
- Increasing revenues from these special-purpose cable segments and geographical regions to around 60% of total revenues (2008: approximately 49%).
- Strengthening Draka's existing position in continental Europe through organic growth.
- Capitalising on Draka's strong sales and marketing position, creating value by grasping market opportunities and responding to customer requirements at an early stage.
- Extending Draka's current range of products and services by expanding the core activities and continuing to invest in new technologies and application engineering.
- Continuing to optimise the organisation, which may include disposal of non-core activities and reorganisations.
- Ongoing improvement in profitability through a combination of organic growth, acquisitions and cost-reduction programmes. Despite a good spread of activities over the different customer groups, Draka's profitability in any given year is determined partly by economic developments at that time. Draka does not therefore set itself a medium-term profit target, but expects an average operating margin over the economic cycle (of 6–7 years) of more than 5% of revenues.
- Regular maintenance and replacement investments in intangible assets and property, plant and equipment will typically equal amortisation and depreciation. Consistent with Draka's strategic principles, investments in growth markets (special-purpose cable segment and emerging markets) may result in total investment exceeding amortisation and depreciation in a particular year.

Teamwork on a global front

As a leading cable supplier, Draka aims to be a global partner to our customers. Wherever they are located, our ambition is to be their first choice supplier for cables and related products. That means we have to work closely together with customers, consistently delivering excellent products and support. Those are challenging objectives. And meeting them takes more than good intentions and smooth operational processes. Our staff around the world, and the way they work together, are the ones who make it possible. Good teamwork at Draka has many dimensions, a number of which are highlighted in this annual report.

Of course internally – on the shopfloor and between our Groups, with Research & Development, and with newly acquired companies. But also externally, for example with distributors, supply chain partners and – not least – customers themselves. At a time when financial indicators are under closer review than ever, it's important to keep the role of people in mind. Because at the end of the day it's our people, and the way they work together, that make the difference. To our performance as a company, but also to the added value that we can deliver for our customers and all our other stakeholders.

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Draka Holding N.V.

Draka has a flat, decentralised organisational structure with short lines of communication. The divisions within the Group enjoy a large measure of autonomy and independent responsibility for their revenue and profits including operational issues like sales and delivery contracts with customers and research & development.

ENERGY & INFRASTRUCTURE	INDUSTRY & SPECIALTY	COMMUNICATIONS
DIVISIONS	DIVISIONS	MARKETS
Europe	Automotive & Aviation	Telecommunications
Asia-Pacific	Industrial	Data Communication
	Cableteq USA	Mobile Networks
	Elevator Products	Optical Fiber

Operating in 30 countries

Worldwide the Draka companies have some 10,050 employees. Draka Holding N.V., the head office, is established in Amsterdam. Draka has 68 operating companies in 30 countries throughout Europe, North and South America, Asia and Australia.

- Australia
- Belgium
- Brazil
- Canada
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- India
- Indonesia
- Italy
- Japan
- Malaysia
- Mexico
- Netherlands
- Norway
- People's Republic of China
- Philippines
- Russia
- Singapore
- Slovakia
- Spain
- Sweden
- Sultanate of Oman
- Thailand
- Turkey
- United Kingdom
- United States

Company profile in brief

Draka is active worldwide in the development, production and sale of all kinds of cable solutions for a wide diversity of customers. Draka's products are used in aircraft, trains and cars, in ships, on offshore rigs, in elevators and wind turbines, in homes and offices and in many more applications. With cables ranging in size from the minutely small to diameters measured in tens of centimetres, Draka has a solution for every application.

Draka has subdivided its activities into three Groups: **Energy & Infrastructure**, which is responsible for the low-voltage and instrumentation cable activities, **Industry & Specialty**, which takes care of the specialty cable operations, and **Communications**, which handles the communication cable activities.

ENERGY & INFRASTRUCTURE

DIVISION	MARKET POSITION	COMPETITORS	CLIENTS
EUROPE	Top 3 position in Europe as supplier of cable for construction, industrial and infrastructure applications	General Cable (USA) Nexans (France) Prysmian (Italy)	Construction and installation companies Technical wholesalers such as Sonepar (France), Edmunson Electrical (UK) and Rexel (France)
ASIA-PACIFIC	Supplier of cable for construction, industrial and infrastructure projects; no. 1 in Singapore and Hong Kong; growing in rest of Asia	Prysmian (Italy) Tai Sin Electric Cable (Singapore)	Construction and installation companies, local authorities and technical wholesalers

INDUSTRY & SPECIALTY

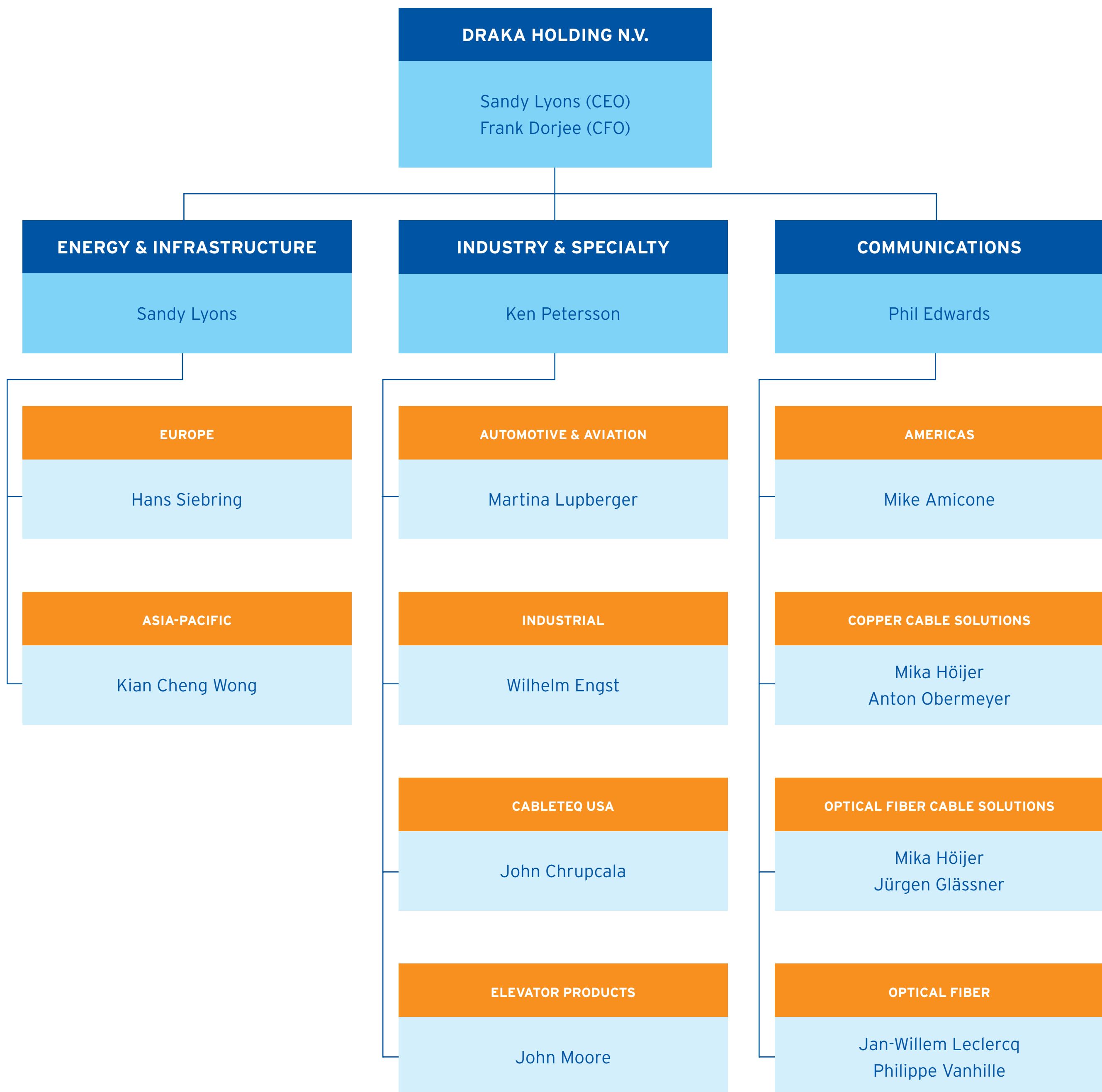
DIVISION	MARKET POSITION	COMPETITORS	CLIENTS
AUTOMOTIVE & AVIATION	World no. 1 independent supplier of advanced automotive cables; key position in standard cable; principal supplier to Airbus	Coficab (Tunisia), Coleman (USA) Leoni (Germany), Nexans (France) Sumitomo (Japan)	System suppliers, such as Delphi (USA), Yazaki (Japan) and Lear (USA) and and Airbus (France) for aircraft cable
INDUSTRIAL	No. 2 or 3 in Europe; global market leader in cable for wind turbines; leading position in cable for the offshore oil and gas industry in North America and the Far East	LS Cable (South Korea) Nexans (France) Prysmian (Italy)	Technical wholesalers, such as Rexel (France) and Sonepar (France); industrial companies active in the mining, wind turbine and solar power markets; oil and gas industry; shipyards
CABLETEQ USA	Top 3 position in cable market niches such as defence, irrigation systems and oil and gas in the US	General Cable (USA) Nexans (France) Rockbestos-Suprenant (USA)	Manufacturers of irrigation systems, (Reinke and Valmont); Schlumberger in the oil and gas industry; defence industry
ELEVATOR PRODUCTS	Market leader in lift cable in North America; strong position in Europe; growing in Asia	Daetwyler (Switzerland) Gebauer & Griller (Austria) Sumitomo (Japan)	Elevator manufacturers such as Otis (USA) and ThyssenKrupp (Germany)

COMMUNICATIONS

MARKETS	MARKET POSITION	COMPETITORS	CLIENTS
TELECOMMUNICATIONS	Optical fiber cable: No. 1 in Europe and China and no. 3 in USA; Outdoor copper cable: no. 3 in EMEA	Corning (USA) Furukawa (Japan) Nexans (France) Prysmian (Italy)	Operators such as KPN, Deutsche Telekom, France Telecom, Telia/Sonera, Tele Denmark, AT&T, Verizon, China Telecom, Illiad, Alcatel and Siemens
DATA COMMUNICATION	No. 1 in Europe	Acome (France), Belden (USA) CommScope (USA), Leoni (Germany), Nexans (France)	Technical wholesalers, distributors, OEM and system suppliers
MOBILE NETWORKS	No. 3 worldwide	CommScope (USA), RFS (part of Alcatel, Germany)	Suppliers and operators of mobile telecommunication networks
OPTICAL FIBER	No. 1 worldwide in multimode optical fiber No. 2 worldwide in single mode optical fiber	Corning (USA), Fujikura (Japan), Furukawa (Japan), Sumitomo (Japan)	Cable makers for telecommunications and data communication applications

Organisational chart

Draka's organisational structure as from 1 January 2008



2008 in brief

Despite last year's challenging market conditions, Draka made progress towards its strategic objectives – strengthening its organisational structure, increasing the share of special-purpose cable in its revenues, further reducing its cost base and making additional investments in R&D – and posted a satisfactory profit.

2008 was a year of contrast: a good first half followed by a sharp downturn in the second six months.

Draka responded effectively to the rapidly changing market conditions: the action taken since the summer of 2008, including a moratorium on recruitment, investment cutbacks and more Triple S projects, is expected to generate €25 million in savings in 2009.

Draka's market share showed little change, with volume growth (-1.7%) moving in line with the global market (-1 to -2%).

The operating result (excluding non-recurring items) was €133.1 million compared with €145.7 million in 2007, reflecting the lower volume, growing pressure on prices and adverse currency movements. The positive effects of an improved product mix, cost savings and efficiency gains provided insufficient compensation for the negative factors.

The Energy & Infrastructure and Communications groups were responsible for the decrease in Draka's operating result. Industry & Specialty's result improved slightly.

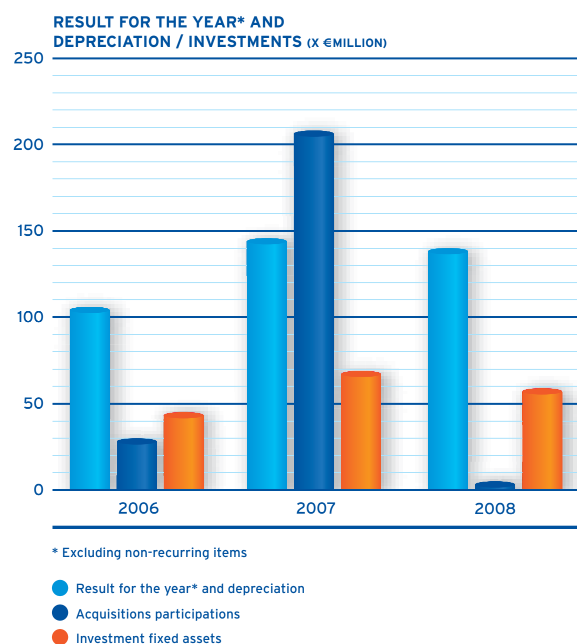
The result for the year attributable to shareholders was €83.5 million (-25.5%) and earnings per ordinary share were down 3.1% at €2.18 (both excluding non-recurring items). Proposal is not to pay a dividend on ordinary shares in respect of 2008.

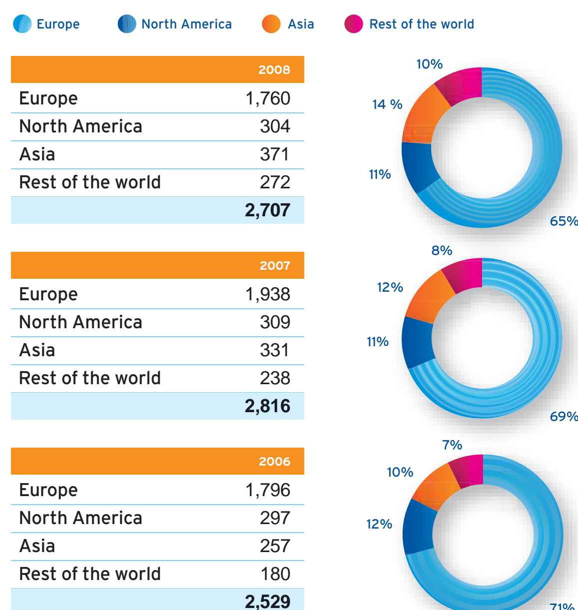
Net non-recurring items were €14.2 million negative. The charges (€43.0 million net), comprising a provision for Triple S projects (€19.2 million), inventory revaluation (€15.8 million) and inventory revaluation at associate Oman Cables Industry (€8.0 million), exceeded the non-recurring income (€28.8 million net), comprising the book profit generated by the bid for the convertible bonds (€12.6 million) and tax income (€16.2 million).

Operating working capital improved further to 14.4% of revenue (2007: 16.1%), thanks to strict working capital management.

Draka's balance sheet position improved: net debt was €54 million lower on the year, due to the free cash flow and the combined bid in cash and shares for the €100 million 4% convertible bond loan. This improved the net gearing (interest-bearing debt as a percentage of shareholders' equity) to 113.2%, compared with 138.0% in 2007.

The Yangtze Optical Fibre & Cable Co. Ltd (YOFC) joint venture agreement was extended for a further twenty years. Through YOFC, the market leader in optical fiber and optical fiber cable in China, Draka will continue to profit from strong growth prospects in the world's largest optical fiber market.





	2008
Europe	1,760
North America	304
Asia	371
Rest of the world	272
	2,707

	2007
Europe	1,938
North America	309
Asia	331
Rest of the world	238
	2,816

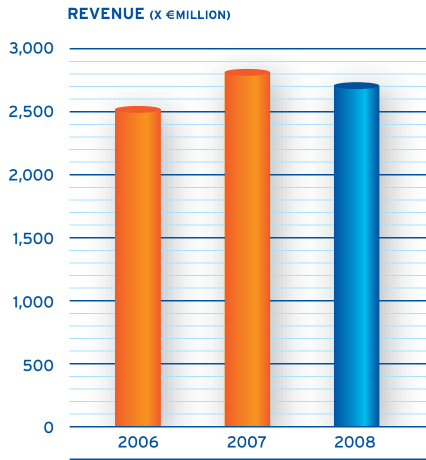
	2006
Europe	1,796
North America	297
Asia	257
Rest of the world	180
	2,529

Key figures

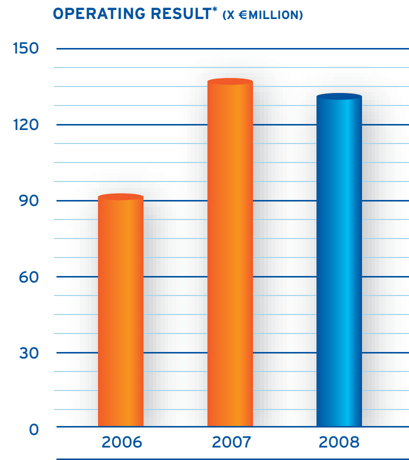
	2008	2007
RESULTS (X €MILLION)		
Revenue	2,706.8	2,816.2
EBITDA (excluding non-recurring items)	189.6	198.2
EBITDA	142.9	198.2
Operating result (excluding non-recurring items)	133.1	145.7
Operating result	86.4	145.7
Result before income tax (excluding non-recurring items)	103.4	115.6
Result before income tax	61.3	115.6
Result for the year (excluding non-recurring items)	83.5	85.3
Result for the year	69.3	93.0
BALANCE SHEET (X €MILLION)		
Shareholders' equity	440.4	400.5
Guarantee capital [1]	489.9	523.2
Total assets	1,657.2	1,751.2
Current assets -/- non-interest bearing current liabilities	367.3	375.9
INVESTMENTS, AMORTISATION, DEPRECIATION AND IMPAIRMENT (X €MILLION)		
Investments in intangible assets	7.8	7.3
Investments in property, plant and equipment	50.8	64.2
Amortisation, depreciation and impairment	61.5	52.5
Investments in subsidiaries and equity accounted investees	1.6	209.8
Result for the year (excluding non-recurring items) + amortisation, depreciation and impairment	140.0	145.5
PERSONNEL		
Number of employees at year-end	10,050	9,547
RATIOS (IN %)		
Operating result (excluding non-recurring items) / Revenue	4.9	5.2
Operating result / Revenue	3.2	5.2
ROTA excluding non-recurring items [2]	6.1	6.6
ROTA [2]	3.6	6.6
Guarantee capital [1] / Total assets	29.6	29.9
PER ORDINARY SHARE (X €1)		
Shareholders' equity (excluding preference shares)	8.96	9.11
Result for the year after dividend on preference shares (excluding non-recurring items) + amortisation, depreciation and impairment	3.76	3.94
Result for the year after dividend on preference shares (excluding non-recurring items)	2.18	2.25
Result for the year after dividend on preference shares	1.78	2.46
Result for the year (fully diluted) [3]	1.61	2.19
Proposed dividend	-	0.68

[1] Shareholders' equity, provision for deferred taxation and long-term part of convertible subordinated bond and other subordinated loans
[2] Result before income tax / Average total assets
[3] The calculation takes into account the interest charge on the convertible subordinated bond

REVENUE (X €MILLION)

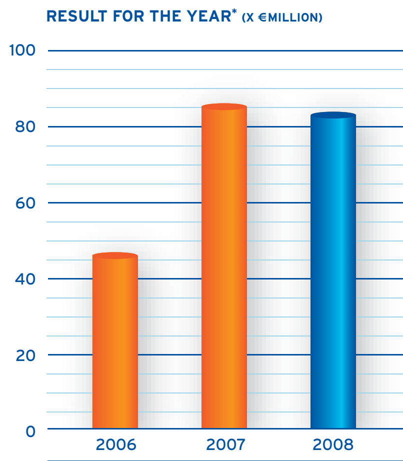


OPERATING RESULT* (X €MILLION)



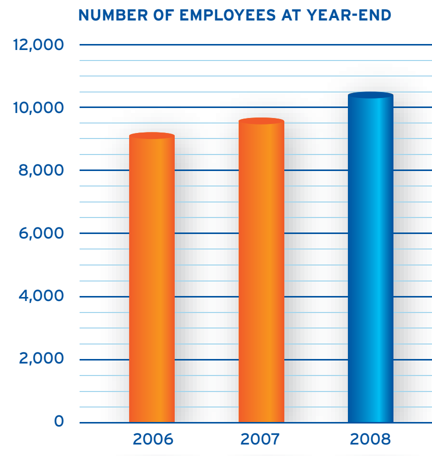
* Excluding non-recurring items

RESULT FOR THE YEAR* (X €MILLION)

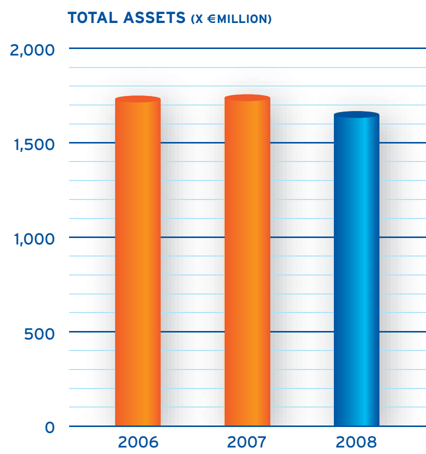


* Excluding non-recurring items

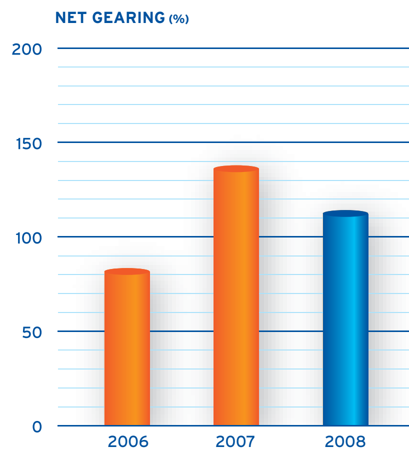
NUMBER OF EMPLOYEES AT YEAR-END



TOTAL ASSETS (X €MILLION)



NET GEARING (%)



The Board of Management:
Frank Dorjee (left) and Sandy Lyons.

Letter from the Board of Management

Progress towards strategic objectives

We have devoted a great deal of time and energy in recent years to the further professionalisation and optimisation of our organisation. In 2004/5, we moved from an organisational structure based on geographical markets to a divisional organisation. At the same time, we embarked on expansion of the central functions, which provided more effective control of the organisation and new opportunities for reducing costs.

Progress was made in both areas in 2008. The organisational structure was further refined and now comprises three groups, each built on the business model that is right for its market segment to ensure the best possible service to customers. Meanwhile, Draka continued to invest in its central functions, most notably purchasing, human resources and IT, which has raised the level of professionalism while generating further cost savings.

While focusing on internal developments, Draka remained alert to external opportunities last year. We are pleased to report that, in line with Draka's strategic objectives, the share of total revenues generated by special-purpose cable and emerging markets increased to around 49% (2007: 47%). Organic growth accounted for almost all of this increase, helped by the investment in sales and marketing organisations. Draka also signed a new agreement to extend the Yangtze Optical Fibre and Cable Co. Ltd (YOFC) joint venture in China for a further twenty years, until May 2028. This has secured our strong position in optical fiber in this major emerging market for the long term.

2008: a year of extremes

Last year was a turbulent time for the world economy. The first half was comparatively good, with the notable exception of the US. In September, when the full impact of the credit crisis was felt, economic activity came to an abrupt halt and growth in most countries turned negative.

Draka went through a similar experience in 2008. After 7% growth in the first six months, the full-year operating result (excluding non-recurring items) was down 8.6%, despite the additional cost-cutting measures we took in the summer, including the moratorium on recruitment and investment. Given the extreme economic conditions and the movements in exchange rates and raw material prices, however, we consider this performance satisfactory. We therefore take this opportunity to express our sincere gratitude to our personnel and our appreciation for the exceptional efforts they have made.

Innovation is the key to continuity

In difficult economic times, it is more important than ever for the company to continue investing in innovation, so that it can defend and advance its competitive position. Draka continues to invest in innovation at the same level in 2008, concentrating mainly on application engineering and improvements in materials and production processes. A great deal of time and effort was invested in making the R&D structure more efficient. It was also decided to establish a global R&D community, which will help to embed innovation in the corporate mindset.

Our people are our core capital

Draka's most important asset is its people. Recognising that dedicated and motivated people are the most productive, have the best ideas and are loyal to the company, we implemented the plans we developed in 2007 for a Draka Academy to strengthen our internal training programmes. The object of the Draka Academy is to enable employees to achieve their work-related, personal and career goals. We plan to continue developing the Academy in 2009.

Together we can make a difference

On the basis of economic developments in the first few weeks and the predictions made by several institutions for the rest of the year, 2009 will be another challenging period. Piloting Draka through these difficult economic waters will require the commitment of all of our 10,000 employees and the support of our customers and other stakeholders. Cooperation is vitally important, in bad times even more than in good. That is why we have chosen 'Teamwork' as the theme for this annual report, giving examples of how we work together at Draka. Teamwork will also be key to achieving our three main objectives (which we call the '3Cs') in 2009:

- Customers – demonstrating the value of our products and services and winning contracts;
- Cost – cutting costs, both in cash and as a percentage of revenues;
- Cash – maximising cash flow and minimising working capital.

We proved in previous recessions that, working together, we can achieve anything. As those times return, Draka therefore faces with confidence the challenges that lie ahead in 2009.

Board of Management,

Sandy Lyons
Frank Dorjee

Report of the Supervisory Board

Financial statements and dividend

The Board of Management has submitted the financial statements for the 2008 financial year to the Supervisory Board. These statements, included on pages 67 to 121 of this report, have been audited by Deloitte Accountants B.V. The auditors' report can be found on page 124.

The Supervisory Board recommends that the General Meeting of Shareholders adopt these financial statements in accordance with the proposal of the Board of Management, including a dividend of €5.4 million on preference shares and no dividend on ordinary shares. We also invite the General Meeting of Shareholders to discharge the members of the Board of Management of liability for their management and the members of the Supervisory Board of liability for their supervision thereof.

Activities of the Supervisory Board

The Supervisory Board held six meetings in 2008 which were attended by the Board of Management. Among the important matters discussed at these meetings were corporate strategy and the growth of the organization, both organically and by acquisition, the implementation of the new organizational structure, the progress of the cost-control programs within the scope of the Triple S project and, in that context, the closure of the plants in Vigo (Spain) and Llanelli (UK), the Company's profit performance, the strengthening of the Company's financial structure by converting part (74.2%) of its outstanding convertible bond loan, the general and financial risks to which the Company is exposed, the configuration and functioning of the internal risk management and control systems, acquisition policy, the annual report and the financial statements (in a meeting attended by the external auditors), corporate governance and compliance. In the context of the annual visits to the operating companies, the Supervisory Board traveled in 2008 to Draka Norsk Kabel in Drammen, Norway.

The Supervisory Board also met three times in the absence of the Board of Management in 2008, at which it discussed its own functioning, the functioning of its committees and the expertise of its individual members, the composition of and succession within the Supervisory Board, its relationship with the Board of Management, the composition and performance of the (members of the) Board of Management and the remuneration of the members of the Board of Management. The evaluation of the Supervisory Board, its committees and its individual members was done by means of a detailed questionnaire, which was sent in advance to the members of the Supervisory Board. Their responses to the questions were summarized and the questionnaire and summary were then discussed at the meeting.

There was frequent contact outside meetings between individual members of the Supervisory Board and members of the Board of Management on matters relating to the Company. All meetings were attended by all members of the Supervisory Board.

Committees of the Supervisory Board

The Supervisory Board has three committees: the Audit & Governance Committee, the Remuneration & Nomination Committee and the Strategy Committee. Each committee has a charter defining its tasks, responsibilities and procedures. The charters and membership of the committees are posted on the Company's website.

Audit & Governance Committee

The Audit & Governance Committee comprises of Rob van Oordt (Chairman), Annemiek Fentener van Vlissingen, Fritz Fröhlich and Graham Sharman.

The Audit & Governance Committee held six meetings in 2008 which were attended by the Chief Executive Officer and the Chief Financial Officer. Among the matters discussed were profit performance, the Company's financial reports and publications, the management letter and the role of the auditors, corporate governance matters, risk management and internal control procedures, legal matters, the 2008 audit plan and corporate financing. The functioning of the external auditors was evaluated in detail and tenders were invited for the 2008 external audit,

Supervisory Board

The Supervisory Board of Draka Holding consists of the following members:

Fritz Fröhlich (Chairman) (1942) [2, 3]	
Nationality	German
Supervisory Board memberships	Randstad Holding N.V. (Chairman)
	Altana AG (Chairman)
	Allianz Nederland Groep N.V.
	ASML Holding N.V.
	Rexel S.A.
	Aon Jauch & Hübener GmbH
First appointment	1999
Current term	2007–2011

Annemiek Fentener van Vlissingen (Deputy Chairman) (1961) [2, 4]	
Nationality	Dutch
Supervisory Board memberships	SHV Holdings N.V. (Chairman)
	Flint Holding N.V.
	Heineken N.V.
	De Nederlandsche Bank N.V.
First appointment	2001
Current term	2005–2009

Harold Fentener van Vlissingen (1968) [6]	
Nationality	Dutch
Supervisory Board memberships	Diamond Tools Group B.V. (Chairman)
	Flint Holding N.V.
	Precision Tools Holding B.V. (Director)
First appointment	2006
Current term	2006–2010

resulting in the appointment of Deloitte Accountants B.V. as Draka's external auditors. Further, the quality and quantity of the internal and external reporting and the definition of the key performance indicators were discussed extensively.

Various aspects of corporate governance are discussed on pages 56 and 57.

Remuneration & Nomination Committee

The Remuneration & Nomination Committee comprises of Fritz Fröhlich (Chairman), Annemiek Fentener van Vlissingen, Ludo van Halderen and Rob van Oordt.

The Remuneration & Nomination Committee met four times in 2008. The main subjects addressed at the meetings were the functioning and composition of the Board of Management, the remuneration, pension schemes and contractual arrangements of the members of the Board of Management, the remuneration of the members of the Supervisory Board, the 2009 bonus targets for the Board of Management, the changes to the reference groups on which remuneration policy is based, the assessment of and succession planning for senior executives and succession planning for the Board of Management and Supervisory Board.

Strategy Committee

The Strategy Committee comprises of Graham Sharman (Chairman), Harold Fentener van Vlissingen, Ludo van Halderen and Annemieke Roobeek.

The Strategy Committee held four meetings in 2008. While supervision of corporate strategy remains the responsibility of the full Supervisory Board, the task of the Strategy Committee is to study specific strategic issues and proposals by the Board of Management in depth and provide input to the Supervisory Board when those are on the agenda for discussion and decision-making by the full Supervisory Board. Important issues addressed at the meetings included the Company's short-term and long-term strategy, the definition of its core business, possible acquisitions and divestments and the Company's minority interests. In preparation for an economic recession, the committee discussed in detail various models employing different economic scenarios and considered their consequences for the Company.

Remuneration report in outline

The Company's remuneration policy, which was adopted by the General Meeting of Shareholders on 11 May 2007, is discussed in detail in the section entitled 'Remuneration report'. The aim of the remuneration policy is to enable the Company to attract and retain qualified and expert Board of Management members. The remuneration package for the members of the Board of Management comprises a base salary, a bonus, a long-term incentive and a pension plan.

Composition of the Supervisory Board

There was no change in the composition of the Supervisory Board in 2008. Annemiek Fentener van Vlissingen, whose term of office expires on 20 April 2009, is willing to serve a further term and will be proposed for reappointment.

A word of thanks

The Supervisory Board thanks the Board of Management and all the staff for their commitment and hard work on behalf of the Company in 2008.

Amsterdam, 24 February 2009

Fritz Fröhlich, Chairman
Annemiek Fentener van Vlissingen, Deputy Chairman
Harold Fentener van Vlissingen
Ludo van Halderen
Rob van Oordt
Annemieke Roobeek
Graham Sharman

Ludo van Halderen (1946) [4, 6]	
Nationality	Dutch
Supervisory Board memberships	Econcern N.V. (Chairman) Rabobank IJsseldelta (Chairman) Van Gelder Groep B.V.
First appointment	2006
Current term	2006-2010

Rob van Oordt (1936) [1, 4]	
Nationality	Dutch
Supervisory Board memberships	Unibail-Rodamco S.A. (Chairman; France) Schering Plough Corporation (Director; USA) Fortis Bank N.V. (Director; Belgium)
First appointment	1999
Current term	2007-2011

Annemieke Roobeek (1958) [6]	
Nationality	Dutch
Supervisory Board memberships	NCWT-NEMO (Chairman) Aedes RAI Amsterdam
First appointment	2006
Current term	2006-2010

Graham Sharman (1938) [2, 5]	
Nationality	British/American
Supervisory Board memberships	none
First appointment	1998
Current term	2006-2010

[1] Chairman of the Audit & Governance Committee
[2] Member of the Audit & Governance Committee
[3] Chairman of the Remuneration & Nomination Committee
[4] Member of the Remuneration & Nomination Committee
[5] Chairman of the Strategy Committee
[6] Member of the Strategy Committee

Report of the Board of Management

Main developments in 2008

Global cable market

The worldwide financial crisis which manifested itself in 2008 inevitably had repercussions for the global cable market. After growth of 2–3% in the first half of 2008, the second half saw world demand for cable fall at least 3% (in volume terms, based on constant exchange rates and copper prices), so cable market volume showed a marginal decline over the year.

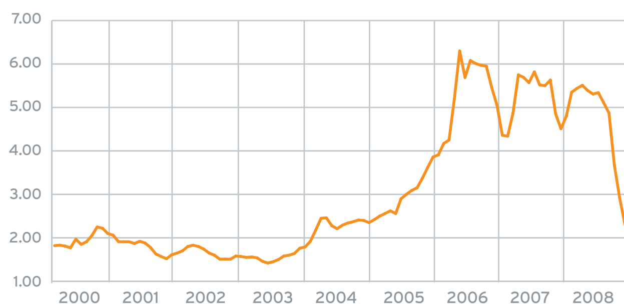
The main reason for the flat volume trend was the sharp fall in demand in North America. After two years of steady decline of 3% and 2.5% respectively, demand was down about 8% in 2008, reflecting the sharp fall in construction volume on the North American market. The financial turbulence also had an impact on construction activity in the West European market in the second half of the year, resulting in a fall of around 3% in demand for cable in 2008. In the emerging markets such as Eastern Europe, the Far East, India and Latin America, the rate of growth in demand almost halved compared with 2007 but was still healthy at 4–6%, depending on the region.

At product level, two segments contributed to the growth of the cable market, namely energy cable and optical fiber cable. The trend in the energy cable segment remained positive, with demand for medium- and high-voltage cable around 4% higher (note: Draka is not active in high-voltage cable). The demand for low-voltage cable fell around 2% compared with growth of 6% in 2007, mainly due to the downturn in the construction markets in North America and Western Europe. The trend in the special-purpose cable segment was more positive, with growth of about 1%. The strongest growth (around 9%) in the cable market was recorded by the optical fiber telecommunication cable segment. Other segments in the communication cable market performed less well: demand for copper telecommunication cable fell again (by almost 6-7%) and demand for data communication cable (copper and optical fiber) was slightly lower.

Raw material prices

Raw material prices presented a mixed picture in the first three quarters of 2008: metal prices (copper and aluminium) stabilised over that period compared with the same period in 2007, while polymer prices continued to rise in response to the higher oil prices. Raw material prices were lower across the board in the fourth quarter, with metal prices in particular falling sharply. For example, the copper price dropped from an average of €5.25/kg in the first nine months to a low of €1.97/kg in December. The substantial fall in raw material prices in the fourth quarter of 2008 translated into pressure on cable industry margins.

Copper price development (euros) over the period 2000-2008



Draka in general

Draka further refined the organisational structure in 2008 and had the benefit of the first synergy gains resulting from that exercise. In the new organisational structure (from 1 January 2008), the company is split into three groups – Energy & Infrastructure, Industry & Specialty and Communications – each with a clear product/market orientation. This redesign was facilitated by the acquisition in December 2007 of the remaining 49.9% interest in Draka Comteq B.V. (communication cable activities). Having acquired full control, Draka was also able to further raise the operational efficiency of its activities. This was achieved primarily by making the sales and marketing organisations more effective and streamlining the production facilities, backed up by closer cooperation both internally (within and across the divisions) and with the end-customer.

As well as the organisational structure, Draka devoted considerable time and attention in 2008 to ensuring a rapid response to the fast-changing market conditions. Management's main focus in the first half of the year was on limiting the impact of rising input prices on the result and in the second half on the sharp fall in demand. The reduction in demand was felt especially in the automotive- and construction-related activities in the last six months of 2008. Helped by the new organisational structure, Draka was able to respond alertly to the abrupt deterioration in the market. In the summer of 2008, Draka called a moratorium on recruitment and investment and took additional cost-cutting measures. Thanks in part to that action, the company posted a satisfactory result in 2008.

Special-purpose cable

One of Draka's strategic objectives is to advance its position in the special-purpose cable segment and the emerging markets, through organic growth and targeted acquisitions. In 2008, these activities accounted for around 49% of Draka's total revenues (2007: 47%). This increase reflects organic growth particularly in the Industrial and Elevator Products divisions. There were also two targeted acquisitions in 2007 within the Elevator Products division – Nantong Zhongyao Mechanic Electric Co, Ltd (China) and DeBiase Lift Components s.r.l. (Italy) – which contributed to the result for the full year in 2008.

Draka also signed a new joint venture agreement in 2008, extending the Yangtze Optical Fibre and Cable Co. Ltd (YOFC) joint venture for twenty years until May 2028. Through YOFC, the market leader in optical fiber and optical fiber cable in China, Draka can continue to profit from the strong growth prospects for the world's largest optical fiber market. Draka has held a 37.5% interest in YOFC since 1988. The other shareholders in this joint venture are China Telecom (37.5%) and Wuhan Yangtze Communications Industry Group (25%).

Investments

In addition to the regular maintenance and replacement investments which Draka makes every year to keep its production facilities up to date, the company is also investing in

expanding capacity in several special-purpose cable segments. These investment projects are consistent with Draka's strategic objectives and, because they are being undertaken in fast-growing cable segments, there is no disturbance of the market.

Draka invested in two projects in 2008: expansion of production capacity for wind-turbine cable and an initial investment in submarine cable production capacity. The project to expand capacity in the wind-turbine cable segment was launched in 2007 and completed in the fourth quarter of 2008. The total investment of some €17 million will potentially generate additional revenues of €50–60 million from 2009 onwards, enabling the Industrial division to maintain its global leadership in this rapidly growing market segment.

The investment in submarine cable capacity is being made at the existing plant in Drammen (Norway) under a programme that was started in 2008. The production capacity will come on stream in the second half of 2009. Medium-voltage submarine cable is used, for example, to connect offshore wind farms and offshore oil platforms. The total investment is again around €17 million, of which some €10 million will be spent in 2009. This investment will enable Draka Industrial to extend its range of products for new energy technologies such as wind mills, which is consistent with Draka's strategic objectives.

Optimisation

Draka regards the optimisation of its organisation as a continual process. Securing and maintaining cost leadership in the different market segments is crucially important and is one of the company's strategic objectives. The 'Stop, Swap and Share' (or 'Triple S') project, which was launched in August 2005, is an ongoing process designed to make the organisation more efficient. The project generated cost savings of some €7 million at Draka Communications in 2008. A further cost saving of around €3 million was realised by combining the two head offices following the acquisition of 100% of former Draka Comteq at the end of December 2007.

Draka announced new measures in 2008 to reduce the cost base still further, consistent with the Triple S programme. In the second half of the year, these plans were intensified in response to the rapidly worsening market conditions. The measures relate to the Energy & Infrastructure Europe division, whose Llanelli (UK) plant has been closed, and the Automotive & Aviation division, where the plant in Vigo (Spain) has been closed and the plant in Wuppertal (Germany) is being optimised. Various efficiency measures have also been taken within the Communications Group to further reduce the cost base at the European plants. Other measures, affecting all Draka's activities, range from a sharp reduction in the number of temporary staff, fewer shifts at the production plants and shorter working hours. The annually recurring cost savings accruing from these measures are estimated at €40 million and will be realised in full in 2010. The bulk of the savings (around €25 million) will be realised in 2009.

