Draka

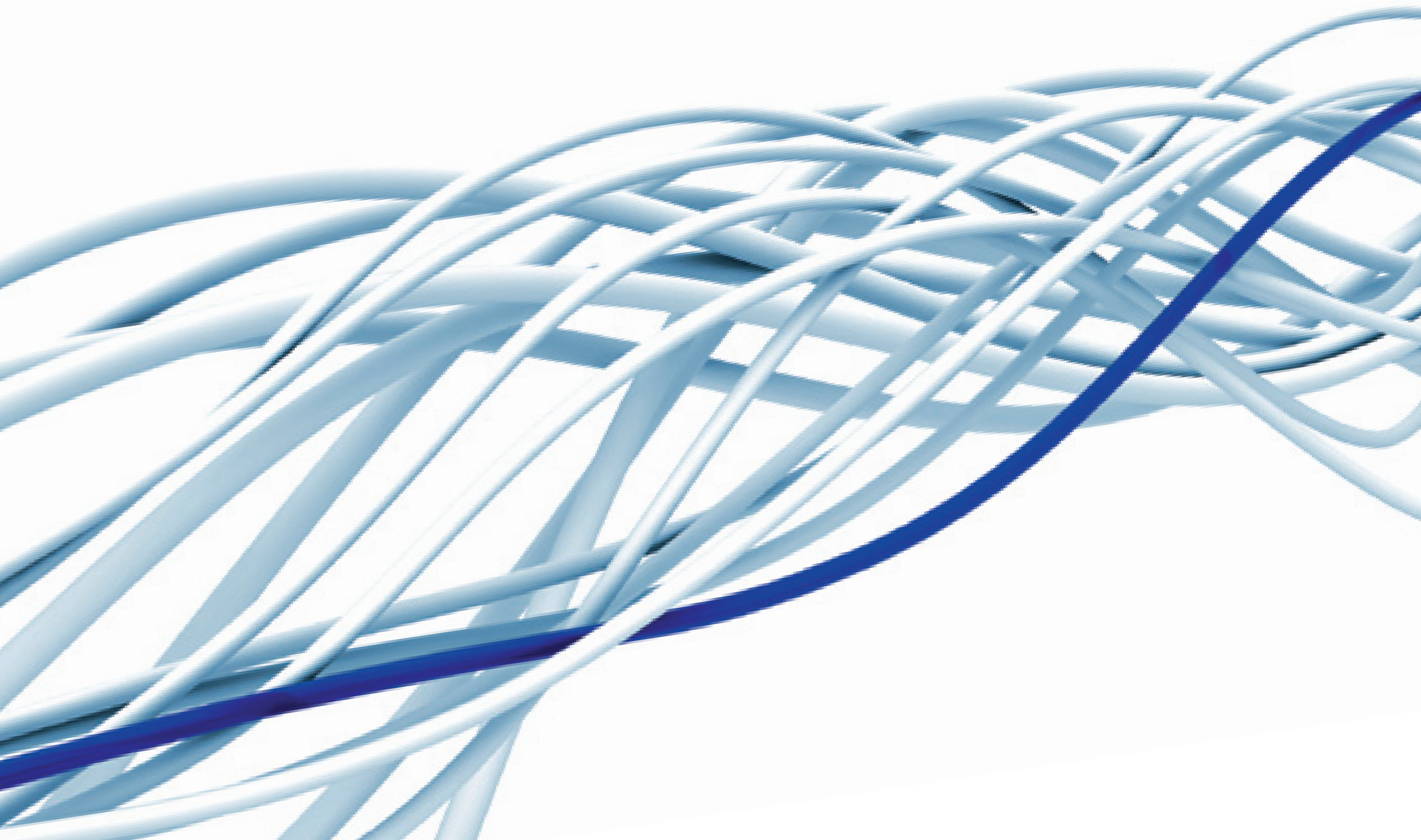
Annual report 2010

One century, one goal, one planet

One Draka

In 2010, Draka celebrated its 100th anniversary. Over the decades, the company grew from a small but ambitious Amsterdam manufacturer of copper wire into a world leader in innovative cable technology. A company which owes much of its success to a strong local presence in over 30 countries, ensuring that customers throughout the world benefit from reliable solutions tailored to local circumstances.

