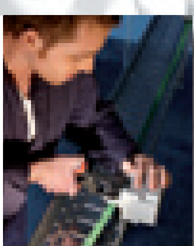
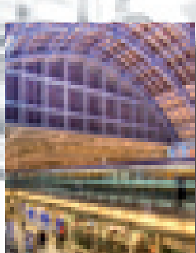
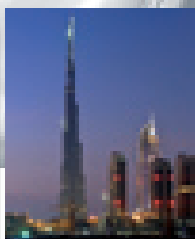
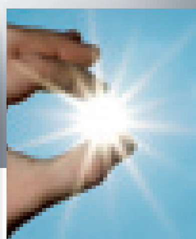
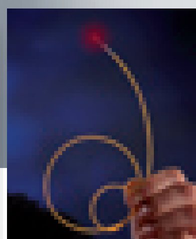
Draka

Annual report 2009

Innovation creates compelling opportunities for further growth

Investing in innovation

Few companies will say they are not innovative. Yet that does not mean every company has a genuinely innovative mindset. Major, structural investments are needed to cultivate and nurture a culture of innovation, and to enable the development of products and solutions that the market will recognise as representing a leap forward. Even – or rather, especially – during an economic downturn. Many analysts have pointed out that successful innovation is one of the main prerequisites to survive a recession, and to emerge from it with an enhanced profile.

That is why innovation is one of the four core goals in the Draka strategy, which identifies innovation as a 'source of continuity' and which emphasises that innovation 'must become a mindset within the company'. Each year, Draka invests a substantial amount in R&D, and this has been a major factor in establishing and consolidating our current market position. This annual report identifies some key areas in which Draka is investing in innovation, as well as the strategies we use to build and maintain undisputed innovative leadership.

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Contents

Core competences & core activities

Draka's core competences are the development, production and sale of cable. Since the Company's inception 100 years ago, it has consistently responded to its customers' ever-changing needs. Draka's current portfolio comprises:

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

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

Core values

Draka's Code of Conduct defines its core values of respect, integrity, accountability and discipline. As well as delineating Draka's personality as an organisation, the Code sets out in detail the high standards Draka demands of all its staff and the principles of ethical conduct with which they are required to comply at all times. Draka's Code of Conduct is based on the following core values:

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
- In making the right choices

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

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

Mission

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

Strategic & financial goals

Draka has committed itself to achieving the following medium-term strategic and financial goals:

- 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 such as Asia, Eastern Europe, North America and emerging markets such as Brazil, Russia, India and China;

- increasing revenues in Draka's special-purpose cable segments and emerging markets to about 60% of total revenues (2009: approximately 51%);

- organic strengthening of Draka's existing position in continental Europe;

- capitalising on Draka's strong sales and marketing position, creating value by grasping market opportunities and responding to customer requirements at an early stage;

- extending of Draka's current range of products and services by expanding the core activities and continuing to invest in innovation in the field of new technologies and application engineering;

- continuing the process of optimisation of the organisation, this may include reorganisations and disposal of non-core activities;

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

- regular maintenance and replacement investments in intangible assets, property, plant and equipment will equal amortisation and depreciation. Consistent with Draka's strategic principles, investments in growth markets (special-purpose cable segment and emerging markets) may result in total investment exceeding amortisation and depreciation in a particular year.

Company profile

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

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

Draka Holding N.V.

Energy & Infrastructure

Division	Market Position
Europe	Top 3 position in Europe as supplier of cable for construction, industrial and infrastructure applications
Asia-Pacific	Supplier of cable for construction, industrial and infrastructure projects; no. 1 in Singapore and Hong Kong; growing in rest of Asia

Industry & Specialty

Division	Market Position
Automotive & Aviation	World no. 1 independent supplier of advanced automotive cables; key position in standard cable; principal supplier to Airbus
Industrial	No. 2 in Europe; global market leader in cable for wind turbines; leading position in cable for the offshore oil and gas industry in North America and the Far East
Cableteq USA	Top 3 position in cable market niches such as defence, irrigation systems and oil and gas in the USA
Elevator Products	Market leader in lift cables in North America; strong position in Europe; growing in Asia

Communications

Division	Market Position
Telecom Solutions	Optical fiber cable: no. 1 in Europe and China and no. 4 in USA; outdoor copper cable: no. 3 in EMEA
Multimedia & Specials	Data communication cable: no. 1 in Europe; mobile network cable: no. 3 worldwide
Optical Fiber	Multimode optical fiber: no. 1 worldwide; single mode optical fiber: no. 2 worldwide

Operating in 31 countries

Worldwide the Draka companies have 9,599 employees. Draka Holding N.V., the head office, is established in Amsterdam. Draka has 68 operating companies in 31 countries throughout Europe, North and South America, Asia and Australia.

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

Organisation chart

Draka's organisational structure as from 1 January 2010

Draka Holding N.V.

Frank Dorjee (CEO)
Okke Koo (COO)

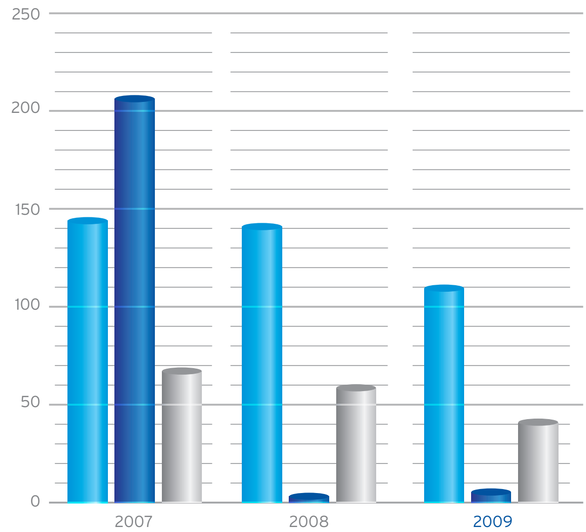
- **Energy & Infrastructure**
  - **Europe** – Hans Siebring
  - **Asia-Pacific** – Kian Cheng Wong
- **Industry & Specialty** – Ken Petersson
  - **Automotive & Aviation** – Martina Lupberger
  - **Industrial** – Wilhelm Engst
  - **Cableteq USA** – John Chrupcala
  - **Elevator Products** – John Moore
- **Communications** – Phil Edwards
  - **Telecom Solutions** – Peter Ludin, Jürgen Glässner
  - **Americas** – Bill Dungan
  - **Multimedia & Specials** – Mika Höijer, Anton Obermeyer
  - **Optical Fiber** – Jan-Willem Leclercq, Philippe Vanhille

2009 in a glance

In the face of extremely difficult market conditions, Draka delivered a satisfactory performance last year. A strongly lower cost base enabled Draka to hold profit at a reasonably good level. Balance sheet position was also strengthened significantly by maintaining focus on cash flow, coupled with a successful share issue.

- Turbulent market conditions: global cable market volume was on balance down about 8%; volume in Europe and North America was 19-22% lower.
- Market share maintained: Draka's volume was down 18%, in line with the contraction in its principal markets.
- Proactive cost-reduction measures: early action and additional Triple S programmes are expected to reduce costs by € 60 million in 2010, of which savings of € 30 million were achieved in 2009.
- Operating result (excluding non-recurring items) amounted to € 75.3 million, at an operating margin of 3.7%. Cost savings and improvements in product mix were not enough to compensate fully for the adverse effects of reduced volume and increased competitive landscape.
- Energy & Infrastructure and Industry & Specialty were mainly responsible for lower operating result. Profit held up relatively well at Communications.
- Result for the year attributable to shareholders was € 48.3 million (2008: € 83.5 million) and earnings per share amounted to € 1.01 (2008: € 2.18), both excluding non-recurring items. Proposal is not to pay a dividend on ordinary shares in respect of 2009.
- Non-recurring items were € 66.5 million negative and related to the provision for and current expense of (overhead) cost-reduction measures and Triple S projects.
- Historically low operating working capital ratio of 13.7% (2008: 15.0%), due to focus on reducing working capital and negotiation and partly utilisation of a standby arrangement for the securitisation of debtors.
- Sound balance sheet ratios: debt reduced by € 250 million to € 295 million, reflecting substantial free cash flow (€ 160 million) and successful share issue (€ 100 million). Solvency ratio improves to 34.6%, from 25.9% in 2008.

Result for the year* and depreciation / investments (x € million)



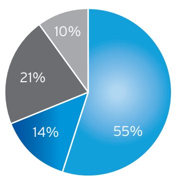
* Excluding non-recurring items

- Result for the year* and depreciation
- Acquisitions participations
- Investment fixed assets

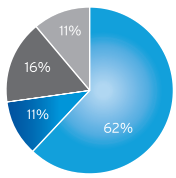
Geographical distribution of revenue (x € million)

Europe · North America · Asia · Rest of the world

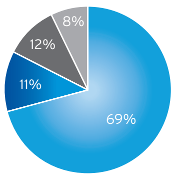
	2009
Europe	1,129
North America	287
Asia	437
Rest of the world	195
	2,048



	2008
Europe	1,760
North America	304
Asia	450
Rest of the world	315
	2,829



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

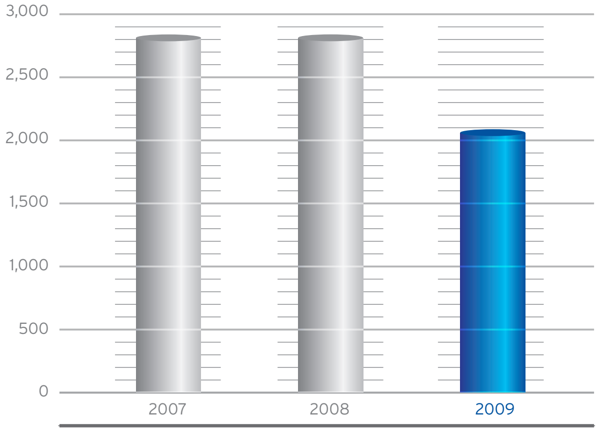


Key figures

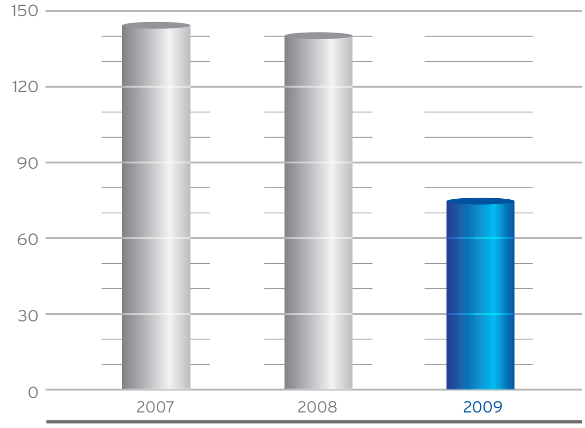
	2009	2008 [1]
Results (x € million)		
Revenue	2,048.3	2,828.9
EBITDA (excluding non-recurring items)	138.2	202.5
EBITDA	71.7	155.7
Operating result (excluding non-recurring items)	75.3	142.0
Operating result	8.8	95.3
Result before income tax (excluding non-recurring items)	49.1	104.7
Result before income tax	(17.4)	62.6
Result for the year (excluding non-recurring items)	48.3	83.5
Result for the year	(18.2)	69.3
Balance sheet (x € million)		
Shareholders' equity	549.5	440.4
Guarantee capital [2]	568.5	489.9
Total assets	1,589.3	1,703.2
Current assets -/- non-interest bearing current liabilities	293.0	415.1
Investments, amortisation, depreciation and impairment (x € million)		
Investments in intangible assets	6.9	7.8
Investments in property, plant and equipment	35.4	52.4
Amortisation, depreciation and impairment	67.0	65.4
Investments in subsidiaries and equity accounted investees	7.2	2.1
Result for the year (excluding non-recurring items) + amortisation, depreciation and impairment	111.2	143.9
Personnel		
Number of employees at year-end (permanent and temporary)	9,599	10,913
Ratios (in %)		
Operating result (excluding non-recurring items) / Revenue	3.7	5.0
Operating result / Revenue	0.4	3.4
ROTA (excluding non-recurring items) [3]	3.0	6.0
ROTA [3]	(1.1)	3.6
Guarantee capital [2] / Total assets	35.8	28.8
Per ordinary share (x € 1)		
Shareholders' equity (excluding preference shares)	9.69	8.96
Result for the year after dividend on preference shares (excluding non-recurring items) + amortisation, depreciation and impairment	2.50	3.87
Result for the year after dividend on preference shares (excluding non-recurring items)	1.01	2.18
Result for the year after dividend on preference shares	(0.56)	1.78
Result for the year (fully diluted) [4]	(0.56)	1.61
Proposed dividend	-	-

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

Revenue (x € million)

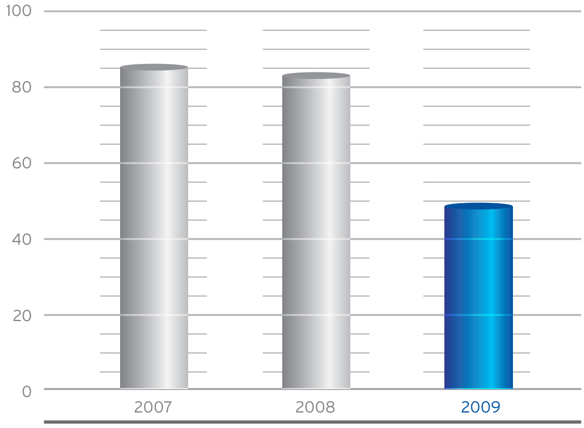


Operating result* (x € million)



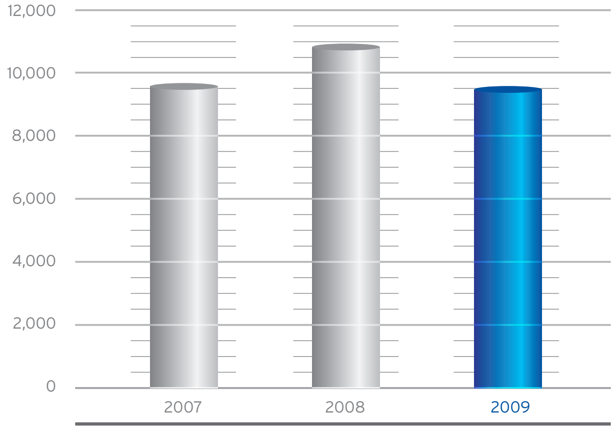
* Excluding non-recurring items

Result for the year* (x € million)

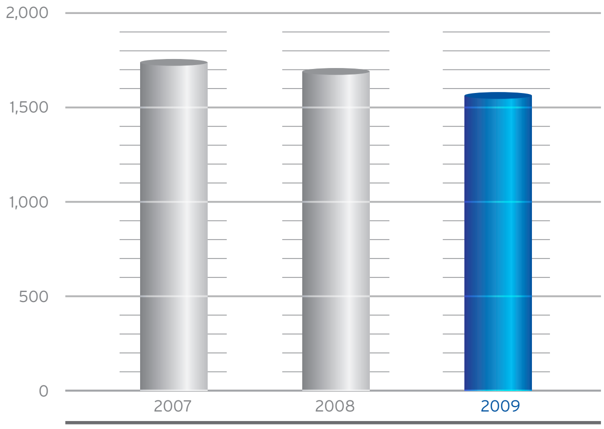


* Excluding non-recurring items

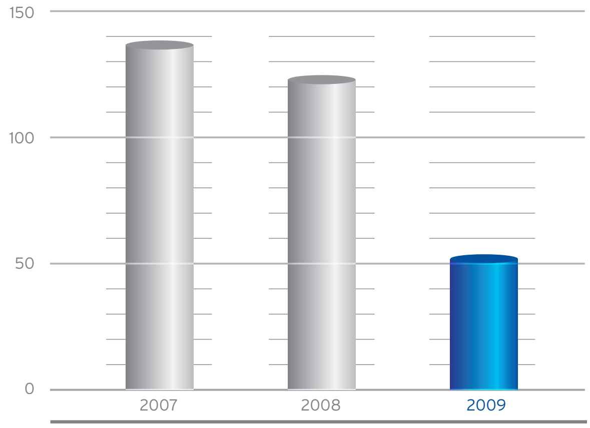
Number of employees at year-end



Total assets (x € million)



Net gearing (%)




"Innovation enables us to secure larger shares of new markets, and more attractive margins."
Frank Dorjee, CEO

Letter from the Chairman

The past year presented a challenging trading environment, with sharp declines in the markets which started in late 2008 continuing through the first half of 2009. The second half saw volumes stabilise, albeit at relatively low levels, with some improvement at year-end. Overall, revenues were down by 28%, with the operating result (excluding non-recurring items) for the full year down by 47% at € 75 million. Despite these very difficult conditions, I am pleased to report that Draka was able to maintain its margins and result at satisfactory levels in 2009.

Effective cost-cutting measures

Key to maintaining our competitive strength in the present challenging market environment has been the effective execution of cost-cutting measures which were initiated at an early stage. These included a further reduction in the number of employees by 1,300, a decrease of 12% compared with year-end 2008, and plant closures as part of the ongoing production rationalisation programme. Planned closures include the cable plants in Oudenbosch (Netherlands), Ystad (Sweden) and Årnes (Norway), the latter announced shortly after year-end. Planned savings are expected to reach € 60 million a year from 2010 onwards, of which € 30 million were realised in 2009.

Thanks to these and the many other cost-saving measures, we have been able to further consolidate our strongly competitive position among the European cost leaders. Draka is therefore well positioned to withstand the current challenging conditions and to benefit from an upturn as and when it occurs.

Healthy cash flow generation

In 2009, Draka generated a strong free cash flow of around € 160 million, an increase of 165% on 2008. This improvement can be attributed in part to the further reduction in operating working capital which was helped by entering into a standby arrangement for the securitisation of accounts receivable with ING Commercial Finance. Furthermore, the restriction of investments to below the depreciation charge also made a positive contribution to the free cash flow.

Successful share placement

Draka's sound financial position is underlined by the successful share placement which was completed in October. The proceeds of this issue, representing a value of approximately € 100 million, have been used to reduce debt, strengthen the company's financial position and fund additional restructuring measures to further reduce the cost base. The strengthening of its financial position enables Draka to take advantage of future growth opportunities. It also means that our financing facilities can be maintained on the present favourable terms, since they have been secured until the end of 2012.

Merger talks with Prysmian

A significant event in 2009 was the discussions with Prysmian SPA about a possible merger between the two companies. However, the talks were terminated in early September because agreement could not be reached on the terms and conditions of the proposed merger. We shall therefore continue to pursue our stand-alone strategy with undiminished vigour, with a sustained focus on organic growth, possibly combined with acquisitions, in specialised cable segments and emerging markets.

Management changes

The year also brought changes in the top management of the company. After more than five years' service, the last two of which as a member of the Board of Management, Sandy Lyons decided it was time to repatriate his family to the USA and left the company with effect from 31 December 2009. The Supervisory Board asked me to take over as Chairman and CEO with effect from 1 January 2010.

The intended appointment of Okke Koo to the Board of Management was announced in December 2009. He took up the position of Chief Operating Officer on 1 January 2010 and shareholders will be asked to approve his appointment to the Board of Management at the Annual General Meeting to be held on 20 April 2010. Okke Koo was formerly a member of the Executive Board of Clariant (Switzerland) and his expertise and experience should allow Draka to benefit from further optimisation of the organisation and internal synergies.

Innovation in products and services

Together with the focus on cost reduction and financing outlined above, innovation in products and services is more important than ever in the current difficult economic climate. That is why we have chosen it as the theme for this year's annual report, with examples of successful innovations that have been put into practice across a broad range of the company's activities. Innovation enables us to secure larger shares of new markets and value chains commanding more attractive margins, while at the same time setting us apart from our competitors.

Because Draka has a strong innovative focus on products, we can offer benefits such as enhanced energy-efficiency, time savings for installers and superior sustainability. But we have also seen significant innovations in our services, for example with a new turnkey contracting model in the telecommunications market that enables us to leverage all our competences and offer our customers a 'one-stop shop' solution.

This ability to constantly take a fresh look at our markets, at the underlying applications and at our customers' needs is a key characteristic of Draka. It is one of the factors that will enable us to come through the present tough business conditions successfully and emerge from them stronger and more competitive than ever. Together with our motivated employees, it is one of the most important reasons for our confidence in the future well being of our company.

Frank Dorjee
Chairman and CEO

Report of the Supervisory Board

Financial statements and dividend

The Board of Management has submitted the financial statements for the 2009 financial year to the Supervisory Board. These statements, included on pages 67 to 127 of this report, have been audited by Deloitte Accountants B.V. The auditors' report can be found on page 130.

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

Activities of the Supervisory Board

The Supervisory Board held six meetings in 2009 which were attended by the Board of Management. Among the important matters discussed at these meetings were the possible legal merger with Prysmian SPA, the sale of the OPGW activities to AFL Telecommunications, the issue of new shares to strengthen the Company's financial position through accelerated book building in combination with a private placement with major shareholder Flint Investments B.V., the additional operational restructuring measures, the strategy and growth of the organisation (both organically and by acquisition), the progress of the cost-control programmes within the scope of the Triple S project, the focus on working capital (including the standby arrangement for the securitisation of accounts receivable with ING Commercial Finance) and investment discipline, the Company's profit performance, the general and financial risks to which the Company is exposed, the configuration and functioning of the internal risk management and control systems, acquisition policy, the annual report and financial statements, corporate governance, compliance and press releases.

The Supervisory Board also held four meetings in the absence of the Board of Management in 2009, at which it discussed its own functioning, the functioning of its committees and the expertise of its individual members, the composition of and succession within the Supervisory Board, its relationship with the Board of Management, the composition of the Board of Management and the performance and remuneration of the members of the Board of Management. The evaluation of the Supervisory Board, its committees and its individual members was done by means of a detailed questionnaire, which the Chairman sent to the members of the Supervisory Board in advance of the meeting. Their responses to the questions were summarised on an anonymous basis and the questionnaire was then discussed at length. In the context of this evaluation, the Chairman of the Supervisory Board also interviewed each member of the Supervisory Board individually.

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

Committees of the Supervisory Board

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

Audit & Governance Committee

The Audit & Governance Committee consists of Rob van Oordt (Chairman), Annemiek Fentener van Vlissingen (until February 2010), Harold Fentener van Vlissingen (since November 2009), Fritz Fröhlich and Graham Sharman (members).

The Audit & Governance Committee held six meetings in 2009 which were all attended by the Board of Management. Among the matters discussed were profit performance, the Company's financial reports and publications, the management letter and the role of the auditors, corporate governance matters, risk management and internal control procedures and observations, legal matters, the 2009 audit plan, corporate financing and press releases.

Various aspects of corporate governance are discussed on pages 54 and 55.

Remuneration & Nomination Committee

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

The Remuneration & Nomination Committee held eight meetings in 2009. The main subjects addressed at the meetings were the functioning and composition of the Board of Management, the remuneration, pension schemes and contractual arrangements of the members of the Board of Management, the 2010 bonus targets for the Board of Management, the assessment of and succession planning for senior executives, succession planning and the search of new members for the Board of Management. In anticipation of the upcoming vacancies in the Supervisory Board in the years 2010 and 2011, the profile as included in article 8 of the Charter of the Supervisory Board was revised. The revised profile was adopted by the full Supervisory Board and is published on Draka's website (www.draka.com).

Strategy Committee

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

The Strategy Committee held two meetings in 2009. While supervision of corporate strategy is the responsibility of the full Supervisory Board, the task of the Strategy Committee is to study specific strategic issues and proposals by the Board of Management in depth and provide input to the Supervisory Board when these issues are on the agenda for discussion and decision-making by the full Supervisory Board. Important issues addressed at the meetings included the Company's short-term and long-term strategy, innovation, possible acquisitions and divestments and the Company's minority interests.

Composition of the Supervisory Board

There was no change in the composition of the Supervisory Board in 2009. Annemiek Fentener van Vlissingen was reappointed to the Supervisory Board by the General Meeting on 20 April 2009. Harold Fentener van Vlissingen, Ludo van Halderen, Annemieke Roobeek and Graham Sharman are to retire by rotation at the General Meeting of 20 April 2010. Harold Fentener van Vlissingen and Ludo van Halderen are willing to serve a further term and will be proposed for reappointment. Graham Sharman will not be available for reappointment since he has served his full term of twelve years. Annemieke Roobeek will not stand for re-election. The Supervisory Board recommends appointing Maarten Schönfeld, Aad Veenman en Bernard Dijkhuizen as new members of the Supervisory Board. The resume of the nominated members are to be found on the Company's website (www.draka.com).

A word of thanks

The Supervisory Board would like to thank Sandy Lyons for his contributions since 2004, and wish him all the best for the future. Further, the Supervisory Board wishes to thank the Board of Management and all the staff for their commitment and hard work on behalf of the Company in 2009.

Amsterdam, 19 February 2010

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

Supervisory Board

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

Fritz Fröhlich (Chairman) (1942) [2,3]	
Nationality	German
Supervisory Board memberships	Randstad Holding N.V. (Chairman) Altana AG (Chairman) Allianz Nederland Groep N.V. ASML Holding N.V. Rexel S.A.
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) De Nederlandsche Bank N.V. Flint Holding N.V. Heineken N.V.
First appointment	2001
Current term	2009-2013

Harold Fentener van Vlissingen (1968) [2,6]	
Nationality	Dutch
Supervisory Board memberships	Diamond Tools Group B.V. (Chairman) Flint Holding N.V. Precision Tools Holding B.V. (Director)
First appointment	2006
Current term	2006-2010

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

Rob van Oordt (1936) [1,4]	
Nationality	Dutch
Supervisory Board memberships	Unibail-Rodamco S.E. (Chairman; France) Schering Plough Corporation (Director; USA) (until November 3rd, 2009)
First appointment	1999
Current term	2007-2011

Annemieke Roobeek (1958) [6]	
Nationality	Dutch
Supervisory Board memberships	NCWT-NEMO (Chairman) ABN AMRO Group N.V. RAI Amsterdam Solvay Pharmaceuticals B.V.
First appointment	2006
Current term	2006-2010

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

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

Report of the Board of Management

Main developments in 2009

Global cable market

The worldwide financial crisis which manifested itself in all its dimensions in the second half of 2008 had a substantial impact on the global cable market in 2009. After dropping 4–5% in the fourth quarter of 2008, demand fell even faster in the first quarter of 2009, down 9–10% (in volume terms, based on constant exchange rates and copper prices). There was no further decline from the second quarter onwards and demand remained stable for the rest of 2009 at the first-quarter level. Over the full year, volume was down around 8%.

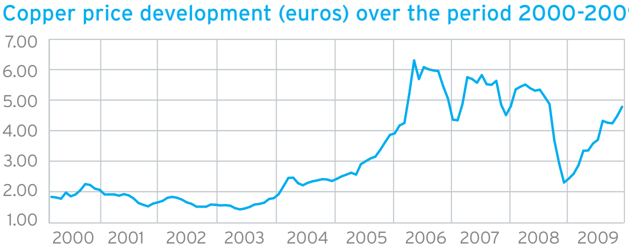
The decline in volume on the global cable market followed a sharp fall in demand around the world, apart from China and India. The downturn was substantial in North America and Western Europe in particular, with demand down 19–22%. The sharpest fall was on the Russian market, at around 40%. These falls in demand mainly reflected the lower level of construction activity. In contrast, demand in China and India increased by 15% and 5% respectively, partly due to government action to stimulate their economies.

Despite the significant fall in total demand, optical fiber cable was the only segment of the cable market to report higher volume. Most of the 15% growth was due to China, where demand was up over 75% compared with 2008. Within the energy cable segment, the decline in demand for medium-voltage and high-voltage cable was only about 5% (Draka is not active in high-voltage cable). Demand for low-voltage cable was around 8% lower, in line with the total cable market. The trend in the special-purpose cable segment was slightly more positive, with a fall of about 6-7%. In the communication cable segment, demand for copper telecommunication cable fell relatively fast, down around 20%, but demand for data communication cable (copper and optical fiber) declined 10%, in line with the total cable market.

Raw material prices

All raw material prices fell sharply in the fourth quarter of 2008 in response to the financial crisis, but the picture in 2009 was far less clear: in the metals segment, copper prices rose around 55% in the first six months compared with year-end 2008 but increased less steeply in the second half of 2009, rising 34%. The average copper price in 2009 was € 3.66, or 21% less than in 2008. By contrast, the price of aluminium remained stable in the first half of the year and increased 33% in the last six months. Polymer prices, likewise, remained relatively stable in the first half and rose in the second half, reflecting the higher oil prices. Despite the increases in raw material prices in 2009, the average prices for the year were well below the 2008 level, due to the substantial falls in the last quarter of 2008.

Copper price development (euros) over the period 2000-2009



Draka in general

Draka continued to focus in 2009 on deriving maximum benefit from the improvements to the organisational structure which were implemented in early 2008. In the new structure, the company is split into three Groups – Energy & Infrastructure, Industry & Specialty and Communications – each with a clear product/market orientation. This has enabled Draka to raise operational efficiency still further, through more effective sales and marketing organisations and more streamlined production facilities and through closer cooperation; both internally (within and across the divisions) and with the end-user. Cost-savings have also been made by centralising a number of key functions, such as non-metal procurement and IT.

Next to the focus to improve the effectiveness of its organisational structure, Draka devoted considerable time and attention in 2009 to countering as far as possible the negative effects of the very difficult market conditions. Total volume fell by a record 18% and the consequences were felt by all Draka divisions. Management responded promptly by substantially reducing the size of the organisation at an early stage. Following the moratorium on recruitment and investment that was introduced in the summer of 2008, two additional cost-reduction measures were implemented in 2009. Thanks in part to these actions, Draka posted a relatively satisfactory result in 2009.

Talks with Prysmian

On 29 June 2009, Draka announced to the financial markets that it was engaged in talks with Prysmian SPA (Prysmian) on a possible cross-border statutory merger (via an exchange of shares) of the two companies, in which Prysmian would be the surviving company. The talks were then at an early stage and it was by no means certain that a transaction would result.

On 10 September 2009, Draka announced that the parties had been unable to reach agreement on neither the main elements of the proposed merger or the terms and conditions to which it would be subject. For Draka, this means that it will continue to pursue its stand-alone strategy and focus on achieving its strategic objectives (see also 'Strategy' section on page 20).

Optimisation

In response to the strong decline in demand, Draka intensified its ongoing focus on the optimisation of its organisation and increased the pace of realising further efficiency improvements in 2009. Securing and maintaining cost leadership is crucially important and is one of the company's strategic objectives. The 'Stop, Swap and Share' (or 'Triple S') project, which was launched five years ago, is an ongoing process designed to make the organisation more efficient and effective.

The action taken by Draka in 2009, to which all the divisions contributed, included completion of the closure of the plants in Llanelli (UK) and Vigo (Spain). Subsequently, preparations were started for closure of the plants in Oudenbosch (Netherlands), Ystad (Sweden) and Årnes (Norway) and overhead costs were reduced in several divisions. Other measures ranged from deep cuts in the number of temporary staff and reduced shift working at the production plants to cuts in working hours. These actions affected a large number of employees. The headcount was reduced by 1,314 to 9,599 in 2009, a decline of 12.0%. Once all the projects have been completed, the annually recurring cost savings are estimated at € 60 million from 2010, of which around € 30 million was realised in 2009.

Investments

In addition to the regular maintenance and replacement investments which Draka makes every year to keep its production facilities up to date, the company is also investing in expanding capacity in several special-purpose cable segments. These investment projects are consistent with Draka's strategic objectives and, because they are being undertaken in fast-growing cable segments, there is no disturbance of the market.

Draka's investment project to establish initial production capacity for submarine cable was completed in 2009. The investment in submarine-cable capacity was made at the existing plant in Drammen (Norway) under a programme that was started in 2008. Medium-voltage submarine cable is used, for example, to connect offshore wind farms and offshore oil platforms. Draka invested a total of around € 16 million in this project, of which about € 9 million related to 2009. The investment will potentially generate additional annual revenues of € 50–60 million. This investment will enable Draka Industrial to extend its range of products for new energy technologies such as wind turbines, which is consistent with Draka's strategic objectives.

Special-purpose cable

Draka made further progress in 2009 in achieving one of its strategic objectives, namely advancing its position in the special-purpose cable segment and the emerging markets through organic growth and selective acquisitions. This segment now accounts for around 51% of Draka's total revenue, compared with 49% in 2008. All of the increase can be attributed to organic growth, because the decline in demand in the special-purpose cable segment and the emerging markets was slower than the decline in Draka's total volume. With the completion of several special investment projects, including increased windturbine cable capacity and initial submarine-cable capacity, this percentage will continue to rise in the years ahead.

Disposals

In April, Draka announced that it had sold its OPGW activities (part of its Communications Group) in Mönchengladbach (Germany) to AFL Telecommunications (USA). Draka also sold its interests in Oakwell Engineering Ltd. (29.9%) in Singapore and Draka Comteq SDGI Co Ltd (55%) in China, in September and December 2009, respectively. These three disposals are consistent with Draka's strategy of focusing on its core growth markets.

Financial results

The most serious economic recession in decades inevitably impacted on Draka's financial results in 2009. Revenues were down 27.6%, mainly due to the substantial (18.0%) decline in volume. The lower average copper price had an additional 9.0% negative effect on revenues. Reflecting the sharply lower revenues, the operating result, excluding non-recurring items, was 47.0% lower at € 75.3 million. The reduced volume and hence the lower capacity utilisation rate at Draka's plants were mainly responsible for the lower profit, but a further contributory factor was the unrelenting competitive pressure. This was countered by the positive effect of the various cost-saving programmes, which contributed around € 30 million to the result. The result for the year attributable to shareholders, excluding non-recurring items, was € 48.3 million (2008: € 83.5 million), or € 1.01 per ordinary share (2008: € 2.18).

Cash flow

Draka generated free cash flow of € 160.6 million (€ 3.79 per ordinary share) in 2009, an increase of 165.5% on 2008, thanks to management's sustained focus on achieving an optimum level of free cash flow. This improvement can be attributed in part to the further reduction in the operating working capital in absolute terms which was helped by entering into and the partly utilisation of a standby arrangement for the securitisation of accounts receivable with ING Commercial Finance, with a maximum of € 50 million. In relative terms, the operating working capital fell to 13.7% of revenues compared with 15.0% as at year-end 2008. The target of a stable operating working capital ratio of 16–18% was therefore again exceeded in 2009 and, in light of the sustained strong performance, will be lowered to 15–17% for the coming years.

