Annual report 2007

Draka

Core competences & core activities

Draka's core competences are the development, production and sale of cable. Since the Company's inception 98 years ago, it has responded to the ever changing customer needs. Draka's current portfolio includes:

Cable material	Semi-manufactures (copper drawing, compounding, optical fiber production)
Cable products	Cable as final 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 unique 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.

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 this end Draka's focus is on quality, growth and profitability. In this way, Draka aims 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 also investing in sustainable technology.

Core values

2007 saw a concerted effort by Draka's staff to define and communicate the business values for the entire organisation and the publication of a comprehensively revised Code of Conduct. The Code embodies the Company's core values of respect, integrity, responsibility and discipline which form Draka's personality. It also sets out in detail the high standards we demand of all our staff and the principles of ethical conduct with which they are required to comply with in all cases.

Respect

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

Integrity

- In all relationships
- Complying with the law and regulations
- Behaving ethically in everything we do
- Making the right choices

Responsibility

- Acting in accordance with our responsibilities
- 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

Strategic & financial goals

Draka has committed itself to achieve the following strategic and financial goals in the medium term:

- Increasing the scale in the special-purpose cable segment within the cable market, through organic growth and acquisitions.
- Geographical increase in scale, through organic growth and acquisitions; particularly in regions like Asia, Eastern Europe, North America and emerging markets.
- Increasing the revenues in the aforementioned special-purpose cable segments and geographical regions to about 60% of total revenues (2007: approximately 47%).
- Organic strengthening of Draka's existing position in continental Europe.
- Capitalising on Draka's improved sales and marketing position: value creation by benefiting from market opportunities and responding to customer requirements at an early stage.
- Extension of Draka's current range of products and services by expanding the core activities and continuing to invest in new technologies and application engineering.
- Continuing the optimisation of the organisation, which may include disposing 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 given medium-term target, but expects an average operating margin over the economic cycle (of 6–7 years) of around 5% of revenue.
- Regular maintenance and replacement investments in intangible assets, property, plant and equipment will equal amortisation and depreciation. In line with Draka's strategic principles, investments in growth markets (special-purpose cable segment and emerging markets) may result in a total investment level which exceeds the depreciation level in a particular year.
- Healthy interest coverage, implying an EBITDA/interest ratio of more than 4.5 (2007: 4.3).
- Stabilisation of the operating working capital at 16-18% of revenues (2007: 16.1%).

GOING FOR GROWTH

Growth at Draka has many dimensions. In the context of an annual report it usually refers to the bottom line: growth in profitability, based on increasing sales, margins, market share and other classical performance indicators. Of course those are important, and they are what shareholders and analysts usually look at first to characterise the performance of the company. They are also important to the company itself, because good financial results form the basis for long-term continuity. But there's more to growth than figures alone. Because those figures are the result of the strategies followed throughout the company. All of which are focused on, and aligned with, the overall goal of growth. A few of those strategies are highlighted in this annual report. For example organic growth, but also growth through acquisitions. Growth through optimisation of the organisation, through globalisation, and through growth of the market itself. Growth through innovation in products, processes and technologies. But also personal growth, to enable people to maximise their potential. These are some of the factors behind our results. But they are also what drives our organisation. Going for growth is the key to success – now and in the future.

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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.

Draka Cableteq	**Draka Comteq B.V.**
Divisions	**Divisions**
ELEVATOR PRODUCTS	DRAKA COMTEQ CABLE SOLUTIONS, EMEA
LOW-VOLTAGE CABLE	DRAKA COMTEQ CABLE SOLUTIONS, AMERICAS
MARINE, OIL & GAS	DRAKA COMTEQ CABLE SOLUTIONS, ASIA/PACIFIC
MOBILE NETWORK CABLE	DRAKA COMTEQ OPTICAL FIBER
RUBBER CABLE	
TRANSPORT	

Operating in 30 countries
Worldwide the Draka companies have some 9,550 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
- SLOVAK REPUBLIC
- SPAIN
- SULTANATE OF OMAN
- SWEDEN
- THAILAND
- TURKEY
- UNITED KINGDOM
- UNITED STATES

Company profile in brief

Draka Holding N.V. is engaged worldwide in the development, production and sale of cable and cablesystems. Draka has subdivided its activities into two groups: Draka Cableteq, which is responsible for the low-voltage and special-purpose cable activities, and Draka Comteq, which handles the communication cable activities.

Draka Cableteq

Divisions	Market position	Competitors	Clients
Elevator Products	Market leader in lift cable in North America Strong position in Europe In development in Asia	Daetwyler (Switzerland) Gebauer & Griller (Austria) Sumitomo (Japan)	Lift producers, such as Otis (USA) and ThyssenKrupp (Germany)
Low-Voltage Cable	Top three position in Europe Limited position outside Europe, focusing on market niches	General Cable (USA) Nexans (France) Prysmian (Italy)	Construction and installation companies Technical wholesalers such as Sonepar (France), Rexel (France), and Hagemeyer (Netherlands)
Marine, Oil & Gas	Strong position in north-western Europe Prominent position in North America and the Far East	LS Cable (South Korea) Nexans (France) Prysmian (Italy)	Oil and gas industry Technical installation companies Shipyards
Mobile Network Cable	Global third-ranking position	CommScope (USA), RFS (part of Alcatel, Germany)	Suppliers and operators of mobile telecommunication networks
Rubber Cable	Top 2 position in Europe Global market leader in cable for wind turbines	Nexans (France) Prysmian (Italy)	Technical wholesalers such as Hagemeyer (Netherlands), Rexel (France) and Sonepar (France) Industrial companies active in mining and the wind turbine and solar power markets
Transport	World no. 1 independent supplier of advanced automotive cables; key position in standard cable Important supplier of Airbus	Coficab (Tunisia) Coleman (USA) Leoni (Germany) Nexans (France) Sumitomo (Japan)	System suppliers, such as Delphi (USA), Yazaki (Japan) and Lear (USA) Labinal (France) for aircraft cable

Draka Comteq

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)	Wholesalers, distributors, OEM and system providers
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 communications applications

Sustainable and profitable growth

To our shareholders and other stakeholders,

2007 was a highly successful year for Draka. Benefiting from the favourable market conditions, Draka recorded growth in all parts of the business, in line with its strategic objectives. The operating results showed a significant improvement, Draka's innovative strength enabled it to increase its share in most market segments, the cost base was further reduced and we acquired full ownership of Draka Comteq. We can therefore look back on 2007 with great satisfaction, and the Board of Management thanks everyone for their contribution to Draka's strong performance.

Although we may justifiably derive satisfaction from these results, we shall continue to invest in safeguarding Draka's leading position in the future. First and foremost, we shall be investing in our people. The plan developed by Draka in 2007 to intensify our internal training and education programmes, known as the 'Draka Academy' project, aims to enable employees to achieve work-related personal and career goals. This project, which will be rolled out in 2008, is designed to help Draka retain and recruit sufficient numbers of professionals who are motivated to work for the further growth of the business.

We shall also continue to invest in innovation. Draka invests a substantial part of its annual revenues in research and development, focused mainly on application engineering and improving materials and production processes. As a consequence, Draka's products are generally 'state of the art', which gives us a competitive edge in many markets. Supported by increased sales and marketing effort, Draka aims to set the standard in each market segment with its products and services.

Draka will continue to seek new market opportunities. Consistent with our strategy, we shall look for opportunities mainly in the special-purpose cable segments and emerging markets. As announced in 2007, we are currently investing some € 17 million in further expansion of our wind-turbine cable production capacity, to meet the strongly rising demand in this growth market. To extend our position as world market leader in this field, we recently decided to move into medium-voltage submarine cable, used amongst others for power connection between the windmills in offshore wind farms. These are just a few examples of our investments, reflecting the entrepreneurial spirit that has always been characteristic of Draka.

This combination of people, innovation and entrepreneurship is unique to Draka and is key to our success. In recent years, this has translated into organic growth faster than the market average. We are confident that, strengthened by the initiatives we have taken in several areas as outlined above, Draka will continue to achieve sustained organic growth in the future.

As well as organic growth, acquisitions will also play a part in raising our performance. Draka has a proven track record in this field and we shall continue to make acquisitions in the future, consistent with our strategy. The acquisition at the end of 2007 of the remaining 49.9% interest in Draka Comteq B.V. was such a strategically important step. Draka now owns 100% of Draka Comteq and is in a position to further improve the efficiency of its operations.

In the light of the constant shifts in the market, which Draka continues to anticipate, and after having achieved sole ownership of Draka Comteq, we have made certain changes to the Company's organisational structure. As from 2008, the organisation is divided into three Groups – Energy & Infrastructure, Industry & Specialty and Communications – which are in turn split into various divisions. Apart from the transfer of certain activities, the divisions have remained unchanged (see organisational chart on page 10). The allocation of activities to the three Groups is based on the business model needed to provide optimum service to the customer in each market segment. Accordingly, we expect this new organisational structure to generate additional growth in the future.

Given our performance in 2007 and the market opportunities available to Draka, we look to the future with enthusiasm. That is why we have chosen 'Going for growth' as the theme of this annual report. The substantial investments we are making in people, innovation and capacity are evidence of our faith in the future. This, combined with Draka's solid foundations, innovative strength and motivated workforce, inspires our confidence that Draka is moving into a period of sustained and profitable growth.

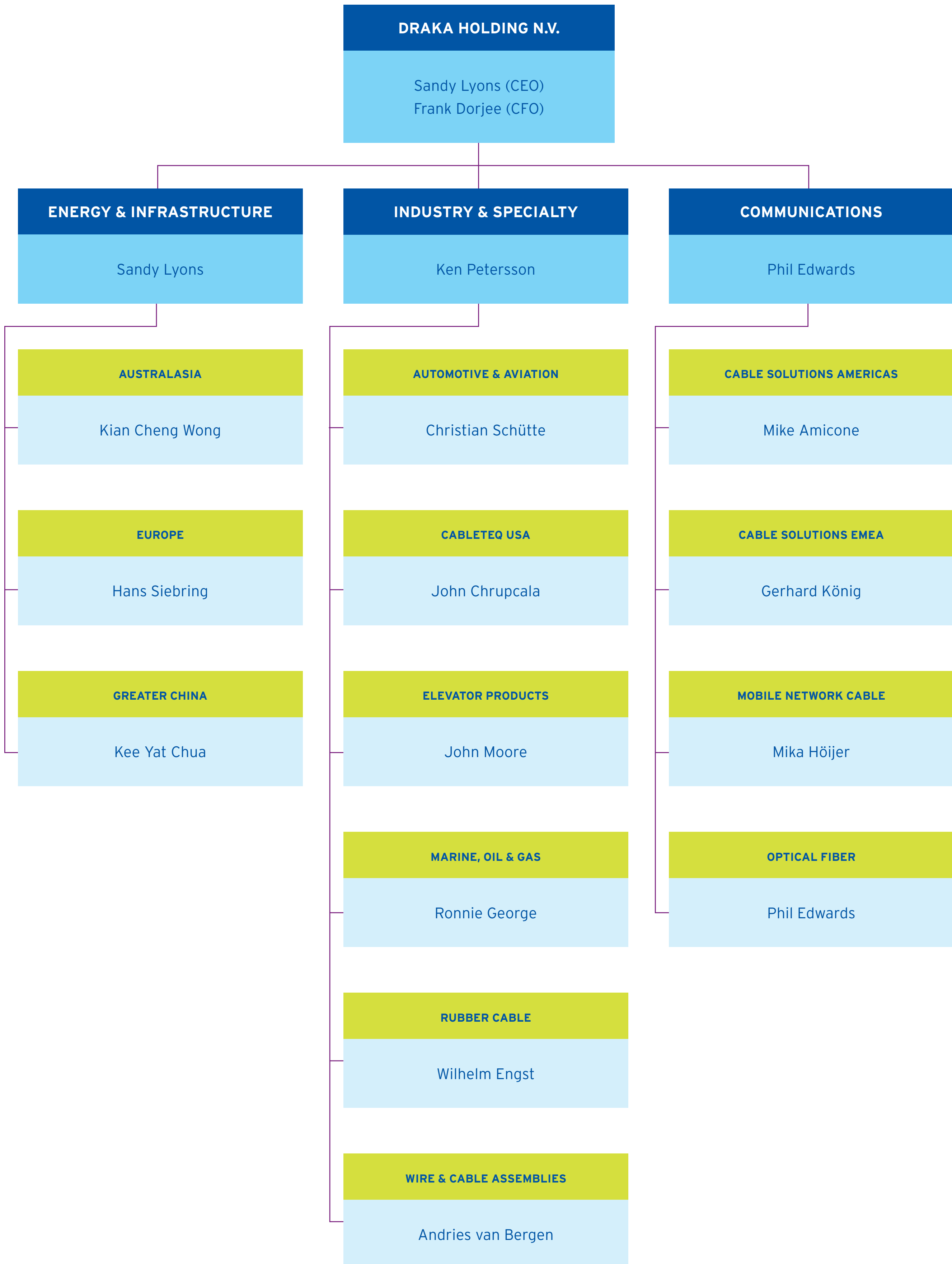
Board of Management,

Sandy Lyons
Frank Dorjee

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

Organisational chart

Draka's new organisational structure as from 1 January 2008



2007 in brief

Draka continued to pursue its strategic objectives in 2007: its profitability improved sharply, its position in both special-purpose cables and emerging markets was further strengthened and it acquired full ownership of Draka Comteq.

Market share continued to increase, as Draka's volume growth (6.1%) outpaced world market growth (4%).

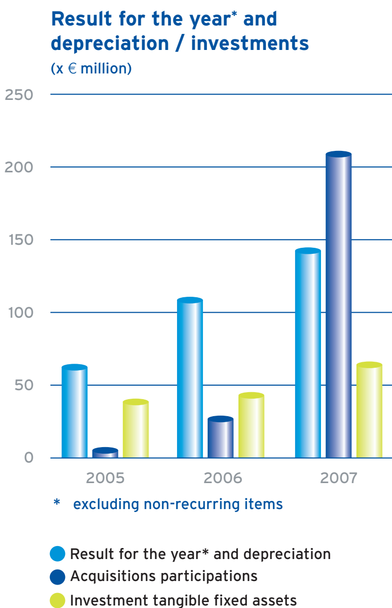
Operating result (excluding non-recurring items) increased 61% to € 145.7 million, driven by volume growth, acquisitions, cost savings and efficiency improvements. Draka Cableteq posted a 48% improvement and Draka Comteq's result more than doubled.

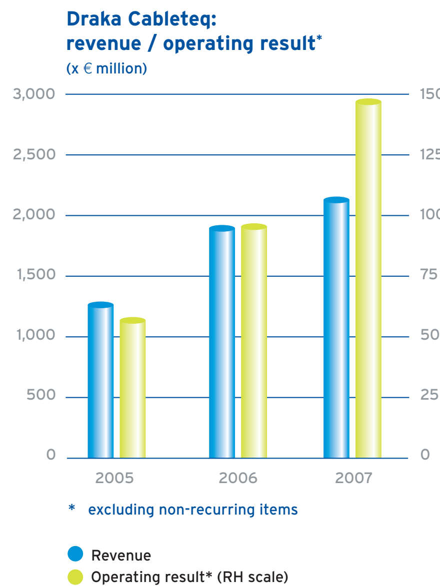
Result for the year attributable to shareholders was up 105% to € 93.0 million; basic earnings per share rose 99% to € 2.46 (both excluding non-recurring items). The proposed dividend is € 0.68 per ordinary share (+84%), payable entirely in cash.

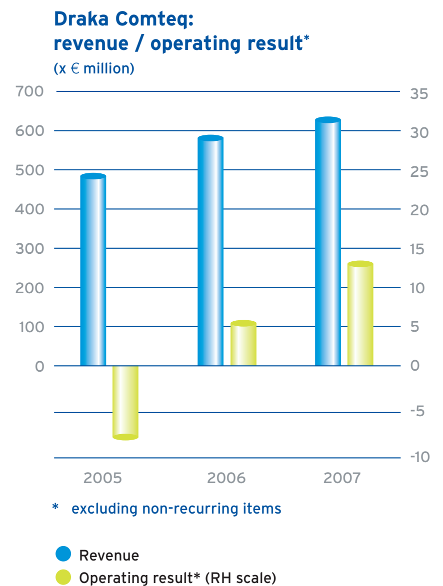
Operating working capital slightly lower at 16.1% of revenue (2006: 16.6%); stock and debtor positions as a percentage of revenue were again lower.

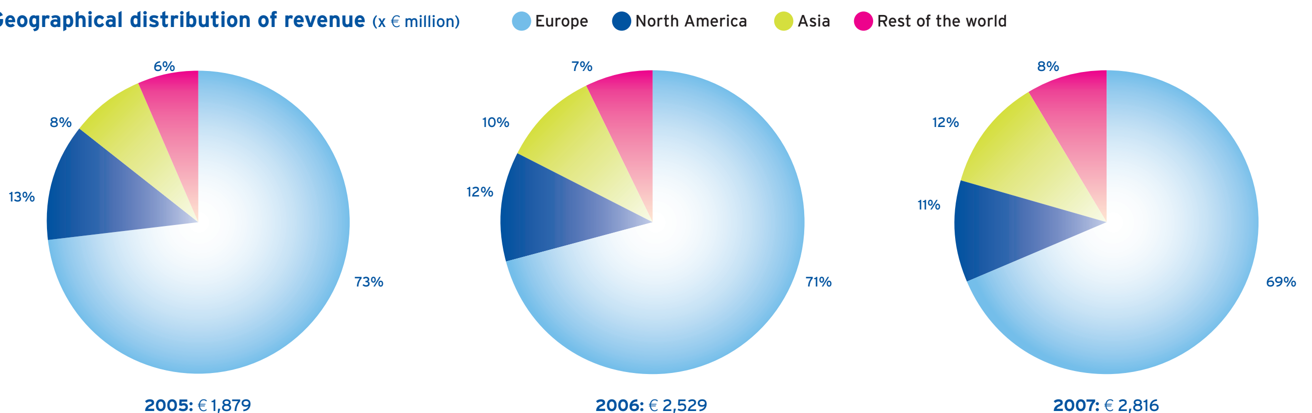
Draka acquired full ownership of Draka Comteq in exchange for a cash payment of € 209 million to Alcatel-Lucent as at 27 December 2007. Draka expects this transaction, including the additional cost savings that are expected to accrue and after financing costs, to have a limited positive effect on earnings per share in 2008.

A new € 625 million credit facility was secured which will cover Draka's financing requirements until 2013.









Key figures

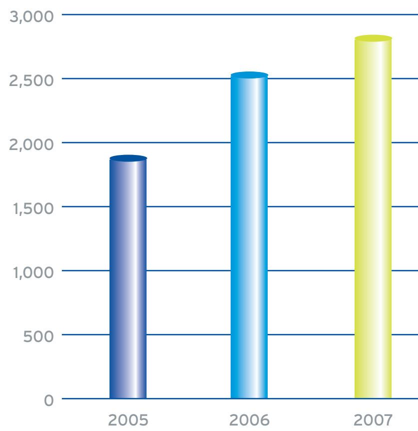
	2007	2006
RESULTS (x € million)		
Revenue	2,816.2	2,529.4
EBITDA (excluding non-recurring items)	198.2	145.3
EBITDA	198.2	112.4
Operating result (excluding non-recurring items)	145.7	90.6
Operating result	145.7	57.7
Result before income tax (excluding non-recurring items)	115.6	64.9
Result before income tax	115.6	32.0
Result for the year (excluding non-recurring items)	93.0	45.4
Result for the year	93.0	21.8
BALANCE SHEET (x € million)		
Shareholders' equity	414.8	426.9
Guarantee capital [1]	537.5	619.5
Total assets	1,752.5	1,745.0
Current assets -/- non-interest bearing current liabilities	343.6	279.7
INVESTMENTS, AMORTISATION, DEPRECIATION AND IMPAIRMENT (x € million)		
Investments in intangible assets	7.3	4.9
Investments in property, plant and equipment	64.2	45.6
Amortisation, depreciation and impairment	52.5	61.0
Investments in subsidiaries and equity accounted investees	209.8	30.0
Result for the year (excluding non-recurring items) + amortisation, depreciation and impairment	145.5	106.4
PERSONNEL		
Number of employees at year-end	9,547	9,145
RATIOS (in %)		
Operating result (excluding non-recurring items) / Revenue	5.2	3.6
Operating result / Revenue	5.2	2.3
ROTA excluding non-recurring items [2]	6.6	3.8
ROTA [2]	6.6	1.9
Guarantee capital [1] / Total assets	30.7	35.5
PER ORDINARY SHARE (x € 1)		
Shareholders' equity (excluding preference shares)	9.51	9.85
Result for the year after dividend on preference shares		
(excluding non-recurring items) + amortisation, depreciation and impairment	3.94	2.95
Result for the year after dividend on preference shares		
(excluding non-recurring items)	2.46	1.24
Result for the year after dividend on preference shares	2.46	0.57
Result for the year (fully diluted) [3]	2.19	0.57
Proposed dividend	0.68	0.37

[1] Shareholders' equity, provision for deferred taxation and long-term part of convertible subordinated bond and other subordinated loans

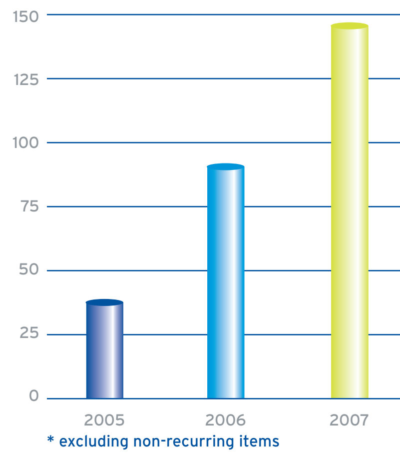
[2] Result before income tax / Average total assets

[3] The calculation takes into account the interest charge on the convertible subordinated bond

Revenue (x € million)

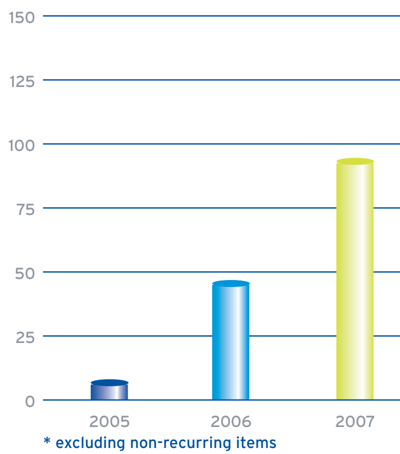


Operating result (x € million)*



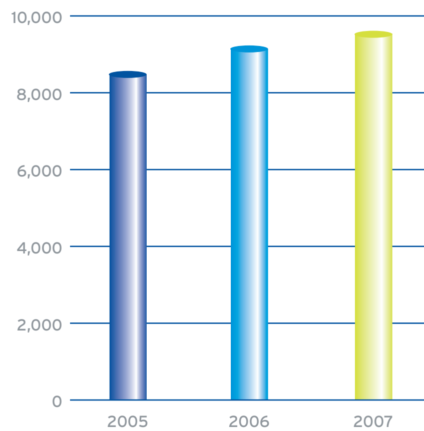
* excluding non-recurring items

Result for the year (x € million)*

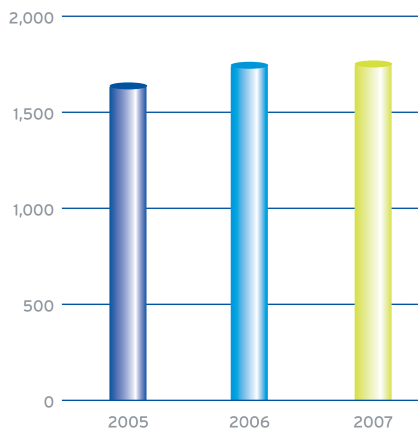


* excluding non-recurring items

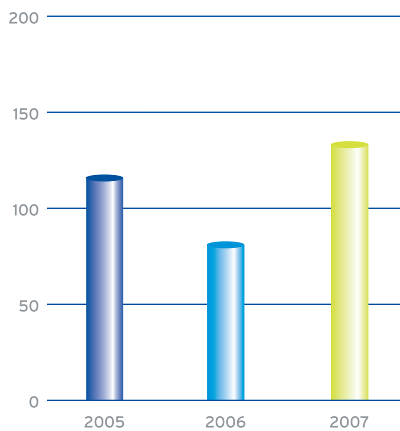
Number of employees at year-end



Total assets (x € million)



Net gearing (%)



Report of the Board of Management

Strategy

Draka's management continued in 2007 to implement its strategic goals and objectives defined in the Company's strategic plan 'Building Future Growth', which was launched in 2005. This aspect is discussed in greater detail in the 'Developments at Draka' section of the report of the Board of Management. In line with this, Draka strengthened its position significantly in 2007, in terms of market position, financial position and profitability.

Draka's strategy centers around four cornerstones.

Growth

In a consolidating world, with both cable suppliers and cable customers growing ever larger, the cable industry itself must stay alert. The industry has to continue to strive for scale and growth if it is to remain viable in the long term, and that includes Draka.

Draka seeks to widen the range of products and services it offers its customers by expanding its core activities while promoting recognition of the Draka brand around the world. Draka is focusing on growing its activities in the special-purpose cable segment and in specific geographical regions, both organically and through targeted acquisitions, because these markets are expected to exhibit above-average growth in the coming years.

The key to achieve organic growth is to place the customer's wishes first. Draka seeks to respond to those wishes while setting itself apart from the competition. This requires a culture predicated upon 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 of achieving continued organic growth in the future.

As well as organic growth, Draka will also 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 it needs to pursue its acquisition strategy more actively. As well as strengthening Draka's market position in its core activities, making a contribution to Draka's result in the first year of consolidation will also be a criterion that potential acquisition candidates will have to meet.

Draka's medium-term objective is to increase the proportion of revenues generated by the special-purpose cable segment and emerging markets from about 47% to around 60% of total revenues.

Entrepreneurship

Draka has an organisational structure whereby policies, guidelines and procedures are developed and determined centrally and the appropriate execution takes place on a local level. This requires employees with strong enterprising spirit in order to achieve profitable growth. That has traditionally been one of the strengths that distinguish Draka from its competitors in the cable industry. This aspect is always taken into account in the selection, development and advancement of employees.

Research & Development

Draka invests a substantial part of its annual revenue in research and development (R&D) in the fields of materials, cables and systems. This creates the basis for innovation. The Company's scale provides a sound basis for maintaining and, in consultation with clients, expanding the leading position in the fields of R&D and application engineering. The drive for further progress in development of materials will be encouraged, by exchanging knowledge within and between the divisions.

Optimisation

Draka regards the optimisation of its organisation as a continual process. Cost leadership in the different market segments is 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. The disposal of non-core activities fits this orientation. In principle, the costs involved in optimising the organisation should be covered by the disposal of non-core activities and/or by additional incoming cash flows generated by each Group.

Financial objectives

The strategic approach described above is aimed at increasing Draka's profitability, generating an optimum free cash flow (definition: 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 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 around 5% of revenues.

Other important financial objectives for the medium term:

- Regular maintenance and replacement investments in intangible assets and property, plant and equipment will equal amortisation and depreciation. In line with Draka's strategic principles, investments in growth markets (special-purpose cable segment and emerging markets) can take place resulting in a total investment level which exceeds the depreciation level in a particular year.

- Healthy interest coverage, implying an EBITDA/interest ≥ 4.5 (2007: 4.3).

- Stabilisation of the operating working capital (definition: stocks plus trade debtors minus trade creditors) at 16–18% of revenues (2007: 16.1%).

SWOT analysis

Strengths
- Entrepreneurship at local level
- Diverse and extensive customer base
- Good position in special-purpose cables
- Distinctive product quality
- Cost leadership in several market segments
- Customer focus
- Committed 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 highly fragmented markets
- Strong market growth in emerging countries
- Good growth potential in special-purpose cable segment
- Potential for further efficiency improvements in both production and sales channels

Threats
- Raw material shortages (copper and polymers)
- Rising prices of acquisition candidates
- Downturn in economic activity
- Consolidation among suppliers, customers and competitors

Business developments in 2007

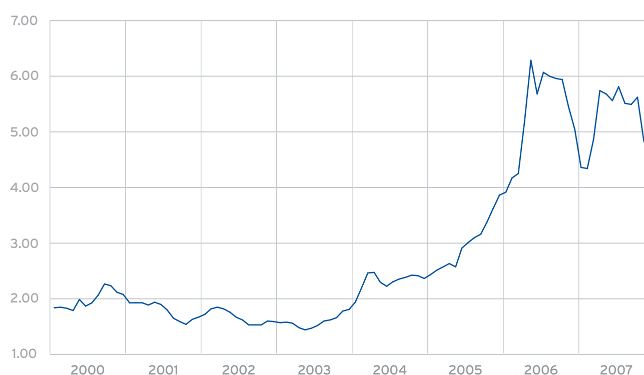
Market trends
Growth in global demand for cable amounted to around 4% in 2007, compared with 4.2% in 2006 (based on constant exchange rates and copper prices). This represents very healthy growth, above the medium-term average of some 2-3%. Growth was stronger in the first half of the year (4-5%) than the second (around 3%), due to weakening economic growth in North America in particular during 2007.

