Draka Holding

– Press release –
Amsterdam, 7 March 2005

ANNUAL FIGURES 2004

NET RESULT € 3.7 MILLION POSITIVE (EXCLUDING NON-RECURRING ITEMS)

NET DEBT REDUCED BY € 137 MILLION

	2004[1]	2003
Net turnover	€ 1,742.6 million	€ 1,420.2 million
EBITDA[2]	€ 83.4 million	€ 91.8 million
Operating result, excluding non-recurring items	€ 17.8 million	€ 30.7 million
Operating result	€ 7.4 million negative	€ 42.1 million
Net result, excluding non-recurring items	€ 3.7 million	€ 0.2 million negative
Net result	€ 11.6 million negative	€ 11.2 million
Earnings per share[3]	€ 0.77 negative	€ 0.12
Cash flow from operating activities	€ 5.3 million negative	€ 80.7 million

- **Organic turnover growth by 13.5%, driven by good developments in Data Communication, Marine, Oil & Gas and Transport divisions.**
- **Operating result (excluding non-recurring items) fell to € 17.8 million vs. € 30.7 million in 2003 due to ongoing margin pressure.**
- **Net result € 3.7 million positive in 2004 vs. € 0.2 million negative in 2003 (excluding non-recurring items).**
- **Free cash flow € 38.5 million negative due to increase in working capital.**
- **Balance sheet position improved strongly thanks to € 137 million reduction in net debt.**
- **Outlook: further volume growth expected, albeit at a lower pace than in 2004. Margin pressure expected to remain, particularly in the first half of 2005.**

[1] 100% consolidation of Draka Comteq B.V.; Alcatel's optical fibre and cable activities have been consolidated since 1 July 2004. Draka's participating interest NK Networks & Services GmbH was included in the consolidation as from 1 January 2004. The change had no effect on the net result, earnings per share and shareholders' equity.
[2] 2004 excluding non-recurring items of a net € 25.2 million negative; 2003 excluding non-recurring income of € 11.4 million.
[3] Per ordinary share after addition to reserve for preference dividend.

Annual results 2004

Commenting on the annual results 2004, Garo Artinian, Chairman and CEO of Draka Holding N.V., said: *"2004 was an important year for Draka, highlighted by the creation of Draka Comteq in which Draka and Alcatel have combined their fibre and communication cable activities. Operationally, Draka managed to achieve a marked volume growth that resulted in an increased market share in most of its divisions. Bottom line results, however, remained under pressure, suffering from the sharp rise in raw material prices and by the lower average exchange rate of the US dollar against the euro. The fundamental change in Draka's organisational structure implemented in 2004, is the foundation to restore profitability."*

Organisational structure

Following the transaction with Alcatel, on 1 July 2004 Draka divided its activities into two groups: Draka Comteq for the communication cable activities and Draka Cableteq for the low-voltage and special-purpose cable activities. Within these two groups the activities are divided in divisions that each have their own management teams. This new organisational structure replaces the structure in which Draka's activities were split into product groups, namely Telecommunications Cable and Systems and Low-Voltage and Special-Purpose Cable, which was based on a country management structure.

The full-year figures in this report are based on Draka's new structure. The figures for 2003 have been adjusted correspondingly for comparison purposes.

General

2004 was characterised by powerful worldwide economic growth, with Europe clearly lagging behind. As a result of the favourable economic trends, the cable market grew in volume terms (at constant exchange rates and constant copper prices) by approximately 7%. By contrast, the volume growth in Western Europe – Draka's most important geographical market – lagged well behind at approximately 2%. Nevertheless, Draka achieved a volume growth in 2004 comparable to that of the global cable market, thanks mainly to the positive developments in the Data Communication, Marine, Oil & Gas and Transport divisions. Despite the volume growth selling prices remained under pressure, particularly in the Optical Fibre division and the standard low-voltage cable segment. Margins also suffered from the sharp rise in raw material prices, which could not be passed on in full to Draka's final customers and by the lower average exchange rate of the US dollar against the euro.

The clear growth in volume and ongoing focus on cost control within Draka were however not sufficient to fully offset the combined effects of price and margin pressure noted above. Draka's operating result consequently fell in 2004.

Net turnover
Draka's net turnover increased in 2004 by 22.7% to € 1,742.6 million. The consolidation of Alcatel's optical fibre and cable activities on 1 July 2004 and NK Networks & Services on 1 January 2004 added respectively € 83.9 million (5.9%) and € 46.7 million (3.3%) to net turnover.