Yet, this would be impossible without the mutual support and interconnectedness of the worldwide Draka community. In this annual report, we focus on what binds Draka's people around the world. We share the firm belief that success depends on our passion for the customer's needs. The recognition that in economically challenging times, innovation is more important than ever. And the knowledge that real value for customers results from a commitment to socially and environmentally responsible solutions as well as to overall sustainable performance. In short: one century, one goal, one planet.



Energy & Infrastructure

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Industry & Specialty

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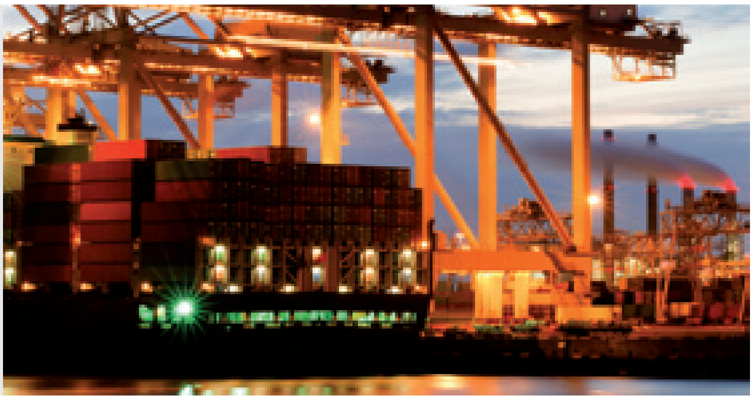

Communications

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Highlights 2010

Q1
Launch of the renewed Draka visual identity. The look is open and stylish and builds on Draka's 100 year old foundations at the same time.

Q1
Draka Energy & Infrastructure Asia Pacific opens its second factory in Malaysia, Draka Sdn Bhd.

Q2
Draka celebrates its 100th anniversary of cable solutions in the Netherlands, and a century of innovation.

Contents

Q2
Draka Cableteq USA acquires PTM (New Jersey, USA). A company specialised in the development of a new generation of cable, fiber optic and tubing technologies to meet the world's growing energy needs.

Q2
As part of Draka's 100th anniversary the Innovation Centre opens its doors in Amsterdam: an interactive showcase for innovations from all parts of the organisation.

Q4
The Offshore division is awarded the array cabling contract for the Baltic 2 offshore wind farm (located in the Western Baltic Sea). The contract is valued at approximately € 23 million.

Q4
Draka and Prysmian combine to form the world's global leader in the cable industry.

Core competences & core activities

Draka's core competences are the development, production and sale of cable. Since the company's inception over a century 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 employees are bound by the Code of Conduct, which is based on the following shared core values:

Respect
- For the individual, irrespective of nationality, race, origin or disability
- For our customers, suppliers and colleagues
- For the environment
- For the communities in which we are active

Integrity
- In all our relationships, based on and sustained by trust
- In complying with the law
- Expressed in our ethical behaviour in everything we do
- In making the right choices

Accountability
- Our actions are compatible with our responsibilities
- Accountable to our shareholders, customers, colleagues and suppliers
- Committed to providing the highest possible standard of service to our customers
- 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 geographical regions to about 60% of total revenues (2010: approximately 53%);
- 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 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[1] 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 amortization 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.

[1] Operating result as a percentage of revenues at constant copper prices (€ 4.40/kg).