Emerging markets such as Eastern Europe, the Far East, India and Latin America remain the driving force behind worldwide demand for cable. The growth rate in these markets last year was 6–8%, depending on the market. Demand in North America fell a further 4%, after declining by 3% in 2006, while the West European market showed growth of 3-4%, compared with 5% in 2006. This slower growth must be seen in the context of pent-up demand in 2006 after a very weak 2005 (down 3%).

At the product level, virtual all segments contributed to the growth in the cable market. The trend in the energy cable segment remained positive, with demand for medium and high voltage cable particularly strong, at around 6% (note: Draka is not active in high-voltage cable). The growth in the low-voltage cable segment slowed to around 3% compared with 4% in 2006, due primarily to the downturn in the US housing market. In contrast, the special-purpose cable market again showed healthy growth of around 4%. Within the communication cable segment, the fastest growth was again in optical fiber telecommunication cable (13%), with demand for copper telecommunication cable declining again for the fourth year in a row. Demand for data communication cable (copper and optical fiber) grew around 4-5%.

After the sharp rises since 2004, metal prices (copper and aluminium) stabilised in 2007. The copper price was particularly volatile, rising rapidly in March and April and then remaining high until November, when it fell 20%. The average copper price (in euros) in 2007 was down 2.4%. The aluminium price fell slightly further, down around 5%. Polymer prices rose 5–10%. With raw material prices remaining relatively stable, pressure on margins in the cable industry was limited last year.

Copper price development (euros) over the period 2000-2007



Developments at Draka

- 2007 was a year of growth for Draka. As well as investing in the personal development of its staff and growth in capacity (of both people and machines), Draka again invested in its organisational structure. The divisional structure introduced in 2005 was further refined in 2007. This resulted in more effective sales and marketing organisations, streamlined production facilities and improved cooperation (both within and between divisions), creating a more efficient organisation and, in many cases, gains in market share and further improvement in operating profit. Thanks to the good progress Draka has achieved in the past two and a half years, it has met all the strategic targets for 2007 that were set in the 'Building Future Growth' strategic plan published in 2005.

- Draka further expanded its position in the special-purpose cable activities and emerging markets to some 47% of revenues (2006: 43%). This strengthening of its position in these markets, which is one of Draka's strategic objectives, was achieved by organic growth and a full year's contribution by acquisitions made in 2006. Draka again expanded its activities in the special-purpose cable segment. The Elevator Products division formed with Nantong Zhongyao Mechanic Electric Co, Ltd a second jointly owned company in China and acquired DeBiase Lift Components s.r.l. in Italy. This will strengthen Draka's leading position as a global supplier of total solutions for the global lift industry. Draka also launched a special expansion project investing € 17 million in the Rubber Cable division, to increase capacity for cable for wind turbines. This investment project is scheduled for completion in 2008.

Driving organic growth: Extended Factory Model cuts costs and streamlines procurement

"It's a win-win situation for us and the customer"

Bill of material savings of 10 per cent in the first year and 5 per cent year on year afterwards. That's the proposition Draka Elevator Products offers its customers. "It's a win-win situation", says Chief Operating Officer Sterrett Lloyd. "For us it's a growth opportunity and for our customers it's a source of both significant savings and process improvement."

"Back in late 2003 when we introduced our Extended Factory Model, we recognised the need of elevator manufacturers to cut costs and increase efficiency. At that time we saw many customers were working with multiple vendors for all kinds of mechanical and electrical components. And in some cases they were even producing those components in their own plants. We saw there was tremendous scope for cost savings and process improvement, so we offered to take over that workload and provide the customer with a professional single-source solution", Sterrett Lloyd explains.

Leveraging purchasing volume

Through the Extended Factory Model, Draka Elevator Products is able to leverage its purchasing volume and secure immediate savings on sourcing of parts and materials. But that's not the only way in which costs are reduced. "Taking that work out of customers' factories provides additional savings which are just as important. They have numerous internal staff and departments and external partners, all involved in the procurement process but not adding direct, productive value. This dispersion of effort not only prevents savings by rationalisation, it's also a barrier to streamlined purchasing and an optimised, integrated supply chain. Not only that, it greatly increases the complexity of logistics and distribution in making sure the right parts and materials are available exactly where and when they're needed."

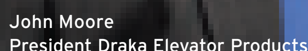
Improvement opportunity

To maximise the improvement opportunity, Draka Elevator Products' approach is first to thoroughly analyse the customer's procurement and logistics processes, from ordering right through to delivery to the line. That includes the nature of the current supply chain, exact details of all the parts involved, and any required further processing. With that knowledge, the most cost-effective solution can then be found for each part of the process.

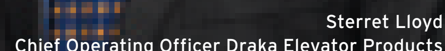
Proven strengths in kitting

"Since we first rolled out our Extended Factory Model, we're supplying around 80 per cent of the customer's total bill of materials, from over 15,000 different part numbers we have available. That gives a good indication of the workload we've offloaded from the customer, which translates directly into lower indirect

- Another special investment project for the Rubber Cable division was approved at the end of December 2007. This investment in production capacity for submarine cable (medium voltage) is designed to maintain and extend Draka's leading position in cable for new forms of energy, such as wind power. Applications for this cable include amongst others the power connection between the windmills in offshore wind farms and the power connection between offshore oil platforms. Around € 17 million will be invested in production capacity for this cable at the existing plant in Drammen (Norway), of which about € 8 million will be invested in 2008 and the remainder in 2009. This project will strengthen the Rubber Cable division's position in special-purpose cable, consistent with Draka's strategic principles.
- Draka seeks constantly to further optimise the organisation, in line with its strategic goals. August 2005 saw the launch of the Stop, Swap & Share (or 'Triple S') project, an ongoing process designed to make the organisation more efficient. The project generated cost savings of some € 8 million in 2007, of which Draka Cableteq accounted for € 3 million and Draka Comteq for € 5 million. Additional synergy gains of around € 4 million were also realised.



John Moore
President Draka Elevator Products



Sterret Lloyd
Chief Operating Officer Draka Elevator Products

headcount, drastically reduced inventory levels and savings in working capital. Many of those items are simple components like nuts, bolts ands clips. But others are complex and customised, and require extra handling before they are ready for use. For example cut-to-length, harnessing, adding connectors, and putting together panels, subassemblies and sheet metal parts. With our proven strengths in kitting – or customised parts packaging – together with order consolidation and global logistics and distribution, we offer an efficient package that gets parts to where they're needed at minimum cost."
The biggest benefit for customers is that they can focus on their core, value-added activities, Sterrett Lloyd emphasises. "Kitting can be a nightmare for customers because it's a complex and time-consuming process. It's also a distraction from the core task of delivering state-of-the-art vertical transport solutions. At Draka Elevator Products we use our expertise to provide an effective, packaged solution with guaranteed cost savings and a global distribution reach. As far as the customer is concerned, that's a very strong proposition!"

"Just like a cell in the customer's factory"

"Providing an integrated IT solution is an essential part of Draka Elevator Products' offer to OEMs. From order right through to delivery, each part can be traced at every stage of the process. That's the key to an efficient supply chain that can be operated at minimum cost and effort. In the kitting process each component is scanned before crating into complete sets for specific elevators. Full track & trace means the customer can check the status of each component at any time. We work seamlessly as part of the customer's own process, just as though we're a cell in his own factory."

JOHN MOORE, PRESIDENT DRAKA ELEVATOR PRODUCTS

- Draka's results continued to improve in 2007 at the rapid pace achieved in the two previous years. Revenues rose 11.3% in the past financial year, the combined effect of volume growth (6.1%) and acquisitions (5.5%). Volume growth was slightly lower than in 2006 (7.1%), but well ahead of growth in the global cable market (4%). The operating result was 60.8% higher at € 145.7 million, reflecting sustained and healthy volume growth, the effects of several cost-reduction programmes and a further improvement in the product mix. Result for the year attributable to shareholders excluding non-recurring items was € 93.0 million (2006: € 45.4 million).
- Operating working capital as a percentage of revenues decreased slightly to 16.1%, compared with 16.6% as at year-end 2006. This good performance was realised despite the shorter payment terms agreed by Draka with its suppliers at the end of 2006. The resultant increase in operating working capital was fully compensated by a decrease in the number of days' stock held and decline in days of sales outstanding (debtors). The target of stabilising the operating working capital ratio at 18–20% was therefore exceeded in 2007. Investments in intangible assets and property, plant and equipment amounted to € 71.5 million, higher than the projections for maintenance investments

(approximately € 55 million) including the special investment project for the Rubber Cable division (€ 8 million). Free cash flow, excluding acquisitions, amounted to € 17.7 million (€ 0.50 per ordinary share) in 2007, compared with € 43.1 million in 2006. This decline was mainly due to the increase in working capital and higher investments.

- On 18 December, Draka announced that it was acquiring Alcatel-Lucent's 49.9% interest in Draka Comteq B.V. ('Draka Comteq') for a total cash payment of € 209 million. The transaction, which was finalised on 27 December, gives Draka full ownership of Draka Comteq. As a wholly owned Draka subsidiary, Draka Comteq will continue with undiminished vigour to pursue its strategy, including the Triple S programme launched in 2006. Draka expects the integration of the two head offices to yield additional cost savings of around € 3 million a year from 2008 onwards. Apart from the equity movement, acquiring full ownership has had no material effect on Draka's consolidation, because Draka has had a controlling interest in the jointly owned company since its formation (1 July 2004) and its results have been included in full in Draka's consolidated financial statements since that time.

- Late in 2007, Draka arranged a new credit facility of € 625 million in various currencies with a syndicate of five relationship banks. This revolving credit facility has an initial term of five years, with an option to extend it for one year.

- As part of the Company's continuing optimisation, Draka Comteq announced a Triple S programme in June 2006 for the restructuring of its Cable Solutions EMEA division. The annual cost savings are expected to amount to about € 12 million and will be fully achieved in 2008. The first savings of € 5 million were achieved in 2007 and the remaining savings are expected to amount to around € 7 million.

Financial results

Revenue

Draka's revenue in 2007 amounted to € 2,816.2 million, an increase of 11.3% compared with 2006. Acquisitions accounted for 5.5 percentage points of this revenue growth. These were mainly acquisitions made in 2006 which contributed a full year's results in 2007, namely the insulated cable activities of International Wire Group, Inc. (USA) and Cornelia Thies Kabeltechnik GmbH (Germany). The takeover of Nantong Zhongyao Mechanic Electric Co, Ltd (China) also contributed in 2007. The acquisition in Italy, DeBiase Lift Components s.r.l., will be included in the consolidation as from the 2008 financial year.

The organic growth in revenue amounted to 5.8%, of which volume growth accounted for 6.1 percentage points. The copper price, although slightly lower, had a small positive effect (1.1%) on revenue, due to the time-lag in reflecting the copper price in selling prices. The exchange rate effect was 1.4% negative, mainly due to the weaker dollar against the euro.

Revenue per Group (x € million)	2007	2006
Draka Cableteq	2,180.0	1,936.2
Draka Comteq	636.2	593.2
Total	**2,816.2**	**2,529.4**

Draka Cableteq achieved revenue growth of 12.6% to € 2,180.0 million in 2007, including the effects of the acquisitions referred to above, all of which related to Draka Cableteq. The organic growth in revenue, i.e. growth corrected for acquisition effects, amounted to 5.4%. All divisions contributed to the growth.

At Draka Comteq, revenue increased by 7.2% to € 636.2 million. This growth was entirely organic. All divisions achieved volume growth.

Operating result

The operating result in 2007 was € 145.7 million, an increase of 152.5% compared with 2006 (€ 57.7 million, including non-recurring items). There were no non-recurring items in 2007, but there was a non-recurring charge of € 32.9 million in 2006, relating mainly to a provision for the Triple S project at Draka Comteq.

On a similar basis, excluding non-recurring items, the operating result increased by 60.8% to € 145.7 million, compared with € 90.6 million in 2006. The operating margin – the operating result expressed as a percentage of revenue – was 5.2%, a substantial increase on the 3.6% figure in 2006. Contributory factors were volume growth, resulting in better capacity utilisation at Draka's factories, an improved product mix and gains from efficiency and Triple S programmes.

At 5.2%, the operating margin was slightly ahead of the target for 2007 of 5% set in the September 2005 update of the 'Building Future Growth' strategic plan.

Operating result per Group (x € million)	2007	2006
Draka Cableteq	147.3	99.6
Draka Comteq	13.1	5.5
Not attributed	(14.7)	(14.5)
Total operating result (excluding non-recurring items)	**145.7**	**90.6**
Draka Cableteq	-	(6.1)
Draka Comteq	-	(26.8)
Not attributed	-	-
Total non-recurring items	**-**	**(32.9)**
Operating result	**145.7**	**57.7**
Operating margin (excluding non-recurring items)	**5.2%**	**3.6%**

- Draka Cableteq's operating result rose 47.9% to € 147.3 million. Most of the improvement was due to volume growth, but the higher proportion of revenues from the special-purpose cable activities which generate above average margins also boosted

profitability. Cost savings contributed around € 3 million to the result. The volatile raw material prices (copper and polymers) had no adverse effect on the margins.

- Draka Comteq's operating result was € 13.1 million, more than double the 2006 figure (€ 5.5 million). The improvement was due to cost savings of some € 5 million yielded by the Triple S programme and sound volume growth. The result was depressed, however, by the sustained pressure on selling prices and the adverse effect on the European optical fiber activities of the dollar's weakness against the euro.
- The result not allocated to groups, such as the costs of the holding company and other unattributable expenses, remained stable at € 14.7 million negative, compared with € 14.5 million negative in 2006.

Other financial items

Net finance expense (excluding non-recurring items) amounted to € 45.6 million, slightly higher compared with 2006 (€ 43.2 million). Although total costs were slightly higher than 2006, their composition was different. Financial charges were some 20% higher due to the increase in average net interest-bearing debt and one-off costs relating to the new credit facility. As a result of the reclassification in 2006, the preference dividend was not included in financing charges in 2007, which reduced the financing charges by € 4 million.

Taxation amounted to € 21.6 million and the tax burden increased to 21.6% from 18.1% in 2006, reflecting Draka's improved profitability. In 2007 Draka and the Dutch tax authorities came to an agreement on open items related to the fiscal years 2003 and 2004. As a result the tax burden benefitted from a net tax gain of € 7.7 million. The share of profit of equity accounted investees almost doubled to € 15.5 million (2006: € 8.2 million), mainly due to improved performance by associates in Oman (OCI) and China (YOFC).

Other items and result for the year (x € million)	2007	2006[1]
Operating result	145.7	57.7
Non-recurring items	-	(32.9)
Operating result (excluding non-recurring items)	**145.7**	**90.6**
Net finance expense	(45.6)	(43.2)
Result before income tax	**100.1**	**47.4**
Income tax expense	(21.6)	(8.6)
Share of profit of equity accounted investees	15.5	8.2
Result for the year	94.0	47.0
Minority interests	(1.0)	(1.6)
Result for the year attributable to shareholders	**93.0**	**45.4**
Preference dividend	**5.4**	**1.4**
Basic earnings per share (in euros)	**2.46**	**1.24**

[1] Excluding non-recurring items

Result for the year

Draka's result for the year attributable to shareholders turned out at € 93.0 million, more than four times the 2006 figure (€ 21.8 million). Excluding non-recurring charges, the increase amounted to 104.8% to € 93.0 million (2006: € 45.4 million).

Basic earnings per share

After appropriation of preference dividend (€ 5.4 million), basic earnings per ordinary share amounted to € 2.46 (2006: € 0.57). Excluding non-recurring items, basic earnings per share amounted also to € 2.46 (2006: € 1.24). The number of ordinary shares in issue as at year-end 2007 increased by 3,603 to 35,571,009, due to the conversion of a small part of the convertible bond loan (see also 'Share information'). The average number of ordinary shares in issue was 35,563,467.

Dividend proposal

It is proposed that the dividend for 2007 be increased to € 0.68 per ordinary share, an increase of 83.8% compared with 2006 (€ 0.37). The dividend will be paid entirely in cash. The proposed dividend equates with a pay-out percentage of 30% of the result for the year attributable to shareholders (after preference dividend) excluding the exceptional tax gain.

Financial position

Cash flow

Cash flow from operating activities amounted to € 65.2 million for the year, a decrease of 18.4% compared with 2006 (€ 79.9 million). This equates to € 1.83 per share compared with € 2.25 per share in 2006. The lower cash flow can be attributed to the negative movement in operating working capital, which was partly offset by the improved profitability.

Operating working capital was € 34.0 million higher, compared with an increase of € 16.3 million in 2006. The increase was a consequence of the volume growth achieved in 2007. The shorter payment terms which Draka had agreed with its major raw-material suppliers for 2007 was compensated by a decrease in the number of days sales outstanding (debtors) and the number of days stock held. As a result, operating working capital as a percentage of revenue declined slightly to 16.1%, compared with 16.6% as at year-end 2006. The target of stabilising the operating working capital ratio at 18-20% was therefore exceeded in 2007.

Controlling and, where possible, further reducing the operating working capital continues to be one of Draka's core priorities, given the market conditions in which customers want to increase payment periods and suppliers are seeking to reduce payment periods.

Abridged cash flow statement (x € million)	2007	2006
Cash flow from operating activities	65.2	79.9
Cash flow from investing activities	(257.3)	(66.8)
Cash flow from financing activities	187.7	10.4
Net cash flow	**(4.4)**	**23.5**

Investments, acquisitions and disposals

Net investments in intangible assets, property, plant and equipment amounted to € 71.5 million, of which normal maintenance and replacement investments accounted for € 63.5 million. Major projects included new warehousing in the Czech Republic, a new PVC compounding mixer in the Netherlands (Emmen), additional medium-voltage cable capacity in Sweden (Nässjö), expansion of the optical fiber capacity in the USA (Claremont) and a capacity increase in copper data communication cable in Slovak Republic (Prešov).

The remainder (€ 8 million) related to a special investment project for the Rubber Cable division, designed to enable Draka to take full advantage of the attractive prospects for cable for new power sources such as windmills. It was planned to complete the project, with a total expenditure of around € 17 million, in 2007, but there have been several changes to technical specifications and delays in equipment deliveries and completion is now expected in the course of 2008. The rest of the expenditure (€ 9 million) will therefore be incurred in 2008.

As for acquisitions, Draka completed the purchase of Alcatel-Lucent's 49.9% interest in Draka Comteq in 2007 for € 209 million in cash. The transaction, which was finalised on 27 December, gives Draka full ownership of Draka Comteq. Draka paid € 0.8 million for Nantong Zhongyao Mechanic Electric Co, Ltd (China). The acquisition of DeBiase Lift Components s.r.l. in Italy was completed on 10 January 2008.

There were no disposals of material size in 2007.

Balance sheet position

The balance sheet total as at year-end 2007 amounted to € 1,752.5 million, an increase of 0.4% compared with year-end 2006. This was solely caused by a € 18.3 million increase in current assets (stocks and trade debtors) due to the volume growth.

Shareholders' equity

Shareholders' equity as at year-end 2007 amounted to € 414.8 million. The decrease of 2.8% compared with 2006 was mainly due to the combination of an equity adjustment (€ 77.1 million) resulting from the acquisition of the 49.9% interest in Draka Comteq, negative currency translation effects, dividend paid over 2006 and the addition of the result for the year 2007 attributable to shareholders.

Movements in shareholders' equity (x € million)	
Shareholders' equity as at year-end 2006	426.9
Currency translation effects	(13.1)
Changes in fair value	1.2
Result for the year 2007 attributable to shareholders	93.0
Effect of acquisition minority interest	(77.1)
Dividend paid	(14.6)
Other	(1.5)
Shareholders' equity as at year-end 2007	**414.8**

The solvency ratio (shareholders' equity as a percentage of balance sheet total) slightly decreased to 23.7% compared with 24.5% as at year-end 2006. The guarantee capital (consisting of shareholders' equity, the provision for deferred tax liabilities and the long-term portion of the subordinated loans) amounted to € 537.5 million or 30.7% of the total invested capital (year-end 2006: 35.5%).

Balance sheet summary (in %)	2007	2006
Intangible assets, property plant & equipment	36.5	36.0
Financial fixed assets	6.4	7.3
Deferred tax assets	2.6	3.0
Current assets	54.5	53.7
Total assets	**100.0**	**100.0**
Shareholders' equity	23.7	24.5
Minority interests	0.7	0.7
Provisions	6.7	8.6
Provision for deferred taxation	1.8	1.5
Long-term liabilities	30.1	22.7
Current liabilities	37.0	42.0
Total equity and liabilities	**100.0**	**100.0**

Interest-bearing liabilities

Net interest-bearing liabilities (including the subordinated convertible bond loan carried at nominal value) increased in 2007 to € 552.5 million compared with € 345.9 million in 2006. This increase relates solely to the acquisition of the remaining 49.9% interest in Draka Comteq for € 209 million, which was financed with borrowed capital. This increased net gearing (total net interest-bearing liabilities as a percentage of shareholders' equity) to 133.2% (2006: 81.0%).

At the end of December 2007, simultaneously with the Draka Comteq transaction, Draka arranged a new € 625 million multi currency revolving credit facility with a syndicate of five relationship banks, namely Rabobank, ING Wholesale Banking, ABN AMRO, Fortis Bank and NIBC. This new facility replaced the existing € 370 million credit facility arranged in October 2005 and the outstanding subordinated loan of € 77.5 million. This refinancing programme means that Draka's financing requirement is covered until 2013.

Information and Communication Technology

Work continued last year on refining and implementing the ICT strategy formulated in 2006 to support the business strategy by creating more synergy through regional or global partnerships.

The business support applications form an important part of this strategy. The long-term strategy is to base these on the SAP system. The Draka SAP template that has been developed is a fully operational SAP system in which the primary business processes are programmed. 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 been used as the basis for the Customer Care system that will be introduced at all Draka Comteq EMEA locations to support all sales and customer-related activities in Europe. The template was successfully

implemented by Draka Cableteq USA in 2007 and will be used as a starting-point for the planned introduction in Singapore, Malaysia and Thailand for Draka Cableteq Asia Pacific. The template approach has also been used to implement SAP rapidly and effectively at Cornelia Thies Kabeltechnik in Germany, which was acquired in 2006.

Closer cooperation between the Draka companies makes it essential to standardise the ICT infrastructure and provide opportunities for effective collaboration. Working closely with the ICT managers of the various Draka companies and Atos Origin, the chosen supplier, the standard base services have been defined that must be available at all companies, including the international communications network, e-mail and network security. After careful preparation, these services were successfully implemented on a trial basis in September 2007 at the Calais plant and at eight Draka Comteq EMEA sites in October and November. Roll-out to the rest of Draka – comprising over 68 locations – started at the end of 2007 and will take until mid-2008. Availability of a shared infrastructure will also enable Draka to take advantage of economies of scale through joint purchasing of software. Plans for further standardisation of the ICT infrastructure will be developed in 2008. At Draka's request, Atos Origin has also set up a shared SAP hosting service for the various SAP template systems. This will enable Draka in due course to consolidate its computer centres and reduce their number.

Draka continued in 2007 to work to strengthen governance of ICT by the Board of Management and divisional managers and improve the required ICT competencies. Each division has formulated an information plan which defines the ICT developments needed to support achievement of the division's objectives. The consolidated plan is a powerful aid to business and ICT managers in managing the ICT activities and ensuring optimum deployment of resources. An important element of the plan is a summary of the ERP consolidation process over the period 2007–2012, based on use of the Draka SAP template.

To define and develop specific ICT competencies, Draka has set up several competence centres, including an SAP competence centre and a project management competence centre. Good progress has been made in these areas and Draka-wide networks of practitioners are working actively to extend their knowledge and skills and share their experience. New, experienced staff have been recruited to fill various vacancies, with the emphasis on competencies designed to provide added value in achieving the corporate objectives.

Research & Development (R&D)

Ongoing innovation is a critical success factor for Draka. Only by constantly investigating and responding fast to the wishes and requirements of customers can Draka continue to build on its prominent market position. On a constant basis the company is exploring possibilities for further broadening and improving the services it offers. Draka moreover sees R&D as an important instrument for meeting the company's obligations to society. Draka spends a substantial 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 were directed largely towards achieving cost reductions for existing products and improving production processes. As material consumption are an important cost component in almost all Draka divisions, the search for potential cost reductions and substitution of environmentally critical materials in this field remains a continual focus of attention.

After reaching substantial cost savings, Draka focused in 2007 mainly on stimulating innovation by and between the different divisions. A special committee was formed for this purpose in 2006 and several working groups started the innovation journey. The principle here is that innovation must grow to become a mindset throughout the Draka organisation. The objectives are:

- To have a clear view on the future of the industry;
- To develop the skills and competencies to meet the future challenges;
- To create intelligent product platforms from which completely new product families are borne;
- To remain focused on product and service improvements.

In 2007 Draka has redefined the innovation focus on sensing external trends, and on increasing the company's internal capacity for sharing and acting upon insights generated within and across the divisions.

Sustainability

Draka is aware of its responsibility for the products and services it supplies and of the effects these can have on the community at large. The interests of all stakeholders need to be weighed and thus Draka is conscious not just of profits but of the environment and society as well.

Socially responsible entrepreneurship is not new at Draka but is deeply embedded within the organisation. In the environmental field Draka goes to particular lengths in reducing the use of materials and to recycle production waste. In the socio-economic field it provides training and education for the workforce. At the social level, Draka's products contribute, among other things, towards safety in the living environment (buildings), reduced use of fossil fuels and greater use of alternative energy sources.

Environment

An important aspect of Draka's policy is the commitment to minimise the environmental impact of its activities. The starting point for Draka's environmental policy is, of course, that all business activities must as a minimum comply with current legislation and regulations. The principle here is that its operating companies should not only comply with specific laws and regulations, but should also take a pro-active and preventive approach. Moreover, each production facility operates an improvement programme geared to its own specific situation. Draka encourages the

implementation of a structured environmental management system for all its operating companies. Most locations are now accredited under the international ISO 14001 standard, the international standard for environmental care systems.

The environmental impact of Draka's activities primarily relates to the consumption of raw materials (copper, aluminium and polymers) and the waste flows from production and discarded cable. As in previous years, Draka has continued to improve its performance in 2007. Waste flows have been reduced still further at most locations. Draka's approach is based on the one hand on optimising production processes by investing in process control systems and in education and training and other programmes at production locations. Improvements are suggested by the workforce and implemented by adopting best practices from other locations in pursuit of the objectives. On the other hand, Draka is working to extend the direct reuse of material flows during the production process and maximise recycling by segregating waste flows.

As well as optimising the use of materials, Draka is also developing and introducing processes which use less energy, such techniques that enable cross-linking of materials at ambient temperature instead of 75°C.

Safety

Further progress was made last year in the development and introduction of the fire-safety classification for cables for buildings under the European Construction Products Directive (CPD). Draka

Growth by optimisation: Focused factory leads to wider national product portfolios

"You have to understand your local market"

The switch from the former country management to a divisional model has had a big impact on business at Draka Low-Voltage Europe division. Specialization in the factories means each sales organization now has access to 13 factories, and as a result to a much wider range of products. "Now we can focus on meeting customers' needs, wherever they are located, instead of simply selling products from the local factory in each country", says the division's President Ken Petersson.

The move to focused factories brings a number of benefits to the division's business, as Ken Petersson explains. "First of all we save cost by avoiding duplication of resources and effort in several factories. And as well as that we can produce each product more effectively by concentrating it at a single, specialized location. But the real benefits come from the market itself. Instead of being limited to their own product portfolios, our sales people can offer their customers products from all 13 of our factories. That's a big advantage because it allows them to increase sales by broadening the market. The first results are astonishing. We've already seen a big increase in the bottom-line result since the new model was introduced, and I'm confident there's still more to come."

Company-wide product portfolio

Gaining those benefits is a matter of understanding the local market, and customers' needs and applications. Sales people need to make full use of the much larger company-wide product portfolio, and to serve customers in different industries. That demands higher skill levels, and to meet that need an intensified training programme has recently been started.

Another condition for implementing the divisional model was a transparent, standard transfer pricing model. "People are sourcing products from multiple factories to a much greater extent than in the past", Ken Petersson explains. "Before, there was always a lot of discussion and unclarity about transfer pricing, and that was an obstacle to building the business. Now people know exactly what the conditions are, and that makes it much easier to focus on the needs of the market, and on the customer. We've also put in place standardised logistics systems to ensure fast and efficient distribution from each factory to customers all over Europe."

Wholesalers are route to market

The route to the market in most countries is

is playing a leading role in defining the relevant testing and product standards, but wants to speed up the process and ensure that action is taken now to improve fire safety in buildings by using non-combustible low-smoke cables that do not give off corrosive gases in case of fire. Work has continued in the various European countries to increase knowledge and awareness of fire risks and cables among designers of installations, installers and government agencies. In the Netherlands, for example, a fire-safety knowledge centre has been set up where several hundred installers and consultants have already attended seminars.

In terms of both cable and production technology, Draka has a very strong base for making the switch to production of a new generation of low-smoke halogen-free (LSHF) cables, as proven in recent years in countries including Spain and the UK.

In addition to their impact on fire development, preserving the function of cables is increasingly important for improving fire safety in built-up environments. In a growing number of cases world-wide, continued functioning of fire extinguishing units, lifts, ventilation systems and alarm installations in the event of fire is being imposed as a requirement. Draka has the in-house knowledge to continually develop products for the various applications and conditions with the right level of function preservation.