Organic turnover growth was 13.5%, or € 191.8 million, and was achieved largely thanks to a marked increase in volume (8.0%), helped by positive developments in the Marine, Oil & Gas and Transport divisions, plus increased demand for data communication cable (both optical fibre and copper). The remaining organic growth of 5.5% was due to the following factors:

1) The sharp rise in the copper price by an average of 47% compared with 2003, tending to push up turnover; against this, the continuous pressure on selling prices had a negative effect on turnover. Together, the two trends resulted in a net increase in turnover of 7.3%;
2) Exchange rate effects reduced turnover by 1.8%.

Operating result
The operating result including non-recurring items amounted to € 7.4 million negative, a fall of € 49.5 million in relation to 2003. The operating result includes a non-recurring charge of a net € 25.2 million, consisting of a restructuring provision (€ 26.3 million) and a book profit on a real estate transaction in France (€ 1.1 million). In 2003 there was a non-recurring income item of € 11.4 million. On a like-for-like basis, i.e. excluding non-recurring items, the operating result totalled € 17.8 million, compared with € 30.7 million in 2003.

Operating margin
The operating margin – the operating result excluding non-recurring items as a percentage of turnover – amounted to 1.0% compared with 2.2% in 2003. The main reasons for this decline were the inability to pass on in full the sharp rises in raw material prices (copper and polymers) and the continued pressure on prices in a number of divisions (in particular Low-Voltage Cable and Optical Fibre). The growth in volume that was achieved, leading to improved utilisation of Draka's production plants, in combination with further cost savings, contributed positively towards the result.

Other financial items
The net financial charges remained virtually unchanged at € 33.3 million (2003: € 33.9 million). The positive effect of the proceeds from the share issue in July 2004 (net € 148 million) on Draka's debt position and hence on the interest charges were offset by costs associated with the settlement of a number of interest rate swaps.

The taxation item was € 9.9 million positive; among other things this reflected the utilisation of tax losses carried forward, which were not valued in the past. The result of non-consolidated participating interests increased to € 1.9 million from € 1.1 million in 2003. This was achieved in part through positive developments at Draka's participating interests in Russia (Elkat and Neva Cables).

The result from minority interests (excluding non-recurring items) totalled € 7.4 million positive compared with € 1.1 million negative in 2003. The reason for this was that 49.9% of the result of Draka Comteq B.V. is for the account of the minority shareholder Alcatel.

Net result
Draka's net result in 2004 came in at € 11.6 million negative compared with € 11.2 million positive in 2003. On a like-for-like basis, i.e. excluding non-recurring items, the net result in 2004 was € 3.7 million positive compared with € 0.2 million negative in 2003.

Earnings per share
Allowing for the addition to the reserve for preference dividend (€ 9.2 million), net earnings per ordinary share amounted to € 0.77 negative compared with € 0.12 positive in 2003. Excluding non-recurring items, net earnings per share totalled € 0.20 negative in 2004 versus € 0.43 negative in 2003. The Board of Management proposes not to pay a dividend on ordinary shares for 2004.

The net earnings per share for 2004 is based on an average number of shares in issue of 27,024,255 (2003: 20,820,236). The increase in the number of shares is explained by the issue of new shares and the stock dividend option for 2003. At the end of 2004 there were 35,567,406 ordinary shares in issue, while at the end of 2003 there were 20,820,236 shares in circulation.

Draka Comteq[3]

Market trends

The market for communication cable improved slightly in 2004 compared with the low point in 2003. There was some growth in the data communication market in particular, both in the copper and the optical fibre segments. Telecommunication companies however, were highly selective in their investments. This resulted in only a limited growth in demand for copper and optical fibre telecommunication cable. Despite the limited market recovery, prices for both telecommunication and data communication cable remained under pressure.

Developments per division

Telecommunication Cable

Draka Comteq recorded slight volume growth in 2004 in copper telecommunication cable, thanks in part to positive developments in the activities in the Baltic states and Russia. The first deliveries were also made under a new long-term contract with a German telecom operator, involving the supply of copper telecommunication cable for DSL technology. The contract runs until 2007.

Draka Comteq strengthened its position in the optical fibre segment in all markets where it is active. Moreover, sales grew through the acquisition of a sizeable turnkey project in Tanzania worth € 30 million over the next two years.