Restricting investments in intangible assets and property, plant and equipment to € 42.3 million, which was less than the amortisation and depreciation charge of € 62.9 million, also made a positive contribution to the free cash flow.

Financial position

Draka's financial position improved substantially last year, partly due to the free cash flow that was generated. The successful issue of ordinary shares in early October was a further contributory factor. This issue of over 8 million new shares was placed at a price of € 12.40 per share, generating gross proceeds of € 100.7 million. The combined effect of these developments was a reduction of € 249.5 million in net debt, which ended the year at € 295.0 million. Mainly as a result of the share issue, shareholders' equity increased to € 549.5 million in the financial year, € 109.1 million higher than at year-end 2008. This substantially improved the ratio of net debt to shareholders' equity to 53.7% (2008: 123.6%).

Progress towards strategic objectives

Objectives	Medium term	2009	2008
Specialty profile as % of revenues	60%	51%	49%
Continuous optimisation of organisation	Cost leadership	€ 30 million cost savings	€ 10 million cost savings
Operating margin over economic cycle	> 5%	3.7%	5.0%
Operating working capital as % of revenues	15-17%	13.7%	15.0%
Free cash flow	optimum	€ 161 million	€ 61 million

Chain cooperation

Draka and ABB develop joint added-value innovations

The starting point for genuine innovation is the ability to adopt the customer's perspective: what are the broader issues they have to deal with, and how can we help them tackle those issues? In Draka's philosophy, more can often be achieved by establishing partnerships with like-minded, complementary parties. As demonstrated by the Clixys solution, a joint innovation by Draka and ABB.

For installers, speed of installation is a major concern. Not only is labour the most prominent cost factor, but skilled electricians are scarce. Especially in times of economic growth, this places heavy restrictions on installation companies' capacity to take on work. Increased productivity is therefore vital, and this calls for quick, user-friendly and error-free installation methods. Over the years, Draka has implemented many innovations that enable installers to increase their productivity, often focusing on more flexible cabling and packaging innovations. Taking the search for added value one step further, Draka teamed up with ABB. As a global, leading innovator of power and automation technology, ABB provides the technology to which Draka cabling is often connected.

Total solution

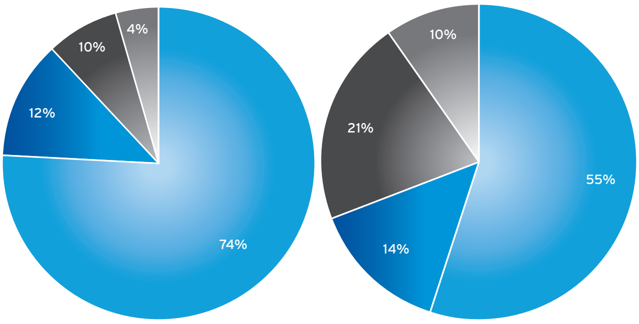
Both companies had identified the same key concerns for the installation market, both were looking to create added value and both had decided to broaden their horizons to look beyond their own product category. A joint project team proceeded to develop the Clixys system, a 'total solution' with integrated, pre-assembled sockets, switches, connectors and other components. This system enables time savings of 40 to 60%, but also allows for more flexibility in designing, planning and modifying even large-scale electrical installations in the commercial building sector. The Clixys system was promptly nominated for the prestigious Dutch ETOP Innovation Award, as a 'model of chain cooperation', in the words of the jury.

Extended scope

The system embodies the Draka innovation philosophy: more added value can be created by seeking cooperation with other specialists. Which need not to stop with the current ABB/Draka partnership. In developing the Clixys system, both partners didn't hesitate to include third parties in the development for aspects which called for specific expertise. And while the system in its current form is suitable for installation of power circuits, preparations are already under way to extend its scope to include lighting applications and intelligent building control technology. Ever widening horizons, calling for more and more dynamic partnerships.

Strategy

Over the past two years the global economy has weathered the worst financial and economic crisis since the Great Depression of the 1930s. The current economic downturn, which began in the US, quickly spread to other parts of the world. The crisis has created challenges for all wire and cable companies, including Draka. As the world refocuses to meet the challenges of this new economic reality, geographical trends are also changing. Growth in developing countries will continue to outpace growth in the developed (saturated) markets. This is also reflected in the spread of Draka's revenues which, over the past five years, have declined substantially in Europe and grown in Asia and the rest of the world, where cable demand is increasing more rapidly.



To achieve success in these new economies, Draka has built a leaner, financially sound company, with relentless focus on performance and gradual portfolio expansion to build future growth.

In the wire and cable industry, reactions to the economic crisis in 2009 took the form of numerous corporate announcements of plant closures and cost-reduction measures and several mergers and acquisitions. All these actions were necessary to combat the declining economy. Customers and suppliers have also merged to create larger, more financially stable global entities. After these further consolidations, international companies want their suppliers to follow them into new, emerging international markets.

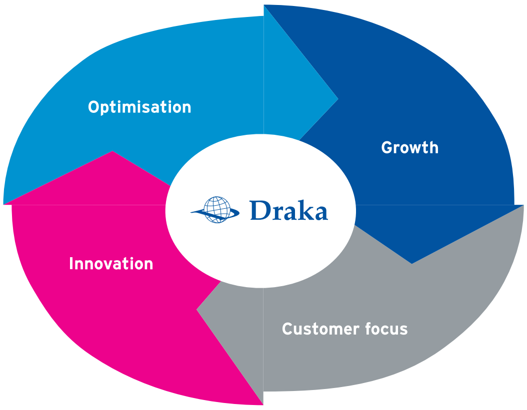
As a global entity that is active in 31 countries throughout Europe, North and South America, Asia and Australia, Draka is constantly seeking opportunities to expand and grow. One such growth opportunity arose in June 2009, when Draka entered into talks on a possible cross-border statutory merger with Prysmian on a share-for-share basis; these talks were terminated in September, when it proved impossible to reach agreement on the main terms and conditions of the proposed merger. Draka has maintained its position as the world's eighth largest cable manufacturer and will continue its stand-alone strategy, actively searching for opportunities to build future growth. Draka is expecting the wave of consolidation in the wire and cable industry to continue and will investigate opportunities for building future growth through (add-on) acquisitions.

Market shares / Top 10 Cable Companies [1]	
Total 2008 market € 115 Bln.	
Nexans (FR)	5.9%
Prysmian (IT)	4.5%
General Cable (USA)	4.1%
Sumitomo (Japan)	3.4%
Southwire (USA)	3.1%
LS Cable (S-Korea)	2.8%
Furukawa (Japan)	2.4%
Draka (NL)	2.4%
Fujikura (Japan)	2.3%
Walsin Lihwa (Taiwan)	2.2%
Others	67%
Total	**100%**

[1] Based on 2008 data, since not all 2009 data are available
Sources: CRU and Draka's calculations

That being said, Draka will continue to focus in 2010 on customers, (product) innovation, growth and optimisation and will move forward with its stand-alone strategy and further development of its long-term strategic platform under the banner 'Building Future Growth'.

Building Future Growth



Draka's strategic objective is to be a global leader in the markets it serves, through innovation, optimisation, value creation and growth. Draka strives to be recognised as a benchmark for superior customer care, innovation and value delivered to customers and all other stakeholders.

Customer focus

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

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

Innovation

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

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

Growth

Organic growth, supported by selective investment, within the constraints of sound financial practice, is one of Draka's strategic objectives. To support achievement of that objective, Draka is working towards a better regional balance while pursuing growth in areas where it already holds leading positions. Draka will also target developing markets where it does not have a leading position, identifying niche markets where the company can add value and achieve top-quartile earnings performance. It will continue to invest in selected acquisitions and consolidate its leadership positions by market and region.

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

In parallel with organic growth, Draka will seek growth through targeted acquisitions which will strengthen its position in emerging markets and in the special-purpose cable segment. Draka has the organisation and the financial position needed to pursue such an acquisition strategy. As well as strengthening Draka's market position in core activities, potential acquisition candidates will have to start contributing to Draka's overall result in the first year of consolidation.

Optimisation

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

Draka is well positioned for the future, with fundamentals as strong as they have ever been. With constant focus on its customers, innovation, value creation, growth and optimisation, Draka has the resources and technology to build future growth and prosper in these economic times.

Financial targets

The aim of the strategy described above is to increase Draka's profitability by responsibly allocating the available free cash flow (defined as cash flow generated from ordinary operations taking account of a required level of investment) and strengthening its balance sheet position.

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

Other important financial objectives for the medium term:

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

- Healthy balance sheet ratios, implying:
    - leverage ratio (net debt / EBITDA) < 3.5 (2009: 2.2);
    - interest coverage ratio (EBITDA / interest) > 3.5 (2009: 4.9);
    - solvency (guarantee capital / balance sheet total) > 30.0% (2009: 35.8%).

- Stabilisation of operating working capital (defined as inventories plus trade receivables minus trade payables) at 15–17% of revenues (2009: 13.7%). This target was previously 16–18%.

Financial results

General

In accordance with IFRS, Draka's joint ventures Telcon Fios e Cabos Para Telecomunicacoes in Brazil (50%), Precision Fiber Optics Ltd. in Japan (50%) and Yangtze Optical Fibre & Cable Co. Ltd. in China (37.5%) have been consolidated on a proportional basis since 1 January 2009. These joint ventures are all part of Draka's Communications Group. All comparative figures for 2008 have been restated accordingly.

Revenues

Draka's revenues in 2009 totalled € 2,048.3 million, down 27.6% compared with 2008. Revenues were adversely affected both by the substantial decline in demand and the significant fall (21.5%) in the average copper price. On revenues, the volume effect was 18.0 percentage points and the copper price effect was 9.0 percentage points. The fall in the copper price had a negative effect on revenues because of the delay in passing on changes in raw material prices in the price of cable products. This copper price effect was most evident in the first half of 2009. On the other hand, the effect of exchange-rate movements was 0.1 percentage points positive, mainly reflecting the stronger US dollar against the euro.

Disposals, comprising the sale of Draka's OPGW activities (Germany) in June 2009 and the 55% interest in Draka Comteq SDGI Co Ltd (China) in December 2009, accounted for 0.7 percentage points of the decrease in revenues.

Revenues by Group (x € million)	2009	2008
Energy & Infrastructure	664.3	1,024.0
Industry & Specialty	647.8	960.0
Communications	736.2	844.9
Total	**2,048.3**	**2,828.9**

- The Energy & Infrastructure Group generated revenues of € 664.3 million in 2009, down 35.1%. This was due primarily to a substantial reduction in volume (22.0%), as a consequence of the sharp slow-down in the European construction market in the first half of 2009. Draka's volume in the Asian market was also down slightly, after a modest increase in the first six months of the year.

- The Industry & Specialty Group posted revenues of € 647.8 million, down 32.5% compared with 2008, on volume which was 22.0% lower. Within the Group, volume fell most sharply in the Automotive & Aviation division, reflecting the very difficult market conditions.

- Revenues in the Communications Group were 12.9% lower at € 736.2 million. The 8.7% decrease in volume was largely due to the difficult market conditions in the copper cable segment (both telecom and data communications). In contrast, Draka's optical fiber cable activities and Chinese joint ventures continued to perform well, but this was not sufficient to fully compensate for the decline in the copper cable activities.

Operating result

Draka's operating result in 2009 was € 8.8 million, compared with € 95.3 million in 2008. On a like-for-like basis – excluding non-recurring items – the operating result was € 75.3 million, compared with € 142.0 million in 2008. The non-recurring charges of € 66.5 million related mainly to a provision for and current costs of overhead reduction and Triple S projects within Draka's three Groups. Total non-recurring charges in 2008 were € 46.7 million.

Operating margin

The operating margin – operating result excluding non-recurring items as a percentage of revenues – turned out at 3.7% compared with 5.0% in 2008. Profitability was severely affected by the substantially lower volume and the consequent reduction in the capacity utilisation rate at Draka's plants. Margins were also under pressure from the increased competitive market circumstances. Positive factors, including a further improvement in the product mix and the effect of the additional efficiency and Triple S programmes (some € 30 million), were not sufficient to offset the negative factors completely.

Operating result by Group (x € million)	2009	2008
Energy & Infrastructure	31.8	69.5
Industry & Specialty	33.4	59.2
Communications	26.7	29.4
Not attributed	(16.6)	(16.1)
Total operating result (excluding non-recurring items)	**75.3**	**142.0**
Energy & Infrastructure	(13.8)	(23.1)
Industry & Specialty	(31.6)	(20.3)
Communications	(17.7)	(3.3)
Not attributed	(3.4)	-
Total non-recurring items	**(66.5)**	**(46.7)**
Operating result	**8.8**	**95.3**
Operating margin (excluding non-recurring items)	**3.7%**	**5.0%**

- The Energy & Infrastructure Group's operating result (excluding non-recurring items) was € 31.8 million, compared with € 69.5 million in 2008. The decline reflects the lower capacity utilisation rates at Draka's plants in line with the substantial decrease in volumes and the slightly lower market prices.

- The Industry & Specialty Group's operating result, excluding non-recurring items, was € 33.4 million (2008: € 59.2 million). The result was lower across all divisions. The decline in Cableteq USA's result was relatively modest and the Automotive & Aviation division broke even despite the very difficult market conditions.

- The Communications Group's operating result, excluding non-recurring items, was € 26.7 million, down 9.2% compared with 2008. This relatively good result can be attributed mainly to a strong performance in the optical fiber segment and the substantial reduction in overhead.

- The result not allocated to Groups, such as the costs of the holding company and other unattributable expenses, increased slightly to € 16.6 million negative.

Other financial items

Net finance expense amounted to € 31.2 million, down 19.0% compared with 2008. In 2008 this item included a book profit of € 12.6 million on Draka's bid for the € 100 million 4% convertible bond loan. Excluding this book profit, net finance expense amounted to € 51.1 million in 2008. Therefore, on a like-for-like basis – excluding non-recurring items – the decline amounted to 38.9% in 2009 and reflected the lower average net debt and lower interest rates. The taxation item was € 1.9 million positive, which translates into an effective tax rate of (4.3)% (2008: 21.9%).

The share in the profit of equity-accounted investees amounted to € 5.0 million, compared with € 5.8 million in 2008. The result in 2008 was adversely affected by an inventory revaluation of € 8.0 million at Draka's associate Oman Cables Industry in Oman (OCI). Adjusted for this one-off there was a sharp decline in 2009 which was almost fully caused by the sharply lower profitability at OCI.

Other items and result for the year (x € million)	2009 [1]	2008 [1]
Operating result	8.8	95.3
Non-recurring items	(66.5)	(46.7)
Operating result (excluding non-recurring items)	**75.3**	**142.0**
Net finance benefit / (expense)	(31.2)	(51.1)
Result before income tax	**44.1**	**90.9**
Income tax expense	1.9	(19.9)
Share of results of equity-accounted investees	5.0	13.8
Result for the year	**51.0**	**84.8**
Minority interests	(2.7)	(1.3)
Result for the year attributable to shareholders	**48.3**	**83.5**
Preference dividend	**5.4**	**5.4**
Earnings per share (in euros)	**1.01**	**2.18**

[1] Excluding non-recurring items

Result for the year

The result for the year attributable to shareholders was € (18.2) million, compared with € 69.3 million in 2008. Excluding non-recurring items, the result was € 48.3 million as against € 83.5 million in 2008.

Basic earnings per share

After appropriation of the preference dividend (€ 5.4 million), basic earnings per ordinary share amounted to € (0.56), compared with € 1.78 in 2008. Excluding non-recurring items, basic earnings per ordinary share amounted to € 1.01, compared with € 2.18 in 2008. As at year-end 2009, there were 48,736,597 ordinary shares in issue, an increase of 8,119,437 compared with 2008. The increase was due to a share issue in October 2009 (see also 'Share information'). The average number of ordinary shares in issue was 42,349,572.

Dividend proposal

It is proposed that no dividend on ordinary shares be paid in respect of 2009. In these difficult market conditions, Draka's focus is on maintaining a strong liquidity position. Capital discipline and the proposal to forego this year's dividend are consistent with this policy.

Financial position

Cash flow

Cash flow from operating activities in 2009 amounted to € 189.2 million, an increase of 70.9% on 2008 (€ 110.7 million). Cash flow per share was € 4.47, compared with € 3.09 in 2008. This improvement in cash flow can be mainly attributed to the reduction in the operating working capital.

The € 143.4 million decrease in operating working capital (2008: € 63.9 million decrease) was due to three factors: the significantly lower volume, which meant that less working capital was needed, the action taken by Draka to reduce inventory levels and agree longer payment terms with suppliers, and the entering into and partly utilisation of a standby arrangement for the securitisation of accounts receivable (maximum of € 50 million). Operating working capital as a percentage of revenues turned out at 13.7%, compared with 15.0% in 2008, exceeding the target of stabilising the operating working capital ratio at 16–18% in 2009.

Abridged cash flow statement (x € million)	2009	2008
Cash flow from operating activities	189.2	110.7
Cash flow from investing activities	(35.8)	(52.3)
Cash flow from financing activities	(126.2)	9.9
Net cash flow	**27.2**	**68.3**

Investments, acquisitions and disposals

Net investments in intangible assets and property, plant and equipment amounted to € 42.3 million, less than the amortisation and depreciation charge of € 62.9 million. Approximately 80% of the investments were normal maintenance and replacement investments (€ 33.3 million). Major projects included a PVC compounder in the Netherlands, business support SAP applications in some facilities in the USA and Europe and capacity expansion in Malaysia.

The remaining € 9 million was invested in a drive to complete, by the end of the year, a project within the Industrial division to establish production capacity for medium-voltage submarine cable used to connect offshore wind farms. This investment will enable Draka to increase its share of the fast-growing renewable-energy segment of the cable market.

Draka spent € 7.2 million on acquisitions in 2009, mainly in the form of expansion of the interests in several equity-accounted investees of Draka's proportionally consolidated associate Yangtze Optical Fibre & Cable Co. Ltd. (China).

Draka undertook four disposals in 2009. It sold its OPGW activities in Mönchengladbach (Germany), part of the Communications Group, to AFL Telecommunications (USA), Wagner Kablo (71%) in Turkey and its interests in Oakwell Engineering Ltd. (29.9%) in Singapore and Draka Comteq SDGI Co Ltd (55%) in China. The proceeds from these disposals, excluding Draka Comteq SDGI Co Ltd, which will be collected in the first quarter of 2010, totalled € 6.9 million.

Balance sheet position

The balance sheet total as at year-end 2009 was € 1,589.3 million, a decrease of 6.7% compared with year-end 2008. This was due mainly to a decrease of € 87 million in current assets (inventories, trade and other receivables), reflecting the lower volumes and Draka's focus on reducing working capital. Non-current assets were also € 26.9 million lower, mainly because investments (€ 42.3 million) were less than the amortisation and depreciation charge (€ 62.9 million).

Shareholders' equity

Shareholders' equity as at year-end 2009 amounted to € 549.5 million. The increase of 24.8% compared with 31 December 2008 was mainly due to the issue of 8,119,370 new shares at a price of € 12.40 per share, which generated proceeds of € 100.7 million (see also 'Share information'). Shareholders' equity also benefited from changes in the fair value of copper and interest-rate derivatives.

Movements in shareholders' equity (x € million)	
Shareholders' equity as at year-end 2008	**440.4**
Share issue	98.7
Currency translation effects	6.8
Changes in fair value	25.9
Result for the year attributable to shareholders	(18.2)
Dividend paid	(5.4)
Other	1.3
Shareholders' equity as at year-end 2009	**549.5**

Reflecting the lower balance sheet total and higher shareholders' equity, the solvency ratio (shareholders' equity as a percentage of balance sheet total) rose significantly to 34.6% (year-end 2008: 25.9%). The guarantee capital (consisting of shareholders' equity, the provision for deferred tax liabilities and the long-term portion of the subordinated loans) amounted to € 568.5 million, or 35.8% of the total invested capital (year-end 2008: 28.8%).

Balance sheet summary (in %)	2009	2008
Intangible assets and property, plant and equipment	41.3	39.7
Financial fixed assets	4.1	3.9
Deferred tax assets	3.3	3.4
Current assets	51.3	53.0
Total assets	**100.0**	**100.0**
Shareholders' equity	34.6	25.9
Minority interests	1.3	1.5
Provisions	7.9	6.5
Deferred tax liabilities	1.2	1.5
Non-current liabilities	18.4	32.3
Current liabilities	36.6	32.3
Total equity and liabilities	**100.0**	**100.0**

Interest-bearing debt

Net interest-bearing debt (including the subordinated convertible bond loan carried at nominal value) was reduced by € 249.5 million to € 295.0 million in 2009. The free cash flow and the share issue (see also 'Share information') accounted for most of the decrease. This significantly improved net gearing (total net interest-bearing debt as a percentage of shareholders' equity), which fell to 53.7% (2008: 123.6%).

Information and Communication Technology

Draka's ICT strategy is designed to support the business in reducing costs, improving efficiency and providing better services to its customers by:

- providing robust ICT services with the right cost/quality ratio;
- building ICT solutions that add value and support the business objectives;
- developing an ICT community of people who can translate the business needs into reliable services and fit-for-purpose solutions.

Infrastructure Shared Services (ISS)

Closer cooperation among Draka's companies and with their customers makes it essential to standardise the ICT infrastructure and provide effective tools. A major project to standardise the basic ICT infrastructure (ISS), covering the international communication network, e-mail and network security, was completed. In close cooperation with several divisional ICT organisations and AtosOrigin, Draka's ISS partner, these services have been implemented at almost all Draka sites around the world. Several ICT policies and procedures have been developed in connection with this project to safeguard the security and integrity of ISS.

Standard services that have been developed in conjunction with the ISS partner for SAP hosting and B2Bi (Electronic Data Interchange, EDI) have been rolled out to Draka companies. The new EDI service provides a standardised and cost-effective method of setting up automatic transaction services (for example relating to orders) with customers and suppliers.

The ICT infrastructure and services will be further standardised in 2010, with the emphasis on voice and data, including mobile telephony and workplace management (laptops and desktop PCs).

Portal and cooperation

Following successful trials at several Draka companies, a joint SharePoint service was introduced to facilitate information storage, file sharing and provision of information via internal and external web portals and support global projects. On the basis of this service, Draka Communications developed a new Internet portal which went live in November 2009. This B2B web portal will replace all the Communications Group's country-oriented portals in 2010. It will enable customers and other stakeholders to navigate quickly and easily to all relevant information and contact the Customer Care organisations.

A study will be made in 2010 of the possibility of a portal for Draka employees to provide a simple and efficient means of communication and cooperation within the organisation.

Business applications

An important element of the ICT strategy is the optimisation and rationalisation of business-support applications. An IT strategy review was conducted in 2009 in conjunction with key business stakeholders from the various divisions, which came to the following conclusions:

- ERP: this is the long-term strategy for providing a SAP-based solution to support transaction processes. The Draka SAP template, which was developed three years ago, is a fully operational SAP system in which the primary business processes are programmed on a consistent basis. The template is already in use operationally in several Draka divisions and a further roll-out is now planned in line with the different divisional strategies. Efforts will be made to further optimise functional and technical support for the divisions in which Baan 4C4 has been implemented.

- CRM: support for these business processes, in the form of a robust application, needs to be provided for the Sales, Marketing and Customer Care functions. CRM solutions having so far been implemented and tested only at a few locations, Salesforce.com was selected in 2009 for the implementation within Draka of a standard CRM package.

- Business intelligence: there is a growing need for analysis of data from various applications, such as sales margins, order book and supply chain efficiency. Since standard reporting does not make provision for this and working with Excel is time-consuming and inconsistent, a search will be made for a standard, cost-effective and user-friendly application.

ICT community and governance

The ICT community and governance were strengthened in 2009. It was decided in conjunction with the divisional ICT managers and Corporate IT to set up a Global Draka ICT Leadership team with the aim of jointly undertaking ICT activities. Plans have been drawn up for 2010 defining the ICT activities needed to support achievement of each division's objectives and the financial and human resources they will require.

The number of ICT staff employed by Draka worldwide decreased to 112 (2008: 130). The main policy objective is to raise the quality of the ICT community, chiefly by implementing business ICT expertise and sharing specific high-grade competences across the various divisions.

Innovation

Draka considers innovation to be a critical success factor. Through continuous assessment of and prompt response to the customer's wishes and requirements, Draka is continuing to build on its prominent market position. The company constantly explores ways of further broadening and improving the services it offers. Draka also sees research and development (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 have been directed largely towards reducing the cost of manufacturing existing products and improving production processes. As materials are a major cost component in almost all divisions, Draka searches constantly for potential savings and ways of substituting environmentally hazardous materials.

Draka maintained its focus on stimulating innovation by and across its divisions in 2009. After forming the three new Groups at the beginning of 2008, Draka continued to build a worldwide R&D community, through regular meetings of technical working groups on horizontally applicable topics such as compounds and new cable concepts. Partly as a result of this development, an innovation mindset has been instilled throughout the Draka organisation. The objectives for the medium term are:

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

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

Some examples of the impact of recent developments have been included in this annual report. Many more examples could have been given: these have been chosen simply to highlight the theme of 'innovation' of this annual report.

Looking forward, Draka intends to maintain and increase the flow of new ideas throughout the organisation. For example, as part of the policy of fostering innovation in all sectors of the company, Draka initiated an Innovation Award in 2009, through which it expresses its gratitude to the most innovative individuals and/or teams within the company. Out of 35 proposals that qualified, nine innovations were selected for this award in 2009.

Going glocal

Fire-resistant LSOH cable reaches unprecedented levels of

The challenges

In emergencies, fire-resistant cabling is essential to maintaining safety-critical installations. In many European countries, legislation stipulates that low-smoke, zero-halogen (LSOH) cables must be used in public buildings. Since LSOH cabling is generally less flexible, however, installation takes more time than when conventional PVC cables are used.

St Pancras International Station

Project	A fire safety solution for three stations linking London to the European high-speed train network, including three tunnels (with a combined length of over 40 kilometres) and 29 ventilation shafts.
Required	Three-quarters of a million metres of high-quality, fire-resistant LSOH cable, connecting fire detection and alarm, voice alarm and public address systems.
Draka's offering	Three types of LSOH cable, providing 60 minutes of fire and mechanical protection, followed by another 60 minutes of fire, mechanical impact and water protection – figures that exceed the regulatory requirements. The Draka cabling was also found to have the best installation properties, being more robust and more flexible than other LSOH cables. Factory-fitted moulded sockets and plugs on the tunnel cabling enabled the fastest possible installation time.
The customer's verdict	"The most sophisticated fire detection and alarm system will count for nothing if it is not provided with continuous and reliable power. So, potentially, thousands of lives and millions of pounds' worth of assets are put at risk by specifying anything other than the best available, fire-rated cables. By specifying Draka cable, we took chance out of the equation." – Peter Patrick, head of fire safety at EMCOR, the main contractor on the St Pancras project.

safety and ease of installation

The solution

By coordinating international cooperation on material development, the E&I Group succeeded in developing two innovative compounds for LSOH cable. These form the basis for cable solutions that can be tailored to the specific needs and regulatory requirements of local markets throughout Europe. An approach that is described as 'going glocal'. These cables are all characterised by high safety performances, as well as unusually high robustness and flexibility.

The result

A range of superior-quality LSOH cables: saving installers valuable time while offering the highest possible safety standards. In Spain, the nanomaterials-based EVOLUCION cable reduces installation times by 30%. In the St Pancras project, Draka LSOH cable was selected on the strength of its advanced safety performances as well as its superior installation properties.

Corporate Social Responsibility

To Draka, combining the following principles is the essence of sustainable entrepreneurship, because it implies the simultaneous pursuit of profitable economic growth, social progress and environmental quality:

- focusing on making world class products that deliver value for the customers;
- maintaining a strong relationship with customers, employees, suppliers and shareholders and the communities in which Draka operates;
- striking a balance between a unified purpose and a customised local approach.

These add up to an ongoing performance Draka can be proud of, which is the objective of the company's sustainability agenda.

Many of the innovations in cable systems over the years have been driven partly by the following four overriding themes that define the sustainability agenda within Draka's control:

1. Leveraging eco synergies

Translating challenges to achieve greater energy efficiency over the cable life cycle into new product opportunities is a priority for both clients and Draka companies. Both ecological and economic synergies can be leveraged and supported in this way. In the renewable energy segment, Draka companies are both development partners of and suppliers to the leading manufacturers of wind turbines, solar panels, wave power installations and geothermal power plants. The 'fiber-to-the-home' solutions accommodate lifestyle changes in society and changes in the workplace. Draka companies innovate continuously in order to service their clients' demand for high-quality products that meet their needs and contribute to reducing their environmental impact.

Draka participated in the Carbon Disclosure Project in 2008 with 28 of its production plants. The project will ultimately cover all its production facilities. CDP has recognised Draka as one of the few participating companies to succeed in achieving a modest reduction in its energy intensity rate [1]. The participating plants cut their CO_2 emissions by a total of 6,454 tonnes (4.6% compared with 2007). While part of the reduction was due to a decrease in volume, the plants still succeeded in reducing their energy intensity rate from 0.97 to 0.95.

2. Maximising safety

Draka wants to be the best in all the disciplines it addresses. By striving for operational excellence and applying internal controls and external benchmarks, Draka manages the quality of its processes and promotes continuous improvement. For example, Draka companies apply international environmental, health and safety standards in all their plants across the globe. As part of the regular compliance and management cycle, it ensures that committed goals are realised. Safety is also relevant in the company's markets. Draka companies produce cables for critical applications in fire protection, oil pipeline safety and power supply and condition monitoring in geothermal facilities, while ensuring the installer's safety.

CSR facts & figures

The number of lost-time accidents has been reduced by 25% compared with 2008, which means that Draka almost achieved its very ambitious OSHA lost-time rate[2] target in 2009. The target for 2010 is to reduce the number of lost-time cases by a further 30%. Draka requires ISO 14001 certification of all its production plants in 2010. This target was almost achieved in 2009. OHSAS 18001 certification of all production plants will be required in 2012. Many companies have started the certification process and several have already obtained certification for their safety and health management system. In terms of material efficiency, several projects are in process and resulted for example in over 40% of reuse of customer spools in the optical fiber supply chain and 1.75% (or 2 million kilos) reduction of raw material consumption in Energy & Infrastructure. The switch from small wooden drums to plastic drums is contributing to fuel saving as well as waste reduction, because plastic is much lighter than wood.

3. Engaging people

All Draka's success comes from a single source: the active involvement, professionalism and knowledge of its staff, operating in a positive working climate. To this end, Draka actively promotes the values and ethical behaviour embodied in its Code of Conduct. Draka facilitates employability by creating equal opportunities for personal development and communicating company and personal objectives in an open atmosphere. With recognition and award schemes, the company encourages individual and team performance. Draka's people are aware of their social responsibility in the communities where they operate and they perform well in that field.

4. Improving resource efficiency

Efficient use of resources serves not only the environment but also the financial bottom line. One of the objectives of quality management of the total supply chain is to reduce Draka's energy bills and carbon emissions. Environmental and social standards are also integrated into the company's sourcing processes, most notably the purchasing of copper, other metals, rubber, plastics and other raw materials. Draka is working to improve its environmental footprint by reducing the usage and improving the recycling of materials in the manufacturing processes.

Next steps

The sustainability agenda that is highlighted is not new to Draka. It is part of what Draka stands for and what has defined its success over the last century. Draka believes that, by continuing to behave responsibly and achieving visible performance, its companies will be assured of ample opportunities in the future. Draka will be transparent about its performance in this area by including more information on sustainability targets and monitoring in its annual report.

[1] Emission intensity rate: tonnes CO_2/revenue from external customers in millions of euros.
[2] OSHA lost-time accident rate = number of lost-time cases x 200,000 / total number of hours worked.
OSHA stands for Occupational Health and Safety Administration.

Personnel and organisation

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

Personnel and organisation

Draka believes that the commitment, involvement and quality of its personnel are key to the achievement of its corporate objectives. Draka's human resources strategy is therefore to recruit new talent and develop, train, motivate and retain the existing talent. This strategy is consistent with Draka's core values and code of conduct. Draka has launched several initiatives in recent years to improve its human resources systems and processes and will continue to develop them in the years ahead.

Restructuring and optimisation

One of Draka's strategic principles is the continuing optimisation of the organisation. To that end, Draka launched the Triple S project in 2005, which aims at:

- stopping production of cable products that do not enhance the product mix;
- swapping cable production within the divisions, in order to achieve a portfolio of products created with maximum efficiency in focused factories;
- sharing best practices within and among divisions in fields such as production, compounding, logistics and marketing.

Against the background of the economic downturn which first became apparent in the second half of 2008, Draka announced a recruitment stop in the summer of 2008 which remained in force throughout 2009. In response to the reduction in volumes, staffing levels within Draka were matched as closely as possible to current market conditions. This was achieved initially by reducing the number of temporary staff, but in several locations the number of permanent jobs was also reduced. In some countries, Draka was able to adopt such measures as reductions in working hours and temporary lay-offs.

The closure of two plants in Spain (Vigo) and the United Kingdom (Llanelli) was completed in 2009. The closure of a plant in Sweden (Ystad), on which agreement has been reached with all the employees' organisations concerned, was announced in the last quarter of the year. In early January 2010, Draka announced that it was engaged in talks with the relevant authorities on plans to close a plant in Norway (Årnes). Closure of these two plants, which should be completed before the end of 2010, will result in the loss of more than 200 jobs.

As well as cuts in the number of direct jobs at the plants, attention has also focused on optimising the number of indirect jobs (overhead) and the necessary reductions have been made. The measures taken by Draka started to benefit the operating result in 2009 and will continue to contribute to the structural improvement of Draka's profitability in 2010.

The restructuring projects are severely testing the organisation and all Draka's employees worldwide. The Board of Management takes this opportunity to thank all concerned for the commitment they have shown and their cooperation in the actions Draka has taken.

Number of employees

As a result of all the actions referred to above and the sale of the OPGW activities, the average number of full-time equivalents fell to 10,059 in 2009, down 10.8% compared with 2008. The number of employees at year-end 2009 was 9,599, a decrease of 12.0% compared with year-end 2008.