Financial results

Despite the turbulence on the financial markets and its effects on Draka's markets, the company was able to post a satisfactory result in 2008. Revenues for the year were down 3.9%, mainly due to the sharply lower copper price in the second half of the year and adverse negative exchange-rate effects. Volume was 1.7% lower, due entirely to the economic downturn in the last six months of the year. The operating result, excluding non-recurring items, was down 8.6% at €133.1 million. The reduction in volume was exacerbated by growing pressure on prices and adverse exchange-rate effects, which depressed the result. The higher average prices of the other raw materials (especially polymers) also exerted pressure on margins. This was countered by the positive effect of various cost-saving and optimisation programmes, which contributed around €10 million to the result. The result for the year attributable to shareholders, excluding non-recurring items, was €83.5 million (2007: €85.3 million), or €2.18 per ordinary share (2007: €2.25).

Cash flow

Operating working capital as a percentage of revenues was 14.4%, compared with 16.1% as at year-end 2007, which is a good performance especially given the rapidly deteriorating market conditions in the last four months of 2008. Draka concentrated closely during that period on managing the working capital and in particular the number of days' stock held. The target of a stable operating working capital ratio at 16–18% was exceeded in 2008. Investments in intangible assets and property, plant and equipment amounted to €58.6 million, slightly higher than the amortisation and depreciation of approximately €56.5 million. Free cash flow amounted to €52.1 million (€1.46 per ordinary share), compared with €17.7 million in 2007. The increase was mainly due to the reduction in working capital.

Financial position

Draka's financial position improved strongly last year, thanks to the free cash flow that was generated. In addition, the offer Draka made in early December 2008 for the €100 million 4% convertible bond loan resulted in the conversion of €74 million, or 74%, of the outstanding bond loan into 5.0 million ordinary shares, which reduced net debt by €52 million. As at year-end 2008, net debt was €498 million, compared with €552 million in 2007. Shareholders' equity increased to €440.4 million in 2008, up €39.9 million on 2007. In addition to the conversion of part of the convertible bond loan, shareholders' equity also benefited from the retained profit (€69.3 million). The ratio of net debt to shareholders' equity improved significantly to 113.2% (2007: 138.0%).

Progress towards strategic objectives

OBJECTIVES	MEDIUM TERM	2008	2007
Specialty profile as % of revenues	60%	49%	47%
Continuous optimisation of organisation	Cost leadership	€10 million cost savings	€8 million cost savings
Operating margin over economic cycle	≥ 5%	4.9%	5.2%
Operating working capital as % of revenues	16-18%	14.4%	16.1%
Free cash flow	Optimum	€52 million	€18 million

Strategy

The execution of Draka's strategy was strengthened in 2008 by the implementation of a new organisational structure. This resulted in the formation of three new groups – Energy & Infrastructure, Industry & Specialty and Communications – which in turn are split into various divisions. The new structure was further facilitated by the acquisition of the remaining 49.9% interest in Draka Comteq B.V. from Alcatel-Lucent. Draka's original communication activities and the acquired companies now comprise the newly formed Communications Group. The sharper focus provided by this organisational redesign helped Draka to continue pursuing its strategic objectives of customer focus, product innovation, growth and optimisation. The new organisational structure allowed Draka to make further progress in developing its long-term strategic platform, under the banner of 'Building Future Growth'. It also significantly enhanced Draka's responsiveness to the ever-changing world as it faced, in common with many other companies, the challenges presented by the economic downturn and slower growth in the second half of 2008. Draka remains committed to its primary objective of leadership in the markets it serves, in terms of both value and scale.

The core of Draka's strategy

Customer focus

Draka's goal is to meet or exceed its customers' requirements, on time, every time, without fail. The customer is Draka's raison d'être and the driving force behind its operations. Draka wants to help its customers succeed and wants to be perceived as the supplier of choice in the markets it serves.

Draka will continue to focus on creating innovative product portfolios and solutions that meet its customers' needs, in terms of logistics, services, software and product solutions.

Innovation

Draka invests an important part of its annual revenues in innovation and research and development (R&D) in the areas of materials, cables and systems. Draka has the scale needed to provide a solid base from which it can work to maintain and, in consultation with customers, advance its leading position in R&D and application engineering. Progress in materials development is encouraged by the exchange of knowledge within and between the divisions.

Draka seeks to widen the range of products and services it offers its customers by leveraging its core competences, creating customer-driven and market-led innovations and raising the profile of the Draka brand around the world.

Growth

Draka's strategic objectives, which it seeks to achieve within the constraints of sound financial practices, are organic growth supported by selective investments. To support growth, Draka is working towards realising a better regional balance while pursuing growth in areas where the company already holds leading positions. Draka will aim at developing areas where it does not have a leading position, identifying niche markets where the company can add value and achieve top-quartile earnings performance. It will continue to invest in selected acquisitions and consolidate its leadership positions by market and region.

The key to achieving organic growth is to place the customer's needs and wishes first. That requires a culture predicated on innovative strength, flexibility and a willingness to cooperate. Draka will continue to pursue this active policy, making the necessary investments to preserve and enhance that culture. This is the best guarantee for achieving sustainable organic growth in the future.

Next to organic growth, Draka will seek growth through targeted acquisitions, mainly with a view to speeding the process of strengthening its position in emerging markets and in the special-purpose cable segment. Draka has the organisation and the financial position needed to pursue such acquisition strategy. As well as strengthening Draka's market position in its core activities, making a contribution to Draka's overall results in the first year of consolidation will also be a requirement that potential acquisition candidates will have to meet.

Optimisation

Draka regards the optimisation of its organisation as a continuous process. Lean manufacturing and cost leadership in the different market segments are crucially important, which is why Draka will continue to invest in more efficient and effective design of both the production structure and the sales and marketing structure with undiminished vigour. Sharing best practices across Draka divisions and streamlining production and logistics frameworks will further enhance productivity. Disposal of non-core activities is part of this strategy. The cost of optimising the organisation should in principle be recouped from the disposal of non-core activities and/or from positive cash flows generated by each group.

Financial targets

The strategic focus described above aims at increasing Draka's profitability, by responsibly allocating the available free cash flow (defined as cash flow generated from ordinary operations taking account of a required level of investment) and strengthening its balance sheet position.

In the medium term, Draka aims for ongoing improvement in profitability through a combination of organic growth, acquisitions, productivity enhancements and cost-reduction programmes. Despite a good spread of activities over the different customer groups, Draka's profitability in any given year is determined partly by current economic developments. Draka does not, therefore, set itself a given medium-term target, but expects an average operating margin over the economic cycle (of 6-7 years) of more than 5% of revenues.

Other important financial objectives for the medium term:

- Regular maintenance and replacement investments in intangible assets and property, plant and equipment matching amortisation and depreciation. In line with Draka's strategic principles, investments in growth markets (special-purpose cable segment and emerging markets) may be undertaken which could result in total investment exceeding depreciation in any given year.

- Healthy interest coverage, implying EBITDA/interest ≥ 3.5 (2008: 6.8).

- Stabilisation of operating working capital (defined as inventories plus trade receivables minus trade payables) at 16–18% of revenues (2008: 14.4%).

SWOT ANALYSIS

STRENGTHS
- Distinctive product quality
- Customer focus
- Diverse and extensive customer base
- Cost leadership in several market segments
- Entrepreneurship at local level
- Established reputation
- Good position in special-purpose cables
- Strategic alliances and partnerships with suppliers and/or customers in the field of technology and total solutions
- Committed and professional staff

WEAKNESSES
- Profitability in some cable segments below target
- Relatively small position in USA and Asia

OPPORTUNITIES
- Good growth potential, both organic and through acquisition, thanks to fragmented markets
- Strong market growth in emerging countries
- Good growth potential in special-purpose cable segment
- Increasing share of customer's trade by offering more than 'just' cable
- Growing demand for sustainable (technological) solutions
- Potential for further efficiency improvements in purchasing, production and sales channels

THREATS
- Highly volatile raw material prices (copper and polymers)
- Sharp downturn in economic activity
- Relatively high debt position
- Consolidation among suppliers, customers and competitors
- Growing shortage of highly qualified technical staff in the medium and long term

Financial results

Revenues

Draka's revenues in 2008 totalled €2,706.8 million, down 3.9% compared with 2007. Revenues were adversely affected by exchange-rate movements and the sharp fall in the copper price in the last six months of 2008. Acquisitions and consolidations, on the other hand, added 2.1 percentage points to revenues. The acquisitions were DeBiase Lift Components s.r.l. (Italy) and Nantong Zhongyao Mechanic Electric Co, Ltd (China), which had been acquired in 2007 and made a full year's contribution in 2008. Draka's interests in China, Draka Comteq SDGI Co Ltd (55%) and Yangtze Optical Fibre and Cable Co Ltd (53.1%), were fully consolidated following the acquisition of a 100% interest in Draka Comteq B.V. in December 2007.

On a like-for-like basis, excluding acquisitions and exchange-rate effects, revenues were down 3.6%. This was due not only to lower volume (1.7 percentage points), but also to a lower average copper price (1.9 percentage points). The fall in the copper price had a negative effect because of the delay in passing on changes in raw material prices in the price of the cable products. The effect of exchange-rate movements was 2.4 percentage points negative, mainly reflecting the weakness of the US dollar and UK pound against the euro.

REVENUES BY GROUP (X € MILLION)	2008	2007
Energy & Infrastructure	1,024.0	1,107.5
Industry & Specialty	960.0	1,000.7
Communications	722.8	708.0
Total	**2,706.8**	**2,816.2**

- The Energy & Infrastructure Group generated revenues of €1,024.0 million, a decrease of 7.5% compared with 2007. This was due primarily to a 2.2% reduction in volume, as a consequence of the sharp slow-down in the European construction market in the second half of 2008. There was still some growth in Draka's business in the Asian market, but not enough to compensate for the decline in Europe.

- The Industry & Specialty Group posted revenues of €960.0 million, down 4.1% on 2007. In volume terms, the decrease amounting to 1.1%, attributable entirely to sharply lower sales in the Automotive & Aviation division. However, this decrease was almost fully offset by growth in the Industrial division, on the back of strong demand for cable for wind turbines.

- Revenues in the Communications Group were 2.1% higher at €722.8 million. The 1.8% decrease in volume was largely attributable to the copper cable activities (both telecom and data communications). In contrast, the optical fiber cable activities posted growth of around 7%.

Operating result

The operating result, including non-recurring items, in 2008 amounted to €86.4 million, down 40.7% compared with 2007 (€145.7 million). The operating result includes a non-recurring charge of €46.7 million. This relates to a provision of €25.6 million for Triple S projects within Draka's three Groups,

Worldwide synergy between Energy & Infrastructure and Communications Groups

"Complete package of installation and commun

Offering the full range of cables for construction projects gives Draka a competitive edge in the market. Especially if the package includes communication cables, which is an increasingly important part of construction developments. "We can provide contractors with a better deal on the entire package, and it saves them the hassle to deal with many tenders and different suppliers", says Business Development Manager Ronald Wee of E & I | Asia-Pacific, previously Regional Sales Manager of Draka Comteq Singapore.

"Our package includes all the low-voltage and installation cables that building contractors need for their projects", Ronald emphasizes. "But nowadays building and communication cables go hand-in-hand, and most electrical contractors have a department that handles communication cable installation. The same applies to EPCs (Engineering Procurement Contractors), who carry out industrial projects involving power, control & instrumentation and communication cables."

"We're involved in numerous major projects here in Singapore and other locations in the region. Just one example is Singapore's Mass Rapid Transit network. We supplied cables for the track, tunnels and stations, including power, signalling, communications and instrumentation. We started off tendering for the low voltage power cables, and ended up with virtually the entire project."

Ronald Wee, Business Development Manager, Draka E&I | Asia-Pacific, including communications division, Draka Comteq Singapore Pte Ltd.

Vincent Tan, Sales & Marketing Manager of the Singapore building cables department under E & I | Asia-Pacific, adds that having the full range of cables needed for building-related installation projects gives Draka an advantage over competitors. "Most suppliers are focused on their specialisations, which are either power and installation cables or communication cables, and apart from Draka there are very little other global players that can offer the complete package. That makes it much harder for competitors to qualify for the larger projects, where contractors specifically want to keep their numbers of suppliers down, and getting a comprehensive and attractive package from one single vendor."

Everybody wants to keep costs down, and that's another area where Draka's full-range capability pays dividends, as Vincent explains. "Of course prices of products and materials can fluctuate, but when you tender for a total project you have more flexibility to rationalise specific price increases to offer the customer the best possible total price. Customers may sometimes think they can get a better deal by shopping around for

ication cables provides a competitive edge"

specific cables. But our separate divisions have access to the latest market and pricing information for their products, and they know how to provide the best total package. And of course by ordering from us they have one dedicated account manager who acts as their single point of contact for all the cables they need."

Support in the specifying stage

There's also another area in which Draka can help customers to save cost, Ronald points out. "Defining the right products and specifications is always an important part of the tender process. The cables must be right for the job, but people tend to over-specify which leads to unnecessarily high costs. It can often be difficult for contractors to choose the right cable from the many different types available in the market. Our technical specialists are familiar with all the options, and can offer value added support in the specification stage, for example by advising on whether to upsize or downsize specific cable types. The cost savings derived from proper specification can be quite significant, especially in big projects. That's just one example of the added value that we can offer contractors to help them get the most cost-effective possible results."

"Cable management is another important aspect of our added value in large building projects. In principle that means only delivering required product on-site just-in-time basis to ease storage and better housekeeping. We also have the flexibility to meet unforeseen last-minute specification or demand changes without delaying the project. As part of our cable management, we understand and anticipate the site sequences and construction program by working with project and site managers so that we are able to achieve a balanced mix of inventory for last minutes site requirement. This can be very useful, especially for mega-projects that have to be completed 'on the dot'. Value added service and support like that is another example of why the major contractors prefer to work with us – it gives them the reassurance that their projects won't be delayed even when additional stocks are required," Vincent concludes.

"We go in as a team, and show customers that we can supply the whole package. They're very happy with that. There's just one account manager for all the cables they need. In the past they had to deal with many suppliers and coordinate all the specifications and deliveries themselves. That's time-consuming extra work for the contractor."

Vincent Tan, Sales & Marketing Manager, Draka E&I | Asia-Pacific (Building cable department)

necessitated by two plant closures and measures to reduce overheads, and a charge of €21.1 million in respect of the writing-down of inventory to the net realisable value to reflect the sharp fall in the copper price in the second half of the year. No non-recurring items were recognised in 2007.

On a like-for-like basis – excluding non-recurring items – the operating result was 8.6% lower at €133.1 million, compared with €145.7 million in 2007. The operating margin – the operating result as a percentage of revenues – was slightly lower at 4.9% (2007: 5.2%). The margin was adversely affected by the reduction in volume, which translated into lower capacity utilisation at Draka's plants, growing pressure on prices due to the rapidly deteriorating market conditions in the second half of 2008 and adverse exchange-rate effects. Positive factors, including a further improvement in the product mix and the effects of the Triple S and efficiency programmes, helped to moderate the negative factors but were not sufficient to offset them completely.

OPERATING RESULT BY GROUP (X € MILLION)	2008	2007
Energy & Infrastructure	69.5	82.2
Industry & Specialty	59.2	56.9
Communications	20.5	21.3
Not attributed	(16.1)	(14.7)
Total operating result (excluding non-recurring items)	**133.1**	**145.7**
Energy & Infrastructure	(23.1)	-
Industry & Specialty	(20.3)	-
Communications	(3.3)	-
Not attributed	-	-
Total non-recurring items	**(46.7)**	**-**
Operating result	**86.4**	**145.7**
Operating margin (excluding non-recurring items)	**4.9%**	**5.2%**

- The Energy & Infrastructure Group's operating result fell 15.5% to € 69.5 million, largely caused by the downward volume trend in the last six months of 2008. The higher raw material prices (especially polymers) also had an adverse effect on the margins.
- The Industry & Specialty Group posted an operating result of €59.2 million, an increase of 4.0% compared with 2007 (€56.9 million). This good performance was mainly due to the strong demand for cable for wind turbines (Industrial division) and the record result achieved by the Elevator Products division.
- The Communications Group's operating result turned out at €20.5 million, down 3.8% compared with 2007. Negative factors affecting the result included the reduction in volume in the copper cable activities and the related pressure on selling prices and the adverse effect on the European optical fiber activities of the weaker US dollar against the euro. Positive factors were volume growth in the optical fiber activities and cost savings (around €10 million), but these were not sufficient to offset the adverse effects.
- The result not allocated to Groups, such as the costs of the holding company and other unattributable expenses, increased slightly to €16.1 million negative.

Other financial items

Net finance expense amounted to €37.5 million in 2008, substantially lower compared with 2007 (€45.6 million). This item includes a book profit of €12.6 million on Draka's successful bid for the €100 million 4% convertible bond loan. Excluding this book profit, net finance expense amounted to €50.1 million, an increase of 9.9% compared with 2007. The acquisition for €209 million of the remaining 49.9% interest in Draka Comteq at the end of 2007 accounted for all of this increase.

The taxation item amounted to €9.3 million positive. This includes the tax effect on non-recurring items (Triple S projects and inventory revaluation) of €11.7 million and a tax income of €16.2 million. This income was partly the result of an agreement reached by Draka and the Dutch tax authorities on several open issues relating to the 2004 financial year. The acquisition of a 100% interest in Draka Comteq also gave rise to a tax loss carry-forward. Adjusted for the above items, taxation amounted to €18.6 million and the effective tax rate was 22.4% (2007: 29.3%).

The share in the profit of equity-accounted investees amounted to €12.4 million (2007: €15.5 million). The result was adversely affected by an inventory revaluation at Draka's associate Oman Cables Industry in Oman. Excluding this revaluation, the share in the profit of equity-accounted investees would have been €20.4 million.

OTHER ITEMS AND RESULT FOR THE YEAR (X € MILLION)	2008 [1]	2007
Operating result (including non-recurring items)	86.4	145.7
Non-recurring items	46.7	-
Operating result (excluding non-recurring items)	**133.1**	**145.7**
Net finance expense	(50.1)	(45.6)
Result before income tax	**83.0**	**100.1**
Income tax expense	(18.6)	(29.3)
Share of results of equity-accounted investees	20.4	15.5
Result for the year	84.8	86.3
Minority interests	(1.3)	(1.0)
Result for the year attributable to shareholders	**83.5**	**85.3**
Preference dividend	**5.4**	**5.4**
Basic earnings per share (in euros)	**2.18**	**2.25**

[1] Excluding non-recurring items

Result for the year

The result for the year attributable to shareholders was €69.3 million, down 25.5% compared with 2007 (€93.0 million). Excluding non-recurring items, the result was €83.5 million, a decrease of 2.1%.

Basic earnings per share

After appropriation of the preference dividend (€5.4 million), basic earnings per ordinary share amounted to €1.78, compared with €2.46 in 2007. Excluding non-recurring items, basic earnings per ordinary share amounted to €2.18, compared with €2.25 in 2007. As at year-end 2008, there were 40,617,160 ordinary shares in issue. This represents an increase of 5,046,151 compared with 2007, which was due to the conversion of part (74.2%) of the convertible bond loan

(see also 'Share information'). The average number of ordinary shares in issue was 35,791,616.

Dividend proposal

It is proposed that no dividend on ordinary shares be paid in respect of 2008. In these difficult market conditions, Draka's focus is on maintaining a strong liquidity position. Capital discipline and the proposal to forego this year's dividend are consistent with this policy.

Financial position

Cash flow

Cash flow from operating activities in 2008 amounted to €97.6 million, an increase of 49.7% on 2007 (€65.2 million). Cash flow per share was €2.73, compared with €1.83 in 2007. The higher cash flow can be attributed mainly to the improvement in operating working capital.

Operating working capital decreased by €60.1 million in 2008, as against an increase of €34.0 million in 2007. The decrease was due to two factors: the reduction in volume and the fall in the copper price passed on to end-customers. As a consequence, operating working capital fell to a record low of 14.4% of revenues (2007: 16.1%), better than the target of stabilising the operating working capital ratio at 16–18% in 2008.

Draka continues to focus closely on managing and, where possible, further reducing its operating working capital. Especially in times of difficult market conditions, it is one of the most effective levers available to management. Draka has established a strong track record in this field in recent years and intends to put its experience and expertise to good use in the coming period.

ABRIDGED CASH FLOW STATEMENT (X €MILLION)	2008	2007
Cash flow from operating activities	97.6	65.2
Cash flow from investing activities	(47.1)	(257.3)
Cash flow from financing activities	13.5	187.7
Net cash flow	**64.0**	**(4.4)**

Investments, acquisitions and disposals

Net investments in intangible assets and property, plant and equipment amounted to €58.6 million, below the expected level of around €70 million. Regular maintenance and replacement investments (€44.0 million) accounted for some 75% of the total. Among the major projects in this category were an extrusion line in Mexico (Durango) and Spain (Barcelona), a PVC compounding mixer in the Netherlands (Emmen) and business support SAP applications in Singapore and USA (Rocky Mount).

The remaining 25% (some €14.6 million) related to two special investment projects within the Industrial division, designed to advance Draka's share of the fast-growing market for cable for renewable-energy applications (wind turbines and solar power). The first was a project to expand production of cable for wind turbines. The second, relating to the medium-voltage submarine cable used for connecting offshore wind turbines, requires a remaining investment of €10 million and will be completed in 2009. Draka spent €1.6 million in 2008 on the acquisition of DeBiase Lift Components s.r.l. (Italy), which had been announced in 2007 and was finalised on 10 January 2008.

There were no disposals of material size in 2008.

Balance sheet position

The balance sheet total as at year-end 2008 was €1,657.2 million, a decrease of 5.4% compared with year-end 2007. This was due entirely to the decrease of over €100 million in current assets (mainly inventories and trade receivables), reflecting the lower volumes and the sharp fall in the copper price in the second half of the year.

Shareholders' equity

Shareholders' equity as at year-end 2008 amounted to €440.4 million. The increase of 10.0% compared with 31 December 2007 was due mainly to the addition of the result for the year attributable to shareholders and the conversion of 74.2% of the outstanding convertible bond loan into shares (see also 'Share information'). Negative factors were the changes in fair value of copper and interest-rate derivatives, currency translation effects (UK pound and Norwegian krone) and the dividend distribution.

MOVEMENTS IN SHAREHOLDERS' EQUITY (X €MILLION)	
Shareholders' equity as at year-end 2007	400.5
Conversion of convertible subordinated bond notes	34.7
Currency translation effects	(11.4)
Changes in fair value	(24.8)
Result for the year attributable to shareholders	69.3
Dividend paid	(29.6)
Other	1.7
Shareholders' equity as at year-end 2008	**440.4**

Reflecting the lower balance sheet total and higher shareholders' equity, the solvency ratio (shareholders' equity as a percentage of balance sheet total) rose sharply to 26.6%, compared with 22.9% as at year-end 2007. The guarantee capital (consisting of shareholders' equity, the provision for deferred tax liabilities and the long-term portion of the subordinated loans) amounted to €489.9 million, or 29.6% of the total invested capital (year-end 2007: 29.9%).

BALANCE SHEET SUMMARY (IN %)	2008	2007
Intangible assets and property, plant and equipment	38.8	36.5
Financial fixed assets	6.6	6.4
Deferred tax assets	3.5	2.6
Current assets	51.1	54.5
Total assets	**100.0**	**100.0**
Shareholders' equity	26.6	22.9
Minority interests	1.5	0.7
Provisions	6.6	7.4
Deferred tax liabilities	1.5	1.8
Non-current liabilities	32.8	30.1
Current liabilities	31.0	37.1
Total equity and liabilities	**100.0**	**100.0**

Interest-bearing debt

Net interest-bearing debt (including the subordinated convertible bond loan carried at nominal value) was reduced by €54.1 million last year to €498.4 million (2007: €552.5 million). The free cash flow and the conversion of 74.2% of the outstanding convertible bond loan into shares (see also 'Share information') accounted for most of the decrease. This significantly improved net gearing (total net interest-bearing debt as a percentage of shareholders' equity), which fell to 113.2% (2007: 138.0%).

Information and communication technology

The ICT strategy supports the business strategy in creating synergy, reducing costs and providing a better service to customers through regional and global cooperation among the Draka companies.

The business support applications are an important element in this ICT strategy. Draka's long-term strategy is to base these on the SAP system. The Draka SAP template, which was developed two years ago, is a fully operational SAP system in which the primary business processes are programmed on a consistent basis. The aim is to harmonise business processes and to perform new SAP implementations faster, more cost-effectively and with less risk than in the past. The template has already been used operationally in several Draka divisions. Last year, it was implemented successfully in Singapore (Asia-Pacific division). A similar project has also been launched in the Elevator Products division. Implementation will take place in phases in 2009 in the USA, several European countries and China. A number of feasibility studies have been conducted in preparation for the implementation of the template in the Europe and Automotive & Aviation divisions. Finally, a vision of the future ERP environment has also been defined: Draka expects to replace the 35 different ERP systems currently in use with five or six centrally coordinated SAP systems.

Closer cooperation among the Draka companies makes it essential to standardise the ICT infrastructure and provide tools for effective collaboration. A major project to standardise the basic IT infrastructure, covering the international communication network, e-mail and network security, was successfully completed last year. In close cooperation with the ICT managers of the various Draka companies and Atos Origin, the chosen supplier, these services have been implemented at 76 sites. Several ICT policies and procedures have been reviewed in connection with this project.

Following successful trials at five Draka companies, a SharePoint service was introduced to facilitate information storage and sharing and support global projects.

The shared SAP hosting service was expanded again last year and there are plans for further standardisation of the ICT infrastructure in 2009, with the emphasis on communication with customers and suppliers, workplace management and other computer services. In the longer term, centralisation of these services will enable Draka to consolidate its computer centres and reduce their number. Availability of a shared infrastructure also enables Draka to take advantage of economies of scale through joint purchasing of software, for which several global contracts have been signed.

In the context of IT governance, each division formulated an information plan defining the IT developments needed to support achievement of the division's objectives and the financial and human resources they will require. These were then consolidated into a Draka information plan, which is a powerful aid to business and ICT management in directing the ICT activities and ensuring optimum deployment of resources. In the light of the current economic situation, the management has decided to revise some elements of the plan.

The number of ICT staff employed by Draka worldwide decreased by ten in 2008 to 120. The ratio of IT staff to the total number of employees fell to 1.2%, which is low compared with the industry benchmark. Draka's policy, however, is to maintain the number of ICT staff at a constant level, because its main aim is to improve the quality of the ICT community and promote sharing of specific competences. A number of competence centres (SAP, project management) have been set up to define and develop the required skills. Draka-wide user networks are actively engaged in extending their knowledge and skills and sharing their experience. Working together on projects avoids each company having to go through the same learning curve.

Research and development (R&D)

Draka sees ongoing innovation as a critical success factor. Through continuous assessment of and prompt response to the customer's wishes and requirements, Draka is continuing to build on its prominent market position. The company explores on a continuous basis ways of further broadening and improving the services it offers. Draka also sees R&D as an important instrument for meeting the company's obligations to society. Draka spends an important part of its revenues on R&D, with particular emphasis on application engineering and the further improvement of materials and production processes.

In recent years, Draka's R&D activities have been directed largely towards reducing costs for existing products and improving production processes. As materials are an important cost component in almost all divisions, Draka searches constantly for potential savings and ways of substituting environmentally critical materials.

After achieving substantial cost savings in 2007, Draka focused in 2008 on stimulating innovation by and across its divisions. After forming the three new Groups at the beginning of the year, Draka proceeded to establish a worldwide R&D community. This takes the form, for example, of regular meetings of technical working groups on horizontally applicable topics such as compounds and new cable concepts. Partly as a result

of this development, an innovation mindset has been instilled throughout the Draka organisation. The objectives for the medium term are:

- to have a clear view on the future of the various segments of the cable industry;
- to develop the skills and competences needed to meet future challenges;
- to create intelligent product platforms from which completely new product families can be generated;
- to remain focused on product and service improvements.

Since 2007, Draka has shifted the innovation focus to exploration of external trends and closer cooperation with external partners. This has created an opportunity to develop cross-divisional cooperation throughout Draka and established a reliable route for the circulation of innovative ideas.

Examples of the impact of recent developments include innovative broadband systems using BendBright fiber, an optical fiber which is as easy to install as copper wire and makes Draka a technical leader in the Fiber To The Home market. The Windflex product range has also been strengthened through innovation, enabling Draka to maintain its leadership in the renewable energy sector.

Draka intends to maintain and increase the flow of new ideas. A set of policies has been defined and promoted that fosters innovation in all sectors of the company. Several innovative ideas, including the use of nanotechnology in compounding processes and the optimisation of light propagation for long-distance transmission, are now at the product application stage.

Corporate social responsibility

Draka's Board of Management and personnel see corporate social responsibility as an essential factor in the healthy running of the business which, therefore, has to be an integral part of its operations.

In consultation with Draka's Group Management Teams, the safety, health and environmental policy was evaluated and revised in 2008. The Board of Management approved a policy statement on safety, health and the environment which now applies to all Draka's sites and personnel around the world. The purpose of this policy statement is to underline the importance of clear procedures and standards that apply internationally. Draka Holding will monitor the implementation of and compliance with these policy intentions, which in some countries go further than the national regulations.

Implementation also includes the use of indicators to monitor the safety, health and environmental performance of the Draka companies, resulting where necessary in action to improve performance. These indicators will be covered in Draka's annual report as from 2009.

Safety, Health & Environment Statement

At Draka safety is paramount. We believe it is our responsibility as an employer to provide a safe work environment for all people working at our premises, free from hazards and complying with local laws and legislation. Health and safety in the workplace is about preventing work-related injury and disease and designing an environment that promotes well-being for everyone at work.

Draka companies have certified management systems for safety, health & environment in place, in line with international standards OHSAS 18001 and ISO 14001.

Over the course of time we have learned that corporate responsibility must be recognized as an intrinsic part of a healthy business model.
It is an investment that an employer makes to support its profitable, sustainable growth.
It means we have to take our social obligations seriously, amongst others, by facilitating innovations for ergonomic and safe cable solutions with low environmental impact, using fewer raw materials and emitting less carbondioxide.

Employees of all Draka operating companies should be aware of their social responsibility in the countries where they operate and demonstrate sound performance in that field.

We actively promote internal and external stakeholder communication and cooperation. This approach creates awareness, facilitates development of knowledge and professionalism and increases commitment amongst al involved.

The following principles are used to implement Draka's SHE policy.

1. Commitment to full compliance with applicable legal requirements.
2. Development and implementation of Draka's procedures, standards and prudent practices that often go beyond regulatory compliance.
3. Comprehensive industry leadership in policies, procedures, training programs and operation audits at all company facilities.
4. Proactively seek new information and training to create, initiate and advance new ideas and approaches to manage safety, health and environmental exposures before they are mandated by regulations.
5. Finding ways to integrate social responsibilities in the understanding of business growth and innovation strategies to create business cases.

Sandy Lyons, CEO
Frank Dorjee, CFO

Cooperation on the shop floor bridges the gap between separate production facilities

"Two plants now part of Draka's global manu

Making improvements right through the production chain by working more closely together. That was the initial aim of an ambitious improvement project at Draka Energy & Infrastructure's plants in Amsterdam and Emmen (Netherlands). What started as a six-month project has now developed into a joint, ongoing improvement programme involving people of all levels and disciplines.

"The original focus was on delivery reliability", says Kees van der Sluijs, Plant Manager at the Emmen location in the north-east of the Netherlands. "But we quickly realised that the only way to make real gains was through joint action at both locations. Because even though there's no overlap in their respective production programmes, the processes are very similar and the equipment is also largely standardised."

"Our two plants formerly produced only for the Dutch market, but now they're part of Draka's global manufacturing network. Although we don't make each other's products, the processes and equipment used are similar, which creates lots of opportunities for knowledge sharing between the two plants."

Kees van der Sluijs, Plant Manager, Draka E&I | Europe, Emmen

The aim was to reach a 99.5% target for delivery performance to the important wholesale channel, through which around 80% of products from the two plants are sold. Effectiveness has already been improved significantly in recent years, for example with the introduction of ordering by EDI. This allows wholesalers to place their orders online, after which production orders are generated automatically with no need for manual intervention. Wholesalers can always see the available stock levels in real time, and by maintaining agreed stock levels we give them the assurance that specific products can be delivered quickly when they are needed.

"The improvement project involved 60 people from both plants", explains Eric Driessen, Plant Manager in Amsterdam. "The aim was to reach a shared working approach in which everyone

facturing network"

was speaking the same language, so we could use the combined knowledge of all those involved. We also started cooperation of operators and other staff between the two locations, so they could share their knowledge and help to solve practical problems at shop floor level."

Spontaneous contacts and knowledge-sharing

"That led to all kinds of spontaneous contacts and knowledge sharing initiatives. Just one example was when engineers and shift leaders found that waste materials from one plant could be used in production at the other. That's clearly an opportunity to make savings on some of the costly materials we use in our products.
Based on that experience, we've now started deliberate planning of staff rotation at all levels, as well as inter-factory visits, to make people more aware of what problems their counterparts are facing and what they can do to help."

"None of these contacts are formally structured; all it takes is to put people in contact with each other, and the rest happens by itself", Kees van der Sluijs emphasises.
"The next step is to start a similar improvement process at international level by bringing together people from our European plants. The first thing we're going to work on at European level is waste reduction and material usage – in other words, how to save costs by minimising material usage, while still meeting the product specifications in full.
The bottom line is to hook-up the available know-how at all our production locations. Not by attempting to define formal lines of communication, but instead by promoting and facilitating informal contacts. The important thing is that people know where to find colleagues with the answers they need, so that we can serve our customers better over the boundaries of individual plants and countries."

"We're working towards Operational Excellence, in which we aim to use everyone's knowledge and experience to the full. That will enable us to stay competitive by maximising the use of resources, and optimising price and quality in cable production. It means we have to follow the same working approach, with everybody speaking the same language."

Eric Driessen, Plant Manager, Draka E&I | Europe, Amsterdam

Because Draka takes account of developments in social issues and the perceptions of customers, suppliers, public authorities, employers' and employees' organisations and social organisations, the Draka standards will be subject to constant evolution. The aim is to create a corporate culture in which striving for continuous improvement is given high priority, while at the same time pursuing Draka's financial objectives. Careful weighing of all these factors will determine the direction in which Draka's products and services evolve.

For Draka's customers, this means products that combine benefits in terms of ergonomics, health and safety and fire-resistance with minimal environmental impact, while enhancing their own performance in regard to corporate social responsibility.

In 30 countries on four continents, Draka systematically applies a global policy of eliminating work-related health risks to its employees and improving its environmental performance. It complies with ISO 14001 for environmental management and OHSAS 18001 for health and safety management. A total of 26 of Draka's production plants already hold ISO 14001 certification and a further nine will gain certification in 2009. The next step will be to achieve OHSAS 18001 certification for all plants.

Better environmental performance also means cost control for Draka's in-house processes, for example by avoiding waste and maximising energy efficiency.

Energy efficiency and the Carbon Disclosure Project Leadership Index

The energy efficiency programmes run every year at all Draka's production plants underline the importance it attaches to future sustainability. Draka is making an important contribution to energy saving through advances in communication networks. Optical fiber networks, such as the Fiber to the Home projects undertaken by Draka, run at far higher speeds and offer new communication options which reduce the need for travel. Draka also plays a leading role in renewable energy, such as solar and wind power, as a provider of cable solutions and is involved in the development of cable for wave power applications.

In 2008, Draka was invited to participate in the Carbon Disclosure Project, an initiative by international investors to improve reporting on the environmental performance of quoted companies. Most of Draka's operating companies had a good idea of their CO_2 footprint and Draka was able to combine the information from all its divisions into a transparent report. On the basis of that report, Draka was chosen to join the select group of companies included in the Carbon Disclosure Leadership Index run by the Carbon Disclosure Project in the Netherlands.

Raw material consumption and waste reduction

Working with its suppliers, Draka develops improved plastics and other insulation and jacket materials to reduce consumption and enhance environmental performance. For example, cross-linked PE is now widely used. Improvements in process technology have both raised productivity and reduced costs, which translates into reduced consumption of conductor, insulation and jacket materials. In 2008, these projects significantly reduced the raw material consumption per kilometre of finished cable. Despite lower volume at all plants and the associated inefficiencies (including more frequent resets and smaller production runs), the waste/reject ratio improved slightly.

Environmental impact and effects on health

All Draka's operating companies monitor and record their material consumption. Under the new European regulations intended to restrict the use of substances that are hazardous to health and the environment known as REACH (Registration Evaluation and Administration of Chemical Substances), producers and importers are required to keep records of all chemical substances. All products bought in by Draka have been extensively tested. The thousands of purchase codes include one material which Draka preregistered itself at two sites. No Draka products incorporate 'substances of very high concern' as defined by the REACH regulations.

Cooperation

Draka is fully aware that improved sustainability can only be achieved through effective cooperation with all the parties concerned. That is why Draka attaches considerable importance to working closely with its customers and suppliers, but also to the realisation of improved product and application standards and regulations. Draka makes a substantial contribution to the work of international standardisation committees such as Cenelec and IEC. Draka also participates actively in related national and sectoral activities.

Personnel and organisation

Draka retains its leading position in the cable industry by paying careful attention to the needs, responsibilities and aspirations of the people employed at all levels of the organisation.

Personnel and organisation

Draka believes that the commitment, involvement and quality of its personnel are key to the achievement of its corporate objectives. Therefore, Draka's human resources strategy is to recruit new talent and develop, train, motivate and retain the existing talent. This strategy, which leaves room for local cultural norms and statutory requirements, is consistent with Draka's core values and code of conduct. Draka launched several initiatives in 2008 to improve its human resources systems and will continue to develop them in 2009.

Restructuring and optimisation

Continuous optimisation of the organisation is one of Draka's strategic principles. To that end, Draka launched the Triple S project in 2005, which consists of:

1) stopping production of cable products that do not enhance the product mix;
2) swapping cable production within the divisions, resulting in a portfolio of products created with maximum efficiency in focused plants;
3) sharing best practice within and among divisions in fields such as production, compounding, logistics and marketing.

Two plants, in Vigo (Spain) and Llanelli (UK), were closed in 2008 as part of this project. Preparations for these closures and the transfer of production to other Draka sites were made in close consultation with the employees and employees' organisations. The closures resulted in the loss of approximately 225 jobs in 2008 and a further 120 will be lost in 2009 when this exercise is completed. The action Draka has taken will start to make a positive contribution to the operating result in 2009 and will structurally improve Draka's profitability.

Against the background of the economic downturn in the second half of 2008, Draka announced a recruitment stop and reduced the number of temporary staff where necessary to match production to the lower market demand, which also helped to reduce staff costs. Where possible, Draka utilised the flexibility built into labour agreements, such as longer production shutdowns in December, but compulsory redundancies were unavoidable at some plants. The economic conditions are severely testing the organisation and all Draka's employees worldwide. The Board of Management takes this opportunity to thank all concerned for the commitment they have shown and their cooperation in the actions Draka has taken.

Number of employees

Despite the above-mentioned measures, the average number of employees increased in 2008 to 10,244 on a full-time equivalent basis, an increase of 9.6% compared with 2007. This was caused by the consolidation of two participations in China in 2008, Draka Comteq SDGI Co Ltd (55%) and Yangtze Optical Fibre and Cable Co Ltd (53.1%), which resulted in an increase in the number of employees of 345. As at year-end 2008, the total number of employees was 10,050, up with 5.3% compared with year-end 2007.

Long- term incentive plan

Draka management was again able in 2008 to participate in the long-term incentive plan introduced in 2002. Draka managers (excluding members of the Board of Management, see 'Remuneration report' on page 58) who participate in the plan can use part of their net bonus to acquire Draka shares or Draka options. Information on the number of shares or options allocated and at what price can be found in the chapter 'Share information' on page 63.