Cooperation

Draka is fully aware of the fact that improved sustainability can

Ken Petersson
President Draka Low Voltage Europe

Hans Siebring
Vice-President Draka Low Voltage Europe

through the wholesalers, who in turn serve the actual users – the installers. Working closely together with the wholesalers to make life easier for the installers is key. "They want to save time wherever possible. One way we can help them to do that is by offering all the cable products they need from a single source. But we can also save them time on the job itself. For example with clear instructions and technical information, helping them to get easier solutions for each situation. And by making the products easier to use, with cables that are easier to strip or bend, or that move more quickly through tubes and ducts. Aspects like that enable us to differentiate our brand, and create a preference for our products in the wholesale channel", Ken Petersson concludes.

"Strengthened networking at all levels"

"The closer contacts within the organisation also create internal benefits which strengthen networking at all levels. All factories have more or less the same machinery, which promotes sharing of knowledge and ideas between engineers. Before, people were not really connecting with each other. But now, even though it's not formally structured, we've found they are much more willing to contact each other if they have any questions or problems. Exactly the same thing applies in other functions like procurement and sales. There's a willingness to help each other and share best practices in a wide range of areas. And that's a big benefit to effectiveness right across the company."

HANS SIEBRING, VICE-PRESIDENT DRAKA LOW VOLTAGE EUROPE

only be achieved through effective partnerships with all parties concerned. This is why Draka attaches considerable importance not only to intensive co-operation with its clients and suppliers, but also to the realisation of improved product and application standards and regulations. Draka makes a major contribution to the work of international standardisation committees such as Cenelec and IEC. In addition, Draka plays an active role in the associated national and sectoral activities.

Personnel and organisation

Draka maintains its leading position within 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. Draka's human resources strategy is to recruit new talent and develop, 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 2007 to improve the human resources systems and will continue to develop them in 2008.

Restructuring and optimisation

One of Draka's strategic principles is the continuing optimisation of the organisation. In order to realise this, Draka launched the Triple S project in 2005, which consists of:

1) **stopping** the production of cable products that do not enhance the product mix;
2) **swapping** cable production within the divisions, in order to achieve an optimally efficient product portfolio in focused factories;
3) **sharing** best practices within and among divisions in fields such as production, compounding, logistics and marketing.

This project resulted in 2007 in the reduction of around 245 jobs within Draka Comteq, in the Cable Solutions EMEA division. This phase of the Triple S project is scheduled for completion in 2008, resulting in the reduction of a further 25 jobs. These measures have already made a positive contribution to the operating result, bringing out a structural improvement of Draka's profitability.

All the activities relating to the programme have put pressure on the organisation and all the personnel worldwide, especially at Draka Comteq' Cable Solutions EMEA division. The Board of Management thanks all concerned for their input and for the way in which the measures have been implemented.

Number of employees

The average number of employees on a full-time equivalent basis in 2007 was 9,346, an increase of 6.7% compared with 2006. The increase was due to Draka's organic growth, which necessitated the recruitment of additional personnel, and the inclusion in the consolidation for a full year of the acquisitions made in the second half of 2006. This was partly offset by a decrease of around 125 in the average number of employees due to the Triple S project at Draka Comteq. The number of employees at year-end 2007 was 9,547, an increase of 4.4% compared with year-end 2006.

Long-term incentive plan

In 2007, Draka management was once again able to participate in the long-term incentive plan introduced in 2002. Participation in the plan means that a Draka manager (excluding members of the Board of Management, see Remuneration report on page 44) 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 52.

European Works Council

The Draka European Works Council is well established as a vital link between the Board of Management, the works councils and employees in the individual countries. Two meetings were held during 2007 in Newcastle (UK) and Amsterdam (Netherlands), when financial results and corporate objectives were discussed.

The Board of Management wishes to thank the European Works Council for its constructive attitude throughout the year 2007.

Ambitions for 2008

Draka will continue to create equal opportunities for its employees in 2008, in such areas as recruitment, career development, training and remuneration. All applicants will be measured against clear and transparent criteria. Draka will continue to invest in training and development to enable its employees to utilise their full potential. On the basis of a careful analysis of needs, a number of programmes will be developed in 2008 in conjunction with the Draka Academy, the purpose of which is to enable employees to achieve work-related personal and career goals.

Prospects and objectives for 2008

Prospects

There is considerable uncertainty at present as to how the global economy will develop in 2008. Compared with 2007, which was a strong year for the global economy, it appears that a slowdown is likely in 2008. This will certainly be the case in North America, which experienced some weakening of economic growth in the second half of 2007. The European economy is currently expected to grow at 1–2%. Economic conditions in emerging markets and Asia are expected to remain robust.

On the basis of these economic projections, global manufacturing output will increase slightly and the global cable market is expected to show modest volume growth in 2008. Current projections put this growth at 2–3%.

The prices of the cable industry's main raw materials (copper, aluminium and polymers) are expected to remain volatile in 2008.

Taking into consideration the above developments, as well as the cyclical nature of the cable industry, Draka is cautiously optimistic for 2008 as the company is well placed, in terms of both organisation and market position, to take full advantage of the opportunities that the market presents and looks to the future with confidence. In addition, Draka expects to make further progress in 2008 towards achievement of its other strategic objectives.

Objectives

In line with Draka's strategic focus, the following objectives have been formulated for 2008:

- Further reinforcement of the sales and marketing organisations, with the emphasis on the special-purpose cable activities, with the aim of stimulating organic growth.

- Continued investment in innovation, not confined solely to the introduction of new, innovative products, but aimed at the entire proposition Draka offers the client.

- Continuation of programmes aimed at greater focus at the production facilities.

- Successful completion of the Triple S project at Draka Comteq, which is expected to yield to annual cost savings of some € 12 million in 2008, € 7 million more than in 2007. Draka also expects to make additional cost savings of around € 3 million a year from the integration of the two head offices.

- Keeping the operating working capital ratio within a bandwidth of 16–18% of revenue.

- Achieving an optimum free cash flow. Regular investments in intangible assets, property, plant and equipment are expected to turn out at around € 55 million, in line with depreciation. The investments relating to the two special projects for the Rubber Cable division, which are expected to amount to € 17 million in 2008, are additional to these regular investments. The free cash flow will be invested in growth, both organic and through acquisitions, and/or in further reducing the interest-bearing debt.

Report on Draka Cableteq and Draka Comteq

Draka is active internationally in the development, production and sale of all kinds of cable solutions for a wide range of clients. Draka's products are used in aircrafts, trains and cars, on ships and drilling platforms, in lifts and windmills, in homes and offices, to give just a few examples. From minute cables to cables with a diameter of several decimetres, they offer a solution for every application.

The activities are divided into two groups: Draka Cableteq, for low-voltage cables and cables for applications in specific markets, and Draka Comteq for almost all applications (copper and optical fiber) in the telecommunications and data communications market.

In terms of revenue, Draka is the world's sixth largest cable producer and ranks third in Europe.

Draka Cableteq

Draka Cableteq develops, manufactures and sells low-voltage and special-purpose cables for applications in lifts, residential and other buildings, cars, aircraft, trains, shipping, windmills, the oil and gas industry, mobile telecommunications networks, domestic appliances and industrial equipment and installations. This involves both common products for cabling purposes and special-purpose and client-specific products and applications.

Profile of Draka Cableteq

Draka Cableteq operates from six divisions:

Elevator Products	Wide range of products for the lift and escalator industry
Low-Voltage Cable	Full range of cable products for buildings, industry and infrastructure
Marine, Oil & Gas	Full range of cables for the shipbuilding, oil and gas industries
Mobile Network Cable	Full passive antenna line for base stations for mobile telephony
Rubber Cable	Flexible rubber-insulated cable for industrial applications and alternative energy sources
Transport	Cables for applications in cars and aircrafts
Market position	Top three position in Europe, strong in market niches world-wide
Establishments	Australia, Belgium, Brazil, Canada, China, Czech Republic, Denmark, Estonia, Finland, France, Germany, India, Indonesia, Italy, Malaysia, Mexico, Netherlands, Norway, Oman, Philippines, Poland, Russia, Singapore, Spain, Sweden, Thailand, Turkey, UK, USA
Employees	Approximately 6,570

Research & Development

The leading position of the Draka Cableteq divisions is partly due to the innovations they continually develop and implement. The group regards R&D as a key activity for making an optimum response to its clients' needs and requirements, often in partnership with the client itself. Continual progress is achieved in material development, in combination with process technology, with an exchange of knowledge between and within the divisions. Application engineering and the improvement of materials and production processes are important priority areas.

Notable developments and successful product launches during 2007 included:

- innovative compensating cable options designed for special applications such as flat compensating cable for Asian markets and compensating chain with intertwined rope for the European market (Elevator Products);
- development of off the track cable product range for high speed trains. All designs of signal cables including halogen free models (Low-Voltage Cable);
- halogen free and fire resistant cable products have been developed, tested, approved and introduced at the Baltic and Ukraine markets (Low-Voltage Cable);
- completed the development of a thermoplastic power, control and instrumentation cable family for application at the global offshore oil and gas drilling, production and storage facilities. This advanced cable family is approved to be in compliance with both the International (IEC) and North American (IEEE) marine shipboard standards (Marine, Oil & Gas);
- new corrugated light weight aluminium outer conductor feeder cable (Mobile Network Cable);
- for wind energy applications new cable portfolio's named Windflex Global and Towerflex 1 kV – 3 kV (Rubber Cable);
- new flexible cables for the Russian mining industry that can withstand extreme cold (Rubber Cable);
- various optimised compounds that have been tested and approved for mining, wind power and OEM applications (Rubber Cable);
- new special insulated cable for use in the next generation of automotive bus systems known as 'FLEXRAY'. In the future, standard applications in the car like ABS, ESP, airbags and multimedia will be equipped with this special cable (Transport).

Financial results

The sharply rising trend in Draka Cableteq' results observed in 2006 was sustained in 2007. All divisions contributed to the improved result, with the Marine, Oil & Gas, Rubber Cable and Transport divisions achieving most progress.

Draka Cableteq' revenue rose 12.6% in 2007 to € 2,180.0 million. Excluding the effects of acquisitions (the insulated cable activities of International Wire Group, Inc., Cornelia Thies Kabeltechnik GmbH and Nantong Zhongyao Mechanic Electric Co. Ltd), organic revenue growth amounted to 5.5%, of which healthy volume growth accounted for 5.4 percentage points and the copper price was responsible for 0.1 percentage points.

Results (x € million)	2007	2006
Revenue	2,180.0	1,936.2
Operating result[1]	147.3	99.6
Capital expenditure	47.0	26.5
Depreciation and amortisation	36.5	37.4
Operating result as % of revenue	**6.8**	**5.1**

[1] Excluding non-recurring items of € 6.1 million negative in 2006.

The operating result rose sharply in 2007 to € 147.3 million (+47.9%). The improvement was attributable mainly to volume growth, which translated into even better capacity utilisation at Draka's factories, and an improved product mix. Cost savings (of around € 3 million) were also yielded by the Triple S project in the Low-Voltage Cable division. Although raw material prices (copper and polymers) were highly volatile in 2007, this had no adverse effect on margins.

Elevator Products

Products	Wide range of products for the lift and escalator industry
Market segments	Lift and escalator industry
Growth driver	Construction market in general, including maintenance and repair of lifts 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 640
Customers	Lift manufacturers such as Otis (USA) and ThyssenKrupp (Germany)

Elevator Products offers the global lift 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 lift and escalator companies. In addition to lift cables and cable accessories the product line consists of lift 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 lifts and escalators. They can also rely on support and advice from expert and committed engineers for installation, maintenance, new product development and repair work.

Market developments

Markets were robust in almost all regions in 2007, and especially in China and the Middle East. Bookings were down slightly in North America as the economy started to slow, and its already strong market share in North America limits the opportunities for further growth there. However this is more than compensated by a strengthened focus on other markets such as Europe and the Far East, in particular China. The latter country continues to represent a tremendous market opportunity, with growth expected to be at around 15 to 20% in 2008. Although the new building market is not so strong in Europe there is still a high level of renovation activity. On balance the division has maintained its market share in all regions, and is well placed to take advantage of growth opportunities in developing areas such as the Middle East – particularly the UAE and Dubai, Russia and of course China.

Developments in the division

A key event in 2007 was the intended acquisition of DeBiase Lift Components in Milan, Italy, which will help the division to better align its business in Europe with customer needs. As a result the division's European headquarters will be relocated to Milan from Oudenbosch, Netherlands.

Underlining the strong focus on growth in China and the Far East, a second jointly owned company Zhongyao Draka was entered into in mid-2007 alongside the existing joint venture Haixun Draka. These joint venture companies will further strengthen the ability to address this market, as well as contributing exports for the rest of Asia and Europe. A technology license for seismic sensors further extends the range of technology solutions for the global elevator market, and manufacturing has been transferred to Zhongyao Draka in China.

The strategic partnership in Brazil has been extended with an additional cable line to further increase the ability to compete with local manufacturers. The division's competitive proposition continues to be based on globally managed manufacturing at four locations around the world with cost-effective local production and distribution. This meets the needs of major OEM customers to manufacture globally standardised products and deal with a single supplier with whom they can negotiate global contracts. Dealing direct with OEMs takes out a layer of cost normally associated with distribution channels and gives customers direct contact with development and engineering departments. The roll-out of the EFM (Extended Factory Model) is continuing to give positive results, and further progress has been made in increasing productivity and reducing costs at customer manufacturing locations.

Low-Voltage Cable

Products	Low- and medium-voltage cables, ranging from installation to instrumentation and control cables
Market segments	Construction, industry, infrastructure, electrical applications, defence industry
Growth driver	Construction market in general
Market position	No. 3 in Europe; outside Europe focusing on market niches
Establishments	Australia, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hong Kong, India, Indonesia, Malaysia, Netherlands, Norway, Oman, Poland, Russia, Singapore, Spain, Sweden, Thailand, Turkey, UK and USA
Employees	Around 3,685
Customers	Construction and installation companies, technical wholesalers like Hagemeyer (Netherlands), Sonepar (France) and Rexel (France)

Low-Voltage Cable develops, produces and sells low- and medium-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 halogen-free cable and cables with low smoke emissions. 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 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

Among the most notable developments in 2007 was the slowdown in the residential market in Southern Europe. While the market in Spain was down by as much as 20% in the second half year due mainly to excessive levels of apartment building in past years, growth in the rest of the region declined less strongly to around the same level as the underlying economies, from the double-digit levels seen in past years. However this decline was compensated by the continued good level of business in the industrial and infrastructure sectors. These continue to show healthy growth, and as well the division was able to increase its market share slightly in most parts of Europe.

Personal growth: management masterclass is powerful networking tool

"Bringing together the talent in the organisation"

Building a consistent Draka culture, strengthening networking on a global basis and helping talented employees to grow to top management positions. The management masterclass fits in a culture that enables people to maximise their opportunities. "It's part of a continuing learning process", says Ronnie George, President Marine, Oil & Gas.

"Following a period of strong growth and acquisitions in 1999 and 2000, we needed to define the Draka culture on a more consistent basis. There was already an understanding of Draka and what it stood for in the companies that were acquired at that time. And even though there was no formal set of values, or even a process to develop them, if you asked anyone in the organisation around the world you would get the same answer: we're a business that depends on delivering effective customer service, and the vital factor in achieving that is the people."

Marine, Oil & Gas is essentially a service and distribution business. With products coming from about nine factories all around the world, the key success factor is ensuring the availability of those products to customers when they need them, and providing all the necessary supporting services. That's why the masterclass plays such a vital role in net-working and teambuilding among the division's managers, wherever they are located.

'Leap of faith'

Ronnie George took part in one of the first masterclasses in late 2001, some three years after his company Delta Cables was acquired by Draka. "At that time it was a 'leap of faith'", he explains. "We wanted to strengthen the links between our managers in the different companies that had been acquired, even though they were at widely separated locations and in some cases serving customers in different industries."

As well as emphasising networking, the master-class also help to develop management skills in a very practical way. The learning process includes assignments set by the Board of Management which focus on critical issues for the business. It challenges teams to stand up and identify suboptimal processes in the spotlight of the Board of Management, and to come up with improvement proposals. "It's almost like another job, and you learn to lean on each other and rely on colleagues to achieve the tasks you're set."

Fast, flexible teambuilding

"Of course that's very valuable in everyday business, because you also have to depend on support from your colleagues in complex

In both Western and Eastern Europe the picture was largely the same as the preceding year, with healthy growth maintained through most of the year.

Developments in the division

Strong emphasis continues to be placed on the one hand on partnerships with wholesalers as the key to building business among installers, and on the other hand on supporting the installers themselves with products that are conveniently available and easy to install. The aim towards wholesalers is to help them to sell, and towards installers to make it quick and easy for them to select exactly the products they need from the Draka Low-Voltage Cable range. Specific sales support activities include product demonstrations, joint roadshows together with wholesalers and customer visits. The positive response from installers underlines the appreciation for the Draka brand that these activities help to generate. A vital aspect of this form of sales support is its role in strengthening the positioning of Draka as an 'A' brand that users and specifiers can trust, thereby helping the division to compete effectively with brands whose only weapon is price.

The internal Triple S programme was continued in 2007. The aim is to stop activities with insufficient margins, to swap production between factories to increase efficiency by concentrating and specialising, and to share knowledge and best practices by connecting people at all levels in the organisation. The latter

Ronnie George,
President Draka Marine, Oil & Gas

global processes", says Ronnie George. "It's essential to understand who owns what part of the process – especially in today's fast-changing world, for example with shipbuilding activities in China expected to double in the next five years. In situations like that you need a fast and flexible 'virtual teambuilding' capability to respond effectively to the demands of specific projects."

According to Ronnie George, the masterclass is just one aspect of a company culture based on pride in your work. That also explains the long service of most employees, and their loyalty to 'the world's most trusted cable brand'. "Leadership styles vary greatly, but what they all have in common is open communication and treating people fairly. I strongly believe the majority of our people enjoy their work, feel they have good opportunities and have confidence in management. And of course that translates directly into the effort they put into customer service."

"Cutting through to the right person if there's a problem"

"With colleagues who've also been on the masterclass, I can cut through to the right person if there's a problem, without any politics. That highlights the value I get personally. Participants are nominated by the divisional presidents in close collaboration with HR, and there's almost a feeling of envy if you're left out. There's an all-round focus that aims to address the gaps in the organisation – working capital, operations, sales and marketing or whatever else they may be. The aim is to improve the talent pool in the organisation through training and development, and to teach people to formulate strategy. That leads to some serious proposals, and it's very empowering for the participants."

applies not only to manufacturing, but increasingly also to sales, accounting, IT, warehousing, engineering, marketing and purchasing, in all of which significant operational improvements are being achieved.

A number of important projects were supplied with cables from Draka in 2007. Especially in Asia Pacific these included the delivery of fire performance cables for the longest underground tunnel in South East Asia (Singapore), for the Venetian Theatre for Circus du Soleil in Macau, for the Government - MEA Tunnel Power supply (Thailand) and secured the supply of fire performance cables for the high profile Formula I night circuit race track which will be delivered in 2008 (Singapore). Furthermore, Draka completed the delivery of instrumentation and control cables for the Vietnam DungQuat Crude Oil refinery project in 2007.

After three years of development, Draka received in the USA an award from General Atomics to manufacture high power cables used in the Electromagnetic Aircraft Launch System (EMALS). This system will revolutionize the way fixed wing aircraft are launched from the decks of aircraft carriers. The cables will transmit the power from the ship's electrical system to the induction motors used to launch the aircraft.

Marine, Oil & Gas

Products	Cable solutions for the shipbuilding and oil and gas industries in compliance with strict industry standards
Market segments	Drilling rigs and vessels
Growth driver	Investments by oil industry
Market position	Strong position in North-western Europe, prominent in North America and Far East
Establishments	China, Netherlands, Norway, Singapore, UK and USA
Employees	Around 185
Customers	Oil and Gas offshore industry, technical installation companies, shipyards

Marine, Oil & Gas supplies advanced, cost-effective cable solutions for the shipbuilding and oil and gas industries. The cables, produced in compliance with strict industry standards such as IEEE, IEC and NEK, contribute to human safety and ensure that vessels and drilling rigs can be used reliably for long periods. The division's products include halogen-free, flame-retardant, fire-resistant and dust-resistant cables with excellent physical and electrical properties. These cables are resistant to oil, wear and tear and petrochemical fluids, among other things.

Market developments

Today's high oil price and increasing demand make exploration and production viable at much greater offshore distances and depths than in the past. With a break-even point much lower than the present oil price, all available rigs are currently operating at capacity and there is a backlog of work in both the new building and repair markets. Substantial new finds such as that by Petrobras off the coast of Brazil – potentially one of the world's largest oil and gas fields – should help to keep demand at high levels for the coming years. The wide range of different environments in which rigs and platforms have to work – from arctic icecaps to the tropics – is leading to a new generation of multipurpose rigs. These are often owned by leasing companies and can operate anywhere in the world, placing stringent demands on cable specifications.

Demand for rigs is outstripping the available capacity, leading to a very strong outlook for the next three to five years. The situation in the shipbuilding market is much more commoditised, and there is greater sensitivity to price, with two thirds of the global market in Asia. Although the present high level of global trade is leading to a shipping boom, the market is more cyclical than the oil & gas industry, and is more sensitive to the economy and regional developments. Growth in China is particularly strong, especially with the migration of companies from Singapore where there is no further room for growth.

Developments in the division

The division is focusing on further strengthening its position in both the offshore and shipbuilding markets, building on its 35-year track record and established brand values of high product quality, excellent delivery performance and strong service close to the customer. In the offshore market, the ability to deliver cables meeting the most demanding specifications such as the Norwegian NEK606 offshore and marine standard is an important strength. Even when rigs are built elsewhere the high-value engineering works are often carried out in European yards. The division's familiarity with the applicable standards means it is well placed to supply cables to exactly the required specifications. A significant development in the offshore market is the supply of complementary products from leading brands as part of a complete package for builders of rigs and platforms, with 15% of sales in the USA in 2008 expected to be of non-cable products. In shipbuilding the division has a growing presence in China, where it is close to the shipyards and able to provide products of proven quality with strong local service. This is often a decisive factor in winning orders, together with the economics of local Chinese production. When cables account for only around 5% of a vessel's total costs, shipbuilders prefer Draka's assurance of quality and fitness for purpose, rather than take risks with less qualified products for relatively small price savings.

Mobile Network Cable

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 185
Customers	Suppliers and operators of mobile telecommunication networks

Mobile Network Cable 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. The division works according to the one-stop-shop principle, allowing customers to rely on fast delivery and service.

Market developments

The market trend was similar to that in the preceding year, with continuing strong growth opportunities in the emerging markets. The main growth area is the Asia-Pacific region, although the presence of all major competitors is placing strong pressure on prices. Especially in China a number of new local players have entered the market with very low prices. Customers and especially the major OEMs are increasingly price-conscious, which further underlines the need to operate with maximum cost-effectiveness.

The process of awarding licenses for 3G services is currently under way in China. It is not yet clear how this market will develop in the future. China uses its own network technology, and the market is mainly served by local companies. Market growth in other regions is much more modest compared with Asia. In Latin America growth although still positive has slowed, and Eastern Europe has not yet developed as expected. In both Western Europe and North America investments in 3G networks are increasing slowly, although operators in general are reluctant to make major new investments. A new driving force may be the increasing attention for mobile data communication and Internet access.

Developments in the division

A major development during 2007 was the expansion of capacity at the factory in Wuhan, China to meet the rapidly increasing demand for mobile network infrastructure in the region. The additional capacity was brought on stream in the last quarter of the year. This facility allows faster, more cost-effective logistics, contributing to lower costs throughout the Asia region.
Globally the division is a lean and flexible partner to its customers, offering local service and fast response times to their requirements. To meet the challenge of the current price war the division has further intensified its focus on continuous cost reduction and increased productivity in the factories, with reductions in material usage and renewed work on finding solutions to replace expensive copper.

Rubber Cable

Products	Flexible, rubber-insulated LV and MV cables according to harmonised standards and client-specific designs
Market segments	Equipment construction, industry, mining, material handling, mass transport, wind turbines and solar systems
Growth driver	Equipment construction, industrial investments, investments in mining and exploration and alternative energy sources
Market position	Top 2 position in Europe; global market leader in cable for wind turbines
Establishments	China, Denmark, Germany, Netherlands, Norway, Sweden and USA
Employees	Around 615
Customers	OEM's, operators (like mining, cranes, harbours), technical wholesalers like Hagemeyer (Netherlands), Sonepar (France) and Rexel (France), industrial equipment manufacturers active in the mining and windmill markets

Rubber Cable develops, produces and sells flexible, rubber-insulated cables according to standard specifications, harmonised standards and customer-specific designs. The division also supplies special flexible cables for power and medium-voltage applications. The rubber cables are applied in wind turbines, open-cast and underground mining and for magnetically levitated and high-speed trains. The division's special rubber cables are also used world-wide in IT, the robotic and processing industries, container terminals, industrial cranes, offshore platforms and building sites.

Market developments

Overall market demand remained at a high level in 2007, with high single-digit growth across all market segments. The strongest growth driver was renewable energy, where demand showed double-digit growth. Wind energy has now reached around the same cost level as coal-fired power generation, and the development of solar energy is also following on the same curve. Other important markets are wholesalers, projects and industry, especially manufacturers of material handling systems and cranes. Demand for the latter remains strong from both manufacturers and subcontractors, as ports and container terminals are increasing their capacity worldwide. With the strong prices for coal and metals the mining industry is also growing, and demand for cables to renovate equipment for both underground and surface mining is increasing. Sales through wholesalers are particularly strong in the Nordic countries, the Netherlands and Central Europe. These channels mainly serve the market for temporary power and lighting installations at special events and construction sites, with stable sales in line with GDP growth.

Developments in the division

Specially developed products are a key factor for the division's success in the renewable energy market. Cables used in wind energy turbines must be able to resist harsh environmental conditions, with temperatures ranging from -40°C to +90°C and often high ozone levels. In addition they must have excellent mechanical

properties to withstand twisting as the turbine nacelle turns, with high resistance to cracking. Because there are no common standards for these products, the division has developed its own test procedures together with customers to provide the assurance of quality and fitness for purpose. Further aligning its product offer to meet customer needs, the division has started supplying complete kits including add-ons and data and control cables as well as the primary power cables. These have been well received and account for an increasing proportion of total sales. The division is also one of the first suppliers to enter the solar power market with special products.

Underlining the focus on its major global customers, the division is expanding production in China. This allows a faster response to customers' needs, reduces logistics costs and in the case of China meets local content requirements to avoid high import taxes.

Transport

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	World no. 1 independent supplier of advanced automotive cables and key position in standard cable; important supplier of Airbus
Establishments	China, Czech Republic, France, Germany, Mexico, Philippines and Spain
Employees	Around 1,150
Customers	System suppliers, such as Delphi (USA), Yazaki (Japan) and Lear (USA); Labinal (France) for aircraft cable

The Transport 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

Transport industry growth is currently driven largely by the Asian market, where an emerging middle class of consumers have sufficient disposable income to purchase cars and air travel. This development is reflected in both the automotive and aviation markets, where tier 1 suppliers – the wiring harness manufacturers – are continuing to expand their production facilities in Asia. Each of the three main regions – Asia, Europe and North America – has its own low-cost manufacturing area, and with production facilities in all three regions the Transport division is the only true global partner to these tier 1 suppliers. In the automotive industry overall growth is at low single-digit levels, with the relatively high growth in Asia compensating for the more or less stable demand levels in the European and North American markets. A similar effect to that in Asia can be seen in Eastern Europe, where increasing numbers of consumers are now able to buy a car for the first time. Additional support for growth is provided by the increasing numbers of vehicle features such as safety, entertainment and navigation, all of which require additional cabling.
In the aviation industry growth is currently at double-digit levels, driven not only by increasing travel demand but also by the need of airlines worldwide to upgrade their fleets with more fuel-efficient, low-noise aircraft. As a result both Airbus and Boeing have record order books with strong global demand expected to continue in the coming years.

Developments in the division

The most significant development in the division during 2007 was the further production ramp-up of the former IWG plants in Mexico and the Philippines which were acquired in 2006. By strengthening manufacturing capacity in their respective regions, these facilities are an important part of the division's global approach, in which it can supply customers in all regions – the US, Europe and Asia – from local production. Both plants were brought up to full production during 2007, the Mexico site in particular reaching full capacity in mid-2007 from a relatively low level at end-2006. In the aviation market the division was the leading developer of a new generation of cables for Airbus. These meet the need for weight savings, which directly benefit fuel efficiency, while retaining the same performance characteristics. The aim now is to follow the growth of Airbus with the necessary production investments, especially in the dollar zone where Airbus itself is increasing its activities.

Draka Comteq

Draka Comteq primarily develops, produces and sells optical fiber, optical fiber cable and copper cable for applications in telecommunication and data communication. Draka Comteq also manages the engineering and installation of its products as well as complementary hardware products from others in networks throughout the world.

The worldwide optical fiber and communication cable activities of Draka and Alcatel-Lucent S.A. were brought together on 1 July 2004 in Draka Comteq B.V., in which Draka had a 50.1% interest and Alcatel-Lucent a 49.9% interest. On 27 December 2007, Draka secured full ownership of Draka Comteq by acquiring Alcatel-Lucent's 49.9% interest (see also the Report of the Board of Management).