Long-term incentive plan

In 2009, Draka management was once again able to participate in the long-term incentive plan introduced in 2002. Participation in the plan means that Draka managers (excluding members of the Board of Management, see 'Remuneration report' on page 56) 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 under 'Share information' on page 62.

Works Councils

Consistent with Draka's belief that the active and positive involvement of all its employees worldwide is a significant factor in the achievement of its objectives, high priority was given to internal communication in 2009. Given the economic circumstances, good communication was essential to involve the workforce as closely as possible in the necessary changes taking place within the organisation. Extra attention also had to be paid to internal communication regarding the talks on a possible merger with Prysmian, the Italian wire and cable producer.

The formal staff representation bodies play a key role in complementing the direct communication between company and employee. Alongside the local Works Councils, Draka's Central Works Council and the European Works Council form an important link between the Board of Management, the local management teams and the employees in the different countries. Two plenary meetings were held with the European Works Council in 2009 and there was regular consultation in the interim with the Select Committee on various matters, at which Draka's financial results and corporate objectives were discussed.

The Board of Management thanks all concerned for their contributions to constructive consultation in 2009.

Ambitions for 2010

Draka will continue in 2010 on the path of change on which it has embarked. Economic developments will again make heavy demands on the flexibility of the organisation and its employees. Despite the difficult conditions, Draka will continue where possible to invest in the training and development of its personnel in order to derive maximum benefit from their potential.

Prospects for 2010

After the rapid downturn in worldwide economic activity in the first quarter of 2009, the global economy gradually started to recover in the second half of the year. The recovery is generally expected to continue in 2010, supported by government stimulus packages and expansive monetary policies. The main uncertain factor is the level at which recovery can be maintained. This does not apply to the outlook for some emerging economies such as China, for which robust growth is predicted, but the growth curve in large parts of the world, most notably North America, Europe and Japan, is less clear. Current forecasts for growth in these economies in 2010 are in the range of 1–3%.

Driven by the expected economic recovery, global industrial activity is expected to expand again, supported by a (modest) increase in inventory levels following the sharp fall in 2009. The global cable market, which is closely related to the level of industrial activity, is also expected to show a limited increase in volume. Given the forecast of slow economic growth in Europe, Draka's most important market, growth in the wire and cable segment in this region will be only marginal.

The prices of the cable industry's main raw materials (copper, aluminium and polymers) are predicted to remain volatile in 2010 and competition in several segments of the cable market is expected to remain strong, exerting sustained pressure on selling prices.

Despite the modest recovery forecast for the cable market, cost-saving measures will still be needed to secure Draka's competitive position in the future. There will therefore be no relaxation of Draka's policy of focusing on reducing its cost base and maintaining its healthy liquidity position. The Triple S projects and other actions to raise efficiency are expected to generate annual cost savings of some € 60 million in 2010. Approximately € 30 million of these savings having been realised in 2009, additional cost savings of some € 30 million are expected in 2010.

To preserve its healthy liquidity position, Draka aims to maximise the free cash flow by focusing on keeping the operating working capital ratio at 14–16% and investment at around € 35 million, or about 60% of the amortisation and depreciation charge (€ 60 million). The free cash flow will be invested in organic growth, in small acquisitions (if the opportunity arises) and/or in further reducing the interest-bearing debt. Draka will continue to invest in innovation, both in new products and new production methods, because innovation remains part of the basis of future growth.

Draka has demonstrated in the past year that it is able to defend its market position, even under very challenging circumstances, and still generate a satisfactory profit margin. It proves that Draka is very well equipped, both organisationally and in terms of market position, to excel when the markets recover. Draka therefore continues to face the future with confidence and expects to make further progress towards its strategic objectives in 2010.

Report of the Groups

Energy & Infrastructure

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

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

Draka is the third largest producer of low-voltage and special-purpose cable in Europe and has a strong position in market niches elsewhere. The Energy & Infrastructure Group generates around 32% (or € 665 million in 2009) of Draka's total revenues.

Energy & Infrastructure

Europe
Asia-Pacific

Industry & Specialty

Draka Industry & Specialty is a diverse Group that specialises in the development and manufacture of innovative solutions. Its four divisions – Automotive & Aviation, Industrial, Cableteq USA and Elevator Products – operate globally offering a comprehensive range of products, services and applications. The products are used just about everywhere: from aircraft and oil platforms to wind farms and lifts.

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

The Industry & Specialty Group generates around 32% (or € 645 million in 2009) of Draka's total revenues.

Industry & Specialty

Automotive & Aviation
Industrial
Cableteq USA
Elevator Products

Communications

Draka Communications is a global leader in optical fiber technology and cabling solutions (telecommunications and data communications) for a great number of market segments. The Group serves the global markets for telecommunication and data communications through four divisions – Telecom Solutions, Multimedia & Specials, Americas and Optical Fiber – offering customers a complete product range. The Americas and Telecom Solutions divisions are taken together in the review presented in this annual report.

Draka not only manufactures the exact cable required for the job, it also helps customers identify their precise requirements and works with them to design a suitable solution. Draka can also specify and source the required connectivity products, handle the logistics and manage the implementation and testing of their network.

The Communications Group generates around 36% (some € 735 million in 2009) of Draka's revenues.

Communications

Telecom Solutions
Multimedia & Specials
Optical Fiber

Draka Energy & Infrastructure

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

Headlines in 2009

- Sharply lower revenues in the Europe division, but stabilisation in the construction and industrial sectors in the second half of the year
- Revenues down in the Asia-Pacific division in the second half
- Fast and effective action to reduce costs, including job cuts and plant closures in Europe
- Closer cooperation with wholesalers, in pursuit of extra added value for installation engineers
- Government investment, especially in China, is expected to have a beneficial effect
- Continuing focus on new segments in the industrial, infrastructure and renewable energy markets

Financial results

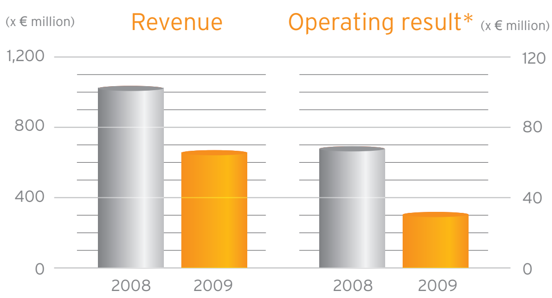
Given the unprecedented decline in construction activity, the market conditions in which the Energy & Infrastructure Group operated were exceptionally challenging, but it still achieved a satisfactory result and maintained a relatively good operating margin.

Results (x € million)	2009	2008
Revenues	664.3	1,024.0
Operating result [1]	31.8	69.5
Operating margin	4.8%	6.8%
Capital expenditure	10.4	14.9
Depreciation and amortisation	17.3	18.5

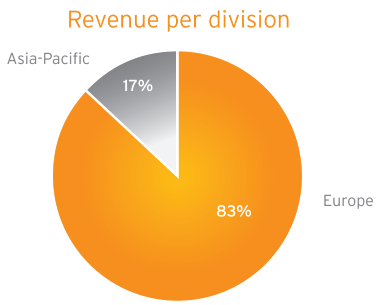
[1] Excluding non-recurring items of € 13.8 million negative in 2009. Non-recurring items in 2008 were € 23.1 million negative.

Revenues were down 35.1% in 2009 at € 664.3 million, due primarily to the 22.0% decline in volume. The remaining 13.1% can be attributed to movements in the copper price (11.2 percentage points) and exchange-rate effects (1.9 percentage points).

The operating result, excluding non-recurring items, was € 31.8 million, down 54.2% compared with 2008. The lower result was mainly due to lower capacity utilisation at Draka's plants, reflecting the substantially lower volumes, and slightly lower market prices. These negative factors were partly offset by a further improvement in the product mix and additional Triple S cost savings (around € 9 million).



* Excluding non-recurring items



Division

Europe

Products	Low- and medium-voltage cables, ranging from medium voltage, power and installation to instrumentation and control cables
Market segments	Construction (residential and commercial), industry, infrastructure, electrical applications
Growth driver	Construction market in general, investments by industry and in infrastructure
Market position	No. 3 in Europe
Establishments	Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Norway, Poland, Romania, Russia, Slovakia, Slovenia, Spain, Sweden and UK
Employees	Around 1,675
Customers	Construction and installation companies, electrical wholesalers such as Edmundson Electrical (UK), Onninen (Finland), Rexel (France) and Sonepar (France)

Headlines in 2009

- Revenues sharply lower although construction and industrial markets stabilised in second half of year
- Rapid and effective cost-saving measures including headcount reduction and factory closures
- Further strengthening of partnerships with wholesale channel to offer added value to end-users

Profile

The Europe division within the Energy & Infrastructure Group develops, produces and sells low- and medium-voltage cables. The portfolio covers the entire range, from medium-voltage, power, installation cables and flexible PVC cables to instrumentation cables. The division also produces special-purpose products such as halogen-free cable with low smoke emissions and fire-resistant cable. With advanced production facilities and local sales teams, the division operates on the basis of the 'global-for-local' concept.

The products are distributed mainly via technical wholesalers. The division works closely with these distribution houses in the fields of logistics and other services. For example by means of engineering support and training for sales teams and their customers (construction and installation companies) it can provide added-value support for installers.

Market developments

The division's revenues across the board were 35 to 40% below the 2008 level. Activity in the building market continued at a reasonably flat level in most countries after the sharp declines in the second half of 2008 and first quarter of 2009, except for the Benelux which showed further decline during the remainder of 2009. Expectations for 2010 are that activity will continue at around the same level.

The division will maintain its focus on the development of added value products and services to establish strong channel partnerships. Belgium is a good example of this strategy. The renewed sales and marketing organisation for the industry segment and the improved collaboration with other Draka divisions are expected to grow access to industrial projects in the engineering, procurement, contracting and energy markets.

The number of tenders issued was doubled over the 2008 figure, and the division is using its strong international coordination to optimise the service level to customers. Increased efforts are also being made in Eastern Europe, where 15 new sales persons were added in 2009 to serve the local markets better. A number of major contracts are in progress in the infrastructure sector. For example, the first phase of the London Underground upgrade is the first sale of medium-voltage cable to railways in the UK. In the Netherlands an extensive package of medium-voltage power and installation cables is being supplied to the Nuon Magnum multifuel power station in the port of Eemshaven.

Developments in the division

The division acted rapidly to make significant cost reductions and maintain margins, while still pursuing its long-term vision. Staff numbers were reduced by around 500 compared with 2008, achieved by early retirement and redundancies as well as by reducing temporary staff. As part of the division's plans to rationalise manufacturing, the E&I part of the factory in Drammen (Norway) and the factory in Llanelli (Wales) were closed, and closure of the factory in Ystad (Sweden) shared with Industrial is planned to be completed in mid-2010. Measures were also taken to free up resources for the sales, product management and development forces, thus increasing the emphasis on innovation and services. Other internal measures are aimed at lead-time reduction, and at reducing stocks and working capital without impacting delivery performance.

In marketing, the programme of developing the partnerships with wholesale channels was further strengthened. This is a three-stage process: 1) optimising direct cooperation with the wholesale customer to improve aspects like deliveries, logistics, EDI and product information; 2) developing joint activities like technical training and account management to offer added value to installers; and 3) promoting Draka products and services directly to installers to create market 'pull' from customers.

Product innovations are focused on safety of installations, saving time for installers and improving sustainability. For example halogen-free cables using nano-technology to increase flexibility save installers up to 30% of working time on-site. Improving sustainability of installations, a calculation tool is being developed to support installers in maximising energy efficiency. The tool will reduce energy losses by optimising cable thicknesses throughout the installation. Advances have also been made in compounding of halogen-free cables to help installers increase fire safety in large buildings.

Division

Asia-Pacific

Products	Low-voltage cables, ranging from installation to instrumentation and control cables	Establishments	Australia, China, Hong Kong, Indonesia, Malaysia, Singapore, Thailand and Vietnam
Market segments	Construction, industrial and infrastructure	Employees	Around 530
Growth driver	Construction market in general	Customers	Construction and installation companies, government authorities, Engineering Procurement Contractors and wholesalers
Market position	Market leader in Singapore and Hong Kong while growing in other Asian countries		

Headlines in 2009

- Sharp decline in sales from second half as industry lags the general economy by around six months
- Business now improving, but pricing environment remains difficult and recovery may take until mid-2010
- Beneficial effects expected from government spending programmes, especially in China, although projects have long lead-times

Profile

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

Market developments

Sales were still close to budget in mid-2009 because industry generally lags the economy by around six months. However there was a sharper decline in the second half as the economic downturn of late 2008 took effect, with a downturn across all key markets and segments. Business is now starting to pick up again, although a full recovery is expected to take until mid-2010. Price competition is strong, leading to some erosion of margins.

Sectors that are proving resilient include oil & gas and petrochemicals, due mainly to a number of large projects. These are located in Singapore, Thailand and Pakistan, as well as in China where many new oil refineries and tank farm projects are being built as part of the country's energy security plan. The Chinese government plans to increase spending on long-term projects, although the effects will not be felt until mid to late 2010 or 2011. These projects – for example airports and railways – have long lead-times, with cable orders at a late stage.

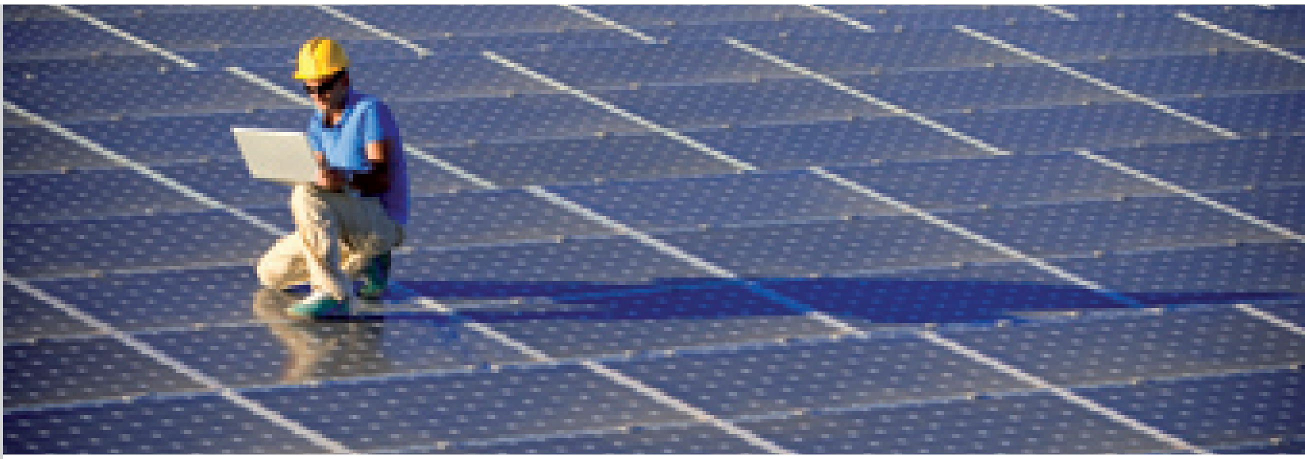
Demand from Engineering Procurement Contractors has slowed down somewhat but is still at a good level. Government spending is providing valuable support to the market, although not all countries in the region have the resources to continue these programmes indefinitely. The housing sector is still weak, in line with consumer spending. This has led to a slowdown in new projects, with recovery not expected before mid 2010 at the earliest.

Developments in the division

Cost-cutting measures include reduction of the working hours in the three factories and lower overtime working to reduce labour costs. Continuing process improvement aims to minimise costs and wastage, for example by cutting raw material consumption and overdimensioning. The new factory in Malaysia that was constructed in late 2008 has started commercial production in September, and full capacity is expected to improve to 50% by mid-2010. Sales are starting from a low position, but the ability to offer a complete cable package from local production should enable business in Malaysia to be built up. In Vietnam the representative office is making good progress, including the supply of fire-performance cables to Tan Son Nhat International Airport (Ho Chi Minh City). Because a representative office can only work through agents, this office is being planned for upgrading to a Foreign Investment Enterprise which can carry out direct sales activities.

In Indonesia the representative office has appointed distributors for instrumentation, control, communication and fire performance cables, and new orders for fire-performance and other high value cables are expected in the near future. Work is being done to strengthen the sales force in China, to benefit from projects in the housing, petrochemical, construction and infrastructure sectors. The Australian minority partner has been bought out so the sales office is now 100% owned. The aim is to move away from the wholesale channel to more direct sales to EPCs, primarily of specialty cables for niche markets. Good opportunities are seen to serve the infrastructure market with instrumentation and control cables sourced from Singapore or Thailand. Innovations are focusing on high-end instrumentation and control cables for oil refineries, and traction cables for railways and mass transit systems. A potentially high value project using these cables has been secured in Malaysia, and the intention is to extend the range and roll it out in the whole region.

Draka Industry & Specialty



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

Headlines in 2009

- Industry & Specialty's profitability was under pressure from lower results in all divisions
- Conditions in the automotive market stabilised in the second half of the year after an extremely steep decline in the first six months; substantial cost-reduction measures were taken
- Renewable energy: sharp fall in demand in 2009, outlook for 2010 moderately optimistic
- Resilient performance by Cableteq USA, thanks to niche-market strategy and first signs of economic recovery
- Sharp fall in demand for lift cable in the second half; additional cost-saving measures implemented

Financial results

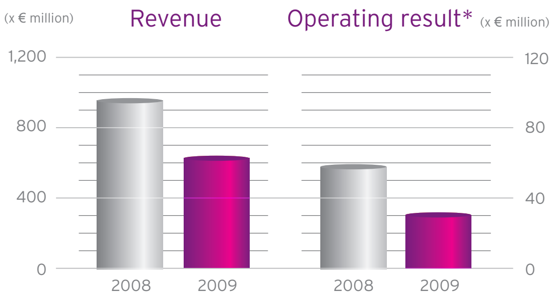
Despite the difficult market conditions faced by all the divisions, drastic action to reduce costs enabled the Industry & Specialty Group to achieve a satisfactory result.

Results (x € million)	2009	2008
Revenues	647.8	960.0
Operating result [1]	33.4	59.2
Operating margin	5.2%	6.2%
Capital expenditure	20.2	25.4
Depreciation and amortisation	15.5	15.8

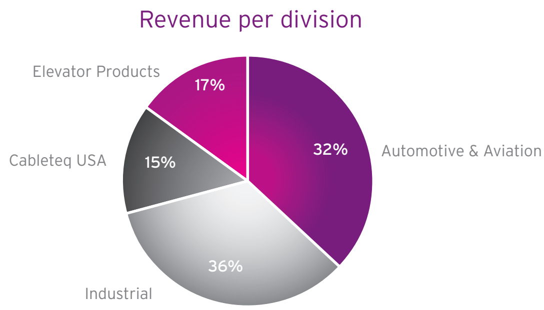
[1] Excluding non-recurring items of € 31.6 million negative in 2009. Non-recurring items in 2008 were € 20.3 million negative.

The Industry & Specialty Group generated revenues of € 647.8 million, down 32.5% compared with 2008, mainly due to the 22.0% decline in volume and the adverse effect of the lower copper price (11.6 percentage points). Exchange-rate effects had a positive effect on revenues (1.1 percentage points).

The operating result, excluding non-recurring items, was € 33.4 million, down 43.6%. With the exception of Cableteq USA, where the result was only slightly down, the low capacity utilisation rate in the other divisions translated into a sharply lower result for the Group as a whole. The decline was tempered by drastic cost-reduction measures, which contributed some € 10 million.



* Excluding non-recurring items



Automotive & Aviation

Products	Cables for applications in cars, trucks, aircraft, helicopters, launchers and satellites
Market segments	Automotive, truck and aerospace markets
Growth driver	Production in the automotive, truck, aircraft and aerospace industries; additionally, the functionality drive in cars, trucks and aircraft
Market position	European market leader for special automotive cables; important supplier to the European aerospace industry
Establishments	China, Czech Republic, France, Germany, Mexico and Philippines
Employees	Around 900
Customers	System and harness suppliers such as Delphi (USA), Yazaki (Japan) and Lear (USA); EADS (France/ Germany) and Labinal (France) for aerospace cables

Headlines in 2009

- Financial distress in the whole supply chain and severe production cuts dominate the automotive industry
- Government subsidies for old car replacement mitigate the effects of demand fall
- Rapid technology developments in both automotive and aviation sectors create opportunities for innovative, added-value solutions

Profile

The Automotive & Aviation division covers all cable activities aimed at the 'people-moving' industry. This primarily involves cables for applications in the automotive, truck and aerospace industries. The product portfolio, with an extensive range of client-specific products, meets all mechanical, electrical and environmental requirements. 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 automotive industry, and with the increasingly global trend in aerospace.

Market developments

The automotive market was dominated by financial distress in the whole supply chain, resulting in severe production cuts and a 25 to 30% downturn in sales in North America and Europe. Adverse events included the bankruptcy of General Motors and the filing for protection from creditors by Chrysler, while on the consumer side sales were adversely impacted by tighter credit. However the impact was partly mitigated in the second half of 2009 by government subsidies to promote the replacement of old cars, for example in the US and Germany.

The economic downturn has accelerated the market trend towards smaller, more fuel-efficient vehicles, and increased interest both in the industry and in the market in 'going green' with new technologies; primarily hybrid, electric and fuel cell. In the aviation market, the economic crisis is impacting the short-term expansion of the industry and leading to delays in new aircraft development programmes such as the A380 and Boeing 787. The full impact of this situation may not be felt until 2010. Further growth in market size will be based on the success of new aircraft programmes.

In general there are increasing opportunities for high-end products because of demands for enhanced fuel efficiency and environmental performance, as well as technical developments such as the increasing demand for electrical power distribution in aircraft and requirements for new-generation fire-resistant cables. Further opportunities will arise from the increasing design-in presence in new aircraft programmes, which enables the division to leverage its technology and application know-how. Airbus continues to be the largest customer, with the division supplying an important part of its cable needs, and has extended the contract for its single-aisle types to 2013 because of the decision to produce in Mexico. In the EU space market the division's innovative products enabled it to win around 70% of cable sales.

Developments in the division

A significant event during the year was the opening of the new aviation line at the Durango facility in Mexico. The positive impact of this facility on profitability and competitiveness is underlined by the recent contract extension by Airbus. Cost-saving measures to address the situation included the closure of the automotive cable plant in Vigo (Spain), which was completed in early 2009. In total headcount has been reduced by a total of around 560 FTEs. Constant efforts are being made to achieve further cost savings at all levels. In general the division is working to strengthen its position by rethinking the customer and product portfolio. This implies refocusing the value proposition in the standard products category, and seeking higher added value in special products.

Customers are increasingly looking for better value solutions and lower risk, with global standard products and suppliers with a history in the business. In terms of products, rapid technical developments – for example the high level of interest in hybrid and electrical vehicles in automotive, and the increasing 230V power distribution and replacement of hydraulics by electrical systems in aviation – mean there is an increasing demand for high end products and innovative solutions. The division is well placed to meet these demands with its broad base of technology and application knowledge. The same applies to the shift from North American to European specifications in the automotive market. Specific innovation areas are halogen-free cables, lightweight aluminium cables and specialty automotive cables for power distribution at higher voltages.

Industrial

Products	Cables for related industrial applications; flexible, rubber insulated low- and medium-voltage cables according to most relevant international standards, client-specific designs and strict industry standards; subsea cables
Market segments	Equipment construction, industry, mining, oil and gas industry, shipyards, material handling, mass transport, renewable energy, OEMs
Growth driver	Equipment construction, machinery industry, investments by oil industry, investments in mining and alternative energy sources
Market position	No. 2 in Europe, prominent in North America and Far East; global market leader in cable for wind turbines
Establishments	Australia, Brazil, China, Denmark, Germany, Netherlands, Norway, Russia, Scotland, Singapore, Sweden, Spain and USA
Employees	Around 915
Customers	Oil and Gas offshore industry, shipyards, OEMs, electrical wholesalers like Sonepar (France) and Rexel (France), industrial equipment manufacturers active in the material handling, rolling stock, photovoltaic and wind turbine markets, mining and port operators, project developers

Headlines in 2009

- Business starting to improve from lows seen in first half of 2009
- Strong variations between sectors; solar, mining, oil & gas and offshore remain positive
- Product innovations an important success factor because of higher margins

Profile

The division offers advanced, cost-effective cable solutions for the shipbuilding and oil and gas industries. These meet strict industry safety standards and ensure that vessels and drilling rigs can be used reliably for long periods. The division's products include halogen-free, flame-retardant cables with excellent physical and electrical properties. Flexible, rubber-insulated cables are produced to international specifications and customer-specific designs, mainly for power and medium-voltage applications including wind turbines, photovoltaic, mining, transport, IT, the robotic and processing industries, container terminals, industrial cranes and building sites. In addition, the product portfolio for offshore wind farm and oil and gas applications has been completed by the addition of subsea cables and accessories.

Market developments

Business is now improving from the lows seen in the first half of 2009, although there are strong variations between sectors. Overall, pricing environment is increasingly difficult because of overcapacity, although the division was able to maintain market share with relatively good profitability. Demand for rooftop and green field solar photovoltaic installations is very strong, thanks to subsidies and government support. Falling equipment costs and expected growth in the US and China should allow this business to stand alone when subsidy levels decline. Panel manufacturers are increasingly making region-neutral products, allowing Draka to supply a single cable type to meet all specifications. Cable sets (String Collection System) with fitted connectors offer time savings on-site, giving Draka a strong proposition towards installers.

The wind energy market has been strongly hit by the downturn, with many projects deferred because of financing difficulties. However, growth is expected to resume in 2010. Drivers for growth in renewable energy include higher coal prices, plus strong growth in China and Americas. With 80% of its business energy-related, the division should benefit from this growth in the future. Supplies to the mining market are continuing to increase, especially in Russia and Australia. Infrastructure investments in China also include railways, for which specific medium-voltage cables are supplied to locomotive manufacturers. The oil & gas business was fairly stable in the first half of 2009, with many new projects on hold. While the MRO business was still good, the project business was strongly impacted and declined. Marine orders did not yet experience the full effects of the downturn due to completion of running projects, although with 30% of commercial vessels currently out of service new orders are at very low levels.

Business in the offshore and subsea market was maintained at around the 2008 level. There are currently few offshore wind farm projects, although substantial quotations have been issued. Long project lead times mean received orders may not be executed until end-2010 or 2011.

Developments in the division

Cost-saving measures continued to be implemented in all units. Specific measures implemented or planned for the near future were factory closures in Sweden and a small cable-set production facility in Germany, as part of the ongoing rationalisation of the manufacturing operations. The new subsea factory in Drammen, Norway, started production in November 2009. The first shipment of a subsea cable produced in the new factory took place before year end. In the wind energy market continued emphasis was placed on the tower internals programme, in which a complete package of equipment is supplied together with the cable sets themselves. The move to a complete system supplier also includes on-site inspections after installation, as well as regular monitoring of cable condition for wear and tear. Emphasis is continuing to be placed on extra services, added value propositions and customer-specific solutions because of the importance of these factors in defending margins and market share. Specific innovations include 'intelligent' cables, for example with built-in fiber-optic elements to detect strain which can lead to early cable failures. RFID tags (Radio Frequency Identification) are being introduced for permanent cable identification, instead of normal markings which can disappear over time. Also new are Arctic cables designed to maintain flexibility at temperatures down to –50°C. The division's high innovation rate is an important success factor because of the higher margins and differentiation offered by newer products.

Division

Cableteq USA

Products	Low- and medium-voltage cables, ranging from power, signal to control and instrumentation cables
Market segments	Construction (commercial and industrial), industry, energy, infrastructure, water management and irrigation, and defence
Growth driver	Investments in infrastructure, oil & gas exploration and production, renewable energy, defence and distributed sensing
Market position	Top 3 position in market niches in USA
Establishments	USA
Employees	Around 380
Customers	OEMs such as Reinke and Valmont for irrigation systems, Schlumberger within the oil & gas industry, local government for fire-resistant cable and transit systems, and defence industry

Headlines in 2009

- Market downturn and price erosion largely compensated by stable sales and margins in unaffected sectors
- Infrastructure-related markets starting to benefit from government stimulus programmes
- Continuing innovations focus on markets demanding unique, highly specialised solutions

Profile

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

Market developments

Cableteq USA's broadly based markets helped it to perform at a satisfactory level. Although there has been price erosion in some markets, good margins were maintained in areas demanding highly specialised products. The oil & gas business was affected by the slowdown in the oil and gas markets and the fact that some rigs are currently out of production. Sales of specialised reservoir management sensing cables were also adversely affected.

The irrigation market declined from its overheated 2008 levels caused by bioethanol subsidies. Wind power sales through the Industrial division remained positive, and strong growth is expected to continue in 2010. The utilities market was unaffected by the downturn and remained stable in 2009, although competition is increasing. This is an attractive market for the division, with large utilities demanding specialised products such as control and instrumentation cables for substations. Defence sales also remained strong with major government contracts, especially for the US Navy with tactical fiber cables, and cables for medium-voltage power distribution and the new Electromagnetic Aircraft Launch System on carriers. Mass transit and subways are benefiting from government stimulus programmes. Another positive niche market is special lighting for railways and airports, which is also expected to benefit from government spending. Increasing growth is expected in the fire protection market, with cables for systems such as alarms, fans and pumps whose functions must be assured in emergencies.

Developments in the division

Early action taken to anticipate the downturn contributed to a satisfactory result, for example with reduced work schedules, early retirement programmes and indirect staff reductions. Additional actions in late 2009 will take effect in early 2010. Work is continuing on measures to improve effectiveness, such as lean manufacturing and delivery performance. The latter has now reached 98%, a significant improvement over the 2008 figure. In marketing, increasing priority is being placed on segments with growth potential, for example by acting as an integrated supplier together with the Industrial, Automotive & Aviation and Communications divisions. These partnerships allow leveraging of the product and technology base, for example by selling fiber products in areas such as utility and mass transit. In addition to providing new channels for existing fiber products, work is also being done together with the Communications Group and Industrial divisions on new products in the 'intelligent cable' initiative. This type of interdivisional collaboration allows Cableteq USA to provide robust solutions to its customers and differentiate itself from competition. A grant was recently awarded by the US Department of Energy to develop and qualify high-tech fiber and copper sensor cables to withstand temperatures of up to 300°C at depths of up to 6,000 metres in geothermal wells. This grant underlines the division's ability to develop customised solutions for demanding application problems. In the fire protection market, a significant innovation is a new splicing tape made of the same material as the cable sheath. This innovation simplifies installation of these specialised cables. Innovation is regarded as core to the division's business, with a 25% product turnover rate every four years, and is constantly being emphasised to provide unique solutions for specialised application demands.

Division

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	Brazil, China, Czech Republic, Hong Kong, Italy, Malaysia, Netherlands, Singapore, Spain and USA
Employees	Around 655
Customers	Lifts manufacturers such as Kone (Finland), Otis (USA), Schindler (Switzerland) and ThyssenKrupp (Germany)

Headlines in 2009

- Downturn in construction industry felt from mid-2009 onwards
- Chinese market remains strong with continued growth opportunities
- Strengthened focus on added-value, full-service concept for installers

Profile

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. Customers can also rely on support and advice from expert and committed engineers for installation, maintenance, new product development and repair work.

Market developments

The downturn in the construction industry made itself felt from mid 2009, when the 40% drop in new construction projects led to a corresponding drop in orders and intense price pressure. Until then work was continuing on projects started in early 2008, because the lift market lags the industry by 12 to 18 months. Forecasts for 2010 are also significantly down, following the global downturn in new contracts. Overall, the construction markets in Europe and North America are thought to have bottomed at a low level which is expected to continue in 2010. The next upturn will lag behind the industry by the same amount, and is therefore not expected before late 2010 or 2011.

The market in China remains positive, although the division's position there is still small. Growth is now around 6%, where in past years it has been as high as 12 to 15% per year. However, market share has been gained by rolling-out the division's 'kitting' concept, under which complete component packages are supplied to the lift OEMs. In China too, buyers are increasingly adopting this cost effective, global concept instead of sourcing all components themselves, and this is leading to growth in market share even in a more difficult market.

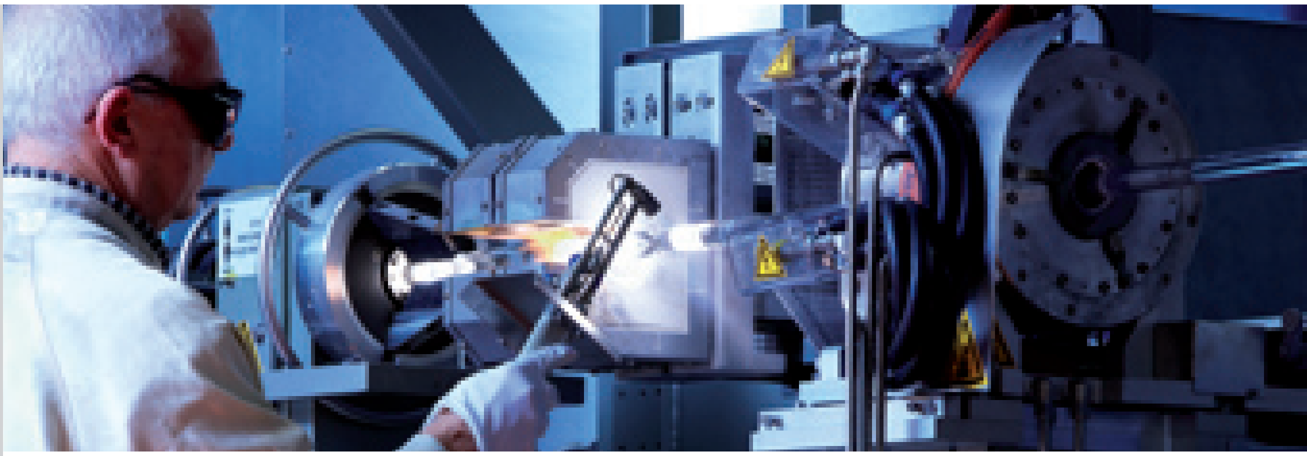
Developments in the division

Significant capacity cutbacks have been made to adjust costs in line with the lower demand level. Manufacturing labour has been reduced from three to two shifts, and from five- to seven-day working to three or four days, representing a cut of around one-third in the workforce.