Works Councils

Consistent with Draka's belief that the active and positive involvement of all its employees worldwide is a significant factor in the achievement of its objectives, several initiatives were launched in 2008 to improve internal communication still further. Next to direct communication between company and employee, the formal staff representation bodies play a key role. Alongside the local Works Councils, Draka's Central Works Council and the European Works Council form an important link between the Board of Management, the local management teams and the employees in the different countries. Two meetings were held in 2008, in Tallinn (Estonia) and Amsterdam (Netherlands), at which Draka's financial results and corporate objectives were discussed.

The Board of Management thanks all concerned for their contributions to constructive consultation in 2008.

Ambitions for 2009

Draka will continue in 2009 on the path of change on which it has embarked. Economic developments will again make heavy demands on the flexibility of the organisation and its employees. Despite the difficult conditions, Draka will continue where possible to invest in the training and development of its personnel in order to derive maximum benefit from their potential. Further progress will be made in 2009 with the development of the Draka Academy concept, designed to enable employees to achieve their work-related, personal and career goals by placing greater emphasis on performance management.

Prospects for 2009

After the rapid downturn in worldwide economic activity in the last six months of 2008, the global economy faces unprecedented uncertainty in 2009. The growth curve in large parts of the world, most notably North America, Europe and Japan, is clearly negative and, while some emerging economies such as China will continue to grow, it will be well below their trend rate. Current forecasts put economic growth in 2009 in North America, Europe and Japan at 2–3% negative at best and, given the high degree of uncertainty, there is every chance that these forecasts will turn out to be too conservative.

Within the economic environment, this uncertainty relates primarily to the steepness of the decline in global industrial activity. In the closing months of 2008, it was the industrial sector where the downturn was most marked, partly due to customers rapidly reducing their inventory levels. Expectations of a further contraction in 2009 are justified, given the global economic outlook. Because the world cable market is affected by the level of industrial activity, a marked contraction may be expected in that market.

The prices of the raw materials (copper, aluminium and polymers) used by the cable industry are expected to remain highly volatile in 2009, added to which there is likely to be pressure on selling prices in some cable market segments.

In the light of the developments outlined above, Draka will where necessary adjust its capacity to the market conditions. The focus will be on controlling costs and maintaining a healthy liquidity position. The execution of Triple S projects and other measures to adapt the organisation to the new market conditions are expected to yield annual cost savings of some €40 million in 2010. For 2009, Draka expects to achieve cost savings of around €25 million.

With respect of maintaining a healthy liquidity position, Draka's focus is on maximising free cash flow by focusing constantly on operating working capital (a ratio of 16–18%) and holding investment down to approximately €28 million, or around 50% of amortisation and depreciation (€55 million). The free cash flow will be invested in organic growth and/or in further

reducing the interest-bearing debt. Draka does not, however, intend to cut back on its investment in innovation, because innovation is the basis of future growth.

Despite the difficult market conditions, Draka is sure that it will emerge stronger than before, because it is well equipped, both organisationally and in terms of market position, to face the challenges the market holds. Draka therefore continues to face the future with confidence and expects to make further progress towards its strategic objectives for 2009.

Report of the Groups

Energy & Infrastructure

Draka Energy & Infrastructure comprises all low-voltage and medium-voltage cable activities, including installation cable, instrumentation cable, fire-resistant cable and halogen-free cable. The group designs, manufactures and sells a wide range of cable products for residential, infrastructural, commercial and industrial applications.

Draka's product portfolio covers all mechanical, electrical and environmental requirements. The varied requirements have led to an outstanding range of customised products and established Draka's name as a specialist for challenging applications.

Within Europe, Draka is the third largest producer of low-voltage and special-purpose cable and has outside Europe a strong position in market niches. The Energy & Infrastructure Group generates around 38% (or €1.0 billion in 2008) of Draka's total revenues.

ENERGY & INFRASTRUCTURE
- Europe
- Asia-Pacific

Industry & Specialty

Draka Industry & Specialty is a diverse group that specializes in the development, manufacture and innovation of solutions. Four divisions - Automotive & Aviation, Industrial, Cableteq USA, and Elevator Products - operate all over the globe with wide reaching products, services and applications. The products are used just about everywhere: from airplanes and oil platforms to mines and elevators.

Every aspect of Industry & Specialty is focused on the customer. Solutions can be based upon logistics, project management, customer service, innovative new products or simply doing what customers would expect and trust Draka to do.

The Industry & Specialty Group generates around 35% (or €960 million in 2008) of Draka's total revenues.

INDUSTRY & SPECIALTY
- Automotive & Aviation
- Industrial
- Cableteq USA
- Elevator Products

Communications

Draka Communications is a global leader in optical fiber technology, cabling solutions (telecommunications and data communications) for a great number of market segments. The Group serves the global markets for telecommunication and data communications with four divisions offering the complete product range to customers: Telecommunications, Data Communication, Mobile Networks and Optical Fiber.

Besides manufacturing the exact cable required for the job, Draka helps customers identify their precise requirements and work with them to design a suitable solution. Draka can also specify and source the required connectivity products, handle the logistics, and manage the implementation and testing of their network.

The Communications Group contributes approximately 27% (about €720 million in 2008) to Draka's revenues, with Europe accounting for about 80% of revenues and the remaining 20% split more or less equally between the US and Asia.

COMMUNICATIONS
- Telecommunications
- Data Communication
- Mobile Networks
- Optical Fiber

Draka Energy & Infrastructure

The Draka Energy & Infrastructure Group consists of two divisions:
Europe and Asia-Pacific

Energy & Infrastructure is responsible for all low-voltage, instrumentation and signal cable activities. The Group designs, manufactures and sells a wide range of cable products, both standard and customer-specific, for residential, infrastructure, commercial and industrial applications. The portfolio also includes medium-voltage utility cable.

Highlights in 2008

- **Good performance in the first half of the year** in all segments in Europe and Asia
- **Sharp downturn in the housing market in the second half,** with the market weakening in several Scandinavian countries as it had in Spain and the United Kingdom
- **Slowdown in commercial and industrial activity,** especially in the fourth quarter
- **Contracting market demand exacerbated by a sharp fall in the copper price,** causing customers to lower their inventory levels
- **Lower volume in 2008, in line with the market trend,** but market share retained
- **Further cost-saving measures announced and implemented,** including the closure of the copper wire plant in Llanelli (UK), which are expected to bring benefits in 2009
- **Focus still on new segments in the industrial, infrastructure and renewable energy markets**

Financial results

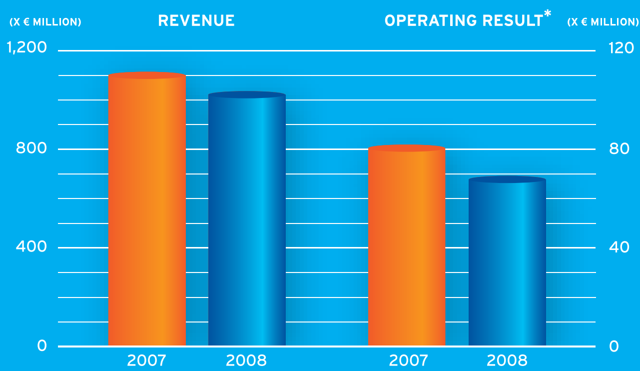
Despite the turbulence on the markets addressed by Draka in the closing months of 2008, the Energy & Infrastructure Group posted a satisfactory result and was able to hold the operating margin at a good level.

RESULTS (X €MILLION)	2008	2007
Revenues	1,024.0	1,107.5
Operating result [1]	69.5	82.2
Operating margin	6.8%	7.4%
Capital expenditure	14.9	23.9
Depreciation and amortisation	18.5	18.9

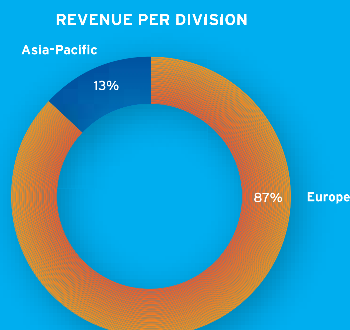
[1] Excluding non-recurring items of €23.1 million negative in 2008. There were no non-recurring items in 2007.

Revenues in 2008 were 7.5% lower at €1,024.0 million. Of this decrease, 2.2% can be attributed to the reduction in volume. The remaining 5.3% reflects movements in the copper price (1.8%) and exchange-rate effects (3.5%).

The operating result in 2008 was down 15.5% at €69.5 million, due to lower capacity utilisation at Draka's plants and slightly lower market prices. These adverse effects were offset to some extent by a further improvement in the product mix and additional production optimisation exercises, which helped to maintain the operating margin at a relatively good level. The fall in the price of polymers and other raw materials did not occur until the fourth quarter and came too late to provide any compensation.



* Excluding non-recurring items



Division

Europe

Products	Low- and medium-voltage cables, ranging from medium-voltage, power and installation to instrumentation and control cables
Market segments	Construction (residential and commercial), industry, infrastructure, electrical applications
Growth driver	Construction market in general, investments by industry and in infrastructure
Market position	No. 3 in Europe
Establishments	Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Latvia, Lithuania, Netherlands, Norway, Oman, Poland, Russia, Spain, Sweden, Turkey and UK
Employees	Around 1,900
Customers	Construction and installation companies, electrical wholesalers such as Edmundson Electrical (UK), Onninen (Finland), Rexel (France) and Sonepar (France)

Highlights in 2008

- **Good first half-year in all segments**
- **Strong decline in residential market in second half-year, also followed by decline in commercial and industrial MRO activities**
- **Further emphasis on developing new market segments in industry, infrastructure and renewables**

The Europe division within the Energy & Infrastructure Group develops, produces and sells low- and medium-voltage cables. The portfolio covers the entire range, from medium-voltage, power, installation cables and flexible PVC cables to instrumentation cables. The division also produces special-purpose products such as halogen-free cable with low smoke emissions and fire resistant cable. With advanced production facilities and local sales teams, the division operates on the basis of the 'global-for-local' concept. The products are distributed mainly via technical wholesalers. The division works closely with these distribution houses in the fields of logistics and other services. For example by means of engineering support and training for sales teams and their customers (construction and installation companies) it can provide added-value support for installers. Products are also applied in industry and in the infrastructure sector.

Market developments

The markets were relatively strong during the first 6 months of the year but suffered a sudden decline in the last quarter. The market slowdown in Southern Europe steepened further, particularly in Spain which continued to suffer the effects of overcapacity in the residential market, with a decline as high as -75%. This was joined by the collapse in the property market in the UK (-50%) and an economic downturn in the Nordic countries (-10 to 15%). However the downturn in the UK has so far been largely compensated by industrial, infrastructural and commercial projects, and partial compensation has also been achieved in Spain. Eastern Europe is less strongly affected by the downturn, and growth there remained positive in the low single-digit range. Opportunities are also seen in the oil and (petro-) chemical industries, especially in the Middle East. This is at present the sector showing the strongest growth in projects. The division aims to further strengthen its position in these markets to compensate for some of the decline in Europe. Overall the lower volumes resulting from the economic downturn are resulting in increased pressure on prices.

Developments in the division

The division is continuing to fight the price pressure by focusing on further increasing added value through special products, service and support. For example the partnerships with wholesalers are being strengthened, and this has resulted in higher vendor ratings on aspects like delivery performance, technical support and EDI. Services to installers are being continued and extended, with the aim of positioning the brand so installers will specifically ask for Draka products. Efforts are being made to develop new market segments in industry, infrastructure and renewables, for example with dedicated concepts for onshore windmill parks. Emphasis is being placed on improving support for industrial projects both internally and externally, with a strengthened combination of products, services, market approach and logistics, all delivered close to customers' locations.

The division is working to strengthen its sales and marketing power in Eastern Europe to increase market share in this growth region, and also to increase its coverage in specific countries such as Belgium and Switzerland. The partnership with Draka Communications allows a complete package of products to be offered, and has now been rolled-out all over Europe. Cost-saving measures included closure of the plant in Llanelli (UK), reductions in temporary staff and capacity adjustment. Operational improvement measures are continuing, for example with material savings, development of new compounds and alignment of maintenance procedures at all plants.

Division

Asia-Pacific

Products	Low-voltage cables, ranging from installation to instrumentation and control cables
Market segments	Construction, industrial and infrastructure
Growth driver	Construction market in general
Market position	Market leader in Singapore and Hong Kong while growing in other Asian countries
Establishments	Australia, China, Hong Kong, Indonesia, Malaysia, Singapore, Thailand and Vietnam
Employees	Around 650
Customers	Construction and installation companies, government authorities, Engineering Procurement Contractors and wholesalers

Highlights in 2008

- **Further development of links with Engineering Procurement Contractors to access major projects in Asia**
- **Downturn in last quarter led to delays in some major projects**
- **Governments to boost economies with increased spending on infrastructural projects**

The Asia-Pacific division within the Energy & Infrastructure Group develops, produces and sells low-voltage cables. The portfolio covers the entire range, from installation cables and flexible PVC cables to instrumentation cables. The division also produces special-purpose products such as fire performance halogen-free cable with low smoke emissions and the environmental friendly Alupac instrumentation cables. Its advanced production facilities, local sales teams and excellent logistics enable the division to effectively serve customers throughout this large region. Most sales in Asia-Pacific are for major commercial, industrial and infrastructural projects, either directly to the customers concerned or through the partnerships with major Mechanical and Electrical Contractors and Engineering Procurement Contractors (EPCs) handling these contracts.

Market developments

After a strong first 9 months Asian markets saw a sudden downturn in the last quarter, with many developers experiencing market slowdown and financial difficulties. This has led to some major projects being delayed, possibly for as long as 1½ years. One major project for a gaming resort in Singapore will now probably open in stages starting in 2009, and the expected deliveries for the last two months of 2008 were cancelled. Governments have announced that they will push forward with major infrastructural projects to boost the economy. These include a major hospital and sports complex in Singapore, while the Chinese government has announced increased spending on infrastructural projects to revive the economy. However these projects have long lead-times, so the full impact is not expected to be felt until end-2009 or early 2010, with cable deliveries not starting until well into 2010.

Developments in the division

In the Asia-Pacific region there is a strong emphasis on projects, with a strong focus on strengthening the partnerships with EPCs handling major infrastructural and industrial contracts. These have provided access to projects in Taiwan, Thailand and the Middle East. The market in China is now being targeted through EPCs with an established presence there. In Singapore, all the lighting cables were supplied for the high-profile Formula I night race circuit.

A new factory in Malaysia for larger cables will come on-stream in April 2009. Together with the existing plant for smaller cables, this will enable the division to act as a full player in Malaysia where government approval is required for cable imports and imports are subject to tariff. It will also open opportunities for exports to Singapore, which is only 3½ hours away by road. The new representative office in Vietnam, opened in 2007, enables the division to participate in the many planned infrastructure projects in this rapidly growing economy with high levels of investment by foreign companies and a growing shipbuilding industry. The representative office in Indonesia, also opened in 2007, is working with local distributors to promote the Draka brand, and offers opportunities for export of high value-added cable products from Singapore. The division is currently only a small player on the Australian market, with trading in exports from Singapore and Thailand, but has also participated in projects for the petrochemical and natural gas industries and aims to increase this involvement further.

Draka Industry & Specialty

The Industry & Specialty Group consists of four divisions: Automotive & Aviation, Industrial, Cableteq USA and Elevator Products

Industry & Specialty encompasses a broad range of activities and specialises in the development and production of innovative solutions for a global customer base. The four divisions are active worldwide with an extensive portfolio of products and services for many applications. Draka products can be found in aircrafts and cars, on cruise ships and naval vessels, on oil platforms and in wind turbines, mines, construction equipment and elevators, to mention just a few examples.

Highlights in 2008

- **Solid performance by Industry & Specialty,** with operating result and profit margin again higher
- **Profit growth driven by strong performance** of the Industrial and Elevator Products divisions; sharp fall in demand reported by Automotive & Aviation in the second half of the year
- **Automotive & Aviation restructures its operations** in the face of historically bad market conditions, including closure of plant in Vigo (Spain)
- **Good result by Industrial,** thanks to strong growth in renewable energy sector
- **Cableteq USA's result built on strong position in market niches**
- **Elevator Products derives maximum benefit** from its 'Extended Factory' business model

Financial results

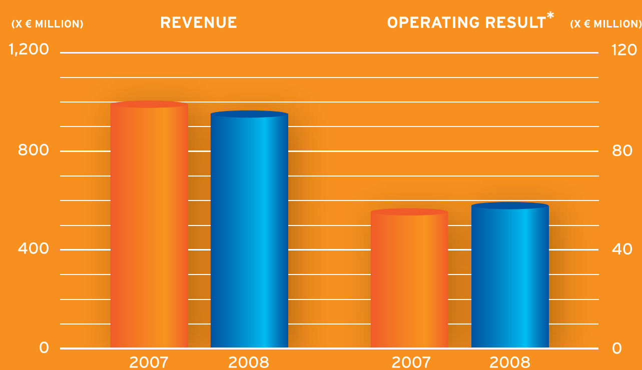
Apart from Automotive & Aviation, Industry & Specialty performed well last year, enabling the Group to increase both profit and operating margin in 2008.

RESULTS (X €MILLION)	2008	2007
Revenues	960.0	1,000.7
Operating result [1]	59.2	56.9
Operating margin	6.2%	5.7%
Capital expenditure	25.4	20.5
Depreciation and amortisation	15.8	16.0

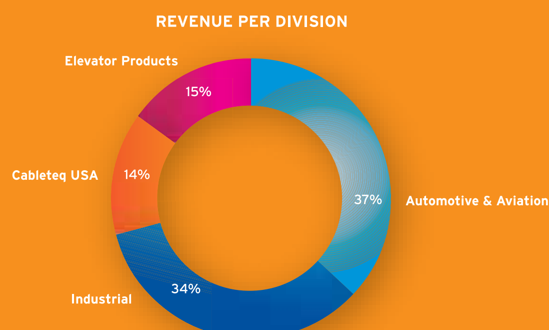
[1] Excluding non-recurring items of €20.3 million negative in 2008. There were no non-recurring items in 2007.

Revenues in 2008 turned out at €960.0 million, down 4.1% compared with 2007. As with the Energy & Infrastructure Group, revenues were adversely affected by exchange-rate movements (-1.9%). Volume was 1.1% lower and the movement in the copper price had a 2.9% negative effect on revenues. The two acquisitions, DeBiase Lift Components s.r.l. (Italy) and Nantong Zhongyao Mechanic Electric Co, Ltd (China), added 1.8% to revenues.

Despite the lower volume and adverse exchange-rate effect, the operating result was 4.0% higher at €59.2 million. The excellent performance by the Industrial division and the improved results posted by Elevator Products more than compensated for the disappointing results from Automotive & Aviation. Significant improvements to the product mix resulted in a higher operating margin. Cost savings from the restructuring exercise at Automotive & Aviation had only a modest effect in 2008 and are expected to accrue mainly in 2009.



* Excluding non-recurring items



Division

Automotive & Aviation

Products	Cables for applications in cars, trucks and aircraft
Market segments	Car, truck and aircraft markets
Growth driver	Production of cars, trucks and aircrafts; additionally, the functionality drive in cars, trucks and aircrafts
Market position	European market leader for advanced automotive cables and key position in standard cable; important supplier of Airbus
Establishments	China, Czech Republic, France, Germany, Mexico and Philippines
Employees	Around 1,050
Customers	System suppliers, such as Delphi (USA), Yazaki (Japan) and Lear (USA); Labinal (France) for aircraft cable

Highlights in 2008

- **Sharp downturn in the automotive industry during second half of 2008**
- **Supply base contraction offers opportunities to gain market share**
- **Technology developments in European and aircraft markets give division a strong global position**

The Automotive & Aviation division covers all cable activities aimed at the 'people-moving' industry. This primarily involves cables for applications in cars, trucks and aircraft. The product portfolio, with an extensive range of client-specific products, meets all mechanical, electrical and environmental requirements. The division's long experience and proven competencies are reflected in various patents. In the fields of material development and cable design, the research teams are valued partners in OEM development centres, system suppliers and harness makers. The division's international structure is consistent with the global organisation of the car industry.

Market developments

While the market has always shown relatively stable growth in the past, the second half of 2008 saw a sharp downturn in the automotive industry. Tightening of consumer credit plus the deteriorating economic outlook led buyers to postpone new car purchases, while at the same time the division's customers – mainly tier 1 suppliers to the automotive industry – reduced inventories to match the lower sales levels. Overall, demand was down by around 20-30% in the last six months, with all manufacturers announcing extensive end-of-year production breaks. Growth has also declined or fallen to zero in the emerging markets. Eastern Europe remained positive, although the volume was insufficient to compensate for the decline elsewhere. This downturn is likely to lead to accelerated further consolidation, with a shake-out of suppliers who are finding it hard to stay competitive under the present conditions. Pressure on prices is severe as customers seek extra value, and this will further drive consolidation. The resulting contraction of the supply base gives the division an opportunity to further increase its market share.

In the aircraft industry Airbus is keeping its capacity steady, with a multi-year order book and single-aisle aircraft deliveries scheduled at 36 per month in 2009. However, also Airbus is confronted with order cancellations by some airlines as a result of the downturn in passenger numbers. Planned larger aircraft such as the A380 are not yet a significant factor because of the low numbers involved. However technology developments such as lighter cables for the A380 are being transferred to single-aisle aircraft where they are enabling the division to defend its price levels while offering extra value to customers.

Developments in the division

The division has acted to reduce costs in line with the downturn in demand, for example by the closure of the factory in Vigo (Spain) as Tier 1 suppliers relocate to low-labour-cost countries on North Africa and Eastern Europe. Production has been shifted to other Draka plants in Wuppertal (Germany) and Czech Republic. Ongoing optimisation programmes are also under way at these locations, for example by rationalising and increasing the efficiency of the production equipment. The division is well placed to withstand the present turbulent market conditions because of its global base and strong technology position. Higher oil prices and 'greener' thinking are leading to a global trend to adopt European car technology. The division is anticipating this trend with its global reach for European-specification cables that are lighter, more flexible and have reduced levels of hazardous materials. It also has industry-leading expertise in trends such as the use of smaller cable cross-sections wherever possible. Its experience in contributing to the production of fuel-efficient vehicles, for example through synergies with the technologies used in aircraft, will be a positive factor in emerging stronger from the current downturn.

Division
Industrial

Products	Cables for related industrial applications; flexible, rubber-insulated low- and medium-voltage cables according to harmonised standards, client-specific designs and strict industry standards
Market segments	Equipment construction, industry, mining, oil and gas industry, drilling rigs and vessels, shipyards, material handling, mass transport, wind turbines and solar systems, OEMs
Growth driver	Equipment construction, investments by oil industry, investments in mining and alternative energy sources
Market position	No. 2 in Europe, prominent in North America and Far East; global market leader in cable for wind turbines
Establishments	Australia, Brazil, China, Denmark, Germany, Netherlands, Norway, Russia, Scotland, Singapore, Sweden and USA
Employees	Around 950
Customers	Oil and Gas offshore industry, shipyards, OEMs, electrical wholesalers like Sonepar and Rexel (France), industrial equipment manufacturers active in the mining and wind turbine markets

Highlights in 2008

- **Integration of former Marine, Oil & Gas and Rubber Cable divisions in 2008**
- **Further emphasis on extending product range by value-added accessories and components**
- **Significant investments in the extension of production capacity and capability**

The newly formed Industrial division comprises the former Marine, Oil & Gas and Rubber Cable divisions, which have now been integrated to optimise the many synergies between these two business areas and allow production to be allocated more efficiently to where it is needed. For the marine, oil & gas sector the division offers advanced, cost-effective cable solutions for the shipbuilding and oil and gas industries. These meet strict industry safety standards and ensure that vessels and drilling rigs can be used reliably for long periods. The division's products include halogen-free, flame-retardant cables with excellent physical and electrical properties, including resistance to fire, dust, oil, wear and tear and (petro-) chemicals. Flexible, rubber-insulated cables are produced to standard specifications and customer-specific designs, mainly for power and medium-voltage applications including wind turbines, photovoltaic, mining, transport, IT, the robotic and processing industries, container terminals, industrial cranes and building sites. In addition, the product portfolio for offshore wind farm and oil and gas applications has been completed by the addition of subsea cables and accessories.

Market developments

Business in the division was strong in all areas during most of the year, with well over 10% growth in most segments up to then. There was a significant slowdown in the last quarter, mostly in the OEM segment and among wholesalers. The marine, oil & gas business also showed a slight slowdown, with fewer new projects. The shipboard business was also strong, especially for the building of large vessels in the Far East. However the past months have seen some contract cancellations, and growth of business for shipyards is expected to slow down further in 2009. The wind power market continued its strong growth at around 40% year on year, although this segment too slowed down somewhat towards year-end. The alternative energy market in general already accounts for around one-third of the division's sales, and as global market leader the division has the clear goal of continuing the strong growth in this segment. Strong current growth drivers are the markets in Asia (marine, oil & gas and renewables) and the USA (wind energy). Pricing was mainly stable, allowing cost increases in metals, energy and labour to be largely passed on to customers, although this was proving to be more challenging during the last quarter.

Developments in the division

The year was largely shaped by the integration of the former Rubber Cable and Marine, Oil & Gas divisions, resulting in a comprehensive product portfolio with a strong customer focus in the different markets and regions. Up to 60% of cables in the marine, oil & gas markets are rubber, which underlines the strong potential for rationalisation, cost-saving and efficiency gains in the organisation. The global presence in terms of cable production and distribution centres is beneficial for the entire business activities. As well as cables it ranges from customised cable sets and harnesses, value-added accessories like connectors and clamps up to cable installation and supervision and the complete installation of photovoltaic power plants. A high innovation rate ensures technology leadership in most of the related markets. For example the division was the first to offer preassembled and connectorised Towerflex cable sets, which allow time-saving 'plug & play' installation on-site in wind turbines. These easy-to-install cable packages allow gains in market share to be made by replacing traditional solutions. To follow the market share gains in many markets as well as the market growth itself, significant investments have been made to expand the rubber cable and rubber compound production capacity in Europe, USA and China. To grow the submarine cable business, significant investments in new equipment were started in 2008 and will be completed in 2009. The division's broad market coverage and excellent product portfolio mean it is well positioned for 2009 despite the economic downturn, with positive developments in many of the segments served.

Partnership with distributors: marketing and added value are key

"The challenge is to make sure customers ask

"In the wholesale channel it's all about your ability to distinguish yourself as a brand", says John Overes, Purchasing Manager at wholesaler Technische Unie in the Netherlands. "We've seen big improvements in Draka's ability to do that in the past few years. Focusing on your added value to end-users is the surest way to take attention away from price as the only thing that matters."

Technische Unie is part of the Sonepar group, a leading electrical wholesaler in the world. The company serves the market in the Netherlands through 35 sales offices. It has a catalogue of 280,000 articles, the most important of which it supplies from stock. Technische Unie places strong emphasis on excellent logistics, customer support and marketing.

"You can have the most innovative products, but if you don't communicate that to your customers then you won't see the benefits in terms of sales", says John Overes. "Because there are always suppliers with lower prices, and if that's all the customer knows then he's most likely to choose one of those brands."

"Draka has excellent products with some real benefits for installers, for example easy cable stripping and high flexibility to ensure fast, trouble-free cable feed through ducts and conduits. The challenge is to make sure customers are aware of those benefits so they ask for the Draka brand by name."

"A few years ago Draka was very product-oriented, but in recent years it has put a lot of emphasis on its marketing and I'm convinced those efforts are paying off. It's important to remember that what we're selling is 'not just a cable'. Installers need the right information and support to help them select the right products and get their projects done efficiently."

"Draka meets that need in a number of ways, for example by easy access to detailed techni-

"Together with Draka, we've given presentations to our international colleagues on how the partnership with Draka works in practice. Bas Schröder recently told the whole group in Barcelona how we work together to take the emphasis away from price. There are still tremendous opportunities to build the partnership further."

John Overes, Purchasing Manager, Technische Unie

for Draka by name"

cal information on the website, as well as through the helpdesk and customer visits by technical specialists. They also arrange visits to their knowledge centre in Amsterdam, so installers can see at first hand how Draka's cable innovations will help them in their everyday work. That kind of support is appreciated. Here in the Netherlands around 80% of cables are purchased by brand, which shows that installers are receptive to those messages."

Much more focused marketing approach
Vice President International Wholesale Bas Schröder, John Overes' counterpart at Draka, agrees that it's up to the manufacturer to take the initiative in marketing. "A lot of those activities fall under our regular promotional and customer support programme aimed at strengthening brand awareness and preference. But as well as that we work closely together with Technische Unie to develop specific activities towards their customers."

"We recently made a choice at Draka of who our real partners are, and Technische Unie is definitely one of them in the Netherlands", says Bas. "Since then we've been developing a much more focused marketing approach to communicate our added value and strengthen our distinctive position in the market. We plan to review those activities during the next few months to see if and where they need to be refocused, and that will lead to attention points for the coming year."

"At a time when tougher economic conditions are on the horizon, it's more important than ever to keep the pressure on promoting your benefits and added value", John Overes concludes. "There's sure to be more pressure than ever on prices in the near future. The best way to fight that is by making sure customers know what your brand has to offer. Then they're more likely to order your products instead of others that may be a fraction cheaper. I'm pleased to see they've taken that on board at Draka."

"We're working together with Sonepar on how we can be distinctive as a brand to strengthen customer preference and increase our market share. We're currently considering how we can roll-out the same kind of partnership in the other countries in which Sonepar operates."

Bas Schröder, Vice President International Wholesale, Draka E&I | Europe

Division

Cableteq USA

Products	Low- and medium-voltage cables, ranging from power, signal to control and instrumentation cables
Market segments	Construction (commercial and industrial), industry, infrastructure, irrigation and defence
Growth driver	Investments in infrastructure, renewable energy, defence
Market position	Top 3 position in market niches in USA
Establishments	USA
Employees	Around 400
Customers	OEMs such as Reinke and Valmont for irrigation systems, Schlumberger within the oil & gas industry, local government for fire resistant cable and transit systems and defence industry

Highlights in 2008

- **Broad product and customer base provides a good level of resistance to economic downturn**
- **Several important market segments (e.g. wind power, defence, infrastructure) are unaffected by economy**
- **Multi-year programmes with US Navy and system integrators focusing on new developments**

Draka Cableteq USA provides innovative wire and cable solutions to a wide range of markets including commercial, industrial, defence, utility, fire protection, transportation and reservoir management in the oil industry. It offers a portfolio of over 25,000 wire and cable configurations, plus unlimited numbers of specially engineered cables to meet virtually any specification. The division provides customers with comprehensive, end-to-end solutions, based on a full range of power, control, signal, fibre optic and instrumentation cables, as well as 2-hour fire rated emergency cable. Draka Cableteq USA offers customers in-depth knowledge of virtually all cable applications, and has extensive testing and validation facilities to ensure that custom cable designs meet the required quality and performance specifications.

Market developments

With its broad product and customer base including a number of strong growth segments, Draka Cableteq USA has a good level of resistance to the present economic downturn, and its longer-term projections are still positive. Business in the marine, oil & gas sector continues to be good, and although there was some decline in the general industrial market, wind power is continuing its exceptional growth rate. The strongest of the division's niche markets is irrigation, which is driven by crop prices and growing biofuel demand. The utility market continues to grow, with increasing numbers of wind farm and infrastructural projects and work on improvement of the power grid, all of which is relatively independent of the economy. Defence is another strong segment, with supplies to the US and NATO navies including power distribution cables on aircraft carriers and other naval vessels. Metalclad cables used for downhole applications to improve oilwell yields are also continuing to show double-digit growth. Supplies to mass transit systems were strong in 2008, with projects for metro and light rail systems such as those in New York and Denver. These are long-term projects with a limited supplier base, for which principals demand exact compliance with specifications and the ability to supply a complete range of products. Finally the fire protection market, a new field for the division, offers good potential through the unique Draka technology for 2-hour fire rated cables which can replace more costly conventional solutions.

Developments in the division

Draka Cableteq USA is continuing to work closely together with the Draka Industrial division, acting as an integrated supplier towards customers in the marine, oil & gas and (wind) power markets. The two divisions provide customers with seamless global solutions, regardless of location. The first major capacity increases since the division was formed in 2004 have taken place in 2007 and 2008. For example the plants in Massachusetts and Pennsylvania have been expanded, and a new rubber extrusion line has been added, all completed at the end of 2008. These will allow the increasing demand from the marine, oil & gas, utility, defence and wind power markets to be met. Cableteq USA is also actively involved in product development, for example in areas calling for specialised technologies such as Metalclad and fire protection cables. It is also involved in multi-year programmes together with the US Navy and system integrators focusing on developments such as the new electromagnetic launching system on carriers. The division was the first to adopt the new Draka SAP template in the second half of 2007, and has since then learned how to deploy it effectively. Benefits include improved service levels in terms of delivery performance, stock availability and customer satisfaction, as well as improvements in financial indicators such as reduced working capital. Improved service is key to fighting pressure on prices, which although not yet severe can be expected to intensify as business slows down in some of the segments served.

Division

Elevator Products

Products	Wide range of products for the elevator and escalator industry
Market segments	Elevator and escalator industry
Growth driver	Construction market in general, including maintenance and repair of elevators and escalators
Market position	Global presence; no.1 in USA, strong in Europe and growing in Asia
Establishments	Brasil, China, Czech Republic, Hong Kong, Italy, Malaysia, Netherlands, Singapore, Spain, and USA
Employees	Around 700
Customers	Elevator manufacturers such as Otis (USA) and ThyssenKrupp (Germany)

Highlights in 2008

- **Successful year overall, with record sales and operating results**
- **Significant downturn in last quarter in line with construction industry**
- **Opportunities through broadening of the product range with additional components**

Elevator Products offers the global elevator and escalator industry a growing range of products and special services aimed at the highest level of customer satisfaction with the widest reach of distribution in the industry. The division distributes more than 30,000 parts and components for all international elevator and escalator companies. In addition to elevator cables and cable accessories the product line consists of elevator and escalator components and systems that include wire rope, electrical items, specialty electronics and replacement parts. Key to the division's success is its ability to offer 'parts kitting' to manufacturers and installers of elevators and escalators. Customers can also rely on support and advice from expert and committed engineers for installation, maintenance, new product development and repair work.

Market developments

2008 was a successful year for Elevator Products with record sales and operating results. Although downturns in the global construction markets will have an impact, the division has focused on entering new product markets in the elevator and escalator industry to insulate them from the effect. Draka Elevator Products' market share declined somewhat, by their own design, because of the enlargement of the market served by introducing additional products such as operating panels and electronics from its companies in China. The positive effect of this development is that it creates opportunities for the division by adding extra products in these new niches. In 2008 54% of products supplied was non-cable, and this figure is expected to increase further to 57% in 2009.

Developments in the division

Elevator Products continued its strong focus on the roll-out of the successful EFM (Extended Factory Model), which has been well received by major OEMs. It gives them the opportunity to reduce their total cost of acquisition by outsourcing (or in some cases even 'insourcing', with a Draka presence in their own factories) the procurement of a wide package of supporting products. Manufacturers are increasingly reducing supplier numbers, and the division is well placed to partner with them as a strategic supplier, with the capability to deliver a large proportion of their Bill of Materials on a global basis.

In line with these opportunities, Elevator Products is aggressively broadening its product range to allow it to fulfil OEM demands and occupy new niches in the overall elevator market. For example in China the Zhongyao-Draka joint venture is working to strengthen its global presence with additional activities such as the production of additional electrical components, connectorisation and 'kitting'. Also a cable line has been installed with production ramping up in 2009. In Brazil additional cable production is operational and in plant operation has just begun at various OEM facilities. These developments are part of the continuing progress of integration and globalisation of the division's activities, aimed at strengthening its global presence, winning market share and cutting costs to offset the downturn in sales.

Every effort is being made to strengthen the role of DB Lift in Milan, which was acquired at the beginning of 2008, as a centre for distribution to the European and Middle East markets. DB Lift is now responsible for management of key accounts in Europe, and is expected to develop as an increasingly important supply channel for Draka to the European market.

Draka Communications

The Communications Group consists of four divisions: Optical Fiber Cable Solutions, Copper Cable Solutions, Americas and Optical Fiber

Draka Communications is world leader in optical fiber technology and cable solutions (telecommunication and data communication) in many market segments. The Group's market-driven cable solutions include innovative applications and project management services and expertise for broadband and mobile network infrastructures. The following review of business developments in 2008 is from a market segment perspective: Telecommunication, Data Communication, Mobile Networks and Optical Fiber.

Highlights in 2008

- **10% growth in world optical fiber market to 130-135 million kilometres,** largely due to rapid growth in Fiber To The Home (FTTH) projects in Europe
- **Sharp fall in demand for copper telecommunication cable in Europe** in the second half of the year
- **Demand for datacommunication cable slightly lower in 2008**
- **Global demand for mobile network cable stable,** but lower in Europe
- **Lower operating result** reflecting sustained pressure on selling prices in all market segments and lower copper telecommunication cable volume
- **Positive effects of Triple S and other cost-reduction programmes not enough to compensate fully**
- **Action taken to reduce overheads,** so lower cost base expected in 2009

Financial results

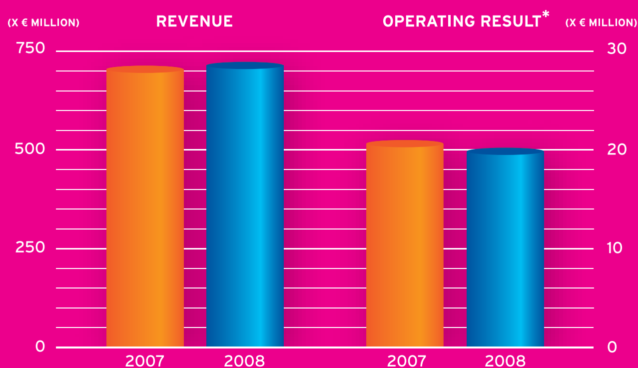
The Communications Group ended 2008 with a disappointing result, due mainly to reduced volume in some market segments and sustained pressure on prices.

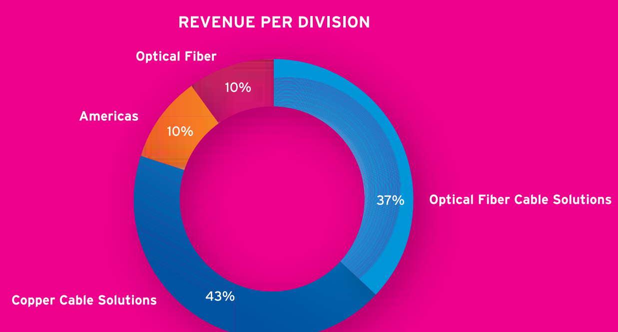
RESULTS (X € MILLION)	2008	2007
Revenues	722.8	708.0
Operating result [1]	20.5	21.3
Operating margin	2.8%	3.0%
Capital expenditure	17.2	26.5
Depreciation and amortisation	21.6	17.2

[1] Excluding non-recurring items of €3.3 million negative in 2008. There were no non-recurring items in 2007.

Revenues in 2008 amounted to €722.8 million, an increase of 2.1% compared with 2007. The increase was due entirely to the consolidation of Draka's interests in China, Draka Comteq SDGI Co Ltd (55%) and Yangtze Optical Fibre and Cable Co Ltd (53.1%), following the acquisition of a 100% interest in Draka Comteq B.V. in December 2007. Excluding consolidation effects, revenues were 3.7% lower. The negative effect on revenues of movements in the copper price and exchange rates was 0.7% and 1.2%, respectively. Volume was down 1.8%. The growth in optical fiber and optical fiber cable volume was offset by the fall in demand for copper telecommunication and data communication cable.

The operating result was 3.8% lower at €20.5 million (2007: €21.3 million), reflecting the accelerating decline in demand for copper telecommunication cable, the pressure on cable prices and the effect of the weaker US$/€ exchange rate on Draka's European optical fiber activities. Cost savings of approximately €10 million generated by the Triple S and other programmes were not sufficient to fully compensate for the lower result.