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
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
Offshore	Growing position in subsea cable and leading position in cable for offshore oil and gas industry in North America and Far East
Renewable Energy	Global market leader in cable for wind turbines; prominent position in cable for solar energy

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. 4 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 9,377 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 2011

Draka Holding N.V.
Frank Dorjee (CEO)

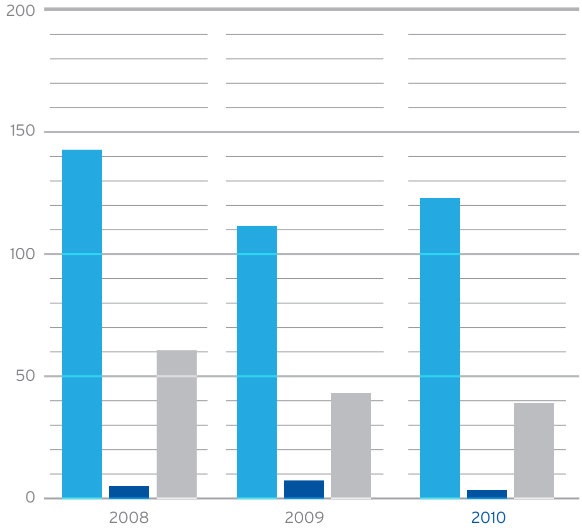
- **Energy & Infrastructure**
  Ruud Majenburg
  - Asia-Pacific
    Kian Cheng Wong
  - Europe
    Ruud Majenburg
- **Industry & Specialty**
  André Surchat
  - Aerospace
    Alain Jeanguillaume
  - Automotive
    Hubert Eisengarten
  - Elevator
    Sterrett Lloyd
  - Engineered Specialties
    John Chrupcala
  - Offshore
    Frédéric Grosse
  - Renewable Energy
    Yves Pollé
- **Communications**
  Phil Edwards
  - Telecom Solutions
    Jan-Willem Leclercq
    Jürgen Glässner
  - Americas
    Bill Dungan
    Allen Griser
  - Multimedia & Specials
    Mika Höijer
    Anton Obermeyer
  - Optical Fiber
    Philippe Vanhille

2010 in a glance

Market conditions improved slightly, due mainly to positive developments in the second half of 2010. Draka derived maximum benefit from this upturn, with higher profit driven by volume growth and a further reduction in the cost base.

- Global cable market picked up in 2010 after the substantial decline in 2009. Global volume growth of around 7%; Western Europe and North America reported slower growth of 4-6%.
- Draka maintained market share in various sub-segments: all of its 4% volume growth was generated in the second half, matching the growth in its principal markets.
- Sustained focus on reducing cost base pays off: additional cost savings of € 30 million in 2010, on top of € 30 million savings in 2009. New initiatives are expected to lower the cost base by around € 10 million in 2011.
- Operating result (excluding non-recurring items) amounted to € 85.4 million (+13%) at an operating margin of 3.7% (+20 basis points). Competitive market conditions and higher raw material prices were offset by the positive effects of volume growth, cost savings and an improved product mix.
- Higher operating result driven entirely by strong growth in Communications Group. Lower results for Energy & Infrastructure and Industry & Specialty, but both groups performed better in the second half of 2010 compared with the same period in 2009.
- Result for the year attributable to shareholders was € 60.5 million (2009: € 48.3 million) and earnings per share amounted to € 1.13 (2009: € 1.01), both excluding non-recurring items. Proposal is not to declare a dividend on ordinary shares in respect of 2010 since the bid of Prysmian for Draka is cum dividend.
- Non-recurring items were € 56.8 million negative and related mainly to the provision for and current expense of (overhead) cost-reduction measures and Triple S projects.
- Operating working capital ratio remained at a historically low 12.9% (2009: 13.7%) despite the sharply higher copper price. Increase in working capital, due to increased volume, an appreciable increase in the price of copper and currency effects, was met by free cash flow. Net debt position approximately 4% lower than at year-end 2009 and strong balance sheet ratios maintained.
- Acquisition of Draka by Prysmian, finalised in February 2011. A bid of € 17.20 per share, 50% in cash and 50% in Prysmian shares, declared unconditional on 8 February 2011. Unanimous approval of the Board of Management and Supervisory Board. The process of integration is expected to take around three years, yielding potential synergistic gains of approximately € 100 million. The new business combination will be market leader in the global cable industry, with the two companies being largely complementary, forming an excellent base for the further expansion of the leading position in the future.