However, the service and repair activities have been re-emphasised, serving installers with the task of keeping existing lifts running. The repair and renovation business is regarded as having high potential, with new customers who will continue to buy from the division when the next upturn comes. New over-the-counter retail operations have been started in Los Angeles and New York to serve this sector. These offer customers immediate 'walk-in' service and availability of parts and materials, which was formerly handled through distributors. The full range of products stocked is proving to be a strong argument for customers to adopt this one stop concept, rather than focusing solely on price. Added value is increasingly being built on a 'visible price model', which clearly shows customers how much value we offer them in the form of full product support, logistics and delivery quality.

In China, the Zhongyao-Draka joint venture has added an electrical lift cable line to offer a more complete and competitive package to the market, and the Haixun Draka Elevator Products joint venture is making good progress by offering mechanical equipment kits on the Chinese market. Product innovations include a new rope brake introduced in 2009 in USA, which Draka is the only company able to supply without infringing existing patents. This well received product meets the latest requirements of UL (Underwriters Laboratories), the governing body for code requirements.

Draka Communications



The Communications Group consists of four divisions: Telecom Solutions, Multimedia & Specials, Americas and Optical Fiber. Draka Communications is the world leader in optical fiber technology and cable solutions (telecommunication and data communication) in many market segments. The Group's market-driven cable solutions include innovative applications and project management services and expertise for broadband and mobile network infrastructures. The Americas and Telecom Solutions divisions are taken together in this review of the Group's performance in 2009.

Headlines in 2009

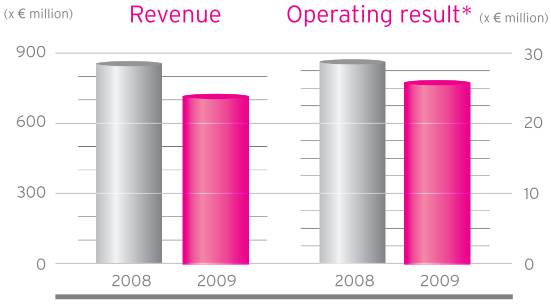
- Solid performance by Communications Group, thanks to strong growth in demand for optical fiber and rigorous cost cutting
- Growth in global optical fiber market of around 15%, driven mainly by strong growth in China
- Lower level of network investment by telecom companies in Europe and USA
- Strong decline in demand for data communication cable and mobile network cable
- Excellent performance by Optical Fiber division, reflecting high capacity utilisation at production plants

Financial results

Given the difficult conditions in Europe, its most important market, the Communications Group posted a satisfactory result. Lower volume in some market segments and sustained pressure on prices were largely offset by cost savings and the strong performance in optical fiber.

Results (x € million)	2009	2008
Revenues	736.2	844.9
Operating result [1]	26.7	29.4
Operating margin	3.6%	3.5%
Capital expenditure	10.8	18.8
Depreciation and amortisation	29.3	25.5

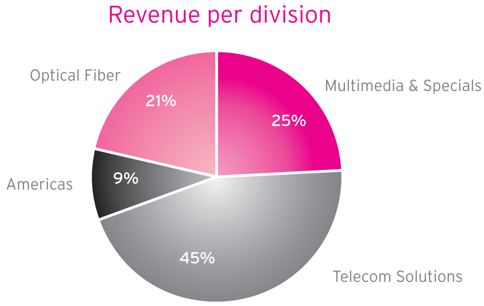
[1] Excluding non-recurring items of € 17.7 million negative in 2009. Non-recurring items in 2008 were € 3.3 million negative.



* Excluding non-recurring items

The Communications Group generated revenues of € 736.2 million in 2009, down 12.9% compared with 2008. This decrease was mainly caused by the 8.7% decline in volume. The growth in optical fiber volume was cancelled out completely by the fall in demand for copper communication cable (telecommunication and data communication). Movements in the copper price accounted for 3.0 percentage points of the decline in revenues while the exchange-rate movements had a positive effect of 1.2 percentage points. The sale of the OPGW activities had a negative effect on revenues of 2.4 percentage points.

The operating result was down 9.2% at € 26.7 million. Cost savings amounting to around € 11 million and the higher result posted by the Optical Fiber division were not sufficient to compensate fully for the lower capacity utilisation at the cable factories and the pressure on selling prices.



Division

Telecom Solutions (including Americas)

Products	Full range of copper and optical fiber telecommunication cables, connectivity and services	Establishments	Brazil, China, France, Germany, Netherlands, Russia, Spain and USA
Market segments	Telecommunication, cable networks	Employees	Around 1,600
Growth driver	Investments by telecom operators driven by growing demand for greater bandwidth	Customers	Telecom operators such as KPN, Deutsche Telekom, France Telecom, Free, Telia/Sonera, AT&T, Verizon, China Telecom, Alcatel, Siemens and alternative operators
Market position	Optical fiber cable: no. 1 in Europe and China and no. 4 in USA; outdoor copper cable: no. 3 in EMEA		

Headlines in 2009

• Strongly reduced investments in telecommunication networks lead to focus on extension of the customer base
• Initiative for indoor cabling in apartment buildings, with new products and distribution solutions to be launched in first quarter 2010
• Roll-out of successful FTTH contracting model in Europe to win a larger share of the value chain in these projects

Profile

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

Market developments

Markets in Europe were strongly impacted by the economic downturn, with sales in the largest markets in France and Spain down by at least 30%. Overall, prices and margins were under pressure partially driven by US dollar-based competition. The strong market position with the incumbent operators was impacted by their sharply lower investment levels. The decline was partly compensated by a more effective sales approach, through which new fiber cable customers were acquired in Austria, Italy, Germany, Portugal and Switzerland. Particularly important in these gains were innovative products such as the newly developed high fiber count cables.

Investments were also impacted by the announcement of government stimulus programmes, which led to current projects being deferred in anticipation. Spending is likely to be aimed at rural areas with inadequate access to broadband services. The impact of these programmes is not yet clear, although investments are expected to start from mid-2010. Order flows are now starting to pick up following the sharp declines in the first half of 2009, although revenues are still well below the 2008 level.

In the USA demand for fiber cable was down by 15%, as the major operators Verizon and AT&T shifted their focus from distribution to end-user connections, mainly in apartment buildings. With relatively small cable lengths but larger numbers of connections, this is a clearly different business from the earlier large urban distribution projects. Many smaller operators are currently applying for funds under a 7 billion dollar US government stimulus programme, with the emphasis on smaller communities in rural areas.

Developments in Telecom Solutions

In Europe, continuing efforts were put into manufacturing cost reduction, with completion of the ‘focused factory’ programme to make the best use of local competences. Efforts were also made to improve logistics performance and optimise stocks through the comprehensive ‘virtual factory’ supply chain management programme extending across 14 sites. All factories have now migrated to the SAP software platform for more efficient order execution and a consistent presentation towards the customer.

A new initiative focuses on the promising market for indoor cabling in apartment buildings, with a range of new products and distribution solutions combining both fiber and wireless technologies to be launched during the first quarter of 2010. By leveraging all the available product, application, design and project management skills, the aim is to win a larger share of the value chain in FTTH projects. In the USA, actions have been taken to reduce the cost base. Several initiatives have been launched to extend the product offering for a wider customer base, for instance a new premises product line for indoor applications.

Multimedia & Specials

Products	Copper and optical fiber cable solutions for applications in the data and communication market, and specialty cables for broadcast / HDTV, RF and OEM applications; complete cable solutions for mobile network base stations
Market segments	Data communication, broadcast, mobile telecommunication
Growth driver	Investments in mobile telecom networks, IT and LANs driven by growing demand for greater bandwidth
Market position	No. 1 in Europe for data communication; no. 3 globally in mobile networks
Establishments	Brazil, China, Denmark, Finland, Germany, Netherlands, Norway, Singapore, Slovakia, UK and USA
Employees	Around 980
Customers	Mobile telecom suppliers and operators; electrical wholesalers, distributors, OEMs and system providers

Headlines in 2009

- Sharp fall in copper cable volumes for mobile networks and data cables for office installations
- Markets in China and Far East for mobile networks remain strong although subject to intense price competition
- Ongoing demand shift for high-end datacom products with growing data centre application.
- Successful product innovations for HDTV studio and outside broadcast studios

Profile

With a wide product range and the ability to provide solutions for all forms of communication, the Multimedia & Specials division specialises in cables for mobile networks and data communications applications. It is one of the leading producers of mobile network cable, supplying the complete Draka Antenna Line Products for all today's mobile telecommunication applications.

For data communications the division provides copper and optical fiber cable solutions for all kinds of data transmission requirements in both office and home environments. It also offers unique specialty cables for high-performance broadcast applications including HDTV camera systems and other specialised OEM products. All cables are produced to the highest quality and strict environmental standards. Multimedia & Specials works according to the one-stop-shop principle, allowing customers to rely on fast delivery and service.

Market developments

Overall the market continued to deteriorate in early 2009, stabilising in the later part of the year. In the mobile network segment there was a sharp fall in demand for copper cable, while data cables for office installations were impacted by high unoccupancy levels and a steep decline in contract activity. In general the market stabilised in the second half of the year, although no strong upturn is expected in the immediate future.

Market share remained stable, with a slight increase in the high-end markets in Germany, France, Central Europe and South-West Europe. The current trend towards 10 GB data networks in offices is benefiting key home markets in France and Germany, although the emphasis remains on more basic cables in other countries. Copper cables are still the main driver in the premises market, although the increase in bandwidth requirements is supporting the trend to fiber. With Draka's own fiber products the division is able to offer a full cable portfolio, so it is well placed to benefit from this trend in the future.

Pressure on prices was felt across all products, but most of all in low-end cables which are subject to competition from bulk product from the Far East, while high-end products were less strongly affected. The mobile network cable market in China remained strong, although with Draka's limited presence there the division was not able to benefit fully from this market.

Multimedia & Specials continues to depend on sales in the other growing markets in Asia-Pacific, as well as in Europe, where the present tough environment is expected to continue in 2010. The focus in 2009 on the railway signalling niche market is proving to be a success story, involving a combination of telecom, data communication, mobile network and fiber cables.

Developments in the division

A comprehensive cost-saving programme has been carried out in the division, and has allowed a significant reduction of the cost base and headcount and improved margins, in line with the current lower demand levels. The low level of demand in the data communications segment is being addressed by a shift in focus to the renovation market, for example with projects involving new wiring and updating of data networks.

Furthermore, by closing the factory in Årnes (Norway) the cost base will be lowered further in 2010 whereby the existing production capacity will be shifted to Draka's other European factories. An attractive niche market which is receiving extra attention is that of studio and outside broadcasting, with special hybrid copper and fiber cables. These new cables will be used for third-generation HDTV mobile studios from the 2010 football World Cup stadiums in South Africa.

Another successful innovation is a comprehensive new product line aimed at IT data centres. This special product portfolio involves a 'plug and play' multi-core copper and fiber cable concept including terminations for use in server racks. The rapid growth in data centres and the volumes of data handled make this a promising application. For 2010 Multimedia & Specials is focusing on further increasing its market penetration, with a larger proportion of sales in countries where its presence is supported by making use of the distribution channels of the Energy & Infrastructure Group.

Division

Optical Fiber

Products	Preforms, single mode and multimode optical fiber, tailored fiber solution (Specials)
Market segments	Telecommunications, data communications, transport and industrial
Growth driver	Investments by telecom operators (including FTTH), IT investments, extension of fiber application portfolio
Market position	No. 2 worldwide in single mode optical fiber; no. 1 worldwide in multimode optical fiber
Establishments	Brazil, China, France, Netherlands and USA
Employees	Around 1,150
Customers	Cable makers for telecommunications and data communications applications

Headlines in 2009

- Sharp increase in demand in China, driven by 3G network and starting access projects
- Lower demand in Europe and North America
- Continuing focus on competitiveness with cost-reduction roadmaps in all areas
- Breakthrough of bend-insensitive fiber in access and FTTH networks

Profile

In the optical fiber market Draka Communications develops and manufactures fiber products to service single mode optical fiber (for telecommunication) and multimode optical fiber (for data communication) and specialty fibers for tailored solutions. These products support both internal use and sale to third parties. The production of preforms and optical fiber ('drawn' from the preforms) takes place in Draka Communications. The optical fiber is manufactured using Draka's own Plasma-activated Chemical Vapour Deposition (PCVD) and Furnace Chemical Vapour Deposition (FCVD) processes, which enable the core of the optical fiber to be produced with high efficiency. These are combined with its Advanced Plasma Vapour Deposition (APVD) process, a highly efficient method for manufacturing the overcladding of the optical fiber. Draka Communications owns the intellectual property rights to its processes (PCVD, FCVD and APVD).

Market developments

Demand for fiber in China continued to increase sharply in 2009, but as a global player the division was able to redirect production capacity from Europe and the USA there. Activity in China is strongly driven by investments in 3G networks by three large independent telecom operators acting in competition. Prices in China were around 10% higher than in 2008, partly compensating for slightly weaker prices in other regions.

Demand in Europe including Russia was down by about 25%, although an upturn is expected in 2010 driven by new European regulations and new access methods, as well as a general economic recovery and easier project financing. In North America demand was down by about 15% in 2009, although here a return to the 2008 level is expected in 2010. In both the latter regions the effects of government stimulus packages are still unclear. In the USA the first signs of this programme are now emerging, mainly with smaller networks serving rural areas.

Throughout Europe the market is dominated by the traditional large telecom operators. These have reduced investments to maximise cash flow, although in some countries – notably France – increasing revenues are being generated by alternate operators. However in Eastern Europe projects have been impacted by financing difficulties, for example with investments almost halved in Russia.

In the data communications market volumes were close to the high level of 2008 thanks to a combination of new customers and products. Activity in this segment is driven by the increasing move to higher bandwidth requirements in offices. The business unit is well positioned to meet demand for the new 10 GB standard, with innovative solutions for bandwidths of 40 or even 100 GB which are becoming increasingly important in data centres.

Developments in the division

There has been a continuing focus on increasing competitiveness throughout the division's operations, with roadmaps for constant cost reduction in all areas of the business. However, with 100% capacity utilisation in 2009 it proved necessary to rehire former employees on flexible contracts.

The single-mode BendbrightXS bend-insensitive fiber is proving to be a success story, with sales doubled in 2009 and expected to do so again in 2010. This product is quick and easy to install, saving installers time and money (see also page 60). Thanks to its flexibility it allows higher cable densities, so more users can be connected per duct at lower cost per household.

New markets were entered in the specialty segment with an increasingly differentiated product portfolio, for example with the first sales in 2009 of fiber for DNA sequencing. New fibers are under development for geothermal sensing in down-well applications, under a research grant from the US Department of Energy, and these are also expected to lead to sales in 2010. In the preform market, the trend to larger sizes is contributing to higher output at lower costs per line. Where 10-15 years ago one preform produced around 100 km of fiber this figure now exceeds 1,000 km, allowing capacity to be increased cost-effectively.

Breaking barriers

Designing cables for the world's tallest lifts

Innovation, by definition, is about exploring new ground. Often in order to find a better, more efficient solution for a familiar challenge, but sometimes for a problem that no one has ever had to address before. A case in point is the Burj Khalifa.

At a rise of 828 metres (2716 feet), Dubai's Burj Khalifa is not just the world's tallest skyscraper: it is in a league of its own. It is no less than 328 metres (1076 ft) higher than its closest rival, Taipei's Financial Center. The building's vertical transportation requirements are similarly impressive. The Burj Khalifa features 58 lifts. This includes two double-deck observatory lifts, which have the world's highest rise and longest travel distance, and a 5,500 kg (12,000 lb) capacity fireman's lift which is the tallest service lift in the world.

Pushing limits

The sophisticated lift designs, produced by Otis Elevator Company, contain numerous complex, electronic features, which push the limits of lift technology. Draka was approached to develop a wiring solution to match. In addition, Draka's cable solution would have to withstand unprecedented speeds, rises and wind effects. To meet this challenge, Draka Elevator Products participated in the early stages of the project's development. This enabled Draka to consider its task in the wider context of the lift systems design, and to engineer cables within the specific physical limitations of the project. In some cases, cables had to be redesigned to address the latest specification changes.

100% reliability

The unique requirements of the Burj Khalifa project spawned several innovations. To meet the varied demands of the project, Draka developed hybrid lift travelling cables, combining the strengths of copper and fiber cables. Optical fiber cable requirements for the lifts' stationary cables were developed in close cooperation with Draka Communications. In order to accommodate the unusually large number of special features on the lifts, multiple travelling cables were needed for each car. This presented Draka with the challenge of separating high- and low-voltage circuitry, without adding to the cable's physical dimensions and weight so as not to diminish the lifts' performance. Finally, all cables for high-rise cars were delivered as true 'plug and play' packages, enabling quick installation while minimising the risk of mistakes. After all, at a height of over 800 metres, 100% reliability is no luxury.

Main subsidiaries, associates and joint ventures

(100% owned by Draka Holding N.V, unless otherwise indicated, situation as of 19 February 2010)

Energy & Infrastructure

Asia

India	Associated Cables Pvt Ltd (60%)
Malaysia	Sindutch Cable Manufacturers Sdn Bhd
People's Republic of China	Suzhou Draka Cable Co Ltd
	Draka Cables (Hong Kong) Ltd
Singapore	Draka Cableteq Asia Pacific Holding Pte Ltd
	Singapore Cables Manufacturers Pte
Sultanate of Oman	Oman Cables Industry SAOG (34.8%)
Thailand	MCI-Draka Cable Co Ltd (70.3%)

Australia

Australia	Draka Cableteq Australia Pvt Ltd

Europe

Belgium	Draka Belgium NV-SA
Czech Republic	Draka Kabely sro
Denmark	Draka Denmark Copper Cable A/S
Estonia	Draka Keila Cables Ltd (66%)
Finland	Draka NK Cables Ltd
France	Draka France SAS
	Draka Paricable SAS
	Cableries De Valenciennes SAS
Germany	Draka Deutschland GmbH
	Höhn GmbH
Netherlands	Kabelbedrijven Draka Nederland BV
	Draka Nederland BV
Norway	Draka Norsk Kabel AS
Russia	Elkat Ltd (40%)
Spain	Draka Cables Industrial SA
Sweden	Draka Kabel Sverige AB
United Kingdom	Draka UK Ltd

Industry & Specialty

Asia

People's Republic of China	Suzhou Draka Cable Co Ltd
	Nantong Haixun Draka Elevator Products Co Ltd (75%)
	Zhongyao Draka Elevator Products Co Ltd (75%)
	Draka Shanghai Optical & Electrical Cable Co Ltd (55%)
Philippines	Draka Philippines Inc
Singapore	Draka Distribution Singapore Pte Ltd
	Singapore Cables Manufacturers Pte Ltd

Europe

Czech Republic	Draka Kabely sro
Denmark	Draka Denmark Copper Cable A/S
France	Draka Fileca-Foptica SAS
	Cableries De Valenciennes SAS
Germany	Draka Industrial Cable GmbH
	Draka Automotive GmbH
	Draka Kabeltechnik GmbH
	USB Elektro Kabelkonfektions GmbH
Italy	D.B. Lift Draka Elevator Products Srl
Netherlands	Draka Elevator Products BV
	White Holding BV
	White Products BV
	Cableries Holding BV
Norway	Draka Norsk Kabel AS
Russia	Draka Industrial Cable Russia LLC
Spain	Draka Elevator Products Spain SL
	Draka Industry & Specialty SL
Sweden	Draka Kabel Sverige AB
Turkey	Draka Istanbul Asansor Ihracaat Ithalat Uretim Ltd Sti
	Wagner Kablo Ltd Sti (9%)

North America

Canada	Draka Elevator Products INC
Mexico	Draka Durango S de RL de CV
United States	Draka Marine, Oil & Gas International LLC
	Draka Cableteq Holdings INC
	Draka Cableteq USA INC
	Draka Elevator Products INC

South America

Brazil	Draka Cableteq Brasil SA (99%)

Communications

Asia

Japan	Precision Fiber Optics Ltd (50%)
People's Republic of China	Yangtze Optical Fibre & Cable Co Ltd (37.5%)
	Yangtze Optical Fibre & Cable (Shanghai) Co Ltd (53.1%)
	NK Wuhan Cable Co. Ltd (67.5%)
Singapore	Draka Comteq Singapore Pte Ltd

Europe

Austria	Draka Austria Cable GmbH
Denmark	Draka Comteq Denmark A/S
Finland	Draka Comteq Finland Ltd
France	Draka Comteq France SAS
Germany	Draka Comteq Germany GmbH & Co KG
	Draka Comteq Berlin GmbH & Co KG
Netherlands	Draka Comteq BV
	Draka Comteq Cable Solutions BV
	Draka Comteq Fibre BV
	Draka Comteq Telecom BV
Norway	Draka Comteq Norway AS
Russia	Neva Cables AO (75%)
Slovakia	Draka Comteq Slovakia sro
Spain	Draka Comteq Spain SL
	Draka Comteq Iberica SL
Sweden	Draka Comteq Sweden AB
Turkey	Draka Comteq Kablo Ltd Sti
United Kingdom	Draka Comteq UK Ltd

North America

United States	Draka Communication Americas INC

South America

Argentina	Cables Opticos y Metalicos para Telecommunicationes Telcon Srl (49%)
Brazil	Draka Comteq Cabos Brasil SA
	Draktel Optical Fibre SA (70%)
	Telcon Fios e Cabos Para Telecominicacoes 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 the different risks which (could) influence Draka's business in the long term and at limiting and where possible hedging those risks. Despite the attention devoted to these risks and the management and control procedures applied, risks can never be eliminated completely. They are an inherent part of doing business given the wide diversity of markets, customers and geographical areas in which Draka operates. Draka's long term risks are limited by:

- the great diversity of the markets in which Draka operates (both geographically and in terms of clients);
- the fact that no client accounts for more than 6% of Draka's worldwide sales;
- a widely spread group of suppliers;
- price movements in important raw materials (copper, aluminium and polymers) which can be passed on within a reasonable period;
- state-of-the-art process technologies, often developed in-house;
- informative, compliant and transparent reporting systems;
- the fact Draka's interest-bearing debt consists for 77.9% of long term liabilities (3 years), with current liabilities accounting for 22.1% at the end of 2009;
- a highly skilled workforce.

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

Operational risks

Risks related to litigations and claims

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

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

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

A successful product liability or other claim against Draka could have an adverse impact on its financial condition and/or results of operations. Management is not aware of any product liability claims of which the materiality has been sufficiently quantified and substantiated.

Risks related to cyclical movements in economic activity

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

In geographic terms, Europe is Draka's most important market, accounting for approximately 55% of its revenue in 2009. North America and Asia are also important markets for Draka, accounting for approximately 14% and 21% of its 2009 revenues, respectively. As such, the Company is particularly affected by the level of economic activity in each of these three regions.

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

Risks related to capacity

The current economic situation had a serious impact on the volumes and led to an overall decrease in sales of 27.6%. These lower volumes translate into lower capacity utilisation at Draka's factories, which is having a negative impact on profitability.

By monitoring order intake and capacity utilisation in the factories various steps were taking to offset these negative effects. These steps include reduction in production shifts and reducing the workforce. Further, as part of the continuous cost saving program (Triple S) the Company reviews the portfolio to determine more cost-effective ways to increase the utilisation of its production capacity.

Risks related to dependence on customers

Draka's activities are spread across a wide variety of businesses (e.g. low voltage, telecommunications, energy, etc.) and it has many types of end customers – including wholesalers, distributors, equipment manufacturers and industrial operators. The variety acts as a safeguard for the Company as a whole and no customer accounts for more than 6% of the consolidated net revenue. However certain customers may represent a significant portion of a division's business and loss of such customers may have a significant impact on the division's operations, financial position and performance. Risks in relation to creditor concentration can be found on page 87.

Risks related to raw materials and supplies

Copper, preforms for optical fiber, aluminium, PVC, polyethylene and other polymers are raw materials needed for Draka's manufacturing process and its business is therefore exposed to fluctuations in their prices and availability. In 2009, raw materials accounted for approximately 75% of Draka's total operating costs. Lack of raw materials can adversely impact the results of the Company. Non-ferro raw materials (including copper and aluminum) are purchased centrally by Corporate Procurement at Draka Holding, based on the supply needs reported by the local operating companies. For other raw materials, lead buyers in the different divisions (Groups) have been identified and are responsible for the central procurement of these raw materials. By centralising the procurement needs and combining the buying power, Draka ensures a constant supply on the best possible terms by using diversified sources of supply. To limit exposures from unavailability of raw materials Draka has established a sophisticated forecasting process and makes use of the size of its operations and an optimised value chain, with plants concentrating on product families. Furthermore, internal controls are embedded in the contractual arrangements with suppliers, including volume, performance, quality and flexibility clauses on the supplying raw materials.

In particular, the Company is exposed to fluctuations in the price of copper. The price of bare copper is determined on commodity exchange markets. Copper accounted for approximately 60% of Draka's total operating costs in 2009. Changes in the prices of copper do impact Draka's revenue and its working capital requirements, cost of sales, levels of debt and financing costs.

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

To mitigate risks on Draka's stock related to copper price changes, the Company has established, depending on the specific situation, copper price escalation clauses in the sales contracts and has established working capital monitoring tools. Furthermore, the Company continuously monitors its economic position to assess the potential risk from copper price fluctuations and takes anticipatory actions if necessary. Based on the economic position as per 31 December 2009, a change of € 0.10 in copper price will have a theoretical impact on the Company's operating result of around € 0.8 million. The actual impact depends on factors such as the period over which the fluctuation takes place, turnover speed of the inventory, and others.

Risks in relation to stocks

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

Risks related to technologies used

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

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

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

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

Risks related to increasingly stringent environmental regulations

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

While Draka believes that it is in compliance with current laws and regulations relating to the environment, there can be no assurance that the Company will not be required to incur significant environment-related expenses in the future. This can be either the result of existing or future laws and regulations or as a result of its own operations or those of its partners or businesses which Draka acquires. Any such expense could have an adverse impact on Draka's financial condition and/or results of its operations.

Pension risk

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

In the Netherlands, Draka participates in a multi-employer pension plan. The pension plan is externally funded. As the assets and liabilities of this multi-employer pension plan cannot be allocated to the employees the plan is treated as a defined contribution plan. The Company has no obligation to fund any deficits, nor is it entitled to any surpluses. The financial treatment of the pension funds is included in note 25 (page 109) of the financial statements.

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

Draka is a leveraged company and has a significant debt service level. As of 31 December 2009, Draka has outstanding indebtedness of around € 294 million. Please read discussions under the heading "Capital risk management" (page 90) for further information about Draka's Capital structure.

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

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

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

Financial risks

The financial risks to which Draka is exposed are:

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

All these risks are described in detail in notes 4 and 28 to the consolidated financial statements (pages 87 and 112), including a sensitivity analysis.

Risk management and internal control

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

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

Corporate Governance

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

The Audit and Governance Committee ("A&GC") met on several occasions in 2009. An important responsibility of the A&GC is to supervise due compliance with the Company's internal risk control system.

The Board of Management implemented the Corporate Code of Conduct which reflects the Company's core values and has been communicated to the employees. Further, 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 effective reporting of potential violations against the Code within Draka. The Company Secretary serves as the Compliance Officer. In 2009, three complaints were reported to the Compliance Officer and the A&GC, all of which were resolved.

A more in-depth description of the Company's corporate governance model can be found on page 54.

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. In addition, the Board of Management further re-emphasised the internal authority matrix, determining the approval rights at different levels of the Company.

The Operational Audit department continued in 2009 the review of operating companies as part of the audit plan to review all significant companies over a period of 3 years. The risk assessment workshop performed in 2008 was incorporated by the Operational Audit department as part of their audit approach. In addition the Operational Audit department performed ad hoc assignments on specific topics. The findings and recommendations of all reviews have been discussed with responsible management and have been reported to the Board of Management in detail. A summary of these findings being reported to 13 Audit & Governance Committee on an annual basis. The findings will be used to further strengthen the internal controls within the Group.

Furthermore, the Board of Management has improved Draka's standardised management reporting by actively including KPI's and benchmarking comparisons of its main activities vis-à-vis its peers. This allows Corporate Control to review and control the financial and operational performance of these activities in more depth.

Business planning and review process

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

Management statements

In control statement

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 2009 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 2010.

It should be noted that the above does not imply that these systems and procedures provide certainty as to the realisation of the business operational and financial objectives, nor can they prevent any misstatements, inaccuracies, fraud or non-compliance with rules and regulations. The actual effectiveness of this process can only be assessed on the basis of the results over a longer period. In a rapidly changing world with constant new challenges, ever-increasing demands are placed on the internal risk management process. This means that these processes have to be reviewed and updated regularly. Therefore, the Board of Management remains focused on the constant assessment and improvement of the Company's risk management systems. This process and their monitoring are periodically discussed by the Board of Management with the Audit & Governance Committee and with the Supervisory Board.

Responsibility statement

The Board of Management is responsible for preparing the financial statements and the annual report in accordance with applicable Netherlands law and those International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The Board of Management is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs, and of the profit or loss, of the respective companies included in the consolidation. They are responsible for maintaining proper accounting records, for safeguarding assets, and for taking reasonable steps to prevent and detect fraud and other irregularities. The Board of Management is also responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates that are prudent and reasonable. Applicable accounting standards have been followed and Draka's financial statements, which are the responsibility of the Board of Management, are prepared using accounting policies which comply with IFRS.

In accordance with section 5:25c(2)(c) of the Dutch Financial Supervision Act (Wet op het Financieel Toezicht) and on the basis of the foregoing the Board of Management confirms that to its knowledge:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Draka Holding N.V. and its consolidated companies;

- the annual report gives a true and fair view of the position at the balance sheet date, and the developments during the financial year of Draka Holding N.V. and its Group companies included in the annual financial statements and the annual report describes the principal risks Draka Holding N.V. is facing.

Amsterdam, 19 February 2010

Board of Management
Frank Dorjee, Chairman and CEO

Sustainability-driven

Viewing environmental and social concerns as opportunities

Environmental sustainability and social responsibility are major innovation drivers. Draka has long recognised that these issues should not be viewed as threats, but as opportunities. Sustainability-driven innovations are investments that pay handsome returns. They result in safer, more efficient products, create new markets, improve productivity, reduce manufacturing costs and, ultimately, help to gain and maintain a competitive edge.

innovation

Reducing Draka's carbon footprint

As a contributor to the Carbon Disclosure Project, Draka offers a transparent insight into the annual carbon emissions of all its production facilities. Process innovations help reduce the energy intensity rate (CO_2 emissions divided by revenue from external customers). One example: in 2009 the Industry & Specialty Cableteq USA division developed a procedure for cross-linking chlorinated polyethylene (CPE) compound at the unusually low temperature of 88ºC. This new procedure not only leads to energy savings (estimated at around 40%), but also reduces the amount of start-up scrap needed (5 to 8 ft, compared to up to 1,000 ft for traditional high-temperature procedures).

Helping customers save energy

Both cable innovations and added-value initiatives help customers reduce their energy consumption. For example, high data rate fiber cabling helps a fast-growing market like data centres to address concerns about power consumption, cooling and environmental impact. The Energy & Infrastructure Europe division's newly developed Ecosolution tool assists installers in selecting the most eco-efficient type of cable for any given situation.

Facilitating sustainable development

In developing countries, Draka fiber cabling plays an important role in creating more reliable and energy-efficient power distribution networks. In highly urbanised societies, fiber cabling facilitates more energy-efficient data communication networks and enables a less transport-intensive way of life.

Enabling renewable power

Considerable investments are being made to develop the cable technology needed to exploit the potential of solar, wind, geothermal and wave power. For example, Draka is participating in a ground-breaking Swedish research project aimed at generating a new kind of wave power. Several divisions have also joined forces to develop a new type of cabling for geothermal power plants, allowing energy and data to be transported through one and the same cable.

Saving lives

Draka is at the forefront of developing fire-resistant cables, which emit no toxic gases and generate little smoke. In 2009, a newly developed type of ceramified insulation gave birth to the Lifeline series. Even when exposed to fire or water, these cables maintain critical alarm, lighting and power circuits for up to two hours, enabling timely evacuation of people even from high-rise buildings and hospitals.

Reducing waste

The DEEP quality control method introduced in 2009 allows production facilities to reduce overdimensioning, thus reducing the amount of raw material needed. Any waste is recycled, either at the Draka production plants or, in cooperation with waste management companies, elsewhere.

Corporate governance

General

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

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

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

Board of Management

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

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

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

The Board of Management of Draka Holding consisted of two members in 2009: Sandy Lyons, Chairman of the Board of Management and Chief Executive Officer, and Frank Dorjee, Chief Financial Officer. Representative authority is vested both in the Board of Management and in each member of the Board of Management acting individually. Sandy Lyons resigned from the Board of Management with effect from 31 December 2009 and Frank Dorjee was appointed Chairman of the Board of Management and Chief Executive Officer with effect from 1 January 2010. Also with effect from 1 January 2010, Okke Koo was appointed Chief Operating Officer. The Supervisory Board will propose Okke Koo for appointment as a member of the Board of Management at the General Meeting of 20 April 2010.

Supervisory Board

The Supervisory Board is responsible for supervising the Board of Management and the general course of affairs of the Company and its related enterprise and supporting the Board of Management with advice. The Supervisory Board is guided in the performance of its task by the interests of the Company and its related entities. The Board of Management provides the Supervisory Board in good time with all information needed to perform its task. The responsibilities, duties and procedures of the Supervisory Board are defined in the Articles of Association of Draka Holding and in the charters of the Supervisory Board and its committees, all of which are available on Draka's website, www.draka.com.

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

The composition of the Supervisory Board takes into account the nature of the Company and its activities and the expertise and background desired of its members. All new members of the Supervisory Board are given an induction course following their appointment. The Supervisory Board of Draka Holding currently consists of seven members.

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

The Supervisory Board profile, the resignation schedule, the charters and the composition of the Supervisory Board and its committees can be viewed at Draka's website.

General Meeting

The annual General Meeting is held within six months of the end of the previous financial year. The notice of the General Meeting shall be published on the Company's website, in a national newspaper and in the Official List. The agenda of the General Meeting, together with the explanatory notes and other documents relating to the agenda, are made available in advance of the meeting and are posted on the Draka Holding website. The General Meeting discusses the annual report, adopts the financial statements, declares the dividend, decides on discharge of the members of the Board of Management and Supervisory Board of liability for their management and supervision and appoints the auditors.