Profile of Draka Comteq

Draka Comteq approaches the international market for telecommunication and data communication cable with four divisions offering a complete product range to their customers:

- Draka Comteq Cable Solutions, EMEA (Europe, Middle East and Africa)
- Draka Comteq Cable Solutions, Americas
- Draka Comteq Cable Solutions, Asia/Pacific
- Draka Comteq Optical Fiber

The Draka Comteq divisions concentrate on the following areas:

Telecommunications	Copper and optical fiber cable solutions, passive access networks, connectivity, project services, and turnkey solutions
Data Communication	Copper and optical fiber cable solutions for Local Area Network (LAN's) applications
Optical Fiber	Development, production and sale of single mode, multimode and specialty optical fiber

Market position	Market leader in Europe, no. 1 in China (optical fiber telecommunication cable), no. 3 in North America (optical fiber telecommunication cable)
Establishments	Brazil, China, Denmark, France, Germany, Netherlands, Norway, Russia, Singapore, Slovak Republic, Spain, UK and USA
Employees	Approximately 2,915

Research & Development

The technological developments at Draka Comteq were once again dominated in 2007 by Fiber-To-The-Home (FTTH), 10 Gbit Ethernet and High Definition Television. The clear focus was on cable and connectivity solutions in the emerging FTTH market. Moreover, the R&D activities are continuing to make a major contribution towards the reduction of production costs and improved products for new higher performance applications. The improvement of the quality of production processes also remains an important objective of R&D.

Notable developments in 2007 included:

- introduction of a new optical fiber coating product capable of 150°C continuous operation. The new coating can be offered in combination with state-of-the-art multimode and on single mode PCVD made glass. This new coating capability opens the route to a wide family of products with applications and performances that were not achievable in the past;
- market introduction of Draka's proprietary optical fiber coating Colorlock^{XS} providing optical fiber with superior microbending resistance performance and vibrant colors. BendBright^{XS} with Colorlock^{XS} is the most forgiving fiber for FTTx installations;
- introduction of connectivity products utilizing Draka's BendBright^{XS} technology:
  - compact optical distribution frame based on BendBright^{XS} technology with single circuit fiber management;
  - new splice trays based on the reduced bending radius for the fiber leading to a huge reduction in size;
  - optical splitters saving space by minimizing the bend radius of input and output fibers;
- for the FTTH market different solutions depending on the installation environment or project roll-out have been developed:
  - sewer distribution cabling system: a flextube distribution cable with 720 fibers allowing the midspan window access. For the building access the derivation duct, a branch closure and the full set of tools complete the solution;
  - flextube outdoor distribution cables: a complete range of duct cables up to 720 fibers is available. In addition small size flextube cables for duct and aerial installation;
- significant capacity expansion for optical fiber manufacturing in Draka's existing plants in France and USA.

Financial results

Draka Comteq posted substantially improved results in 2007, despite continuing strong competition. All divisions contributed to the improved results, in particular the Optical Fiber division. Revenue was 7.2% higher at € 636.2 million, entirely due to organic growth. Higher volume accounted for 8.3 percentage points of this increase in revenue and the combination of the higher copper price and the adverse effects of the lower dollar-euro exchange rate on its European optical fiber activities had a downward impact of 1.1 percentage points. Draka Comteq achieved volume growth in all market segments except copper telecommunication cable, but organic growth in revenue was held back to some extent by the continuing pressure on selling prices.

Results (x € million)	2007	2006
Revenue	636.2	593.2
Operating result [1]	13.1	5.5
Capital expenditure	23.9	20.2
Amortisation, depreciation and impairment	15.6	23.4
Operating result as % of revenue	**2.1**	**0.9**

[1] Excluding non-recurring items of € 26.8 million negative in 2006.

The operating result excluding non-recurring items more than doubled to € 13.1 million, as against € 5.5 million in 2006. The strong volume growth, which translated into higher capacity utilisation

Growth by favourable market conditions: service, innovations and efficient cost base are key success factors

"Fiber To The Home investments drive market growth"

Market growth in Fiber To The Home (FTTH) is proving to be a strong business driver for Draka Comteq in the USA. "Major telecom operators like Verizon and AT&T have ambitious, ongoing investment programmes to roll-out broadband services to tens of millions of homes in the coming years", says Mike Amicone, President of Draka Cable Solutions Americas. "There's still the threat of price pressure, but our efficient cost base is a big advantage over the competition."

Lead by the major telecommunications service providers, everyone is investing in their fiber networks to prepare for increasing bandwidth demands. Today's existing copper distribution cables will ultimately be a barrier for further bandwidth growth, which is why operators are switching to fiber, either all the way to the home or close to the home.

Competitive market

But the market is still very competitive. Total sales in the US market in 2007 were back near the peak of 2000, after a number of depressed years. But the price is only around a third of what it was then. That makes life tougher for cable suppliers, but it's an opportunity for us thanks to our efficient cost base", Mike Amicone underlines. "Next to our focused factories, our long and successful experience competing in the 'spot' market where cost and delivery are challenged every day, has helped us be very responsive to the needs of our customers."

Starting from a strong position with the smaller independent operators, Draka Comteq Cable Solutions has added significant business with the major service providers in the past three years. "The smaller operators together make up less than half of the total North American market", Mike Amicone explains. "We realised that for further growth we also had to address the much larger companies including those from the old Bell System – and particularly Verizon and AT&T – which account for approximately 50% of the market. Since 2005 we have won major contracts with both those companies, and we're now looking to increase that business further."

Outstanding service award

"But it's not just a question of price. Of course you have to be competitive otherwise you won't even be shortlisted. But our strong focus on service and support is paying off. In the past two years we won an outstanding service award from BellSouth, and a product innovation award from AT&T. Once you have a foot in the door with the customer, it's your level of service and support that will decide whether you stay and become a long term supplier."

The products themselves are another

at Draka's factories, and the continuing efforts to reduce the cost base contributed to the improvement in the results, but the effect was tempered by sustained pressure on selling prices.

Triple S project

The Triple S project that was launched at Draka Comteq' Cable Solutions EMEA division in the second half of 2006 is on schedule and will be completed in 2008. The activities in Oulu (Finland) have been terminated and progress is being made in reducing staffing levels in Europe. The annual cost savings, estimated at around € 12 million, will be fully achieved in 2008. Cost savings of € 5 million were made in 2007 and the remaining € 7 million will be achieved this year.

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 USA; outdoor copper cable: no. 3 in EMEA
Establishments	Brazil, China, France, Germany, Netherlands, Russia, Spain and USA
Employees	Around 1,310
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

Mike Amicone,
President Draka Cable Solutions Americas

important part of the Draka Comteq Cable Solutions growth strategy, as customers look for the optimum solutions to maximise their share of the growing market for broadband and the related services. "Ease of deployment is vital to operators because of the high labour element in total costs", Mike Amicone points out. "Our recently introduced BendBright^{XS} fiber helps to speed up installation by its high flexibility. For example this makes it easy to install in the numerous sharp bends typical in multiple dwelling buildings, with no signal degradation. In addition, we're shipping more cables with connectors already attached or with easy-to-fit connection solutions. We're constantly working on new and innovative applications that will enable us to increase our share of business with the operators. The increasing penetration of FTTH is an important part of that, not only in the networks themselves but also in high-rise buildings. Our strong product portfolio and high service level give us a unique proposition to benefit from the market growth."

"Opportunities for cost-efficient suppliers"

"It's much harder now to make money in the cable business than during the last boom period which ended in 2000-2001. That's especially true in fiber, where there are still five major suppliers, compared with just two in the copper cables market. Most analysts think a shake-out is around the corner, which will further strengthen the position of cost-efficient suppliers like Draka. On the manufacturing side, the reorganisations which we initiated a couple of years ago have made a big contribution to improving our cost base. In addition, we can leverage our global manufacturing locations to increase our competitive strength. We believe we can turn today's weak dollar into another opportunity for growth."

Within the telecommunications market segment, Draka Comteq 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 Comteq 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

Optical fiber demand was up strongly in Western Europe with over 14% growth compared with 2006 due to strong broadband investments by both independent and incumbent operators. However in the Americas demand was relatively flat, influenced largely by excess inventory at a major operator which had to be absorbed in 2007. Business in Europe was driven not only by the large operators, but also by network developments by new entrants such as municipalities, housing corporations, utilities and property developers, all of whom want to offer their customers high-speed network facilities. The strongest growth was in the Nordics and Southern Europe regions, although the markets in Turkey, the Near and Middle East and South Africa are also favourable with operators in the early stages of rolling-out their FTTH networks. In the USA, FTTH has become a strategic action to offer broadband services in competition with the cable TV providers. Although South America is still a relatively small market growth

is strong, particularly in Brazil but also in Argentina where development is starting rapidly.
The share of copper cable continues to decline, although some operators in Eastern Europe are still installing copper networks because of their familiarity with the technology.

Developments at Draka Comteq

Implementation of the focused factory programme was continued in 2007, aiming at increasing efficiency by combining product groups at specialised factories. This is especially important because of the wide variety of custom-made products, all made to order for customers demanding short lead times. To meet these needs Draka Comteq is in constant dialogue with customers, with forecast-based capacity reservation to guarantee response times for the most important customers. A part of the commercial operation has also been focused on FTTH cables because of the special knowledge required for this application. Draka Comteq's ability to offer customers in-depth support for network design distinguishes it strongly from competitors. For example, it can provide a complete design for a city area within a very short period of time, including bill of materials and costings, saving much time and work for the customer. Such early dialogue with the customer regarding network requirements provides a clear competitive advantage. In the USA, capacity at the Claremont, N.C., plant is currently being expanded to meet the expected North American demand in the coming years. After reopening the fiber plant in South America in 2005, this facility has now also been expanded to full capacity to meet growing local demand. Production started in 2007 of a new generation of gel-free cables using swellable powder instead of the traditional gel filling to waterproof the fibers. These products are becoming popular in some segments of the US 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, Slovak Republic, UK and USA
Employees	Around 730
Customers	Technical wholesalers, distributors, OEM and system providers

With a wide product range and the ability to provide solutions for all forms of communication, Draka Comteq 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 Comteq 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

Strong demand for data communication cables continues in the major markets. The focus is on high-end solutions in new buildings as well as renovation projects. In most cases internal indoor distribution continues to be by means of copper wire, which still accounts for over 80% of sales, although the share of fiber is increasing progressively under ever increasing bandwidth demands and gigabit network roll outs. Growth in the data communications area is relatively sensitive to the economic climate, and is not as rapid as in the telecommunications area, but is expected to continue to increase steadily in the coming years. Draka Comteq has extended its number one position in Europe, gaining ground further over competitors. The focus is on markets with higher growth rates such as those in South and South-East Europe, Germany and Central Europe.

Developments at Draka Comteq

Most of the sales in data communication are through local parties such as distributors, installers and VARs who have a good knowledge of their local markets and customers. Sales efforts are therefore concentrated on providing these parties with maximum support in building their business. The new cable manufacturing facility in Prešov (Slovak Republic) which was opened in late 2006 has now come fully on-stream and will provide the capacity needed to meet the expected increase in demand in the coming years. Constant attention is being given to the development of new products, particularly those offering solutions for increased bandwidth demands.

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, 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 860
Customers	Cable makers for telecommunications and data communications applications, engineering consultants and network integrators

In the optical fiber market Draka Comteq 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 Comteq. 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 the Advanced Plasma Vapour Deposition (APVD) process developed by Alcatel, a highly efficient method for manufacturing the overcladding of the optical fiber. Draka Comteq owns the intellectual property rights to both processes (PCVD and APVD).

Market developments

The year 2007 saw the largest-ever consumption of optical fiber worldwide, with a 13% growth year on year on the back of growth levels of in excess of 20% per year in 2006 and 2005. This sustained good performance was demonstrated across the majority of the globe with even the lower reported performance in USA being attributable to inventory correction with Verizon the largest user in that market and compensated by good growth in all other segments of that market. The drivers of growth centered around the need for additional sustainable Bandwidth provision whether in terms of infrastructure roll-out and expansion in for example China, India, Latin America and Russia, and widespread maintenance, renovation of installed base and introduction of significant FTTx installations in Western Europe, North America and Japan.

Draka Comteq's global footprint and comprehensive product portfolio has meant that it has benefited considerably from this activity further reinforcing its number 1 market position in Europe and Asia, and growing position as a top 3 player in the America's. Pricing (in US dollars) remained stable after years of continued erosion, reflecting the strong demand for optical fiber products.

Developments at Draka Comteq

Draka Comteq continued its process of rolling-out next-generation processes in manufacturing to make its operations faster, more productive and lower cost. Significant developments have already taken place in this area, focused on implementing state-of-the-art processes, and providing reliable and innovative supply solutions in servicing its customers.

New developments continued to focus on reducing both the cost of ownership for Draka Comteq's customers and providing platforms which fuel their own possibilities to innovate. The specialty product line with specific features to meet demands for high security, bandwidth, and robustness to operate reliably in the often harsh environments encountered in military, transportation, power and energy-related markets is a focus area of development for Draka Comteq. In these niche markets Draka Comteq is responding to the challenge of effectively meeting customer needs for relatively smaller volumes of specially designed high value added product based on unique, robust technology.

Main subsidiaries, associates and joint ventures

(100% owned by Draka Holding N.V, unless otherwise indicated, situation as at 6 March 2008)

Draka Cableteq

ASIA	
India	Associated Cables Pvt Ltd (65%)
Malaysia	Sindutch Cable Manufacturer Sdn Bhd
People's Republic of China	Suzhou Draka Cable Co.Ltd
	Draka Cables (HONG KONG) Ltd
	Draka NK Cables (Shanghai) Co. Ltd
	Nantong Haixun Draka Elevator Products Co. Ltd (75%)
	Zhongyao Draka Elevator Products Co. Ltd (75%)
Singapore	Draka Asia Pacific Holding Pte Ltd
	Oakwell Engineering Ltd (29.9%)
	Singapore Cables Manufacturers Pte Ltd
	Draka Distribution Singapore Pte Ltd
Sultanate of Oman	Oman Cables Industry Saog (34.8%)
Thailand	MCI-Draka Cable Co. Ltd (70.3%)
Philippines	Draka Philippines Inc
AUSTRALIA	
Australia	Draka Cableteq Australia Pvt Ltd (70%)
EUROPE	
Belgium	Draka Belgium NV-SA
Czech Republic	Draka Kabely sro
Denmark	Draka Denmark Copper Cables AS
Estonia	Draka Keila Cables AS (66%)
Finland	Draka NK Cables Oy
France	Draka France SAS
	Draka Fileca-Foptica SAS
	Draka Paricable SAS
	Cableries de Valenciennes SAS
Germany	Draka Deutschland GmbH
	Draka Industrial Cable GmbH
	Draka Automotive GmbH
	Draka Kabeltechnik GmbH
	USB-Elektro Kabelkonfektions GmbH
	Draka Service GmbH
	Höhn GmbH
	Draka Deutschland Erste Beteiligungs GmbH
	Draka Deutschland Zweite Beteiligungs GmbH
	Draka Deutschland Dritte Beteiligungs GmbH
	NKF Holding Deutschland GmbH
	Kaiser Kabel GmbH
Italy	D.B. Draka Lift Elevator Products Srl
Luxemburg	Draka Finance Sarl
	Draka Luxemburg Sarl
Netherlands	Kabelbedrijven Draka Nederland BV
	Draka Elevator Products BV
	White Holding BV
	Beheer- en Beleggingsmaatschappij De Vaartweg BV
	Draka Treasury BV
	Draka Nederland BV
	NKF Participatie BV
Norway	Draka Norsk Kabel AS
Russia	Elkat Ltd (40%)
Spain	Draka Cables Industrial SL
	Draka Elevator Products Spain SL
	Draka Holding NV y Cia. Soc Co
Sweden	Draka Kabel Sverige AB
Turkey	Wagner Kablo Sanayi Ve Ticaret AS (80%)
	Draka Istanbul Ithalat Ihracat Uretim Ltd Sti (70%)
United Kingdom	Draka UK Ltd
	Draka UK Group Ltd
	Draka Distribution Aberdeen Ltd
NORTH AMERICA	
Canada	Draka Elevator Products Inc
Mexico	Draka Mexico Cables S de RL de CV
United States	Draka Marine Oil & Gas International Llc
	Draka Cableteq Holdings USA Inc
	Draka Cableteq USA Inc
	Draka Elevator Products Inc
SOUTH AMERICA	
Brazil	Draka Cableteq Brasil SA (99%)

Draka Comteq

ASIA	
Japan	Precision Fiber Optics Ltd (50%)
People's Republic of China	Yangtze Optical Fiber & Cable Co Ltd (37.5%)
	NK Wuhan Cable Co Ltd (67.8%)
	Draka Comteq SDGI Co Ltd (55%)
	Yangtze Optical Fiber & Cable (Shanghai) Co Ltd (53.13%)
Singapore	Draka Comteq Singapore Pte Ltd
EUROPE	
Austria	Draka Austria Cable GmbH
Denmark	Draka Comteq Denmark A/S
Finland	Draka Comteq Finland Oy
France	Draka Comteq France SAS
Germany	Draka Comteq Germany Holding GmbH & Co KG
	Draka Comteq Berlin GmbH & Co KG
Netherlands	Draka Comteq BV
	Draka Beheer BV
	Draka Comteq Cable Solutions BV
	Draka Comteq Fiber BV
	Draka Comteq Telecom BV
Norway	Draka Comteq Norway AS
Russia	Neva Cables AO (75%)
Slovak Republic	Draka Comteq Slovakia sro
Spain	Draka Comteq Spain SL
	Draka Comteq Iberica SL
Sweden	Draka Comteq Sweden AB
United Kingdom	Draka Comteq UK Ltd
NORTH AMERICA	
United States	Draka Comteq Americas Inc
SOUTH AMERICA	
Argentina	Cables Opticos y Metalicos para Telecommunicationes Telcon S.r.l. (49%)
Brazil	Draka Comteq Brasil Ltda
	Draka Comteq Cabos Brasil Holding SA
	Draktel Optical Fiber SA (70%)
	Telcon Fios e Cabos para Telecomunicações SA (50%)

Risk management

In carrying out its activities, Draka is exposed to a number of business risks. The company's risk-management policy is aimed at sustainably controlling business risks 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 5% 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 net interest-bearing debt consists for 92.7% of long term liabilities (more than 5 years), with current liabilities accounting for 7.3% in 2007;
- 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

Portfolio of activities

Draka's core activities are generally sensitive to economic fluctuations which affect supply and demand-ratio's within the cable industry. Draka minimises these risks by spreading its activities widely.

Draka Cableteq (which accounted for around 77% of revenue in 2007) consists of six divisions that constitute a balanced portfolio of cable businesses serving a highly diverse customer base. The largest is the Low-Voltage Cable division which generates about half of Draka Cableteq's revenue. Sales in Europe, the division's main market, are split roughly 40/30/30 between the residential, infrastructure and commercial construction markets. European sales are fairly evenly spread over the Scandinavian countries, the UK, Benelux and Spain and, to a lesser extent, France. Outside Europe, the division is chiefly active in Asia and the USA, selling mostly specialty cables not depended on the housing market.

The most important customer group for special-purpose cables is original equipment manufacturers (OEMs) operating worldwide. The global automotive industry is the biggest customer group served by the Transport division, which generates around 20% of Draka Cableteq' revenues. The Transport division meets some 50% of Airbus' cable requirement. The other divisions – Elevator Products (cable and other products for lifts), Marine, Oil & Gas (cable for oil and gas production platforms and shipping), Mobile Network Cable (antenna line for base stations for mobile telephony) and Rubber Cable (cable for cranes, mining and alternative energy sources) – each account for 5–10% of Draka Cableteq' revenue.

At Draka Comteq, which generated around 23% of Draka's revenue in 2007, the activities depend mainly on developments in IT and the telecom sector. The telecom operators are the largest customer group, with sales concentrated mainly in Europe (circa 85%) and the USA (about 10%).

Generally speaking, the impact of cyclical movements is limited by the:

- spread of Draka's activities;
- wide geographical spread;
- diversified customer base;
- strong market positions and
- size of the company.

Competition

The global cable market is still fragmented. The world's ten biggest cable producers account for an estimated market share of about 35%. Draka is one of the world's leading cable producers, with an estimated market share of some 2.5%. This gives Draka a sixth-ranking position world-wide and a third-ranking position in Europe. The competition consists of a limited number of global players and a substantial number of cable producers operating regionally, often only locally.

Stock risks

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 consignment stocks of its products for such customers. However, holding stocks creates the risk of full or partial obsolescence of the products as well as the risk of price falls. The policy implemented by Draka of reducing the operating working capital by means of further optimising production (with plants concentrating on 'product families') is expected to lead to a further reduction in stocks whilst maintaining a full product range.

Raw materials

Copper, preforms for optical fiber, aluminium, PVC, polyethylene and other polymers are the raw materials needed for Draka's manufacturing process. Lack of raw materials can adversely impact the results of the enterprise. Draka uses its strong position to procure raw materials and ensure their constant supply on the best possible terms.

Financial risks

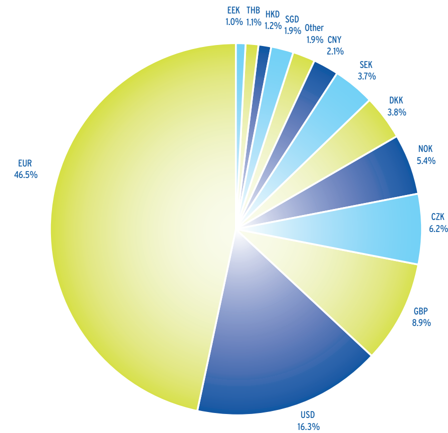
Financing

In order to minimise the financial risks and sustain the company's financial solidity in the long term, Draka pursues an active policy

to optimise balance sheet ratios. Thanks to the refinancing that Draka completed in 2007, the ratio of current liabilities to long-term liabilities has continued to improve. This transaction has also secured funding until 2013 and limits future interest-rate risks.

Currency risks

Draka reports its financial results in euros. Given the international spread of its activities, this means it is exposed to currency influences that can affect the bottom line. The business is especially sensitive to changes in the exchange rate between the euro and the US dollar, Chinese renminbi, Danish kroner, Norwegian kroner, Swedish krona, Czech koruna and Pound sterling. Transaction risks are, in principle, hedged. Translation effects associated with investments in foreign participating interests are, in principle, not hedged.



Debtor risks

Draka's trade receivables position accounted for around 23.5% of the balance sheet total in 2007, a slight increase in relation to 2006.

Growth by acquisition: System integrator role fits customers' own strategy

"Moving up in the value chain through acquisition"

The acquisition of Cornelia Thies Kabeltechnik – now Draka Kabeltechnik – in 2006 marked a big step towards forward integration: moving up in the value chain. "That company's strong position in cable sets and systems opened the way for us to become a stronger partner for our customers, and to create new growth opportunities", explains Wilhelm Engst, President of Draka Rubber Cable.

The wind power market is showing tremendous growth and is expected to continue growing at around 15 to 20 per cent annually on a global basis for the foreseeable future. That makes it attractive in itself, but for Draka Rubber Cable even more potential lies in supplying wind turbine OEMs with complete, ready-to-install cable sets. "We've seen that existing cable customers are very happy to move up to sourcing cable sets because it fits in their own strategy. It allows them to focus on their core business, instead of having to act as system integrator and deal with all the related small components that are involved."

Major business opportunity

According to Wilhelm Engst, that's a major business opportunity for the division. "Not only are we generating extra business from our existing customers, but it also opens the way to new customers who are entering the wind power market and want to make a fast and efficient start. For example in China there are about 64 wind turbine manufacturers, most of them quite small. We're talking to some of them right now, and we see there's a tendency for them to buy complete cable sets right from the start. That move up the value chain also benefits us by making it harder for competitors to enter the market. Anyone can source cables and offer them on the market, but there's a much bigger barrier to supplying the total solutions that we offer. To do that you need knowledge, the supply chain, local production and assembly facilities, global logistics and distribution and – not least – the trust of your customers. Those are our strengths, and equalling them is a big challenge to our competitors."

Opening the solar market

Another way the Cornelia Thies acquisition is benefiting Draka Rubber Cable is by opening the way to entering the solar market. In

The average credit term was reduced to 53 days (2006: 58 days). This still relatively long credit term is explained by the activities of the group in Asia and Southern Europe, where long payment terms are common. Draka runs a bad debt risk in respect of its trade receivables position.

The debtor risks are managed and mitigated through alert and active policies. At the same time, a commitment to reducing the debtor positions forms part of Draka's focus on securing a minimal level of operating working capital requirements. The creditworthiness of new customers of sufficient size is assessed in advance.

Raw materials

Raw materials needed for Draka's manufacturing process (copper, preforms for optical fiber, aluminium, PVC, polyethylene and other polymers) are subject to price changes that can impact the results of the enterprise. Changes in the price of copper are however generally passed on to the customers. Furthermore, Draka's financial risk on its raw material requirements is reduced as much as possible by entering into derivative contracts.

Insurance

Draka is insured against a number of risks. Risks related to product liability and/or the loss of property and equipment are insured, as well as damages related to business interruption. In addition, insurance cover exists (in varying degrees) for pensions and medical costs to be incurred on behalf of Draka's employees. These policies are, if possible, entered into globally (via Draka Holding) or else via local subsidiaries.

Wilhelm Engst,
President Draka Rubber Cable

general the solar market is similar to wind energy, but is currently around 10 to 15 years behind in terms of development. OEMs in that market face the same challenges as wind turbine manufacturers in relation to connecting panels and distributing the energy. And as well as that they have to deal with adverse rooftop conditions such as UV, ozone, temperature and moisture. With its wide-ranging expertise Draka is well placed to offer cables that can meet those specific demands. "Solar energy is still a relatively small market for us, for example with only around three per cent of the turnover that we achieve in wind power, but we're convinced that it has even greater potential in the longer term", says Wilhelm Engst. "As that market develops, Draka Rubber Cable will be in an excellent position to grow with it because of our existing expertise, and our manufacturing and system integration capabilities company wide."

"Solar installations leverage service capabilities"

"Capitalizing on the increasing solar demand, Draka Service in Germany is switching its focus from mobile telephony networks to installing photovoltaic equipment. This represents a comparable challenge in engineering terms, but one with considerably more business potential. The unit offers turnkey engineering and installation with short completion times, and has the extra advantage of familiarity with roof structures which is important when adding solar installations to existing buildings. Next to that it has a nationwide installation network and access to attractive locations, so it can offer a complete proposition to potential solar energy investors."

Risk management and internal control systems

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 a reasonable level of 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.

In 2007, the Board of Management further improved management reporting by extending the Company's KPI's and benchmarking. Furthermore, an operational audit department has been established in the course of 2007. The operational audit department started reviewing 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 directed and controlled. We believe 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.

In 2006 the Supervisory Board installed an Audit & Governance Committee ('A&GC'). The members are appointed from and by the Supervisory Board. The tasks and responsibilities are laid down in the A&GC charter. An important responsibility of the A&GC is to supervise due compliance with the Company's internal risk control systems.

In 2007, the Board of Management implemented the Code of Conduct. The Code reflects the Company's core values and standards and includes the Company's mission statements. The Code applies throughout Draka and covers all companies over which Draka Holding N.V. exercises control. The Board of Management has published the Code on the Company's website. Furthermore Draka published a booklet explaining the Code of Conduct as well as the Whistleblower policy, which was internally distributed. The Company 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 reporting of potential violations against the Code within Draka. The Company Secretary serves as the Compliance Officer.

A more in-depth description of the Company's corporate governance model can be found on page 50.

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 has developed a methodology to review the Group's operating companies and functional departments in relation to these policies, procedures and risks. Based on this methodology the operational audit department conducted reviews at several operating companies and functional departments. The findings and recommendations of these reviews have been discussed with responsible management and have been reported to the Board of Management.
The findings will be used to further strengthen the internal controls within the Group and to update the policies, procedures and risks. Further the Board of Management has improved the standardised management reporting by activity including KPI's and benchmarking between these activities and 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.

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 cascading authority levels to approve capital expenditures.

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 2007 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 2008.

It should be noted that the above does not imply that these systems and procedures provide certainty as to the realization of operational and financial business objectives, nor can they prevent misstatements, inaccuracies, fraud and 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 if deemed necessary.

The policy of the Board of Management remains focused on the constant assessment and improvement of the risk management system. This process and their monitoring are periodically discussed by the Board of Management with the Audit & Governance Committee and the Supervisory Board.

Amsterdam, 6 March 2008
Sandy Lyons, Chairman and CEO
Frank Dorjee, CFO

Report of the Supervisory Board

To the Shareholders,

For Draka Holding N.V., 2007 was a successful year. It was the third consecutive year of substantially improving results by all divisions. The strong performance was driven by our successes in the market place and the consistent execution of our cost saving programmes, supported by favourable market conditions. We made further progress in the implementation of our strategy.

The cost control programmes of the Triple S project, which was initiated in 2005, are well on schedule and made a substantial contribution to the increased profitability in 2007.