Telecommunications

Products	Full range of copper and optical fiber telecommunication cables
Market segments	Telecommunication, cable networks
Growth driver	Investments by telecom operators driven by growing demand for greater bandwidth
Market position	Optical fiber cable: no. 1 in Europe and China and no. 3 in US; outdoor copper cable: no. 3 in EMEA
Establishments	Brazil, China, France, Germany, Netherlands, Russia, Spain and USA
Employees	Around 1,550
Customers	Telecom operators such as KPN, Deutsche Telekom, France Telecom, Illiad, Telia/Sonera, Tele Denmark, AT&T, Verizon, China Telecom, Alcatel, Siemens and alternative operators

Highlights in 2008

- **Accelerating shift from copper to fibre in all regions**
- **Continuing strong fibre sales for FTTH roll-outs in Western Europe and the USA**
- **Emphasis on added value to operators through technical support and one-stop-shop proposition**

Within the telecommunications market segment, Draka Communications concentrates on copper and optical fiber cable solutions, project services and turnkey solutions. Its solutions for large and small networks enable the growing demand for greater bandwidth to be met, while it also provides long-distance cables for telecommunication networks. Apart from the development, production and delivery of cable solutions, Draka Communications concentrates on the realisation of complete network projects in partnership with installation companies. Experienced project managers, engineers and support workers take responsibility for the design, engineering or even management of the complete installation or expansion of telecommunication networks.

Market developments

The decline in demand for copper cable is increasing, driven by the high price of copper. Fiber has become more competitive since early 2008 for cost reasons, and operators are accelerating the roll-out of fiber in their telecom networks. Fiber sales showed a healthy growth of around 10% overall. The main driver is the roll-out of FTTH, for example among all the major operators in Western Europe, which is strongly driving demand for fiber. Some market share was lost because of deliberate efforts to maintain price levels. Sales for FTTH projects were also strong in the USA to both the established telecom operators and a host of smaller operators. Market share was gained in the USA, in a market which grew at around 5% in volume terms. Another strong driver for fiber sales is the growing HDTV market with its resulting high bandwidth demands. There were strong increases in the material costs of cables in 2008, and it is becoming increasingly difficult to pass these on to customers due to intense competition, although this does not yet apply in the fiber business. In South America, the market in Brazil showed good growth in the fiber business, driven by development of internet access and the corresponding infrastructure. Strong demand also continued in Asia, driven mainly by China with a growth of around 10%.

Developments at Draka Communications

In general every effort is being made to maintain and where possible increase market share by maximising added value, for example by providing operators with support in network design and engineering, and with software packages for service and maintenance. This is a unique capability, and is particularly valued by smaller telecom operators and new market entrants without the necessary in-house expertise. The large incumbent operators also value Draka Communications' one-stop-shop position, which enables it to offer all the required products and services for network implementation and maintenance except for the civil works. The focused factory approach introduced after the restructuring two years ago is now performing well, and allows improved product quality and more cost-effective manufacturing. Some compensation for the strong decline in copper sales is being found in the infrastructure market, for example in railway signalling. In the USA there is a strong focus on providing new interconnection products to support large customers like Verizon, especially for use in apartment buildings. Draka Communications serves this market with products that meet all fire-retardant codes and reduce costs. Efforts are also being made to develop the office market for fiber cable sales in the USA. This is a new market in which the same products and technologies are used as in homes.

Market
Data Communication

Products	Copper and optical fiber cable solutions for Local Area Network (LAN's) applications in the data and communication market, and, specialized cables for applications in Broadcast / HDTV, RF, and OEM applications
Market segments	Data communication, broadcast
Growth driver	IT investments; investments in LAN's driven by growing demand for greater bandwidth
Market position	No. 1 in Europe
Establishments	China, Denmark, Germany, Netherlands, Norway, Singapore, Slovakia, United Kingdom and USA
Employees	Around 700
Customers	Electrical wholesalers, distributors, OEM and system providers

Highlights in 2008

- **High-bandwidth applications driving shipments of high-end cable products**
- **Strong prices in high-end products due to high demand levels**
- **Emphasis on developing value propositions as total solution supplier**

With a wide product range and the ability to provide solutions for all forms of communication, Draka Communications offers copper and optical fiber cable solutions within the data communication market for all kinds of data transmission. The applications extend to both the office and home environment. Draka Communications also offers a unique blend of specialty cable for high performance applications for broadcast including new HDTV camera systems along with other specialised Original Equipment Manufacturers (OEM) applications.

Market developments

A key development in data communication is the current transition to 10 GB networks in data centres and office applications. This represents an opportunity to deliver added value in both fiber and copper cable products. At present the product mix in the market is around 80% copper and 20% fiber, in a market which declined slightly in 2008. The shift in the product mix towards Category 6 and 7 copper cables is an ongoing move that is driving the business, bringing with it increasing demand for high-end products. Draka Communications is strongly positioned in these cables and their fiber-based equivalents, in which it made further gains in market share during 2008. Competition in this top segment is much less intense than at the low end, where cables are regarded as more of a commodity and prices are set by Asian manufacturers. In the high-bandwidth segment demand is tending to drive prices higher, resulting in long lead-times in some cases. This is becoming an increasingly important part of the overall market, and offers the prospect of strong continued growth in the coming years. Draka Communications holds strong positions in this market in South-Eastern Europe, Central Europe and Germany, although the position in the UK is under pressure because of the low value of the pound. The Eastern European market is expected to follow these developments within the next few years.

Developments at Draka Communications

Key to the Group's success in the move towards higher-bandwidth networks is strengthening its position as a high-end supplier. Much effort has therefore been put into developing its value propositions as a supplier of solutions instead of simply cable products. This is particularly important towards installers, of whom there are many thousands in Europe. These in turn are served through wholesalers, with which the Group works together closely. The message of added value is even more important towards data centres, which are usually served on a turnkey basis and demand a single supplier with a total solution capability. The new manufacturing facility in Presov (Slovakia), opened in late 2006, is now a fully integrated part of the supply chain delivering consistently high product quality and service levels. This plant is now serving the entire European market, including that for high-end products.

Mobile Networks

Products	Complete Draka Antenna Line Products for base stations
Market segments	Mobile telecommunication
Growth driver	Investments by mobile telecom operators
Market position	Global third-ranking position
Establishments	Brazil, China, Finland, Singapore, and USA
Employees	Around 175
Customers	Suppliers and operators of mobile telecommunication networks

Highlights in 2008

- **New broadband mobile services not yet delivering the expected growth**
- **Continued emphasis on completing networks in Eastern Europe, Indonesia and parts of Far East**
- **Strong pressure on prices, particularly in low-end segment as new Chinese suppliers enter**

Draka Communications is one of the leading producers of mobile network cable, supplying the complete Draka Antenne Line Products for base stations. Products range from Radio Frequency feeder cables, jumper cables and highly flexible cables to connectors, EMP protectors and other accessories. The cables are used for mobile telecommunication applications such as GSM, WCDMA (UMTS), TDMA, D-AMPS, PCN, CDMA, TETRA and WiMAX. Mobile network cable is produced to the highest quality and strict environmental standards. Draka Communications works according to the one-stop-shop principle, allowing customers to rely on fast delivery and service.

Market developments

Demand continued at approximately the same level as in the preceding year, with a slight increase in growth in the Asia-Pacific and Middle East regions. Shipments in Europe declined somewhat, with some local expansion projects although most operators' networks have now been completed. Overall, world markets are not yet gaining the expected strong growth through new broadband services such as video and mobile internet access. However these continue to offer opportunities for the future, especially for mobile e-mail services. In regions which still have room for growth such as Eastern Europe, most emphasis is being placed on completing the roll-out of mobile telephone services. The same applies to emerging markets in the Far East; for example mobile telephone penetration in Indonesia and Vietnam is still low, so these markets still offer growth opportunities. Pressure on prices continues to be strong, particularly in the low-end segment, as Chinese suppliers expand and drive prices down. The Group's strategy remains focused on high-end product quality, for example with the best available attenuation values, as well as on delivery reliability and logistics performance.

Developments at Draka Communications

The factory of the 67.5% joint venture in Wuhan, China, where capacity was expanded during 2007, is now working at capacity. Its production mainly serves the Chinese market, although thanks to its cost-effective logistics the proportion of exports to the rest of the Asia-Pacific region and the Middle East is increasing. Market share was maintained at a stable level in 2008, although 2009 is expected to be a challenging year due to the extra capacity entering the market from new Chinese competitors.

Optical Fiber

Products	Preforms, single mode and multimode optical fiber, tailored fiber solution (Specials)
Market segments	Telecommunications, data communication, transport and industrial
Growth driver	Investments by telecom operators (including FTTH), IT investments, extension of fiber application portfolio
Market position	No. 1 worldwide in multimode optical fiber; No. 2 worldwide in single mode optical fiber
Establishments	Brazil, China, France, Netherlands and USA
Employees	Around 950
Customers	Cable makers for telecommunications and data communications applications, engineering consultants and network integrators

Highlights in 2008

- **Capacity fully utilised, helping to maintain price levels**
- **Extension of YOFC joint venture with 20 years**
- **Positive fiber business hardly affected by economic downturn**

In the optical fiber market Draka Communications develops and manufactures fiber products to service single mode optical fiber (for telecommunication) and multimode optical fiber (for data communication) and specialty fibers for tailored solutions. These products support both internal use and sale to third parties.

The production of preforms and optical fiber ('drawn' from the preforms) takes place in Draka Communications. The optical fiber is manufactured using Draka's own Plasma-activated Chemical Vapour Deposition (PCVD) process, which enables the core of the optical fiber to be produced with high efficiency. This is combined with its Advanced Plasma Vapour Deposition (APVD) process, a highly efficient method for manufacturing the overcladding of the optical fiber. Draka Communications owns the intellectual property rights to both processes (PCVD and APVD).

Market developments

Market share in optical fiber was gained globally, but especially in the USA and Asia. Some share was given up in Europe because of the increased price pressure in dollars. More fiber was shipped from local production in the USA and China. Capacity was more or less fully utilised, which helped to maintain prices but made it difficult to gain further market share. The Group also benefited from favourable developments in the South American market, and especially Brazil, where the market is opening to Draka as the only local manufacturer able to meet demand. In general the fiber business has not been affected by the economic downturn, and most regions showed continued growth due to increasing penetration of internet access and bandwidth demands which are strong drivers for the market. Pricing is mostly flat with no signs of production shortage, and the extra demand arising from market growth can still be met relatively easily.

Developments at Draka Communications

A significant development during the year was the extension for a further 20 years of the joint venture agreement with the Chinese technology partners in Yangtze Optical Fiber and Cable Co (YOFC). This extension is an important step in enabling Draka to benefit from the continued growth in China, the world's largest optical fiber market, and YOFC is also a major gateway to the Asian markets. The European plants operated at capacity in 2008, but the Group's policy is not to expand these facilities any further. This is because of the relative difficulty of scaling down production in Europe in case of a downturn similar to that which occurred 6-7 years ago. Production was expanded in both Brazil and the USA during 2008. Around half of European demand is supplied from the USA, which allows advantage to be taken of cheaper production there and also provides a natural hedge for product prices which are quoted in dollars. Preform manufacturing was expanded in France in 2008, and is now sufficient after the re-start in the USA in 2007.

Main subsidiaries, associates and joint ventures

(100% owned by Draka Holding N.V., unless otherwise indicated, situation as of 24 February 2009)

ENERGY & INFRASTRUCTURE

Country	Company	Country	Company
ASIA		**Estonia**	Draka Keila Cables Ltd (66%)
India	Associated Cables Pvt Ltd (60%)	**Finland**	Draka NK Cables Ltd
Malaysia	Sindutch Cable Manufacturers Sdn Bhd	**France**	Draka France SAS
People's Republic of China	Suzhou Draka Cable Co Ltd		Draka Paricable SAS
	Draka Cables (Hong Kong) Ltd		Cableries De Valenciennes SAS
Singapore	Draka Cableteq Asia-Pacific Holding Pte Ltd	**Germany**	Draka Deutschland GmbH
	Singapore Cables Manufacturers Pte		Höhn GmbH
Sultanate of Oman	Oman Cables Industry SAOG (34.8%)	**Netherlands**	Kabelbedrijven Draka Nederland BV
Thailand	MCI-Draka Cable Co Ltd (70.3%)		Draka Nederland BV
AUSTRALIA		**Norway**	Draka Norsk Kabel AS
Australia	Draka Cableteq Australia Pvt Ltd (70%)	**Russia**	Elkat Ltd (40%)
EUROPE		**Spain**	Draka Cables Industrial SA
Belgium	Draka Belgium NV-SA	**Sweden**	Draka Kabel Sverige AB
Czech Republic	Draka Kabely sro	**United Kingdom**	Draka UK Ltd
Denmark	Draka Denmark Copper Cable A/S		

INDUSTRY & SPECIALTY

Country	Company	Country	Company
ASIA			
People's Republic of China	Suzhou Draka Cable Co Ltd	**Netherlands**	Draka Elevator Products BV
	Nantong Haixun Draka Elevator Products Co Ltd (75%)		White Holding BV
	Zhongyao Draka Elevator Products Co Ltd (75%)		White Products BV
	Draka Shanghai Optical & Electrical Cable Co Ltd (55%)		Cableries Holding BV
Philippines	Draka Philippines Inc	**Norway**	Draka Norsk Kabel AS
Singapore	Draka Distribution Singapore Pte Ltd	**Russia**	Draka Industrial Cable Russia LLC
	Oakwell Engineering Ltd (29.9%)	**Spain**	Draka Elevator Products Spain SL
	Singapore Cables Manufacturers Pte Ltd		Draka Industry & Specialty SL
EUROPE		**Sweden**	Draka Kabel Sverige AB
Czech Republic	Draka Kabely sro	**Turkey**	Draka Istanbul Asansor Ihracaat Ithalat Uretim Ltd Sti
Denmark	Draka Denmark Copper Cable A/S		Wagner Kablo Sanayi Ve Ticaret AS (80%)
France	Draka Fileca-Foptica SAS	**NORTH AMERICA**	
	Cableries De Valenciennes SAS	**Canada**	Draka Elevator Products INC
Germany	Draka Industrial Cable GmbH	**Mexico**	Draka Durango S de RL de CV
	Draka Automotive GmbH	**United States**	Draka Marine, Oil & Gas International LLC
	Draka Kabeltechnik GmbH		Draka Cableteq Holdings INC
	USB Elekto kabelkonfektions GmbH		Draka Cableteq USA INC
Italy	D.B. Lift Draka Elevator Products Srl		Draka Elevator Products INC

COMMUNICATIONS

Country	Company	Country	Company
ASIA			
Japan	Precision Fiber Optics Ltd (50%)	**Norway**	Draka Comteq Norway AS
Malaysia	Sindutch Cable Manufacturers Sdn Bhd	**Russia**	Neva Cables AO (75%)
People's Republic of China	Yangtze Optical Fibre & Cable Co Ltd (37.5%)	**Slovak Republic**	Draka Comteq Slovakia sro
	Draka Comteq SDGI Fiber Co Ltd (55%)	**Spain**	Draka Comteq Spain SL
	Yangtze Optical Fibre & Cable (Shanghai) Co Ltd (53.13%)		Draka Comteq Iberica SL
Singapore	Draka Comteq Singapore Pte Ltd	**Sweden**	Draka Comteq Sweden AB
EUROPE		**Turkey**	Draka Comteq Kablo Ltd Sti
Austria	Draka Austria Cable GmbH	**United Kingdom**	Draka Comteq UK Ltd
Denmark	Draka Comteq Denmark A/S	**NORTH AMERICA**	
Finland	Draka Comteq Finland Ltd	**United States**	Draka Comteq Americas INC
France	Draka Comteq France SAS	**SOUTH AMERICA**	
Germany	Draka Comteq Germany GmbH & Co KG	**Argentina**	Cables Opticos y Metalicos para Telecommunicationes Telcon Srl (49%)
	Draka Comteq Berlin GmbH & Co KG		
Netherlands	Draka Comteq BV	**Brazil**	Draka Comteq Cabos Brasil SA
	Draka Comteq Cable Solutions BV		Draktel Optical Fibre SA (70%)
	Draka Comteq Fibre BV		Telcon Fios e Cabos Para Telecominicacoes SA (50%)
	Draka Comteq Telecom BV		Draka Cableteq Holding SA (99%)

Complete cable sets, cut to length with ready-fitted connectors for 'plug & play' on-site installation

"Working with the customer to save cost and

"Price, quality and delivery performance, those are the criteria which all our suppliers have to meet. Draka is no exception, and even though cables aren't the most critical components of our wind turbines we rely on them for a smooth production and installation process." Brian Sørensen is Chief Operations Officer of Denmark-based Suzlon Wind Energy A/S, the global business and sales headquarters of Suzlon Energy, one of the world's largest wind turbine manufacturers.

"Draka works with us on finding ways to save cost and increase efficiency in our processes. For example by their ability to deliver cables to our tower suppliers around the world – four of them in Brazil, one in Greece, one in Italy and two in Spain. We don't want to use cables from many different suppliers. As a global company Draka is able to supply the same product to all those locations with short delivery times, as and when it is needed for production. We also know they are familiar with the standards and regulations applicable in different markets, for example UL in the USA and IEC in Europe, and that they can supply cables meeting those requirements in every case."

Suzlon Energy is among the leading suppliers of wind energy solutions worldwide, in a market that is predicted to continue growing at an average rate of around 24% over the next five years. Suzlon itself reported a 71% growth in turnover for 2007, and holds a global share of 10.5% of the wind energy market. "It's difficult to say what will happen in the next few years", says Brian Sørensen. "Growth may be somewhat below the predicted levels in the near future, under the influence of the low oil price and the current financial crisis. But in the long term demand is sure to remain high, and we're confident that we'll continue to see strong growth figures in the coming years."

"We want to standardise all our components as far possible. That means not using cables from different suppliers at all our production locations and those of our tower suppliers around the world. Draka gives us a flexible and dynamic response with consistent product quality, also taking into account the applicable standards and regulations in specific markets."

Brian Sørensen, Chief Operations Officer, Suzlon Wind Energy A/S

increase efficiency"

Draka's Industrial division is working hard to meet Suzlon's needs and to provide added value wherever possible. "One of the ways we do that is by supplying cut-to-length cable sets", says Dan Larsen, the division's vice-president for renewable energy. "We ship the internal cables direct to the site, where they are ready for 'plug & play' installation which saves working time on-site. We do as much of the preparation work as possible in the factory, for example fitting of the locks or terminals to the cables, because of course it's more reliable and cheaper to do it in the controlled environment of the factory. Another way we're supporting Suzlon is by helping them with the changeover to more cost-effective aluminium cables, replacing copper which has become much more expensive. Not every supplier has the knowledge to make a significant change like that and still ensure the same levels of quality, performance and reliability."

Stringent testing for 20-year wind turbine lifetime

"As far as reliability is concerned, stringent product testing is important to make sure our cables will continue to work properly over the typical 20-year lifetime of a wind turbine. Most important is that the cables are flexible and durable enough to withstand the constant twisting as the turbine housing turns with the direction of the wind. But as well as that the cables have to be able to accept wide temperature variations, and they also have to be resistant to the special oils used in wind turbine gearboxes and transmissions."

"Our production is sold out for the coming months", Brian Sørensen concludes, "and for Suzlon it's important that we meet our delivery commitments. "Our suppliers have a vital role to play in that, and with Draka I'm confident that they will continue to meet our needs as a reliable cable partner."

"We're always looking for ways to deliver added value to the customer, so we can save them cost and time. One of the ways we do that is through excellent logistics, so we can supply complete cable sets to Suzlon and its key suppliers regardless of location. Most facilities are in Europe, but we save time by supplying the tower suppliers in Brazil directly from our plant in the USA."

Dan Larsen, Vice-President Renewable Energy, Draka Industrial

Risk management

In carrying out its activities, Draka is exposed to a number of business risks. The company's riskmanagement policy is aimed at sustainably controlling the different risks which (could) influence Draka's business in the long term and at limiting and where possible hedging those risks. Despite the attention devoted to these risks and the management and control procedures applied, risks can never be eliminated completely. They are an inherent part of doing business given the wide diversity of markets, customers and geographical areas in which Draka operates. Draka's long term risks are limited by:

- the great diversity of the markets in which Draka operates (both geographically and in terms of clients);
- the fact that no client accounts for more than 6% of Draka's worldwide sales;
- a widely spread group of suppliers;
- price movements in important raw materials (copper, aluminium and polymers) which can be passed on within a reasonable period;
- state-of-the-art process technologies, often developed in-house;
- informative, compliant and transparent reporting systems;
- the fact Draka's interest-bearing debt consists for 92.3% of long term liabilities (4 years), with current liabilities accounting for 7.7% at the end of 2008;
- a highly skilled workforce.

Given the diversity of the markets, customers and regions served by Draka and the breadth of its portfolio of activities, it is virtually impossible to quantify all the risks that may be relevant to the Company as a whole. Where those risks can be measured, however, they will be quantified as accurately as possible. The risks described below do not comprise an exhaustive list, but are a selection of the most important risk factors.

Operational risks

Risks related to litigations and claims

The nature of Draka's business exposes the Company to the risk of product liability or allegations that its products cause harm to people or property. In order to limit product liability risk the operating companies have put in place stringent quality procedures. A large part of Draka's operating companies are ISO 9001 certified which require them to have appropriate quality management systems in place. Where possible, Draka minimizes the product liability when negotiating the sales contracts with customers. The Group's sales teams might involve the Group's legal departments in more complex contractual negotiations. Draka also has product liability insurance in-place which is centrally arranged.

Draka's policy is to maintain product liability insurance that the Company believes to be appropriate given its operations. In accordance with its supply contracts, Draka may be held liable for failure to properly deliver products or perform services, even if such failure is attributable to acts or omissions of third parties.

Individual contracts may contain penalty and liability clauses that are applicable if Draka fails to comply with the delivery schedule and/or with the agreed quality requirements. Furthermore Draka provides warranties concerning the performance of its products. Warranties given to Draka pursuant to contracts for the supply of the materials and components used in the Group's products may be less extensive than the warranties Draka gives to its customers.

A successful product liability or other claim against Draka could have an adverse impact on its financial condition and/or results of operations. Management is not aware of any product liability claims that might have a material adverse impact on the Company's financial position.

Risks related to cyclical movements in economic activity

The Group operates in markets which are sensitive to cyclical movements in economic activity and changes in economic growth rates and that are subject to fluctuations in supply and demand. Demand for Draka's products typically reflects changes in the economic growth rates of the countries in which it is active. In addition, demand for products produced by the various divisions is dependent on developments in the industries for which such cables are designed (for example, construction, marine, oil and gas, and transport industries) and levels of investment in such industries. For different parts of Draka's business, there are different growth drivers: for example, energy prices for the Industrial division and developments in the construction market for the E&I Group. Likewise, Draka Communications is subject to fluctuations in supply and demand, particularly in respect of levels of investment in the telecommunication industry. The profitability of cable manufacturers, including Draka itself, is severely impacted by such factors.

In geographic terms, Europe is Draka's most important market, accounting for approximately 65% of its revenue in 2008. North America and Asia are also important markets for Draka, accounting for approximately 11% and 14% of its 2008 revenues, respectively. As such, the Company is particularly affected by the level of economic activity in each of these three regions.

This diverse portfolio from both a business characteristics as well as a geographical perspective spreads Draka's business risk and protects the Company's performance and financial position from individual adverse changes in these factors or geographical developments. If, as a result of cyclical downturns, demand for its products and services declines or if pricing pressure continues, Draka's financial condition and/or results of operations may be adversely impacted.

Risks related to dependence on customers

Draka's activities are spread across a wide variety of businesses (e.g. low voltage, telecommunications, energy, etc.) and it has many types of end customers – including wholesalers, distributors, equipment manufacturers and industrial operators. The variety acts as a safeguard for the Company as a whole and no customer accounts for more than 6% of the consolidated net revenue. However certain customers may represent a significant portion of a division's business and loss of such customer may have a significant impact on the division's operations, financial position and performance. Debtor collection risk can be found on page 85.

Risks related to raw materials and supplies

Copper, preforms for optical fiber, aluminum, PVC, polyethylene and other polymers are raw materials needed for Draka's manufacturing process and its business is therefore exposed to fluctuations in their prices and availability. In 2008, raw materials accounted for approximately 75% of Draka's total operating costs. Lack of raw materials can adversely impact the results of the Company. Non-ferro raw materials (including copper and aluminum) are purchased centrally by Corporate Procurement at Draka Holding, based on the supply needs reported by the local operating companies. For other raw materials, lead buyers in the different divisions (Groups) have been identified and are responsible for the central procurement of these raw materials. By centralizing the procurement needs/combining the buying power, Draka ensures a constant supply on the best possible terms by using diversified sources of supply. To limit exposures from unavailability of raw materials Draka has established a sophisticated forecasting process and makes use of the size of its operations and an optimized value chain, with plants concentrating on "product" families. Furthermore internal controls are embedded in the contractual arrangements with suppliers, including volume, performance, quality and flexibility clauses on the supplying raw materials.

In particular, the Company is exposed to fluctuations in the price of copper. The price of bare copper is determined on commodity exchange markets. Copper prices have been very volatile in the last few years and they recently decreased dramatically from record highs of €5.20-5.30 per kilo on average in 2006 and 2007 to €2.08 on 31 December 2008. This high volatility may continue. Copper accounted for approximately 60% of Draka's total operating costs in 2008. Changes in the prices of copper do impact Draka's revenue and its working capital requirements, cost of sales, levels of debt and financing costs.

Changes in the price of copper are generally passed-on to the customers. Where Draka uses a price-list the prices are adjusted when copper moves outside the set tolerance levels as defined in the price-list. Prices for copper can also be fixed in contracts where the copper price is changed based on agreed indicators or over a predefined period. For project sales, where the copper price is fixed for a future date, the price exposure is reduced by entering into a derivative contract. These hedge contracts are done centrally by the Central Procurement department at Draka Holding.

To mitigate risks on Draka's stock related to copper price changes, the Company has established, depending on the specific situation, internal controls like hedging and certain copper price escalation clauses in the sales contracts agreed with its customers. Furthermore, the Company continuously monitors its economic position to assess the potential risk from copper price fluctuations and takes anticipatory actions if necessary. Based on the economic position as per 31 December 2008, a change of €0.10 in copper price will have a theoretical impact on the Company's operating result of around €1.0 million. The actual impact depends on factors such as the period over which the fluctuation takes place, turnover speed of the inventory, and others.

Risks in relation to Stocks

In order to meet the wishes of specific client groups to have access on demand to the full product range within certain cable segments, Draka maintains stocks of its products for such customers. Keeping stocks impacts the Company's working capital and, therefore, its funding requirements. Keeping stocks exposes Draka to the risk of full or partial obsolescence of the products as well as the risk of margin pressure due to drop in underlying sales prices. The internal controls mitigating these risks include an adequate forecasting process, an optimized value chain, with plants concentrating on "product" families and sound stock management aimed at keeping low stock levels while maintaining a full product range. Furthermore, internal controls are embedded in the contractual arrangements with suppliers and customers, like price agreements.

Risks related to technologies used

Draka's products are used in a wide variety of applications. The cable industry is characterized by the regular introduction of increasingly advanced products, particularly in the specialty cable segment. Traditionally, Draka has been successful in introducing successive generations of improved products. The Company's operating results going forward will depend to a significant extent on its ability to continue to introduce new and improved products and applications that offer value for Draka's customers. As it competes in a number of constantly evolving industries, Draka is required to constantly innovate to satisfy its customers' evolving demands.

Draka believes that many of its products are technological leaders in their markets and the Company expects to continue to identify, develop and market innovative products to replace existing product lines in order to maintain what it perceives to be one of its competitive advantages. In order to remain competitive Draka will continue to successfully develop new products and applications and mitigate the impact of products or technologies developed by others.

If Draka fails to keep pace with the evolving technological innovations in its markets, the Company might lose market share and harms its reputation and position as a technology leader in its markets. Consequently its business, results of operations and financial condition may be adversely affected.

Draka is occasionally involved in patent infringement claims filed either by itself or by competitors against the Company. Until now, the financial consequences have not been material to the Company. Management is currently not aware of any claims regarding patent infringement against Draka.

Risks related to increasingly stringent environmental regulations

Draka is subject to numerous environmental regulations in each of the jurisdictions in which it operates, including regulations relating to the handling, transport, disposal and emission of hazardous waste and materials.

Although Draka has no reason to believe it is the case, given the nature of its business, certain of the Company's plants may have caused pollution in the past. While Draka believes that it is in compliance with current laws and regulations relating to the environment, there can be no assurance that the Company will not be required to incur significant environment-related expenses in the future, either as a result of existing or future laws and regulations or as a result of its own operations or those of its partners or businesses which

Draka acquires. Any such expense could have an adverse impact on Draka's financial condition and/or results of its operations.

Pension risk

Draka operates defined benefit schemes in 9 countries of which the main countries include Netherlands, France, United Kingdom and Germany. The Company operates defined contribution plans in several other countries. A significant part of the Company's defined benefit plans are funded with plan assets that have been segregated and restricted in pension funds, trusts or have been insured to provide for the pension benefits to which the Company has committed itself. The Company's net obligations in respect to the defined benefit scheme are calculated separately for each plan and are based on actuarial calculations.

In the Netherlands, Draka participates in a multi-employer pension plan. The pension plan is externally funded. As the assets and liabilities of this multi-employer pension plan cannot be allocated to the employees the plan is treated as a defined contribution plan. The Company has no obligation to fund any deficits or is entitled to any surpluses. The financial treatment of the pension funds are included in note 25 (page 104) of the financial statements.

Risks related to an economic slowdown that could harm Draka's financial performance and position

Draka is a leveraged company and has a significant debt service level. As of 31 December 2008, Draka has outstanding indebtedness of around €520 million. Please read discussions under the headings "Capital Risk Management" (page 88) for further information about Draka's Capital structure.

Draka believes that its expected cash flows, together with available borrowings, will be adequate to meet its anticipated needs. However, Draka's ability to make payments on and repay or refinance its debt and to fund working capital requirements, capital expenditures or business opportunities that may arise, such as acquisitions of other businesses, will depend on its future operating performance and ability to generate cash. This will depend, to some extent, on general economic, financial, competitive, market and other factors, many of which are beyond Draka's control. If Draka's future cash flows from operations and other capital resources would be insufficient to pay its obligations as they mature or to fund its liquidity needs, the Company may be forced to:

- reduce or delay its business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital;
- restructure or refinance all or a portion of its debt on or before maturity; or
- forego opportunities such as acquisitions.

Draka cannot assure that it would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of the Company's existing and future debt, and its syndicated loan, may limit Draka's ability to pursue any of these alternatives.

Financial risks

The financial risks to which Draka is exposed are:

- Counterparty credit risks
- Debtor risk
- Foreign exchange risks
- Interest rate risk
- Liquidity risk
- (Metal) Price risks

All these risks are described in detail in note 4 to the consolidated financial statements (page 84), including a sensitivity analysis.

Risk management

The Board of Management, supervised by the Supervisory Board is responsible for the adequate working of the Company's risk management and internal control systems. Risk management forms an integral part of business management. The objective of the Company's risk management and internal control systems is to provide reasonable assurance that the Company's objectives are met, ensure compliance with legal requirements and by safeguarding the integrity of the Company's financial reporting and its related disclosures.

The process to further define the Company's KPI's and benchmarking was started by the Board of Management in 2007 and continued in 2008. The operational audit department continued their activities in 2008 to review the Company's risk management and internal control systems.

The Company's risk management approach is embedded in the governance structure, the Company's risk based framework of policies and procedures and in the periodic business planning and review cycles.

Corporate Governance

Corporate governance is the system by which a company is properly directed and controlled. Draka believes that corporate governance is a critical factor in achieving business success. Solid internal controls and high ethical standards are key elements in good corporate governance.

The Audit and Governance Committee ("A&GC") met on several occasions in 2008. An important responsibility of the A&GC is to supervise due compliance with the Company's internal risk control system.

In 2007 the Board of Management implemented the Corporate Code of Conduct which reflects the Company's core values. The booklet, which was translated in various languages, was internally distributed and key people in the organisation received web based training and were certified. Subsequently, the Board of Management implemented a Whistleblower policy, as part of the Code of Conduct. A clear reporting and compliance system has been developed, which provides the basis for effective reporting of potential violations against the Code within Draka. The Company Secretary serves as the Compliance Officer. Since the implementation of the Whistleblower policy in 2007, seven complaints were reported to the Compliance Officer of which six were resolved and one complaint is

currently under investigation. A more in-depth description of the Company's corporate governance model can be found on page 56.

Risk based framework of policies and procedures

The Board of Management implemented an internal control framework describing the Group's main policies, procedures and risks. The framework has been discussed with the Supervisory Board, which approved it early 2007.

An Operational Audit department started in the course of 2007 and immediately developed a methodology to review the Group's operating companies and functional departments in terms of being in compliance with these policies, procedures and risks. In 2008 the Operational Audit department continued the review of operating companies and decided to review all significant companies over a period of 3 years. In addition, the Operational Audit department performed ad hoc assignments on specific topics. The findings and recommendations of all reviews have been discussed with responsible management and have been reported to the Board of Management in detail. A summary of these findings are being reported to Audit & Governance Committee on an annual, sometimes quarterly, basis. The findings will be used to further strengthen the internal controls within the Group.

Furthermore, the Board of Management has improved Draka's standardised management reporting by actively including KPI's and benchmarking comparisons of its main activities vis a vis its peers. This allows Corporate Control to review and control the financial and operational performance of these activities in more depth. In the course of 2007, Corporate Control started the Corporate Language project reviewing all the definitions in relation to the standard management reporting. The project was finalized and implemented at the end of 2007. In 2008 Draka uniformed definitions relating to the determination of standard cost prices.

In 2008, a risk assessment workshop was organised with the assistance of Deloitte and it was attended by the different Controllers of the major operating companies. This risk assessment highlighted the risks that most likely affect the business of Draka. In 2009, the outcome of this risk assessment will be reviewed further and the Operational Audit department will incorporate the results of this effort in their risk assessment of the operating companies.

Business planning and review process

The Company has a budget and internal reporting process with fixed procedures and detailed guidelines. The Board of Management periodically discusses in business reviews the financial performance, operational and financial risks of its activities. The division's financial performance is evaluated and compared to the approved budgets, historic performance and developments in the markets and competitive environment. On a quarterly basis forecasts are evaluated and updated if deemed necessary. The company has installed clear procedures and authority levels to approve capital expenditures. A Capex Committee was established in 2008 with the responsibility to review and approve all capital expenditure above €100,000.

In view of all the above the Board of Management believes that - in relation to the financial reporting risks - the Company's risk management and internal control systems have operated properly during 2008 and provide a reasonable degree of certainty that the consolidated financial statements are free from material misstatement. The Board of Management has no indication that these systems will not operate properly during 2009.

It should be noted that the above does not imply that these systems and procedures provide certainty as to the realization of the business operational and financial objectives, nor can they prevent any misstatements, inaccuracies, fraud or non-compliance with rules and regulations. The actual effectiveness of this process can only be assessed on the basis of the results over a longer period. In a rapidly changing world with constant new challenges, ever-increasing demands are placed on the internal risk management process. This means that these processes have to be reviewed and updated regularly.

Therefore, the Board of Management remains focused on the constant assessment and improvement of the Company's risk management systems. This process and their monitoring are periodically discussed by the Board of Management with the Audit & Governance Committee and with the Supervisory Board.

Responsibilities in respect of the financial statements and annual report

The Board of Management is responsible for preparing the financial statements and the annual report in accordance with applicable Netherlands law and those International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).
The Board of Management is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs, and of the profit or loss, of the respective companies included in the consolidation. They are responsible for maintaining proper accounting records, for safeguarding assets, and for taking reasonable steps to prevent and detect fraud and other irregularities. The Board of Management is also responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates that are prudent and reasonable. Applicable accounting standards have been followed and Draka's financial statements, which are the responsibility of the Board of Management, are prepared using accounting policies which comply with IFRS.

As required by section 5:25c(2)(c) of the Dutch Financial Supervision Act (Wet op het Financieel Toezicht) and on the basis of the foregoing the Board of Management has confirmed that to its knowledge:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Draka Holding N.V. and the undertakings included in the consolidation taken as a whole.
- the annual report includes a fair review of the position at the balance sheet date, the development and performance of the business during the financial year of Draka Holding N.V. and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Company faces.

Amsterdam, 24 February 2009

Board of Management
Sandy Lyons, CEO
Frank Dorjee, CFO

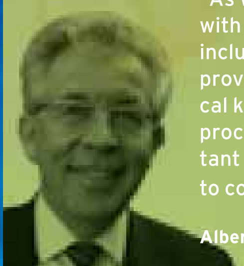
Combination of technology and market knowledge vital in quickly reaching the optimum solution

"Important role for R&D in fiber network

Meeting network operators' demands for lower Total Cost of Ownership is a focal point for Draka Communications. That applies particularly in FTTH access network roll-outs, where flexibility and close partnerships with customers are key. R&D has an important role to play in that process. "There's no such thing as a standard solution, and every implementation has its own demands", says Draka Broadband's Technology Director Albert Grooten.

Draka^{XS}Net is Draka Communications Group's custom solution for FTTH Access Networks. It brings together state-of-the-art optical fiber cables, a wide range of connectivity products, network software, added-value services and logistics - all aimed at meeting individual network operators' requirements optimally. "But building a network isn't just a question of supplying a bunch of products", says Albert Grooten. "There's always a lot of customisation to be done to meet the needs of specific markets and locations. All the products have to work smoothly together and be tested together. Even though we try to re-use products where possible, in practice the number of separate products keeps growing and it looks as though there will never be a single, standardised solution for the whole of Europe, let alone the whole world."

That's where R&D comes in, with a combination of technology and market knowledge that allows it to reach the optimum solution quickly in each situation. "The market is developing rapidly and it's becoming increasingly difficult to make standardised products", says Eric Stoltz, Vice-President for Technology of Draka



"As well as with the network operators, we also work closely together with the contractors who are responsible for the project management, including physical network installation and civil works. Training is provided to contractors to make sure they have the necessary technical knowledge and certification, and we give them specific rules and procedures for installing our products. Those are increasingly important relationships because operators often outsource total projects to contractors, including vendor selection and procurement."

Albert Grooten, Director Technology FTTH, Draka Broadband

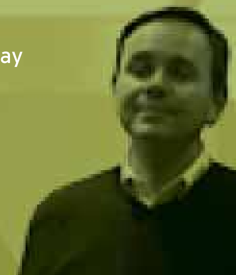
Communications. "We're part of a continuing process to define each customer's requirements and develop the right solution. In some cases there are standard products that can be used, perhaps with a few small changes. But in others the customer's needs drive us to develop a totally customised solution."

"The important thing is that we can advise the customer, based on the experience we've gained with numerous FTTH roll-outs in different countries. Normally 3D design software is used as part of the development process, in which we discuss network components with suppliers. Then we develop prototype products, after which we test them first in the lab and finally in the field with potential customers. In fact we're constantly investing in building up our own knowledge, because if a solution is good we can use it more broadly in other projects."

Unique automated design process
"In designing new networks, our network software saves time and manual work by automating the design process, calculating the costs and automatically generating the Bill of Materials", Eric Stoltz concludes. "It helps us to reach the first design stage quickly, cost-effectively and more reliably. We first developed this software for designing and installing turnkey telecom projects, and then we transferred the resulting knowledge to the broadband fiber field. Now we're the only supplier of connectivity products that can offer such a solution. It's all part of our focus on reducing Total Cost of Ownership for the customer, by making it cheaper to build and operate the network, especially by reducing the required manpower at every stage."

"The demand for fiber broadband networks is increasing rapidly, because they are more cost-effective to install and operate than conventional copper networks. Fiber offers cost savings all the way – there are no nodes, no amplifiers, no power suppliers or other active components in the field. Operators also appreciate our network software which offers a more reliable design process and makes it cheaper to build the network. That makes a big contribution to reducing Total Cost of Ownership."