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

The General Meeting is the body authorised to decide on the issue of new shares, but may delegate this authority to another corporate body. This authority to issue (and grant rights to subscribe for) new shares is currently vested in the Board of Management, subject to approval by the Supervisory Board. This authority was vested for a period of eighteen months commencing on 20 April 2009 by the General Meeting on 20 April 2009. The Board of Management exercised this authority to the maximum extent in connection with the accelerated book building on 1 October 2009. It was therefore decided at the Extraordinary General Meeting of Shareholders on 22 October 2009 to renew the authority vested in the Board of Management, subject to approval by the Supervisory Board, until 20 October 2010. This authority is limited to a maximum of 10% of the total issued share capital. This restriction does not apply to any issue of class B protective preference shares.

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

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

Departures from the best-practice provisions of the Code

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

The variable element of the remuneration of the Board of Management is not yet linked to non-financial indicators, which is inconsistent with best-practice provision II.2.3. Draka decided to continue in 2009 with the remuneration policy as revised at the General Meeting of 11 May 2007. The remuneration policy will be reviewed to determine whether it requires amendment for next year.

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

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

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

Code of Conduct and whistleblower policy

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

Internal insider trading rules

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

Remuneration report

This report describes the remuneration policies for the Board of Management and the Supervisory Board of Draka Holding N.V. as applied in 2009 and to be applied in 2010.

This remuneration report comprises three sections. The first section describes the remuneration policy applied to the Board of Management in 2009 and the remuneration structure for the Board of Management. The second section covers the remuneration received by the Board of Management in 2009 and briefly discusses the remuneration policy to be applied to the Board of Management in 2010. The third section describes the remuneration policy for and remuneration received by the Supervisory Board in 2009.

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

Board of Management remuneration policy in 2009

General

The remuneration policy for the Board of Management, as revised by the General Meeting on 11 May 2007, continued to apply throughout 2009. The aim of the Company's remuneration policy is to ensure that the Company is able to attract, motivate and retain qualified and expert Board of Management members.

The underlying principle of the remuneration policy for 2009 and subsequent years is that the total remuneration of the Board of Management should be in line with a labour market peer group of companies which engage in comparable activities and/or are similar in terms of size and/or complexity. The composition of the total shareholder return peer group was changed in 2009 in connection with the acquisition of one of the companies in this group.

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

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

Draka's labour market peer group

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

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

Remuneration structure

The total remuneration package of the members of the Board of Management consists of:

- base salary;
- short-term incentive;
- long-term incentive;
- pension.

Base salary

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

Short-term incentive (bonus)

The short-term incentive is based on the following performance criteria:

- one-third based on the Company's earnings before interest, tax, depreciation of assets, write-downs on loans and amortisation of goodwill (EBITDA);
- one-third based on the Company's average net working capital as a percentage of annual revenue;
- one-third based on the discretionary judgment of and the Remuneration & Nomination Committee's proposals to the Supervisory Board, related to certain 'milestones' and applying a reasonableness test. For 2009, these targets were related partly to the achievement of certain results in the context of the Triple S cost-saving programme and compliance with the bank covenants.

If the predetermined targets for 2009 are met, the members of the Board of Management will receive a bonus of 60% of base salary. If outstanding performance is achieved, a bonus of up to 90% of base salary may be granted to the members of the Board of Management. If performance is below a given threshold, no bonus will be paid.

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

Long-term incentive

The long-term incentive consists of an annual conditional grant of performance shares. Depending on Draka's Total Shareholder Return (TSR), the performance shares may vest (i.e. become unconditional) after three years. Draka's TSR will be measured against those of the following companies (principal listing):

Draka's TSR performance peer group

Belden CDT	NYSE
Commscope	NYSE
Daetwyler	Swiss Stock Exchange
Fugro	Euronext Amsterdam
Fujikura	Tokyo Stock Exchange
General Cable Corp	NYSE
Imtech	Euronext Amsterdam
Leoni	Frankfurt Stock Exchange
LS Corporation	Seoul Stock Exchange
Nexans	Euronext Paris
Océ	Euronext Amsterdam
Prysmian	Milan Stock Exchange
SBM Offshore	Euronext Amsterdam

The table below shows the number of shares – as a percentage of the number of shares conditionally granted – that will vest for each position within the peer group after the three-year performance measurement period. Consistent with the principles of the Dutch Corporate Governance Code, vested shares must be held for a further two years after vesting.

Position	Number of shares vesting (as a percentage of the number of shares conditionally granted)
1	200%
2	$166\frac{2}{3}\%$
3	$133\frac{1}{3}\%$
4	100%
5	$83\frac{1}{3}\%$
6	$66\frac{2}{3}\%$
7	50%
8-14	0%

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

Pension

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

Loans

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

Board of Management remuneration in 2009

In accordance with best-practice provision II.2.1, the Remuneration & Nomination Committee of the Supervisory Board analysed the outcome of the variable remuneration elements and their consequences for the remuneration of the members of the Board of Management before determining the remuneration of the individual members of the Board of Management, the so called scenario analysis.

Base salary

The base salaries of the members of the Board of Management were increased by 3% in 2009.

Short-term incentive

On the basis of the financial targets, the short-term incentive bonus for 2009 will be 35% of base salary. Based on the achievement of pre-agreed individual targets, the Supervisory Board has opted for a payment of 30% of base salary to Frank Dorjee for the discretionary element. The Supervisory Board has thus decided to pay a total bonus of 65% (compared with the maximum of 90%) of base salary to Frank Dorjee for 2009. Frank Dorjee has requested to defer the actual pay out of the bonus till 2011 in recognition of the business circumstances.

The Supervisory Board has decided to pay a total bonus of 60% of base salary to Sandy Lyons for 2009. The bonus payments for the 2009 financial year are shown in the remuneration table on page 58.

Long-term incentive

The members of the Board of Management have been awarded conditional performance shares to the value of 55% of base salary in respect of 2009.

Pensions

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

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

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

The contribution to Frank Dorjee's pension plan is based on his base salary in excess of the threshold (amounting to € 12,465 in 2009).

Overview

The table on top of page 58 shows the expenses incurred by the Company in respect of remuneration of the members of the Board of Management in 2009.

Board of Management remuneration expense 2009

In thousands of euro	Salary	Paid out holiday	Short-term incentive *	Allowances **	Total cash remuneration	Pension charges	Long-term incentive	Total remuneration	Employer's expense	Total remuneration expense
2009										
Sandy Lyons	532	-	319	254	1,105	457	181	1,743	215	1,958
Frank Dorjee	452	19	294*	3	768	90	478	1,336	7	1,343
	984	**19**	**613**	**257**	**1,873**	**547**	**659**	**3,079**	**222**	**3,301**
2008										
Sandy Lyons	516	-	356	275	1,147	446	95	1,688	152	1,840
Frank Dorjee	439	-	522	3	964	98	417	1,479	7	1,486
	955	**-**	**878**	**278**	**2,111**	**544**	**512**	**3,167**	**159**	**3,326**

* To be paid out in January 2011.
** The category 'Allowances' relates mainly to compensation (paid gross) for special expenses, such as expat-related housing, school fees and childcare.

The long-term incentive reflects the market value of shares (conditionally) granted to the members of the Board of Management. The actual grant of shares depends on the Company's future performance compared with the peer group. The members of the Board of Management currently hold no options on ordinary Draka Holding N.V. shares.

The number of shares held by the members of Board of Management since their appointment as at 31 December of each calendar year was as follows:

	Number of shares	Value of shares in euros
Sandy Lyons		
31-12-2007	-	-
31-12-2008	5,000	32,700
31-12-2009	5,000	67,300
Frank Dorjee		
31-12-2005	-	-
31-12-2006	4,737	122,215
31-12-2007	9,940	228,620
31-12-2008	9,940	65,008
31-12-2009	9,940	133,792

	Number of conditionally granted performance shares	Value on date of grant in euros	Value on date of vesting in euros	Value on date shares became freely disposable
Sandy Lyons				
31-12-2007	-	-	-	-
31-12-2008	23,287	283,869	n/a	n/a
31-12-2009	88,290	541,930	n/a	n/a
Frank Dorjee				
31-12-2005	-	-	-	-
31-12-2006	-	-	-	-
31-12-2007	24,788	702,740	n/a	n/a
31-12-2008	44,582	944,029	n/a	n/a
31-12-2009	99,834	1,163,379	n/a	n/a

Employment contracts

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

Sandy Lyons' employment contract was entered into on 1 September 2007 for a period of four years and would therefore have expired on 31 August 2011. The employment contract provided for a notice period of three months in the case of termination by Sandy Lyons and six months in the case of termination by the Company. An exit arrangement had been agreed with Sandy Lyons which provided for payment of one full year's base salary in the event of termination of employment other than for cause before expiry of the four-year period. Sandy Lyons resigned from the Board of Management prematurely with effect from 31 December 2009.

Frank Dorjee's current employment contract was entered into on 1 June 2007 for a period of four years and will therefore expire on 31 May 2011. The employment contract provides for a notice period of three months in the case of termination by Frank Dorjee and six months in the case of termination by the Company. An exit arrangement had been agreed with Frank Dorjee which provided for payment of one full year's base salary plus a one-year bonus equal to the average bonus received in the previous three years in the event of the employment contract being terminated other than for cause before 31 May 2011.

Frank Dorjee's employment contract has been revised in connection with his appointment as Chairman of the Board of Management and Chief Executive Officer with effect from 1 January 2010. The exit arrangements under this revised employment contract comply with best-practice provision II.2.8 of the Code. The exit payment will now be one year's base salary in the event of the employment contract being terminated other than for cause before 31 May 2011. A clawback clause in accordance with best-practice provision II.2.11 of the Code is also included, which makes provision for the recovery of variable remuneration awarded on the basis of incorrect (financial) information.

Board of Management remuneration in 2010

The remuneration policy for the members of the Board of Management, as adopted by the General Meeting in 2007, will continue to apply in 2010. Consistent with this policy, Frank Dorjee's base salary in his new position as Chairman of the Board of Management and Chief Executive Officer is € 550,000 gross. The base salary received by Okke Koo, who was appointed Chief Operating Officer with effect from 1 January 2010 and will be proposed for appointment as a member of the Board of Management by the General Meeting on 20 April 2010, is € 475,000 gross.

Supervisory Board remuneration policy

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

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

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

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

	Chairman	Deputy Chairman	Members
Supervisory Board	€ 70,000	€ 55,000	€ 50,000
Audit & Governance Committee	€ 10,000	-	€ 6,000
Remuneration & Nomination Committee	€ 7,500	-	€ 5,000
Strategy Committee	€ 7,500	-	€ 5,000

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

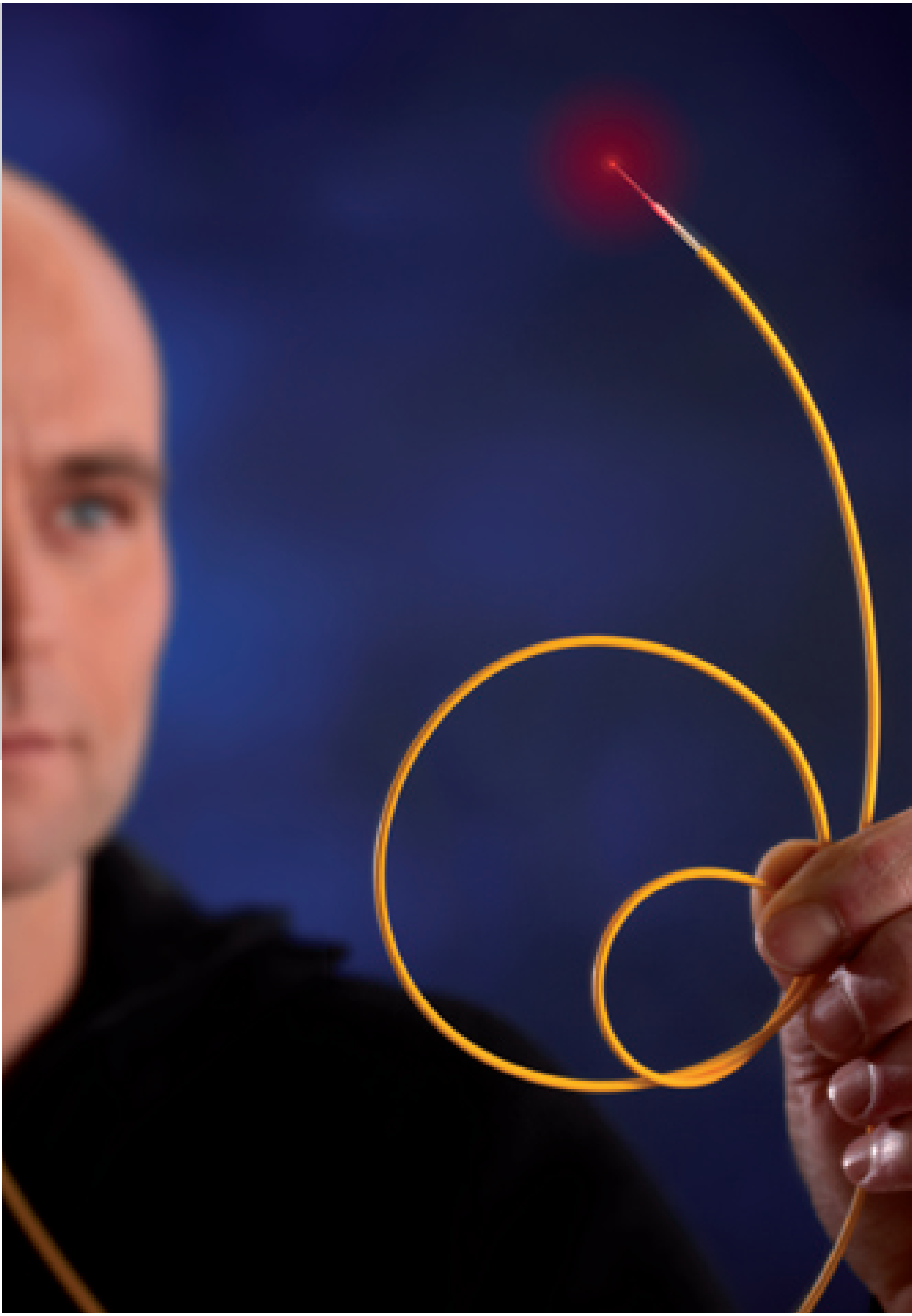
Supervisory Board remuneration in 2009

The following remuneration was received by the Supervisory Board members in 2009:

	2009	2008
Fritz Fröhlich (Chairman)	€ 83,500	€ 83,500
Annemiek Fentener van Vlissingen (Deputy Chairman)	€ 66,000	€ 66,000
Harold Fentener van Vlissingen	€ 56,000	€ 55,000
Ludo van Halderen	€ 60,000	€ 59,167
Rob van Oordt	€ 65,000	€ 65,000
Annemieke Roobeek	€ 55,000	€ 55,000
Graham Sharman	€ 63,500	€ 63,500

Supervisory Board remuneration in 2010

No change in the remuneration of the Supervisory Board is proposed for 2010.



Leading light

BendBright: Draka Communications maintains innovative leadership

Achieving an innovative lead over competitors is a challenge, maintaining it even more so. Especially in a fast-developing market like fiber-optic communication. The rapid growth of Fiber To The Home (FTTH) initiatives presented manufacturers with the challenge of creating a more robust, reliable and flexible solution. Draka's innovative 'heritage' paid off.

Strict limits

In optical fiber cables, digitally encoded data is transported using laser light. This light is captured in optical glass fibers, closely compressed in a cable. The challenge for cable manufacturers is to ensure the light does not disperse or 'escape' from the optical fibers along the way. This meant that, until recently, there were strict limits to the angle at which the cables could be bent without risking signal loss. This may not present an insurmountable obstacle when cables are placed in straight, underground cable constructions. As optical fiber cables increasingly make their way into residential homes and offices, however, installers want to have the option to bend cables at sharp angles.

Ideal stepping stone

As the leading innovator in this market, Draka Communications was well positioned to provide a solution. In fact, its patented PCVD and APVD technologies proved the ideal stepping stone, allowing Draka to develop a solution at relatively low cost while achieving the highest quality standard the market has to offer. The BendBright XS product range, which includes cables for very high bandwidths, is extremely insensitive to optical bending loss, allowing even repeated, very tight bending of the cable. In other words, Draka's innovative 'heritage' paid off, and helps the Communications Group to maintain its innovative leadership in a fast-changing market segment, and to remain ahead of the competition.

Multifunctional innovation

While originally developed for the FTTH market, the technology used in BendBright XS has also opened the way for Draka to strengthen its position in various other areas. The product's space-saving potential was quickly identified as a major advantage for data and storage centres, where space is at a premium. Its robustness makes the product ideal for niche markets like mobile (high definition) TV studios. BendBright technology also offers benefits for telecom operators who are considering investing in their own networks (rather than leasing capacity from the major telecom companies). Because BendBright XS's robustness and high fiber density result in smaller cables, these companies can achieve substantial savings on the rental of duct space, and thus faster return on investment.

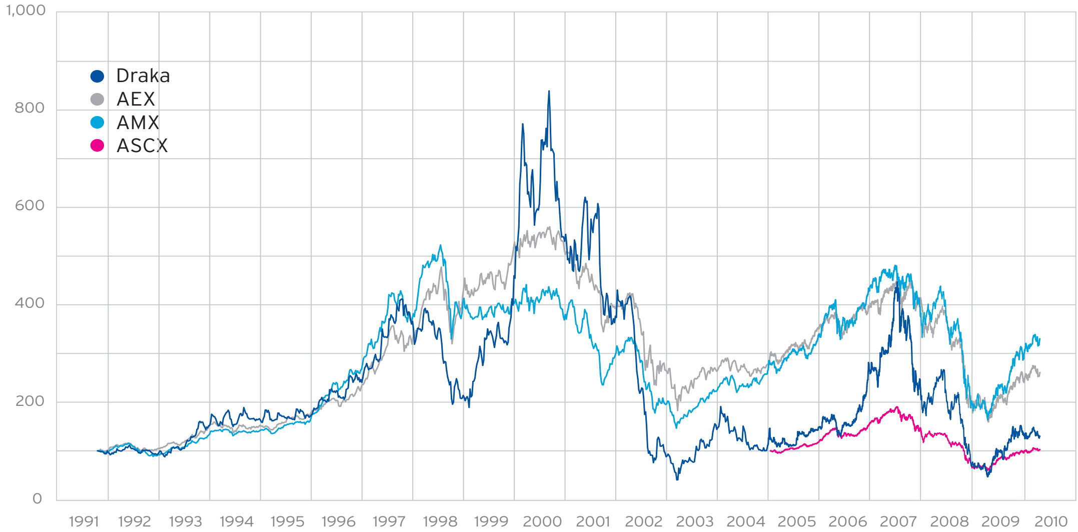
Share information

Stock exchange listing

Draka Holding N.V. shares have been listed on NYSE Euronext Amsterdam since 1991. In March 2001, the share was included for the first time in the Next150 index (symbol: DRAK, stock code: 34781, ISIN code: NL0000347813). Draka is included in NYSE Euronext's AMX (Amsterdam Midkap) index. Draka's market capitalisation as at year-end 2009 amounted to approximately € 655 million.

Options on Draka shares have been traded on NYSE Liffe in Amsterdam since July 2002. Subordinated convertible bonds have been traded on the exchange since 22 September 2005. Further details of this five-year 4% subordinated convertible bond loan, maturing on 22 September 2010, can be found on page 131.

Draka Holding N.V. share price performance (October 1991–February 2010)



Capital and shares

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

2009	Authorised	Issued
Ordinary bearer shares and registered shares	58,000,000	48,736,597
Registered preference shares [1]	12,000,000	5,754,657
Class B preference shares [1,2]	70,000,000	-
Authorised capital	**140,000,000**	**54,491,254**

[1] Not tradable on the Amsterdam stock exchange

[2] No class B preference shares have been issued so far

As at 31 December 2009, there were 54,491,254 fully paid-up shares in issue, representing an amount of € 27,245,627. The increase of 8,119,437 in the number of ordinary shares and 708,400 in the number of preference shares in issue compared with year-end 2009 mainly relates to the issue of shares on 2 October 2009.

Issue of ordinary and preference shares

After close of trading on 1 October 2009, Draka announced the issue of a maximum of 8,119,370 new ordinary shares together with an accelerated bookbuild offering of 9.99% of the share capital, equating to 4,057,654 new shares, and a private placement with major shareholder Flint, likewise of 9.99% of the share capital and equating to 4,061,716 new shares.

The issue was opened on 2 October 2009 and was fully subscribed the same day, after only 90 minutes. Draka placed the new shares at a price of € 12.40 per share, which represented a discount of 4.2% on the closing price on 1 October 2009. The proceeds of the issue totalled € 100.7 million. Payment for and delivery of the shares took place on 7 October 2009 and the newly issued shares were admitted to listing on NYSE Euronext Amsterdam on the same day.

After publication of a listing prospectus on 3 November, Draka was given permission for the listing and trading of the shares issued to Flint.

Two holders of Draka preference shares with an interest of over 5% in Draka's share capital were also given an opportunity to purchase more shares (at nominal value) to keep their interest above 5%. On 30 October 2009, 708,400 preference shares have been issued at a nominal value of € 0.50 per share.

By simultaneously increasing the shareholders' equity and reducing the debt position, the total transaction has optimised and strengthened Draka's capital structure and financial flexibility.

Fortis Bank Nederland / MeesPierson Corporate Finance & Capital Markets acted as sole global coordinator and sole bookrunner for the accelerated bookbuild offering.

Fully diluted number of shares in issue

After this issue, the fully diluted number of ordinary shares is made up as follows:

	Ordinary shares
Ordinary shares in issue as at 31 December 2009	48,736,597
Maximum issue of ordinary shares due to conversion of the 4% subordinated convertible bond loan 2010	1,748,130
Fully diluted number of ordinary shares	**50,484,727**

Notifications of substantial holdings

Under the Financial Supervision Act (WFT) which has been introduced in the Netherlands, shareholders are required to disclose their holding if it represents 5% or more of the issued shares. The following holders of ordinary shares and preference shares which qualify under WFT (most recent notification dated 16 November 2009) are known:

	Interest	Ordinary shares	Preference shares [1]	Subordinated convertible bond loan
Flint Investments B.V.	43.9%	x		
Fortis Utrecht N.V.	6.8%		x	
Ducatus N.V.	5.2%		x	

[1] Not tradable on the Amsterdam stock exchange

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

Dividend policy

On its ordinary shares, Draka aims to distribute a dividend equal to 30% of the result for the year attributable to shareholders (excluding non-recurring items) after the dividend on the preference shares. It is proposed that no dividend on ordinary shares be paid in respect of 2009. In these difficult market conditions, Draka's focus is on maintaining a strong liquidity position. Capital discipline and the proposal to forego this year's dividend are consistent with this policy.

A dividend of approximately 7.1% is paid to the holders of the preference shares in issue. The total 2009 dividend on the preference shares amounts to € 5.4 million.

Liquidity provider

Draka has appointed two liquidity providers, Royal Bank of Scotland Group and Rabo Securities N.V., to ensure orderly and increasing trade in its shares. A total of 156,592 trades in Draka shares were executed in 2009, down 11% compared with 2008, which was a record year. Some 54.3 million (–2%) shares, or 128% of the average number of ordinary shares in issue, were traded.

Share and option plan

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

As at 31 December 2009, there were 697,449 outstanding options/SARs and 27,549 assigned shares. The option/SAR exercise prices and share allocation prices since 2002 have been as follows:

	Number of shares	Number of options/SARS	Exercise price
2002	-	11,619	€ 24.26
2003	-	9,832	€ 7.42
2004	-	22,801	€ 11.63
2005	-	56,375	€ 10.05
2006	-	108,114	€ 13.51
2007	5,452	122,472	€ 28.02
2008	5,055	148,131	€ 23.44
2009	17,042	218,105	€ 7.93
Total	**27,549**	**697,449**	

General Meeting of Shareholders

The General Meeting of Shareholders held on 20 April 2009, at which 57.5% of the total shares in issue were represented, adopted the following resolutions:

- adoption of the 2008 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 2008;
- approval of the reappointment of Ms. A.M. Fentener van Vlissingen as a member of the Supervisory Board;
- approval and adoption of the proposal by the Board of Management and the Supervisory Board to appoint Deloitte Accountants B.V. as the auditors for the 2009 financial year;
- designation of the Board of Management as the body authorised to resolve, subject to the approval of the Supervisory Board, to issue shares, grant rights to subscribe for shares and restrict or exclude statutory pre-emptive rights for a period ending on 20 October 2010;
- authorisation of the Board of Management to acquire the company's own shares, up to a maximum of 10% of the issued capital at that time, for a period ending on 20 October 2010.

Extraordinary General Meeting of Shareholders

The General Meeting of Shareholders held on 22 October 2009, at which 60.4% of the total shares in issue were represented, adopted the following resolutions:

- approval of the issue of 4,061,716 new ordinary shares to Flint Beheer B.V. and exclusion of the shareholders' pre-emptive rights;
- approval of the designation of the Board of Management as the body authorised to resolve, subject to the approval of the Supervisory Board, to issue preference shares;
- designation of the Board of Management as the body authorised to resolve, subject to the approval of the Supervisory Board, to issue shares, grant rights to subscribe for shares and restrict or exclude statutory pre-emptive rights for a period ending on 20 October 2010.

Investor relations

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

Draka published information on its performance on four occasions last year. In addition to its full-year figures for 2008 and interim figures for 2009, Draka also released two trading updates, in May and November. When announcing the full-year figures for 2008 and the interim figures for 2009, meetings were organised for journalists and analysts to provide further background to the results and give those present an opportunity to ask questions. A webcast was also organised on these two occasions, enabling interested parties who were unable to attend to listen to the discussions on the full-year figures for 2008 and the interim figures for 2009.

For the past four years, Draka has organised a theme day for journalists, analysts and institutional investors to give the company an opportunity to discuss some of its activities in greater detail. Draka intended to organise another theme day in 2009, but was prevented by the preparations for the share issue and the associated prospectus. Draka does, however, plan to organise a theme meeting again in 2010.

As in previous years, Draka conducted an active investor relations policy in 2009, with the members of the Board of Management giving briefings on Draka's strategy, activities and results. Draka management met with a large number of investors in various financial centres in Europe and North America throughout the year and especially after the publication of the full-year figures for 2008 and the interim figures for 2009.

Although, given the turbulent developments on the financial markets, there was less enthusiasm among institutional investors, especially in the first four months of the year compared with the same period in 2008, some 150 one-on-one meetings were held with investors in 2009, compared with 250 in 2008.

Investor relations rankings

For the third year in succession, following the reports for 2006 and 2007, Draka's annual report for 2008 was awarded a certificate of transparency by the Scenter research bureau. In a survey of 91 quoted and unquoted companies, Draka ranked equal 6th with a score of 8.4 (2007: 8.2 and 7th place). The score measures transparency in terms of policy and strategy against ten criteria.

Draka's 2008 annual report was also nominated for the Henri Sijthoff prize for mid cap and small cap companies. The Henri Sijthoff prize is awarded annually to companies which achieve a high standard of transparency in their public information and financial reporting. Increasing weight is being given in the overall evaluation to financial communication during the calendar year and information provided via the website, as well as the annual report.

Other information

Specific information for investors can be found on the website www.draka.com which, as well as the latest share data, provides comprehensive information on Draka's activities, strategy, objectives and outlook. Also posted on the website is an interactive version of the annual report, which includes a comprehensive search function, and detailed information from the analysts who follow Draka and their assessments of and recommendations for the share. Draka's Director Investor Relations, Michael Bosman can be contacted on +31 20 568 9805 or by e-mail to michael.bosman@draka.com.

Key figures per ordinary share (x € 1)	2009	2008	2007	2006	2005
Shareholders' equity (excluding preference shares)	9.69	8.96	9.11	9.85	10.13
Result for the year after dividend on preference shares	(0.56)	1.78	2.46	0.57	0.12
Dividend	-	-	0.68	0.37	-
Pay-out	-	-	30%[1]	30%[1]	-
Share price, high	14.26	25.20	42.20	26.60	14.30
Share price, low	4.17	5.97	19.75	11.70	9.95
Year-end share price	13.46	6.54	23.00	25.80	13.23
Price/earnings ratio based on year-end price	N.A.	3.7	9.3	45.3	110.3
Year-end price of convertible bond loan 2010	101%	74%	156%	168%	103%

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

Financial calendar	
20 April 2010	: Annual General Meeting of Shareholders at the Rosarium, Amsterdam
18 May 2010	: Publication of trading update for first half of 2010
19 August 2010	: Publication of first-half results for 2010 (before start of trading), followed by a meeting for press and analysts
11 November 2010	: Publication of trading update for second half of 2010

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Financial statements 2009

Consolidated statement of income

For the year ended 31 December

In millions of euro	Note*	2009	2008
Revenue	6)	2,048.3	2,828.9
Cost of sales		(1,855.2)	(2,565.1)
Gross profit	6)	**193.1**	**263.8**
Selling and distribution expenses		(124.8)	(148.2)
Other income and expenses	7)	(59.5)	(20.3)
Operating result		**8.8**	**95.3**
Finance income		3.7	15.7
Finance expense		(34.9)	(54.2)
Net finance expense	12)	**(31.2)**	**(38.5)**
Share of profit of equity accounted investees (net of income tax)	16)	5.0	5.8
Result before income tax		**(17.4)**	**62.6**
Income tax benefit	13)	1.9	8.0
Result for the year		**(15.5)**	**70.6**
Attributable to:			
Equity holders of the company		(18.2)	69.3
Minority interests		2.7	1.3
Result for the year		**(15.5)**	**70.6**
Basic earnings per share (euro)	23)	(0.56)	1.78
Diluted earnings per share (euro)	23)	(0.56)	1.61

Consolidated statement of comprehensive income

For the year ended 31 December

In millions of euro	2009	2008
Result for the year	**(15.5)**	**70.6**
Foreign exchange translation differences	6.2	(10.0)
Effective portion of fair value changes of cash flow hedges (net of income tax)	23.3	(25.3)
Share of other comprehensive income of equity accounted investees	2.6	0.5
Other comprehensive income for the year	**32.1**	**(34.8)**
Total comprehensive income for the year	**16.6**	**35.8**
Attributable to:		
Equity holders of the company	14.5	33.1
Minority interests	2.1	2.7
Total comprehensive income for the year	**16.6**	**35.8**

* The notes to the consolidated financial statements on pages 72 to 117 are an integral part of these consolidated financial statements

Consolidated balance sheet

In millions of euro	Note*	31/12/2009	31/12/2008	01/01/2008
Assets				
Non-current assets				
Property, plant and equipment	14)	541.7	562.2	570.5
Intangible assets	15)	114.3	113.5	101.3
Investments in equity accounted investees	16)	49.7	41.7	46.5
Deferred tax assets	13)	51.9	58.0	46.4
Derivative financial instruments	29)	0.6	-	-
Other non-current financial assets	17)	15.0	24.7	26.1
Total non-current assets		**773.2**	**800.1**	**790.8**
Current assets				
Inventories	18)	350.3	375.5	450.1
Trade and other receivables	19)	381.4	432.1	508.2
Derivative financial instruments	29)	9.5	-	2.4
Income tax receivable		0.9	2.7	4.8
Held for sale assets	20)	-	18.2	-
Cash and cash equivalents	21)	74.0	74.6	43.1
Total current assets		**816.1**	**903.1**	**1,008.6**
Total assets		**1,589.3**	**1,703.2**	**1,799.4**
Equity				
Shareholders' equity				
Share capital		27.2	22.8	20.4
Share premium		457.5	360.9	311.4
Retained earnings		84.5	108.8	84.5
Other reserves		(19.7)	(52.1)	(15.8)
Total equity attributable to equity holders of the company		**549.5**	**440.4**	**400.5**
Minority interests		21.0	25.4	12.8
Total equity	22, 38)	**570.5**	**465.8**	**413.3**
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	24)	286.8	544.8	533.1
Provision for employee benefits	25)	82.7	81.9	93.4
Derivative financial instruments	29)	5.6	5.9	-
Other provisions	26)	20.0	18.7	26.4
Deferred tax liabilities	13)	19.0	25.2	31.1
Total non-current liabilities		**414.1**	**676.5**	**684.0**
Current liabilities				
Bank overdrafts	21)	6.9	33.4	57.6
Interest-bearing loans and borrowings	24)	74.7	39.5	51.2
Derivative financial instruments	29)	5.0	35.0	5.6
Trade and other payables	27)	489.3	425.3	544.9
Income tax payable		6.3	7.5	30.3
Held for sale liabilities	20)	-	9.6	-
Other provisions	26)	22.5	10.6	12.5
Total current liabilities		**604.7**	**560.9**	**702.1**
Total liabilities		**1,018.8**	**1,237.4**	**1,386.1**
Total equity and liabilities		**1,589.3**	**1,703.2**	**1,799.4**

* The notes to the consolidated financial statements on pages 72 to 117 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

For the year ended 31 December

In millions of euro	Note*	2009	2008
Result for the year		(15.5)	70.6
Adjustments for:			
Depreciation	14)	56.6	55.2
Amortisation	15)	6.3	5.2
Impairments	14)	4.1	5.0
Finance income	12)	(3.7)	(15.7)
Finance expense	12)	34.9	54.2
Share of profit of equity accounted investees	16)	(5.0)	(5.8)
Equity-settled share-based payments	11)	2.4	2.2
Income tax benefit	13)	(1.9)	(8.0)
		78.2	**162.9**
Changes in inventories	18)	26.7	68.7
Changes in trade receivables	19)	43.6	97.3
Changes in trade payables	27)	73.1	(102.1)
Changes in other working capital		3.0	(42.1)
Changes in provisions		30.1	11.8
Other		(1.6)	0.6
		253.1	**197.1**
Interest received		2.4	3.1
Interest paid		(40.9)	(44.1)
Income tax paid		(6.8)	(20.5)
Application of provisions	25, 26)	(18.6)	(24.9)
Net cash from operating activities		**189.2**	**110.7**
Dividends received	16)	2.2	3.1
Proceeds from sale of property, plant and equipment and intangible assets		4.6	4.0
Cash from consolidation of entities, previous years classified as equity accounted investees		-	2.9
Disposal of subsidiaries and associates, net of cash disposed		6.9	-
Acquisition of subsidiaries and associates, net of cash acquired		(7.2)	(2.1)
Acquisition of intangible assets	15)	(6.9)	(7.8)
Acquisition of property, plant and equipment	14)	(35.4)	(52.4)
Net cash used in investing activities		**(35.8)**	**(52.3)**
Issue of shares		98.7	-
Dividends paid (ordinary and preference shares)		(5.4)	(29.6)
Conversion of convertible subordinated bond notes		-	(22.3)
Movement in multicurrency facility		(241.0)	87.9
Shares acquired under long-term incentive plans		(1.7)	(1.2)
Shares delivered under long-term incentive plans		0.9	0.7
Movements in other bank loans		22.3	(25.6)
Net cash from financing activities		**(126.2)**	**9.9**
Net increase in cash and cash equivalents		**27.2**	**68.3**
Cash and cash equivalents at 1 January (net of bank overdrafts)		41.2	(14.5)
Exchange rate fluctuations on cash and cash equivalents		(1.3)	(12.6)
Cash and cash equivalents at 31 December (net of bank overdrafts)	21)	**67.1**	**41.2**