Data Communication Cable

Draka Comteq improved its market position further in 2004, mainly in the optical fibre cable segment. This was achieved thanks to the positive developments relating to premium (1–10Gb) multimode optical fibre cable. In the copper cable segment the strongest growth came from the Cat 6 cable. Overall, sales of data communication cable increased markedly at Draka Comteq in 2004.

Optical Fibre

Draka Comteq achieved volume growth of around 7% in the optical fibre segment in 2004, increasing its market share once again. Growth was driven by both singlemode and multimode optical fibre. As around 90% of the optical fibre production is for internal use, demand was dictated primarily by the relatively positive developments in the Telecommunications and Data Communication divisions.

Discussions are still in progress with Draka Comteq's co-shareholders in the Chinese joint venture Yangtze Optical Fibre Cable (YOFC) on the transfer of knowledge and related equipment.

[3] Draka Comteq B.V. is a jointly owned company between Draka Holding N.V. and Alcatel S.A., which brings together their respective global optical fibre and communication cable activities. This new company, which is 50.1% owned by Draka Holding N.V. and 49.9% by Alcatel S.A., was incorporated on 1 July 2004.

Financial result

Draka Comteq benefited in 2004 from the cautious recovery in demand for telecommunication and data communication cable. The company managed to increase turnover in all divisions, but the ongoing price erosion partly negated the increase. This pressure was exacerbated in the European optical fibre activities by the lower average exchange rate of the US dollar against the euro. In addition, the linkage of the Chinese renminbi to the US dollar had a negative translation effect on Draka Comteq's sales in China. By contrast the consolidation of Alcatel's optical fibre activities as from 1 July 2004 boosted turnover by 22.8%. Overall, Draka Comteq's turnover rose by 24.2% to € 457.8 million.

	2004[1]	**2003**
Net turnover	€ 457.8 million	€ 368.7 million
Operating result[2]	€ 14.7 million negative	€ 1.5 million negative
Operating margin	–3.2%	–0.4%
Invested capital	€ 598.0 million	€ 478.7 million

[1] Alcatel's optical fibre activities have been consolidated since 1 July 2004

[2] Before restructuring charges of € 19.9 million in 2004 and € 2.0 million in 2003

Despite the reported increase in turnover the operating result fell to € 14.7 million negative, mainly on account of the general price pressure in the sector. Exchange rate effects (lower US dollar versus the euro) exacerbated the problems affecting prices in the European optical fibre activities. The higher copper price also put pressure on margins in the copper cable activities, since the cost increase could not be fully passed on in the end-product prices. The volume growth achieved, resulting in better capacity utilisation at the production plants, and further cost savings were only partially able to compensate for the ongoing price erosion and currency effects.

Draka Cableteq[4]

Market trends
The performance of the divisions within Draka Cableteq varied in 2004. The divisions operating within the OEM segment recorded the best performance, and the mobile network cable activities also developed well thanks to increased network investments in UMTS. All the divisions were confronted in 2004 with pressure on margins, largely because the sharp rise in raw material prices (copper and polymers) could not be fully passed on in end-product prices.

Developments per division

Low-Voltage Cable
The lack of any recovery in the building industry in Northwest Europe meant that the market environment in this cable segment remained highly competitive. Nevertheless Draka Cableteq managed to maintain its market share in this cable segment. Relations with customers were consolidated by a further increase in service levels. The healthy trends in the market for fire-retardant and halogen-free cable were sustained.

The long-term contract concluded with Pirelli Cables Ltd in early 2004 for the provision of certain low-voltage cable production activities in United Kingdom resulted in further production optimisation. This made a positive contribution to the result. The pressure on margins due to the sharp rise in raw material prices and the inability to pass these on fully was highest in this market segment. This is because the share of copper in the total production cost is highest in standard low-voltage cable.

Elevator Cable
Draka Cableteq improved its market position in elevator cable by raising the added value for the client and thanks to the good performance of the Chinese market. In 2004, Draka Cableteq strengthened its position on the Chinese market by forming a joint venture with Haixun Elevator Products (Nantong) in which it has a share of 75%. Thanks to this joint venture, Draka Cableteq is able to serve the rapidly growing Chinese elevator market as well as the international elevator market with selected products.

Marine, Oil & Gas
Draka Cableteq reported a significant increase in turnover in 2004 together with a slight increase in market share. This was due primarily to the strong position held by the company in the offshore cable market: since the development of new oil fields largely involves deepwater projects, demand for offshore cable rose more than average. In addition, the company benefited from the growing tendency to move the construction of new ships and oil platforms away from Europe and America towards Asia, and especially China. Draka anticipated this trend several years ago by starting production in China; these activities have recently been expanded.