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



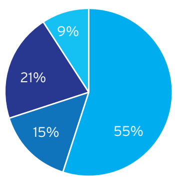
* Excluding non-recurring items

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

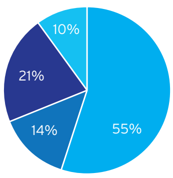
Geographical distribution of revenue (x € million)

Europe · North America · Asia · Rest of the world

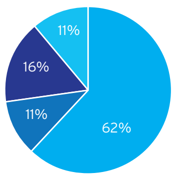
	2010
Europe	1,326
North America	361
Asia	511
Rest of the world	230
	2,428



	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

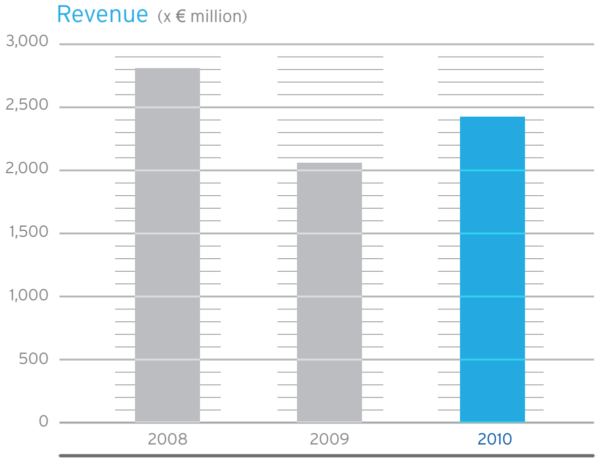


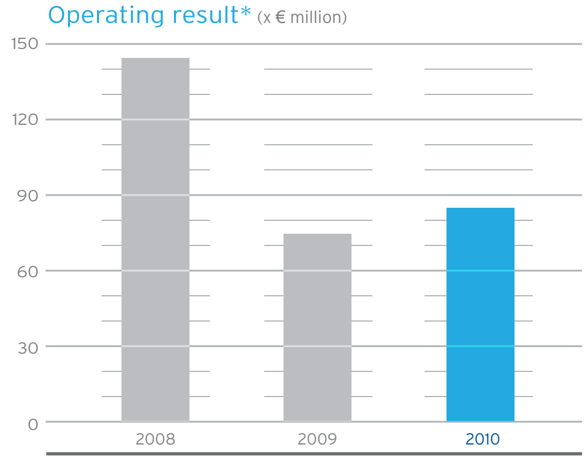
Key figures 2010

	2010	2009
Results (x € million)		
Revenue	2,427.8	2,048.3
EBITDA (excluding non-recurring items)	148.1	138.2
EBITDA	91.3	71.7
Operating result (excluding non-recurring items)	85.4	75.3
Operating result	28.6	8.8
Result before income tax (excluding non-recurring items)	64.2	49.1
Result before income tax	4.7	(17.4)
Result for the year (excluding non-recurring items)	60.5	48.3
Result for the year	4.6	(18.2)
Balance sheet (x € million)		
Shareholders' equity	589.8	549.5
Guarantee capital [1]	606.7	568.5
Total assets	1,826.7	1,589.3
Current assets -/- non-interest bearing current liabilities	365.5	293.0
Investments, amortisation, depreciation and impairment (x € million)		
Investments in intangible assets	4.4	6.9
Investments in property, plant and equipment	34.7	35.4
Amortisation, depreciation and impairment	63.1	67.0
Investments in subsidiaries and equity accounted investees	3.0	7.2
Result for the year (excluding non-recurring items) + amortisation, depreciation and impairment	123.2	111.2
Personnel		
Number of employees at year-end (permanent and temporary)	9,377	9,599
Ratios (in %)		
Operating result (excluding non-recurring items) / Revenue	3.5	3.7
Operating result / Revenue	1.2	0.4
ROTA (excluding non-recurring items) [2]	3.8	3.0
ROTA [2]	0.3	(1.1)
Guarantee capital [1] / Total assets	33.2	35.8
Per ordinary share (x € 1)		
Shareholders' equity (excluding preference shares)	10.52	9.69
Result for the year after dividend on preference shares (excluding non-recurring items) + amortisation, depreciation and impairment	2.42	2.50
Result for the year after dividend on preference shares (excluding non-recurring items)	1.13	1.01
Result for the year after dividend on preference shares	(0.02)	(0.56)
Result for the year (fully diluted) [3]	(0.02)	(0.56)
Proposed dividend	-	-