* The notes to the consolidated financial statements on pages 72 to 117 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 31 December 2007	**20.4**	**311.4**	**(18.2)**	**(3.0)**	**-**	**5.4**	**84.5**	**400.5**	**12.8**	**413.3**
Foreign exchange translation differences	-	-	(11.4)	-	-	-	-	(11.4)	1.4	(10.0)
Effective portion of fair value changes of cash flow hedges (net of income tax)	-	-	-	(24.8)	-	-	-	(24.8)	-	(24.8)
Total income and expenses recognised directly in equity	**-**	**-**	**(11.4)**	**(24.8)**	**-**	**-**	**-**	**(36.2)**	**1.4**	**(34.8)**
Result for the year	-	-	-	-	-	5.4	63.9	69.3	1.3	70.6
Total recognised income and expense	**-**	**-**	**(11.4)**	**(24.8)**	**-**	**5.4**	**63.9**	**33.1**	**2.7**	**35.8**
Conversion of convertible subordinated bond notes	2.4	49.5	-	-	-	-	(17.2)	34.7	-	34.7
Share-based payments	-	-	-	-	-	-	2.2	2.2	-	2.2
Shares acquired under long-term incentive plans	-	-	-	-	(1.2)	-	-	(1.2)	-	(1.2)
Shares delivered under long-term incentive plans	-	-	-	-	1.1	-	(0.4)	0.7	-	0.7
Dividends paid	-	-	-	-	-	(5.4)	(24.2)	(29.6)	-	(29.6)
Consolidation of entities, previous years classified as equity accounted investees	-	-	-	-	-	-	-	-	9.9	9.9
Total direct changes in equity	**2.4**	**49.5**	**-**	**-**	**(0.1)**	**(5.4)**	**(39.6)**	**6.8**	**9.9**	**16.7**
Balance as at 31 December 2008	**22.8**	**360.9**	**(29.6)**	**(27.8)**	**(0.1)**	**5.4**	**108.8**	**440.4**	**25.4**	**465.8**
Foreign exchange translation differences	-	-	6.8	-	-	-	-	6.8	(0.6)	6.2
Effective portion of fair value changes of cash flow hedges (net of income tax)	-	-	-	25.9	-	-	-	25.9	-	25.9
Total income and expenses recognised directly in equity	**-**	**-**	**6.8**	**25.9**	**-**	**-**	**-**	**32.7**	**(0.6)**	**32.1**
Result for the year	-	-	-	-	-	5.4	(23.6)	(18.2)	2.7	(15.5)
Total recognised income and expense	**-**	**-**	**6.8**	**25.9**	**-**	**5.4**	**(23.6)**	**14.5**	**2.1**	**16.6**
Issue of shares	4.4	96.6	-	-	-	-	(2.3)	98.7	-	98.7
Share-based payments	-	-	-	-	-	-	2.4	2.4	-	2.4
Shares acquired under long-term incentive plans	-	-	-	-	(1.7)	-	-	(1.7)	-	(1.7)
Shares delivered under long-term incentive plans	-	-	-	-	1.4	-	(0.5)	0.9	-	0.9
Dividends paid	-	-	-	-	-	(5.4)	-	(5.4)	-	(5.4)
Effect of acquisition minority interest	-	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Effect of acquisitions and divestments	-	-	-	-	-	-	-	-	(6.5)	(6.5)
Total direct changes in equity	**4.4**	**96.6**	**-**	**-**	**(0.3)**	**(5.4)**	**(0.7)**	**94.6**	**(6.5)**	**88.1**
Balance as at 31 December 2009	**27.2**	**457.5**	**(22.8)**	**(1.9)**	**(0.4)**	**5.4**	**84.5**	**549.5**	**21.0**	**570.5**

* The notes to the consolidated financial statements on pages 72 to 117 are an integral part of these consolidated financial statements

Notes to the consolidated financial statements

Contents

1. General

Draka Holding N.V. ("the Company") is a company domiciled in Amsterdam, The Netherlands and is engaged worldwide in the development, production and sale of cable and cable systems. Our activities are subdivided into three groups: Draka Energy and Infrastructure, which develops, produces and sells the full range of cable products for the domestic, infrastructural and industrial applications, Draka Industry and Specialty, which is responsible for all special-purpose cable activities, and Draka Communications, which handles the communication cable activities. The consolidated financial statements of the Company for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and jointly controlled entities.

A summary of the main subsidiaries is included on page 46 of this Annual report.

The financial statements were authorised for issue by the Board of Management on 19 February 2010. The financial statements are tabled for adoption by the Annual General Meeting of Shareholders on 20 April 2010.

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 118 to 127 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") for the 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).

Change of accounting policy

As of 1 January 2009 the Company changed its accounting policy in connection with the accounting for joint ventures. The Company proportionately consolidates joint ventures in its consolidated financial statements instead of using the equity method. Both methods are allowed under IFRS. Management is of the opinion that proportionate consolidation provides reliable and more relevant information about the Company's financial position and performance. By aligning the accounting policy with common industry practice (being proportionate consolidation instead of the equity method) Draka's financial statements are more comparable. The comparative financial statements have been restated to reflect this change in accounting policy. The effect of the change in accounting policy on the key figures in 2009 and 2008 is as follows:

In millions of euro	2009	2008
Revenue	177.0	122.1
Operating result	15.2	8.9
Result for the year	-	-
Total assets	69.7	46.0
Total equity	-	-

(I) Standards, amendment and interpretations effective in 2009 relevant to the Group:

- IAS 23 (Amendment), 'Borrowing costs'. 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 has applied IAS 23 (Amended) from 1 January 2009 but it did not have a material impact given the insignificance of qualifying assets.

- IFRS 8, 'Operating segments '. 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 has applied IFRS 8 from 1 January 2009. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14.

- IFRS 3 (Revised), 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (Revised) for all business combinations from 1 January 2010.

- IAS 1 (Revised), 'Presentation of financial statements'. The amendments to IAS 1 mainly concern the presentation of changes in equity, in which changes as a result of the transaction with shareholders should be presented separately and for which a different format of the overview of the changes in equity can be selected. Furthermore, where restatements have occurred, an opening balance sheet of a corresponding period is presented. The Company has chosen to present all non-owner changes in equity in two statements, a separate income statement and a statement of comprehensive income. The Group has applied IAS 1 (Revised) from 1 January 2009.

- IFRS 7 (Amendment), 'Financial Instruments: Disclosures'. The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

(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 2010 or later periods. The Group has not early adopted them:

- As part of Improvements to IFRSs (2009) issued in April 2009, the International Accounting Standards Board amended the requirements of IAS 17 Leases regarding the classification of leases of land. Prior to amendment, IAS 17 generally required leases of land with an indefinite useful life to be classified as operating leases. This was inconsistent with the general principles of the Standard, and the relevant guidance has been removed due to concerns that it could lead to accounting that did not reflect the substance of arrangements. Following the amendments, leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of IAS 17. These amendments are effective for annual periods beginning on or after 1 January 2010, and they are to be applied retrospectively to unexpired leases at 1 January 2010 if the necessary information was available at the inception of the lease. The amendments will be adopted in the Group's financial statements for the period beginning 1 January 2010. The Group does not expect this amendment to have a significant impact.

- In June 2009, the IASB issued amendments to IFRS 2 Share-based Payment. These amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award. The amendments will be adopted in the Group's financial statements for the period beginning 1 January 2010. The Group does not expect this amendment to have a significant impact.

(b) Basis of preparation

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

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

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

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

(c) Basis of consolidation

(I) Subsidiaries

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

(II) Equity accounted investees

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

(III) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

(IV) Other investments

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

(V) Transactions eliminated on consolidation

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

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

(d) Foreign currency

(I) Foreign currency transactions

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

(II) Foreign operations

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

(e) Derivative financial instruments

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

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

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

The fair value of metal derivative contracts is determined by using the prices at the balance sheet date of the same strategic metals quoted on the London Metal Exchange ("LME").

(f) Hedging

The fair values of various derivative instruments used for hedging purposes are disclosed in note 29. Movements on the hedging reserve in shareholders' equity are presented net and shown in note 38.

(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 2008 and 2009 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 w.

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

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

(V) Depreciation

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

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

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

(h) Intangible assets

(I) Goodwill

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

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

(II) Research and development

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

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

(III) Other intangible assets

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

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

(IV) Subsequent expenditure

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

(V) Amortisation

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

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

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

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

(i) Financial assets

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

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

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

(II) Loans and receivables

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

(III) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. In 2008 and 2009 the Group did not have any available-for-sale financial assets.

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

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

(j) Inventories

(I) Inventories

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

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

(II) Work in progress

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

(k) Trade and other receivables

Trade and other receivables 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 oramortisation, if no impairment loss had been recognised.

(n) Share capital

(I) Preference share capital

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

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

(II) Repurchase of share capital

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

(III) Dividends

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

(o) Convertible subordinated bonds

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

(p) Interest-bearing borrowings

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

(q) Employee benefits

(I) Defined contribution plans

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

(II) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. A significant part of the Group's defined benefit plans are funded with plan assets that have been segregated and restricted in pension funds, trusts or have been insured to provide for the pension benefits to which the Group has committed itself.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality government or corporate bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

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

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

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

(III) Long-term service benefits

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

(t) Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(I) Sale of goods
Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(II) Rendering of services
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total cost expected to install that has been occurred at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred for which it is probable that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(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 attached 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) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) 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.

(x) Income tax

Income tax on the profit or loss for the year comprise 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.

(y) 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.

(z) 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.

(aa) Segment reporting

Management has determined the operating segments bases on the reports reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

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.

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.

The Group comprise the following main operating segments:

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

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

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

The entities' operating segments are organised on the basis of differences in related products and services.

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

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

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

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

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

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

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

3. Acquisitions and divestments of subsidiaries

Acquisitions of subsidiaries

Draka Cableteq Australia Pty Ltd.

In May 2009 the Group acquired the remaining 30% of the shares in Draka Australia Pty Ltd. from Breffney Engineering Pty Ltd. for an amount of € 0.3 million satisfied in cash. The premium on the purchase of the minority shares of € 0.3 million was recognised directly in equity.

Hickory Wire Inc.

On 5 January 2009 the Group acquired certain assets of Hickory Wire Inc., a company engaged in the business of manufacturing drawn wire and strand. The purchase consideration of € 0.9 million was satisfied in cash. An amount of € 0.1 million is added to goodwill in relation to this acquisition.

Divestments of subsidiaries

Optical power ground wire activities

On 5 June 2009 the Group completed the sale of its optical power ground wire ("OPGW") activities to AFL Telecommunications USA for an amount of approximately € 14 million. The cash consideration was in line with the book value of the assets and liabilities transferred. The OPGW sales for the first half of 2009 amounted to € 19 million.

Draka Comteq SDGI Co. Ltd.

On 8 December 2009 49% of Draka's 55% share in Draka Comteq SDGI Co. Ltd. ("SDGI") was sold to Yangtze Optical Fibre & Cable Co. Ltd. (a 37.5% joint venture of the Group). The remaining 6% was sold to the current other shareholder of SDGI. The total cash consideration of approximately € 10 million will be received in the course of 2010. Draka's proportionate share of 18.4% of SDGI is included in investments in equity accounted investees at 31 December 2009. The SDGI sales for 2009 amounted to € 14 million.

Wagner Kablo Sanayi Ve Ticaret AS

In June 2009 71% of Draka's 80% share in Wagner Kablo Sanayi Ve Ticaret AS ("Wagner Kablo") was sold to the minority shareholder for a cash consideration of € 1.3 million. The Wagner Kablo sales for 2009 amounted to € 3 million.

4. Financial risk management

4.1 Financial risk factors

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

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

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

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

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

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

(a) Credit risk

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

Trade receivables

The Group's exposure to credit risk mainly arises from its trade receivables. Draka's trade receivable position accounted for approximately 19.6 % of the balance sheet total in 2009 (2008: 20.8%), with an average credit term of approximately 55 days (2008: 46 days). This relatively long credit term is explained by the Group's activities in Asia and Southern Europe, where long payment terms are common.

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

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

At 31 December 2009 an amount of € 158.4 million (50.9% of the total trade receivables) is considered at risk (2008: € 143.2 million; 40.4%), of which € 65.0 million (2008: € 54.6 million) is at debtors of which the credit limit application is still pending or was denied by the credit insurer and € 93.4 million (2008: € 88.6 million) are debtors in countries where the credit insurance program was not yet implemented or where the insurer is not licensed.

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

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

Guarantees
At 31 December 2009, no guarantees were outstanding (2008: nil).

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

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

The Group maintains the following lines of credit:

- A committed multicurrency revolving credit facility of € 675 million for general corporate purposes and the execution of the Group strategy. The original € 625 million facility arranged in December 2007 was increased by € 50 million in February 2008;

- For the purpose of financing working capital the Group has an additional € 38.8 million in short term bank credit lines available. Furthermore, local subsidiaries of the Group have worldwide € 38.6 million in bank overdraft provided by local banks.

For the committed multicurrency revolving credit facility, interest is payable at the relevant interbank interest rate plus 95 basis points (based on the situation at 31 December 2009). This margin varies with the ratio senior net debt divided by EBITDA. For undrawn portions of the facility a commitment fee of 35% of the applicable margin per annum is payable.

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

The following covenants are applicable:

- Leverage ratio < 3.5
- Interest coverage ratio > 3.5
- Solvency > 30.0%

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

In 2009 and 2008 the Group complied with all covenants.

(c) Market risk

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

(I) Currency risk

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

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

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

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

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

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

(II) Interest rate risk

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

(III) Price risk

In its manufacturing process the Group uses raw materials, like copper, preforms for optical 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 2009 the fair value of these derivatives amounts to an asset of € 9.5 million (2008: liability of € 28.6 million).

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

(IV) Other market risk

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

4.2 Capital risk management

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

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

For capital risk management the Group focuses on guarantee capital, consisting of shareholders' equity, the provision for deferred tax liabilities and the long-term part of the subordinated convertible bonds. At 31 December 2009 the guarantee capital amounts to € 568.5 million (2008: € 489.9 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 30.0%. In 2009, guarantee capital as a percentage of total invested capital was 35.8% (2008: 28.8%)

With regard to the Company's ordinary shares, management aims to distribute a dividend equal to 30% of the net income (excluding non-recurring items) after preference dividend. For 2009 it is proposed not to pay any dividend on ordinary shares in 2010. In 2009 no dividend was paid out on ordinary shares in relation to 2008 net income.

Another important financial objective in respect of capital risk management for the medium term is to establish healthy interest coverage, implying EBITDA (excluding non-recurring items) / interest (excluding non-cash marked to market adjustments) to exceed a ratio of 3.5. In 2009 interest coverage as defined was 4.9 (2008: 6.8).

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.

In September 2009 Draka entered into a standby arrangement with ING Commercial Finance, part of ING Group. The arrangement offers Draka the opportunity to sell accounts receivable without recourse of several of its European entities to ING Commercial Finance with a maximum of € 50 million. Draka activated the arrangement, which runs for at least 24 months, in September 2009.

Apart from the change as mentioned above, 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. We refer for further explanation on the carrying amount of goodwill to note 15.

The Group performs the required impairment test at 31 December of each year or when events or circumstances indicate impairment may be necessary. No impairments for goodwill were recognised in 2009 and 2008.

(b) Property, plant and equipment

Property, plant and equipment is valued at historical cost, less depreciation or at the recoverable amount whenever impairment has taken place. Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. The assets' residual values and useful lives are based on best estimates, and adjusted if appropriate, at each balance sheet date. We refer for further explanation on the carrying amount of property, plant and equipment to note 14.

(c) Deferred income tax assets

Several of the Group's subsidiaries have significant carried forward tax losses and deductible temporary differences between book and tax balances. The majority of the deferred income tax assets relating to carried forward tax losses were not recognised as at 31 December 2009. These deferred income tax assets were not recognised based on management's assessment of the probability criteria as stated in the applicable accounting standard in light of the multiple years of tax losses incurred in the relevant tax jurisdictions. Future utilization of the carried forward tax losses and deductible temporary differences will be dependent on the Group's ability to successfully generate taxable income in the carry forward period. The remaining term of usage of the carried forward tax losses are disclosed in note 13. Recognition of such deferred tax assets in the future may result in material tax benefits in the period in which such determination is made. We refer for further explanation on the carrying amount of deferred income tax assets to note 13.

(d) Income taxes

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

(e) Provision for employee benefits

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

The discount rate is based on the return of high-quality fixed-income corporate bonds, using an index, based on stated bonds. This index is marked up taking into account that corporate bonds bear an additional risk and the fact that pension liabilities have a longer duration than the state bonds. Based on the available information the discount rate as per 31 December 2009 was set at 5.3% (2008: 5.6%). A change of 50 basis points to the discount rate applied would not increase or decrease the employee benefit expense significantly.

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

(f) Other provisions

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

(g) Financial instruments

The determination of the fair value of certain financial instruments requires significant judgement of management regarding underlying assumptions and estimates like discount rates, credit risks and yield curves. We refer for further explanation to note 24.

(h) Inventory write down to net realisable value

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

6. Segment reporting

Operating segments

In millions of euro	Energy & Infrastructure		Industry & Specialty		Communications		Not allocated to segments / eliminations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenue from external customers	664.3	1,024.0	647.8	960.0	736.2	844.9	-	-	2,048.3	2,828.9
Intersegment transactions	34.3	95.9	18.9	7.4	30.6	54.0	(83.8)	(157.3)	-	-
Revenue	**698.6**	**1,119.9**	**666.7**	**967.4**	**766.8**	**898.9**	**(83.8)**	**(157.3)**	**2,048.3**	**2,828.9**
Operating result (excluding non-recurring items)	31.8	69.5	33.4	59.2	26.7	29.4	(16.6)	(16.1)	75.3	142.0
Non-recurring items	(13.8)	(23.1)	(31.6)	(20.3)	(17.7)	(3.3)	(3.4)	-	(66.5)	(46.7)
Operating result	**18.0**	**46.4**	**1.8**	**38.9**	**9.0**	**26.1**	**(20.0)**	**(16.1)**	**8.8**	**95.3**
Net finance expense									(31.2)	(38.5)
Share of profit of equity accounted investees	1.6	2.1	2.0	2.6	1.4	1.1	-	-	5.0	5.8
Income tax benefit									1.9	8.0
Result for the year									**(15.5)**	**70.6**
Capital expenditure	10.4	14.9	20.2	25.4	10.8	18.8	0.9	1.1	42.3	60.2
Depreciation and amortisation	17.3	18.5	15.5	15.8	29.3	25.5	0.8	0.6	62.9	60.4
Impairments	2.5	2.1	1.1	2.9	0.5	-	-	-	4.1	5.0
Segment operating liabilities	187.2	167.2	228.7	200.3	228.4	253.9	374.5	616.0	1,018.8	1,237.4
Segment non-current assets	192.1	195.3	234.8	234.0	313.2	298.1	(16.6)	31.0	723.5	758.4
Investments in equity accounted investees	14.4	15.0	17.7	17.9	17.6	8.8	-	-	49.7	41.7
Segment current assets	347.8	340.0	425.0	407.2	356.4	330.4	(313.1)	(174.5)	816.1	903.1
Total assets	**554.3**	**550.3**	**677.5**	**659.1**	**687.2**	**637.3**	**(329.7)**	**(143.5)**	**1,589.3**	**1,703.2**

Geographical segments

In millions of euro	The Netherlands		United Kingdom		Scandinavia		Germany	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenue from external customers	176.6	251.5	118.5	180.3	258.0	416.0	149.4	190.0
Total non-current assets *	223.1	227.9	10.3	10.1	75.1	63.3	77.9	82.3
Total assets	345.3	300.8	38.0	55.1	188.4	243.2	157.7	270.2
Capital expenditure	6.3	15.4	1.1	1.7	10.9	7.3	4.3	6.2

In millions of euro	Rest of Europe		North America		Asia		Other regions	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenue from external customers	427.0	722.3	286.7	303.7	437.3	449.8	194.8	315.3
Total non-current assets *	161.7	176.9	53.1	53.7	96.7	101.2	22.8	26.7
Total assets	343.6	360.2	148.8	166.1	296.9	262.1	70.6	45.5
Capital expenditure	7.5	12.8	3.7	4.7	5.5	7.1	3.0	5.0

In millions of euro	Consolidated	
	2009	2008
Revenue from external customers	2,048.3	2,828.9
Total non-current assets *	720.7	742.1
Total assets	1,589.3	1,703.2
Capital expenditure	42.3	60.2

* Non-current assets are excluding financial instruments and deferred tax assets.

7. Other income and expenses

In millions of euro	Note	2009	2008
Increase in provision in relation to restructurings within the Group		(31.7)	(14.2)
Increase in other provisions		(3.3)	(2.0)
Increase in provisions	26)	**(35.0)**	**(16.2)**
Release of unused provisions and other	26)	6.2	2.2
Expenses as incurred in relation to restructuring within the Group and other non-recurring items		(30.7)	(6.4)
		(59.5)	**(20.4)**

8. Non-GAAP financial measures (non-recurring items)

In millions of euro	2009	2008
Operating result	8.8	95.3
Non-recurring items:		
Restructurings within Energy & Infrastructure	13.8	9.4
Restructurings within Industry & Specialty	31.6	14.1
Restructurings within Communications	17.7	2.1
Restructurings and other non-recurring items Holding	3.4	-
Write down inventories to net realisable value	-	21.1
	66.5	**46.7**
Operating result excluding non-recurring items	**75.3**	**142.0**

Total non-recurring items in 2009 amount to € 66.5 million. Next to the execution of the in 2008 announced restructuring plans in connection with the closure of plants in Vigo and Llanelli and restructurings within the Communications Group, several additional restructuring plans were announced in 2009. These relate to the implementation and intensification of Triple S projects and other cost-saving measures across the entire organisation, in response to the still-challenging market conditions.

In the Energy & Infrastructure Group the closure of the plant in Ystad and several other programs were launched in response to the volume decline. The total reduction in employees in 2009 was 287 and the savings realised in 2009 are approximately € 9 million.

The measures in the Industry & Specialty Group focused in particular on the winding-down of automotive cable production in several countries and on the downsizing of the Wire & Cable Assemblies activities (mainly closure of the plant in Oudenbosch in the Netherlands and the sale of Wagner Kablo in Turkey). The total reduction in employees in 2009 was 743 and the savings realised in 2009 are approximately € 10 million.

In the Communications Group a range of cost-saving measures were implemented at an accelerated pace. The main purpose of these measures is to reduce fixed costs (overhead) and direct costs. The total reduction in employees in 2009 was 221 and the savings realised in 2009 are approximately € 12 million.

The non-recurring items at Holding are advisory fees in relation to the discussions with Prysmian SPA about a possible merger between the two companies and restructuring expenses as a result of efficiency measures taken at the headoffice Amsterdam.

The non-recurring costs include severance costs, impairments charges, onerous contracts and the costs of moving certain activities. The impairment charge in 2009 of € 4.1 million is included in the cost of sales (see note 14). The nature of the impairment charge is also explained in this note.

In 2008 the non-recurring items related to restructuring plans in connection with the closure of plants in Vigo and Llanelli and to restructurings within the Communications Group.

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

The impairment charge in 2008 of € 5.0 million in relation to the closure of the factories in Vigo and Llanelli and the write down of inventories to net realisable value of € 21.1 million were included in the cost of sales (see notes 14 and 18).

9. Employee benefit expense

In millions of euro	Note	2009	2008
Wages and salaries		295.0	329.6
Social security charges		58.0	62.1
Contributions to defined contribution plans	25)	12.4	7.4
Expenses related to defined benefit plans	25)	2.7	4.6
Share-based payments	11)	2.5	2.2
		370.6	**405.9**

During 2009, the average number of employees (permanent and temporary) was 10,059 (2008: 11,273). The number of employees (permanent and temporary) at 31 December 2009 was 9,599 (31 December 2008: 10,913), of which 985 were employed by Dutch Group companies (1,111 in 2008).

10. Remuneration of the Board of Management and Supervisory Board

The remuneration of the current and former members of the Board of Management in 2009 amounted to € 3.1 million (2008: € 3.2 million) and the remuneration of the Supervisory Board in 2009 amounted to € 0.4 million (2008: € 0.4 million). See note 42 for additional details on remuneration.

11. Share-based payments

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

In May 2006 Draka Holding N.V. introduced a share plan for the Board of Management. This plan was refined in May 2007 by disentangling the short-term and long-term incentive plan. Prior to 2006, members of the Board of Management participated in the general incentive plan.

Share options

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

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

The following table summarizes option activity for the year ended 31 December 2009:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Range of exercise prices	
Outstanding at 31 December 2008	239,374	€ 11.96	4.9	€ 7.42	€ 13.51
Outstanding at 31 December 2008	291,327	€ 25.38	6.8	€ 23.44	€ 28.02
Forfeited during the period	(20,860)	€ 13.51	5.0	€ 7.42	€ 13.51
Forfeited during the period	(57,972)	€ 25.00	6.6	€ 23.44	€ 28.02
Exercised during the period	(85,676)	€ 8.46	7.0	€ 7.42	€ 13.51
Granted during the period	238,793	€ 7.93	7.5	€ 7.93	€ 7.93
Outstanding at 31 December 2009	371,631	€ 10.09	5.6	€ 7.42	€ 13.51
Outstanding at 31 December 2009	233,355	€ 25.47	5.8	€ 23.44	€ 28.02
Total outstanding at 31 December 2009	**604,986**	**€ 16.02**	**5.6**	**€ 7.42**	**€ 28.02**
Exercisable options at 31 December 2009	230,381	€ 13.52	3.9	€ 7.42	€ 24.26

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

	Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Range of exercise prices	
Outstanding at 31 December 2007	283,727	€ 11.80	5.8	€ 7.42	€ 13.51
Outstanding at 31 December 2007	139,034	€ 27.67	7.0	€ 24.26	€ 28.02
Forfeited during the period	(8,062)	€ 11.76	5.5	€ 7.42	€ 13.51
Forfeited during the period	(5,418)	€ 27.92	6.9	€ 24.26	€ 28.02
Exercised during the period	(36,291)	€ 10.80	5.0	€ 7.42	€ 13.51
Exercised during the period	(506)	€ 24.26	2.0	€ 24.26	€ 28.02
Granted during the period	158,217	€ 23.44	7.5	€ 23.44	€ 23.44
Outstanding at 31 December 2008	239,374	€ 11.96	4.9	€ 7.42	€ 13.51
Outstanding at 31 December 2008	291,327	€ 25.38	6.8	€ 23.44	€ 28.02
Total outstanding at 31 December 2008	**530,701**	**€ 19.32**	**5.9**	**€ 7.42**	**€ 28.02**
Exercisable options at 31 December 2008	122,555	€ 11.54	3.9	€ 7.42	€ 24.26

The weighted average share price at the date of exercise, for share options exercised in 2009 was € 12.51 (2008: € 20.04).

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 2009 and 2008 were as follows:

Fair value of share options and assumptions at measurement date	2009	2008
Fair value at measurement date	€ 3.39	€ 7.98
Share price	€ 7.93	€ 23.44
Exercise price	€ 7.93	€ 23.44
Assumptions used:		
Expected volatility (expressed as weighted average volatility used in the modelling under binomial option pricing model)	42.3%	40.2%
Option term	8 years	8 years
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	2.78%	4.38%

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 2009 grant of matching shares amounts to € 7.93 (grant 2008: € 21.43), which is equal to the share price at the date of the bonus conversion discounted for forfeited dividend. At the end of 2009 the number of matching shares outstanding to senior management was 27,549 (2008: 19,322). 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 2009 the number of shares outstanding under this plan was 5,203 (2008: 16,186).

The long term incentive plan was disentangled from the short term incentive plan after approval by the General Meeting of Shareholders in May 2007 and consists of an annual conditional grant of performance shares which equals 55% of base salary. After a three year period, these performance shares might vest based on Draka's TSR performance measured against a peer group. In 2009 157,692 performance shares were conditionally granted to (former) members of the Board of Management. The fair value of the shares at measurement date amounted to € 3.97 (grant 2008: € 12.19). At the end of 2009 the number of performance shares outstanding under this plan was 281,431 (2008: 123,739).

The estimate of the fair value of the shares received for all share plans of the Board of Management is measured based on the Monte Carlo approach. At the end of 2009 the total number of shares (conditionally issued or issuable) under all share plans with the Board of Management was 286,634 (2008: 139,925).

See note 42 for additional details on options and shares of the Board of Management.

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

	Number of shares senior management **2009**	Number of shares (former) members Board of Management **2009**	Number of shares senior management 2008	Number of shares (former) members Board of Management 2008
Outstanding at 1 January	19,322	139,925	22,594	72,180
Forfeited during the period	(1,548)	(10,983)	(2,001)	-
Exercised during the period	(7,267)	-	(7,653)	-
Granted during the period	17,042	157,692	6,382	67,745
Total outstanding at 31 December	**27,549**	**286,634**	**19,322**	**139,925**

Stock Appreciation Rights (SARs)

Under this plan, the Company has granted SARs on its ordinary shares to certain members of senior management. The SARs are granted for eight years (contractual life of the SARs), with a three-year vesting period during which they cannot be exercised. The Board of Management must approve any exceptions to this policy. SARs are granted under a service condition with no market or performance conditions associated. In 2009 43,596 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 96 for further details). The fair value of the liability is remeasured at each reporting date and at settlement date. At the end of 2009 the number of SARs outstanding was 92,463 (2008: 53,025).

Total amounts recognised in the income statement in respect of all share-based payments amounted to € 2.5 million (2008: € 2.2 million).

12. Net finance expense

Recognised in the income statement

In millions of euro	2009	2008
Interest income	(2.4)	(3.1)
Gain on conversion of convertible subordinated bond notes	-	(12.6)
Net foreign exchange gain	(1.3)	-
Finance income	**(3.7)**	**(15.7)**
Interest expense	31.6	47.4
Fee expenses	2.5	1.1
Net foreign exchange loss	-	2.6
Net loss on remeasurement of derivatives through the income statement	0.8	3.1
Finance expense	**34.9**	**54.2**
Net finance expense	**31.2**	**38.5**

13. Taxes

Total income tax recognised in the income statement amounted to a benefit of € 1.9 million in 2009 (2008: benefit of € 8.0 million). The components of income taxes are as follows:

Recognised in the income statement

In millions of euro	2009	2008
Current income tax (expense) / benefit		
Current year	(13.4)	(17.4)
Prior periods	6.4	18.1
Total current income tax (expense) / benefit	**(7.0)**	**0.7**
Deferred income tax benefit		
Origination and reversal of temporary differences	(6.5)	(6.4)
Origination and reversal of tax losses carry forward	31.1	15.7
Temporary differences not recognised	(1.0)	(1.9)
Tax losses carry forward not recognised	(19.3)	(8.7)
Prior periods for temporary differences	6.5	6.9
Prior periods for tax losses carry forward	(1.9)	1.3
Change in tax rates	-	0.4
Total deferred income tax benefit	**8.9**	**7.3**
Total income tax benefit	**1.9**	**8.0**

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

Reconciliation of effective tax rate

In millions of euro	2009	2009 in %	2008	2008 in %
Result for the year	(15.5)		70.6	
Total income tax benefit	(1.9)		(8.0)	
Result before tax	**(17.4)**	**100%**	**62.6**	**100%**
Income tax calculated at tax rates applicable in the respective tax jurisdictions	(6.4)	37%	17.8	28%
Non-tax deductible expenses	2.6	(15%)	2.4	4%
Tax exempt income	(7.2)	42%	(12.3)	(19%)
Temporary differences not recognised	1.0	(6%)	1.9	3%
Tax losses carry forward not recognised	19.3	(111%)	8.7	14%
Prior periods for current tax	(6.4)	37%	(18.1)	(29%)
Prior periods for temporary differences	(6.5)	37%	(6.9)	(11%)
Prior periods for tax losses carry forward	1.9	(11%)	(1.3)	(2%)
Effect of change in tax rates	-	-	(0.4)	(1%)
Other	(0.2)	1%	0.2	0%
	(1.9)	**11%**	**(8.0)**	**(13%)**

The weighted average applicable tax rate increased from 28% in 2008 to 37% in 2009 due to changes in the Group's geographical mix of results.

The effective income tax rate is lower than the weighted average applicable tax rate in 2009, mainly due to new losses carried forward not capitalised since it is not probable that these can be realised in a foreseeable future, given the uncertain economic situation in certain countries.

Recognised directly in equity

The deferred income tax expense recognised directly in shareholders' equity during the year amounted to € 8.7 million (2008: benefit of € 9.4 million).