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[4]Draka Cableteq, a 100% operation of Draka Holding N.V., manufactures low- voltage cable, cable for the transport industry, cable for the marine, oil & gas market, elevator cable, rubber cable and mobile network cable.

Mobile Network Cable
Partly thanks to Draka's close ties with key network providers, sales trends were in line with the market as a whole. A large order received in mid-2004 should ensure good results again in 2005. The order involves the expansion of the UMTS network infrastructure for a key German mobile telephony operator. More than 600 sites are expected to be equipped with radio-frequency cable, including antennas and amplifiers. Draka will be the main contractor.

Rubber Cable
Draka Cableteq succeeded in improving its market share in Europe in this market segment. It achieved this by investing in its contacts with the main sales channels, supplying added value (such as logistics and customised products) and through branding of the product range.

Transport
Draka Cableteq once again managed to improve its market share in the transport sector in 2004. Turnover rose significantly, partly thanks to deliveries on the large new automotive orders that were received at the end of 2003 (worth a total of €100 million over the next three years). The company also benefited from the expansion of its activities in China, where car production increased sharply.

Draka recorded slight growth in its aircraft activities, but the outlook for 2005 is promising; as a supplier to Airbus, Draka will share in the benefits of the start of production of the new Airbus A380. This aircraft model contains approximately 750 kilometres of cable, roughly three times as much as in existing aircraft models.

Financial result
The Draka Cableteq group increased turnover in 2004 by 22.2% to € 1,284.8 million. Adjusted for the consolidation of NK Networks & Services from 1 January 2004, the organic increase in turnover was 17.7%. All divisions contributed to this increase, and most managed to improve their market share. In addition the sharp rise in the price of copper has boosted sales, especially of standard low-voltage cable. Against this, price erosion in the some divisions had a dampening effect on turnover.

	2004[1]	**2003**
Net turnover	€ 1,284.8 million	€ 1,051.5 million
Operating result[2]	€ 42.4 million	€ 39.9 million
Operating margin	3.3%	3.8%
Invested capital	€ 1,173.3 million	€ 1,012.6 million

[1] Included full consolidation of NK Networks & Services
[2] Before deduction of reorganisation charges of € 6.4 million in 2004

The operating result before deduction of reorganisation charges rose by 6.3% to € 42.4 million. Developments with a positive impact on the result, such as the higher capacity utilisation resulting from the increased volumes and better cost control, were partly cancelled out by pressure on prices, in particular for standard low-voltage cable, and pressure on margins resulting from the rise in raw material prices (copper and polymers), which could not be fully passed on.

Financial position

Cash flow
Draka's policy in 2004 was again focused on achieving an optimum free cash flow. Implementing this policy was made more difficult by the tough market conditions. The cash flow from operating activities fell in 2004 to € 5.3 million negative. The main causes of this decline were:

1) a 42% fall in the operating result excluding non-recurring items of € 25.2 million and
2) an increase in the working capital due to volume growth and the appreciable increase in the average price of copper (47% in 2004). The latter resulted in a rise in the value of the copper element of stocks.

This increase in the price of copper meant that the target of reducing the operating working capital as a percentage of turnover from 28.4% at year-end 2003 to around 27% at year-end 2004 was not achieved; at the end of 2004 this ratio stood at 28.5%. Positive effects on the working capital due to the structuring of production facilities around 'product families', enabling stock levels to be reduced, were cancelled out by the sharp rise in the price of copper. This increase could not be fully passed on in Draka's end-product prices, so that the growth in turnover lagged behind the growth in working capital.

Balance sheet
The balance sheet total increased in 2004 by 28.2% to € 1,640.2 million. The increase was due in particular to the formation of Draka Comteq B.V., which led to an increase in the intangible and tangible fixed assets item of € 162.0 million. In addition, the increase in working capital resulted in an increase in the balance sheet total. The net investments in intangible and tangible fixed assets amounted to € 23.5 million and remained below the depreciation charge.

At the end of 2004, shareholders' equity amounted to € 483.5 million, an increase of 33.5% on 2003. The most important movements in shareholders' equity were the proceeds from the share issue (net € 148 million), a currency translation effect of € 5.5 million negative and the net result after allowing for the preference dividend (€ 20.8 million negative).