Eric Stoltz, Vice-President for Technology, Draka Communications



Corporate governance

General

Draka Holding N.V. is a public limited liability company incorporated under the laws of the Netherlands with its registered office in Amsterdam, the Netherlands. Draka Holding has a two-tier management structure, with a Board of Management and a separate Supervisory Board. The Board of Management and Supervisory Board are independent of one another. Both bodies give account for the performance of their tasks to the General Meeting of Shareholders (hereinafter referred to as the 'General Meeting').

The Board of Management and the Supervisory Board endorse the principle embodied in the Dutch Corporate Governance Code (the 'Code') that the Company is a long-term form of collaboration between the various parties involved. They recognize their integral responsibility for correctly balancing all the interests concerned while safeguarding the continuity of the business. The aim of the Company is to create long-term shareholder value. Unless stated otherwise, Draka Holding complies with the Code's best-practice provisions. Departures from those provisions are discussed in this chapter.

Any substantial changes in Draka Holding's corporate governance structure or in the manner in which Draka Holding complies with this Code will be presented to the General Meeting for discussion under a separate agenda item.

Board of Management

The Board of Management is responsible for the management of the Company and its operating companies, which means, among others, that it defines the strategic direction, establishes the policies and manages the Company's day to day operations. The Board of Management is responsible for the Company's results and the achievement of its objectives.

The Board of Management of Draka Holding consists of two members: Sandy Lyons, Chairman of the Board of Management and Chief Executive Officer, and Frank Dorjee, Chief Financial Officer. Representative authority is vested both in the Board of Management and in each member of the Board of Management acting individually.

The members of the Board of Management are appointed by the General Meeting, upon nomination by the Supervisory Board. The General Meeting may suspend or dismiss Board of Management members at any time. A resolution to dismiss a Board of Management member, other than on the proposal by the Supervisory Board, can only be carried by an absolute majority of the votes cast by a quorum of shareholders representing more than one-third of the capital in issue.

In the event of a conflict of interest between the Company and a member of the Board of Management, Draka Holding will be represented by a member of the Board of Management or Supervisory Board, who has been designated by the Supervisory Board for that purpose.

Supervisory Board

The Supervisory Board is responsible for supervising the policies of the Board of Management and the general course of affairs of the Company and its related enterprises and supporting the Board of Management with advice. The Supervisory Board is guided in the performance of its task by the interests of the Company and its related entities. The Board of Management timely provides the Supervisory Board with all information needed to perform its task. The responsibilities, duties and procedures of the Supervisory Board are defined in the Articles of Association of Draka Holding and in the charters of the Supervisory Board and its committees.

Members of the Supervisory Board are appointed by the General Meeting on the recommendation of the Supervisory Board. The General Meeting and Central Works Council may nominate candidates for appointment to the Supervisory Board. The Central Works Council may nominate one-third of the candidates for appointment to Supervisory Board. The Supervisory Board will place the Central Works Council's nominee on the list of candidates unless the Supervisory Board objects to that nomination on the grounds that the nominee would not, in its view, be capable of properly performing the duties of a member of the Supervisory Board or if, as a result of the nominee's appointment, the Supervisory Board would no longer have the desired composition.

The composition of the Supervisory Board takes into account the nature of the Company and its activities and the expertise and background desired of its members. All new members of the Supervisory Board are given an induction course following their appointment. The Supervisory Board's resignation schedule is drawn up in accordance with the principles embodied in the Code and is designed to avoid too many resignations arising at the same time. The Supervisory Board of Draka Holding currently consists of seven members.

In view of the scale, diversity and complexity of the matters to be discussed, the Supervisory Board has established three committees – the Audit & Governance Committee, the Remuneration & Nomination Committee and the Strategy Committee – which contribute to more effective decision-making by the Supervisory Board. The role, responsibilities, composition, tasks and procedures of the committees are laid down in charters.

The Supervisory Board profile, the resignation schedule, the charters and the composition of the Supervisory Board and its committees can be viewed at the Draka Holding website (www.draka.com).

General Meetings

General Meetings are held once a year, within six months of the end of the previous financial year. All notices of General Meetings shall be published on the Company's website, in a national newspaper and in the Official List. The agenda of the General Meeting, together with the explanatory notes and other documents relating to the agenda, are made available in advance of the meeting and are posted on the Draka Holding website. The General Meeting discusses the annual report, adopts the financial statements, declares the dividend, discharges the members of the

Board of Management and Supervisory Board of liability for their management and supervision and appoints the auditor.

The General Meeting appoints and may suspend or dismiss the members of the Board of Management and the members of the Supervisory Board. On the proposal of the Supervisory Board, the General Meeting adopts the remuneration policy for the Board of Management and the remuneration of the Supervisory Board. Decisions of the Board of Management and Supervisory Board relating to a significant change in the identity or character of Draka Holding or its operations are also subject to the approval of the General Meeting.

The General Meeting is the body authorized to decide on the issue of new shares, but may delegate this authority to another corporate body. This authority to issue (and grant rights to subscribe for) new shares is currently vested in the Board of Management, subject to approval by the Supervisory Board, for a period of eighteen months commencing on 24 April 2008, the date of the General Meeting. This authority is limited to a maximum of 10% of the total issued share capital on 24 April 2008. This restriction does not apply to any issue of class B protective preference shares.

Draka Holding has three classes of shares: ordinary shares, financing preference shares and class B protective preference shares. No class B protective preference shares have so far been issued.

The General Meeting also has powers of decision on the acquisition of shares in its own capital.

Departures from the best-practice provisions of the Code

While Draka Holding endorses the principles of the Code, it does not comply with the following best-practice provisions of the Code:

The compensation for involuntary dismissal for Frank Dorjee will be one year's base salary plus a one year bonus equal to the average bonus for the past three years if his contract of employment is terminated before 31 May 2011 on any ground other than "for cause". This is consistent with previous contractual agreements, but inconsistent with best-practice provision II 2.7.

Two members of the Supervisory Board, Annemiek Fentener van Vlissingen and Harold Fentener van Vlissingen, do not qualify as independent, which is inconsistent with best-practice provision III 2.1.

The Supervisory Board has not set a maximum term of office for its members because Draka Holding prefers to secure long-term access to the required expertise. This is inconsistent with best-practice provision III 3.5.

Draka Holding's Supervisory Board has a combined Remuneration & Nomination Committee. Because Draka Holding attaches great importance to the coordinating role of the Chairman of the Supervisory Board, particularly in the process of selection and nomination of Supervisory Board and Board of Management members, the Chairman of the Supervisory Board is also Chairman of the Remuneration & Nomination Committee, which is inconsistent with best-practice provision III 5.11.

Code of Conduct and whistleblower policy

In the interests of good corporate governance, the Board of Management and Supervisory Board of Draka Holding introduced a Code of Conduct in 2007 which defines Draka Holding's core values and standards and includes a mission statement for all the Group's employees. This Code of Conduct applies to Draka Holding and all companies affiliated with Draka Holding. The Code has been disseminated throughout the Group in the form of a brochure in seventeen languages and is posted on the corporate website. A whistleblower procedure has also been introduced to protect individuals who report irregularities within the organization. Suspected irregularities can be reported to the Company's Compliance Officer. The personnel's awareness of the principles embodied in the Code of Conduct was raised in 2008 by running an online training course.

Internal insider trading rules

The Board of Management of Draka Holding has formulated a set of rules regarding price-sensitive information. Under these rules, any Draka employee who is in possession of information that may reasonably be expected to influence the price of the securities may not engage in transactions in Draka Holding securities or recommend a third party to engage in transactions in Draka Holding securities. It is likewise forbidden to communicate price-sensitive information to a third party and engage in transactions during a closed period. These rules also apply to the members of the Board of Management and Supervisory Board and other designated individuals.

Remuneration report

This report describes the remuneration policies for the Board of Management and the Supervisory Board of Draka Holding N.V. as applied in 2008 and the remuneration policies to be applied for 2009.

This remuneration report is in three sections. The first section describes the remuneration policy applied to the Board of Management in 2008 and the remuneration structure for the Board of Management. The second section covers the remuneration received by the Board of Management in 2008 and briefly discusses the remuneration policy to be applied to the Board of Management in 2009. The third section describes the remuneration policy for and remuneration received by the Supervisory Board in 2008.

This remuneration report is available on www.draka.com

Board of Management remuneration policy in 2008

General

The remuneration policy for the Board of Management, as revised by the General Meeting on 11 May 2007, continued to apply throughout 2008. The aim of the remuneration policy is to ensure that the Company is able to attract, motivate and retain qualified and expert Board of Management members.

The underlying principle of the remuneration policy for 2008 and subsequent years is that the total remuneration of the Board of Management should be in line with a labour market peer group of companies which engage in comparable activities and/or are similar in terms of size and/or complexity. The composition of the labour market peer group was changed in 2008 in connection with several acquisitions within this group.

The Remuneration & Nomination Committee consults independent remuneration advisors, who use statistical models to gear the remuneration data for the peer group companies to Draka's size.

Draka's labour market peer group consists of the following companies:

Draka's labour market peer group

Bekaert (Belgium)	Leoni (Germany)
Daetwyler (Switzerland)	Nexans (France)
Fugro (Netherlands)	NKT Holding (Denmark)
Heijmans (Netherlands)	Océ (Netherlands)
Imtech (Netherlands)	Prysmian (Italy)
Legrand (France)	SBM Offshore (Netherlands)

The remuneration of the members of the Board of Management has been aligned with this European labour market peer group.

Remuneration structure

The total remuneration package of the members of the Board of Management consists of:
- base salary;
- short-term incentive;
- long-term incentive;
- pension plan.

Base salary

The base salaries are in line with the median market level for Draka's European labour market peer group.

Short-term incentive (bonus)

The short-term incentive is based on the following performance criteria:
- one-third based on the Company's earnings before interest and tax (EBIT);
- one-third based on the Company's average net working capital as a percentage of annual revenue;
- one-third based on the discretionary judgment of and the Remuneration & Nomination Committee's proposals to the Supervisory Board, related to certain 'milestones' and applying a reasonableness test.

If the predetermined targets for 2008 are met, the members of the Board of Management will receive a bonus of 60% of base salary. If outstanding performance is achieved, a bonus of up to 90% of base salary may be granted to the members of the Board of Management. If performance is below a given threshold, no bonus will be paid.

Draka regards this combination of performance criteria as a good indicator of the Company's short-term operational performance. The specific details of the targets are not disclosed because they qualify as competition-sensitive and hence commercially confidential information. On the advice of its Remuneration & Nomination Committee, the Supervisory Board will review the short-term incentive targets each year to ensure that they are challenging, realistic and consistent with Draka's strategy.

Long-term incentive

The long-term incentive consists of an annual conditional grant of performance shares. Depending on Draka's total shareholder return (TSR), the performance shares may vest (i.e. become unconditional) after three years.

Draka's TSR is being measured against the following companies:

Draka's TSR performance peer group

Belden CDT	NYSE
Commscope	NYSE
Daetwyler	Swiss Stock Exchange
Fugro	Euronext Amsterdam
Fujikura	Tokyo Stock Exchange
General Cable Corp	NYSE
Imtech	Euronext Amsterdam/Dow Jones
Leoni	Frankfurt Stock Exchange
Nexans	Euronext Paris
Océ	Euronext Amsterdam
Prysmian	Milan Stock Exchange
SBM Offshore	Euronext Amsterdam
Superior Essex	NASDAQ

The table below shows the number of shares (as a percentage of the number of shares initially granted) that each member of the Board of Management will receive as a function of the relative TSR position achieved by Draka three years after the initial grant.

Consistent with the principles of the Dutch Corporate Governance Code, vested shares must be held for a further two years after vesting.

POSITION	NUMBER OF SHARES TO VEST (AS A PERCENTAGE OF NUMBER OF SHARES CONDITIONALLY GRANTED)
1	200%
2	166 2/3%
3	133 1/3%
4	100%
5	83 1/3%
6	66 2/3%
7	50%
8 - 14	0%

The annual grant of conditional performance shares is equivalent to 55% of base salary. The Supervisory Board has authority to grant additional performance shares in exceptional circumstances.

Pension plan

Pension plans are in principle based on the median level for the labour market in the country of origin of each member of the Board of Management.

Loans

No loans, guarantees or the like are provided to/for members of the Board of Management of Draka.

Board of Management remuneration in 2008

Base salary

The base salaries of the members of the Board of Management were raised 3.25% in 2008.

Short-term incentive

On the basis of the financial targets, the short-term incentive bonus for 2008 will be 39% of base salary. As regards to the discretionary element, the Supervisory Board has opted for a payment of 30% of base salary. The Supervisory Board has thus decided to pay a total bonus of 69% (compared with the maximum of 90%) of base salary to the members of the Board of Management for 2008.

In recognition of his exceptional performance in 2008, an additional bonus was granted to Frank Dorjee. The bonus payments for the 2008 financial year are shown in the remuneration table on this page.

Long-term incentive

The members of the Board of Management have been awarded conditional performance shares to the value of 55% of base salary in respect of 2008

Pensions

In addition to the usual deferred compensation arrangement under Section 401K of United States Internal Revenue Service Code, Sandy Lyons is entitled to an annual employer contribution of 85% of his base salary, which serves as a private retirement plan.

Frank Dorjee has a defined-contribution pension plan, for which the contributions have been structured as follows since 1 January 2006:

- from 1 January 2006 to age 54 — 23.0% of base salary
- age 55-59 — 28.6% of base salary
- from age 60 — 36.1% of base salary

The contribution to Frank Dorjee's pension plan is based on his base salary minus a tax -free allowance (amounting to €12,209 in 2008).

Overview

The table below shows the remuneration received by the members of the Board of Management in 2008.

AMOUNTS IN EURO	BASE SALARY	SHORT-TERM INCENTIVE	ALLOWANCE*	TOTAL CASH REMUNERATION	PENSION	LONG-TERM INCENTIVE	TOTAL REMUNERATION
Sandy Lyons	516,250	356,213	423,343	1,295,806	445,863	94,623	1,836,292
Frank Dorjee	438,813	522,187	2,750	963,750	98,119	417,059	1,478,928

* This relates mainly to compensation (paid gross) for housing, school fees and childcare expenses.

The long-term incentive reflects the market value of shares (conditionally) granted to the members of the Board of Management. The actual grant of shares depends on the Company's future performance compared with the peer group.

The members of the Board of Management currently hold no options on ordinary Draka Holding N.V. shares.

Shareholdings by the members of Board of Management as at 31 December 2008 were as follows:

	NUMBER OF SHARES	NUMBER OF CONDITIONALLY GRANTED PERFORMANCE SHARES
Sandy Lyons	5,000	23,287
Frank Dorjee	9,940	44,582

Employment contracts

The members of the Board of Management have been appointed for a determinate period.

Sandy Lyons' current employment contract was entered into on 1 September 2007 for a period of four years and will therefore expire on 31 August 2011. The employment contract provides for a notice period of three months in the case of termination by Sandy Lyons and six months in the case of termination by the Company. An exit arrangement has been agreed with Sandy Lyons which provides for payment of one full year's base salary in the event of termination of employment before expiry of the four-year period due to any reason for which Sandy Lyons can not be held responsible.

Frank Dorjee's current employment contract was entered into on 1 June 2007 for a period of four years and will therefore expire on 31 May 2011. The employment contract provides for a notice period of three months in the case of termination by Frank Dorjee and six months in the case of termination by the Company. An exit arrangement has been agreed with Frank Dorjee which provides

Acquisition gives European customers access to global sourcing benefits

"Big opportunity to develop markets in

Draka's acquisition of DeBiase Lift Components (DB Lift) in Italy in January 2008 directly creates access to new European distribution channels. At the same time DB Lift can offer its customers the full Draka product range from a convenient single source. "It's a win-win situation", says Managing Director Domenico DeBiase. "This is a big opportunity for us to develop our market in Europe and beyond. And for Draka it's a big step towards further growth in these important markets."

Starting out as a family company in 1991, DB Lift is still a specialist in the Italian market, but has a strong focus on growth in other regions. From around 2002 the company has continued to develop its European business - for example in France, Germany, Spain and the UK - as well as in the Middle East and even further afield in Asia and India. "We now have around 1,400 customers in all these markets, and we've significantly expanded our scope from our original core business of wire ropes and travelling cables", says Domenico. "In fact we're now operating virtually worldwide, including regions in which Draka was formerly not represented."

"We already sourced those cables from Draka before the acquisition, but we've now taken a big step forward by accessing Draka's full product range, which enables us to supply our customers with complete kits. Around 60% of our business is in maintenance and renovation, where contractors appreciate the ability to order a complete package. They just have to open the box and everything they need to do the job is there. That saves them both time and cost on all their routine jobs like yearly testing, maintenance and rope replacements."

What's the unique proposition that DB Lift offers its customers? According to Domenico it's a combination of service, products and price. "We're 100% involved with our custo-

"Becoming part of Draka opens the way for strengthened growth in Europe and the Middle East. We've already added a new warehouse and assembly facility for complete harnesses. Expansion in key locations like Madrid, Istanbul, Mumbai, Dubai and in the UK is planned in the coming months, and will create the basis for further growth."

Domenico DeBiase, Managing Director, DB Lift Draka Elevator Products

Europe and beyond"

mers. It's not just the initial sale, we follow every job from beginning to end and give customers all the support they need every step of the way. Of course price is important, and with Draka's global supply capabilities we're more than competitive, but it's not the only thing that matters. It's our service, support and fast response that make the difference!"

Global contracts with major lift OEMs
Giving the Draka perspective, Draka Elevator Products COO Sterrett Lloyd emphasises that most of the handful of major lift OEMs are European-based. "The acquisition of DB Lift in Italy, with their European network, gives us the capability to contract with those OEMs on a global basis. That's important, because we can take care of all their sourcing needs for components and materials. Especially in today's fast-changing economic landscape, we offer access to global sourcing channels which means a vital competitive advantage for our customers. It means they don't need to keep reconsidering where they can source components most cost-effectively, taking into account changes in currencies, shipment costs and factory prices. We have all those bases covered."

"That means we can offer the most cost-effective solution in every case – with the same competitive price and the same high quality for each product, regardless of the delivery point. So our customers can focus on their core business and on their own customers, and leave the sourcing to us."

"With its market network and excellent logistical position, DB Lift is well placed to help us roll that model out on a broader base. Customers are increasingly accepting our 'kitting' concept as a modern and efficient purchasing solution. DB Lift now enables us to make the benefits more easily accessible in the European marketplace."

"With our Total Cost of Acquisition model we're changing the way our customers do business and enabling them to meet their worldwide cost objectives. It promises to deliver goods in the most cost-effective way possible regardless of location. DB Lift's network will help the major European lift OEMs to benefit from these savings."

Sterrett Lloyd, COO, Draka Elevator Products

for payment of one full year's base salary plus a one year bonus equal to the average bonus received in the previous three years in the event of the employment contract being terminated before 31 May 2011 due to any other reason than cause. This inconsistency with best-practice provision II.2.7 of the Dutch Corporate Governance Code arises from prior contractual agreements.

Board of Management remuneration in 2009

The remuneration policy for the members of the Board of Management, as adopted by the General Meeting in 2007, will continue to apply in 2009. The salaries of the members of the Board of Management will therefore increase by 3% to €531,737 gross for Sandy Lyons and €451,977 gross for Frank Dorjee.

Supervisory Board remuneration policy

The remuneration policy for the members of the Supervisory Board is based on the median level of Draka's European labour market peer group, which is the same as the European labour market peer group used for the members of the Board of Management.

Consistent with the Dutch Corporate Governance Code, the remuneration of the members of the Supervisory Board is not dependent on the Company's results. Consequently, neither stock options nor performance shares are granted to Supervisory Board members by way of remuneration. Any shares in Draka held by Supervisory Board members should be held as a long-term investment. The Company does not grant loans to members of the Supervisory Board.

Regulations are in place governing holding of and transactions in securities by members of the Supervisory Board other than securities issued by Draka.

The following remuneration is received by the members of the Supervisory Board and its separate committees:

	CHAIRMAN	DEPUTY CHAIRMAN	MEMBERS
Supervisory Board	€70,000	€55,000	€50,000
Audit & Governance Committee	€10,000		€6,000
Remuneration & Nomination Committee	€7,500		€5,000
Strategy Committee	€7,500		€5,000

In addition to the fixed remuneration, members of the Supervisory Board are entitled to an expense allowance of €1,000 per year. The Chairman's expense allowance is €1,250 per year. The members of the Supervisory Board are reimbursed for travel and accommodation expenses.

Supervisory Board remuneration in 2008

The following remuneration was received by the Supervisory Board members in 2008:

	2008	2007*
Fritz Fröhlich (Chairman)	€83,500	€81,375
Annemiek Fentener van Vlissingen (Deputy Chairman)	€66,000	€72,417
Harold Fentener van Vlissingen	€55,000	€57,917
Ludo van Halderen	€59,167	€57,917
Rob van Oordt	€65,000	€73,750
Annemieke Roobeek	€55,000	€57,917
Graham Sharman	€63,500	€71,375

* The remuneration received by the members of the Supervisory Board in 2007 includes remuneration relating to membership of the committees in 2006.

Supervisory Board remuneration in 2009

No change in the remuneration of the Supervisory Board is proposed for 2009.

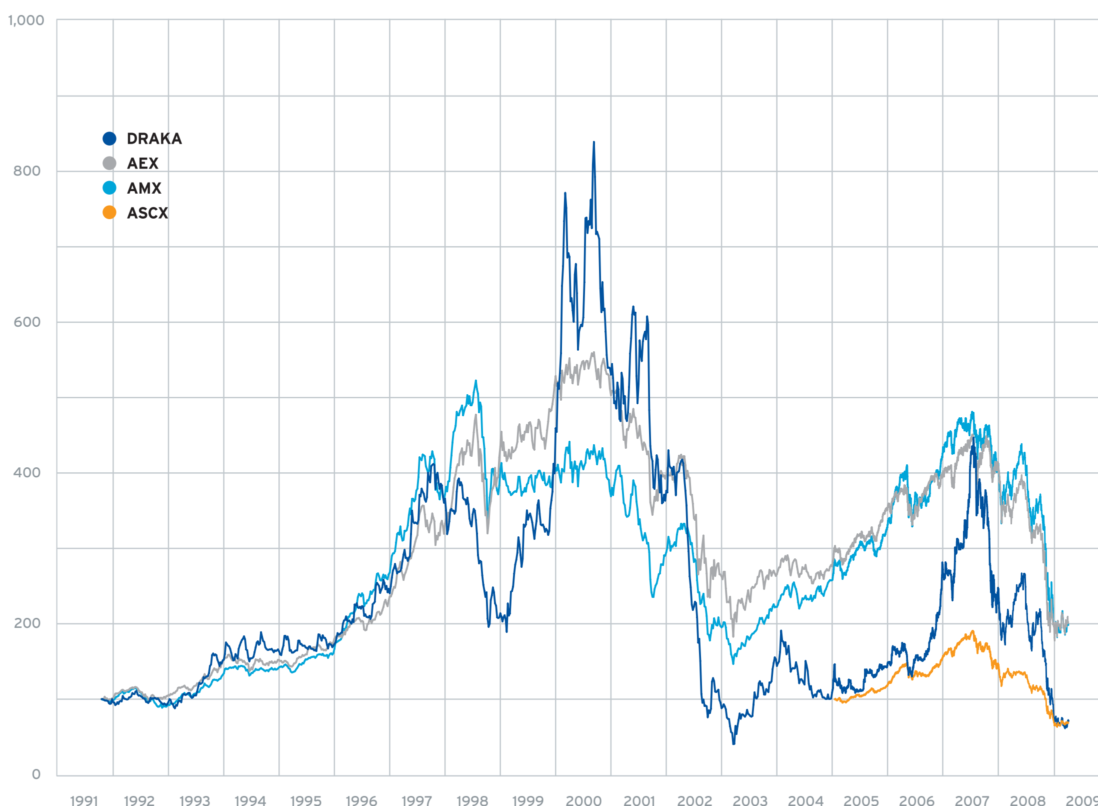
Share information

Stock exchange listing

Draka Holding N.V. shares have been listed on Euronext Amsterdam since 1991. In March 2001, the share was included for the first time in the Next150 index (symbol: DRAK, stock code: 34781, ISIN code: NL0000347813). Draka has been included in Euronext's AMX (Amsterdam Midkap) index since March 2008. Draka's market capitalisation as at year-end 2008 amounted to around €265 million.

Options on Draka shares have been traded on Euronext Amsterdam Derivative Markets since July 2002. Subordinated convertible bonds have been traded on the exchange since 22 September 2005. This is a five-year 4% convertible bond loan maturing on 20 September 2010, further details of which can be found on page 125.

SHARE PRICE PERFORMANCE OF DRAKA HOLDING N.V. (OCTOBER 1991-FEBRUARY 2009)



Capital and shares

The authorised capital of Draka Holding N.V. is composed as follows (all shares have a nominal value of €0.50):

2008	AUTHORISED	ISSUED
Ordinary bearer shares and registered shares	58,000,000	40,617,160
Registered preference shares [1]	12,000,000	5,046,257
Class B preference shares [1, 2]	70,000,000	-
Authorised capital	**140,000,000**	**45,663,417**

[1] Not tradable on the Amsterdam stock exchange
[2] No class B preference shares have been issued sofar

As at 31 December 2008, the number of issued and fully paid-up shares was 45,663,417, representing an amount of €22,831,708.50. The increase of 5,046,151 in the number of ordinary shares compared with year-end 2007 was due to the conversion of a large part of the convertible bond loan in 2008.

Combined offer of cash and shares for convertible bond loan 2010

On 8 December 2008, Draka announced a combined bid of cash and shares for the €100 million 4% convertible subordinated bond loan 2010 of which €99.9 million was outstanding. The price offered was a payment of €300 in cash and 67.98 ordinary shares for every €1,000 of principal of the convertible bonds. Bondholders representing €74,189,000 of the convertible bond loan accepted the bid. The remaining €25,716,000 of bonds for which the bid was not accepted remains outstanding. By simultaneously reducing the debt position and increasing shareholders' equity, the transaction has optimised Draka's capital structure and increased its financial flexibility. The transaction, for which Goldman Sachs International was the sole broker, was successfully completed on 19 December.

Following completion of this transaction, the fully diluted number of ordinary shares is made up as follows:

	ORDINARY SHARES
Ordinary shares in issue as at 31 December 2008	40,617,160
Maximum issue of ordinary shares due to conversion of the 4% subordinated convertible bond loan 2010	1,748,198
Fully diluted number of ordinary shares	**42,365,358**

Notifications of substantial holdings

Under the Financial Supervision Act (WFT), which has been introduced in the Netherlands, shareholders are required to disclose their holding if it represents 5% or more of the issued shares in the capital of a listed company. The following shareholders (of ordinary shares and preference shares) which qualify under WFT (most recent notification dated 16 December 2008) are known:

	INTEREST	ORDINARY SHARES	PREFERENCE SHARES[1]	SUBORDINATED CONVERTIBLE BOND LOAN
Flint Beheer B.V.	42.9%	x	-	-
Fortis Utrecht N.V.	5.9%	-	x	-
Ducatus N.V.	5.2%	-	x	-

[1] Not tradable on the Amsterdam stock exchange

In addition to these large shareholders, substantial blocks of shares (less than 5%) are held by foreign institutional investors, mainly in the United Kingdom and the United States. Draka estimates that the free float of its ordinary shares traded on the stock exchange has shown little change over the past year, remaining at approximately 50%.

Dividend policy

On its ordinary shares, Draka aims to distribute a dividend equal to 30% of the result for the year attributable to shareholders (excluding non-recurring items) after the dividend on the preference shares. It is proposed that no dividend on ordinary shares be paid in respect of 2008. In these difficult market conditions, Draka's focus is on maintaining a strong liquidity position. Capital discipline and the proposal to forego this year's dividend are consistent with this policy.

A dividend of approximately 7.1% is paid to the holders of the preference shares in issue. The total 2008 dividend on preference shares amounts to €5.4 million.

Liquidity provider

Draka has appointed two liquidity providers, Royal Bank of Scotland Group and Rabo Securities N.V., to ensure orderly and increasing trade in its shares. A total of 176,222 trades in Draka shares were executed in 2008, up 10% compared with 2007, which was a record year. Some 55.5 million (+7%) shares were traded, or 155% of the total number of ordinary shares in issue. The total value of these trades was around €955 million.

Shares and option plan

The long-term incentive plan, which Draka introduced in June 2002, comprises a share plan and an option plan. Qualifying senior managers – with the exception of members of the Board of Management which has its own long-term incentive plan (see 'Remuneration report') – are granted options and stock appreciation rights (SARs) on Draka ordinary shares or are allowed to buy Draka ordinary shares as part of their regular net bonus. Both the shares and the options/SARs are subject to an initial three-year lock-up period during which they cannot be traded or exercised. Under the share plan, Draka will double the number of shares after the three-year period. The options/SARs are granted for eight years.

As at 31 December 2008, there were 583,726 outstanding options/SARs and 19,322 assigned shares.
The option/SAR exercise prices and share allocation prices are as follows:

	NUMBER OF SHARES	NUMBER OF OPTIONS/SARs	EXERCISE PRICE
2002	-	12,155	€24.26
2003	-	9,832	€7.42
2004	-	22,801	€11.63
2005	-	77,767	€10.05
2006	6,965	128,974	€13.51
2007	5,975	144,054	€28.02
2008	6,382	188,143	€23.44
Total	**19,322**	**583,726**	

General Meeting of Shareholders

The General Meeting of Shareholders held on 24 April 2008, at which 70.7% of the total shares in issue were represented, adopted the following resolutions:

- adoption of the 2007 financial statements and dividend;
- ratification of the actions of the Board of Management and the Supervisory Board with regard to their management and supervision, respectively, in 2007;
- approval and adoption of the proposals by the Board of Management and the Supervisory Board relating to:
  - the remuneration of the members of the Supervisory Board;
  - the appointment of Deloitte Accountants B.V. as the auditors for the 2008 financial year;
- designation of the Board of Management as the body authorised to resolve, subject to the approval of the Supervisory Board, to issue shares, grant rights to subscribe for shares and restrict or exclude statutory pre-emptive rights for a period ending on 24 September 2009;
- authorisation of the Board of Management to acquire the company's own shares, up to maximum of 10% of the issued capital at that time, for a period ending on 24 September 2009.

Investor relations

Draka is committed to maintaining a continuous dialogue with all stakeholders by pursuing an open and active communication policy. Draka aims to communicate as transparently as possible about its activities in order to provide insights into its strategy, objectives, product and market developments and financial results.

Draka published information on its performance on four occasions last year. In addition to its full-year figures for 2007 and interim figures for 2008, Draka also released two trading updates in 2008, in June and again in November. When announcing the full-year figures for 2007 and the interim figures for 2008, meetings were organised for journalists and analysts to provide further background to the results and give them an opportunity to ask questions. A webcast was also organised on these two occasions, enabling interested parties who could not be present to listen to the discussions on the annual figures for 2007 and the interim figures for 2008.

On Tuesday, 25 November 2008, for the fourth year in succession, Draka organised a theme day for journalists, analysts and institutional investors to provide an opportunity for the Company to discuss some of its activities in greater detail. This time the meeting was held at Draka's headquarters in Amsterdam (Netherlands), where developments within the Industrial division were explained in greater depth. The central theme was 'Renewable energy' and the discussion covered such areas as current and future market developments in the wind and solar power segments, Draka's position in those segments, how Draka distinguishes itself from the competition and the investments in innovation that enable Draka to maintain its competitive edge and expand its product range. Draka intends to organise another theme day in 2009.

As in previous years, Draka conducted an active investor relations policy in 2008, with the members of the Board of Management giving briefings on Draka's strategy, activities and results. Draka management met with a large number of investors in various financial centres in Europe and North America, throughout the year and especially after the publication of the full-year figures for 2007 and the interim figures for 2008. Some 250 one-on-one meetings with investors were held in 2008 (2007: 235).

Draka's 2007 annual report was awarded a certificate of transparency by the Scenter research bureau. In a survey of 91 quoted and unquoted companies, Draka ranked 7th with a score of 8.2. The score is a measure of transparency in terms of policy and strategy against ten criteria.

Other information

Further information on the Draka share and the company's activities can be found on the recently updated website at www.draka.com. Also posted on the website is an interactive version of the annual report which includes a comprehensive search function. It is also possible to refer queries to Draka's Director Investor Relations, Michael Bosman (tel: +31 (20) 568 9805, e-mail: michael.bosman@draka.com).

KEY FIGURES PER ORDINARY SHARE (X €1)	2008	2007	2006	2005	2004
Shareholders' equity (excluding preference shares)	8.96	9.11	9.85	10.13	8.84
Result for the year attributable to shareholders					
after dividend on preference shares	1.78	2.46	0.57	0.12	(0.67)
Dividend	-	0.68	0.37	-	-
Pay-out	-	30%[1]	30%[1]	-	-
Share price, high	25.20	42.20	26.60	14.30	20.90
Share price, low	5.97	19.75	11.70	9.95	8.75
Year-end share price	6.54	23.00	25.80	13.23	10.70
Price/earnings ratio based on year-end price	3.7	9.3	45.0	110.3	(16.0)
Year-end price of convertible bond loan 2010	74%	156%	168%	103%	-

[1] Based on earnings per share excluding non-recurring items

FINANCIAL CALENDAR	
20 April 2009	: Annual General Meeting of Shareholders at the Hilton Hotel, Amsterdam
19 May 2009	: Publication of trading update for first half of 2009
13 August 2009	: Publication of first-half year results for 2009 (before start of trading) followed by a meeting for the press and analysts
12 November 2009	: Publication of trading update for second half of 2009

Financial statements 2008

Consolidated statement of income

For the year ended 31 December

IN MILLIONS OF EURO	NOTE*	2008	2007
Revenue		2,706.8	2,816.2
Cost of sales		(2,458.2)	(2,526.3)
Gross profit		**248.6**	**289.9**
Selling and distribution expenses		(141.8)	(150.1)
Other income and expenses	7)	(20.4)	5.9
Operating result		**86.4**	**145.7**
Finance income		15.3	12.9
Finance expense		(52.8)	(58.5)
Net finance expense	12)	**(37.5)**	**(45.6)**
Share of profit of equity accounted investees (net of income tax)	16)	12.4	15.5
Result before income tax		**61.3**	**115.6**
Income tax benefit / (expense)	13)	9.3	(21.6)
Result for the year		**70.6**	**94.0**
Attributable to:			
Equity holders of the company		69.3	93.0
Minority interests		1.3	1.0
Result for the year		**70.6**	**94.0**
Basic earnings per share (euro)	23)	1.78	2.46
Diluted earnings per share (euro)	23)	1.61	2.19

*The notes to the consolidated financial statements on pages 72 to 112 are an integral part of these consolidated financial statements

Consolidated balance sheet

As at 31 December

IN MILLIONS OF EURO	NOTE*	2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	14)	530.5	538.0
Intangible assets	15)	113.3	101.0
Investments in equity accounted investees	16)	86.2	87.0
Deferred tax assets	13)	57.6	46.3
Other non-current financial assets	17)	22.9	24.9
Total non-current assets		**810.5**	**797.2**
Current assets			
Inventories	18)	363.4	441.0
Trade and other receivables	19)	394.5	468.8
Income tax receivable		2.7	4.8
Held for sale assets	20)	18.2	-
Cash and cash equivalents	21)	67.9	39.4
Total current assets		**846.7**	**954.0**
Total assets		**1,657.2**	**1,751.2**
EQUITY			
Shareholders' equity			
Share capital		22.8	20.4
Share premium		360.9	311.4
Retained earnings		108.8	84.5
Other reserves		(52.1)	(15.8)
Total equity attributable to equity holders of the company		**440.4**	**400.5**
Minority interests		25.4	12.8
Total equity	22, 37)	**465.8**	**413.3**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	24)	543.0	527.3
Provision for employee benefits	25)	81.9	93.3
Other provisions	26)	16.2	23.8
Deferred tax liabilities	13)	25.2	31.1
Total non-current liabilities		**666.3**	**675.5**
Current liabilities			
Bank overdrafts	21)	8.2	34.9
Interest-bearing loans and borrowings	24)	37.5	49.4
Trade and other payables	27)	451.6	535.7
Income tax payable		7.6	29.9
Held for sale liabilities	20)	9.6	-
Other provisions	26)	10.6	12.5
Total current liabilities		**525.1**	**662.4**
Total liabilities		**1,191.4**	**1,337.9**
Total equity and liabilities		**1,657.2**	**1,751.2**

*The notes to the consolidated financial statements on pages 72 to 112 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

For the year ended 31 December

IN MILLIONS OF EURO	NOTE*	2008	2007
Result for the year		70.6	94.0
Adjustments for:			
Depreciation	14)	51.3	48.2
Amortisation	15)	5.2	4.3
Impairments	14)	5.0	-
Finance income	12)	(15.3)	(12.9)
Finance expense	12)	52.8	58.5
Share of profit of equity accounted investees	16)	(12.4)	(15.5)
Equity-settled share-based payments	11)	2.2	1.5
Income tax (benefit) / expense	13)	(9.3)	21.6
		150.1	**199.7**
Changes in inventories	18)	71.2	(7.3)
Changes in trade receivables	19)	89.2	(11.9)
Changes in trade payables	27)	(100.3)	(14.8)
Changes in other working capital		(43.8)	(14.9)
Changes in provisions		12.1	(2.0)
Other		1.5	-
		180.0	**148.8**
Interest paid		(39.2)	(41.8)
Income tax paid		(18.3)	(10.4)
Application of provisions	25, 26)	(24.9)	(31.4)
Net cash from operating activities		**97.6**	**65.2**
Dividends received	16)	6.7	21.7
Proceeds from sale of property, plant and equipment		3.5	2.3
Cash from consolidation of entities, previous years classified as equity accounted investees		2.9	-
Acquisition of minority interest		-	(209.0)
Acquisition of subsidiaries and associates, net of cash acquired	3)	(1.6)	(0.8)
Acquisition of intangible assets	15)	(7.8)	(7.3)
Acquisition of property, plant and equipment	14)	(50.8)	(64.2)
Net cash used in investing activities		**(47.1)**	**(257.3)**
Dividends paid (ordinary and preference shares)		(29.6)	(14.6)
Conversion of convertible subordinated bond notes		(22.3)	-
Convertible subordinated bond redeemed		-	(95.2)
Subordinated loan redeemed		-	(77.5)
Movement in multicurrency facility		87.9	365.0
Shares acquired under long-term incentive plans		(1.2)	(4.3)
Shares delivered under long-term incentive plans		0.7	1.3
Movements in other bank loans		(22.0)	13.0
Net cash from financing activities	24)	**13.5**	**187.7**
Net increase / (decrease) in cash and cash equivalents		**64.0**	**(4.4)**
Cash and cash equivalents at 1 January (net of bank overdrafts)		4.5	10.1
Exchange rate fluctuations on cash and cash equivalents		(8.8)	(1.2)
Cash and cash equivalents at 31 December (net of bank overdrafts)	21)	**59.7**	**4.5**

*The notes to the consolidated financial statements on pages 72 to 112 are an integral part of these consolidated financial statements

Consolidated statement of changes in total equity*

IN MILLIONS OF EURO	SHARE CAPITAL	SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	RESERVE FOR TREASURY SHARES	PREFERENCE SHARES DIVIDEND RESERVE	RETAINED EARNINGS	SHAREHOLDERS' EQUITY	MINORITY INTERESTS	TOTAL EQUITY
Balance as at 31 December 2006	**20.4**	**311.4**	**(5.1)**	**(4.2)**	**-**	**1.4**	**103.0**	**426.9**	**12.2**	**439.1**
Foreign exchange translation differences	-	-	(13.1)	-	-	-	-	(13.1)	(0.8)	(13.9)
Effective portion of fair value changes of cash flow hedges (net of income tax)	-	-	-	1.2	-	-	-	1.2	-	1.2
Total income and expenses recognised directly in equity	**-**	**-**	**(13.1)**	**1.2**	**-**	**-**	**-**	**(11.9)**	**(0.8)**	**(12.7)**
Result for the year	-	-	-	-	-	5.4	87.6	93.0	1.0	94.0
Total recognised income and expense	**-**	**-**	**(13.1)**	**1.2**	**-**	**5.4**	**87.6**	**81.1**	**0.2**	**81.3**
Share-based payments	-	-	-	-	-	-	1.5	1.5	-	1.5
Shares acquired under long-term incentive plans	-	-	-	-	(4.3)	-	-	(4.3)	-	(4.3)
Shares delivered under long-term incentive plans	-	-	-	-	4.3	-	(3.0)	1.3	-	1.3
Dividends paid	-	-	-	-	-	(1.4)	(13.2)	(14.6)	-	(14.6)
Waiver of put option on minority interest	-	-	-	-	-	-	-	-	131.9	131.9
Effect of acquisition minority interest	-	-	-	-	-	-	(90.3)	(90.3)	(131.9)	(222.2)
Effect of acquisitions and divestments	-	-	-	-	-	-	-	-	0.4	0.4
First time adoption IFRIC 14	-	-	-	-	-	-	(1.1)	(1.1)	-	(1.1)
Total direct changes in equity	**-**	**-**	**-**	**-**	**-**	**(1.4)**	**(106.1)**	**(107.5)**	**0.4**	**(107.1)**
Balance as at 31 December 2007	**20.4**	**311.4**	**(18.2)**	**(3.0)**	**-**	**5.4**	**84.5**	**400.5**	**12.8**	**413.3**
Foreign exchange translation differences	-	-	(11.4)	-	-	-	-	(11.4)	1.4	(10.0)
Effective portion of fair value changes of cash flow hedges (net of income tax)	-	-	-	(24.8)	-	-	-	(24.8)	-	(24.8)
Total income and expenses recognised directly in equity	**-**	**-**	**(11.4)**	**(24.8)**	**-**	**-**	**-**	**(36.2)**	**1.4**	**(34.8)**
Result for the year	-	-	-	-	-	5.4	63.9	69.3	1.3	70.6
Total recognised income and expense	**-**	**-**	**(11.4)**	**(24.8)**	**-**	**5.4**	**63.9**	**33.1**	**2.7**	**35.8**
Conversion of convertible subordinated bond notes	2.4	49.5	-	-	-	-	(17.2)	34.7	-	34.7
Share-based payments	-	-	-	-	-	-	2.2	2.2	-	2.2
Shares acquired under long-term incentive plans	-	-	-	-	(1.2)	-	-	(1.2)	-	(1.2)
Shares delivered under long-term incentive plans	-	-	-	-	1.1	-	(0.4)	0.7	-	0.7
Dividends paid	-	-	-	-	-	(5.4)	(24.2)	(29.6)	-	(29.6)
Consolidation of entities, previous years classified as equity accounted investees	-	-	-	-	-	-	-	-	9.9	9.9
Total direct changes in equity	**2.4**	**49.5**	**-**	**-**	**(0.1)**	**(5.4)**	**(39.6)**	**6.8**	**9.9**	**16.7**
Balance as at 31 December 2008	**22.8**	**360.9**	**(29.6)**	**(27.8)**	**(0.1)**	**5.4**	**108.8**	**440.4**	**25.4**	**465.8**

*The notes to the consolidated financial statements on pages 72 to 112 are an integral part of these consolidated financial statements

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1. General

Draka Holding N.V. ("the Company") is a company domiciled in Amsterdam, The Netherlands and is engaged worldwide in the development, production and sale of cable and cable systems. Our activities are subdivided into three groups: Draka Energy and Infrastructure, which develops, produces and sells the full range of cable products for the domestic, infrastructural and industrial applications, Draka Industry and Specialty, which is responsible for all special-purpose cable activities, and Draka Communications, which handles the communication cable activities. The consolidated financial statements of the Company for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and jointly controlled entities.