Deferred income tax

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

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

In millions of euro	Balance 31/12/2007	Recognised in income statement	Recognised in shareholders' equity	Effects of movements in foreign exchange	Balance 31/12/2008
Property, plant and equipment	(39.4)	7.1	-	1.5	(30.8)
Intangible assets	11.9	(6.6)	-	0.2	5.5
Financial fixed assets	(0.5)	0.5	-	-	-
Receivables	(0.1)	(1.2)	-	(0.1)	(1.4)
Inventories	(3.7)	8.4	-	-	4.7
Interest-bearing loans and borrowings	18.7	(5.8)	-	(0.3)	12.6
Employee benefits	7.3	(2.8)	-	(0.4)	4.1
Provisions	(1.9)	3.1	-	(0.6)	0.6
Other current liabilities	1.3	1.0	9.4	-	11.7
Tax value of loss carry-forwards recognised	21.7	3.6	-	0.5	25.8
	15.3	**7.3**	**9.4**	**0.8**	**32.8**
Deferred tax assets	46.4				58.0
Deferred tax liabilities	31.1				25.2
Net deferred tax position	**15.3**				**32.8**

In millions of euro	Balance 31/12/2008	Recognised in income statement	Recognised in shareholders' equity	Effects of movements in foreign exchange	Balance 31/12/2009
Property, plant and equipment	(30.8)	2.3	-	(0.4)	(28.9)
Intangible assets	5.5	(3.3)	-	-	2.2
Financial fixed assets	-	0.1	-	-	0.1
Receivables	(1.4)	(0.1)	-	0.1	(1.4)
Inventories	4.7	(2.5)	-	0.1	2.3
Interest-bearing loans and borrowings	12.6	3.0	-	-	15.6
Employee benefits	4.1	0.2	-	0.1	4.4
Provisions	0.6	0.9	-	-	1.5
Other current liabilities	11.7	(1.1)	(8.7)	-	1.9
Tax value of loss carry-forwards recognised	25.8	9.4	-	-	35.2
	32.8	**8.9**	**(8.7)**	**(0.1)**	**32.9**
Deferred tax assets	58.0				51.9
Deferred tax liabilities	25.2				19.0
Net deferred tax position	**32.8**				**32.9**

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

Unrecognised deferred tax assets

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

In millions of euro	2009	2008
Deductible temporary differences	248.2	226.7
Tax losses	740.1	671.6
	988.3	**898.3**

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	2009	2008
Within 1 year	9.4	15.3
Within 2 - 5 years	91.1	67.2
After 5 years and thereafter	270.9	210.8
Indefinite	512.8	484.5
	884.2	**777.8**

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

14. Property, plant and equipment

In millions of euro	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
Balance as at 31 December 2007					
Cost	467.6	1,018.8	99.6	27.3	1,613.3
Accumulated depreciation and impairments	(238.2)	(736.4)	(66.9)	(1.3)	(1,042.8)
Carrying amount	**229.4**	**282.4**	**32.7**	**26.0**	**570.5**
Acquisitions	-	0.1	-	-	0.1
Consolidation of entities, previous year classified as equity accounted investees	0.8	14.0	0.8	-	15.6
Capital expenditure	0.9	24.2	9.1	18.2	52.4
Depreciation charge for the year	(9.5)	(41.0)	(4.7)	-	(55.2)
Impairment losses	(4.3)	(0.4)	(0.3)	-	(5.0)
Reclassification	1.2	18.2	0.9	(20.0)	0.3
Disposals	(1.7)	(2.3)	-	-	(4.0)
Effect of movements in foreign exchange	(4.5)	(4.3)	0.6	(0.6)	(8.8)
Transferred to disposal group classified as held for sale	-	(3.6)	-	(0.1)	(3.7)
Total changes	**(17.1)**	**4.9**	**6.4**	**(2.5)**	**(8.3)**
Balance as at 31 December 2008					
Cost	454.9	1,014.0	108.9	24.6	1,602.4
Accumulated depreciation and impairments	(242.6)	(726.7)	(69.8)	(1.1)	(1,040.2)
Carrying amount	**212.3**	**287.3**	**39.1**	**23.5**	**562.2**
Acquisition	-	0.5	-	-	0.5
Capital expenditure	1.6	10.6	6.5	16.7	35.4
Depreciation charge for the year	(8.8)	(43.4)	(4.4)	-	(56.6)
Impairment losses	(2.5)	(1.1)	(0.5)	-	(4.1)
Reclassification	2.2	18.0	0.6	(16.4)	4.4
Disposals	(1.9)	(1.7)	(0.8)	(0.1)	(4.5)
Derecognised on disposal of a subsidiary	(1.0)	(2.7)	(0.5)	-	(4.2)
Effect of movements in foreign exchange	2.1	5.4	(0.2)	1.3	8.6
Total changes	**(8.3)**	**(14.4)**	**0.7**	**1.5**	**(20.5)**
Balance as at 31 December 2009					
Cost	458.6	1,042.7	108.1	27.8	1,637.2
Accumulated depreciation and impairments	(254.6)	(769.8)	(68.3)	(2.8)	(1,095.5)
Carrying amount	**204.0**	**272.9**	**39.8**	**25.0**	**541.7**

In 2009 € 4.4 million was reclassified from trade and other receivables to property, plant and equipment in relation to in 2008 prepaid capital expenditures for the submarine-cable capacity in Norway. In 2008 the Group has reclassified assets to/from property, plant and equipment to/from intangible assets. Furthermore, in 2008 an amount of € 1.2 million is reclassified from inventories to property, plant and equipment.

Depreciation and impairment losses

The depreciation and impairment charge for an amount of € 60.7 million (2008: € 60.2 million) is recognised in the income statement as cost of sales.

In 2009 the Group incurred an impairment loss of in total € 4.1 million in relation to the closure of the plant in Ystad (Sweden), jointly managed by the Europe division (Energy & Infrastructure Group) and the Industrial division (Industry & Specialty Group), the winding-down of automotive cable production in the Czech Republic (Industry & Specialty Group) and on leasehold improvements as a result of efficiency measures taken in the Communications Group.

Due to the closure of the factories in Vigo and Llanelli particular property, plant and equipment became idle in 2008. Assets for an amount of € 5.0 million were impaired. The Group has not reversed any impairment loss in 2009 and 2008.

Leased property, plant and equipment

The Group leases land, buildings, plant and equipment under a number of finance lease-agreements. At 31 December 2009, the net carrying amount of leased property, plant and equipment was € 18.7 million (2008: € 26.2 million). The leased land, buildings, plant and equipment secures lease obligations (see note 24).

Security

At 31 December 2009, mortgages have been granted as security for debts to credit institutions of € 5.3 million (2008: € 5.0 million) (see note 24).

Property, plant and equipment under construction

The balance mainly represents equipment under construction for own use.

15. Intangible assets

In millions of euro	Goodwill	Patents and licences	Development costs	Software	Other	Total
Balance as at 31 December 2007						
Cost	72.3	25.1	1.7	39.6	2.0	140.7
Accumulated amortisation and impairments	(0.4)	(6.1)	(1.2)	(31.1)	(0.6)	(39.4)
Carrying amount	**71.9**	**19.0**	**0.5**	**8.5**	**1.4**	**101.3**
Acquisitions	7.3	-	-	-	-	7.3
Consolidation of entities, previous year classified as equity accounted investees	-	0.3	-	0.1	-	0.4
Additions	0.8	1.6	-	5.6	0.6	8.6
Amortisation charge for the year	-	(1.9)	(0.1)	(3.0)	(0.2)	(5.2)
Reclassification	-	0.9	-	-	-	0.9
Effect of movements in foreign exchange	0.1	0.1	-	-	-	0.2
Total changes	**8.2**	**1.0**	**(0.1)**	**2.7**	**0.4**	**12.2**
Balance as at 31 December 2008						
Cost	80.5	28.4	1.9	38.7	2.6	152.1
Accumulated amortisation and impairments	(0.4)	(8.4)	(1.5)	(27.5)	(0.8)	(38.6)
Carrying amount	**80.1**	**20.0**	**0.4**	**11.2**	**1.8**	**113.5**
Acquisitions	0.1	-	-	-	0.3	0.4
Additions	-	1.9	0.2	4.6	0.2	6.9
Amortisation charge for the year	-	(2.1)	(0.3)	(3.6)	(0.3)	(6.3)
Reclassification	-	-	-	0.6	(0.6)	-
Disposals	-	-	-	(0.1)	-	(0.1)
Effect of movements in foreign exchange	-	(0.1)	0.1	(0.1)	-	(0.1)
Total changes	**0.1**	**(0.3)**	**-**	**1.4**	**(0.4)**	**0.8**
Balance as at 31 December 2009						
Cost	80.7	30.2	1.6	43.0	2.5	158.0
Accumulated amortisation and impairments	(0.5)	(10.5)	(1.2)	(30.4)	(1.1)	(43.7)
Carrying amount	**80.2**	**19.7**	**0.4**	**12.6**	**1.4**	**114.3**

In 2008 the Group has reclassified assets to/from property, plant and equipment to/from intangible assets.

Goodwill

Acquisitions include goodwill arising from acquisitions in subsidiaries (as stated in note 3).
The acquisition of € 0.1 million relates to Hickory Wire Inc.

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

Amortisation

The amortisation charge for an amount of € 6.3 million (2008: € 5.2 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 2009 and 2008.

Impairment tests for cash-generating units containing goodwill

The carrying amount of goodwill relates to:

In millions of euro	2009	2008
Communications	64.3	64.2
Industry and Specialty	15.7	15.7
Energy and Infrastructure	0.2	0.2
Total	**80.2**	**80.1**

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% (2008: 10.5%). 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 2009 the carrying amount of these rights is € 11.2 million (2008: € 12.4 million) and the remaining useful live is approximately 10 years.

16. Investments in equity accounted investees and joint ventures

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

		Country	Ownership 2009	Ownership 2008
Oman Cables Industry (SAOG)	Associate	Oman	34.8%	34.8%
Elkat Ltd.	Associate	Russia	40.0%	40.0%
Telcon Fios e Cabos Para Telecomunicações	Joint venture	Brazil	50.0%	50.0%
Yangtze Optical Fibre & Cable Co. Ltd.	Joint venture	China	37.5%	37.5%
Precision Fiber Optics Ltd.	Joint venture	Japan	50.0%	50.0%
Jiangsu YOFC Zhongli Fiber and Cable Co. Ltd.	Associate	China	19.1%	19.1%
Yangtze Optical Fiber and Cable Sichuan Co. Ltd.	Associate	China	19.1%	3.6%
Draka Comteq SDGI Co. Ltd.	Associate	China	18.4%	55.0%
Tianjin YOFC XMKJ Optical Communications Co. Ltd.	Associate	China	18.4%	-
Shantou Hi-tech Zone Aoxing Optical Communication Equipment Co. Ltd.	Associate	China	15.7%	15.7%
Yangtze (Wuhan) Optical System Co. Ltd.	Associate	China	11.3%	11.3%

As of 1 January 2009 the Company has decided to proportionately consolidate its joint ventures Telcon Fios e Cabos Para Telecommunicações, Yangtze Optical Fibre & Cable Co. Ltd. and Precision Fiber Optics Ltd. in its consolidated financial statements instead of using the equity method.

Management is of the opinion that proportionate consolidation provides reliable and more relevant information about the Company's financial position and performance.

In 2009 Yangtze Optical Fibre & Cable Co. Ltd acquired 15.5% of the shares of Yangtze Optical Fiber and Cable Sichuan Co. Ltd and 18.4% of the shares of Tianjin YOFC XMKJ Optical Communications Co. Ltd. for a total consideration of € 6.0 million in cash. Furthermore Yangtze Optical Fibre & Cable Co. Ltd acquired 18.4% of the shares of Draka Comteq SDGI Co. Ltd. from a Draka Group company, for which the consideration will be paid in the course of 2010. The percentages mentioned are the Group's proportionately consolidated share.

On 6 October 2009 the 29.9% share in Oakwell Engineering Ltd. was sold for an amount of € 3.9 million, which approximated the book value as of that date.

The Group's share of result in equity accounted investees for the year ended 31 December 2009 was € 5.0 million (2008: € 5.8 million). During the year 2009 the Group received dividends from equity accounted investees for an amount of € 2.2 million (2008: € 3.1 million).

Oman Cables Industry (SAOG) is listed on public stock exchange markets. Based on the stock price at 31 December 2009, the fair value of the investment in Oman Cable Industry (SAOG) amounts to € 80.8 million (31 December 2008: € 51.3 million).

Summary financial information of equity accounted investees and joint ventures at 100 per cent based on 31 December 2009 and 2008 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
2009									
Oman Cables Industry (SAOG)	126.4	54.2	180.6	91.9	13.8	105.7	291.4	278.9	12.5
Elkat Ltd.	19.7	5.6	25.3	0.5	0.2	0.7	120.5	123.5	(3.0)
Telcon Fios e Cabos Para Telecomunicações	30.9	17.0	47.9	15.3	6.7	22.0	59.6	56.7	2.9
Yangtze Optical Fibre & Cable Co. Ltd.	163.4	112.0	275.4	125.8	30.6	156.4	387.3	357.4	29.9
Precision Fiber Optics Ltd.	2.2	0.1	2.3	1.2	-	1.2	3.9	3.8	0.1
Jiangsu YOFC Zhongli Fiber and Cable Co. Ltd.	18.6	2.7	21.3	9.8	-	9.8	37.5	35.4	2.1
Yangtze Optical Fiber and Cable Sichuan Co. Ltd.	11.7	1.9	13.6	7.3	-	7.3	20.9	19.9	1.0
Draka Comteq SDGI Co. Ltd.	14.0	3.2	17.2	3.0	-	3.0	14.6	13.0	1.6
Tianjin YOFC XMKJ Optical Communications Co. Ltd.	9.9	19.5	29.4	6.2	-	6.2	11.6	10.7	0.9
Shantou Hi-tech Zone Aoxing Optical Communication Equipment Co. Ltd.	19.3	7.9	27.2	6.1	-	6.1	37.4	34.6	2.8
Yangtze (Wuhan) Optical System Co. Ltd.	7.7	0.4	8.1	2.2	-	2.2	7.6	5.8	1.8
2008									
Oman Cables Industry (SAOG)	213.4	43.1	256.5	189.6	6.8	196.4	588.7	576.9	11.8
Elkat Ltd.	24.9	6.4	31.3	0.5	0.2	0.7	301.4	300.9	0.5
Telcon Fios e Cabos Para Telecomunicações	24.1	10.6	34.7	13.3	3.3	16.6	75.2	69.1	6.1
Yangtze Optical Fibre & Cable Co. Ltd.	123.1	105.7	228.8	98.2	9.1	107.3	239.9	227.6	12.3
Precision Fiber Optics Ltd.	2.5	1.4	3.9	2.3	-	2.3	6.7	5.7	1.0
Oakwell Engineering Limited	50.9	8.6	59.5	35.6	1.2	36.8	98.6	98.1	0.5
Jiangsu YOFC Zhongli Fiber and Cable Co. Ltd.	15.4	2.8	18.2	8.6	0.1	8.7	24.8	23.6	1.2
Yangtze Optical Fiber and Cable Sichuan Co. Ltd.	8.6	1.4	10.0	4.1	-	4.1	12.1	12.0	0.1
Shantou Hi-tech Zone Aoxing Optical Communication Equipment Co. Ltd.	16.3	8.4	24.7	5.7	-	5.7	28.4	27.7	0.7
Yangtze (Wuhan) Optical System Co. Ltd.	7.1	0.4	7.5	2.5	-	2.5	6.8	5.2	1.6

17. Other non-current financial assets

In millions of euro	31/12/2009	31/12/2008	01/01/2008
Receivables	12.3	13.0	15.5
Promissory note	-	8.7	8.2
Other investments	2.7	3.0	2.4
	15.0	**24.7**	**26.1**

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

18. Inventories

In millions of euro	31/12/2009	31/12/2008	01/01/2008
Raw materials and consumables	85.7	98.1	121.3
Work in progress	35.9	28.1	27.9
Semi finished goods	29.0	29.6	55.0
Finished goods	199.7	219.7	245.9
	350.3	**375.5**	**450.1**

In the fourth quarter of 2008 the price of copper dropped substantially from € 4,533 to € 2,080. Management assessed the impact of this steep drop in copper price on the net realisable value of the Group's inventory and recognised a non-recurring write down of € 21.1 million.

In 2009 raw materials and consumables and changes in work in progress, semi finished goods and finished goods recognised as cost of sales amounted to € 1,247.1 million (2008: € 1,879.2 million). In 2009 the additions to allowances for obsolete stock amounted to € 11.9 million (2008: € 9.3 million). The additions are included in cost of sales.

At 31 December 2009, no inventories have been pledged (2008: nil).

19. Trade and other receivables

In millions of euro	31/12/2009	31/12/2008	01/01/2008
Trade receivables	309.2	352.2	446.8
Trade receivables due from associates	2.1	2.5	2.5
Other current receivables and prepayments	70.1	77.4	58.9
	381.4	**432.1**	**508.2**

At 31 December 2009, other current receivables include retentions of € 0.3 million (2008: € 0.2 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 € 11.9 million at 31 December 2009, representing 3.7% of trade receivables (2008: € 9.6 million or 2.6%). In 2009, expenses relating to the impairment of trade receivables of € 6.0 million were recognised in the consolidated statement of income, representing 0.29% of revenue (2008: € 3.6 million, or 0.13% of revenue).

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

In September 2009 Draka entered into a standby arrangement with ING Commercial Finance, part of ING Group. The arrangement offers Draka the opportunity to sell accounts receivable of several of its European entities to ING Commercial Finance with a maximum of € 50 million. Draka activated the arrangement, which runs for at least 24 months, in September 2009.

As part of this arrangement the Group has factored trade receivables without recourse in 2009. These receivables are derecognised from the balance sheet because all their related risks and rewards are transferred under such transactions to the factor. The amount of receivables factored but not yet paid by customers was € 31.2 million at 31 December 2009.

20. Assets and liabilities held for sale

In relation to the anticipated sale of its optical power ground wire ("OPGW") activities within the Communications Group, at 31 December 2008, certain assets (€ 18.2 million) and liabilities (€ 9.6 million) were classified as held for sale. On 5 June 2009 the Group completed the sale of these activities to AFL Telecommunications USA.

Assets classified as held for sale

In millions of euro	31/12/2009	31/12/2008	01/01/2008
Property, plant and equipment	-	3.7	-
Inventories	-	5.3	-
Trade and other receivables	-	9.2	-
	-	**18.2**	**-**

Liabilities classified as held for sale

In millions of euro	31/12/2009	31/12/2008	01/01/2008
Employee benefits	-	3.6	-
Trade creditors	-	3.8	-
Other current payables	-	2.2	-
	-	**9.6**	**-**

21. Cash and cash equivalents

In millions of euro	31/12/2009	31/12/2008	01/01/2008
Cash and cash equivalents	74.0	74.6	43.1
Bank overdrafts	(6.9)	(33.4)	(57.6)
Cash and cash equivalents in the statement of cash flows	**67.1**	**41.2**	**(14.5)**

Cash and cash equivalents are freely available.

22. Total equity

Total equity consists of shareholders' equity attributable to the equity holders of the Company of € 549.5 million (2008: € 440.4 million) and minority interests of € 21.0 million (2008: € 25.4 million).

In October 2009 the company issued 8,119,370 ordinary and 708,400 preference shares. Net proceeds after deduction of directly attributable costs of € 2.3 million, amounted to € 98.7 million.

See note 38 for additional details on shareholders' equity.

23. Earnings per share

Basic earnings per share

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

Result attributable to ordinary equity holders

In millions of euro	2009	2008
Result for the year	(18.2)	69.3
Dividends on redeemable cumulative preference shares	(5.4)	(5.4)
Result attributable to ordinary equity holders	**(23.6)**	**63.9**

Weighted average number of ordinary shares

In thousands of shares	2009	2008
Issued common shares as at 1 January	40,617	35,571
Effect of treasury shares held	(13)	(16)
Issue of shares	1,746	-
Effect of conversion of convertible subordinated bond notes	-	237
Weighted average number of ordinary shares at 31 December	**42,350**	**35,792**

Basic earnings per share (euro)

Basic earnings per share	**(0.56)**	**1.78**

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.

Result attributable to equity holders (diluted)

In millions of euro	2009	2008
Result attributable to ordinary equity holders	(23.6)	63.9
After-tax effect of interest on convertible subordinated bond notes	1.3	4.5
Result attributable to ordinary equity holders (diluted)	**(22.3)**	**68.4**

Weighted average number of ordinary shares (diluted)

In thousands of shares	2009	2008
Weighted average number of ordinary shares (basic)	42,350	35,792
Effect of long-term incentive plans	191	204
Effect of conversion of convertible subordinated bond notes	1,748	6,473
Weighted average number of ordinary shares (diluted) at 31 December	**44,289**	**42,469**

Diluted earnings per share (euro)

Diluted earnings per share	**(0.56)**	**1.61**

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 arrangements and the long-term incentive plans for the year 2009 are not included in the diluted earnings per share for that year, as these instruments had an antidilutive impact on the reported earnings attributable to ordinary equity holders.

24. Interest-bearing loans and borrowings

In millions of euro	Carrying amount 31/12/2009	Fair value 31/12/2009	Carrying amount 31/12/2008	Fair value 31/12/2008	Carrying amount 01/01/2008	Fair value 01/01/2008
Non-current liabilities						
Convertible subordinated bonds	-	-	24.3	19.0	91.6	156.3
Bank facilities and loans	269.9	269.9	500.7	500.7	418.3	418.3
Finance leases	16.9	16.9	19.8	19.8	23.2	22.2
	286.8	**286.8**	**544.8**	**539.5**	**533.1**	**596.8**
Current liabilities						
Convertible subordinated bonds	25.1	25.2	-	-	-	-
Bank facilities and loans	46.4	46.4	35.5	35.5	46.4	46.4
Current portion of finance leases	3.2	3.2	4.0	4.0	4.8	4.8
	74.7	**74.8**	**39.5**	**39.5**	**51.2**	**51.2**
Total interest-bearing loans and borrowings	**361.5**	**361.6**	**584.3**	**579.0**	**584.3**	**648.0**

In millions of euro	Convertible subordinated bonds	Bank facilities and loans	Finance Leases	Total
Effective interest rate	7.0%	2.6%	8.8%	
Due in 2010	25.1	46.4	3.2	74.7
Due between 2011 - 2014	-	269.9	7.5	277.4
Due after 2014	-	-	9.4	9.4
Total interest-bearing loans and borrowings	**25.1**	**316.3**	**20.1**	**361.5**
Of which included in non-current	-	269.9	16.9	286.8
Of which included in current	25.1	46.4	3.2	74.7
Total interest-bearing loans and borrowings	**25.1**	**316.3**	**20.1**	**361.5**

The effective interest rates as stated in the table above, includes the impact of interest rate swaps.

The fair value of interest-bearing loans and borrowings has been estimated by calculating the discounted value of the loan and borrowings portfolio using an estimated yield curve, appropriated for the contract terms in effect at the end of the year. The carrying amounts of current portion of interest-bearing loans and borrowings approximate their fair value. Quoted market prices and interest rates prevailing on the balances sheet date were used in determining fair values.

The Group has hedged the interest rate risk on part of the multicurrency revolving credit facility. More information about the Group's exposure to interest rate and foreign currency risk has been disclosed in note 28.

4 per cent Convertible Subordinated Bonds due 2010

In millions of euro	2009	2008
Balance at 1 January	24.3	91.6
Conversion of convertible subordinated bond notes	-	(70.1)
Amortisation of interest expense	0.8	2.8
Carrying amount of liability at 31 December	**25.1**	**24.3**

On 8 December 2008 the Group offered all convertible bond holders to early convert their convertible bonds into shares. The Group would pay an additional € 300 per € 1,000 to compensate the bondholders for early conversion. Bondholders owning 74.2% of the convertible bond outstanding have tendered into the offer. The profit resulting from this transaction is determined as the difference between the book value and the fair value of the debt's portion of the convertible bond (compound financial instrument)

at conversion date, net of transaction costs. The resulting profit of € 12.6 million has been recognised under financial income.

In September 2010, bondholders have the option to convert the notes into ordinary Draka Holding N.V. shares at a conversion price of € 14.71. Notes that are not converted into ordinary shares will be redeemed at face value in September 2010. The face value of the convertible notes amounted to € 25.7 million at 31 December 2009 (2008: € 25.7 million).

Bank facilities and loans

The bank facilities and loans comprise a combination of a committed multicurrency revolving credit facility of € 675 million and various bilateral facilities on Group level as well as local facilities to various subsidiaries. The multicurrency facility expires in 2012 with an option to extend one year.

The interest-bearing liabilities, except the convertible subordinated bonds, relate to various credit facilities from (a syndicate of) financial institutions. The interest payable of the multicurrency revolving credit facility is variable and based on the relevant interbank interest rate plus a mark-up of 95 basis points. If certain conditions are not met, the loans become payable on demand. See note 4b.

Certain bank loans are secured over land and buildings with a carrying amount of € 5.3 million (2008: € 5.0 million) (see note 14).

Finance lease liabilities

Finance lease liabilities are payable as follows:

In millions of euro	Future minimum lease payments **2009**	Interest **2009**	Present value of minimum lease payments **2009**	Future minimum lease payments 2008	Interest 2008	Present value of minimum lease payments 2008
Less than one year	4.9	1.7	3.2	6.0	2.0	4.0
Between one and five years	13.4	5.9	7.5	15.5	6.7	8.8
More than five years	12.3	2.9	9.4	15.0	4.0	11.0
	30.6	**10.5**	**20.1**	**36.5**	**12.7**	**23.8**

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

25. Provision for employee benefits

Defined benefit plans

Employee benefit plans have been established in many countries in accordance with the legal requirements, customs and the local situation in the country involved. In Europe a significant part of the employees are covered by defined benefit plans. The benefits provided by these plans are based on employees service years and compensation levels. The measurement date for all defined benefit plans is 31 December.

Contributions are made by the Group, as necessary, to provide assets to meet the benefits payable to defined benefit pension plan participants. These contributions are based on various factors including funded status, legal and tax considerations as well as local customs.

In the Netherlands the Group participates in a multi-employer pension plan. This pension plan is externally funded in PME, the Dutch industry wide pension fund for the Metalelektro. In accordance with IAS 19 the related pension scheme should be treated as a defined benefit plan. Since the assets and liabilities of this multi-employer plan can not be allocated in a systematic way to the employers, the Group applies the exemption mentioned in paragraph 19.30 of IAS and treats the scheme as a defined contribution plan. The pension fund has a deficit. The coverage ratio per 31 December 2009 on the basis of the actual market interest rate was not yet known at the date of authorisation of the financial statements (2008: 90%). The Group has no obligation to fund any deficits and is not entitled to any surpluses.

In millions of euro	31/12/2009	31/12/2008	01/01/2008
Present value of unfunded obligations	59.8	62.5	61.4
Present value of funded obligations	170.5	160.9	244.7
Fair value of plan assets	(152.4)	(133.2)	(256.2)
Unrecognised net assets	-	-	8.1
Present value of net obligations	**77.9**	**90.2**	**58.0**
Unrecognised actuarial gains and (losses)	(6.0)	(15.0)	24.0
Recognised liability for defined benefit obligations	**71.9**	**75.2**	**82.0**
Liability for long-service leave	10.8	10.3	11.4
Transferred to disposal group, classified as held for sale	-	(3.6)	-
Total employee benefits	**82.7**	**81.9**	**93.4**
Actual return on plan assets	**17.0**	**(29.9)**	**12.9**

The unrecognised net assets primarily relate to a pension plan in the Netherlands, whereby the Group is unable to control the surplus assets. In 2008, the pension fund has been liquidated. The surplus assets have been divided between the employer and the employees, which resulted in a gain of € 4.5 million for the Group. The 2009 contribution to the Group's multi employer plan (PME) amounted to € 6.5 million (2008: € 6.0 million).

Movement in the liability for defined benefit obligations

In millions of euro	2009	2008
Liability for defined benefit obligations at 1 January	223.4	306.0
Benefits paid by the plan	(9.4)	(8.1)
Current service costs	2.9	4.2
Interest on obligation	12.4	12.8
Actuarial losses or (gains)	(1.6)	(7.5)
Benefits paid by the employer	(3.2)	(3.6)
Employee contributions	0.8	1.0
Curtailments and settlements	-	(1.5)
Liabilities extinguished on settlements	(2.6)	(56.9)
Effect of movements in foreign exchange	7.6	(23.0)
Liability for defined benefit obligations at 31 December	**230.3**	**223.4**

Movement in plan assets

In millions of euro	2009	2008
Fair value of plan assets at 1 January	133.2	256.2
Benefits paid by the plan	(9.1)	(8.1)
Employer contribution	5.0	4.1
Employee contribution	0.8	1.0
Expected return on plan assets	8.3	10.9
Actuarial (losses) or gains	8.7	(40.8)
Effect of movements in foreign exchange	5.5	(18.4)
Assets distributed on settlement	-	(71.7)
Fair value of plan assets at 31 December	**152.4**	**133.2**

Expense recognised in the statement of income

In millions of euro	2009	2008
Interest on obligation	(12.4)	(12.8)
Current service costs	(2.9)	(4.2)
Expected return on plan assets	8.3	10.9
Curtailment	-	(0.3)
Amortization unrecognised net gain or loss	0.2	1.8
	(6.8)	**(4.6)**

The 2010 expense is not expected to differ significantly from the 2009 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 € 12.4 million (2008: € 7.4 million).

Actuarial assumptions

Principal weighted average actuarial assumptions at the balance sheet date:

	2009	2008	2007
Discount rate at 31 December	5.3%	5.6%	5.6%
Expected return on plan assets at 31 December	5.8%	5.6%	6.2%
Future salary increases	2.5%	2.5%	2.9%
Future pension increases	1.8%	1.9%	1.9%

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 2009 and 2008 is approximately as follows:

	2009	2008
Shares and related instruments	34%	29%
Bonds	61%	64%
Other	5%	7%

Historical information

In millions of euro	2009	2008	2007	2006	2005
Present value of the defined benefit obligation	230.3	223.4	306.0	330.1	320.2
Fair value of plan assets	152.4	133.2	256.2	259.4	243.4
Deficit in plan	**(77.9)**	**(90.2)**	**(49.8)**	**(70.7)**	**(76.8)**
Experience adjustments arising on plan liabilities	1.9	(2.2)	(2.5)	0.1	(25.1)
Experience adjustments arising on plan assets	8.7	(36.4)	(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.

26. Other provisions

In millions of euro	Warranties	Restructuring	Onerous contracts	Other	Total
Balance at 1 January 2008	**3.4**	**10.6**	**1.9**	**23.0**	**38.9**
Provisions made during the year	1.5	14.2	0.1	0.4	16.2
Provisions used during the year	(0.7)	(17.2)	(0.4)	(3.9)	(22.2)
Provisions reversed during the year	(0.6)	(0.6)	-	(1.0)	(2.2)
Reclassifications	0.2	-	(0.3)	0.1	-
Effect of movements in foreign exchange	-	(0.5)	-	(0.9)	(1.4)
Balance at 31 December 2008	**3.8**	**6.5**	**1.3**	**17.7**	**29.3**
Provisions made during the year	0.9	31.7	0.1	2.3	35.0
Provisions used during the year	(0.3)	(14.8)	(0.2)	(1.3)	(16.6)
Provisions reversed during the year	(1.6)	(0.3)	(0.1)	(4.2)	(6.2)
Reclassifications	-	(0.1)	-	0.1	-
Derecognised on disposal of a subsidiary	-	(0.4)	-	-	(0.4)
Effect of movements in foreign exchange	-	0.3	-	1.1	1.4
Balance at 31 December 2009	**2.8**	**22.9**	**1.1**	**15.7**	**42.5**
Non-current	2.2	3.6	-	14.2	20.0
Current	0.6	19.3	1.1	1.5	22.5

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 2009 Draka implemented and intensified the Triple S projects and other cost-saving measures. In response to the still-challenging market conditions, Draka announced that new projects were to be added to the Triple S cost-saving programme. The measures are being implemented across the entire organisation: the closure of the plant in Ystad (Sweden), the winding-down of automotive cable production in several countries (Industry & Specialty Group) and the implementation of a range of efficiency measures in the Communications Group. As a result hereof a total restructuring provision of € 31.7 million was made of which € 11.8 million was used in 2009. The majority of the restructuring in relation to these plans is expected to be completed in 2010.

In 2008 the Group announced to close its factories in Vigo (Spain), Llanelli (UK) and implement restructurings within the Communications Group. In relation to this a provision of € 14.2 million was made, of which € 11.2 million has been used in 2008. In 2009 the remaining amount of € 3.0 million was used.

Onerous contracts

The Group has non-cancellable leases for facilities which are no longer used due to changes in activities. The facilities are (partly) sublet where possible, but rental income is lower than the rental expense. The net obligation under the contracts was provided for.

Other provisions

Other provisions include among other things, expected losses on projects and provisions for plant dismantling and removal costs. The Group expects to incur most of the liability within the time frame of 4 years.

27. Trade and other payables

In millions of euro	31/12/2009	31/12/2008	01/01/2008
Trade payables	380.5	304.6	409.1
Non-trade payables and accrued expenses	108.8	120.7	135.8
	489.3	**425.3**	**544.9**

28. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In millions of euro			Carrying amount	
	Note	31/12/2009	31/12/2008	01/01/2008
Receivables	17)	12.3	13.0	15.5
Promissory note	17)	9.0	8.7	8.2
Other investments	17)	2.7	3.0	2.4
Trade receivables	19)	309.2	352.2	446.8
Trade receivables due from associates	19)	2.1	2.5	2.5
Other receivables	19)	43.4	60.7	52.3
Fair value derivatives	29)	10.1	-	2.4
Cash and cash equivalents	21)	74.0	74.6	43.1
		462.8	**514.7**	**573.2**

The Group has insured part of its exposure to credit risk (including political risk) on trade receivables; further reference is made to note 4.

Impairment losses

The aging of trade receivables at the reporting date was:

In millions of euro	Gross 2009	Impairment 2009	Gross 2008	Impairment 2008
Not past due	268.2	0.2	277.5	0.1
Past due 0-30	24.0	-	46.0	0.1
Past due 31-90	12.8	0.3	17.8	0.5
Past due 91-365	7.5	2.4	13.8	1.5
More than one year	10.7	9.0	9.2	7.4
	323.2	**11.9**	**364.3**	**9.6**

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

In millions of euro	Carrying amount 2009	2008
Balance at 1 January	**9.6**	**10.9**
Consolidation of entities, previous year classified as equity accounted investees	-	0.2
Impairment loss recognised	6.0	3.6
Write off against financial asset	(1.4)	(1.9)
Reversal of impairment loss	(2.1)	(2.4)
Translation differences	0.1	(0.5)
Derecognised on disposal of a subsidiary	(0.3)	-
Transferred to disposal group, classified as held for sale	-	(0.3)
Balance at 31 December	**11.9**	**9.6**

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrevocable are written off against the financial asset directly.