The share issue improved the solvency ratio at year-end 2004 to 29.5%. The guarantee capital, consisting of shareholders' equity, the provision for deferred tax liabilities and the long-term portion of the subordinated loans, amounted to € 661.1 million, equivalent to 40.3% of the total invested capital (year-end 2003: 44.0%). The reduction in the guarantee capital as a percentage of the invested capital can be attributed mainly to the increase in the balance sheet total due to the Alcatel transaction.

Net interest-bearing debt fell in 2004 by € 136.6 million to € 420.1 million, a reduction of 24.5% compared with year-end 2003. Repayment of interest-bearing debt combined with an increase in shareholders' equity led to a sharp improvement in the net gearing (total net interest-bearing debt as a percentage of shareholders' equity) to 86.9% (2003: 153.7%).

Outlook

Draka expects conditions in the cable market in 2005 to be comparable to those in 2004 with further volume growth, though this is likely to be more limited than in 2004. The continuing overcapacity means that pressure on prices will remain in certain product segments. In addition, the high raw material prices (copper and polymers) will keep margins under pressure, especially in the first half of 2005.

Against the background of these factors, Draka's policy in 2005 will focus on further cost reductions and a commitment to further debt repayment. Cost reductions at Draka Comteq will be achieved mainly through the implementation of the integration plan, which will also create a more balanced geographical spread of the optical fibre activities. Within Draka Cableteq, implementation of the production optimisation projects and the streamlining of the operations through product allocations, will be accelerated to generate efficiency improvements in 2005.

The resulting cost savings are likely to amount to € 21 million per year from 2005 onwards. In addition, from 2005 Draka Comteq expects to achieve industrial synergy benefits of € 20 million at operational level thanks to the complementarity of the process technologies in the area of optical fibre production.

For 2005 Draka expects that the operating working capital ratio will be reduced. This will be driven by an accelerated refocusing of the cable production activities whereby programmes are identified and already being implemented.

Draka expects that the change of the organisational structure will start bearing fruit in 2005. This fundamental change is expected to result in a more efficient production structure in each division and a harmonisation of the sales and marketing departments that is likely to have a positive impact on net turnover from 2005 onwards.

After completion of the above-mentioned integration and production optimisation projects, Draka will be well positioned to draw maximum benefit from a further market recovery. The lower cost base and more focused approach to the market should have a positive impact on profitability. However, in view of the uncertainties surrounding the trend in raw material prices and their influence on margins, Draka feels it is too early to make any statements about the likely net result at this time.

Board of Management
Amsterdam, 7 March 2005

Annexes:

Consolidated balance sheet as at 31 December 2004
Consolidated profit and loss account (1 January 2004 – 31 December 2004)
Consolidated cash flow statement (1 January 2004 – 31 December 2004)
Movements in shareholders’ equity
Segmented information per Group

Financial agenda 2005 (subject to change)

Annual General Meeting of Shareholders in the Barbizon Hotel, Amsterdam	**Monday, 9 May Start: 2:30 p.m.**
Publication of trading update for first half of 2005	**June (week 24)**
Publication of half-year results for 2005	**Tuesday, 30 August (before start of trading)**
Publication of trading update for second half of 2005	**November (week 46)**

Company profile

Draka Holding N.V. ("Draka") is the holding company of a number of operating companies which are engaged worldwide in the development, production and sale of cable and cable systems. Draka focuses on two product groups, viz.:communication cable under the name Draka Comteq, and low-voltage and special-purpose cables, under the name Draka Cableteq.

Within these two groups the activities are divided in divisions. Draka Comteq consists of: Telecommunication Cable, Data Communication Cable and Optical Fibre. Draka Cableteq comprises the divisions: Low-Voltage Cable, Elevator Cable, Marine, Oil & Gas, Mobile Network Cable, Rubber Cable and Transport.

Draka has 68 operating companies in 25 countries in Europe, America and Asia. The company has a flat, decentralised organisational structure with short lines of communication. The divisions enjoy a large measure of independence and are accountable for their own net turnover and results.Draka companies worldwide employ approximately 9,600 people. Draka Holding N.V., the head office, is established in Amsterdam. In 2004, Draka achieved net turnover of € 1.7 billion, with a net result of € 3.7 million excluding non-recurring items.

Draka Holding N.V. ordinary shares and subordinated convertible bonds are listed on Euronext Amsterdam. The company has been included in the Next150 index since 2001 and in the new AScX-index (Amsterdam Small Cap index) since 2 March 2005. Since 8 July 2002 options on Draka-shares have been traded on the Euronext Amsterdam Derivative Markets.

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