A summary of the main subsidiaries is included on page 47 of this Annual report.

The financial statements were authorised for issue by the Board of Management on 24 February 2009. The financial statements are tabled for adoption by the Annual General Meeting of Shareholders on 20 April 2009.

The information concerning the subsidiaries that are included in the consolidated financial statements which is required under article 414 of Part 9, Book 2, of the Netherlands Civil Code, is filed at the trade register of the Chamber of Commerce in Amsterdam. The Company financial statements on pages 113 to 121 have been drawn up in accordance with article 402, Part 9, Book 2 of the Netherlands Civil Code.

These consolidated financial statements serve as exemption regarding the otherwise obligatory filing pursuant to § 264b HGB of the German Commercial Code ("Handelsgesetzbuch") of statutory financial statements of Draka Comteq Berlin GmbH & Co. KG and Draka Comteq Germany GmbH & Co. KG.

2. Significant accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and in accordance with Part 9 of Book 2 of the Netherlands Civil Code.
IFRS includes the application of International Financial Reporting Standards including International Accounting Standards (IAS) and related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Interpretations of the Standing Interpretations Committee (SIC).

(I) Standards, amendment and interpretations effective in 2008 relevant to the Group:

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (EU endorsed from fourth quarter 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group has applied IFRIC 14, which resulted in an additional liability of €1.1 million from 1 January 2007.

(II) Standards, amendments to and interpretations of existing standards that are relevant to the Group that are not yet effective and have not been early adopted by the Group:

The following standards, amendments to and interpretations of existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods. The Group has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 January 2009 but is not expected to have a material impact given the insignificance of qualifying assets.
- IFRS 8, 'Operating segments ' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009.
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified

as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The group will apply IAS 1 (Revised) from 1 January 2009.

(b) Basis of preparation

The financial statements are presented in euro, rounded to the nearest decimal million. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments classified as available-for-sale. Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

(c) Basis of consolidation

(I) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(II) Equity accounted investees

Associates, included in equity accounted investees on the balance sheet, are those entities over which the Group has the ability to exercise significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(III) Joint ventures

Joint ventures, included in equity accounted investees on the balance sheet, are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity accounted basis, from the date that joint control commences until the date that joint control ceases.

(IV) Other investments

Other investments are financial interests over whose activities the Group has no significant influence, and has no control. These investments are carried at fair value and changes are recognised in the income statement. Furthermore dividends are accounted for in the income statement when these become due. If an equity investment does not have a quoted market price in an active market and other methods of determining fair value do not result in a reasonable estimate, the investment is measured at cost less impairment losses.

(V) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Foreign currency

(I) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate at that date. Foreign exchange differences arising on translation of monetary items are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at foreign exchange rates at the dates the fair value was determined.

(II) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation as from 1 January 2004, are translated to euro at foreign exchange rates at the balance sheet date. Goodwill and fair value adjustments arising on consolidation relating to acquisitions from before 1 January 2004 are denominated in euro. The revenues and expenses of foreign operations are translated to euro at rates approximating the foreign exchange rates at the dates of the transactions. As from 1 January 2004 foreign exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to translation reserve, a separate component of equity. When a foreign operation is disposed of, in part or in full, the relating accumulated translation differences are transferred to profit or loss as part of the gain or loss on disposal. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the translation reserve.

(e) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to copper, foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its risk management policy, the Group does not hold or issue material derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy f).

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward contracts is their quoted market price at the balance sheet date.

(f) Hedging

The fair values of various derivative instruments used for hedging purposes are disclosed in note 29. Movements on the hedging reserve in shareholders' equity are presented net and shown in note 37. Given the nature of the Group´s hedging derivatives, the full fair value is classified as a current asset or liability.

(I) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

(II) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. In 2007 and 2008 the Group did not have any fair value hedges in place.

(III) Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

(g) Property, plant and equipment

(I) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy m). Self constructed assets are stated at cost. Depreciation on these assets starts upon usage.

Where components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(II) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy m). Lease payments are accounted for as described in accounting policy v.

(III) Subsequent expenditure

The costs of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(IV) Disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss.

(V) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

- buildings 30 - 50 years
- plant and equipment 8 - 20 years
- fixtures and fittings 3 - 10 years

The depreciation methods, useful lives and residual values are reassessed annually.

(h) Intangible assets

(I) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries and is determined as the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill in respect of acquisitions that occurred before January 1, 2001 has been written-off to equity.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment (see accounting policy m). In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the equity accounted investee. Negative goodwill arising on an acquisition is recognised directly in the income statement.

(II) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy m).

(III) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy m).

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense when incurred.

(IV) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(V) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date.

Other intangible assets are amortised from the date they are available for use.
The estimated useful lives are as follows:

- patents and licenses 3 - 15 years
- development costs 5 years
- software 3 years
- other 5 - 7 years

The amortisation methods, useful lives and residual values are reassessed annually.

(i) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(I) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(II) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise loans presented as non-current financial assets, trade and other receivables and cash and cash equivalents in the balance sheet (see accounting policy k and l).

(III) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. In 2007 and 2008 the Group did not have any available-for-sale financial assets.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Changes in the fair value of financial assets classified as available-for-sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement. Loans and receivables are carried at amortised cost using the effective interest method.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

(j) Inventories

(I) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses, taking into account the allowance for risk of obsolete inventory.

The cost of inventories is determined using the fist-in, first-out (FIFO) method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories as finished goods and semi finished goods, cost includes an appropriate share of overheads based on normal operating capacity.

(II) Work in progress

Work in progress is stated at cost plus profit recognised to date (see accounting policy t) less a provision for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

(k) Trade and other receivables

Trade and other receivables, other than derivative financial instruments presented in this balance sheet line item, are stated at amortised cost less impairment losses (see accounting policy m).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(m) Impairment

The carrying amounts of the Group's assets other than inventories (see accounting policy j) and deferred tax assets (see accounting policy w), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy m(I)).

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually at 31 December of each year. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(I) Calculation of recoverable amount

The recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(II) Reversals of impairment

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Share capital

(I) Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in the income statement as interest expense on an accrual basis.

(II) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the shares are removed from the reserve for treasury shares on a FIFO basis. The amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

(III) Dividends

Dividends are recognised as a reduction in equity in the period in which they are declared.

(o) Convertible subordinated bonds

Convertible subordinated bonds that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The equity component is recognised initially at the difference between the fair value of the compound instruments as a whole and the fair value of the liability component. Subsequent measurement of the liability component is amortised cost by using the effective interest method. The equity element is not remeasured subsequent to initial recognition. The repurchase price of convertible subordinated bonds is allocated to the liability and equity component. This allocation is based on a non-convertible debt the Group could have issued at repurchase date.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

(q) Employee benefits

(I) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(II) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. A significant part of the Group's defined benefit plans are funded with plan assets that have been segregated and restricted in pension funds, trusts or have been insured to provide for the pension benefits to which the Group has committed itself. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality government or corporate bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Pension costs in respect of defined benefit plans primarily represent the increase in the actuarial present value of the obligation for pension benefits based on the employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

All actuarial gains and losses as at 1 January 2004, the date of transition to IFRS, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 January 2004 in calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised. Where the calculation results in a benefit to the Group, the

recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(III) Long-term service benefits

The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating to the terms of the Group's obligations.

(IV) Share-based payment transactions

The fair value of options and shares granted that are equity settled, is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled (the vesting period). The fair value of the options granted is measured using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of the shares granted to the Board of Management is measured using the Monte Carlo approach. At each balance sheet date, the company revises its estimates of the number of options and shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The fair value of the amount payable to employees in respect of stock appreciation rights (SARs), which are settled in cash, is recognized as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employee benefit expense in the income statement.

(r) Provisions

A provision is recognised in the balance sheet if, as a result of a past event, the Group has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation, and such outflow can be estimated reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(I) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(II) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

(III) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(s) Trade and other payables

Trade and other payables, other than derivative financial liabilities, are stated at amortised cost.

(t) Revenue

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.
Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised when there are significant uncertainties regarding recovery of the consideration due, associated costs and the possible return of goods cannot be estimated reliably, there is continuing management involvement with the goods, and the amount of revenue cannot be measured reliably.

(u) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement as cost of sales on a systematic basis over the useful life of the asset.

(v) Expenses

(I) Operating lease payment

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(II) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(III) Finance income and expense

Finance income and expense comprise interest expense on borrowings calculated using the effective interest method, dividends on preference shares classified as liabilities, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy f). Further, this caption includes fair value adjustments of the financial liability arising from the put option to acquire a minority interest.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is the ex-dividend date. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis.

(w) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date applicable in the several jurisdictions in which the Group operates, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet date. A change in tax rates is reflected in the period in which the change has been enacted or substantively enacted.

The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future, and the Company is able to control the timing of the reversal. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset, including assets arising from tax loss carry forwards, is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are not discounted.

(x) Earnings per share

Basic earnings per share ("EPS") are calculated by dividing the profit or loss attributable to holders of ordinary shares of the Group by the weighted average number of ordinary shares outstanding during the period. In order to calculate diluted EPS, profit or loss attributable to holders of ordinary shares, and the weighted number of shares outstanding, are adjusted for the effects of all dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares decrease the calculated earnings per share or increase the calculated loss per share.

(y) Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method, in which the movement of cash and cash equivalents, net of bank overdrafts, is based on net result as presented in the consolidated statement of income. Foreign currency cash flows are translated at the exchange rate at the date of the cash flow or using appropriate averages. Changes that have not resulted in cash flows such as translation differences, business combinations, financial leases, fair value changes, conversions of debt to equity, equity settled share based payments etc., have been eliminated for the purpose of preparing this statement. Dividends paid to ordinary shareholders are included in financing activities. Dividends received are classified as investing activities. Interest paid is included in operating activities. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(z) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses, such as loans and borrowings and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

As from 1 January 2008 the Group made certain changes to the organisational structure: as of this date the organisation is divided into three business segments – Energy & Infrastructure, Industry & Specialty and Communications – which are in turn split into various divisions. The organisational division structure has remained unchanged. The divisions have been grouped in accordance with the Group's management structure.

Comparative numbers for 2007 are adjusted to reflect the change in business segments.

(I) Business segments

The Group comprises the following main business segments:

- **Draka Energy & Infrastructure** develops, produces and sells the full range of cable products for the domestic, infrastructural and industrial applications.

- **Draka Industry & Specialty** is responsible for all special-purpose cable activities.

- **Draka Communications** develops, produces and sells optical fibre, optical fibre cables and copper cables to the telecommunications and data communications markets.

(II) Geographical segments

The segments are managed on a worldwide basis, but operate in seven principal geographical areas; The Netherlands, United Kingdom, Scandinavia, Germany, Rest of Europe, Americas and Asia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

(aa) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRSs. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in the income statement, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

3. Acquisitions of subsidiaries

DeBiase Lift Components S.R.L.

On 10 January 2008, the Group acquired 100% of the shares (100% of the voting rights) of DeBiase Lift Components S.R.L. in Milan. The purchase consideration was satisfied partly in cash and partly through a contingent consideration based on the future performance of the company. In 2008 an amount of €1.6 million (net of cash acquired) was paid in cash with respect to this acquisition.

An amount of €7.3 million is added to goodwill, of which €5.4 million relates to the agreed earn-out arrangement with the prior shareholder. The value of the corresponding liability depends on the estimated performance of DeBiase Lift Components S.R.L. in the five years after acquisition. Differences between the actual and estimated performance will be recognised in goodwill.

DB Lift Components' product scope covers distribution of cable, wire rope, electrical & mechanical components and hardware. The acquisition is consolidated in the Group's financial statements as from January 2008.

The entity has increased Group's revenue by approximately €14.6 million, net assets by approximately €0.1 million and did not have a material impact on the Group's result for the year.

4. Financial risk management

4.1 Financial risk factors

The Group has exposure to the following risks from its use of financial instruments:

- **(a) Credit risk**
- **(b) Liquidity risk**
- **(c) Market risk**
    - (I) Currency risk
    - (II) Interest rate risk
    - (III) Price risk
    - (IV) Other market risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and procedures for measuring and managing risk, and its management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Management has overall responsibility for the establishment and oversight of the Group's risk management and control system. Risk management forms an integral part of business management. The Board has implemented a group wide, risk based internal control system, which was approved by the Supervisory Board. The management of risks from use of financial instruments that are strongly related to the Group's operations is carried out by the operational Group entities within the authority and limits set by the Board of Management. Certain risks are consolidated and mitigated through hedge transactions with external parties by central functions, such as Group treasury and the Group procurement department.

The Group's risk management policies are established to identify and monitor the risks faced by the Group. Furthermore appropriate risk limits and controls are set, risks are monitored and adherence to limits is monitored in order to minimise potential adverse effects on the Group's financial performance. Risk Management policies and systems are reviewed and updated regularly to reflect changes in market conditions, in the Group's activities and in order to improve the risk management system. The Group, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Governance Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management control system in relation to the risks faced by the Group. The operational audit department that was established early 2007, assists the Committee in its oversight role. The operational audit department systematically reviews the effectiveness of the internal control system at the different layers within the Group, the results of which are reported to the Board of Management, the Audit and Governance Committee and, as the case may be, to the Supervisory Board.

(a) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Trade receivables
The Group's exposure to credit risk mainly arises from its trade receivables. Draka's trade receivable position accounted for approximately 19.4 % of the balance sheet total in 2008 (2007: 23.5%), with an average credit term of approximately 43 days (2007: 53 days). This relatively long credit term is explained by the Group's activities in Asia and Southern Europe, where long payment terms are common.

The credit risk in respect of trade receivables is managed and mitigated through alert and active policies. An important element is the insurance of trade receivables through an A-rated insurance company. Management of Draka decided to insure its exposure to credit risk (including political risk) on trade receivables. In general, for each customer with forecasted outstanding receivables in excess of €5,000 (or the equivalent thereof) a limit is requested from the insurance company. By agreement with the insurer, certain customers, governmental or such related public customers, representing a zero risk of default are exempted from the credit insurance policy. As part of its insurance coverage, the insurer provides Draka with access to a database concerning the credit risk associated with each customer. This enables each business unit to manage its risk by monitoring customer receivables against the insurance credit limits. Trade receivables in excess of the amounts covered by the insurance policy are subject to periodic review by the business unit's management and financial control. If receivables are past due in excess of 90 days, the receivable is taken over by the insurance company; 180 days after original due dates or - immediately if default is established to be irrevocable - Draka receives payment under the insurance policy. The indemnity under the insurance policy is 90% for default risk and 95% for political risk. The maximum indemnification per annum under the insurance policy is €30 million.

Excluded from the insurance policy are those trade receivables that originated in periods before the insurance policy was implemented. Furthermore the insurance policy does not cover every country yet. The exposure to credit risk on these receivables is monitored on an ongoing basis, with credit evaluations and approval procedures performed on all customers requiring credit over a certain amount.

At 31 December 2008 an amount of €109.8 million (34.2% of the total trade receivables) is considered at risk (2007: €91.9 million; 22.3%), of which €55.2 million (2007: €47.7 million) is at debtors of which the credit limit application is still pending or was denied by the credit insurer and €54.6 million (2007: €44.2 million) are debtors in countries where the credit insurance program was not yet implemented or where the insurer is not licensed.

Non-current financial assets
The exposure to credit risk on the non-current financial assets is monitored on an on-going basis by reviewing financial statements, credit reports and other available external information.

Cash and cash equivalents
Given the acceptable credit ratings of the banks and counterparties in respect of derivative financial instruments, the management of the Company believes the credit risk to be limited.

Guarantees
At 31 December 2008, guarantees in the amount of €1.5 million were outstanding (2007: €6.1 million).

(b) Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and having the availability and flexibility of funding through an adequate amount of (committed) credit facilities. The Group aims to have its debt mature in a controlled and gradual way, so as to minimize the refinancing risk. Further management aims to stabilize operating working capital (definition: inventories plus trade receivables minus trade payables) at 16-18% of revenues in order to control the cash flow. Management uses forecasts of cash flows to manage its cash and liquidity position.

Furthermore, the Group focuses within its cash management system on the coverage of potential growth and the compliance with debt covenants, both financial and non-financial.

The Group maintains the following lines of credit:
- A committed multicurrency revolving credit facility of €675 million for general corporate purposes and the execution of the Group strategy. The original €625 million facility arranged in December 2007 was increased by €50 million in February 2008;
- For the purpose of financing working capital the Group has an additional €38.8 million in short term bank credit lines available. Furthermore, local subsidiaries of the Group have worldwide €48.6 million in bank overdraft provided by local banks.

For the committed multicurrency revolving credit facility, interest is payable at the relevant interbank interest rate plus 140 basis points. This margin varies with the ratio senior net debt divided by EBITDA. For undrawn portions of the facility a commitment fee of 35% of the applicable margin per annum is payable.

The credit facility agreement includes financial covenants and includes a change of ownership clause in respect of significant parts of the Group.

The following covenants are applicable:
- Leverage ratio < 3.5
- Interest coverage ratio > 3.5
- Solvency > 27.5%

The leverage ratio is calculated as the net debt divided by EBITDA (earnings before interest, tax, depreciation and amortisation, on a 12 months rolling forward basis), based on the net debt and EBITDA definitions mutually agreed upon with the group of banks. The interest coverage ratio is calculated as the EBITDA divided by the interest expenses. Solvency is calculated as the guarantee capital divided by the balance sheet total. The definitions used as agreed upon with the banks have undergone a number of adjustments.

In 2008 the Group complied with all covenants.

(c) Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodities and equity prices will affect the Group's income or the value of its financial instruments. The object of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(I) Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures. Currency risk arises from net investments in foreign operations and from monetary financial instruments and forecasted sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily the euro (€), Pound Sterling (GBP) and U.S. dollar (USD). The currencies in which these balances and forecasted transactions are primarily denominated are euro, GBP and USD.

The Group's investments in subsidiaries having a functional currency other than the euro are in principle not hedged, unless cash in- and outflows related to these investments are assessed to have an unacceptable effect on the Group's liquidity position as a result of payments in respect of borrowings and equity being primarily denominated in euros.

Management has set up a policy to require Group companies to manage their currency risk against their functional currency. Group companies are required to hedge their entire currency exposure in respect of cash, trade receivables and trade payables denominated in a foreign currency. Upon contracting sales orders, the Group also hedges its estimated foreign currency exposure in respect of forecasted sales and purchases. To manage their currency risk arising from future commercial transactions and recognised monetary financial instruments, entities in the Group use forward contracts, transacted with Group treasury.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept at an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Group treasury consolidates the Group's currency risk and enters into forward exchange contracts with external parties to ensure the Group's exposure is kept within the limits set by the Board of Management. Group treasury uses forward exchange contracts to hedge the Group's foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the balance sheet date. When necessary, the forward exchange contracts are rolled over at maturity.

Certain external forward exchange contracts are entered into as an economic hedge of the Group's currency exposure on future firm transactions denominated in foreign currencies. Hedge accounting is not applied for these instruments. All fair value changes arising on these instruments are recognised in the income statement.

(II) Interest rate risk

It is the Group's policy to ensure that its long-term commitments are not exposed to changes in interest rates. Short-term liabilities are in principle on a floating interest basis. To reduce the interest exposure of its long-term commitments the Group enters into derivative contracts like interest rate swaps and options. The Group aims to keep the ratio between debt with fixed and debt with variable interest rates between 60:40 and 80:20.

(III) Price risk

In its manufacturing process the Group uses raw materials, like copper, preforms for optical fibre, aluminium, pvc and other polymers. These raw materials account for approximately 70% of total operating costs. In particular, the Group is exposed to fluctuations in the price of copper. Copper prices have recently been very volatile. A change in price of these materials may alter the operating margin of the Group and impact working capital requirements. The risks related to copper price fluctuations might impact operating profit.

To reduce these risks to an acceptable level, taking into account the position at risk and the commercial structures in place for price setting applicable to the individual business units, the Group enters into derivative contracts through the London Metal Exchange ('LME'). At 31 December 2008 the fair value of these derivatives amounts to a liability of €28.6 million (2007: €5.0 million).

The Group does not enter into material commodity contracts other than to meet the Group's expected usage and sale requirements.

(IV) Other market risk

Equity price risk arises from securities held for meeting the Group's defined benefit pension obligations. These funds are managed through external pension funds. Further reference is made to note 25.

4.2 Capital risk management

The Group's objective when managing capital is in the first place to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders. In addition the Group wants to maintain an optimal capital structure to reduce the cost of capital, maintain investor, creditor and market confidence and sustain future development of the business.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. Assets with a long-term life are financed via equity and long-term funding; working capital needs via a mix of medium term and short term funding. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

For capital risk management the Group focuses on guarantee capital, consisting of shareholders' equity, the provision for deferred tax liabilities and the subordinated convertible bonds. At 31 December 2008 the guarantee capital amounts to €489.9 million (2007: €523.2 million). Based on the nature of the underlying assets and similar financial covenants included in the Group's debt arrangements, the Group's target is to achieve a ratio for guarantee capital as a percentage of total invested capital in excess of 27.5%. In 2008, guarantee capital as a percentage of total invested capital was 29.6% (2007: 29.9%)

With regard to the Company's ordinary shares, management aims to distribute a dividend equal to 30% of the net income (excluding non-recurring items) after preference dividend. For 2008 it is proposed not to pay any dividend on ordinary shares in 2009. In 2008 a dividend of €0.68 per share, payable in cash, was distributed for the financial year 2007, representing a percentage as defined above of 30%.

Another important financial objective in respect of capital risk management for the medium term is to establish healthy interest coverage, implying EBITDA (excluding non-recurring items)/ interest (excluding non-cash marked to market adjustments) to exceed a ratio of 3.5. In 2008 interest coverage as defined was 6.8 (2007: 5.5).

In principle, the Group purchases its own shares on the market to satisfy its obligation under its employee share and share option plans. The shares are bought at dates approximating the actual exercise date of the share options or the delivery date of shares under the existing share plans. The Group does not have a defined share buy back plan.

There were no changes in the Group's approach to capital management during the year.

5. Critical accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note m. In determining the recoverable amount of cash generating units, the Group uses standard valuation techniques, such as the market comparison approach and the income approach. The market comparison approach is based upon a comparison of the cash-generating unit to similar entities engaged in an actual merger or acquisition or to public companies whose shares are actively traded. The income approach involves estimating the present value of the future cash flows of the cash generating unit by using projections of cash flows that the business is expected to generate, and discounting these cash flows at a given rate of return. Each of these methodologies requires the use of management estimates and assumptions, such as growth rates for revenues, expenses, effective tax rates, returns on working capital and capital expenditure, among others. The Group also estimates a discount rate and a terminal growth rate in the calculations. See for further reference on the carrying amount of goodwill note 15.

The Group performs the required impairment test at 31 December of each year or when events or circumstances indicate impairment may be necessary. No impairments for goodwill were recognised in 2008 and 2007.

(b) Property, plant and equipment

Property, plant and equipment is valued at historical cost, less depreciation or at the recoverable amount whenever impairment has taken place. Depreciation is calculated using the straight-line method based on the estimated useful

life, taking into account any residual value. The assets' residual values and useful lives are based on best estimates, and adjusted if appropriate, at each balance sheet date. See for further reference on the carrying amount of property, plant and equipment note 14.

(c) Deferred income tax assets

Several of the Group's subsidiaries have significant carried forward tax losses and deductible temporary differences between book and tax balances. The majority of the deferred income tax assets relating to carried forward tax losses were not recognised as at 31 December 2008. These deferred income tax assets were not recognised based on management's assessment of the probability criteria as stated in the applicable accounting standards in light of the multiple years of tax losses incurred in the relevant tax jurisdictions. Future utilization of the carried forward tax losses and deductible temporary differences will be dependent on the Group's ability to successfully generate taxable income in the carry forward period. The remaining term of usage of the carried forward tax losses are disclosed in note 13. Recognition of such deferred tax assets in the future may result in material tax benefits in the period in which such determination is made. See for further reference on the carrying amount of deferred income tax assets note 13.

(d) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. See for further reference on income taxes note 13.

(e) Provision for employee benefits

The consolidated balance sheet includes liabilities with respect to defined benefit pension plans and other long-term benefits. The pension and post-retirement benefit costs and credits are based on actuarial calculations carried out by an independent consultant. Inherent in these calculations are assumptions, including discount rates, rate of salary increase and expected return on plan assets. Changes in pension and post-retirement costs may occur in the future as a consequence of changes in interest rates, expected return on assets or other assumptions.

The discount rate is based on the return of high-quality fixed-income corporate bonds, using an index based on stated bonds. This index is marked up taking into account that corporate bonds bear an additional risk and the fact that pension liabilities have a longer duration than the state bonds. Based on the available information the discount rate as per 31 December 2008 was set at 5.6%. A change of 50 basis points to the discount rate applied would not increase or decrease the employee benefit expense significantly.

For a detailed discussion of the other underlying assumptions, expected future funding obligations and expected future payments, see note 25 to the consolidated financial statements. It is expected that the future payments will have no material impact on future cash flows and that there is no material uncertainty in the funding of the obligation itself.

(f) Other provisions

The Group recognised provisions regarding restructuring, warrantees and onerous contracts. Significant judgement is required in the determination of these provisions such as outcome of legislation and the assumptions underlying the determination. See for further reference on the carrying amount of other provisions note 26.

(g) Financial instruments

The determination of the fair value of certain financial instruments requires significant judgement of management regarding underlying assumptions and estimates like discount rates, credit risks and yield curves. Further reference is made to note 24.

(h) Inventory write down to net realisable value

In the fourth quarter of 2008 the price of copper dropped substantially from €4,533 to €2,080. Management has assessed the impact of this steep drop in copper price on the net realisable value of the Group's inventory and has recognised a non-recurring write down of €21.1 million (2007: nil). Management partly based this assessment on estimated future sales margins.

6. Segment reporting

Business segments

IN MILLIONS OF EURO	ENERGY & INFRASTRUCTURE 2008	2007	INDUSTRY & SPECIALTY 2008	2007	COMMUNICATIONS 2008	2007	NOT ALLOCATED TO SEGMENTS/ELIMINATIONS 2008	2007	CONSOLIDATED 2008	2007
Revenue from external customers	1,024.0	1,107.5	960.0	1,000.7	722.8	708.0	-	-	2,706.8	2,816.2
Intersegment transactions	95.9	123.7	7.4	23.5	54.0	68.2	(157.3)	(215.4)	-	-
Revenue	**1,119.9**	**1,231.2**	**967.4**	**1,024.2**	**776.8**	**776.2**	**(157.3)**	**(215.4)**	**2,706.8**	**2,816.2**
Operating result (excluding non- recurring items)	69.5	82.2	59.2	56.9	20.5	21.3	(16.1)	(14.7)	133.1	145.7
Non-recurring items	(23.1)	-	(20.3)	-	(3.3)	-	-	-	(46.7)	-
Operating result	**46.4**	**82.2**	**38.9**	**56.9**	**17.2**	**21.3**	**(16.1)**	**(14.7)**	**86.4**	**145.7**
Net finance expense									(37.5)	(45.6)
Share of profit of equity accounted investees	2.1	4.0	2.6	3.9	7.7	7.6	-	-	12.4	15.5
Income tax benefit / (expense)									9.3	(21.6)
Result for the year									**70.6**	**94.0**
Capital expenditure	14.9	23.9	25.4	20.5	17.2	26.5	1.1	0.6	58.6	71.5
Depreciation and amortisation	18.5	18.9	15.8	16.0	21.6	17.2	0.6	0.4	56.5	52.5
Impairments	2.1	-	2.9	-	-	-	-	-	5.0	-
Segment operating liabilities	180.3	242.6	215.9	234.0	225.2	435.9	(61.1)	(247.2)	560.3	665.3
Segment assets	573.2	679.1	686.7	655.0	558.9	516.7	(247.8)	(186.6)	1,571.0	1,664.2
Investments in equity accounted investees	15.0	14.4	17.9	13.8	53.3	58.8	-	-	86.2	87.0
Total assets	**588.2**	**693.5**	**704.6**	**668.8**	**612.2**	**575.5**	**(247.8)**	**(186.6)**	**1,657.2**	**1,751.2**

Geographical segments

IN MILLIONS OF EURO	THE NETHERLANDS 2008	2007	UNITED KINGDOM 2008	2007	SCANDINAVIA 2008	2007	GERMANY 2008	2007
Revenue from external customers	251.5	244.5	180.3	205.5	416.0	481.3	190.0	234.1
Total assets	300.8	446.4	55.1	74.3	243.2	224.1	270.2	185.1
Capital expenditure	15.4	10.0	1.7	0.8	7.3	8.4	6.2	4.5

IN MILLIONS OF EURO	REST OF EUROPE 2008	2007	NORTH AMERICA 2008	2007	ASIA 2008	2007	OTHER REGIONS 2008	2007
Revenue from external customers	722.3	772.3	303.7	308.7	371.4	331.4	271.6	238.4
Total assets	360.2	429.6	166.1	150.9	231.9	169.3	29.7	71.5
Capital expenditure	12.8	24.5	4.7	9.8	6.2	9.8	4.3	3.7

IN MILLIONS OF EURO	CONSOLIDATED 2008	2007
Revenue from external customers	2,706.8	2,816.2
Total assets	1,657.2	1,751.2
Capital expenditure	58.6	71.5

7. Other income and expenses

IN MILLIONS OF EURO	NOTE	2008	2007
Increase in provision in relation to closure factories Vigo / Llanelli and restructuring Communications		(14.2)	-
Increase in other provisions		(2.0)	(2.2)
Increase in provisions	26)	**(16.2)**	**(2.2)**
Release of unused provisions and other	26)	2.2	8.1
Expenses as incurred in relation to closure factories Vigo / Llanelli and restructuring Communications		(6.4)	-
		(20.4)	**5.9**

8. Non-recurring items

IN MILLIONS OF EURO	2008	2007
Operating result	**86.4**	**145.7**
Non-recurring items:		
Closure factories Vigo / Llanelli and restructuring Communications	25.6	-
Write down inventories to net realisable value	21.1	-
	46.7	**-**
Operating result excluding non-recurring items	**133.1**	**145.7**

The non-recurring items relate to restructuring plans in connection with the closure of plants in Vigo and Llanelli and to restructurings within the Communications Group. The non-recurring costs include severance costs, impairments charges and the costs of moving certain activities.

In the fourth quarter of 2008 the price of copper dropped dramatically from €4,533 to €2,080. Management has assessed the impact of this steep drop in copper price on the net realisable value of the Group's inventory and has recognised a non-recurring write down of €21.1 million. On 31 December 2008 the remaining allowance related to this write down amounts to €14.2 million.

The impairment charge of €5.0 million in relation to the closure of the factories in Vigo and Llanelli and the write down of inventories to net realisable value of €21.1 million are included in the cost of sales (see notes 14 and 18)

9. Employee benefit expense

IN MILLIONS OF EURO	NOTE	2008	2007
Wages and salaries		324.5	315.6
Social security charges		61.3	65.1
Contributions to defined contribution plans	25)	6.8	9.9
Expenses related to defined benefit plans	25)	4.6	5.2
Share-based payments	11)	2.2	1.5
		399.4	**397.3**

During 2008, the average number of employees was 10,244 (2007: 9,346). The number of employees at 31 December 2008 was 10,050 (31 December 2007: 9,547), of which 1,068 were employed by Dutch Group companies (1,064 in 2007).

10. Remuneration of the Board of Management and Supervisory Board

The remuneration of the current and former members of the Board of Management in 2008 amounted to €3.3 million (2007: €4.1 million) and the remuneration of the Supervisory Board in 2008 amounted to €0.4 million (2007: €0.5 million). See note 41 for additional details on remuneration.

11. Share-based payments

In June 2002 Draka Holding N.V. introduced a long-term incentive plan. This plan is divided into an option plan and a share plan. In May 2007 the option plan was amended. Certain employees will no longer receive stock option grants, but stock appreciation rights (SARs) instead that entitles these employees to a cash payment. The amount of the cash payment is determined based on the increase in the share price between grant date and vesting date. In May 2006 Draka Holding N.V. introduced a share plan for the Board of Management. This plan was refined in May 2007 by disentangling the short-term and long-term incentive plan. Prior to 2006, members of the Board of Management participated in the general incentive plan.

Share options

Under the option plan, the Company has granted share options on its ordinary shares to qualifying members of senior management. The options are granted for eight years (contractual life of the options), with a three-year vesting period during which they cannot be exercised. The Board of Management must approve any exceptions to this policy.

Share option arrangements granted before 7 November 2002 exist. The recognition and measurement principles in IFRS 2 have not been applied to these grants in accordance with the transitional conditions provided by IFRS 1 and IFRS 2.

The following table summarizes option activity for the year ended 31 December 2008:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE IN YEARS	RANGE OF EXERCISE PRICES	
Outstanding at 31 December 2007	283,727	€11.80	5.8	€7.42	€13.51
Outstanding at 31 December 2007	139,034	€27.67	7.0	€24.26	€28.02
Forfeited during the period	(8,062)	€11.76	5.5	€7.42	€13.51
Forfeited during the period	(5,418)	€27.92	6.9	€24.26	€28.02
Exercised during the period	(36,291)	€10.80	5.0	€7.42	€13.51
Exercised during the period	(506)	€24.26	2.0	€24.26	€28.02
Granted during the period	158,217	€23.44	7.5	€23.44	€23.44
Outstanding at 31 December 2008	239,374	€11.96	4.9	€7.42	€13.51
Outstanding at 31 December 2008	291,327	€25.38	6.8	€23.44	€28.02
Total outstanding at 31 December 2008	**530,701**	**€19.32**	**5.9**	**€7.42**	**€28.02**
Exercisable options at 31 December 2008	122,555	€11.54	3.9	€7.42	€24.26

The following table summarizes option activity for the year ended 31 December 2007:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE IN YEARS	RANGE OF EXERCISE PRICES	
Outstanding at 31 December 2006	362,769	€11.65	7.1	€7.42	€13.51
Outstanding at 31 December 2006	23,450	€24.26	4.0	€24.26	€24.26
Forfeited during the period	(6,896)	€13.51	7.0	€7.42	€13.51
Forfeited during the period	(585)	€24.26	3.0	€24.26	€24.26
Exercised during the period	(72,146)	€10.86	5.4	€7.42	€13.51
Exercised during the period	(10,053)	€24.26	3.0	€24.26	€24.26
Granted during the period	126,222	€28.02	7.5	€28.02	€28.02
Outstanding at 31 December 2007	283,727	€11.80	5.8	€7.42	€13.51
Outstanding at 31 December 2007	139,034	€27.67	7.0	€24.26	€28.02
Total outstanding at 31 December 2007	**422,761**	**€17.02**	**6.8**	**€7.42**	**€28.02**
Exercisable options at 31 December 2007	52,550	€13.65	3.8	€7.42	€24.26

The weighted average share price at the date of exercise, for share options exercised in 2008 was €20.04 (2007: €33.40).

The fair value of the services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial option pricing model. Expectations of early exercise are incorporated into the binomial option pricing model. The assumptions used for determination of the fair value of options granted in 2008 and 2007 were as follows:

FAIR VALUE OF SHARE OPTIONS AND ASSUMPTIONS AT MEASUREMENT DATE	2008	2007
Fair value at measurement date	€7.98	€12.31
Share price	€23.44	€28.02
Exercise price	€23.44	€28.02
Assumptions used:		
Expected volatility (expressed as weighted average volatility used in the modelling under binomial option pricing model)	40.2%	42.5%
Option term	8 years	8 years
Expected dividends	-	1.3%
Risk-free interest rate (based on national government bonds)	4.38%	4.6%

The expected volatility is based on the historic volatility (calculation based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to public available information.

Share options are granted under a service condition with no market or other performance conditions associated with the share option grants.

Share plans

Matching shares

Under the share plan, Draka Holding N.V. has granted qualifying members of its senior management the right to use part of their regular bonus to acquire ordinary Draka Holding N.V. shares. The shares cannot be transferred for an initial period of three years. If the employee remains employed during this three year period (the vesting period), the Company will double the number of shares. The fair value of the 2008 grant of matching shares amounts to €21.43 (grant 2007: €26.94), which is equal to the share price at the date of the bonus conversion discounted for forfeited dividend. At the end of 2008 the number of matching shares outstanding to senior management was 19,322 (2007: 22,594). Matching shares arrangements granted before 7 November 2002 exist. The recognition and measurement principles in IFRS 2 have not been applied to these grants in accordance with the transitional conditions provided by IFRS 1 and IFRS 2.