Liquidity risk

The following are the contractual maturities of financial liabilities at 31 December 2009:

In millions of euro	Carrying amount	Contractual cash flows (principal values)	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Convertible subordinated debt	25.1	(25.7)	-	(25.7)	-	-	-
Bank facilities and loans	316.3	(316.3)	(25.7)	(20.7)	(12.2)	(257.7)	-
Finance lease liabilities	20.1	(30.6)	(2.5)	(2.5)	(3.3)	(10.1)	(12.2)
Trade and other payables	489.3	(489.3)	(489.3)	-	-	-	-
Bank overdrafts	6.9	(6.9)	(6.9)	-	-	-	-
Derivative financial liabilities							
Interest rate derivatives	10.3	(10.7)	(3.2)	(1.6)	(2.8)	(3.1)	-
Foreign exchange derivatives	0.3	(0.3)	-	(0.2)	(0.1)	-	-

The Multicurrency facility expires in 2012 with an option to extend one year. Drawings under this facility typically have a tenor of one or three months.

The following are the contractual maturities of financial liabilities at 31 December 2008:

In millions of euro	Carrying amount	Contractual cash flows (principal values)	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Convertible subordinated debt	24.3	(25.7)	-	-	(25.7)	-	-
Bank facilities and loans	536.2	(536.2)	(27.0)	(8.5)	(5.2)	(495.5)	-
Finance lease liabilities	23.8	(23.8)	(2.4)	(1.6)	(4.0)	(4.9)	(10.9)
Trade and other payables	425.3	(425.3)	(425.3)	-	-	-	-
Bank overdrafts	33.4	(33.4)	(33.4)	-	-	-	-
Derivative financial liabilities							
Interest rate derivatives	5.6	(5.6)	(0.6)	(1.5)	(2.2)	(1.3)	-
Foreign exchange derivatives	6.7	(6.7)	(5.9)	-	(0.8)	-	-
Commodities	28.6	(28.6)	(18.9)	(8.1)	(1.6)	-	-

Currency risk

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2009	2008	**2009**	2008
Euro	1.00	1.00	1.00	1.00
USD	0.72	0.68	0.69	0.71
GBP	1.12	1.26	1.13	1.05

Sensitivity analysis

A 10 per cent strengthening or weakening of the euro against the aforementioned currencies at 31 December 2009 would have changed equity and profit or loss in the range of € 1.0 to € 1.5 million. This analysis assumes all other variables remain constant and excludes the effect of translating financial data denominated in a functional currency other than the euro – the reporting currency of the Group. The forward exchange contracts have been included in this estimation.

Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

In millions of euro	Carrying amount	
	2009	2008
Fixed rate instruments		
Financial assets	9.0	8.7
Financial liabilities	45.2	48.1
Floating rate instruments		
Financial assets	74.0	74.6
Financial liabilities	323.2	569.6

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In millions of euro	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2009				
Variable rate instruments	(2.5)	2.5	-	-
Interest rate derivatives	2.0	(2.0)	8.3	(6.1)
Cash flow sensitivity net	**(0.5)**	**0.5**	**8.3**	**(6.1)**
31 December 2008				
Variable rate instruments	(5.0)	5.0	-	-
Interest rate derivatives	2.7	(2.6)	5.3	(5.6)
Cash flow sensitivity net	**(2.3)**	**2.4**	**5.3**	**(5.6)**

Price risk
In the ordinary course of its business the Company has an exposure of a portion of its inventory (core inventory). Based on the economic position as per 31 December 2009, a change of € 0.10 in copper price will have a theoretical impact on the Company's operating result of around € 0.8 million. The actual impact depends on factors such as the period over which the fluctuation takes place, turnover speed of the inventory, and others.

For further information on financial instruments reference is made to note 4 financial risk management.

Fair value of financial instruments
The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are based on observable market data (unobservable inputs).

In millions of euro	Level 1	Level 2	Level 3	Total
31 December 2009				
Financial assets:				
Derivative financial instruments - cash flow hedges	-	9.5	-	9.5
Derivative financial instruments - fair value through profit or loss	-	0.6	-	0.6
Total	**-**	**10.1**	**-**	**10.1**
Financial liabilities:				
Derivative financial instruments - cash flow hedges	-	10.3	-	10.3
Derivative financial instruments - fair value through profit or loss	-	0.3	-	0.3
Total	**-**	**10.6**	**-**	**10.6**

29. Derivative financial instruments

Derivative financial instruments comprise:

In millions of euro	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives - cash flow hedges	-	10.3	-	5.5
Interest rate derivatives - fair value through profit or loss	-	-	-	0.1
Forward foreign exchange contracts - fair value through profit or loss	0.6	0.3	-	6.7
Forward copper contracts - cash flow hedges	9.5	-	-	28.6
Total	**10.1**	**10.6**	**-**	**40.9**

The following tables indicate the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and are expected to impact profit or loss:

In millions of euro	Carrying amount	Expected cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
31 December 2009							
Interest rate derivatives							
Liabilities:							
cash flow hedges	10.3	(10.7)	(3.2)	(1.6)	(2.8)	(3.1)	-
Forward copper contracts (commodities)							
Assets:							
cash flow hedges	9.5	9.5	6.4	2.5	0.5	0.1	-

In millions of euro	Carrying amount	Expected cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
31 December 2008							
Interest rate derivatives							
Liabilities:							
cash flow hedges	5.5	(5.5)	(0.8)	(1.3)	(2.1)	(1.3)	-
Forward copper contracts (commodities)							
Liabilities:							
cash flow hedges	28.6	(28.6)	(18.9)	(8.1)	(1.6)	-	-

30. Commitments and contingent liabilities

Investment and supplier commitments

As at 31 December 2009, the Group entered into contracts to purchase property, plant and equipment for an amount of € 0.3 million (2008: € 4.6 million). These commitments are expected to be settled in 2010.

Commitments under rental and lease agreements

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In millions of euro	2009	2008
Less than one year	10.2	12.1
Between one and five years	29.6	28.9
More than five years	19.4	22.9
	59.2	**63.9**

The Group leases factories, warehouse facilities, machinery and equipment under operating leases. These leases expire at various dates during the next 20 years, with an option to renew the lease after expiry date. The leases do not include any significant contingent rentals.

Some of the leased properties have been sublet by the Group. Sublease payments of € 1.0 million (2008: € 1.5 million) are expected to be received until expiry date. The Group has recognised a provision of € 1.0 million (2008: € 1.3 million) in respect of one of these leases (see note 26).

During the year ended 31 December 2009, € 12.3 million (2008: € 14.6 million) was recognised as an expense in the income statement in respect of operating leases. An amount of € 0.3 million was recognised as income in the income statement in respect of subleases (2008: € 0.6 million).

Guarantees

No guarantees have been issued at 31 December 2009 (2008: nil).

31. Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries, associates and joint ventures. In addition, for an overview of important shareholders in the Group reference is made to Share Information, Disclosure of Major Holdings in Listed Companies Act in this Annual report. For an overview of the remuneration of the Board of Management and Supervisory Board, reference is made to note 42.

Transactions with associates and joint ventures

In millions of euro	2009	2008
Sale of goods to related parties	80.2	20.2
Purchase of goods from related parties	7.3	0.9
Amounts owed by related parties	13.2	4.5
Amounts owed to related parties	4.9	2.8
Dividend received from related parties	11.5	6.7

32. Events after the balance sheet date

We refer for further explanation on the events after the balance sheet date to the section Other information included in the Company financial statements.

Company financial statements

Company balance sheet as at 31 December (before appropriation of the result)

In millions of euro	Note*	2009	2008
Assets			
Non-current assets			
Intangible fixed assets	35)	1.5	1.6
Tangible fixed assets		1.4	1.1
Derivative financial instruments		0.6	-
Financial fixed assets	36)	1,050.9	1,055.3
Total non-current assets		**1,054.4**	**1,058.0**
Current assets			
Derivative financial instruments		8.9	-
Trade and other receivables	37)	87.9	84.7
Cash in bank and in hand		44.5	7.4
Total current assets		**141.3**	**92.1**
Total assets		**1,195.7**	**1,150.1**
Equity			
Shareholders' equity			
Share capital		27.2	22.8
Share premium		457.5	360.9
Translation reserve		(22.8)	(29.6)
Hedging reserve		(1.9)	(27.8)
Reserve for equity accounted investees		36.9	36.3
Reserve for treasury shares		(0.4)	(0.1)
Retained earnings		71.2	8.6
Unappropriated result for the year		(23.6)	63.9
Preference shares dividend reserve		5.4	5.4
Total shareholders' equity	38)	**549.5**	**440.4**
Provision for employee benefits		**1.2**	**1.0**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	39)	293.1	557.4
Derivative financial instruments		5.6	5.1
Deferred tax liability		3.5	0.5
Total non-current liabilities		**302.2**	**563.0**
Current liabilities			
Interest-bearing loans and borrowings	39)	25.1	27.6
Other provisions		2.3	-
Derivative financial instruments		5.0	34.9
Trade and other payables	40)	310.4	83.2
Total current liabilities		**342.8**	**145.7**
Total liabilities		**646.2**	**709.7**
Total equity and liabilities		**1,195.7**	**1,150.1**
Statement of income for the years ended 31 December			
Income after taxes from investments in group companies	36)	5.5	42.8
Other income after taxes		(23.7)	26.5
Result attributable to the shareholders		**(18.2)**	**69.3**

* The notes to the company financial statements on pages 119 to 127 are an integral part of these company financial statements

Notes to the company financial statements

Contents

33. General

The company financial statements (hereinafter also referred to as the ‘statutory financial statements of the Company’) are part of the 2009 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.

34. 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.

35. Intangible fixed assets

In millions of euro	Goodwill	Software	Total
Balance as at 31 December 2008			
Cost	0.7	1.5	2.2
Accumulated amortisation	-	(0.6)	(0.6)
Carrying amount	**0.7**	**0.9**	**1.6**
Additions	-	0.3	0.3
Amortisation charge for the year	-	(0.4)	(0.4)
Total changes	**-**	**(0.1)**	**(0.1)**
Balance as at 31 December 2009			
Cost	0.7	1.8	2.5
Accumulated amortisation	-	(1.0)	(1.0)
Book value	**0.7**	**0.8**	**1.5**

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 1 January 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.

36. Financial fixed assets

Group companies or ‘subsidiaries’ are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Investments in Group companies are measured using the net asset value method. The net asset value and results of Group companies are determined on the basis of the accounting policies that are applied in the consolidated financial statements. The accounting policies of Group companies are changed where necessary to ensure consistency with the policies adopted by the Company.

If losses of Group companies that are allocable to the Company exceed the carrying value of the interest in the Group company (including separately presented goodwill, if any, and including other non-secured receivables), further losses are not recognised unless the Company has incurred obligations or made payments on behalf of the Group company to satisfy obligations of the Group company. In such a situation, the Company recognises a provision up to the extent of this obligation.

Unrealised gains and losses on transactions between Group companies, if any, are eliminated.

In millions of euro	Investments in group companies	Investments in equity accounted investees	Amounts from group companies and other	Total
Balance as at 31 December 2008	**717.9**	**24.7**	**312.7**	**1,055.3**
Share in result	1.3	4.2	-	5.5
Additions	11.9	-	-	11.9
Dividend received	(8.5)	(1.3)	-	(9.8)
Disposals	(0.3)	(3.9)	-	(4.2)
Financing and other movements	(2.3)	2.5	(14.8)	(14.6)
Effect of movements in foreign exchange	7.7	(0.9)	-	6.8
Balance as at 31 December 2009	**727.7**	**25.3**	**297.9**	**1,050.9**

Draka Holding N.V. is at the head of the Group and has capital interests in subsidiaries, associates and joint ventures presented on page 46.

37. Trade and other receivables

In millions of euro	**2009**	2008
Receivables from group companies	70.2	73.3
Other receivables and prepayments	17.7	11.4
	87.9	**84.7**

Receivables from Group companies and other receivables are mainly due within 1 year.

38. Shareholders' equity

For both the years ended 31 December 2009 and 31 December 2008, 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

On 2 October 2009 the Company has placed 4,057,654 new ordinary shares at a price of € 12.40 per share through an accelerated bookbuild offering. On 22 October 2009, the general meeting of shareholders of Draka Holding N.V. ("Draka") approved the private placement of 4,061,716 ordinary shares to Flint Beheer B.V. at a price of € 12.40 per ordinary share and the issue of 708,400 preference shares to the two holders of Draka's preference shares that held more than 5% of Draka's issued share capital allowing such holders to maintain their holdings above 5%. On 20 October 2009 one bond with a nominal value of € 1,000 was converted into 67 additional ordinary Shares.

At 31 December 2009, 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 48,736,597 were issued and fully paid (2008: 40,617,160). Excluding the number of shares that have been repurchased, the number of ordinary shares issued and outstanding is 48,705,966 (31 December 2008: 40,611,393);

- 82,000,000 preference shares with a par value each of € 0.50 per share, of which 2,925,000 preference shares held by ASR were issued and fully paid (2008: 2,675,000) and of which 2,829,657 preference shares held by Kempen were issued and fully paid (2008: 2,371,257).

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, ASR and Kempen. The preference shares have a remaining maturity of 3 years with annual dividends of 7.12% for the preference shares held by ASR and 7.06% for the preference shares held by Kempen.

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 2009 the Company owns 30,631 shares (2008: 5,767) and the amount paid to acquire the shares was € 384,344 (2008: € 123,493) (see note 2 (n)).

Movements in the number of shares in 2008 and 2009 that are issued and fully paid are as follows:

In numbers of shares	Ordinary shares	Treasury shares	Preference shares
Balance at 31 December 2007	**35,570,075**	**934**	**5,046,257**
Conversion of convertible subordinated bond notes	5,046,151	-	-
Movement in own shares	(4,833)	4,833	-
Balance at 31 December 2008	**40,611,393**	**5,767**	**5,046,257**
Issue of shares	8,119,370	-	708,400
Conversion of convertible subordinated bond notes	67	-	-
Movement in own shares	(24,864)	24,864	-
Balance at 31 December 2009	**48,705,966**	**30,631**	**5,754,657**

The maximum increase in the number of ordinary shares due to the conversion of the convertible bonds is 1,748,130 (2008: 1,748,198), corresponding to 3.6% (2008: 4.3%) of the ordinary shares as at 31 December 2009.

The movement schedule of capital and reserves attributable to the shareholders of the Company in 2008 and 2009 is presented below:

In millions of euro	Ordinary shares		Preference shares									
	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 31 December 2007	**17.9**	**237.3**	**2.5**	**74.1**	**(18.2)**	**-**	**(3.0)**	**5.4**	**30.5**	**(33.6)**	**87.6**	**400.5**
Appropriation of the result 2007	-	-	-	-	-	-	-	-	-	87.6	(87.6)	-
Foreign exchange translation differences	-	-	-	-	(11.4)	-	-	-	-	-	-	(11.4)
Effective portion of fair value changes of cash flow hedges (net of income tax)	-	-	-	-	-	-	(24.8)	-	-	-	-	(24.8)
Conversion of convertible subordinated bond notes	2.4	49.5	-	-	-	-	-	-	-	(17.2)	-	34.7
Dividends paid	-	-	-	-	-	-	-	(5.4)	-	(24.2)	-	(29.6)
Result for the year	-	-	-	-	-	-	-	5.4	5.8	(5.8)	63.9	69.3
Share based payments	-	-	-	-	-	-	-	-	-	2.2	-	2.2
Shares acquired under long term incentive plans	-	-	-	-	-	(1.2)	-	-	-	-	-	(1.2)
Shares delivered under long term incentive plans	-	-	-	-	-	1.1	-	-	-	(0.4)	-	0.7
Balance as at 31 December 2008	**20.3**	**286.8**	**2.5**	**74.1**	**(29.6)**	**(0.1)**	**(27.8)**	**5.4**	**36.3**	**8.6**	**63.9**	**440.4**
Appropriation of the result 2008	-	-	-	-	-	-	-	-	-	63.9	(63.9)	-
Foreign exchange translation differences	-	-	-	-	6.8	-	-	-	-	-	-	6.8
Effective portion of fair value changes of cash flow hedges (net of income tax)	-	-	-	-	-	-	25.9	-	-	-	-	25.9
Issue of shares	4.0	96.6	0.4	-	-	-	-	-	-	(2.3)	-	98.7
Dividends paid	-	-	-	-	-	-	-	(5.4)	-	-	-	(5.4)
Result for the year	-	-	-	-	-	-	-	5.4	2.8	(2.8)	(23.6)	(18.2)
Reclassification	-	-	-	-	-	-	-	-	(2.2)	2.2	-	-
Effect of acquisition minority interest	-	-	-	-	-	-	-	-	-	(0.3)	-	(0.3)
Share based payments	-	-	-	-	-	-	-	-	-	2.4	-	2.4
Shares acquired under long term incentive plans	-	-	-	-	-	(1.7)	-	-	-	-	-	(1.7)
Shares delivered under long term incentive plans	-	-	-	-	-	1.4	-	-	-	(0.5)	-	0.9
Balance as at 31 December 2009	**24.3**	**383.4**	**2.9**	**74.1**	**(22.8)**	**(0.4)**	**(1.9)**	**5.4**	**36.9**	**71.2**	**(23.6)**	**549.5**

Translation reserve

The translation reserve comprises all foreign exchange differences arising since 1 January 2004 from the translation of the financial statements of foreign operations as well as from the translation of inter-company loans with a permanent nature. The reserve is not available for distribution to shareholders. To the extent the translation reserve is negative, it reduces the amount that can be freely distributed out of reserves.

Hedging reserve

The hedging reserve is not available for distribution to shareholders. To the extent the hedging reserve is negative, it reduces the amount that can be freely distributed out of reserves.

Reserves for equity accounted investees

The reserve for equity accounted investees amounting to € 36.9 million (2008: € 36.3 million), relates to the Company's share in their result that has not been distributed as dividend. In 2009 an amount of € 2.2 million is reclassified to retained earnings, mainly caused by the sale of Oakwell Engineering Ltd. and the proportionate consolidation as of 1 January 2009 of its joint ventures Telcon Fios e Cabos Para Telecomunicações, Yangtze Optical Fibre & Cable Co. Ltd. and Precision Fiber Optics Ltd. instead of using the equity method.

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. Furthermore the retained earnings include a legal reserve of € 63.6 million in relation the Company's cumulative share in result less distributed dividend of the joint ventures Telcon Fios e Cabos Para Telecommunicações, Yangtze Optical Fibre & Cable Co. Ltd., Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd and Precision Fiber Optics Ltd., since these amounts cannot be repatriated to the Netherlands without restriction.

Dividends

A proposal will be made to the Annual General Meeting of Shareholders to pay a dividend on redeemable preference shares for an amount of € 5.4 million. The remainder will be added to retained earnings.

39. Interest-bearing loans and borrowings

In millions of euro	Note	2009	2008
Non-current liabilities			
Convertible subordinated bonds	24)	-	24.3
Bank facilities and loans		254.0	495.0
Group companies		39.1	38.1
		293.1	**557.4**
Current liabilities			
Convertible subordinated bonds	24)	25.1	-
Bank facilities and loans		-	27.6
		25.1	**27.6**

40. Trade and other payables

In millions of euro	2009	2008
Trade creditors	97.7	46.9
Payables to group companies	204.8	32.0
Other current liabilities, accruals and deferred income	7.9	4.3
	310.4	**83.2**

Trade and other payables are mainly due within 1 year.

41. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In millions of euro	Carrying amount	
	2009	2008
Investments in group companies and equity accounted investees	753.0	742.6
Amounts from group companies	291.8	291.7
Promissory note	9.0	8.7
Other investments	0.3	0.3
Receivables from group companies	70.2	73.3
Other receivables	4.1	0.8
Fair value derivatives	9.5	-
Cash and cash equivalents	44.5	7.4
	1,182.4	**1,124.8**

Liquidity risk

The following are the contractual maturities of financial liabilities at 31 December 2009:

In millions of euro	Carrying amount	Contractual cash flows (principal values)	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Convertible subordinated debt	25.1	(25.7)	-	(25.7)	-	-	-
Bank facilities and loans	254.0	(254.0)	-	-	-	(254.0)	-
Loans from group companies	39.1	(39.1)	-	-	-	-	(39.1)
Trade and other payables	310.4	(310.4)	(310.4)	-	-	-	-
Derivative financial liabilities							
Interest rate swaps	10.3	(10.7)	(3.2)	(1.6)	(2.8)	(3.1)	-
Foreign exchange derivatives	0.3	(0.3)	(0.3)	-	-	-	-

The following are the contractual maturities of financial liabilities at 31 December 2008:

In millions of euro	Carrying amount	Contractual cash flows (principal values)	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Convertible subordinated debt	24.3	(25.7)	-	-	(25.7)	-	-
Bank facilities and loans	502.2	(502.2)	(6.9)	(0.3)	-	(495.0)	-
Loans to group companies	38.1	(38.1)	-	-	-	-	(38.1)
Trade and other payables	83.2	(83.2)	(83.2)	-	-	-	-
Bank overdrafts	20.5	(20.5)	(20.5)	-	-	-	-
Derivative financial liabilities							
Interest rate swaps	5.6	(5.6)	(0.6)	(1.5)	(2.2)	(1.3)	-
Foreign exchange derivatives	5.8	(5.8)	(5.6)	(0.2)	-	-	-
Commodities	28.6	(28.6)	(18.9)	(8.1)	(1.6)	-	-

42. 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 2009 and 2008 was as follows:

In thousands of euro	Salary	Paid out holiday	Short-term incentive	Allowances	Total cash remuneration	Pension charges	Long-term incentive	Total remun-eration	Employer's expense	Total remuneration expense
2009										
Sandy Lyons	532	-	319	254	1,105	457	181	1,743	215	1,958
Frank Dorjee	452	19	294	3	768	90	478	1,336	7	1,343
	984	**19**	**613**	**257**	**1,873**	**547**	**659**	**3,079**	**222**	**3,301**
2008										
Sandy Lyons	516	-	356	275	1,147	446	95	1,688	152	1,840
Frank Dorjee	439	-	522	3	964	98	417	1,479	7	1,486
	955	**-**	**878**	**278**	**2,111**	**544**	**512**	**3,167**	**159**	**3,326**

Frank Dorjee has requested to defer the actual pay out of the short-term incentive until January 2011 in recognition of the business circumstances.

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.

The number of ordinary shares owned by and conditionally granted to members of the Board of Management on 31 December 2009 and 2008 was as follows:

Number of shares owned	2009	2008
Sandy Lyons	5,000	5,000
Frank Dorjee	9,940	9,940

Number of conditionally granted performance shares	2009	2008
Sandy Lyons	88,290	23,287
Frank Dorjee	99,834	44,582

The shares of all Board of Management members have been granted as part of the long-term incentive plan as detailed in note 11.

Supervisory Board

The remuneration of the members of the Supervisory Board is fixed and independent of the Company's financial results. Members of the Supervisory Board are also entitled to reimbursement of incurred costs.

The remuneration of the members of the Supervisory Board was as follows:

In thousands of euro	2009	2008
Fritz Fröhlich	83.5	83.5
Annemiek Fentener van Vlissingen	66.0	66.0
Harold Fentener van Vlissingen	56.0	55.0
Ludo van Halderen	60.0	59.2
Rob van Oordt	65.0	65.0
Annemieke Roobeek	55.0	55.0
Graham Sharman	63.5	63.5
	449.0	**447.2**

43. Audit fees

Fees paid to the Group's auditor for 2009 and 2008 (Deloitte Accountants B.V.) can be broken down into the following components:

- Audit fees, which include fees for auditing the statutory and consolidated financial statements;
- Audit-related fees, which include fees for work performed on prospectuses, non-standard auditing and advisory services not related to statutory auditing;
- Fees for tax advice;
- Other non-audit fees, which include fees for support and advice on acquisitions.

The breakdown of the audit fees for the year ended 31 December is as follows:

In millions of euro		2009		2008		
	Deloitte Accountants BV	Deloitte Touche Tohmatsu	Total	Deloitte Accountants BV	Deloitte Touche Tohmatsu	Total
Audit fees	0.5	1.2	**1.7**	0.4	1.2	**1.6**
Audit-related fees	0.2	0.4	**0.6**	-	-	**-**
Fees for tax advice	-	-	**-**	-	-	**-**
Other non-audit fees	-	0.4	**0.4**	-	-	**-**
	0.7	**2.0**	**2.7**	**0.4**	**1.2**	**1.6**

44. 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 € 30.2 million (2008: € 49.3 million).

Draka Holding N.V. forms a fiscal unity with several Dutch Group companies for the Dutch income tax. Consequently Draka Holding is jointly and severally liable for any debts arising from the fiscal unity.

The Company has issued guarantees in respect of credit facilities granted to subsidiaries of € 36.0 million (2008: € 33.6 million).

Amsterdam, 19 February 2010

Board of Management
Frank Dorjee, Chairman and CEO

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

Other information

Appropriation of result as provided for by the Articles of Association

Article 31 (1-12) of the Articles of Association states:

1. The profit evidenced by the annual accounts, as adopted and approved, shall be used first of all to pay the holders of Class B preference shares a dividend the percentage of which shall be equal to the average interest on deposits applied by the European Central Bank plus two and a half, increased by the debit interest surcharge commonly applied by the large banks in the Netherlands, weighted by the number of days to which the dividend payment relates. The amount of dividend is calculated on the basis of the paid-up portion of the nominal value. If any profit distribution referred to in the previous sentences cannot be made, whether in full or in part, on the grounds that the profit does not permit any such distribution, the deficit shall be charged against the distributable part of the Company's equity.

2. Subsequently, a dividend is paid on each preference share of a specific class. The amount and method of adopting the dividend shall be determined with the issue of the relevant class by the body authorised to issue the shares in question, all of this subject to the Supervisory Board's approval. The dividend shall be expressed as a percentage of the yield basis for the preference shares of the relevant class, as referred to in Article 8 paragraph 2 sub b. The resolution to issue preference shares of a specific class may provide:

   - that the dividend will be amended and readopted in accordance with the previous two sentences on the dates set out in the resolution (the "Dividend Review Dates");
   - that any deficit arising from the fact that the profit realised in a given year is insufficient to allow for payment of the full dividend on preference shares of the relevant class shall be
   - charged against the profit of the next financial year(s) in which the profit is sufficient to allow for any such payment;
   - that any deficit arising from the fact that the profit realised in a given year is insufficient to allow for payment of the full dividend on preference shares of the relevant class shall be charged, where possible, against the Company's freely distributable reserves;
   - that the dividend to be paid on the relevant preference shares shall be subordinated to the dividend to be paid on preference shares of any other class or classes.

3. The Board of Management shall annually decide, subject to approval by the Supervisory Board, which portion of the distributable profit after application of paragraphs 1 and 2 of this Article is to be reserved.

4. The portion of the profit which remains after payment of dividends on the preference shares and retention in any reserve shall be distributed as dividend to the ordinary shareholders.

5. The Board of Management may resolve to pay interim distributions, if the Supervisory Board so approves.

6. The Company may only distribute profit to its shareholders up to the distributable portion of the Company's equity.

7. Deficits may only be charged against the statutory reserves in so far as permitted by statute.

8. The profit shall be distributed after adoption of the annual accounts which confirm the lawfulness of the distribution.

9. Interim dividends may be paid only if it is evident from the interim financial accounts that the requirement of paragraph 6 of this Article is satisfied. The interim financial accounts must depict the Company's financial position no earlier than as at the first day of the third month prior to that in which the resolution to pay an interim dividend is made public. The interim accounts shall be prepared with due observance of generally accepted principles of valuation. The amounts to be reserved by statute shall be included in the financial accounts, which are to be signed by the members of the Board of Management. If the signature of any of these members is missing, this fact and the underlying reason shall be

duly reported. The interim financial accounts shall be deposited at the office of the Commercial Register within eight days of the date on which the resolution to distribute an interim dividend is announced.

10. The shares held by the Company in its own capital shall be counted in the calculation of the profit distribution.

11. Resolutions to pay interim dividends and other distributions shall be made public without delay.

12. Any claims by shareholders for payment of dividends shall lapse after five years.

Proposed appropriation of result

The following proposal will be presented to the shareholders for adoption at the Annual General Meeting of Shareholders.

The result for the year 2009 will be appropriated as follows (including comparative amounts):

In millions of euro	**2009**	2008
Reserve for equity accounted investees	2.8	5.8
Dividend preference shares	5.4	5.4
Dividend ordinary shares	-	-
Other reserves	(26.4)	58.1
	(18.2)	**69.3**

Employees

During 2009, the average number of employees employed by the Company (permanent and temporary) was 80 (2008: 71). The number of employees (permanent and temporary) employed by the Company at 31 December 2009 was 77 (31 December 2008: 78).

Events after the balance sheet date

On 5 January 2010 the Board of Management of Draka Holding N.V. announced that it intends to close its factory in Årnes (Norway). The factory is dedicated to the manufacturing of copper data communication cables for Local Area Network applications and employs around 125 people. The intention is to move the existing production capacity to its other facilities in Europe. The total termination of the activities has been communicated to the employees and will be finalized before the end of 2010. The intended closure of our factory in Årnes forms part of Draka's extended Triple S cost savings programme which was announced in October 2009.

Auditor's report

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

Report on the financial statements

We have audited the accompanying financial statements 2009 of Draka Holding N.V., Amsterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2009, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in total equity and consolidated statement of cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at December 31, 2009, the company statement of income for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the board of management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Draka Holding N.V. as at December 31, 2009, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Draka Holding N.V. as at December 31, 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Board of Management is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, February 19, 2010

Deloitte Accountants B.V.

P.J. Bommel

Trustee report

4 per cent. Convertible Subordinated Bonds 2005 due 2010 with principal amount of € 100,000,000 of Draka Holding N.V.

In compliance with the provisions of article 17, paragraph b 2 of the trust deed executed before Mr. R.J.J. Lijdsman on September 22, 2005, we report as follows.

Unless previously purchased, redeemed or converted as provided in the trust deed, the bonds will be redeemed at par on September 22, 2010. Up to and including September 15, 2010 the bonds are convertible into ordinary shares Draka Holding N.V. of € 0.50 nominal value on payment of the applicable conversion price. The current conversion price is € 14.71.

During the year in total 1 bond of € 1,000.-- has been offered for conversion. The outstanding amount of the bonds per 31 December 2009 was € 25,715,000. 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. provided that within a period of 30 subsequent trading days, ending 5 trading days prior to the announcement of early redemption, the closing price of the ordinary shares in Draka Holding N.V. on Euronext Amsterdam N.V. for not less than 20 trading days shall have been at least 130% of the then applicable conversion price;
2. if at least 90% of the bonds originally issued has been converted or purchased.

In case of a "Change of Control" as referred to in the trust deed, Draka Holding N.V. will offer bond holders the opportunity to redeem their bonds early.

Amsterdam, January 27, 2010

ANT Trust & Corporate Services N.V.

L.J.J.M. Lutz

Ten years of Draka Holding N.V.

	2009 [4]	2008 [2,4]	2007 [2,4]	2006 [4]	2005 [4]	2004 [4]	2003	2002	2001	2000 [2]
Results (x € million)										
Revenue	2,048	2,829	2,816	2,529	1,879	1,684	1,420	1,499	1,917	1,810
EBITDA	72	156	198	112	89	56	103	53	250	227
Operating result	9	95	146	58	31	(4)	42	(10)	189	171
Result before income tax	(17)	63	116	32	(8)	(36)	8	(49)	153	132
Result for the year (equity holders)	(18)	69	93	22	4	(9)	11	(25)	118	97
Balance sheet (x € million)										
Shareholders' equity	550	440	401	427	360	445	362	383	430	340
Guarantee capital [1]	569	490	523	620	702	624	563	618	556	503
Total assets	1,589	1,703	1,799	1,745	1,638	1,604	1,279	1,386	1,549	1,435
Current assets -/- non-interest bearing current liabilities	293	415	415	280	302	380	355	402	455	467
Per ordinary share (x € 1)										
Shareholders' equity (excluding preference shares)	9.69	8.96	9.11	9.85	10.13	8.84	11.16	12.13	14.98	10.65
Result for the year after dividend on preference shares	(0.56)	1.78	2.46	0.57	0.12	(0.67)	0.12	(1.62)	5.43	4.58
Proposed dividend	-	-	0.68	0.37	-	-	0.10	-	1.63	1.37
Pay-out	-	-	30%	30%	-	-	83%	-	30%	30%
Highest share price	14.26	25.20	42.20	26.60	14.30	20.90	16.85	45.71	67.35	89.40
Lowest share price	4.17	5.97	19.75	11.70	9.95	8.75	4.10	7.15	36.35	46.80
Market price at year end	13.46	6.54	23.00	25.80	13.23	10.70	15.60	9.45	39.50	57.40
Price / Earnings ratio on basis of price at year end	(24.2)	3.7	9.3	45.0	110.3	(16.0)	130.0	(5.8)	7.3	12.5
Price of convertible subordinated bond 2010 at year end	101%	74%	156%	168%	103%	-	-	-	-	-
Ratios (in %)										
Operating result / Revenue	0.4	3.4	5.2	2.3	1.6	(0.3)	3.0	(0.7)	9.9	9.4
ROTA [3]	(1.1)	3.6	6.5	1.9	(0.5)	(2.5)	0.7	(3.4)	10.6	9.5
Result for the year / Revenue	(0.9)	2.4	3.3	0.9	0.2	(0.5)	0.8	(1.7)	6.1	5.3
Result for the year / Average shareholders' equity (excluding preference shares)	(4.6)	21.4	27.6	6.1	1.3	(2.4)	3.0	(6.2)	30.5	32.2
Shareholders' equity / Total assets	34.6	25.9	22.3	24.5	22.0	27.7	28.3	27.6	27.8	23.7
Guarantee capital / Total assets	35.8	28.8	29.1	35.5	42.8	38.9	44.0	44.6	35.9	35.1
Other ratios										
Current ratio	1.3	1.6	1.4	1.2	1.4	1.4	1.5	1.3	1.1	1.3
Quick ratio	0.8	0.9	0.8	0.7	0.8	0.8	0.8	0.7	0.6	0.8
Revenue of total assets	1.3	1.7	1.6	1.5	1.1	1.0	1.1	1.1	1.2	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

3 Result before income tax / Average total assets (prior years are changed accordingly)

4 IFRS

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Colophon

Publication
Draka Holding N.V.

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Commond - Content for brands
www.commond.nl

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