We were pleased to have completed the acquisition of the 49.9% interest of Alcatel-Lucent in Draka Comteq B.V. Through this transaction, Draka acquired full ownership of Draka Comteq. Draka Comteq is a leading company in the field of optical fiber and optical fiber cable and was created on 1 July 2004 by combining the worldwide optical fiber and communication cable activities of Draka and Alcatel-Lucent. From the initial establishment of the joint venture, Draka Comteq was controlled by Draka and its results were, therefore, consolidated in Draka's consolidated financial statements.

To finance the takeover price of € 209 million for this acquisition and to support Draka's growth strategy, Draka arranged a new revolving credit facility of € 625 million with a syndicate of five relationship banks. This new facility replaces the earlier credit facility of € 370 million contracted in October 2005 and a subordinated loan of € 77.5 million.

In the first half of 2007, the Elevator Products division in Asia strengthened its position by forming a second jointly owned company, named Nantong Zhongyao Draka Elevator Products Co., Ltd., which has resulted in further extending our product range.

Further in December 2007, Draka agreed to buy DeBiase Lift Components S.R.L. in Milan (Italy). With this small acquisition Draka further strengthened its leading position as a worldwide manufacturer and supplier to the global elevator industry and solidified its position as a total elevator solutions provider for customers of all sizes with a variety of elevator needs. The transaction was closed on 10 January 2008.

A number of changes in the composition of the Board of Management took place in 2007. Sandy Lyons was appointed as a member of the Board of Management as of 1 September. Sandy Lyons succeeded Ingolf Schulz as Chairman and Chief Executive Officer of Draka Holding with effect of 1 October. Christian Raskin stepped down from the Board of Management on 31 August and Ingolf Schulz stepped down from the Board of Management at the end of the year. Both Christian Raskin and Ingolf Schulz are still advising the Board of Management.

Expression of gratitude

The Supervisory Board would like to express its gratitude to Christian Raskin and Ingolf Schulz for their contributions. Further the Supervisory Board wishes to thank the Board of Management and all employees for their efforts made over the past year, which led to Draka's further growth during the year.

Financial statements and dividend

The Board of Management has submitted the financial statements, drawn up for the year 2007, to the Supervisory Board. These statements, included on pages 59 to 112 of this report, have been audited by KPMG Accountants N.V. (the auditors' report is shown on page 116) and have been carefully reviewed by Draka's Supervisory Board.

The Supervisory Board recommends the General Meeting to adopt these financial statements in accordance with the proposal by the Board of Management, including a dividend payment of € 24.2 million on ordinary shares (€ 0.68 per ordinary share of € 0.50) and of € 5.4 million on preference shares. Furthermore, we invite the General Meeting to ratify all actions taken by the Board of Management and the Supervisory Board during 2007.

Composition of the Supervisory Board

The composition of the Supervisory Board remained unchanged in 2007. At the General Meeting of Shareholders on 11 May 2007, both Fritz Fröhlich and Rob van Oordt were reappointed as members of the Supervisory Board. In 2008, no members of the Supervisory Board will retire on the basis of the retirement schedule.

Activities of the Supervisory Board

The Supervisory Board met on six occasions in 2007 in the presence of the Board of Management. These meetings dealt, among other things, with the acquisition of the 49.9% Draka Comteq shares owned by Alcatel-Lucent, the refinancing program, the composition and development of the Board of Management, the Company's top structure, Company performance, corporate strategy and its implementation, the risks associated with the Company, internal risk management and control systems, management and development, acquisition policy, the financial statements, the annual report, corporate governance and compliance.

The Supervisory Board also met frequently in 2007 in the absence of the Board of Management. Matters dealt with at these meetings included the functioning of the Board of Management and the functioning of the Supervisory Board, the composition of and succession within the Supervisory Board, the expertise of the individual members of the Supervisory Board and the composition of and succession within the Board of Management. Outside the Supervisory Board meetings there were frequent contacts between individual members of the Supervisory Board and members of the Board of Management concerning company affairs. The meetings of the Supervisory Board were attended by all its members, except for one meeting on which one member was absent. In the context of the periodic visits paid to the operations, a visit was made during the year under review to Draka in Nürnberg, Germany.

Corporate Governance

In the interest of good corporate governance, the Supervisory Board has established three subcommittees of the Supervisory Board: the Audit & Governance Committee, the Remuneration & Nomination Committee and the Strategy Committee.

The Audit & Governance Committee met on six occasions in 2007, in the presence of the Chief Financial Officer and the Chief Executive Officer. At these meetings we discussed the Company's performance, the management letter and the role of KPMG Accountants, Corporate governance, risk management and internal control procedures and status, as well as legal affairs and the 2007 audit plan.

The Remuneration & Nomination Committee met on five occasions in 2007. The meetings focussed on the functioning and the composition of the Board of Management as well as the remuneration, pension schemes and contractual arrangements of the Board of Management members. They also considered the management and succession structure within Draka.

The Strategy Committee met on six occasions in 2007 and reviewed the strategy of Draka Holding and its key businesses. The committee made recommendations to the Supervisory Board concerning strategic priorities and potential investments.

The various aspects of Corporate Governance are discussed in detail on pages 50-51.

Remuneration Report

This report provides a description of the remuneration policies of the Board of Management and the Supervisory Board of Draka Holding N.V., as applied in 2007, as well as the remuneration policies planned for 2008.

Prior to the General Meeting of 11 May 2007, the Supervisory Board proposed several changes to the remuneration policy for the members of the Board of Management. The adjusted remuneration policy was adopted by the General Meeting of 11 May 2007 and included the following changes:

- the labour market peer group was amended;
- the short term and long term incentive plans were disentangled (in line with market practice);
  - short term incentives are fully paid out in cash;
  - long term incentives consist of an annual conditional grant of performance shares for which the vesting, after three years, might vary between 0 % and 200 %;
- the peer group for Draka's long term incentive plan which is based on TSR (Total Shareholder Return) performance, was amended.

This remuneration report consists of three parts. The first section is a description of the remuneration policy of the Board of Management applicable in 2007 and includes the remuneration structure of the Board of Management. The second section describes the remuneration of the Board of Management in 2007 and briefly discusses the remuneration policy for the Board of Management to be followed in 2008. The third section describes the remuneration policy applicable to and the remuneration received by the Supervisory Board in 2007.

This remuneration report is available on Draka's website (www.draka.com).

Remuneration Policy Board of Management 2007

General

The remuneration policy of the Board of Management is designed to ensure that the Company is able to attract, motivate and retain qualified and expert members of the Board, as required in order to achieve Draka's strategic objectives.

The underlying principles of the remuneration policy for 2007 and subsequent years can be described as follows:

- the total level of remuneration of the Board of Management will be in line with a labour market peer group consisting of European companies with comparable activities and / or similar in terms of size and / or complexity;
- the labour market peer group has been amended during 2007 due to changes in the activities and organisational structures within some of the labour market peers.

Independent remuneration advisors, who use statistical models in order to gear the remuneration details of the companies to Draka's size, can be consulted by the Company's Remuneration & Nomination Committee.

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

Draka's labour market peer group

Bekaert (Belgium)	Nexans (France)
Daetwyler (Switzerland)	NKT Holding (Denmark)
Fugro (The Netherlands)	Prysmian (Italy)
Hagemeyer (The Netherlands)	SBM Offshore (The Netherlands)
Legrand (France)	Stork (The Netherlands)
Leoni (Germany)	Telent (UK)

The remuneration levels of the members of the Board of Management were 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 arrangement.

Base salary

In 2007, we have reconsidered the base salaries and aligned them to the median market levels of the European labour market peer group.

Short term incentive (bonus)

In line with market practice, the short term and long term incentive plans were disentangled from 2007 onwards. The short term incentive is now paid out annually fully in cash.

The annual pay out, in terms of the short term incentive, is based on the following performance criteria:

- 1/3rd based on the Company's Earnings before Interest & Tax ('EBIT');
- 1/3rd based on the Company's average Net working capital as percentage of the yearly revenue;
- 1/3rd based on the discretionary judgment and proposals by the Remuneration & Nomination Committee to the Supervisory Board, related to so-called 'milestones' and applying a 'test of reasonableness'.

If the pre-set targets for 2007 are met, a target bonus of 60% of the base salary can be achieved by the members of the Board of Management. In the event of outstanding performance, a maximum bonus of 90% of the base salary may be achieved by the members of the Board of Management. If performance is below a certain threshold, no bonus will be paid.

Draka regards this combination of performance measures as a proper reflection of the short-term operational performance of the Company. The specific details of the targets are not publicly disclosed since these qualify as competition-sensitive and hence commercially confidential information. On the advice of its Remuneration & Nomination Committee, the Supervisory Board reviews the short term incentive objectives each year in order to guarantee that they are challenging, realistic and in accordance with Draka's strategy.

Long term incentive

Following the disentanglement of the previously applicable short term and long term incentive plans, the long term incentive now consists of an annual conditional grant of performance shares. After a three year period, these performance shares might vest (i.e. become unconditional) based on Draka's TSR performance.

Draka's TSR performance will be measured against the following companies:

Draka's TSR performance peer group

Andrew Corp	(NASDAQ)
Belden CDT	(NYSE)
Commscope	(NYSE)
Daetwyler	(Swiss Stock Exchange)
Fugro	(Euronext Amsterdam)
Fujikura	(Tokyo Stock Exchange)
Hagemeyer	(Euronext Amsterdam)
General Cable Corp	(NYSE)
Leoni	(Frankfurt Stock Exchange)
Nexans	(Euronext Paris)
SBM Offshore	(Euronext Amsterdam)
Stork	(Euronext Amsterdam)
Superior Essex	(NASDAQ)

The table below reflects the number of shares (as a percentage of the initially granted number of shares) each member of the Board of Management will receive in relation to the relative TSR position Draka will have achieved three years after the initial share grant.

In line with the principles of the Dutch Corporate Governance Code, vested shares must be held an additional two years from the moment of vesting.

Position	Number of shares that will vest (as percentage of numbers of shares initially 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 conditional grant of performance shares equals 55% of the base salary. In extraordinary circumstances, the Supervisory Board has the authority to grant additional (performance) shares.

Pension arrangements

In principle, the pension arrangements are in line with the median level of the country of origin of each member of the Board of Management.

Loans

The Company does not grant loans, guarantees or the like to members of the Board of Management of Draka.

Remuneration Board of Management 2007

As per 30 September 2007, Ingolf Schulz stepped down as Chief Executive Officer of Draka Holding N.V. and, subsequently, stepped back from the Board of Management on 31 December 2007. He was succeeded, on 1 October 2007, by Sandy Lyons as Chief Executive Officer of Draka Holding N.V. Sandy Lyons had already been appointed as member of Draka's Board of Management on 1 September 2007 and had been CEO of Draka Comteq since 1 December 2004. Christian Raskin stepped down from the Board of Management on 31 August 2007.

The remuneration of Draka's Board of Management substantially changed in 2007, as a result of an in-depth review.

Base salary

As a result of this review, the base salaries of the Board of Management were brought in line with the labour market peer group resulting in increases for Ingolf Schulz of 8%, Frank Dorjee of 4% and Christian Raskin of 3%. Sandy Lyons new (CEO) base salary was determined in line with the approved remuneration policy.

Short term incentive

With regard to the 2007 short term incentive, financial targets are achieved on a level, which results in a 60% pay-out for the annual bonus. With regard to the discretionary part, the Supervisory Board decided to pay out 20% of the base salary. Therefore, the Supervisory Board decided to pay out 80% (of the maximum

90%) of the base salary to the members of the Board of Management over 2007.

The bonus pay-outs over the financial year 2007 are presented in the remuneration table on page 48.

Long term incentive

In 2007, the Supervisory Board used its authority to grant Ingolf Schulz 15,603 conditional performance shares and Frank Dorjee 12,394 conditional performance shares. In addition, as extra appreciation for their contributions during the last three years, Ingolf Schulz and Frank Dorjee were awarded a so called 'one off grant' of one year conditional performance shares, of 15,603 and 12,394 each. The General Meeting approved this grant on 11 May 2007.

Pensions

Ingolf Schulz has a defined benefit scheme based on an annual accrual of 2.5% per annum.

Sandy Lyons has a deferred compensation arrangement under Section 401K of the United States Internal Revenue Service Code. Under this arrangement Sandy Lyons is allowed to defer a limited part of his compensation for retirement purposes under the same conditions as all participants in this plan. In addition, Sandy Lyons is entitled to receive annually a deferred payment of no more than 85% of his base salary. This deferred payment can be allocated to a private retirement plan.

Growth by globalisation: new facility in Mexico opens up North American market

"Globalisation means being close to the customer"

The acquisition in mid-2006 of a facility in Durango, Mexico, that had recently been closed down by its owner proved to be a golden opportunity for Draka's Transport division. "It was full of assets and almost ready to go", says the division's President Christian Schütte. "We had already realised that investing in a regional production facility was a 'must' to be able to serve the major North American market."

Customers of Draka Transport are the wiring harness manufacturers to the primary automotive and aircraft industries, of which there are just a handful around the world. Themselves faced with tough cost pressures, these 'tier 1' suppliers are increasingly shifting their production to low-cost countries. As a 'tier 2' supplier, Draka Transport has to make sure it follows the harness manufacturers so it can continue to serve them on a local basis.

"Logistics costs are high because of the many different part numbers", Christian Schütte explains. "For example in America there are 14 basic cable colours and stripes, which add up to a huge number of possible combinations. That's why it's so important to be located close to the customer. The new Mexico facility is ideally placed for the North American market. All the major manufacturers are present there, including the automotive OEMs themselves and their suppliers, with most of the production output going to the NAFTA region."

Aircraft opportunities

Mexico also offers opportunities in the aircraft industry. For example harnesses for the Airbus A380 are manufactured by a tier 1 supplier in nearby Chihuahua, which Draka Transport currently supplies from France. Switching production to Durango would save cost and shorten the logistics lines, especially in view of Airbus' plans for a big production increase between now and 2012. Another benefit of such a move would be to put production into the dollar zone, where the customer is also located. All global airlines require new aircraft to be sold in US dollar. Therefore, Airbus asks its supplier to sell parts in US dollar, too.

Production start-up at the Durango facility was very rapid. After going through customers' qualifying procedures, the first production samples were shipped in November 2006. The full ramp-up was in March 2007, and in mid-2007 capacity was further increased by installing three additional lines.

Careful preparation

The start of production was preceded by a long period of careful preparation, with the

Frank Dorjee has a defined contribution pension scheme, which is structured as follows as from 1 January 2006:

- 1 January 2006 until reaching the age of 54 — 23.0% of his base salary
- Age 55 - 59 — 28.6% of his base salary
- As from age 60 — 36.1% of his base salary

The contribution under the pension scheme of Frank Dorjee is based on the base salary minus a social security offset (in 2007: € 11,872). In 2007 Frank Dorjee has received a one-off € 140,000 extra contribution to his pension plan as compensation for earlier commitments.

The defined contribution scheme of Christian Raskin is based on a flat rate contribution of his annual base salary, or € 57,750. The corresponding Dutch fiscal costs are € 90,284. So the total costs in relation to Christian Raskin amount to € 148,034.

Overview

The table on page 48 shows the direct remuneration of the Board of Management for 2007. As a result of him stepping down from the Board of Management on 30 August 2007, the table reflects the remuneration of 8 months for Christian Raskin. Please note that Sandy Lyons was employed by Draka for the whole year 2007 but that the table only reflects the remuneration for Sandy Lyons over the period 1 September 2007

Christian Schütte,
President Draka Transport

first visits starting several years ago and followed by an exploration of the possibilities of production in the NAFTA zone. "At that time we already had a lot of support from customers because of the lack of qualified suppliers in the region", says Christian Schütte. "We then quickly reached the decision to invest in the region, and were fortunate to find the Durango facility which we were able to bring on-line in a very short time."

Draka Transport sees opportunities in other regions, for example China and Brazil. It already has a factory in China serving the local operations of European manufacturers. The local Chinese manufacturers are not yet fully aligned with safety and quality standards in the rest of the world, but when they do so in the coming years they will also be an attractive target market. Many of the division's global customers are already in Brazil, and this is another potentially attractive country for cable manufacturing operations. "Again it's a question of following your customers, and offering them a global service at a local level", Christian Schütte concludes.

"Room for growth on Durango site"

"Part of the reason we were able to make such a fast start in the new Durango facility was because we were able to recruit staff from the former workforce. The department leaders were still there, and we took on around 60 per cent of the old team. After that we started an intensive training program to bring them up to the required level to operate at full capacity. Another advantage we have here is a large area of land, which could enable us to double the production area if necessary. That will enable us quickly to take advantage of the growth opportunities in the region."

until 31 December 2007 (reflecting his 2007 tenure as member of the Board of Management of the Company).

2007 Direct Remuneration Board of Management

Amounts in €	Base salary	Short term incentive	Long term incentive	Pension	Allowances*	Total
Sandy Lyons	167,100	143,333	-	143,311	70,385	524,129
Ingolf Schulz	538,051	428,000	326,906	320,233	50,575	1,663,765
Frank Dorjee	425,000	340,000	298,283	235,090	-	1,298,373
Christian Raskin	263,333	158,000	14,554	100,262	30,819	566,968

* 'Allowances' primarily reflect the gross compensation for housing costs, education and daycare.

The long term incentive reflects the fair 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 in relation to the peer group.

The members of the Board of Management do not have options on ordinary Draka Holding N.V. shares.

Shareholdings by the members of Draka's Board of Management (at 31 December 2007) are as follows:

	Number of shares	Number of conditionally granted performance shares
Sandy Lyons	-	-
Frank Dorjee	9,940	24,788

Employment contracts

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

Sandy Lyons' current employment was entered into on 1 September 2007 for a period of four years and will, therefore, end on 31 August 2011. The contract provides for a notice period of three months in case of termination by Sandy Lyons and of six months in case of termination by the Company. An exit arrangement has been agreed with Sandy Lyons of a full year's base salary in case of termination of employment without cause before the end of his term.

Frank Dorjee's current employment contract was entered into on 1 June 2007 for a period of four years and will, therefore, end on 31 May 2011. The employment contract provides for a notice period of three months in case of termination by Frank Dorjee and of six months in the case of termination by the Company. An exit arrangement has been agreed with Frank Dorjee under which a full year's base salary plus the average bonus received over the previous three years would be paid if the employment contract were to be terminated before 31 May 2011 due to any other reason than cause.

As stated previously, Christian Raskin stepped down from the Board of Management as per 31 August 2007 and Ingolf Schulz as per 31 December 2007. Christian Raskin and Ingolf Schulz remain employed by Draka as advisers to the Board of Management.

Remuneration policy Board of Management 2008

The remuneration policy for the members of the Board of Management, as adopted by the General Meeting on 11 May 2007, will be continued in 2008. In line with this the base salaries of the Board of Management will increase with 3.25% to € 516,250 for Sandy Lyons and to € 438,813 for Frank Dorjee.

Because of the (intended) take-over of some of Draka's peers, the composition of the peer groups needs to be amended in 2008.

Remuneration policy Supervisory Board 2007

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 equal to the peer group for the Board of Management.

In accordance with good governance, the remuneration of the Supervisory Board is not dependent on the results of the Company. Consequently, neither stock options nor performance shares are granted to Supervisory Board members by way of remuneration. If any shareholdings in Draka are held by Supervisory Board members, they serve as a long-term investment in the Company. The Company does not provide any loans to its Supervisory Board members.

A set of regulations are in place containing rules governing ownership of and transactions in securities by Supervisory Board members other than securities issued by Draka.

Since 1 June 2006, the Supervisory Board has established three Supervisory Board subcommittees: the Audit & Governance Committee, the Remuneration & Nomination Committee and the Strategy Committee.

The following fees for the members of the Supervisory Board and its specialized Committees are applicable:

	Chairman	Deputy Chairman	Members
Supervisory Board	€ 60,000	€ 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 fee, members of the Supervisory Board are entitled to an expense allowance of € 907.56 per year and are reimbursed for travel and accommodation expenses.

Remuneration Supervisory Board 2007

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 per 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 received by the Supervisory Board members in 2007 can be specified as follows:

	2007	2006
Fritz Fröhlich, Chairman	€ 81,375	€ 39,869
Annemiek Fentener van Vlissingen, Deputy Chairman	€ 72,417	€ 34,782
Frits Fentener van Vlissingen*	€ 0	€ 10,285
Harold Fentener van Vlissingen**	€ 57,917	€ 20,644
Ludo van Halderen**	€ 57,917	€ 20,644
Wim Jacobs***	€ 0	€ 12,903
Rob van Oordt	€ 73,750	€ 30,966
Annemieke Roobeek**	€ 57,917	€ 20,644
Graham Sharman	€ 71,375	€ 30,966

* Frits Fentener van Vlissingen passed away on 25 March 2006.
** Appointed during the Annual General Meeting of Shareholders of 8 May 2006.
*** Wim Jacobs stepped down at the General Meeting of Shareholders of 8 May 2006.

Remuneration Supervisory Board 2008

For 2008, the remuneration for the Supervisory Board is proposed to remain unchanged, except for the remuneration of the Chairman which is proposed to increase by € 10,000 to € 70,000. This proposed change will be submitted for adoption at the Annual General Meeting of Shareholders in 2008.

Amsterdam, 6 March 2008

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

Particulars of the members of the Supervisory Board:

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 appointed	2006
Current term	2006-2010

Ludo van Halderen (1946)[6]

Nationality	Dutch
Supervisory Board memberships	Rabobank IJsseldelta (Chairman) ECN
First appointed	2006
Current term	2006-2010

Rob van Oordt (1936)[1, 4]

Nationality	Dutch
Supervisory Board memberships	Unibail-Rodamco S.A. (Fr) (Chairman) Schering Plough Corporation (USA) Fortis Bank N.V. (Be)
First appointed	1999
Current term	2007-2011

Annemieke Roobeek (1958)[6]

Nationality	Dutch
Supervisory Board memberships	NCWT-NEMO (Chairman) Aedes Haute Equipe RAI Amsterdam
First appointed	2006
Current term	2006-2010

Graham Sharman (1938)[2, 5]

Nationality	British/American
Supervisory Board memberships	none
First appointed	1998
Current term	2006-2010

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

Corporate Governance

General

The Board of Management and Supervisory Board of Draka Holding endorse the Dutch Corporate Governance Code (the 'Code') and recognize their integral responsibility for correctly balancing the interests of the various stakeholders against the interests of the Company. Unless stated otherwise, Draka Holding follows the best-practice ('Bp') provisions included in the Code.

Any substantial changes in Draka Holding's corporate governance structure or in the manner in which Draka complies with this Code will be presented to the General Meeting of Shareholders (hereinafter referred to as 'the General Meeting').

Governance structure

Draka Holding N.V. is a public limited liability company under Dutch law. Draka Holding is registered in Amsterdam, the Netherlands. The management of Draka Holding is entrusted to the Board of Management, under the supervision of the Supervisory Board.

The General Meeting of Shareholders

General Meetings are held at least once a year. The General Meeting discusses the Annual Report, adopts the financial statements, declares the dividend, discharges the members of the Board of Management and the members of the Supervisory Board from liability in the exercise of their respective managing and supervising duties and appoints the auditor.

The General Meeting appoints, suspends and dismisses the members of the Board of Management and of the Supervisory Board. On the proposal of the Supervisory Board, the General Meeting decides on the adoption of the proposed remuneration policy for the Board of Management. Resolutions of the Board of Management and Supervisory Board, resulting in a material change in the identity or character of the Company or its business are subject to the approval of the General Meeting.

The General Meeting decides on the issue of new shares. The General Meeting can delegate this power to another company body. At present, this authorisation to issue (and to grant rights to acquire) shares has been granted to the Board of Management, subject to Supervisory Board approval, for a period of eighteen months, starting from the General Meeting of 11 May 2007. This power is limited to a maximum of 10% of the issued share capital on the date of issue. This restriction does not apply to the issue of any class B preference shares.

Draka has three types of shares: ordinary, preference and class B preference shares. As at 31 December 2007, only ordinary and preference shares had been issued. No class B preference shares have so far been issued.

The General Meeting also decides on the acquisition of outstanding shares.

One or more shareholders individually or collectively, representing at least one hundredth of the entire issued capital or whose shares at the date of the notice calling the meeting have a stock market value of at least two hundred and fifty thousand euros (€ 250,000), may submit proposals for discussion at the General Meeting no later than sixty days before the meeting, in writing to the Board of Management or the Chairman of the Supervisory Board. These proposals will be included in the agenda unless, in the opinion of the Supervisory Board and the Board of Management, the Company has an important interest to not include them.

Role of the Supervisory Board

The responsibilities, tasks and working methods of the Supervisory Board are laid down in the Articles of Association and the Charters of the Supervisory Board of Draka Holding and its subcommittees. The Supervisory Board is responsible for supervising all the policies and activities of the Board of Management and gives advice wherever this is appropriate. In doing so the Supervisory Board takes into account the interests of all the relevant parties, internally as well as externally. In performing their task, the members of the Supervisory Board focus on the interests of the Company and the business associated with it. For that purpose, the Board of Management timely provides the Supervisory Board with the data required for performing this task.

Members of the Supervisory Board are appointed by the General Meeting following proposals by the Supervisory Board. The General Meeting and the Central Works Council can make recommendations for appointment to the Supervisory Board. The Central Works Council may recommend one third of the Supervisory Board members to be nominated by the Supervisory Board unless the Supervisory Board objects to such recommendation on the grounds that the recommended person would, in its view, not be capable of properly performing his or her duties as a member of the Supervisory Board or in case the Supervisory Board would no longer have the required composition as the result of such appointment. The remuneration of the Supervisory Board is determined by the General Meeting.

The composition of the Supervisory Board takes into account the nature of the Company, its activities and the desired expertise and background of its members. The Supervisory Board retirement schedule is drawn up along the principles as expressed in the Code and is designed to prevent an unnecessary number of appointments or reappointments at the same time. The Supervisory Board of Draka Holding currently consists of seven members.

The Supervisory Board established three subcommittees. In view of the scale, diversity and complexity of the matters to be discussed, the committees contribute towards more effective decision making by the Supervisory Board. The composition of these subcommittees is as follows:

1) Audit & Governance Committee: Rob van Oordt (Chairman), Annemiek Fentener van Vlissingen, Fritz Fröhlich and Graham Sharman (members).

2) Remuneration & Nomination Committee: Fritz Fröhlich (Chairman), Annemiek Fentener van Vlissingen and Rob van Oordt (members).
3) Strategy Committee: Graham Sharman (Chairman), Annemieke Roobeek, Ludo van Halderen and Harold Fentener van Vlissingen (members).

The role, responsibilities and tasks of the Supervisory Board and its subcommittees are laid down in specific charters for the Supervisory Board and each subcommittee. The charters also record the working methods and composition. The Supervisory Board profile, as well as all the charters, including compositions of the Supervisory Board and each of its subcommittees, are available at the Draka Holding website (www.draka.com).

Although Draka Holding agrees with the Code, its principles and best-practice provisions, there are some aspects where Draka deviates from the Code:

- The Supervisory Board includes two members who do not qualify as independent, Annemiek Fentener van Vlissingen and Harold Fentener van Vlissingen, which is a deviation from Bp III 2.1.

- The Supervisory Board has not introduced a maximum term of membership of the Supervisory Board because of the need of the Company to have long-term access to the required expertise, which is a deviation from Bp III 3.5.

- Draka Holding's Supervisory Board has a combined remuneration and nomination committee. As Draka Holding attaches great value to the coordinating role of the Chairman of the Supervisory Board, especially in respect of the selection and nomination process of Supervisory Board and Board of Management members, the Chairman of the Supervisory Board is also Chairman of the Remuneration & Nomination Committee, which is a deviation from Bp III 5.11.

Role of the Board of Management

The Board of Management is responsible for the management and the successful realization of the long term strategy of Draka Holding and its operating companies. Board of Management members are appointed by the General Meeting, from among candidates nominated 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, not following the proposal of the Supervisory Board, can only be carried out by an absolute majority of the cast votes by a quorum of shareholders representing more than one third of the capital in issue.

In the event of a conflict of interest between Draka Holding and a member of the Board of Management, Draka Holding will be represented either by a member of the Board of Management or of the Supervisory Board to be designated by the Supervisory Board.

In 2007, the composition of the Board of Management has substantially changed. Christian Raskin, Chief Strategy Officer, retired and stepped down from the Board of Management on 31 August 2007. Ingolf Schulz was Chairman and Chief Executive Officer until 30 September 2007 and stepped down from the Board of Management as per 31 December 2007. After his appointment to the Board of Management, on 1 September 2007, Sandy Lyons has served Chairman and Chief Executive Officer of the Board of Management since 1 October 2007.

Particulars of the Board of Management

Sandy Lyons (1956): CEO and Chairman of the Board from 1 October 2007

Nationality	American
Supervisory Board memberships	none
Appointed	2007

Frank Dorjee (1960): CFO

Nationality	Dutch
Supervisory Board memberships	none
Appointed	2005

Ingolf Schulz (1948): CEO and Chairman of the Board until 30 September 2007

Nationality	German
Supervisory Board memberships	none
Appointed	2004

Christian Raskin (1947): CSO until 31 August 2007

Nationality	Belgian
Supervisory Board memberships	none
Appointed	2002

Code of Conduct and Whistleblower policy

Draka Holding actively promotes awareness throughout the Company of the importance of good corporate governance. In the framework of good corporate governance, the Board of Management and the Supervisory Board of Draka Holding introduced a Code of Conduct in 2007, which reflects Draka Holding's core values and standards and includes a clear Mission Statement for all employees within Draka. This Code of Conduct applies throughout Draka and covers all companies affiliated with Draka Holding. Next to the Code of Conduct a Whistleblower procedure has been introduced. For the purpose of this policy, a compliance system has been developed, which provides the basis for effective reporting of potential abuses within Draka. As part of Draka's corporate governance policy and procedures, the Company Secretary serves as Compliance Officer. As such, she is also the prime employee contact as part of the Whistlerblower scheme.