Share plans Board of Management

Under the share plan, as approved by the General Meeting of Shareholders in 2006, Draka Holding N.V. has granted members of the Board of Management the right to use part of their regular bonus to acquire ordinary Draka Holding N.V. shares. The shares cannot be transferred for an initial period of three years. After three years the Company will multiply the number of shares, based on Draka's Total Shareholder Return ("TSR") compared to a peer group. At the end of 2008 the number of shares outstanding under this plan was 16,186 (2007: 16,186).

The long term incentive plan was disentangled from the short term incentive plan after approval by the General Meeting of Shareholders in May 2007 and consists of an annual conditional grant of performance shares which equals 55% of base salary. After a three year period, these performance shares might vest based on Draka's TSR performance measured against a peer group. In 2008 67,745 performance shares were conditionally granted to (former) members of the Board of Management. The fair value of the shares at measurement date amounted to €12.19 (grant 2007: €28.35). At the end of 2008 the number of performance shares outstanding under this plan was 123,739 (2007: 55,994).

The estimate of the fair value of the shares received for all share plans of the Board of Management is measured based on the Monte Carlo approach. At the end of 2008 the total number of shares (conditionally issued or issuable) under all share plans with the Board of Management was 139,925 (2007: 72,180).

See note 41 for additional details on options and shares of the Board of Management.

The following table summarizes matching and performance shares activity for senior management and (former) members of the Board of Management:

	Number of shares senior management 2008	Number of shares (former) members Board of Management 2008	Number of shares senior management 2007	Number of shares (former) memebers Board of Management 2007
Outstanding at 1 January	22,594	72,180	16,595	10,983
Forfeited during the period	(2,001)	-	(101)	-
Exercised during the period	(7,653)	-	(2,110)	-
Granted during the period	6,382	67,745	8,210	61,197
Total outstanding at 31 December	**19,322**	**139,925**	**22,594**	**72,180**

Stock Appreciation Rights (SARs)

Under this plan, the Company has granted SARs on its ordinary shares to certain members of senior management. The SARs are granted for eight years (contractual life of the SARs), with a three-year vesting period during which they cannot be exercised. The Board of Management must approve any exceptions to this policy. SARs are granted under a service condition with no market or performance conditions associated. In 2008 30,721 SARs were granted to senior management. The fair value of SARs at grant date is determined using the binomial option pricing model with the same assumptions used as for the determination of the fair value of

the options granted. (see page 92 for further details). The fair value of the liability is remeasured at each reporting date and at settlement date.
At the end of 2008 the number of SARs outstanding was 53,025 (2007: 25,619).

Total amounts recognised in the income statement in respect of all share-based payments amounted to €2.2 million (2007: €1.5 million).

12. Net finance expense

Recognised in the income statement

IN MILLIONS OF EURO	2008	2007
Interest income	(2.7)	(2.5)
Gain on conversion of convertible subordinated bond notes	(12.6)	-
Change in fair value of the other interest-bearing liability	-	(8.1)
Net foreign exchange gain	-	(1.8)
Net gain on remeasurement of derivatives through the income statement	-	(0.5)
Finance income	**(15.3)**	**(12.9)**
Interest expense	45.2	40.0
Interest expense on the other interest-bearing liability	-	12.2
Fee expenses	1.1	6.3
Net foreign exchange loss	3.4	-
Net loss on remeasurement of derivatives through the income statement	3.1	-
Finance expense	**52.8**	**58.5**
Net finance expense	**37.5**	**45.6**

In the fee expenses of 2007 a one-off charge of €3.8 million is included as a result of the refinancing of the Group's balance sheet.

13. Taxes

Total income tax recognised in the income statement amounted to a benefit of €9.3 million in 2008 (2007: expense of €21.6 million). The components of income taxes are as follows:

Recognised in the income statement

IN MILLIONS OF EURO	2008	2007
Current income tax (expense) / benefit		
Current year	(15.7)	(24.8)
Prior periods	18.1	13.8
Total current income tax (expense) / benefit	**2.4**	**(11.0)**
Deferred income tax (expense) / benefit		
Origination and reversal of temporary differences	(8.7)	8.5
Change in tax rate	0.4	(4.7)
Benefits of tax losses carry forward previously unrecognised	1.3	0.3
Usage of tax losses carry forward	7.0	(13.8)
Prior periods	6.9	(0.9)
Total deferred income tax (expense) / benefit	**6.9**	**(10.6)**
Total income tax (expense) / benefit	**9.3**	**(21.6)**

In 2008 the Group and the Dutch tax authorities reached agreement on several open issues relating to the 2004 fiscal year. Furthermore, the Group benefitted from the legal restructuring following the acquisition of the remaining 49.9% of Comteq in 2007. This resulted in an income tax benefit of €16.2 million.
In 2007 the Group recognised an income tax benefit amounting to €7.7 million in relation to finalised discussions with the Dutch tax authorities regarding the tax return of 2003.

Reconciliation of effective tax rate

IN MILLIONS OF EURO	2008	2008 IN %	2007	2007 IN %
Result for the year	70.6		94.0	
Total income tax expense / (benefit)	(9.3)		21.6	
Result before tax	**61.3**	**100%**	**115.6**	**100%**
Income tax calculated at tax rates applicable in the respective tax jurisdictions	15.8	26%	30.5	26%
Effect of change in tax rates	(0.4)	-1%	4.7	4%
Non-tax deductible expenses	2.4	4%	3.5	3%
Tax exempt income	(12.2)	-20%	(9.5)	-8%
Loss carry forwards not recognised	8.8	14%	2.4	2%
Effect of tax losses recognised	(1.4)	-2%	(0.3)	-0%
Prior periods	(25.1)	-41%	(8.4)	-7%
Other	2.8	5%	(1.3)	-1%
	(9.3)	**-15%**	**21.6**	**19%**

The weighted average applicable tax rate was 26% (2007: 26%).

Recognised directly in equity

The deferred income tax benefit recognised directly in shareholders' equity during the year amounted to €9.4 million (2007: expense of €0.2 million).

Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred tax assets and liabilities relate to the following balance sheet captions, of which the movements in temporary differences during the year are as follows (without taking into consideration the offsetting of balances):

IN MILLIONS OF EURO	BALANCE 31-DEC-06	RECOGNISED IN INCOME STATEMENT	RECOGNISED IN SHAREHOLDERS' EQUITY	EFFECTS OF MOVEMENTS IN FOREIGN EXCHANGE	BALANCE 31-DEC-07
Property, plant and equipment	(47.5)	7.7	-	0.4	(39.4)
Intangible assets	16.1	(4.0)	-	(0.2)	11.9
Financial fixed assets	-	(0.5)	-	-	(0.5)
Receivables	(1.9)	1.8	-	-	(0.1)
Inventories	(5.5)	1.8	-	(0.1)	(3.8)
Interest-bearing loans and borrowings	14.7	4.0	-	-	18.7
Employee benefits	8.3	(0.8)	-	(0.2)	7.3
Provisions	4.6	(6.5)	-	-	(1.9)
Other current liabilities	1.1	0.5	(0.2)	(0.1)	1.3
Tax value of loss carry-forwards recognised	36.7	(14.6)	-	(0.4)	21.7
	26.6	**(10.6)**	**(0.2)**	**(0.6)**	**15.2**
Deferred tax assets	52.7				46.3
Deferred tax liabilities	26.1				31.1
Net deferred tax position	**26.6**				**15.2**

IN MILLIONS OF EURO	BALANCE 31-DEC-07	RECOGNISED IN INCOME STATEMENT	RECOGNISED IN SHAREHOLDERS' EQUITY	EFFECTS OF MOVEMENTS IN FOREIGN EXCHANGE	BALANCE 31-DEC-08
Property, plant and equipment	(39.4)	7.1	-	1.5	(30.8)
Intangible assets	11.9	(6.6)	-	0.2	5.5
Financial fixed assets	(0.5)	0.5	-	-	-
Receivables	(0.1)	(1.2)	-	(0.1)	(1.4)
Inventories	(3.8)	8.4	-	-	4.6
Interest-bearing loans and borrowings	18.7	(5.9)	-	(0.2)	12.6
Employee benefits	7.3	(2.8)	-	(0.4)	4.1
Provisions	(1.9)	3.1	-	(0.6)	0.6
Other current liabilities	1.3	0.7	9.4	-	11.4
Tax value of loss carry-forwards recognised	21.7	3.6	-	0.5	25.8
	15.2	**6.9**	**9.4**	**0.9**	**32.4**
Deferred tax assets	46.3				57.6
Deferred tax liabilities	31.1				25.2
Net deferred tax position	**15.2**				**32.4**

Deferred income tax assets are recognised for temporary tax deductible differences and tax loss carry-forwards to the extent that the Group has sufficient temporary taxable differences relating to the same tax authority and the same taxable entity, which will result in taxable amounts against which the temporary tax deductible differences and unused tax losses can be utilized before they expire or that the realization of the related tax benefit through future taxable profits is probable. Management considers tax strategies in making this assessment.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

IN MILLIONS OF EURO	2008	2007
Deductible temporary differences	226.7	183.2
Tax losses	671.6	579.0
	898.3	**762.2**

Deferred tax assets have not been recognised in respect of these items because it is not probable that in the foreseeable future taxable profit will be available against which the Group can utilise the benefits thereof.

The expiration of total tax losses is presented in the table below:

IN MILLIONS OF EURO	2008	2007
Within 1 year	15.3	9.8
Within 2 - 5 years	67.2	84.3
After 5 years and thereafter	210.8	71.7
Indefinite	484.5	489.6
	777.8	**655.4**

The amounts included in the tables above are partly based on internal calculations in the absence of final tax assessments (see note 5(d)).

14. Property, plant and equipment

IN MILLIONS OF EURO	LAND AND BUILDINGS	PLANT AND EQUIPMENT	FIXTURES AND FITTINGS	UNDER CONSTRUCTION	TOTAL
Balance as at 31 December 2006					
Cost	449.3	963.7	102.1	17.3	1,532.4
Accumulated depreciation and impairments	(222.0)	(709.3)	(68.2)	(1.2)	(1,000.7)
Carrying amount	**227.3**	**254.4**	**33.9**	**16.1**	**531.7**
Capital expenditure	4.6	24.3	5.9	29.4	64.2
Depreciation charge for the year	(9.4)	(34.6)	(4.2)	-	(48.2)
Reclassification	3.9	15.3	(1.4)	(18.7)	(0.9)
Disposals	(0.4)	(0.6)	(0.7)	(0.2)	(1.9)
Effect of movements in foreign exchange	(2.0)	(2.5)	(1.7)	(0.7)	(6.9)
Total changes	**(3.3)**	**1.9**	**(2.1)**	**9.8**	**6.3**
Balance as at 31 December 2007					
Cost	458.8	961.9	96.2	27.2	1,544.1
Accumulated depreciation and impairments	(234.8)	(705.6)	(64.4)	(1.3)	(1,006.1)
Carrying amount	**224.0**	**256.3**	**31.8**	**25.9**	**538.0**
Acquisition	-	0.1	-	-	0.1
Consolidation of entities, previous year classified as equity accounted investees	0.8	14.0	0.8	-	15.6
Capital expenditure	0.9	23.2	8.7	18.0	50.8
Depreciation charge for the year	(9.0)	(37.8)	(4.5)	-	(51.3)
Impairment losses	(4.3)	(0.4)	(0.3)	-	(5.0)
Reclassification	1.2	18.2	0.9	(20.0)	0.3
Disposals	(1.6)	(1.8)	(0.1)	-	(3.5)
Effect of movements in foreign exchange	(5.0)	(5.9)	0.8	(0.7)	(10.8)
Transferred to disposal group classified as held for sale	-	(3.6)	-	(0.1)	(3.7)
Total changes	**(17.0)**	**6.0**	**6.3**	**(2.8)**	**(7.5)**
Balance as at 31 December 2008					
Cost	445.7	952.7	105.2	24.2	1,527.8
Accumulated depreciation and impairments	(238.7)	(690.4)	(67.1)	(1.1)	(997.3)
Carrying amount	**207.0**	**262.3**	**38.1**	**23.1**	**530.5**

In 2007 and 2008 the Group has reclassified assets to/from property, plant and equipment to/from intangible assets. Furthermore, in 2008 an amount of €1.2 million is reclassified from inventories to property, plant and equipment.

Depreciation and impairment losses

The depreciation and impairment charge for an amount of €56.3 million (2007: €48.2 million) is recognised in the income statement as cost of sales.

Due to the closure of the factories in Vigo and Llanelli particular property, plant and equipment became idle in 2008. Assets for an amount of €5.0 million have been impaired. The Group has not reversed any impairment loss in 2008 and 2007.

Leased property, plant and equipment

The Group leases land, buildings, plant and equipment under a number of finance lease-agreements.
At 31 December 2008, the net carrying amount of leased property, plant and equipment was €26.2 million (2007: €29.1 million). The leased land, buildings, plant and equipment secures lease obligations (see note 24).

Security

At 31 December 2008, mortgages have been granted as security for debts to credit institutions of €5.0 million (2007: €13.0 million) (see note 24).

Property, plant and equipment under construction

The balance mainly represents equipment under construction for own use.

15. Intangible assets

IN MILLIONS OF EURO	GOODWILL	PATENTS AND LICENCES	DEVELOPMENT COSTS	SOFTWARE	OTHER	TOTAL
Balance as at 31 December 2006						
Cost	71.2	22.0	0.9	37.1	4.6	135.8
Accumulated amortisation and impairments	(0.4)	(5.2)	(0.9)	(31.6)	(1.2)	(39.3)
Carrying amount	**70.8**	**16.8**	**-**	**5.5**	**3.4**	**96.5**
Acquisitions	1.2	-	-	-	-	1.2
Additions	1.1	1.7	0.4	5.0	0.2	8.4
Amortisation charge for the year	-	(1.1)	(0.1)	(2.9)	(0.2)	(4.3)
Reclassification	(0.9)	1.7	0.2	0.9	(1.9)	-
Disposals	-	-	-	(0.1)	(0.1)	(0.2)
Effect of movements in foreign exchange	(0.3)	(0.1)	(0.1)	(0.1)	-	(0.6)
Total changes	**1.1**	**2.2**	**0.4**	**2.8**	**(2.0)**	**4.5**
Balance as at 31 December 2007						
Cost	72.3	25.1	1.6	39.2	2.0	140.2
Accumulated amortisation and impairments	(0.4)	(6.1)	(1.2)	(30.9)	(0.6)	(39.2)
Carrying amount	**71.9**	**19.0**	**0.4**	**8.3**	**1.4**	**101.0**
Acquisitions	7.3	-	-	-	-	7.3
Consolidation of entities, previous year classified as equity accounted investees	-	0.3	-	0.1	-	0.4
Additions	0.8	1.6	-	5.6	0.6	8.6
Amortisation charge for the year	-	(1.9)	(0.1)	(3.0)	(0.2)	(5.2)
Reclassification	-	0.9	-	-	-	0.9
Effect of movements in foreign exchange	0.1	0.1	-	0.1	-	0.3
Total changes	**8.2**	**1.0**	**(0.1)**	**2.8**	**0.4**	**12.3**
Balance as at 31 December 2008						
Cost	80.5	28.4	1.6	38.4	2.6	151.5
Accumulated amortisation and impairments	(0.4)	(8.4)	(1.3)	(27.3)	(0.8)	(38.2)
Carrying amount	**80.1**	**20.0**	**0.3**	**11.1**	**1.8**	**113.3**

In 2007 and 2008 the Group has reclassified assets to/from property, plant and equipment to/from intangible assets. Furthermore in 2007 an amount of €0.9 million is reclassified from goodwill to investments in equity accounted investees.

Goodwill

Acquisitions include goodwill arising from acquisitions in subsidiaries (as stated in note 3).
The acquisition of €7.3 million relates to DeBiase Lift Components S.R.L.

In 2006 the Group acquired 100% of the shares of Draka Kabeltechnik GmbH (previously named Cornelia Thies Kabeltechnik). As part of the purchase price consideration, the Group agreed an earn-out arrangement with the prior shareholder. The value of the corresponding liability depends on the performance of the Draka Kabeltechnik in the five years after acquisition. In 2008 the Group adjusted the estimate of the Company's future performance upwards. The corresponding increase in the liability of €0.8 million is recognised in goodwill (additions 2007: €1.1 million).

Amortisation

The amortisation charge for an amount of €5.2 million (2007: €4.3 million) is recognised in the income statement as cost of sales.

Impairment loss and subsequent reversal

The Group has not incurred nor reversed any impairment losses in 2008 and 2007.

Impairment tests for cash-generating units containing goodwill

The following significant carrying amount of goodwill relates to:

IN MILLIONS OF EURO	2008	2007
Alcatel's optical fibre activities	62.3	62.3

It is the Group's policy to carry out an impairment test in the fourth quarter of each year on the goodwill of cash generating units. The valuation is carried out by an independent third party and is based on the actual results and the five year plan of the management. For the period after five years, a growth rate of 2% has been used.

The discount factor used is 10.5% (2007: 11.3%). The carrying amount of the units remains below its recoverable amount determined as value in use and therefore no impairment losses were recognised.

Patents and licences

Patents and licences include intellectual property rights relating to the business. At 31 December 2008 the carrying amount of these rights is €12.4 million (2007: €13.5 million) and the remaining useful live is approximately 11 years.

16. Investments in equity accounted investees

The Group has the following significant investments in equity accounted investees:

		COUNTRY	OWNERSHIP 2008	OWNERSHIP 2007
Oman Cables Industry (SAOG)	Associate	Oman	34.8%	34.8%
Telcon Fios e Cabos Para Telecomunicações	Joint venture	Brazil	50.0%	50.0%
Yangtze Optical Fibre & Cable Co. Ltd.	Joint venture	China	37.5%	37.5%
Elkat Ltd.	Associate	Russia	40.0%	40.0%
Precision Fiber Optics Ltd.	Joint venture	Japan	50.0%	50.0%
Oakwell Engineering Ltd.	Associate	Singapore	29.9%	29.9%

In 2008, following the acquisition of the remaining 49.9% shares in Comteq, Management has reviewed the contractual agreements of the investments held by Comteq. As a result hereof management has decided to fully consolidate, as of 1 January 2008, its investment in Draka Comteq SDGI Fiber Co. Ltd. and Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd. to better reflect the Group's financial position and performance.

The Group's share of result in equity accounted investees for the year ended 31 December 2008 was €12.4 million (2007: €15.5 million). During the year 2008 the Group received dividends from equity accounted investees for an amount of €6.7 million (2007: €21.7 million).

Oakwell Engineering Ltd. and Oman Cables Industry (SAOG) are listed on public stock exchange markets. Based on the stock price at 31 December 2008, the fair value of the investment in Oakwell Engineering Ltd. amounts to €3.1 million (31 December 2007: €7.2 million) and the fair value of the investment in Oman Cable Industry (SAOG) amounts to €51.3 million (31 December 2007: €150.8 million).

Summary financial information of equity accounted investees at 100 per cent based on December 2008 and 2007 available information:

IN MILLIONS OF EURO	CURRENT ASSETS	NON-CURRENT ASSETS	TOTAL ASSETS	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL LIABILITIES	REVENUE	EXPENSES	RESULT FOR THE YEAR
2008									
Oman Cables Industry (SAOG)	213.4	43.1	256.5	189.6	6.8	196.4	588.7	576.9	11.8
Telcon Fios e Cabos Para Telecomunicações	24.1	10.6	34.7	13.3	3.3	16.6	75.2	69.1	6.1
Yangtze Optical Fibre & Cable Co. Ltd.	123.1	105.7	228.8	98.2	9.1	107.3	239.9	227.6	12.3
Elkat Ltd.	24.9	6.4	31.3	0.5	0.2	0.7	301.4	300.9	0.5
Precision Fiber Optics Ltd.	2.5	1.4	3.9	2.3	-	2.3	6.7	5.7	1.0
2007									
Oman Cables Industry (SAOG)	162.4	38.0	200.4	142.1	9.0	151.1	413.5	390.4	23.1
Telcon Fios e Cabos Para Telecomunicações	29.6	10.4	40.0	18.1	2.9	21.0	73.4	68.5	4.9
Draka Comteq SDGI Fiber Co. Ltd.	9.2	4.5	13.7	2.0	-	2.0	10.3	10.1	0.2
Yangtze Optical Fibre & Cable Co. Ltd.	108.6	99.1	207.7	84.3	18.9	103.2	208.6	192.7	15.9
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd.	11.8	11.4	23.2	13.4	-	13.4	23.6	22.9	0.7
Elkat Ltd.	25.8	7.1	32.9	5.8	-	5.8	359.5	356.0	3.5
Oakwell Engineering Limited	49.4	9.3	58.7	36.6	1.5	38.1	95.0	94.5	0.5
Precision Fiber Optics Ltd.	1.6	2.3	3.9	2.4	-	2.4	5.8	4.1	1.7

For 2008 with respect to Oakwell Engineering Limited no audited financial statements were available at publication date of the annual report.

17. Other non-current financial assets

IN MILLIONS OF EURO	2008	2007
Receivables	13.0	15.5
Promissory note	8.7	8.2
Other investments	1.2	1.2
	22.9	**24.9**

The fair value of the other non-current financial assets cannot be determined reliably because there are no observable market prices for these assets. Therefore, a valuation technique has been used. The fair value does not differ significantly from the carrying amounts.

18. Inventories

IN MILLIONS OF EURO	2008	2007
Raw materials and consumables	91.7	117.4
Work in progress	28.0	27.8
Semi finished goods	27.4	52.5
Finished goods	216.3	243.3
	363.4	**441.0**

In the fourth quarter of 2008 the price of copper dropped substantially from €4,533 to €2,080. Management has assessed the impact of this steep drop in copper price on the net realisable value of the Group's inventory and has recognised a non-recurring write down of €21.1 million (2007: nil). On 31 December 2008 the remaining allowance related to this write down amounts to €14.2 million.

In 2008 raw materials and consumables and changes in work in progress, semi finished goods and finished goods recognised as cost of sales amounted to €1,781.4 million (2007: €1,869.8 million). In 2008 the additions to allowances for obsolete stock amounted to €9.3 million (2007: €15.2 million). The additions are included in cost of sales.

At 31 December 2008, no inventories have been pledged (2007: €2.4 million).

19. Trade and other receivables

IN MILLIONS OF EURO	NOTE	2008	2007
Trade receivables		318.4	409.1
Trade receivables due from associates		2.5	2.5
Other current receivables and prepayments		73.6	54.8
Fair value derivatives	29)	-	2.4
		394.5	**468.8**

At 31 December 2008, other current receivables include retentions of €0.2 million (2007: €0.7 million) relating to construction contracts in progress.

Trade receivables are shown net of impairment losses. The Group established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The impairment loss amounted to €7.6 million at 31 December 2008, representing 2.4% of trade receivables (2007: €8.9 million or 2.2%). In 2008, expenses relating to the impairment of trade receivables of €3.6 million were recognised in the consolidated statement of income, representing 0.13% of revenue (2007: €1.5 million, or 0.05% of revenue).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in notes 4 and 28.

20. Assets and liabilities held for sale

In relation to the anticipated sale of certain non core activities within the Communications group, certain assets and liabilities are classified as held for sale. Efforts to sell these activities have commenced, and a sale is expected in the course of 2009. At 31 December 2008 the balance sheet comprised assets held for sale of €18.2 million and liabilities held for sale of €9.6 million.

Assets classified as held for sale

IN MILLIONS OF EURO	2008	2007
Property, plant and equipment	3.7	-
Inventories	5.3	-
Trade and other receivables	9.2	-
	18.2	**-**

Liabilities classified as held for sale

IN MILLIONS OF EURO	2008	2007
Employee benefits	3.6	-
Trade creditors	3.8	-
Other current payables	2.2	-
	9.6	**-**

21. Cash and cash equivalents

IN MILLIONS OF EURO	2008	2007
Cash and cash equivalents	67.9	39.4
Bank overdrafts	(8.2)	(34.9)
Cash and cash equivalents in the statement of cash flows	**59.7**	**4.5**

Cash and cash equivalents are freely available.

22. Total equity

Total equity consists of shareholders' equity attributable to the equity holders of the Company of €440.4 million (2007: €400.5 million) and minority interests of €25.4 million (2007: €12.8 million).

On 27 December 2007 the Group acquired the remaining 49.9% share in Draka Comteq B.V. from Alcatel Lucent N.V. for €209.0 million in cash. The Group recognised the increase in the parent shareholder's interest and

related decrease in minority interest of €131.9 million in 2007 directly in equity, as the Group already controlled Draka Comteq B.V. The premium on the purchase of the minority shares (€77.1 million) was also recognised directly in equity in 2007.

In 2008 the Group made a €13.2 million adjustment of the provisional cost of the acquisition of Draka Comteq B.V., which was recognised directly in equity retrospectively on 31 December 2007. The adjustment of the provisional cost of the acquisition was recognised directly in equity as a consequence of the accounting policy of the Group for the accounting for acquisition of minority interests.

See note 37 for additional details on shareholders' equity.

23. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares during the year excluding ordinary shares purchased by the company and held as treasury shares.

Profit attributable to ordinary equity holders

IN MILLIONS OF EURO	2008	2007
Result for the year	69.3	93.0
Dividends on redeemable cumulative preference shares	(5.4)	(5.4)
Result attributable to ordinary equity holders	**63.9**	**87.6**

Weighted average number of ordinary shares

IN THOUSANDS OF SHARES	2008	2007
Issued common shares as at 1 January	35,571	35,567
Effect of treasury shares held	(16)	(5)
Effect of conversion of convertible subordinated bond notes	237	1
Weighted average number of ordinary shares at 31 December	**35,792**	**35,563**

Basic earnings per share (euro)

	2008	2007
Basic earnings per share	**1.78**	**2.46**

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible subordinated bonds notes and share options and shares under the long-term incentive plan.

Profit attributable to ordinary equity holders (diluted)

IN MILLIONS OF EURO	2008	2007
Profit attributable to ordinary equity holders	63.9	87.6
After-tax effect of interest on convertible subordinated bond notes	4.5	4.9
Profit attributable to ordinary equity holders (diluted)	**68.4**	**92.5**

Weighted average number of ordinary shares (diluted)

IN THOUSANDS OF SHARES	2008	2007
Weighted average number of ordinary shares (basic)	35,792	35,563
Effect of long-term incentive plans	204	243
Effect of conversion of convertible subordinated bond notes	6,473	6,511
Weighted average number of ordinary shares (diluted) at 31 December	**42,469**	**42,317**

Diluted earnings per share (euro)

	2008	2007
Diluted earnings per share	**1.61**	**2.19**

The average market value of the Company's ordinary shares for purposes of calculating the dilutive effect of share options and shares was based on quoted market prices for the period that the options and shares were outstanding.

24. Interest-bearing loans and borrowings

IN MILLIONS OF EURO	2008 CARRYING AMOUNT	2008 FAIR VALUE	2007 CARRYING AMOUNT	2007 FAIR VALUE
Non-current liabilities				
Convertible subordinated bonds	24.3	19.0	91.6	156.3
Bank facilities and loans	498.9	498.9	412.5	412.5
Finance leases	19.8	19.8	23.2	22.2
	543.0	**537.7**	**527.3**	**591.0**
Current liabilities				
Bank facilities and loans	33.5	33.5	44.6	44.6
Current portion of finance leases	4.0	4.0	4.8	4.8
	37.5	**37.5**	**49.4**	**49.4**
Total interest-bearing loans and borrowings	**580.5**	**575.2**	**576.7**	**640.4**

IN MILLIONS OF EURO	CONVERTIBLE SUBORDINATED BONDS	BANK FACILITIES AND LOANS	FINANCE LEASES	TOTAL
Effective interest rate	7.0%	6.2%	10.0%	
Due in 2009	-	33.5	4.0	37.5
Due between 2010 - 2013	24.3	498.9	8.8	532.0
Due after 2013	-	-	11.0	11.0
Total interest-bearing loans and borrowings	**24.3**	**532.4**	**23.8**	**580.5**
Of which included in non-current	24.3	498.9	19.8	543.0
Of which included in current	-	33.5	4.0	37.5
Total interest-bearing loans and borrowings	**24.3**	**532.4**	**23.8**	**580.5**

The effective interest rates as stated in the table above, includes the impact of interest rate swaps.

The fair value of interest-bearing loans and borrowings has been estimated by calculating the discounted value of the loan and borrowings portfolio using an estimated yield curve, appropriated for the contract terms in effect at the end of the year. The carrying amounts of current portion of interest-bearing loans and borrowings approximate their fair value. Quoted market prices and interest rates prevailing on the balances sheet date were used in determining fair values.

The Group has hedged the interest rate risk on part of the multicurrency revolving credit facility. More information about the Group's exposure to interest rate and foreign currency risk has been disclosed in note 28.

Convertible subordinated bonds

5 per cent. Convertible Subordinated Bonds due 2007

IN MILLIONS OF EURO	2008	2007
Balance at 1 January	-	94.3
Amortisation of interest expense	-	0.9
Redemption at face value	-	(95.2)
Carrying amount of liability at 31 December	**-**	**-**

In April 2007 the 5% convertible subordinated bond was redeemed at face value of €95.2 million.

4 per cent. Convertible Subordinated Bonds due 2010

IN MILLIONS OF EURO	2008	2007
Balance at 1 January	91.6	89.0
Conversion of convertible subordinated bond notes	(70.1)	(0.1)
Amortisation of interest expense	2.8	2.7
Carrying amount of liability at 31 December	**24.3**	**91.6**

On 8 December 2008 the Group offered all convertible bond holders to early convert their convertible bonds into shares. The Group would pay an additional €300 per €1,000 to compensate the bondholders for early conversion. Bondholders owning 74.2% of the convertible bond outstanding have tendered into the offer. The profit resulting from this transaction is determined as the difference between the book value and the fair value of the debt's portion of the convertible bond (compound financial instrument) at conversion date, net of transaction costs. The resulting profit of €12.6 million has been recognised under financial income.

In September 2010, bondholders have the option to convert the notes into ordinary Draka Holding N.V. shares at a conversion price of €14.71. Notes that are not converted into ordinary shares will be redeemed at face value in September 2010. The face value of the convertible notes amounted to €25.7 million at 31 December 2008 (2007: €99.9 million).

Subordinated loans

In 2007 the proceeds of the new multicurrency facility were used to redeem the subordinated loan. The proceeds of subordinated loan in 2006 were mainly used for the redemption of redeemable preference shares.

Bank facilities and loans

The bank facilities and loans comprise a combination of a committed multicurrency revolving credit facility of €675 million and various bilateral facilities on Group level as well as local facilities to various subsidiaries. The multicurrency facility expires in 2012 with an option to extend one year.

The interest-bearing liabilities, except the convertible subordinated bonds, relate to various credit facilities from (a syndicate of) financial institutions. The interest payable of the multicurrency revolving credit facility is variable and based on the relevant interbank interest rate plus a mark-up of 140 basis points. If certain conditions are not met the loans become payable on demand. See note 4b.

Certain bank loans are secured over land and buildings with a carrying amount of €5.0 million (2007: €13.0 million) (see note 14).

Finance lease liabilities

Finance lease liabilities are payable as follows:

IN MILLIONS OF EURO	FUTURE MINIMUM LEASE PAYMENTS 2008	INTEREST 2008	PRESENT VALUE OF MINIMUM LEASE PAYMENTS 2008	FUTURE MINIMUM LEASE PAYMENTS 2007	INTEREST 2007	PRESENT VALUE OF MINIMUM LEASE PAYMENTS 2007
Less than one year	6.0	2.0	4.0	7.1	2.3	4.8
Between one and five years	15.5	6.7	8.8	18.3	7.3	11.0
More than five years	15.0	4.0	11.0	17.4	5.2	12.2
	36.5	**12.7**	**23.8**	**42.8**	**14.8**	**28.0**

Under the terms of the lease agreements, no contingent rents are payable.

25. Provision for employee benefits

Defined benefit plans

Employee benefit plans have been established in many countries in accordance with the legal requirements, customs and the local situation in the country involved. In Europe a significant part of the employees are covered by defined benefit plans. The benefits provided by these plans are based on employees service years and compensation levels. The measurement date for all defined benefit plans is 31 December.

Contributions are made by the Group, as necessary, to provide assets to meet the benefits payable to defined benefit pension plan participants. These contributions are based on various factors including funded status, legal and tax considerations as well as local customs.

In the Netherlands the Group participates in a multi-employer pension plan. This pension plan is externally funded in PME, the Dutch industry wide pension fund for the Metalelektro. In accordance with IAS 19 the related pension scheme should be treated as a defined benefit plan. Since the assets and liabilities of this multi-employer plan can not be allocated in a systematic way to the employers, the Group applies the exemption mentioned in paragraph 19.30 of IAS and treats the scheme as a defined contribution plan. The pension fund has a deficit. The coverage ratio as of 31 December 2008 on the basis of the actual market interest rate amounts to 90% (2007: 133%). The Group has no obligation to fund any deficits and is not entitled to any surpluses.

IN MILLIONS OF EURO	2008	2007
Present value of unfunded obligations	62.5	61.3
Present value of funded obligations	160.9	244.7
Fair value of plan assets	(133.2)	(256.2)
Unrecognised net assets	-	8.1
Present value of net obligations	**90.2**	**57.9**
Unrecognised actuarial gains and (losses)	(15.0)	24.0
Recognised liability for defined benefit obligations	**75.2**	**81.9**
Liability for long-service leave	10.3	11.4
Transferred to disposal group, classified as held for sale	(3.6)	-
Total employee benefits	**81.9**	**93.3**
Actual return on plan assets	**(29.9)**	**12.9**

The unrecognised net assets primarily relate to a pension plan in the Netherlands, whereby the Group is unable to control the surplus assets. In 2008, the pension fund has been liquidated. The surplus assets have been divided between the employer and the employees, which resulted in a gain of €4.5 million for the Group. The 2008 contribution to the Group's multi employer plan (PME) amounted to €6.0 million (2007: €4.4 million).

Movement in the liability for defined benefit obligations

IN MILLIONS OF EURO	2008	2007
Liability for defined benefit obligations at 1 January	306.0	330.1
Benefits paid by the plan	(8.1)	(12.0)
Current service costs	4.2	4.8
Interest on obligation	12.8	14.6
Actuarial losses or (gains)	(7.5)	(19.9)
Benefits paid by the employer	(3.6)	(2.9)
Employee contributions	1.0	1.2
Curtailments and settlements	(1.5)	-
Liabilities extinguished on settlements	(56.9)	-
Effect of movements in foreign exchange	(23.0)	(9.9)
Liability for defined benefit obligations at 31 December	**223.4**	**306.0**

Movement in plan assets

IN MILLIONS OF EURO	2008	2007
Fair value of plan assets at 1 January	256.2	259.4
Benefits paid by the plan	(8.1)	(12.0)
Employer contribution	4.1	4.5
Employee contribution	1.0	1.2
Expected return on plan assets	10.9	14.3
Actuarial (losses) or gains	(40.8)	(1.4)
Effect of movements in foreign exchange	(18.4)	(9.8)
Assets distributed on settlement	(71.7)	-
Fair value of plan assets at 31 December	**133.2**	**256.2**

Expense recognised in the income statement

IN MILLIONS OF EURO	2008	2007
Interest on obligation	(12.8)	(14.6)
Current service costs	(4.2)	(4.8)
Expected return on plan assets	10.9	14.3
Curtailment	(0.3)	-
Amortization unrecognised net gain or loss	1.8	(0.1)
	(4.6)	**(5.2)**

The 2009 expense is not expected to differ significantly from the 2008 expense recognised in the income statement.

The expected return on plan assets is based on actual historical weighted returns.

The Group also sponsors defined contributions and similar types of plans for a significant number of salaried employees. The total costs amounted to €6.8 million (2007: €9.9 million).

Actuarial assumptions

Principal weighted average actuarial assumptions at the balance sheet date:

	2008	2007	2006
Discount rate at 31 December	5.6%	5.6%	4.9%
Expected return on plan assets at 31 December	5.6%	6.2%	5.6%
Future salary increases	2.5%	2.9%	2.8%
Future pension increases	1.9%	1.9%	1.7%

The plan assets consist primarily of bonds, listed shares and related instruments. The majority of these plan assets relate to pension plans in the Netherlands. The allocation of the investments per asset category for the pension plans in the Netherlands at 31 December 2008 and 2007 is approximately as follows:

	2008	2007
Shares and related instruments	29%	30%
Bonds	64%	69%
Other	7%	1%

Historical information

IN MILLIONS OF EURO	2008	2007	2006
Present value of the defined benefit obligation	223.4	306.0	330.1
Fair value of plan assets	133.2	256.2	259.4
Deficit in plan	**(90.2)**	**(49.8)**	**(70.7)**
Experience adjustments arising on plan liabilities	(2.2)	(2.5)	0.1
Experience adjustments arising on plan assets	(36.4)	(1.5)	5.5

Other employee benefit provisions

In several countries the Group established jubilee and long service plans in accordance with local customs. The provision resulting from these plans is recognised under other employee benefits. The Group has applied the same actuarial assumptions as those used in the actuarial calculation of the defined benefit post retirement plans. All actuarial gains or losses have been recognised in the income statement.

26. Other provisions

IN MILLIONS OF EURO	WARRANTIES	RESTRUC- TURING	ONEROUS CONTRACTS	OTHER	TOTAL
Balance at 31 December 2007	**3.4**	**10.6**	**1.9**	**20.4**	**36.3**
Provisions made during the year	1.5	14.2	0.1	0.4	16.2
Provisions used during the year	(0.7)	(17.2)	(0.4)	(3.9)	(22.2)
Provisions reversed during the year	(0.6)	(0.6)	-	(1.0)	(2.2)
Reclassifications	0.2	-	(0.3)	0.1	-
Effect of movements in foreign exchange	-	(0.5)	-	(0.8)	(1.3)
Balance at 31 December 2008	**3.8**	**6.5**	**1.3**	**15.2**	**26.8**
Non-current	1.1	1.4	1.0	12.7	16.2
Current	2.7	5.1	0.3	2.5	10.6

Warranties

The provision for product warranty reflects the estimated costs of replacement and free-of-charge services that will be incurred by the Group with respect to products sold. The Group expects to incur most of the liability within the time frame of 4 years.

Restructuring

In 2008 the Group announced to close its factories in Vigo (Spain), Llanelli (UK) and implement restructurings within the Communications Group. In relation to this a provision of €14.2 million was made, of which €11.2 million has been used in 2008. The estimated costs are based on a detailed plan agreed between management and employees representatives. The restructuring is expected to be completed in 2009.

In August 2006 the Group announced a restructuring in connection with Draka Comteq's Stop Swap and Share project. In 2008 the remaining part of the restructuring has taken place. This resulted in a use of the provision of approximately €3.1 million. €2.9 million relates to the usage of several other restructuring plans in the Group.

Onerous contracts

The Group has non-cancellable leases for facilities which are no longer used due to changes in activities.
The facilities are (partly) sublet where possible, but rental income is lower than the rental expense.
The net obligation under the contracts was provided for.

Other provisions

Other provisions include among other things, expected losses on projects and provisions for plant dismantling and removal costs. The Group expects to incur most of the liability within the time frame of 4 years.

27. Trade and other payables

IN MILLIONS OF EURO	NOTE	2008	2007
Trade payables		293.9	399.2
Non-trade payables and accrued expenses		116.8	130.9
Fair value derivatives	29)	40.9	5.6
		451.6	**535.7**

28. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

IN MILLIONS OF EURO	NOTE	CARRYING AMOUNT 2008	2007
Receivables	17)	13.0	15.5
Promissory note	17)	8.7	8.2
Other investments	17)	1.2	1.2
Trade receivables	19)	318.4	409.1
Trade receivables due from associates	19)	2.5	2.5
Other receivables	19)	57.9	49.9
Fair value derivatives	29)	-	2.4
Cash and cash equivalents	21)	67.9	39.4
		469.6	**528.2**

The Group has insured part of its exposure to credit risk (including political risk) on trade receivables; further reference is made to note 4.

Impairment losses

The aging of trade receivables at the reporting date was:

IN MILLIONS OF EURO	GROSS 2008	IMPAIRMENT 2008	GROSS 2007	IMPAIRMENT 2007
Not past due	253.4	0.1	325.6	0.3
Past due 0-30	42.6	0.1	66.8	1.1
Past due 31-90	14.7	0.5	13.6	0.8
Past due 91-365	11.3	1.5	8.9	0.8
More than one year	6.5	5.4	5.6	5.9
	328.5	**7.6**	**420.5**	**8.9**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

IN MILLIONS OF EURO	CARRYING AMOUNT 2008	2007
Balance at 1 January	**8.9**	**11.1**
Consolidation of entities, previous year classified as equity accounted investees	0.2	-
Impairment loss recognised	3.6	1.5
Write off against financial asset	(1.9)	(1.1)
Reversal of impairment loss	(2.3)	(2.3)
Translation differences	(0.6)	(0.3)
Transferred to disposal group, classified as held for sale	(0.3)	-
Balance at 31 December	**7.6**	**8.9**

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrevocable are written off against the financial asset directly.

Liquidity risk

The following are the contractual maturities of financial liabilities at 31 December 2008:

IN MILLIONS OF EURO	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS (PRINCIPAL VALUES)	LESS THAN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities							
Convertible subordinated debt	24.3	(25.7)	-	-	(25.7)	-	-
Bank facilities and loans	532.4	(532.4)	(26.2)	(7.3)	(3.5)	(495.4)	-
Finance lease liabilities	23.8	(23.8)	(2.4)	(1.6)	(4.0)	(4.9)	(10.9)
Trade and other payables *)	410.7	(410.7)	(410.7)	-	-	-	-
Bank overdrafts	8.2	(8.2)	(8.2)	-	-	-	-
Derivative financial liabilities							
Interest rate derivatives	5.6	(5.6)	(0.6)	(1.5)	(2.2)	(1.3)	-
Foreign exchange derivatives	6.7	(6.7)	(5.9)	-	(0.8)	-	-
Commodities	28.6	(28.6)	(18.9)	(8.1)	(1.6)	-	-

*) Excludes derivatives (shown separately)

The Multicurrency facility expires in 2012 with an option to extend one year. Drawings under this facility typically have a tenor of one or three months.

The following are the contractual maturities of financial liabilities at 31 December 2007:

IN MILLIONS OF EURO	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS (PRINCIPAL VALUES)	LESS THAN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities							
Convertible subordinated debt	91.6	(99.9)	-	-	-	(99.9)	-
Bank facilities and loans	457.1	(456.8)	(34.4)	(10.1)	(3.0)	(409.2)	(0.1)
Finance lease liabilities	28.0	(28.0)	(2.4)	(2.4)	(4.9)	(6.1)	(12.2)
Trade and other payables *)	530.1	(530.1)	(530.1)	-	-	-	-
Bank overdrafts	34.9	(34.9)	(34.9)	-	-	-	-
Derivative financial liabilities							
Foreign exchange derivatives	0.6	(0.6)	(0.2)	(0.4)	-	-	-
Commodities	5.0	(5.0)	(4.5)	(0.4)	(0.1)	-	-

*) Excludes derivatives (shown separately)

Currency risk

The following significant exchange rates applied during the year

	AVERAGE RATE 2008	AVERAGE RATE 2007	REPORTING DATE SPOT RATE 2008	REPORTING DATE SPOT RATE 2007
Euro	1.00	1.00	1.00	1.00
USD	0.68	0.73	0.71	0.68
GBP	1.26	1.46	1.05	1.36

Sensitivity analysis

A 10 percent strengthening or weakening of the euro against the aforementioned currencies at 31 December 2008 would have changed equity and profit or loss by an amount of approximately €1.0 million. This analysis assumes all other variables remain constant and excludes the effect of translating financial data denominated in a functional currency other than the euro – the reporting currency of the Group. The forward exchange contracts have been included in this estimation.

Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

IN MILLIONS OF EURO	CARRYING AMOUNT 2008	2007
Fixed rate instruments		
Financial assets	8.7	8.2
Financial liabilities	48.1	119.6
Floating rate instruments		
Financial assets	67.9	39.4
Financial liabilities	540.6	492.0

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

IN MILLIONS OF EURO	PROFIT OR LOSS		EQUITY	
	100 BP INCREASE	100 BP DECREASE	100 BP INCREASE	100 BP DECREASE
31 December 2008				
Variable rate instruments	(4.7)	4.7	-	-
Interest rate derivatives	2.7	(2.6)	5.3	(5.6)
Cash flow sensitivity net	(2.0)	2.1	5.3	(5.6)
31 December 2007				
Variable rate instruments	(4.3)	4.3	-	-
Interest rate derivatives	1.5	(1.4)	1.5	(1.6)
Cash flow sensitivity net	(2.8)	2.9	1.5	(1.6)

Price risk

In the ordinary course of its business the Company has an exposure of a portion of its inventory (core inventory). The effect of copper price sensitivities on the Company's operating result depends on its ability to pass the fluctuations on to its customers and existing commercial agreements.

For further information on financial instruments reference is made to note 4 financial risk management.

29. Derivative financial instruments

Derivative financial instruments comprise:

IN MILLIONS OF EURO	2008		2007	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Interest rate derivatives - cash flow hedges	-	5.5	0.7	-
Interest rate derivatives - fair value through profit or loss	-	0.1	1.6	-
Forward foreign exchange contracts - fair value through profit or loss	-	6.7	0.1	0.6
Forward copper contracts - cash flow hedges	-	28.6	-	5.0
Total	**-**	**40.9**	**2.4**	**5.6**

The following tables indicate the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and are expected to impact profit or loss:

IN MILLIONS OF EURO	CARRYING AMOUNT	EXPECTED CASH FLOWS	LESS THAN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
31 December 2008							
Interest rate derivatives							
Liabilities:							
cash flow hedges	5.5	(5.5)	(0.8)	(1.3)	(2.1)	(1.3)	-
Forward copper contracts (commodities)							
Liabilities:							
cash flow hedges	28.6	(28.6)	(18.9)	(8.1)	(1.6)	-	-

IN MILLIONS OF EURO	CARRYING AMOUNT	EXPECTED CASH FLOWS	LESS THAN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
31 December 2007							
Interest rate derivatives							
Assets:							
cash flow hedges	0.7	0.8	0.2	0.2	0.3	0.1	-
Forward copper contracts (commodities)							
Liabilities:							
cash flow hedges	5.0	(5.0)	(4.5)	(0.4)	(0.1)	-	-

30. Commitments and contingent liabilities

Investment and supplier commitments

As at 31 December 2008, the Group entered into contracts to purchase property, plant and equipment for an amount of €4.3 million (2007: €5.1 million). These commitments are expected to be settled in 2009.

Commitments under rental and lease agreements

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

IN MILLIONS OF EURO	2008	2007
Less than one year	12.1	10.4
Between one and five years	28.9	24.4
More than five years	22.9	28.8
	63.9	**63.6**

The Group leases factories, warehouse facilities, machinery and equipment under operating leases. These leases expire at various dates during the next 20 years, with an option to renew the lease after expiry date. The leases do not include any significant contingent rentals.

Some of the leased properties have been sublet by the Group. Sublease payments of €1.5 million (2007: €2.4 million) are expected to be received until expiry date. The Group has recognised a provision of €1.3 million (2007: €1.9 million) in respect of one of these leases (see note 26).

During the year ended 31 December 2008, €14.6 million (2007: €16.0 million) was recognised as an expense in the income statement in respect of operating leases. An amount of €0.6 million was recognised as income in the income statement in respect of subleases (2007: €1.1 million).

Guarantees

Guarantees have been issued to an amount of €1.5 million (2007: €6.1 million).

31. Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries, associates and joint ventures. In addition, for an overview of important shareholders in the Group reference is made to Share Information, Disclosure of Major Holdings in Listed Companies Act in this Annual report. For an overview of the remuneration of the Board of Management and Supervisory Board, reference is made to note 41.

Transactions with associates and joint ventures (equity accounted investees)

During the year ended 31 December 2008, associates and joint ventures purchased goods from the Group in the amount of €20.2 million (2007: €22.3 million) and at 31 December 2008 associates and joint ventures owed the Group €4.5 million (2007: €4.6 million). At 31 December 2008 the Group's trade receivables from associates and joint ventures amounted to €3.7 million (2007: €4.5 million) and trade payables to associates and joint ventures amounted to €0.9 million (2007: €0.8 million). Transactions with associates and joint ventures are priced on an arm's length basis. During the year ended 31 December 2008, the Group received dividends from associates and joint ventures for an amount of €6.7 million (2007: €21.7 million).

Company financial statements

Company balance sheet as at 31 December (before appropriation of the result)

IN MILLIONS OF EURO	NOTE*	2008	2007
Assets			
Non-current assets			
Intangible fixed assets	34)	1.6	1.0
Tangible fixed assets		1.1	1.1
Financial fixed assets	35)	1,055.3	1,013.4
Total non-current assets		**1,058.0**	**1,015.5**
Current assets			
Trade and other receivables	36)	84.7	866.5
Cash in bank and in hand		7.4	36.2
Total current assets		**92.1**	**902.7**
Total assets		**1,150.1**	**1,918.2**
Equity			
Shareholders' equity			
Share capital		22.8	20.4
Share premium		360.9	311.4
Translation reserve		(29.6)	(18.2)
Hedging reserve		(27.8)	(3.0)
Reserve for equity accounted investees		36.3	30.5
Reserve for treasury shares		(0.1)	-
Retained earnings		8.6	(33.6)
Unappropriated result for the year		63.9	87.6
Preference shares dividend reserve		5.4	5.4
Total shareholders' equity	37)	**440.4**	**400.5**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	38)	557.4	587.9
Provision for employee benefits		1.0	0.7
Deferred tax liabilities		0.5	1.7
Total non-current liabilities		**558.9**	**590.3**
Current liabilities			
Interest-bearing loans and borrowings	38)	27.6	746.1
Trade and other payables	39)	123.2	181.3
Total current liabilities		**150.8**	**927.4**
Total liabilities		**709.7**	**1,517.7**
Total equity and liabilities		**1,150.1**	**1,918.2**
Statement of income for the years ended 31 December			
Income after taxes from investments in group companies	35)	42.8	88.2
Other income after taxes		26.5	4.8
Result attributable to the shareholders		**69.3**	**93.0**

*The notes to the company financial statements on pages 114 to 121 are an integral part of these company financial statements

Notes to the company financial statements

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32. General

The company financial statements (hereinafter also referred to as the ‘statutory financial statements of the Company’) are part of the 2008 financial statements of Draka Holding N.V. and are prepared in compliance with the legal requirements of Part 9, Book 2, of the Netherlands Civil Code.

With respect to the company statement of income, the Company made use of the exemption provided under section 2:402 of the Netherlands Civil Code, which allows the Company to present only the profit from Group companies after income tax and other income and expenses after income tax.

33. Principles for the measurement of assets and liabilities and the determination of the result

Draka Holding N.V. has applied the option in section 2:362 (8) of the Netherlands Civil Code to use the same principles of valuation and determination of result for the statutory financial statements as those applied for the consolidated financial statements. Unless otherwise described in the notes to the statutory financial statements, reference should be made to the notes to the consolidated financial statements for details of the accounting principles adopted in these statutory financial statements.

34. Intangible fixed assets

IN MILLIONS OF EURO	GOODWILL	SOFTWARE	TOTAL
Balance as at 31 December 2007			
Cost	0.7	0.7	1.4
Accumulated amortisation	-	(0.4)	(0.4)
Carrying amount	**0.7**	**0.3**	**1.0**
Additions	-	0.8	0.8
Amortisation charge for the year	-	(0.2)	(0.2)
Total changes	**-**	**0.6**	**0.6**
Balance as at 31 December 2008			
Cost	0.7	1.5	2.2
Accumulated amortisation	-	(0.6)	(0.6)
Book value	**0.7**	**0.9**	**1.6**

Goodwill

Goodwill is determined based on the accounting principles applied in the consolidated financial statements (note 2 (h-I). Goodwill acquired through a direct investment in Group companies is presented in the statutory balance sheet of the Company. The goodwill arising on direct investments prior to January 1, 2001 was written of the reserves. Goodwill acquired through indirect investments in Group companies is capitalised within the carrying value of the entities that have directly acquired these investments.

35. Financial fixed assets

Group companies or ‘subsidiaries’ are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Investments in Group companies are measured using the net asset value method. The net asset value and results of Group companies are determined on the basis of the accounting policies that are applied in the consolidated financial statements. The accounting policies of Group companies are changed where necessary to ensure consistency with the policies adopted by the Company.

If losses of Group companies that are allocable to the Company exceed the carrying value of the interest in the Group company (including separately presented goodwill, if any, and including other non-secured receivables), further losses are not recognised unless the Company has incurred obligations or made payments on behalf of the Group company to satisfy obligations of the Group company. In such a situation, the Company recognises a provision up to the extent of this obligation.

Unrealised gains and losses on transactions between Group companies, if any, are eliminated.

IN MILLIONS OF EURO	INVESTMENTS IN GROUP COMPANIES	INVESTMENTS IN EQUITY ACCOUNTED INVESTEES	AMOUNTS FROM GROUP COMPANIES AND OTHER	TOTAL
Balance as at 31 December 2007	**398.7**	**20.0**	**594.7**	**1,013.4**
Share in result	37.3	5.5	-	42.8
Additions	286.0	-	-	286.0
Dividend received	(55.0)	(2.1)	-	(57.1)
Disposals	(38.4)	-	-	(38.4)
Financing and other movements	101.5	0.5	(282.0)	(180.0)
Effect of movements in foreign exchange	(12.2)	0.8	-	(11.4)
Balance as at 31 December 2008	**717.9**	**24.7**	**312.7**	**1,055.3**

Draka Holding N.V. is at the head of the Group and has capital interests in subsidiaries, associates and joint ventures presented on page 47.

36. Trade and other receivables

IN MILLIONS OF EURO	2008	2007
Receivables from group companies	73.3	851.4
Other receivables	11.4	15.1
	84.7	**866.5**

Receivables from Group companies and other receivables are mainly due within 1 year. Other receivables in 2007 include an amount of €2.3 million (2008: nil) of fair value derivatives in relation to interest rate swaps and forward foreign exchange contracts.

37. Shareholders' equity

For both the years ended 31 December 2008 and 31 December 2007, the total of capital and reserves that are attributable to the Company's equity holders included in the statutory financial statements is equal to the capital and reserves attributable to the Company's equity holders as presented in the consolidated financial statements. Certain reserves have been presented separately in the Company balance sheet, whereas for consolidated purposes these have been summarised as retained earnings and other reserves.

Authorised and issued share capital

At 31 December 2008, the authorised and issued share capital consisted of:

- 58,000,000 ordinary registered or bearer shares with a nominal value of €0.50 each, of which 40,617,160 were issued and fully paid (2007: 35,571,009). Excluding the number of shares that have been repurchased, the number of ordinary shares issued and outstanding is 40,611,393 (31 December 2007: 35,570,075);
- 82,000,000 preference shares A and B with a par value each of €0.50 per share, of which 2,675,000 preference shares A were issued and fully paid and of which 2,371,257 preference shares B were issued and fully paid.

The holders of ordinary and preference shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Company. All shares rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the face value of the shares adjusted for any dividends in arrears. In respect of the Company's shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

All current preference shares are held by two banks, Fortis and Ducatus. The preference shares have a remaining maturity of 4 years with annual dividends of 7.12% for the preference shares A held by Fortis and 7.06% for the preference shares B held by Ducatus.

In 2006 Draka entered into an agreement with the Rabobank and ING for the purpose of repurchasing the preference shares held by these Banks. In the agreement it was established where a division was made between economic ownership and legal ownership. In that agreement it was laid down that the economic ownership was transferred on the day of payment which was 29 December 2006 and the legal transfer would occur after shareholders approval on 11 May 2007. On 11 May 2007 the General Meeting of Shareholders authorised the Board of Management to purchase the preference share from ING Bank and Rabobank. The shareholders approval was for the repurchase and redemption of the preference shares. On the 24 July 2007 the courts in Amsterdam issued a deed of non-protest. Consequently the repurchased preference shares were cancelled.

Treasury shares

The Company acquires ordinary shares to cover obligations under its long-term incentive plans. Shares are generally acquired just prior to employees exercising their options or when shares are to be delivered. The acquired shares are subsequently delivered to the eligible employees. At 31 December 2008 the Company owns 5,767 shares (2007: 934) and the amount paid to acquire the shares was €123,493 (2007: €32,744) (see note 2 (n)).

Movements in the number of shares in 2007 and 2008 that are issued and fully paid are as follows:

IN NUMBERS OF SHARES	ORDINARY SHARES	TREASURY SHARES	PREFERENCE SHARES
Balance at 31 December 2006	**35,567,406**	**-**	**8,885,471**
Withdrawal of preference shares	-	-	(3,839,214)
Conversion of convertible subordinated bond notes	3,603	-	-
Movement in own shares	(934)	934	-
Balance at 31 December 2007	**35,570,075**	**934**	**5,046,257**
Conversion of convertible subordinated bond notes	5,046,151	-	-
Movement in own shares	(4,833)	4,833	-
Balance at 31 December 2008	**40,611,393**	**5,767**	**5,046,257**

The maximum increase in the number of ordinary shares due to the conversion of the convertible bonds is 1,748,198 (2007: 6,549,476), corresponding to 4.3% (2007: 18.4%) of the ordinary shares as at 31 December 2008.

The movement schedule of capital and reserves attributable to the shareholders of the Company in 2007 and 2008 is presented below:

IN MILLIONS OF EURO	ORDINARY SHARES		PREFERENCE SHARES		TRANSLATION RESERVE	RESERVE FOR TREASURY SHARES	HEDGING RESERVE	PREFERENCE SHARES DIVIDEND RESERVE	RESERVE FOR EQUITY ACCOUNTED INVESTEES	RETAINED EARNINGS	UNAPPROPRIATED RESULT FOR THE YEAR	TOTAL
	SHARE CAPITAL	SHARE PREMIUM	SHARE CAPITAL	SHARE PREMIUM								
Balance as at 31 December 2006	**17.9**	**237.3**	**2.5**	**74.1**	**(5.1)**	**-**	**(4.2)**	**1.4**	**36.7**	**45.9**	**20.4**	**426.9**
Appropriation of the result 2006	-	-	-	-	-	-	-	-	-	20.4	(20.4)	-
Foreign exchange translation differences	-	-	-	-	(13.1)	-	-	-	-	-	-	(13.1)
Effective portion of fair value changes of cash flow hedges (net of income tax)	-	-	-	-	-	-	1.2	-	-	-	-	1.2
Dividends paid	-	-	-	-	-	-	-	(1.4)	-	(13.2)	-	(14.6)
Result for the year	-	-	-	-	-	-	-	5.4	(6.2)	6.2	87.6	93.0
Effect of acquisition minority interest	-	-	-	-	-	-	-	-	-	(90.3)	-	(90.3)
Share based payments	-	-	-	-	-	-	-	-	-	1.5	-	1.5
Shares acquired under long-term incentive plans	-	-	-	-	-	(4.3)	-	-	-	-	-	(4.3)
Shares delivered under long-term incentive plans	-	-	-	-	-	4.3	-	-	-	(3.0)	-	1.3
First time adoption IFRIC 14	-	-	-	-	-	-	-	-	-	(1.1)	-	(1.1)
Balance as at 31 December 2007	**17.9**	**237.3**	**2.5**	**74.1**	**(18.2)**	**-**	**(3.0)**	**5.4**	**30.5**	**(33.6)**	**87.6**	**400.5**
Appropriation of the result 2007	-	-	-	-	-	-	-	-	-	87.6	(87.6)	-
Foreign exchange translation differences	-	-	-	-	(11.4)	-	-	-	-	-	-	(11.4)
Effective portion of fair value changes of cash flow hedges (net of income tax)	-	-	-	-	-	-	(24.8)	-	-	-	-	(24.8)
Conversion of convertible subordinated bond notes	2.4	49.5	-	-	-	-	-	-	-	(17.2)	-	34.7
Dividends paid	-	-	-	-	-	-	-	(5.4)	-	(24.2)	-	(29.6)
Result for the year	-	-	-	-	-	-	-	5.4	5.8	(5.8)	63.9	69.3
Share based payments	-	-	-	-	-	-	-	-	-	2.2	-	2.2
Shares acquired under long-term incentive plans	-	-	-	-	-	(1.2)	-	-	-	-	-	(1.2)
Shares delivered under long-term incentive plans	-	-	-	-	-	1.1	-	-	-	(0.4)	-	0.7
Balance as at 31 December 2008	**20.3**	**286.8**	**2.5**	**74.1**	**(29.6)**	**(0.1)**	**(27.8)**	**5.4**	**36.3**	**8.6**	**63.9**	**440.4**

Translation reserve

The translation reserve comprises all foreign exchange differences arising since 1 January 2004 from the translation of the financial statements of foreign operations as well as from the translation of intercompany loans with a permanent nature. The reserve is not available for distribution to shareholders. To the extent the translation reserve is negative, it reduces the amount that can be freely distributed out of reserves.

Hedging reserve

The hedging reserve is not available for distribution to shareholders. To the extent the hedging reserve is negative, it reduces the amount that can be freely distributed out of reserves.

Reserves for equity accounted investees

Reserve for equity accounted investees amounting €36.3 million (2007: €30.5 million), relating to the Company's share in their result that has not been distributed as dividend.

Legal reserves

The legal reserves of the Company comprise the translation reserve, the hedging reserve and the reserves for equity accounted investees and are not available for distribution to shareholders.

Dividends

A proposal will be made to the Annual General Meeting of Shareholders to pay a dividend on redeemable preference shares for an amount of €5.4 million. The remainder will be added to retained earnings.

38. Interest-bearing loans and borrowings

IN MILLIONS OF EURO	NOTE	2008	2007
Non-current liabilities			
Convertible subordinated bonds	24)	24.3	91.6
Bank facilities and loans		495.0	407.1
Group companies		38.1	89.2
		557.4	**587.9**
Current liabilities			
Bank facilities and loans		27.6	746.1
		27.6	**746.1**

39. Trade and other payables

MILLIONS OF EURO	2008	2007
Trade creditors	46.9	115.2
Payables to group companies	32.0	44.0
Other current liabilities, accruals and deferred income	44.3	22.1
	123.2	**181.3**

Trade and other payables are mainly due within 1 year.
Other current liabilities, accruals and deferred income include an amount of €28.6 million (2007: €5.0 million) of fair value derivatives in relation to raw material transactions, €5.6 million of interest rate swaps (2007: nil) and €5.8 million of forward foreign exchange contracts (2007: nil).

40. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

IN MILLIONS OF EURO	CARRYING AMOUNT 2008	2007
Investments in group companies and associates and joint ventures	742.6	418.7
Amounts from group companies	291.7	582.2
Promissory note	8.7	8.2
Other investments	0.3	0.3
Receivables from group companies	73.3	851.4
Other receivables	0.8	11.7
Fair value derivatives	-	2.3
Cash and cash equivalents	7.4	36.2
	1,124.8	**1,911.0**

Liquidity risk

The following are the contractual maturities of financial liabilities at 31 December 2008:

IN MILLIONS OF EURO	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS (PRINCIPAL VALUES)	LESS THAN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities							
Convertible subordinated debt	24.3	(25.7)	-	-	(25.7)	-	-
Bank facilities and loans	502.2	(502.2)	(6.9)	(0.3)	-	(495.0)	-
Loans from group companies	38.1	(38.1)	-	-	-	-	(38.1)
Trade and other payables *)	83.2	(83.2)	(83.2)	-	-	-	-
Bank overdrafts	20.5	(20.5)	(20.5)	-	-	-	-
Derivative financial liabilities							
Interest rate swaps	5.6	(5.6)	(0.6)	(1.5)	(2.2)	(1.3)	-
Foreign exchange derivatives	5.8	(5.8)	(5.6)	(0.2)	-	-	-
Commodities	28.6	(28.6)	(18.9)	(8.1)	(1.6)	-	-

*) Excludes derivatives (shown separately)

The following are the contractual maturities of financial liabilities at 31 December 2007:

IN MILLIONS OF EURO	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS (PRINCIPAL VALUES)	LESS THAN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities							
Convertible subordinated debt	91.6	(99.9)	-	-	-	(99.9)	-
Bank facilities and loans	408.2	(408.2)	-	(1.1)	-	(407.1)	-
Loans to group companies	89.2	(89.2)	-	-	-	-	(89.2)
Trade and other payables *)	176.3	(176.3)	(176.3)	-	-	-	-
Bank overdrafts	745.0	(745.0)	(745.0)	-	-	-	-
Derivative financial liabilities							
Commodities	5.0	(5.0)	(4.5)	(0.4)	(0.1)	-	-

*) Excludes derivatives (shown separately)

41. Remuneration of the Board of Management and Supervisory Board

Board of Management

The remuneration of members of the Board of Management is determined by the Supervisory Board. The Company's policy concerning remuneration is designed to ensure that the Company is able to attract and retain suitable qualified members of the Board of Management. The remuneration package consists of a base salary, a short-term incentive (bonus) payment and a long-term incentive in the form of shares. In addition, individual pension schemes are in place for the members of the Board of Management.

The remuneration is determined annually in light of the tasks and responsibilities of the individual members of the Board of Management. Based on pre set targets, the levels of the bonus payments made to members of the Board of Management are determined annually by the Supervisory Board after the end of the financial year. In addition to the financial targets, the Supervisory Board has set discretionary targets for the individual members of the Board of Management on the basis of which the bonus is calculated.

The remuneration paid to the current and former members of Draka's Board of Management in 2008 and 2007 was as follows:

IN THOUSANDS OF EURO	SALARY	PENSION CHARGES	SHORT-TERM INCENTIVE	LONG-TERM INCENTIVE	ALLOWANCES	TOTAL
2008						
Sandy Lyons	516	446	356	95	423	1,836
Frank Dorjee	439	98	522	417	3	1,479
	955	544	878	512	426	3,315
2007						
Ingolf Schulz	538	320	428	327	51	1,664
Frank Dorjee	425	235	340	298	-	1,298
Christian Raskin [1]	263	100	158	15	31	567
Sandy Lyons [2]	167	144	143	-	70	524
	1,393	**799**	**1,069**	**640**	**152**	**4,053**

[1] Period 01/01/2007 - 31/08/2007

[2] Period 01/09/2007 - 31/12/2007

The long-term incentive reflects the fair value of shares (conditionally) granted to members of the Board of Management. The actual grant of shares depends on the Company's future performance in relation to the peer group.

Allowances primary reflects the gross compensation for housing costs, education and daycare.

The number of ordinary shares owned by and conditionally granted to members of the Board of Management on 31 December 2008 and 2007 was as follows:

NUMBER OF SHARES OWNED	2008	2007
Sandy Lyons	5,000	-
Frank Dorjee	9,940	9,940

NUMBER OF CONDITIONALLY GRANTED PERFORMANCE SHARES	2008	2007
Sandy Lyons	23,287	-
Frank Dorjee	44,582	24,788

The shares of all Board of Management members have been granted as part of the long-term incentive plan as detailed in note 11.

Supervisory Board

The remuneration of the members of the Supervisory Board is fixed and independent of the Company's financial results. Members of the Supervisory Board are also entitled to reimbursement of incurred costs.

At the Annual General Meeting of Shareholders of 11 May 2007, the proposed remuneration for the separate Supervisory Board Committees was approved with retrospective effect as as of 1 June 2006. As a result, the remuneration received by the members of the Supervisory Board in 2007 includes the remuneration for the separate Supervisory Board Committees of 2006.

The remuneration of the members of the Supervisory Board was as follows:

IN THOUSANDS OF EURO	2008	2007
Fritz Fröhlich	83.5	81.4
Annemiek Fentener van Vlissingen	66.0	72.4
Harold Fentener van Vlissingen	55.0	57.9
Ludo van Halderen	59.2	57.9
Rob van Oordt	65.0	73.8
Annemieke Roobeek	55.0	57.9
Graham Sharman	63.5	71.4
	447.2	**472.7**

42. Audit fees

Fees paid to the Group's auditor for 2008 (Deloitte Accountants B.V.) and 2007 (KPMG Accountants N.V.) can be broken down into the following components:

- Audit fees, which include fees for auditing the statutory and consolidated financial statements;
- Audit-related fees, which include fees for work performed on prospectuses, non-standard auditing and advisory services not related to statutory auditing;
- Fees for tax advice;
- Other non-audit fees, which include fees for support and advice on acquisitions.

The breakdown of the audit fees for the year ended 31 December is as follows:

IN MILLIONS OF EURO			2008	2007
	DELOITTE ACCOUNTANTS BV	DELOITTE TOUCHE TOHMATSU	TOTAL	TOTAL
Audit fees	0.4	1.2	1.6	2.6
Audit-related fees	-	-	-	0.2
Fees for tax advice	-	-	-	1.1
Other non-audit fees	-	-	-	0.3
	0.4	**1.2**	**1.6**	**4.2**

43. Commitments and contingent liabilities

The Company has assumed joint and several liabilities for debts arising from legal actions of its Dutch subsidiaries, in accordance with Article 403, section 1, Part 9, Book 2 of the Netherlands Civil Code. The debts of these subsidiaries amounted to €49.3 million (2007: €42.3 million).

Draka Holding N.V. forms a fiscal unity with several Dutch Group companies for the Dutch income tax. Consequently Draka Holding is jointly and severally liable for any debts arising from the fiscal unity.

The Company has issued guarantees in respect of credit facilities granted to subsidiaries of €33.6 million (2007: €33.0 million).

Amsterdam, 24 February 2009

Board of Management

Sandy Lyons, Chairman and CEO
Frank Dorjee, CFO

Supervisory Board

Fritz Fröhlich, Chairman
Annemiek Fentener van Vlissingen, Deputy Chairman
Harold Fentener van Vlissingen
Ludo van Halderen
Rob van Oordt
Annemieke Roobeek
Graham Sharman

Other information

Appropriation of result as provided for by the Articles of Association

Article 31 (1-12) of the Articles of Association states:

1. The profit evidenced by the annual accounts, as adopted and approved, shall be used first of all to pay the holders of Class B preference shares a dividend the percentage of which shall be equal to the average interest on deposits applied by the European Central Bank plus two and a half, increased by the debit interest surcharge commonly applied by the large banks in the Netherlands, weighted by the number of days to which the dividend payment relates. The amount of dividend is calculated on the basis of the paid-up portion of the nominal value. If any profit distribution referred to in the previous sentences cannot be made, whether in full or in part, on the grounds that the profit does not permit any such distribution, the deficit shall be charged against the distributable part of the Company's equity.

2. Subsequently, a dividend is paid on each preference share of a specific class. The amount and method of adopting the dividend shall be determined with the issue of the relevant class by the body authorised to issue the shares in question, all of this subject to the Supervisory Board's approval. The dividend shall be expressed as a percentage of the yield basis for the preference shares of the relevant class, as referred to in Article 8 paragraph 2 sub b. The resolution to issue preference shares of a specific class may provide:

   - that the dividend will be amended and readopted in accordance with the previous two sentences on the dates set out in the resolution (the "Dividend Review Dates");
   - that any deficit arising from the fact that the profit realised in a given year is insufficient to allow for payment of the full dividend on preference shares of the relevant class shall be charged against the profit of the next financial year(s) in which the profit is sufficient to allow for any such payment;
   - that any deficit arising from the fact that the profit realised in a given year is insufficient to allow for payment of the full dividend on preference shares of the relevant class shall be charged, where possible, against the Company's freely distributable reserves;
   - that the dividend to be paid on the relevant preference shares shall be subordinated to the dividend to be paid on preference shares of any other class or classes.

3. The Board of Management shall annually decide, subject to approval by the Supervisory Board, which portion of the distributable profit after application of paragraphs 1 and 2 of this Article is to be reserved.

4. The portion of the profit which remains after payment of dividends on the preference shares and retention in any reserve shall be distributed as dividend to the ordinary shareholders.

5. The Board of Management may resolve to pay interim distributions, if the Supervisory Board so approves.

6. The Company may only distribute profit to its shareholders up to the distributable portion of the Company's equity.

7. Deficits may only be charged against the statutory reserves in so far as permitted by statute.

8. The profit shall be distributed after adoption of the annual accounts which confirm the lawfulness of the distribution.

9. Interim dividends may be paid only if it is evident from the interim financial accounts that the requirement of paragraph 6 of this Article is satisfied. The interim financial accounts must depict the Company's financial position no earlier than as at the first day of the third month prior to that in which the resolution to pay an interim dividend is made public. The interim accounts shall be prepared with due observance of generally accepted principles of valuation. The amounts to be reserved by statute shall be included in the financial accounts, which are to be signed by the members of the Board of Management. If the signature of any of these members is missing, this fact and the underlying reason shall be duly reported. The interim financial accounts shall be deposited at the office of the Commercial Register within eight days of the date on which the resolution to distribute an interim dividend is announced.

10. The shares held by the Company in its own capital shall be counted in the calculation of the profit distribution.

11. Resolutions to pay interim dividends and other distributions shall be made public without delay.

12. Any claims by shareholders for payment of dividends shall lapse after five years.

Proposed appropriation of result

The following proposal will be presented to the shareholders for adoption at the Annual General Meeting of Shareholders.

The result for the year 2008 will be appropriated as follows (including comparative amounts):

IN MILLIONS OF EURO	2008	2007
Reserve for equity accounted investees	5.8	(6.2)
Dividend preference shares	5.4	5.4
Dividend ordinary shares	-	24.2
Other reserves	58.1	69.6
	69.3	**93.0**

Auditors' report

To: The general meeting of shareholders of Draka Holding N.V.

Report on the financial statements

We have audited the accompanying financial statements 2008 of Draka Holding N.V., Amsterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2008, profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at December 31, 2008, the company profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Board of Management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Draka Holding N.V. as at December 31, 2008, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Draka Holding N.V. as at December 31, 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Board of Management is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, February 24, 2009

Deloitte Accountants B.V.

P.J. Bommel

Trustee report

4 per cent. Convertible Subordinated Bonds 2005 due 2010 with principal amount of €100,000,000 of Draka Holding N.V.

In compliance with the provisions of article 17, paragraph b 2 of the trust deed executed before Mr. R.J.J. Lijdsman on September 22, 2005, we report as follows.

As a result of the cash dividend payment as of May 2nd, 2008 of €0.68 per share, the conversion price was adjusted from €15.26 to €14.71.

Unless previously purchased, redeemed or converted as provided in the trust deed, the bonds will be redeemed at par on September 22, 2010. Up to and including September 15, 2010 the bonds are convertible into ordinary shares Draka Holding N.V. of €0.50 nominal value on payment of the applicable conversion price. The current conversion price is €14.71.

On December 8th, 2008 Draka Holding N.V. announced a mixed offer to bondholders, upon conversion of each bond of €1,000.-- bondholders received a cash payment of €300.-- and 67.98 shares. Bondholders with in total 74,189 bonds of €1,000.-- have accepted the offer for conversion into 5,043,432 shares.

During the year in total 74,229 bonds of €1,000.-- have been offered for conversion. The outstanding amount of the bonds as of 31 December 2008 was €25,716,000. The trustee is authorised irrevocably by Draka Holding N.V. to issue as many ordinary shares as required to allow full conversion of all outstanding bonds.

Draka Holding N.V. is authorised to redeem early all of the outstanding bonds:
1. on or after October 13, 2008, provided that within a period of 30 subsequent trading days, ending 5 trading days prior to the announcement of early redemption, the closing price of the ordinary shares in Draka Holding N.V. on Euronext Amsterdam N.V. for not less than 20 trading days shall have been at least 130% of the then applicable conversion price;
2. if at least 90% of the bonds originally issued has been converted or purchased.

In case of a "Change of Control" as referred to in the trust deed, Draka Holding N.V. will offer bond holders the opportunity to redeem their bonds early.

Amsterdam, January 9, 2009

ANT Trust & Corporate Services N.V.

L.J.J.M. Lutz

Ten years of Draka Holding N.V.

	2008 [4]	2007 [4]	2006 [4]	2005 [4]	2004 [4]	2003	2002	2001	2000 [2]	1999
RESULTS (x € million)										
Revenue	2,707	2,816	2,529	1,879	1,684	1,420	1,499	1,917	1,810	1,108
EBITDA	143	198	112	89	56	103	53	250	227	138
Operating result	86	146	58	31	(4)	42	(10)	189	171	100
Result before income tax	61	116	32	(8)	(36)	8	(49)	153	132	89
Result for the year (equity holders)	69	93	22	4	(9)	11	(25)	118	97	67
BALANCE SHEET (x € million)										
Shareholders' equity	440	401	427	360	445	362	383	430	340	260
Guarantee capital [1]	490	523	620	702	624	563	618	556	503	450
Total assets	1,657	1,751	1,745	1,638	1,604	1,279	1,386	1,549	1,435	1,328
Current assets -/- non-interest bearing current liabilities	359	341	280	302	380	355	402	455	467	467
PER ORDINARY SHARE (x € 1)										
Shareholders' equity (excluding preference shares)	8.96	9.11	9.85	10.13	8.84	11.16	12.13	14.98	10.65	10.31
Result for the year after dividend on preference shares	1.78	2.46	0.57	0.12	(0.67)	0.12	(1.62)	5.43	4.58	3.75
Proposed dividend	-	0.68	0.37	-	-	0.10	-	1.63	1.37	1.02
Pay-out	-	30%	30%	-	-	83%	-	30%	30%	30%
Highest share price	25.20	42.20	26.60	14.30	20.90	16.85	45.71	67.35	89.40	49.30
Lowest share price	5.97	19.75	11.70	9.95	8.75	4.10	7.15	36.35	46.80	19.80
Market price at year end	6.54	23.00	25.80	13.23	10.70	15.60	9.45	39.50	57.40	49.30
Price / Earnings ratio on basis of price at year end	3.7	9.3	45.0	110.3	(16.0)	130.0	(5.8)	7.3	12.5	13.1
Price of convertible subordinated bond 2010 at year end	74%	156%	168%	103%	-	-	-	-	-	-
RATIOS (in %)										
Operating result / Revenue	3.2	5.2	2.3	1.6	(0.3)	3.0	(0.7)	9.9	9.4	9.0
ROTA [3]	3.6	6.6	1.9	(0.5)	(2.5)	0.7	(3.4)	10.6	9.5	9.3
Result for the year / Revenue	2.6	3.3	0.9	0.2	(0.5)	0.8	(1.7)	6.1	5.3	6.1
Result for the year / Average shareholders' equity (excluding preference shares)	21.4	27.6	6.1	1.3	(2.4)	3.0	(6.2)	30.5	32.2	28.3
Shareholders' equity / Total assets	26.6	22.9	24.5	22.0	27.7	28.3	27.6	27.8	23.7	19.6
Guarantee capital / Total assets	29.6	29.9	35.5	42.8	38.9	44.0	44.6	35.9	35.1	34.1
OTHER RATIOS										
Current ratio	1.6	1.4	1.2	1.4	1.4	1.5	1.3	1.1	1.3	1.4
Quick ratio	0.9	0.8	0.7	0.8	0.8	0.8	0.7	0.6	0.8	0.9
Revenue of total assets	1.6	1.6	1.5	1.1	1.0	1.1	1.1	1.2	1.2	0.8

[1] Shareholders' equity, provision for deferred taxation and long-term part of convertible subordinated bond and other subordinated loans
[2] Changed for comparison purposes (years before 2000 have not been restated)
[3] Result before income tax / Average total assets (prior years are changed accordingly)
[4] IFRS

Colophon

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