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, fund code: 34781, ISIN code: NL0000347813). From 4 March 2008, Draka is listed on Euronext's AMX (Amsterdam Midkap) index. Draka's market capitalisation at year-end 2007 amounted to around € 820 million.

Since 8 July 2002, options on Draka shares have been traded on Euronext Amsterdam Derivative Markets. In addition, subordinated convertible bonds have been traded on the exchange since 22 September 2005. This is a five-year convertible bond loan (4% coupon, nominal € 100 million) maturing on 20 September 2010, further details of which can be found on page 117. The subordinated convertible bond loan (5% coupon, nominal € 95.2 million outstanding) which matured on 15 April 2007 was repaid at 100% of the outstanding principal.

Share price performance of Draka Holding N.V. (October 1991 – March 2008)

Capital and shares

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

2007	Authorised	Issued
Ordinary bearer shares and registered shares	58,000,000	35,571,009
Preference shares [1]	12,000,000	5,046,257
Class B preference shares [1,2]	70,000,000	-
Authorised capital	**140,000,000**	**40,617,266**

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

As at 31 December 2007, the number of issued and fully paid-up shares was 40,617,266 representing an amount of € 20,308,633. The increase of 3,603 in the number of ordinary shares compared with year-end 2006 was due

to the conversion of several convertible bonds in 2007. The decrease of 3,839,214 in the number of preference shares compared with year-end 2006 was due to the cancellation of the preference shares repurchased in 2006.

Assuming full conversion of the convertible bond loan in issue, the fully diluted number of ordinary shares is made up as follows:

	Ordinary shares
Ordinary shares in issue as at 31 December 2007	35,571,009
Maximum issue of ordinary shares due to conversion of 4% subordinated convertible bond loan 2010	6,549,475
Fully diluted ordinary shares	**42,120,484**

Overview notifications of substantial holdings

Pursuant to the reporting obligations under the Act on the Supervision of Financial Markets, which has been introduced in the Netherlands and which requires, among other things, that shareholders disclose their interests if these represent 5% or more of the issued shares in the capital of a listed company, the following shareholders (of ordinary shares and preference shares) fall under the scope of the Act (most recent notification dated 7 February 2008):

	Holding	Ordinary shares	Preference shares[1]	Subordinated convertible bond loan
Flint Holding N.V.	47.9% [2]	x	–	x
Fortis Utrecht N.V.	6.0%	–	x	–
Ducatus N.V.	5.3%	–	x	–

[1] Not tradable on the Amsterdam stock exchange
[2] Assuming full conversion of the part of the subordinated convertible bond loan owned by the shareholder

Draka estimates that the free float of its ordinary shares is approximately 50%.

Dividend policy

With regard to Draka's ordinary shares, the Company aims to distribute a dividend equal to 30% of the result for the year attributable to shareholders (excluding non-recurring items) after dividend on preference shares. A dividend of € 0.37 per ordinary share was distributed to the ordinary shareholders for 2006. A dividend of € 0.68 per ordinary share is proposed for the financial year 2007. The dividend will be paid entirely in cash and be made payable on 2 May 2008. The proposed dividend equates with a pay-out percentage of 30% of the result for the year attributable to shareholders excluding the exceptional tax gain.

A dividend of approximately 7.1% is paid to the holders of preference shares in issue. The total 2007 dividend on preference shares amounts to € 5.4 million.

Liquidity provider

Draka has appointed three liquidity providers to ensure orderly and increasing trade in its shares. These are ABN AMRO Bank N.V., Kempen & Co N.V. and Rabo Securities N.V. In the year under review, a record number of transactions (almost 160,000) in Draka shares were executed, an increase of 345% on the 2006 figure. Some 51.7 million (+175%) shares were traded or 145% of the total ordinary shares in issue. The total value of these trades was some € 1.5 billion.

Share and option plan

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

Growth by innovation: saving cost, simplifying installation and maximising customer service

"Innovation leader in products, but also in services"

Long term Research & Development is behind the innovative products that the Mobile Network Cable division offers its customers. The results of that are demonstrated by the world-leading range of technically advanced products. "But there's more to innovation than products alone", says Mika Höijer, President of Draka Mobile Network Cable. "The way we deliver those products to our customers, and the services we offer, are just as important."

"The performance and durability of our cables are vital aspects that our customers depend on, and it goes without saying that all our products meet the most stringent demands in those areas. But we also have to answer a lot of other requirements", Mika Höijer emphasises. "For example making our products easier to use, and easier to install under tough field conditions. Our RFA feeder cables combine high strength and protection with excellent flexibility. That ensures easy handling and installation, while reducing the risk of breakage to an absolute minimum."

Detailed instructions and training

"We provide detailed instructions and training to help installation companies work with our cables, as well as special tools - for example to efficiently cut cables to length and fit connectors. And we further support installers by putting together complete, ready-to-install packages including extras like connectors, grounding kits, EMPs, clamps and all the other small components they need. That saves them time on-site and allows them to complete the job as quickly as possible. And of course we ensure reliable delivery, so customers know they will have the products they need on site, when they need them."

Ways to reduce costs

Cost is also an important factor, especially for mobile network operators who are subject to strong competitive pressures. "That's why we're constantly looking for ways to reduce costs without compromising on quality", says Mika Höijer. "Our process development department is always working on improvements that will result in a better end-product at a lower cost than before. Just one example is our unique foaming process, which gives a more waterproof cable while at the same time allowing the line speed to be increased. We have also introduced continuous welding of the outer conductor which is made of very thin copper tape that

As at 31 December 2007, the number of outstanding options/SARs amounted to 448,380 and the number of assigned shares to 22,594. The stock option/SARs exercise prices and share allocation prices are as follows:

	Number of shares	Number of options/SARs	Exercise price
2002	–	12,812	€ 24.26
2003	–	13,270	€ 7.42
2004	–	26,468	€ 11.63
2005	5,998	102,261	€ 10.05
2006	8,386	141,728	€ 13.51
2007	8,210	151,841	€ 28.02
Total	**22,594**	**448,380**	

Mika Höijer,
President Draka Mobile Network Cable

keeps weight down and saves material. In our tandem process, continuous welding is followed directly by jacketing which enables us further to increase the efficiency of the production line. At the same time scrap rates are reduced, making an additional contribution to cost savings."

Saving cost and weight

Another way in which the division has responded to customers' needs is with a new family of aluminium feeder cables. By using an aluminium outer conductor instead of the traditional copper, these new cables allow cost savings to be made while still maintaining performance at the required standards. Thanks to the lighter aluminium outer conductor they also offer attractive weight savings. "These are just a few of the ways in which we go further than ever to be the number 1 choice for our customers", Mika Höijer concludes.

"We're always listening to the customer's needs"

"Exactly what our customers want to buy from us depends strongly on the region. In Europe we usually supply complete, ready-to-install packages to mobile operators, while in emerging markets our customers are also OEMs who offer turnkey projects and put together the materials they need by themselves. But the important thing as far as we're concerned is to listen carefully to the needs and preferences of the individual customer. Whether they relate to the products and specifications – even including requirements for custom developments – to delivery and logistics, or to supporting services. We aim to provide a responsive service that gives customers exactly what they need, where and when they need it."

Prevention of insider trading

Under Section 5:65 of the Dutch Financial Supervision Act (Wft), Draka is subject to a regulation on the holding of and effecting transactions in shares and other financial instruments. This regulation applies within Draka to the Board of Management, Supervisory Board and Directors. In addition, around 100 employees at Draka are subject to this regulation. 'Closed periods' apply to these employees, during which they are not permitted to trade in Draka securities. The Company Secretary has been appointed as compliance officer and is responsible for enforcing the Company's Code of Conduct and for communication with the Dutch Authority for the Financial Markets.

General Meeting of Shareholders

The General Meeting of Shareholders held on 11 May 2007, at which 67.8% of the total shares in issue were represented, adopted the following resolutions:

- adoption of the 2006 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 2006;
- reappointment of Fritz Fröhlich as Chairman of the Supervisory Board and Rob van Oordt as a member of the Supervisory Board of Draka Holding N.V.;
- 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 remuneration policy for the Board of Management;
  - reappointment of the auditors, KPMG Accountants N.V., for the 2007 financial year;
- designation of the Board of Management as the body authorised to resolve to issue shares, grant rights to subscribe for shares and restrict or exclude statutory pre-emptive rights for a period ending on 11 November 2008;
- authorisation for the company to acquire its own shares:
  - preference shares with serial numbers 1, 2, 4, 6, 9 and 10 in the Company's capital, which were repurchased on 29 December 2006;
  - ordinary shares up to a maximum of 10% of the capital currently in issue, for a period not exceeding 18 months;
- cancellation of all preference shares held by Draka Holding N.V. (serial numbers 1, 2, 4, 6, 9 and 10).

Extraordinary General Meeting of Shareholders

The Extraordinary General Meeting of Shareholders held on 30 August 2007, at which 58.7% of the total shares in issue were represented, resolved to appoint Sandy Lyons as a member of the Board of Management of Draka Holding N.V.

Investor relations

Draka is committed to maintaining a continuous dialogue with all stakeholders by pursuing an open and active communication policy. In this way, Draka provides insights into its strategy, objectives, product and market developments and financial results.

Draka published information on the development of its business on four occasions last year. In addition to publishing its annual figures for 2006 and the interim figures for 2007, Draka released two trading updates in 2007, in June and again in November. When announcing the annual figures for 2006 and the interim figures for 2007, meetings were organised for journalists and analysts to provide further background to the results and to enable those present 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 2006 and the interim figures for 2007.

On Friday, 16 November 2007, for the third year in succession, Draka organised a theme day for journalists, analysts and institutional investors to provide an opportunity for the Company to discuss part of its activities in greater detail. This time the meeting was held at Draka's operating company in Eindhoven (Netherlands), where developments within the Optical Fiber division were explained in greater depth. The central theme was 'innovation in optical fiber' and the discussion covered such areas as current and future market developments, Draka's market position and how it distinguishes itself from the competition and the investments in innovation that enable Draka to maintain its competitive edge and move into new markets. As in the past, the theme day included a tour of the factory. Draka intends to organise another theme meeting in 2008.

Draka conducted a very active investor relations policy in 2007, whereby the members of the Board of Management gave briefings on the strategy, activities and results of the Company. 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 annual figures for 2006 and the interim figures for 2007. Approximately 235 one-on-one meetings with investors were held in 2007 (2006: 135). Furthermore, on four occasions Draka gave presentations to groups of private investors which were followed by a tour of the factory in Amsterdam-Noord.

Draka's 2006 annual report was awarded a 'certificate of transparency' by the Scenter research bureau. In a survey of 99 quoted and unquoted companies, Draka was joint 11th with a score of 8.2. This score is a measure of transparency in terms of policy and strategy against ten criteria.

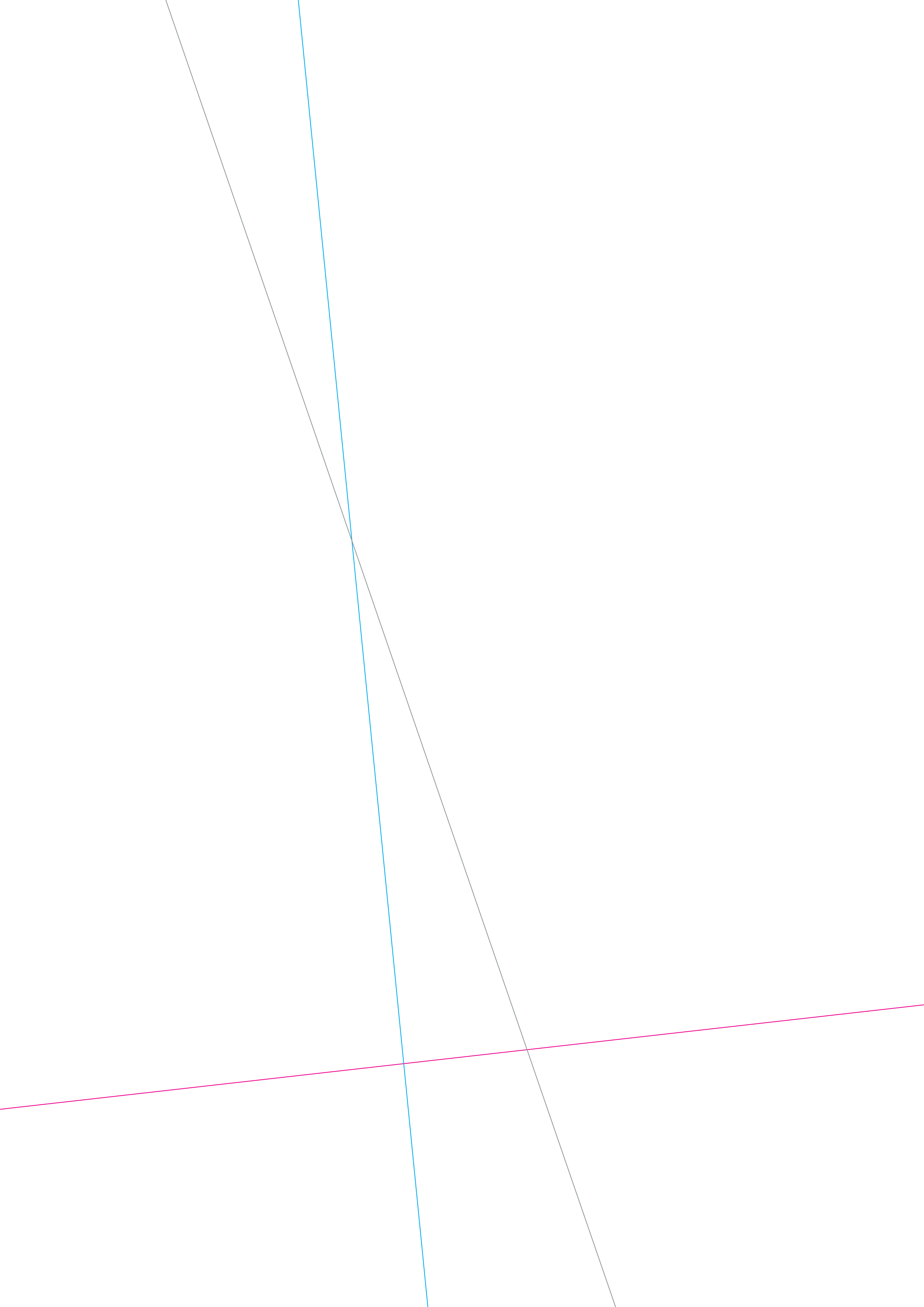
Other information

Further information on the Draka share and the activities of the Company can be found on the 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)	2007 [1]	2006 [1]	2005 [1]	2004 [1]	2003
Shareholders' equity (excluding preference shares)	9.51	9.85	10.13	8.84	11.16
Result for the year attributable to shareholders after dividend on preference shares	2.46	0.57	0.12	(0.67)	0.12
Dividend	0.68	0.37	0.00	0.00	0.10
Pay-out	30% [2]	30% [2]	0%	0%	83%
Highest share price	42.20	26.60	14.30	20.90	16.85
Lowest share price	19.75	11.70	9.95	8.75	4.10
Market price at year-end	23.00	25.80	13.23	10.70	15.60
Price-earnings ratio on basis of year-end price	9.3	54.9	110.3	(13.9)	130.0
Price of convertible bond 2010 at year-end	156%	168%	103%	–	–

[1] According to IFRS as adopted by the EU
[2] Based on earnings per share excluding non-recurring items

Financial calendar	
24 April 2008	Annual General Meeting of Shareholders at the Sheraton Amsterdam Airport Hotel, Schiphol
28 April 2008	Ex-dividend date
2 May 2008	Declaration of dividend for 2007
11 June 2008	Publication of trading update for the first half of 2008
1 September 2008	Publication of first-half year results for 2008 (before start of trading), followed by a meeting for the press and analysts
13 November 2008	Publication of trading update for the second half of 2008



Financial statements
2007

Consolidated statement of income

For the year ended 31 December

In millions of euro	Note*	2007	2006
Revenue		2,816.2	2,529.4
Cost of sales		(2,526.3)	(2,290.8)
Gross profit		**289.9**	**238.6**
Selling and distribution expenses		(150.1)	(156.9)
Other income and expenses	7)	5.9	(24.0)
Operating result		**145.7**	**57.7**
Finance income		12.9	24.5
Finance expense		(58.5)	(58.4)
Net finance expense	11)	**(45.6)**	**(33.9)**
Share of profit of equity accounted investees (net of income tax)	15)	15.5	8.2
Result before income tax		**115.6**	**32.0**
Income tax expense	12)	(21.6)	(8.6)
Result for the year		**94.0**	**23.4**
Attributable to:			
Equity holders of the company		93.0	21.8
Minority interests		1.0	1.6
Result for the year		**94.0**	**23.4**
Basic earnings per share (euro)	21)	2.46	0.57
Diluted earnings per share (euro)	21)	2.19	0.57

*The notes to the consolidated financial statements on pages 64 to 103 are an integral part of these consolidated financial statements

Consolidated balance sheet

As at 31 December

In millions of euro	Note*	2007	2006
Assets			
Non-current assets			
Property, plant and equipment	13)	538.0	531.7
Intangible assets	14)	101.0	96.5
Investments in equity accounted investees	15)	87.0	94.9
Deferred tax assets	12)	46.3	52.7
Other non-current financial assets	16)	24.9	32.2
Total non-current assets		**797.2**	**808.0**
Current assets			
Inventories	17)	441.0	433.7
Trade and other receivables	18)	470.1	458.8
Income tax receivable		4.8	2.4
Cash and cash equivalents	19)	39.4	42.1
Total current assets		**955.3**	**937.0**
Total assets		**1,752.5**	**1,745.0**
Equity			
Shareholders' equity			
Share capital		20.4	20.4
Share premium		311.4	311.4
Retained earnings		98.8	103.0
Other reserves		(15.8)	(7.9)
Total equity attributable to equity holders of the company		**414.8**	**426.9**
Minority interests		12.8	12.2
Total equity	20, 37)	**427.6**	**439.1**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	22)	527.3	268.2
Other interest-bearing liability	23)	-	127.7
Provision for employee benefits	24)	92.2	93.3
Other provisions	25)	13.2	26.1
Deferred tax liabilities	12)	31.1	26.1
Total non-current liabilities		**663.8**	**541.4**
Current liabilities			
Bank overdrafts	19)	34.9	32.0
Interest-bearing loans and borrowings	22)	49.4	107.2
Trade and other payables	26)	534.4	566.6
Income tax payable		29.9	26.8
Other provisions	25)	12.5	31.9
Total current liabilities		**661.1**	**764.5**
Total liabilities		**1,324.9**	**1,305.9**
Total equity and liabilities		**1,752.5**	**1,745.0**

*The notes to the consolidated financial statements on pages 64 to 103 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

As at 31 December

In millions of euro	Note*	2007	2006
Result for the year		94.0	23.4
Adjustments for:			
Depreciation	13)	48.2	49.6
Amortisation	14)	4.3	5.1
Impairments	13)	-	6.3
Finance income	11)	(12.9)	(24.5)
Finance expense	11)	58.5	58.4
Share of profit of equity accounted investees	15)	(15.5)	(8.2)
Equity-settled share-based payments	10)	1.5	0.9
Income tax expense	12)	21.6	8.6
		199.7	**119.6**
Changes in inventories	17)	(7.3)	(70.1)
Changes in trade receivables	18)	(11.9)	(39.6)
Changes in trade payables	26)	(14.8)	93.4
Changes in other working capital		(14.9)	28.1
Changes in provisions		(2.0)	12.0
Other		-	0.5
		148.8	**143.9**
Interest paid		(41.8)	(39.9)
Income tax paid		(10.4)	(1.3)
Application of provisions	24, 25)	(31.4)	(22.8)
Net cash from operating activities		**65.2**	**79.9**
Dividends received	15)	21.7	2.1
Proceeds from sale of property, plant and equipment		2.3	8.6
Acquisition of minority interest	3)	(209.0)	-
Acquisition of subsidiaries and associates, net of cash acquired	3)	(0.8)	(30.0)
Acquisition of intangible assets	14)	(7.3)	(1.9)
Acquisition of property, plant and equipment	13)	(64.2)	(45.6)
Net cash used in investing activities		**(257.3)**	**(66.8)**
Dividends paid (ordinary and preference shares)		(14.6)	-
Redeemable preference shares issued		-	76.6
Redeemable preference shares redeemed		-	(129.5)
Convertible subordinated bond redeemed		(95.2)	-
Subordinated loan issued		-	77.5
Subordinated loan redeemed		(77.5)	-
Movement in multicurrency facility		365.0	-
Shares acquired under long-term incentive plans		(4.3)	-
Shares delivered under long-term incentive plans		1.3	-
Movements in other bank loans		13.0	(14.2)
Net cash from financing activities	22)	**187.7**	**10.4**
Net increase/(decrease) in cash and cash equivalents		**(4.4)**	**23.5**
Cash and cash equivalents at 1 January (net of bank overdrafts)		10.1	(13.1)
Exchange rate fluctuations on cash and cash equivalents		(1.2)	(0.3)
Cash and cash equivalents at 31 December (net of bank overdrafts)	19)	**4.5**	**10.1**

*The notes to the consolidated financial statements on pages 64 to 103 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	Share-holders' equity	Minority Interests	Total equity
Balance as at 1 January 2006	**17.9**	**237.3**	**12.1**	**11.2**	**-**	**-**	**81.7**	**360.2**	**10.1**	**370.3**
Foreign exchange translation differences	-	-	(17.2)	-	-	-	-	(17.2)	(0.2)	(17.4)
Effective portion of fair value changes of cash flow hedges (net of income tax)	-	-	-	(15.4)	-	-	-	(15.4)	-	(15.4)
Total income and expenses recognised directly in equity	**-**	**-**	**(17.2)**	**(15.4)**	**-**	**-**	**-**	**(32.6)**	**(0.2)**	**(32.8)**
Result for the year	-	-	-	-	-	1.4	20.4	21.8	1.6	23.4
Total recognised income and expense	**-**	**-**	**(17.2)**	**(15.4)**	**-**	**1.4**	**20.4**	**(10.8)**	**1.4**	**(9.4)**
Preference shares issued	2.5	74.1						76.6	-	76.6
Share-based payments	-	-	-	-		-	0.9	0.9	-	0.9
Effect of acquisitions and divestments	-	-	-	-		-		-	0.7	0.7
Total direct changes in equity	**2.5**	**74.1**	**-**	**-**	**-**	**-**	**0.9**	**77.5**	**0.7**	**78.2**
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	-	-	-	-	-	-	(77.1)	(77.1)	(131.9)	(209.0)
Effect of acquisitions and divestments	-	-	-	-	-	-	-	-	0.4	0.4
Total direct changes in equity	**-**	**-**	**-**	**-**	**-**	**(1.4)**	**(91.8)**	**(93.2)**	**0.4**	**(92.8)**
Balance as at 31 December 2007	**20.4**	**311.4**	**(18.2)**	**(3.0)**	**-**	**5.4**	**98.8**	**414.8**	**12.8**	**427.6**

*The notes to the consolidated financial statements on pages 64 to 103 are an integral part of these consolidated financial statements

Notes to the 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. The activities are subdivided into two groups: Draka Cableteq, which is responsible for the low-voltage and special-purpose cable activities, and Draka Comteq, which handles the communication cable activities. The consolidated financial statements of the Company for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in equity accounted investees.

A summary of the main subsidiaries is included on page 38 of this Annual report.

The financial statements were authorised for issue by the Board of Management on 6 March 2008. The financial statements are tabled for adoption by the Annual General Meeting of Shareholders on 24 April 2008.

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 104 to 112 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 2007 relevant to the Group:

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments. Accordingly, we have adopted the applicable requirements of IFRS 7 in the notes to the Group financial statements.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard did not have a material impact on the Group's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits that impairment losses recognised in an interim period on goodwill and certain investments in equity instruments and in financial assets carried at cost are reversed at a subsequent balance sheet date. This standard did not have any impact on the Group's financial statements.

(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 2008 or later periods. The Group has not early adopted them:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions' provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This interpretation is not expected to have a material impact on the Group's consolidated financial statements.
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. 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 it 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. The expected impact is still being assessed in detail by management.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 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 will apply IFRIC 14 from 1 January 2008, but it is not expected to have a material impact on the Group's accounts.

(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, financial instruments classified as available-for-sale and the other interest-bearing liability. 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) Associates

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.

(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 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 28. Movements on the hedging reserve in shareholders' equity are 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 2006 and 2007 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:

- land and 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 2006 and 2007 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 realizable 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 based on the weighted average purchase price (first in first out) 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 liabilities

(I) 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.

(II) Other interest-bearing liability

The financial liability arising from the put option to acquire a minority interest is recognised at the present value of the estimated exercise price of the option, with changes recognised through the income statement.

(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.

(I) Business segments

The Group comprises the following main business segments:

- **Draka Cableteq** develops, produces and sells low-voltage and special-purpose cable for applications in premises and for Original Equipment Manufacturer (OEM) applications.

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

(II) Geographical segments

The Cableteq and Comteq 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

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 and minority interest

(I) Acquisition of minority interest

On December 27, 2007 the Group acquired the remaining 49.9% share in Draka Comteq B.V. from Alcatel Lucent N.V. for € 209 million in cash. The carrying amount of Draka Comteq's total assets in the consolidated financial statements on the date of acquisition was € 535.3 million. The Group recognised the increase in the parent shareholder's interest and related decrease in minority interest of € 131.9 million 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. See also note 23.

(II) Acquisition of subsidiary

In January 2007 the Group established together with Zhongyao Mechanic Electric Co the subsidiary Nantong Zhongyao Draka Elevator products Co ltd. The group acquired 75% of the shares and has control.

On June 26, 2007 Nantong Zhongyao Draka Elevator products Co Ltd. acquired part of the assets and liabilities of Zhongyao Mechanic Electric Co. The purchase price consideration amounted to € 2.3 million, which was agreed to pay in two instalments. In 2008 The Group will pay the second term amounting to € 0.7 million. The total amount of goodwill recognised in connection with the acquisition amounts to € 1.2 million.

If the entity Nantong Zhongyao had started on 1 January 2007, Group's revenue would have increased by approximately € 7 million and net income would not have been materially changed.

4. Financial risk management

4.1 Financial risk factors

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

- Credit risk
- Liquidity risk
- 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 23.5 % of the balance sheet total in 2007 (2006: 22.9%), with an average credit term of approximately 53 days (2006: 58 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. Since mid 2006, management of Draka decided to insure its exposure to credit risk (including political risk) on trade receivables. First in 2006, the credit insurance was implemented at the Draka Comteq division with a further roll out to the Cableteq division in early 2007. 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 exempt 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 it 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 2007 an amount of € 91.9 million (22.3% of the total trade receivables) is considered at risk, of which € 47.7 million is at debtors of which the credit limit application is still pending or was denied by the credit insurer and € 44.2 million are debtors in countries were 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 high 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 December 31, 2007, guarantees in the amount of € 6.1 million were outstanding (2006: € 50.9 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 18-20% 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 € 625 million for general corporate purposes and the execution of the Group strategy. This facility has replaced the existing € 370 million multicurrency revolving facility and the € 77.5 million subordinated loan;
- For the purpose of financing working capital the Group has an additional € 63.8 million in short term bank credit lines available. Furthermore, local subsidiaries of the Group have worldwide € 49 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 115 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 debt covenants that relate to solvency ratio's and net profit and includes a change of ownership clause in respect of significant parts of the Group. In 2007 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 to 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 might enter into derivative contracts.

(III) Price risk

In its manufacturing process the Group uses raw materials, like copper, preforms for optical fiber, 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 2007 the fair value of these derivatives amounts to a liability of € 5.0 million (2006: € 5.7 million).

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

(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 24.

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 long-term portion of the subordinated loans. At 31 December 2007 the guarantee capital amounts to € 537.5 million (2006: € 619.5 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 25%. In 2007, guarantee capital as a percentage of total invested capital was 30.7% (2006: 35.5%)

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. A dividend of € 0.68 per share, payable in cash, is proposed for the financial year 2007, representing a percentage as defined above of 30% (2006: € 0.37 per ordinary share, or 30%).

Another important financial objective in respect of capital risk management for the medium term is to establish healthy interest coverage, implying EBITDA/interest to exceed a ratio of 4.5. In 2007 interest coverage as defined was 4.3 (2006: 3.4).

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 14.

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 2007 and 2006.

(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 our 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 13.

(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 recognized as at 31 December 2007. These deferred income tax assets were not recognized 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 12. 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 12.

(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 12.

(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 we

set the discount rate as per 31 December 2007 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 24 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 25.

(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 notes 22 and 23.

6. Segment reporting

Business segments

In millions of euro	Draka Cableteq 2007	Draka Cableteq 2006	Draka Comteq 2007	Draka Comteq 2006	Not allocated to segments /eliminations 2007	Not allocated to segments /eliminations 2006	Consolidated 2007	Consolidated 2006
Revenue from external customers	2,180.0	1,936.2	636.2	593.2	-	-	2,816.2	2,529.4
Intersegment transactions	86.4	76.3	67.9	63.3	(154.3)	(139.6)	-	-
Revenue	**2,266.4**	**2,012.5**	**704.1**	**656.5**	**(154.3)**	**(139.6)**	**2,816.2**	**2,529.4**
Operating result (excluding non- recurring items)	147.3	99.6	13.1	5.5	(14.7)	(14.5)	145.7	90.6
Non-recurring items	-	(6.1)	-	(26.8)	-	-	-	(32.9)
Operating result	**147.3**	**93.5**	**13.1**	**(21.3)**	**(14.7)**	**(14.5)**	**145.7**	**57.7**
Net finance expense							(45.6)	(33.9)
Share of profit of equity accounted investees	8.2	5.8	7.3	2.4	-	-	15.5	8.2
Income tax expense							(21.6)	(8.6)
Result for the year							**94.0**	**23.4**
Capital expenditure	47.0	26.5	23.9	20.2	0.6	0.8	71.5	47.5
Depreciation and amortisation	36.5	37.4	15.6	17.1	0.4	0.2	52.5	54.7
Impairments	-	-	-	6.3	-	-	-	6.3
Segment operating liabilities	497.0	594.1	404.9	258.7	(249.6)	(134.9)	652.3	717.9
Segment assets	1,436.7	1,492.6	462.1	463.1	(233.3)	(305.6)	1,665.5	1,650.1
Investments in equity accounted investees	29.3	24.1	57.7	70.8	-	-	87.0	94.9
Total assets	**1,466.0**	**1,516.7**	**519.8**	**533.9**	**(233.3)**	**(305.6)**	**1,752.5**	**1,745.0**

Geographical segments

In millions of euro	The Netherlands 2007	The Netherlands 2006	United Kingdom 2007	United Kingdom 2006	Scandinavia 2007	Scandinavia 2006	Germany 2007	Germany 2006
Revenue from external customers	244.5	208.8	205.5	194.4	481.3	429.7	234.1	259.0
Total assets	447.7	361.5	74.3	127.7	224.1	245.4	185.1	223.1
Capital expenditure	10.0	7.1	0.8	1.3	8.4	6.7	4.5	3.4

In millions of euro	Rest of Europe 2007	Rest of Europe 2006	North America 2007	North America 2006	Asia 2007	Asia 2006	Other regions 2007	Other regions 2006
Revenue from external customers	772.3	704.1	308.7	296.6	331.4	256.8	238.4	180.0
Total assets	429.6	414.6	150.9	164.8	169.3	155.1	71.5	52.8
Capital expenditure	24.5	16.6	9.8	7.3	9.8	4.7	3.7	0.4

In millions of euro	Consolidated 2007	Consolidated 2006
Revenue from external customers	2,816.2	2,529.4
Total assets	1,752.5	1,745.0
Capital expenditure	71.5	47.5

7. Other income and expenses

In millions of euro	Note	2007	2006
Increase in provision "Stop, Swap & Share" project		-	(22.6)
Increase in other provisions		(2.2)	(6.3)
Increase in provisions	25)	**(2.2)**	**(28.9)**
Release of unused provisions and other		8.1	8.9
"Stop, Swap & Share" project expensed as incurred		-	(4.0)
		5.9	**(24.0)**

8. Employee benefit expense

In millions of euro	Note	2007	2006
Wages and salaries		315.6	295.9
Social security charges		65.1	64.4
Contributions to defined contribution plans	24)	9.9	13.1
Expenses related to defined benefit plans	24)	5.2	7.5
Share-based payments	10)	1.5	0.9
	-	**397.3**	**381.8**

During 2007, the average number of employees was 9,346 (2006: 8,762). The number of employees at 31 December 2007 was 9,547 (31 December 2006: 9,145), of which 1,064 were employed by Dutch group companies (1,096 in 2006).

9. Remuneration of the Board of Management and Supervisory Board

The remuneration of the current and former members of the Board of Management in 2007 amounted to € 4.1 million (2006: € 5.2 million) and the remuneration of the Supervisory Board in 2007 amounted to € 0.5 million (2006: € 0.2 million). See note 41 for additional details on remuneration.

10. 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 December 31, 2007:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Range of exercise prices	
Outstanding at January 1, 2007	362,769	€ 11.65	7.1	€ 7.42	€ 13.51
Outstanding at January 1, 2007	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 December 31, 2007	283,727	€ 11.80	5.8	€ 7.42	€ 13.51
Outstanding at December 31, 2007	139,034	€ 27.67	7.0	€ 24.26	€ 28.02
Total outstanding at December 31, 2007	**422,761**	**€ 17.02**	**6.8**	**€ 7.42**	**€ 28.02**
Exercisable options at December 31, 2007	52,550	€ 13.65	3.8	€ 7.42	€ 24.26

The following table summarizes option activity for the year ended December 31, 2006:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Range of exercise prices	
Outstanding at January 1, 2006	250,912	€ 9.80	7.2	€ 7.42	€ 11.63
Outstanding at January 1, 2006	30,870	€ 24.26	5.0	€ 24.26	€ 24.26
Forfeited during the period	(1,336)	€ 11.25	7.3	€ 7.42	€ 11.63
Forfeited during the period	(7,420)	€ 24.26	4.0	€ 24.26	€ 24.26
Exercised during the period	(50,201)	€ 8.57	5.4	€ 7.42	€ 11.63
Granted during the period	163,394	€ 13.51	8.0	€ 13.51	€ 13.51
Outstanding at December 31, 2006	362,769	€ 11.65	7.1	€ 7.42	€ 13.51
Outstanding at December 31, 2006	23,450	€ 24.26	4.0	€ 24.26	€ 24.26
Total outstanding at December 31, 2006	**386,219**	**€ 12.41**	**6.9**	**€ 7.42**	**€ 24.26**
Exercisable options at December 31, 2006	64,174	€ 14.35	5.0	€ 7.42	€ 24.26

The weighted average share price at the date of exercise, for share options exercised in 2007 was € 33.40 (2006: € 15.95).

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 2007 and 2006 were as follows:

Fair value of share options and assumptions at measurement date	2007	2006
Fair value at measurement date	€ 12.31	€ 6.24
Share price	€ 28.02	€ 13.51
Exercise price	€ 28.02	€ 13.51
Assumptions used:		
Expected volatility (expressed as weighted average volatility used in the modelling under binomial option pricing model)	42.5%	43.3%
Option term	8 years	8 years
Expected dividends	1.3%	0.2%
Risk-free interest rate (based on national government bonds)	4.6%	4.1%

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 2007 grant of matching shares amounts to € 26.94 (2006: € 13.51), which is equal to the share price at the date of the bonus conversion discounted for forfeited dividend. At the end of 2007 the number of matching shares outstanding to senior management was 22,594 (2006: 16,595). 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 2007 the number of shares outstanding was 16,186 (2006: 10,983).
The estimate of the fair value of the shares received is measured based on the Monte Carlo approach. The fair value of the 5,203 shares granted in 2007 amounted to € 44.22 (grant 2006: € 16.27).

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 2007 27,997 performance shares were conditionally granted to members of the Board of Management. The fair value of the shares at measurement date amounted to € 28.35. Further, the Supervisory Board used its authority in 2007, which was subject to approval by the General Meeting of Shareholders, to grant additional performance shares in extraordinary circumstances. The number of additional performance shares conditionally granted and delivered to members of the Board of Management amounted to 27,997. The fair value of the shares at measurement date amounted to € 28.35. At the end of 2007 the total number of shares (conditionally issued or issuable) under the share plans with the Board of Management was 72,180 (2006: 10,983).

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

The following table summarizes matching shares activity for senior management and Board of Management:

	Number of shares senior management 2007	Number of shares Board of Management 2007	Number of shares senior management 2006	Number of shares Board of Management 2006
Outstanding at January 1	16,595	10,983	13,892	-
Forfeited during the period	(101)	-	(1,021)	-
Exercised during the period	(2,110)	-	(4,726)	-
Granted during the period	8,210	61,197	8,450	10,983
Total outstanding at December 31	**22,594**	**72,180**	**16,595**	**10,983**

Stock Appreciation Rights (SARs)

Under this plan, the Company has granted SARs on its ordinary shares to qualifying Dutch 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 2007 25,619 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 84 for further details). The fair value of the liability is remeasured at each reporting date and at settlement date.

Total amounts recognised in the income statement in respect of all share-based payments amounted to € 1.5 million (2006: € 0.9 million).

11. Net finance expense

Recognised in statement of income

In millions of euro	2007	2006
Interest income	(2.5)	(1.1)
Change in fair value of the other interest-bearing liability	(8.1)	(23.3)
Net foreign exchange gain	(1.8)	-
Net gain on remeasurement of derivatives through the income statement	(0.5)	(0.1)
Finance income	**(12.9)**	**(24.5)**
Interest expense	40.0	31.0
Dividend cumulative preference shares	-	7.7
Interest expense on the other interest-bearing liability	12.2	14.0
Fee expenses	6.3	5.5
Net foreign exchange loss	-	0.2
Finance expense	**58.5**	**58.4**
Net finance expense	**45.6**	**33.9**

In the fee expenses of 2007 a one-off charge of € 3.8 million is included (2006: € 1.4 million) as a result of the refinancing of the Group's balance sheet.

For further details on finance income and expenses related to the other interest-bearing liability, reference is made to note 23.

12. Taxes

Total income tax expense recognised in the income statement amounted to € 21.6 million in 2007 (2006: € 8.6 million). The components of income taxes are as follows:

Recognised in the income statement

In millions of euro	2007	2006
Current income tax (expense)/benefit		
Current year	(24.8)	(12.0)
Prior periods	13.8	-
Total current income tax (expense)/benefit	**(11.0)**	**(12.0)**
Deferred income tax (expense)/benefit		
Origination and reversal of temporary differences	8.5	(9.2)
Change in tax rate	(4.7)	1.0
Benefits of tax losses carry forward previously unrecognised	0.3	12.8
Usage of tax losses carry forward	(13.8)	-
Prior periods	(0.9)	(1.2)
Total deferred income tax (expense)/benefit	**(10.6)**	**3.4**
Total income tax (expense)/benefit	**(21.6)**	**(8.6)**

In January 2008 the Group finalised discussions with the Dutch tax authorities regarding the fiscal return of 2003. The Group recognized a tax income amounting to € 7.7 million in 2007 which anticipated the outcome of the discussions.

Reconciliation of effective tax rate

In millions of euro	2007	2007 in %	2006	2006 in %
Result for the year	94.0		23.4	
Total income tax expense / (benefit)	21.6		8.6	
Result before tax	**115.6**	100%	32.0	**100%**
Income tax calculated at tax rates applicable in the respective tax jurisdictions	30.5	26%	10.4	33%
Effect of change in tax rates	4.7	4%	(1.0)	-3%
Non-tax deductible expenses	3.5	3%	5.3	17%
Tax exempt income	(9.5)	-8%	(5.7)	-18%
Loss carry forwards not recognised	2.4	2%	20.0	63%
Effect of tax losses recognised	(0.3)	0%	(12.8)	-40%
Prior periods	(8.4)	-7%	(5.3)	-17%
Other	(1.3)	-1%	(2.3)	-7%
	21.6	**19%**	8.6	**27%**

The weighted average applicable tax rate was 26 % (2006: 33%). The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective tax jurisdictions. Furthermore the decrease is affected by the reduction of the enacted tax rate in the Netherlands from 29.6% to 25.5% as of January 1, 2007.

Recognised directly in equity

The deferred income tax expense recognised directly in shareholders' equity during the year amounted to € 0.2 million (2006: benefit of € 6.2 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 1 Jan 06	Recognised in income statement	Recognised in share-holders' equity	Effects of movements in foreign exchange	Balance 31 Dec 06
Property, plant and equipment	(34.7)	(12.6)	-	(0.2)	(47.5)
Intangible assets	14.8	1.4	-	(0.1)	16.1
Financial fixed assets	(0.2)	0.2	-	-	-
Receivables	(7.6)	1.1	4.7	(0.1)	(1.9)
Inventories	(2.9)	(2.4)	-	(0.2)	(5.5)
Interest-bearing loans and borrowings	7.9	6.8	-	-	14.7
Employee benefits	6.3	2.1	-	(0.1)	8.3
Provisions	14.5	(9.9)	-	-	4.6
Other current liabilities	0.3	(0.7)	1.5	-	1.1
Tax value of loss carry-forwards recognised	20.0	17.4	-	(0.7)	36.7
	18.4	**3.4**	**6.2**	**(1.4)**	**26.6**
Deferred tax assets	52.5				52.7
Deferred tax liabilities	34.1				26.1
Net deferred tax position	**18.4**				**26.6**

In millions of euro	Balance 1 Jan 07	Recognised in income statement	Recognised in share-holders' 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**

Deferred income tax assets are recognized 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.

In 2006 deferred tax assets in respect of tax loss carry forwards were recognised in several countries in excess of available temporary taxable differences. This recognition is substantiated by the improving economic conditions in the relevant tax jurisdictions that support the convincing evidence required by applicable accounting standards. For this purpose management uses a limited number of years of future forecasts.

Unrecognised deferred tax assets

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

In millions of euro	2007	2006
Deductible temporary differences	10.0	-
Tax losses	181.2	243.0
	191.2	**243.0**

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	2007	2006
Within 1 year	9.8	3.6
Within 2 - 5 years	84.3	28.1
After 5 years and thereafter	71.7	271.8
Indefinite	489.6	471.8
	655.4	**775.3**

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

13. Property, plant and equipment

In millions of euro	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
Balance as at 1 January 2006					
Cost	441.4	999.2	93.5	23.6	1,557.7
Accumulated depreciation and impairments	(214.5)	(728.4)	(78.2)	(0.8)	(1,021.9)
Carrying amount	**226.9**	**270.8**	**15.3**	**22.8**	**535.8**
Acquisitions	5.8	9.1	0.7	1.4	17.0
Capital expenditure	1.2	21.9	6.4	16.1	45.6
Depreciation charge for the year	(9.4)	(36.6)	(3.4)	(0.2)	(49.6)
Impairment losses	(0.3)	(6.0)	-	-	(6.3)
Reclassification	12.0	(3.0)	15.0	(22.5)	1.5
Disposals	(9.1)	(0.6)	-	(0.6)	(10.3)
Effect of movements in foreign exchange	0.2	(1.2)	(0.1)	(0.9)	(2.0)
Total changes	**0.4**	**(16.4)**	**18.6**	**(6.7)**	**(4.1)**
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)
Impairment losses	-	-	-	-	-
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**

In 2006 and 2007 the Group has reclassified assets to/from property, plant and equipment to/from intangible assets.

Depreciation and Impairment losses

The depreciation and impairment charge for an amount of € 48.2 million (2006: € 55.9 million) is recognised in the income statement as cost of sales.

In 2006 under Draka Comteq's Stop, Swap & Share project particular property, plant and equipment became idle and therefore assets for an amount of € 6.3 million have been impaired.
The Group has not reversed any impairment loss in 2007 and 2006.

Leased property, plant and equipment

The Group leases land, buildings, plant and equipment under a number of finance lease-agreements. At 31 December 2007, the net carrying amount of leased property, plant and equipment was € 29.1 million (2006: € 28.0 million). The leased land, buildings, plant and equipment secures lease obligations (see note 22).

Security

At 31 December 2007, mortgages have been granted as security for debts to credit institutions of € 13.0 million (2006: € 3.1 million) (see note 22).

Property, plant and equipment under construction

The balance mainly represents equipment under construction for own use.

14. Intangible assets

In millions of euro	Goodwill	Patents and licences	Development costs	Software	Other	Total
Balance as at 1 January 2006						
Cost	71.1	21.9	0.9	35.3	4.7	133.9
Accumulated amortisation and impairments	-	(3.9)	(0.6)	(27.3)	(0.9)	(32.7)
Carrying amount	**71.1**	**18.0**	**0.3**	**8.0**	**3.8**	**101.2**
Acquisitions	3.0	-	-	-	-	3.0
Additions	-	0.8	-	1.1	-	1.9
Amortisation charge for the year	-	(1.2)	(0.3)	(3.1)	(0.5)	(5.1)
Reclassification	(2.0)	-	-	0.1	0.4	(1.5)
Effect of movements in foreign exchange	(1.3)	(0.8)	-	(0.6)	(0.3)	(3.0)
Total changes	**(0.3)**	**(1.2)**	**(0.3)**	**(2.5)**	**(0.4)**	**(4.7)**
Balance as at 31 December 2006						
Cost	70.8	22.0	0.9	37.1	4.6	135.4
Accumulated amortisation and impairments	-	(5.2)	(0.9)	(31.6)	(1.2)	(38.9)
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	71.9	25.1	1.6	39.2	2.0	139.8
Accumulated amortisation and impairments	-	(6.1)	(1.2)	(30.9)	(0.6)	(38.8)
Carrying amount	**71.9**	**19.0**	**0.4**	**8.3**	**1.4**	**101.0**

In 2006 and 2007 the Group has reclassified assets to/from property, plant and equipment to/from intangible assets. Furthermore 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 € 1.2 million relates to Nantong Zhongyao Draka Elevator Products, Co Ltd.

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 2007 the Group upwardly adjusted the estimate of the Company's future performance. The corresponding increase in the liability of € 0.8 million is recognised in goodwill. In addition the Group recognised an amount of € 0.3 million of goodwill in 2007 relating to an adjustment to the determination of the provisional goodwill amount of Cornelia Thies Kabeltechnik GmbH in 2006.

Amortisation and impairment charge

The amortisation and impairment charge for an amount of € 4.3 million (2006: € 5.1 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 2007 and 2006.

Impairment tests for cash-generating units containing goodwill

The following significant carrying amount of goodwill relates to:

In millions of euro	2007	2006
Alcatel's optical fiber 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 11.3% (2006: 9.9%). 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 2007 the carrying amount of these rights is € 13.5 million (2006: € 14.0 million) and the remaining useful live is approximately 12 years.

15. Investments in equity accounted investees

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

		Country	Ownership 2007	Ownership 2006
Oman Cables Industry (SAOG)	Associate	Oman	34.8%	34.8%
Telcon Fios e Cabos Para Telecomunicações	Joint venture	Brazil	50.0%	50.0%
Draka Comteq SDGI Fiber Co. Ltd.	Joint venture	China	55.0%	55.0%
Yangtze Optical Fiber & Cable Co. Ltd.	Joint venture	China	37.5%	37.5%
Yangtze Optical Fiber & Cable (Shanghai) Co. Ltd.	Joint venture	China	53.1%	53.1%
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%

As a result of existing contractual arrangements, the Company does not control the majority owned entities shown in the table above.

The Group's share of result in equity accounted investees for the year ended 31 December 2007 was € 15.5 million (2006: € 8.2 million). During the year 2007 the Group received dividends from equity accounted investees for an amount of € 21.7 million (2006: € 2.1 million).

Oakwell Engineering Ltd. and Oman Cables Industry (SAOG) are listed on public stock exchange markets. Based on the stock price at 31 December 2007, the fair value of the investment in Oakwell Engineering Ltd. amounts to € 7.2 million (31 December 2006: € 6.8 million) and the fair value of the investment in Oman Cable Industry (SAOG) amounts to € 150.8 million (31 December 2006: € 65.8 million).

Summary financial information of material equity accounted investees at 100 per cent based on December 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
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 Fiber & Cable Co. Ltd.	108.6	99.1	207.7	84.3	18.9	103.2	208.6	192.7	15.9
Yangtze Optical Fiber & 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
2006									
Oman Cables Industry (SAOG)	136.4	34.1	170.5	123.9	14.3	138.2	248.4	236.0	12.4
Telcon Fios e Cabos Para Telecomunicações	24.5	8.5	33.0	15.6	2.1	17.7	56.4	52.7	3.7
Draka Comteq SDGI Fiber Co. Ltd.	8.9	5.8	14.7	2.5	-	2.5	14.8	14.3	0.5
Yangtze Optical Fiber & Cable Co. Ltd.	110.6	115.8	226.4	53.1	29.4	82.5	207.9	200.3	7.6
Yangtze Optical Fiber & Cable (Shanghai) Co. Ltd.	9.7	8.8	18.5	9.0	-	9.0	22.2	21.9	0.3
Elkat Ltd.	25.9	7.8	33.7	9.2	0.1	9.3	390.0	386.4	3.6
Oakwell Engineering Limited	39.6	9.2	48.8	26.4	1.7	28.1	69.3	68.1	1.2

For 2007 with respect to Oakwell Engineering Limited no financial information was available.

16. Other non-current financial assets

In millions of euro	2007	2006
Receivables	15.5	22.7
Promissory note	8.2	8.0
Other investments	1.2	1.5
	24.9	**32.2**

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.

17. Inventories

In millions of euro	2007	2006
Raw materials and consumables	117.4	105.3
Work in progress	27.8	30.7
Semi finished goods	52.5	59.3
Finished goods	243.3	238.4
	441.0	**433.7**

In 2007 raw materials and consumables and changes in work in progress, semi finished goods and finished goods recognised as cost of sales amounted to € 1,869.8 million (2006: € 1,664.5 million). In 2007 the write-down of inventories to net realisable value amounted to € 15.2 million (2006: € 8.6 million). The write-down is included in cost of sales.

At 31 December 2007, inventories have been pledged for an amount of € 2.4 million (2006: € 1.7 million).

18. Trade and other receivables

In millions of euro	Note	2007	2006
Trade receivables		409.1	397.2
Trade receivables due from associates		2.5	2.5
Other current receivables and prepayments		56.1	57.4
Fair value derivatives	28)	2.4	1.7
		470.1	**458.8**

At 31 December 2007, other current receivables include retentions of € 0.7 million (2006: € 1.7 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 € 8.9 million at 31 December 2007, representing 2.2% of trade receivables (2006: € 11.1 million or 2.8%). In 2007, expenses relating to the impairment of trade receivables of € 1.5 million were recognized in the consolidated statement of income, representing 0.05% of revenue (2006: € 2.1 million, or 0.08% 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 27.

19. Cash and cash equivalents

In millions of euro	2007	2006
Cash and cash equivalents	39.4	42.1
Bank overdrafts	(34.9)	(32.0)
Cash and cash equivalents in the statement of cash flows	**4.5**	**10.1**

Cash and cash equivalents are freely available.

20. Total equity

Total equity consists of shareholders' equity attributable to the equity holders of the Company of € 414.8 million (2006: € 426.9 million) and minority interests of € 12.8 million (2006: € 12.2 million). See note 37 for additional details on shareholders' equity.

21. Earnings per share

Basic earnings per share

Basis 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	2007	2006
Result for the year	93.0	21.8
Dividends on redeemable cumulative preference shares	(5.4)	(1.4)
Result attributable to ordinary equity holders	**87.6**	**20.4**

Weighted average number of ordinary shares

In thousands of shares	2007	2006
Issued common shares as at 1 January	35,567	35,567
Effect of treasury shares held	(5)	-
Effect of conversion of convertible subordinated bonds notes	1	-
Weighted average number of ordinary shares at 31 December	**35,563**	**35,567**

Basic earnings per share (euro)

	2007	2006
Basic earnings per share	**2.46**	**0.57**

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 equity holders (diluted)

In millions of euro	2007	2006
Profit attributable to ordinary equity holders	87.6	20.4
After-tax effect of interest		
on convertible subordinated bonds notes	4.9	-
Profit attributable to ordinary equity holders (diluted)	**92.5**	**20.4**

Weighted average number of ordinary shares (diluted)

In thousands of shares	2007	2006
Weighted average number of ordinary shares (basic)	35,563	35,567
Effect of long-term incentive plans	243	-
Effect of conversion of convertible subordinated bonds notes	6,511	-
Weighted average number of ordinary shares (diluted) at 31 December	**42,317**	35,567

Diluted earnings per share (euro)

	2007	2006
Diluted earnings per share	**2.19**	**0.57**

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.

The estimated number of shares that were issuable in respect of the convertible debt arrangements for the year 2006 are not included in the diluted earnings per share for that year as these instruments had an antidilutive impact on the reported profit attributable to ordinary equity holders.

22. Interest-bearing loans and borrowings

In millions of euro	2007 Carrying amount	2007 Fair value	2006 Carrying amount	2006 Fair value
Non-current liabilities				
Convertible subordinated bonds	91.6	156.3	89.0	167.9
Subordinated loans	-	-	77.5	77.5
Bank facilities and loans	412.5	412.5	78.5	78.5
Finance leases	23.2	22.2	23.2	23.2
	527.3	**591.0**	**268.2**	**347.1**
Current liabilities				
Convertible subordinated bonds	-	-	94.3	95.8
Bank facilities and loans	44.6	44.6	4.8	4.8
Dividends on redeemable preference shares	-	-	4.0	4.0
Current portion of finance leases	4.8	4.8	4.1	4.1
	49.4	**49.4**	**107.2**	**108.7**
Total interest-bearing loans and borrowings	**576.7**	**640.4**	**375.4**	**455.8**

In millions of euro	Convertible subordinated bonds	Bank facilities and loans	Finance Leases	Total
Effective interest rate	7.0%	6.2%	8.9%	
Due in 2008	-	44.6	4.8	49.4
Due between 2008 - 2012	91.6	412.5	11.0	515.1
Due after 2012	-	-	12.2	12.2
Total interest-bearing loans and borrowings	**91.6**	**457.1**	**28.0**	**576.7**
Of which included in non-current	91.6	412.5	23.2	527.3
Of which included in current	-	44.6	4.8	49.4
Total interest-bearing loans and borrowings	**91.6**	**457.1**	**28.0**	**576.7**

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 27.

Convertible subordinated bonds

5 per cent. Convertible Subordinated Bonds due 2007

In millions of euro	2007	2006
Balance at 1 January	94.3	91.4
Amortisation of interest expense	0.9	2.9
Redemption at face value	(95.2)	-
Carrying amount of liability at 31 December	**-**	**94.3**

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	2007	2006
Balance at 1 January	89.0	86.5
Conversion of convertible subordinated bonds notes	(0.1)	-
Amortisation of interest expense	2.7	2.5
Carrying amount of liability at 31 December	**91.6**	**89.0**

In September 2010, noteholders have the option to convert the notes into ordinary Draka Holding N.V. shares at a conversion price of € 15.26. 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 € 99.9 million at 31 December 2007 (2006: € 100 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 € 625 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) lending 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 115 basis points. If certain conditions are not met the loans become payable on demand. See note 4.1 b.

The bank loans are secured over land and buildings with a carrying amount of € 13.0 million (2006: € 3.1 million) (see note 13).

Finance lease liabilities

Finance lease liabilities are payable as follows:

In millions of euro	Future minimum lease payments 2007	Interest 2007	Present value of minimum lease payments 2007	Future minimum lease payments 2006	Interest 2006	Present value of minimum lease payments 2006
Less than one year	7.1	2.3	4.8	6.3	2.2	4.1
Between one and five years	18.3	7.3	11.0	17.4	8.6	8.8
More than five years	17.4	5.2	12.2	20.6	6.2	14.4
	42.8	**14.8**	**28.0**	**44.3**	**17.0**	**27.3**

Under the terms of the lease agreements, no contingent rents are payable.

23. Other interest-bearing liability

As per 1 July 2004 Alcatel N.V. obtained a put option right which could be exercised in accordance with a specific valuation and pricing protocol as from 1 July 2006 pursuant to which it may sell its shares in Draka Comteq B.V. to the Group. According to IAS 32/39, which is applied as from 1 January 2005 the liability relating to the put option is estimated at its present value. On December 27, 2007 Alcatel Lucent N.V. waived their right to require Draka to purchase the 49.9%. Upon the waiver the Group derecognised the related other interest bearing liability and recognised the 49.9% shareholding of Alcatel as minority interest classified under total equity. The value of the interest bearing liability on December 27 amounted to € 131.9 million. In 2007 the Group recognised € 12.2 million (2006: € 14.0 million) finance expense in the income statement and the fair value change in the liability of € 8.1 million (2006: € 23.3 million) as finance income. Subsequent to the waiver the Group acquired the remaining 49.9% shares from Alcatel. See further note 3.

Since no quoted market price exist for the valuation of the present value of estimated exercise price of the put option, valuation techniques have been used to calculate the interest bearing liability. The valuation is derived from the fair value of Draka Comteq B.V., which valuation is carried out by an independent third party. The fair value of the interest-bearing liability is based on estimates of management.

24. 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 surplus. The coverage ratio per 31 December 2007 on the basis of the actual market interest rate amounts to 133% (2006: 129%). The Group has no obligation to fund any deficits and is not entitled to any surpluses.

In millions of euro	2007	2006
Present value of unfunded obligations	61.3	65.9
Present value of funded obligations	243.6	263.1
Fair value of plan assets	(256.2)	(259.4)
Unrecognised net assets	8.1	7.3
Present value of net obligations	**56.8**	**76.9**
Unrecognised actuarial gains and (losses)	24.0	6.5
Recognised liability for defined benefit obligations	**80.8**	**83.4**
Liability for long-service leave	11.4	9.9
Total employee benefits	**92.2**	**93.3**
Actual return on plan assets	**12.9**	**20.7**

The unrecognised net assets primarily relate to a pension plan in the Netherlands, whereby the group is unable to control the surplus assets. The 2007 contribution to the Group's multi employer plan (PME) amounted to € 4.4 million (2006: € 2.7 million).

Movement in the liability for defined benefit obligations

In millions of euro	2007	2006
Liability for defined benefit obligations at 1 January	329.0	320.2
Benefits paid by the plan	(12.0)	(11.8)
Current service costs	4.8	6.1
Interest on obligation	14.6	14.1
Actuarial losses (or) gains	(19.9)	(2.5)
Benefits paid by the employer	(2.9)	(2.7)
Employee contributions	1.2	1.1
Curtailments and settlements	-	(2.3)
Effect of exchange rate fluctuations	(9.9)	6.8
Liability for defined benefit obligations at 31 December	**304.9**	**329.0**

Movement in plan assets

In millions of euro	2007	2006
Fair value of plan assets at 1 January	259.4	243.4
Benefits paid by the plan	(12.0)	(11.8)
Employer contribution	4.5	4.2
Employee contribution	1.2	1.1
Expected return on plan assets	14.3	13.1
Actuarial (losses) or gains	(1.4)	7.6
Effect of exchange rate fluctuations	(9.8)	1.8
Fair value of plan assets at 31 December	**256.2**	**259.4**

Expense recognised in the statement of income

In millions of euro	2007	2006
Interest on obligation	(14.6)	(14.1)
Current service costs	(4.8)	(6.1)
Expected return on plan assets	14.3	13.1
Curtailment	-	(0.4)
Amortization unrecognised net gain or loss	(0.1)	-
	(5.2)	**(7.5)**

The 2008 expense is not expected to differ significantly from the 2007 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 € 9.9 million (2006: € 13.1 million).

Actuarial assumptions

Principal weighted average actuarial assumptions at the balance sheet date:

	2007	2006	2005
Discount rate at 31 December	5.6%	4.9%	4.6%
Expected return on plan assets at 31 December	6.2%	5.6%	5.4%
Future salary increases	2.9%	2.8%	2.8%
Future pension increases	1.9%	1.7%	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 2007 and 2006 is approximately as follows:

	2007	2006
Shares and related instruments	30%	30%
Bonds	69%	69%
Other	1%	1%

Historical information

In millions of euro	2007	2006	2005
Present value of the defined benefit obligation	304.9	329.0	320.2
Fair value of plan assets	256.2	259.4	243.4
Deficit in plan	**(48.7)**	**(69.6)**	**(76.8)**
Experience adjustments arising on plan liabilities	(2.5)	0.1	(25.1)
Experience adjustments arising on plan assets	(1.5)	5.5	10.9

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.

25. Other provisions

In millions of euro	Warranties	Restructuring	Onerous contracts	Other	Total
Balance at 31 December 2006	7.9	33.0	6.0	11.1	58.0
Provisions made during the year	0.7	0.4	0.7	0.4	2.2
Provisions used during the year	(1.3)	(18.6)	(6.0)	(0.7)	(26.6)
Provisions reversed during the year	(3.6)	(1.2)	(0.1)	(3.2)	(8.1)
Reclassifications	(0.3)	(2.8)	1.4	1.7	-
Effect of exchange rate fluctuations	-	(0.2)	(0.1)	0.5	0.2
Balance at 31 December 2007	**3.4**	**10.6**	**1.9**	**9.8**	**25.7**
Non-current	1.2	4.0	1.2	6.8	13.2
Current	2.2	6.6	0.7	3.0	12.5

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 August 2006 the Group announced a restructuring in connection with Draka Comteq's Stop Swap and Share project. In 2007 a substantial part of the restructuring has taken place. This resulted in a use of the provision of approximately € 13.0 million. The restructuring is expected to be completed in 2009. The remainder of the recognised restructuring provision mainly relates to this project. In 2006 a restructuring provision was recognised of € 3.3 million regarding Cableteq's Stop Swap and Share project. During 2007 the provision was fully used. € 2.3 million relates to the usage of several other restructuring plans in the Group.

Onerous contracts

The Group has non-cancellable lease 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.

26. Trade and other payables

In millions of euro	Note	2007	2006
Trade payables		399.2	414.0
Non-trade payables and accrued expenses		129.6	146.5
Fair value derivatives	28)	5.6	6.1
		534.4	**566.6**

27. 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:

		Carrying amount	
	Note	2007	2006
Receivables	16)	15.5	22.7
Promissory note	16)	8.2	8.0
Other investments	16)	1.2	1.5
Trade receivables	18)	409.1	397.2
Trade receivables due from associates	18)	2.5	2.5
Other receivables	18)	51.2	53.8
Fair value derivatives	28)	2.4	1.7
Cash and cash equivalents	19)	39.4	42.1
		529.5	**529.5**

Impairment losses

The aging of trade receivables at the reporting date was:

	Gross 2007	Impairment 2007	Gross 2006	Impairment 2006
Not past due	325.6	0.3	328.8	0.3
Past due 0-30	66.8	1.1	52.3	1.7
Past due 31-90	13.6	0.8	17.5	1.3
Past due 91-365	8.9	0.8	7.0	2.0
More than one year	5.6	5.9	5.2	5.8
	420.5	**8.9**	**410.8**	**11.1**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Carrying amount 2007	2006
Balance at 1 January	11.1	14.7
Impairment loss recognised	1.5	2.1
Write off against financial asset	(1.1)	(3.8)
Reversal of impairment loss	(2.3)	(1.6)
Translation differences	(0.3)	(0.3)
Balance at 31 December	8.9	11.1

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 December 31, 2007:

31 December 2007	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 *)	528.8	(528.8)	(528.8)	-	-	-	-
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)

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 December 31, 2006:

31 December 2006	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	183.8	(195.2)	(95.2)	-	-	(100.0)	-
Subordinated loans	77.5	(77.5)	-	-	-	(77.5)	-
Bank facilities and loans	82.8	(81.6)	(2.0)	(1.6)	(31.6)	(46.4)	-
Dividends on redeemable preference shares	4.0	(4.0)	(4.0)	-	-	-	-
Finance lease liabilities	27.3	(27.3)	(1.5)	(2.6)	(5.2)	(3.6)	(14.4)
Trade and other payables *)	560.5	(560.5)	(560.5)	-	-	-	-
Bank overdrafts	32.0	(32.0)	(32.0)	-	-	-	-
Derivative financial liabilities							
Foreign exchange derivatives	0.4	(0.4)	(0.3)	(0.1)	-	-	-
Commodities	5.7	(5.7)	(7.5)	1.7	-	0.1	-

*) Excludes derivatives (shown separately)

Currency risk

The following significant exchange rates applied during the year

	Average rate		Reporting date spot rate	
	2007	2006	2007	2006
Euro	1.00	1.00	1.00	1.00
USD	0.73	0.80	0.68	0.76
GBP	1.46	1.47	1.36	1.49

Sensitivity analysis

A 10 percent strengthening or weakening of the euro against the aforementioned currencies at 31 December 2007 would have changed equity and profit or loss by an amount less than € 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:

	Carrying amount	
	2007	2006
Fixed rate instruments		
Financial assets	8.2	8.0
Financial liabilities	119.6	214.6
Floating rate instruments		
Financial assets	39.4	42.1
Financial liabilities	492.0	192.8

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.

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
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)
31 December 2006				
Variable rate instruments	(1.4)	1.4	-	-
Interest rate derivatives	1.4	(1.5)	-	-
Cash flow sensitivity net	-	(0.1)	-	-

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.

28. Derivative financial instruments

Derivative financial instruments comprise:

In millions of euro	2007 Assets	2007 Liabilities	2006 Assets	2006 Liabilities
Interest rate derivatives - cash flow hedges	0.7	-	-	-
Interest rate derivatives - fair value through profit or loss	1.6	-	1.1	-
Forward foreign exchange contracts - fair value through profit or loss	0.1	0.6	0.6	0.4
Forward copper contracts - cash flow hedges	-	5.0	-	5.7
Total	**2.4**	**5.6**	**1.7**	**6.1**

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:

31 December 2007	Carrying amount	Expected cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
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)	-	-

31 December 2006	Carrying amount	Expected cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Forward copper contracts (commodities)							
Liabilities:							
cash flow hedges	5.7	(5.7)	(7.5)	1.7	-	0.1	-

29. Commitments and contingent liabilities

Investment and supplier commitments

During the year ended 31 December 2007, the Group entered into contracts to purchase property, plant and equipment for an amount of € 5.1 million (2006: € 1.2 million). These commitments are expected to be settled in 2008.

Commitments under rental and lease agreements

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In millions of euro	2007	2006
Less than one year	10.4	11.5
Between one and five years	24.4	24.0
More than five years	28.8	40.2
	63.6	**75.7**

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 € 2.4 million (2006: € 22.5 million) are expected to be received until expiry date. The Group has recognised a provision of € 1.9 million (2006: € 6.0 million) in respect of one of these leases (see note 25).

During the year ended 31 December 2007, € 16.0 million (2006: € 9.1 million) was recognised as an expense in the income statement in respect of operating leases. An amount of € 1.1 million was recognised as income in the income statement in respect of subleases (2006: € 1.4 million).

Guarantees

Guarantees have been issued to an amount of € 6.1 million (2006: € 50.9 million).

30. Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries, associates and joint ventures and with its directors and executive officers. 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 2007, associates and joint ventures purchased goods from the Group in the amount of € 3.2 million (2006: € 7.0 million) and at 31 December 2007 associates and joint ventures owed the Group € 4.6 million (2006: € 5.0 million). At 31 December 2007 the Group's trade receivables from associates and joint ventures amounted to € 4.5 million (2006: € 3.8 million) and trade payables to associates and joint ventures amounted to € 0.8 million (2006: € 1.7 million). Transactions with associates and joint ventures are priced on an arm's length basis. During the year ended 31 December 2007, the Group received dividends from associates and joint ventures for an amount of € 21.7 million (2006: € 2.1 million).

31. Events after the balance sheet date

DeBiase Lift Components S.R.L

On 10 January 2008, the Group acquired 100% of the shares 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. The first instalment equal to € 1.2 million is paid on the closing date and the second instalment is equal to € 0.3 million and is expected to be paid in the course of 2008.

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

Company financial statements

Company Balance sheet as at 31 December

(before appropriation of the result)

In millions of euro	Note*	2007	2006
Assets			
Non-current assets			
Intangible fixed assets	34)	1.0	2.0
Tangible fixed assets		1.1	0.9
Financial fixed assets	35)	1,026.4	1,035.6
Total non-current assets		**1,028.5**	**1,038.5**
Current assets			
Trade and other receivables	36)	866.5	570.7
Cash in bank and in hand		36.2	-
Total current assets		**902.7**	**570.7**
Total assets		**1,931.2**	**1,609.2**
Equity			
Shareholders' equity			
Share capital		20.4	20.4
Share premium		311.4	311.4
Translation reserve		(18.2)	(5.1)
Hedging reserve		(3.0)	(4.2)
Reserve for equity accounted investees		30.5	36.7
Retained earnings		(19.3)	45.9
Unappropriated result for the year		87.6	20.4
Preference shares dividend reserve		5.4	1.4
Total shareholders' equity	37)	**414.8**	**426.9**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	38)	587.9	331.7
Total non-current liabilities		**587.9**	**331.7**
Current liabilities			
Interest-bearing loans and borrowings	38)	746.1	586.5
Trade and other payables	39)	182.4	264.1
Total current liabilities		**928.5**	**850.6**
Total liabilities		**1,516.4**	**1,182.3**
Total equity and liabilities		**1,931.2**	**1,609.2**
Statement of income for the years ended 31 December			
Income after taxes from investments in group companies	35)	88.2	34.1
Other income (loss) after taxes		4.8	(12.3)
Result attributable to the shareholders		**93.0**	**21.8**

*The notes to the company financial statements on pages 105 to 112 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 2007 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 1 January 2007			
Cost	1.6	0.7	2.3
Accumulated amortisation	-	(0.3)	(0.3)
Carrying amount	**1.6**	**0.4**	**2.0**
Reclassification	(0.9)	-	(0.9)
Amortisation charge for the year	-	(0.1)	(0.1)
Total changes	**(0.9)**	**(0.1)**	**(1.0)**
Balance as at 31 December 2007			
Cost	0.7	0.7	1.4
Accumulated amortisation	-	(0.4)	(0.4)
Book value	**0.7**	**0.3**	**1.0**

An amount of € 0.9 million is reclassified from goodwill to investments in equity accounted investees.

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 recognized 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 recognizes

a provision up to the extent of this obligation. Unrealized 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 (included in group companies)	Investments in equity accounted investees (Company only)	Amounts from group companies and other	Total
Balance as at 1 January 2007	393.2	80.2	14.7	547.5	1,035.6
Share in result	72.7	8.7	6.8	-	88.2
Additions	5.0	-	-	-	5.0
Dividend received	-	(21.1)	(0.6)	-	(21.7)
Financing and other movements	(38.6)	-	0.9	47.2	9.5
Acquisition minority interest	(77.1)	-	-	-	(77.1)
Translation differences	(10.5)	(0.8)	(1.8)	-	(13.1)
Balance as at 31 December 2007	**344.7**	**67.0**	**20.0**	**594.7**	**1,026.4**

Draka Holding N.V. is at the head of the group and has capital interests in subsidiaries, associates and joint ventures presented on page 38.

36. Trade and other receivables

In millions of euro	2007	2006
Receivables from group companies	851.4	545.8
Other receivables	15.1	24.9
	866.5	**570.7**

Receivables from group companies and other receivables are mainly due within 1 year. Other receivables include an amount of € 2.3 million (2006 € 1.3 million) 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 2007 and 31 December 2006, 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 2007, 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 35,571,009 were issued and fully paid (2006: 35,567,406). Excluding the number of shares that have been repurchased, the number of ordinary shares issued and outstanding is 35,570,075 (31 December 2006: 35,567,406);
- 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 5 years with annual dividends of 7.11% 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 2007 the Company owns 934 shares and the amount paid to acquire the shares was € 32,744 (see note 2 (n)).

Movements in the number of shares in 2006 and 2007 that are issued and fully paid are as follows:

In numbers of shares	Ordinary shares	Treasury shares	Preference shares
Balance at 1 January 2006	35,567,406	-	8,885,471
Preference shares issued	-	-	-
Balance at 31 December 2006	**35,567,406**	**-**	**8,885,471**
Withdrawal of preference shares	-	-	(3,839,214)
Conversion of convertible subordinated bonds notes	3,603	-	-
Movement in own shares	(934)	934	-
Balance at 31 December 2007	**35,570,075**	**934**	**5,046,257**

The maximum increase in the number of ordinary shares due to the conversion of the convertible bonds is 6,549,475 (2006: 8,373,449), corresponding to 18.4% (2006: 23.5%) of the ordinary shares as at 31 December 2007.

The movement schedule of capital and reserves attributable to the shareholders of the Company in 2006 and 2007 is presented below:

In millions of euro	Ordinary shares		Preference share									
	Share capital	Share premium	Share capital	Share premium	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
Balance as at 1 January 2006	17.9	237.3	-	-	12.1	-	11.2	-	30.6	46.7	4.4	360.2
Appropriation of the result 2005	-	-	-	-	-	-	-	-	-	4.4	(4.4)	-
Foreign exchange translation differences	-	-	-	-	(17.2)	-	-	-	-	-	-	(17.2)
Effective portion of fair value changes of cash flow hedges (net of income tax)	-	-	-	-	-	-	(15.4)	-	-	-	-	(15.4)
Result for the year	-	-	-	-	-	-	-	1.4	6.1	(6.1)	20.4	21.8
Preference shares issued	-	-	2.5	74.1	-	-	-	-	-	-	-	76.6
Share-based payments	-	-	-	-	-	-	-	-	-	0.9	-	0.9
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	-	-	-	-	-	-	-	-	-	(77.1)	-	(77.1)
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
Balance as at 31 December 2007	**17.9**	**237.3**	**2.5**	**74.1**	**(18.2)**	**-**	**(3.0)**	**5.4**	**30.5**	**(19.3)**	**87.6**	**414.8**

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. 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 € 30.5 million (2006: € 36.9 million), relates to the Group'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 cash dividend of € 0.68 per share over the result after tax for 2007 and 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	2007	2006
Non-current liabilities			
Convertible subordinated bonds	22)	91.6	89.0
Subordinated loans	22)	-	77.5
Bank facilities and loans		407.1	76.2
Group companies		89.2	89.0
		587.9	**331.7**
Current liabilities		-	
Convertible subordinated bonds	22)	-	94.3
Bank facilities and loans		746.1	488.2
Dividends on redeemable preference shares	22)	-	4.0
		746.1	**586.5**

39. Trade and other payables

In millions of euro	2007	2006
Trade creditors	115.2	192.1
Payables to group companies	44.0	30.9
Other current liabilities, accruals and deferred income	23.2	41.1
	182.4	**264.1**

Trade and other payables are mainly due within 1 year.
Other current liabilities, accruals and deferred income include an amount of € 5.0 million (2006: € 5.7 million) of fair value derivatives in relation to raw material transactions.

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:

	Carrying amount 2007	2006
Investments in group companies and equity accounted investees	431.7	488.1
Amounts from group companies	582.2	539.5
Promissory note	8.2	8.0
Other investments	0.3	-
Receivables from group companies	851.4	545.8
Other receivables	11.7	23.6
Fair value derivatives	2.3	1.3
Cash and cash equivalents	36.2	-
	1,924.0	**1,606.3**

Liquidity risk

The following are the contractual maturities of financial liabilities at December 31, 2007:

31 December 2007	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 from group companies	89.2	(89.2)	-	-	-	-	(89.2)
Trade and other payables *)	177.4	(177.4)	(177.4)	-	-	-	-
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)

The following are the contractual maturities of financial liabilities at December 31, 2006:

31 December 2006	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	183.3	(195.2)	(95.2)	-	-	(100.0)	-
Subordinated loans	77.5	(77.5)	-	-	-	(77.5)	-
Bank facilities and loans	77.3	(80.7)	(3.4)	(1.1)	(30.0)	(46.2)	-
Loans to group companies	89.0	(89.0)	-	-	-	-	(89.0)
Dividends on redeemable preference shares	4.0	(4.0)	(4.0)	-	-	-	-
Trade and other payables *)	258.4	(258.4)	(258.4)	-	-	-	-
Bank overdrafts	487.1	(487.1)	(487.1)	-	-	-	-
Derivative financial liabilities							
Commodities	5.7	(5.7)	(7.5)	1.7	-	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 2007 and 2006 was as follows:

In thousands of euro 2007	Salary	Pension charges	Short-term incentive	Long-term incentive	Allowances	Total
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**
2006						
Garo Artinian 3)	369	124	115	7	119	734
Ingolf Schulz	481	847	446	25	38	1,837
Frank Dorjee	405	90	364	13	-	872
Christian Raskin	385	148	347	22	53	955
Sandy Lyons 3)	203	203	243	-	139	788
	1,843	**1,412**	**1,515**	**67**	**349**	**5,186**

1) Period 01/01/2007 - 31/08/2007
2) Period 01/09/2007 - 31/12/2007
3) Period 01/01/2006 - 30/06/2006

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 reflect 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 2007 was as follows:

Number of shares owned	2007	2006
Frank Dorjee	9,940	4,737

Number of conditionally granted performance shares	2007	2006
Frank Dorjee	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 10.

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 per 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 (x € 1,000):

In thousands of euro	2007	2006
Fritz Fröhlich	81.4	39.8
Annemiek Fentener van Vlissingen	72.4	34.7
Harold Fentener van Vlissingen 3)	57.9	20.6
Ludo van Halderen 3)	57.9	20.6
Rob van Oordt	73.8	30.9
Annemieke Roobeek 3)	57.9	20.6
Wim Jacobs 2)	-	12.9
Graham Sharman	71.4	30.9
Frits Fentener van Vlissingen 1)	-	10.2
	472.7	**221.2**

1) Frits Fentener van Vlissingen passed away on 25 March 2006.
2) Wim Jacobs stepped down at the Annual General Meeting of Shareholders held on 8 May 2006.
3) Appointed at the General Meeting of Shareholders held on 8 May 2006

As at 31 December 2007, Fritz Fröhlich owned nil ordinary shares of Draka Holding N.V. (2006: 850).

42. 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 € 42.3 million (2006: € 40.2 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 € 33.0 million (2006: € 38.5 million).

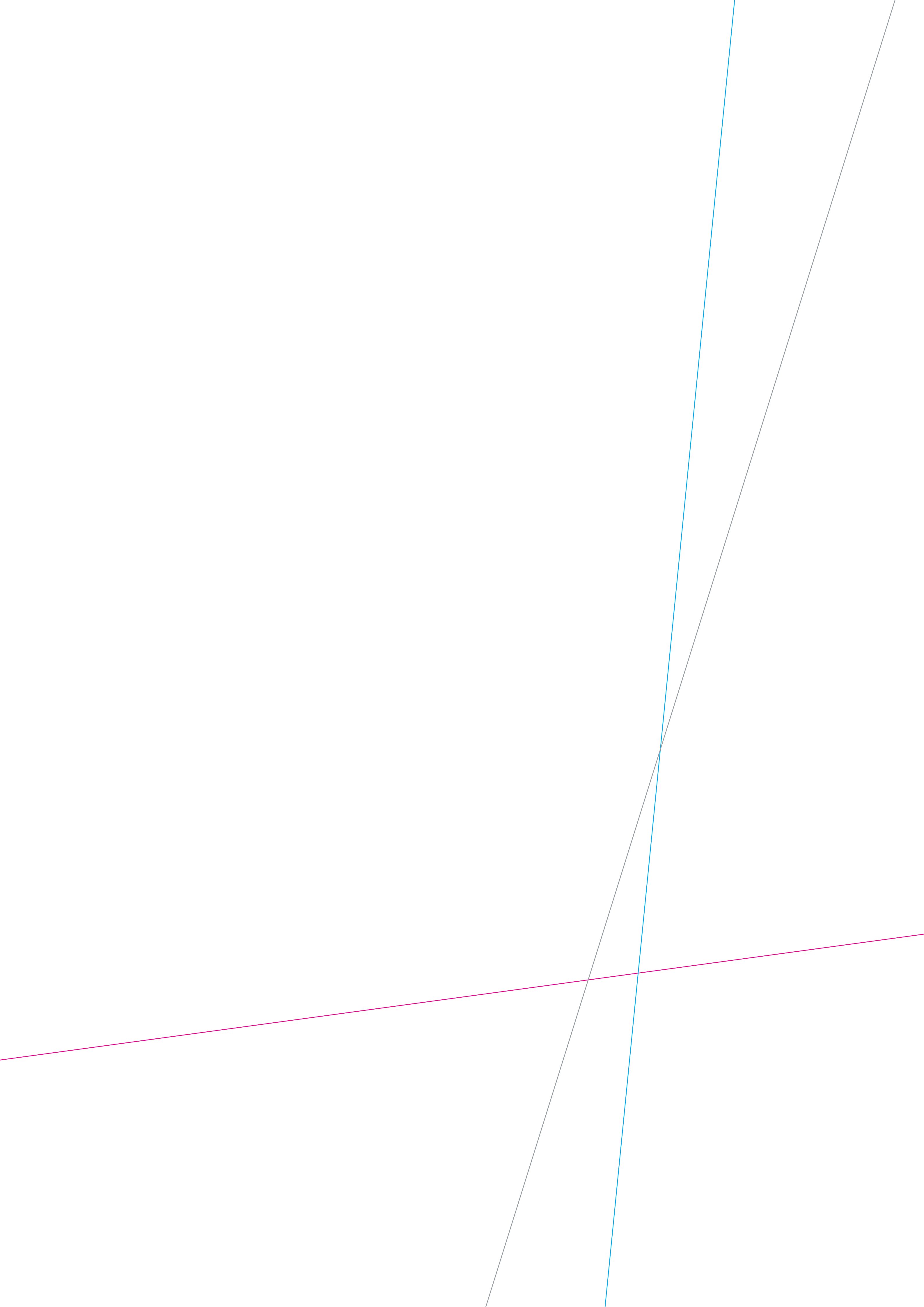
Amsterdam, 6 March 2008

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.

Net income for the year 2007 will be appropriated as follows (including comparative amounts):

In millions of euro	2007	2006
Reserve for equity accounted investees	(6.2)	6.1
Dividend preference shares	5.4	1.4
Dividend ordinary shares	24.2	13.2
Other reserves	69.6	1.1
	93.0	**21.8**

Auditors' report

To: The general meeting of shareholders of Draka Holding N.V.

Report on the financial statements

We have audited the accompanying 2007 financial statements of Draka Holding N.V., Amsterdam, as set out on page 59 to 112. 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 31 December 2007, the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated 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 31 December 2007, the company profit and loss account for the year then ended and the notes.

Management's responsibility

The Board of 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 Board of Management report 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.

Auditors' 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 that 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making such 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 31 December 2007, 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 31 December 2007, 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 e of the Netherlands Civil Code, we confirm, to the extent of our competence, that the Board of Management report as set out on page 14 to 25 is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 6 March 2008

KPMG ACCOUNTANTS N.V.
E. Eeftink RA

TRUSTEE REPORT

4 per cent. Convertible Subordinated Bonds 2005 due 2010 with principal amount of EUR 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 per May 18 2007 of € 0.37 per share, the conversion price was adjusted from EUR 15.52 to EUR 15,26.

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 EUR 0.50 nominal value on payment of the applicable conversion price. The current conversion price is EUR 15.26.

During the year 55 bonds of € 1,000.-- have been offered for conversion. The outstanding amount of the bonds per 31 December 2007 was EUR 99,945,000. 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, 9 January 2008

N.V. Algemeen Nederlands Trustkantoor ANT

L.J.J.M. Lutz

TEN YEARS OF DRAKA HOLDING N.V.

	2007 [4]	2006 [4]	2005 [4]	2004 [4]	2003	2002	2001	2000 [2]	1999	1998
RESULTS (x € million)										
Revenue	2,816	2,529	1,879	1,684	1,420	1,499	1,917	1,810	1,108	705
EBITDA	198	112	89	56	103	53	250	227	138	102
Operating result	146	58	31	(4)	42	(10)	189	171	100	79
Result before income tax	116	32	(8)	(36)	8	(49)	153	132	89	67
Result for the year	93	22	4	(9)	11	(25)	118	97	67	55
BALANCE SHEET (x € million)										
Shareholders' equity	415	427	360	445	362	383	430	340	260	216
Guarantee capital [1]	538	620	702	624	563	618	556	503	450	285
Total assets	1,753	1,745	1,638	1,604	1,279	1,386	1,549	1,435	1,328	585
Current assets -/- non-interest bearing current liabilities	344	280	302	380	355	402	455	467	467	145
PER ORDINARY SHARE (x € 1)										
Shareholders' equity (excluding preference shares)	9.51	9.85	10.13	8.84	11.16	12.13	14.98	10.65	10.31	12.44
Result for the year after dividend on preference shares	2.46	0.57	0.12	(0.67)	0.12	(1.62)	5.43	4.58	3.75	3.19
Proposed dividend	0.68	0.37	-	-	0.10	-	1.63	1.37	1.02	0.96
Pay-out	30%	30%	-	-	83%	0%	30%	30%	30%	30%
Highest share price	42.20	26.60	14.30	20.90	16.85	45.71	67.35	89.40	49.30	44.47
Lowest share price	19.75	11.70	9.95	8.75	4.10	7.15	36.35	46.80	19.80	20.65
Market price at year end	23.00	25.80	13.23	10.70	15.60	9.45	39.50	57.40	49.30	23.28
Price / Earnings ratio on basis of price at year end	9.3	54.9	110.3	(16.0)	130.0	(5.8)	7.3	12.5	14.2	7.3
Price of convertible subordinated bond 2007 at year end	-	101%	100%	100%	94%	70%	-	255%	195%	117%
Price of convertible subordinated bond 2010 at year end	156%	168%	103%	-	94%	70%	-	255%	195%	117%
RATIOS (in %)										
Operating result / Revenue	5.2	2.3	1.6	(0.3)	3.0	(0.7)	9.9	9.4	9.0	11.1
ROTA [3]	6.6	1.9	(0.5)	(2.5)	0.7	(3.4)	10.6	9.5	9.3	12.8
Result for the year / Revenue	3.3	0.9	0.2	(0.5)	0.8	(1.7)	6.1	5.3	6.1	7.8
Result for the year / Average shareholders' equity (excluding preference shares)	27.0	6.1	1.3	(2.4)	3.0	(6.2)	30.5	32.2	28.3	28.9
Shareholders' equity / Total assets	23.7	24.5	22.0	27.7	28.3	27.6	27.8	23.7	19.6	36.9
Guarantee capital / Total assets	30.7	35.5	42.8	38.9	44.0	44.6	35.9	35.1	34.1	48.7
OTHER RATIOS										
Current ratio	1.4	1.2	1.4	1.4	1.5	1.3	1.1	1.3	1.4	1.6
Quick ratio	0.8	0.7	0.8	0.8	0.8	0.7	0.6	0.8	0.9	0.8
Revenue of total assets	1.6	1.5	1.1	1.0	1.1	1.1	1.2	1.2	0.8	1.2

[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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