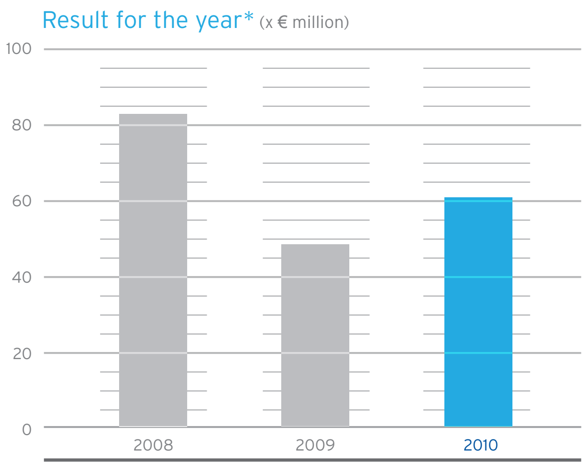
[1] Shareholders' equity, provision for deferred taxation and long-term part of convertible subordinated bond and other subordinated loans.
[2] Result before income tax / Average total assets.
[3] The calculation takes into account the interest charge on the convertible subordinated bond.

Key figures 2010

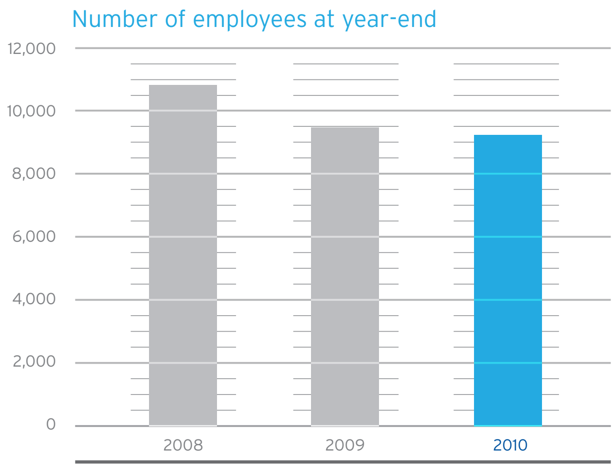


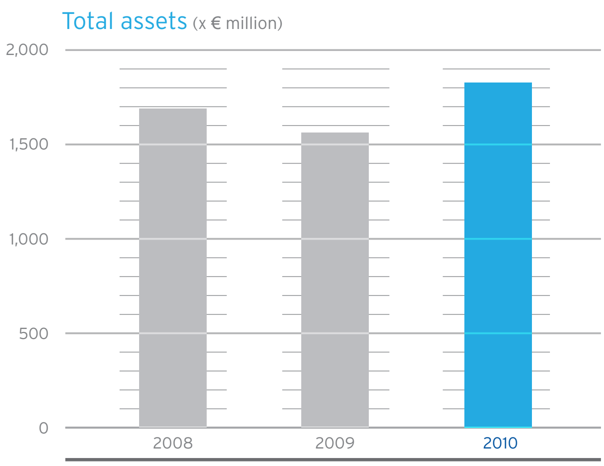


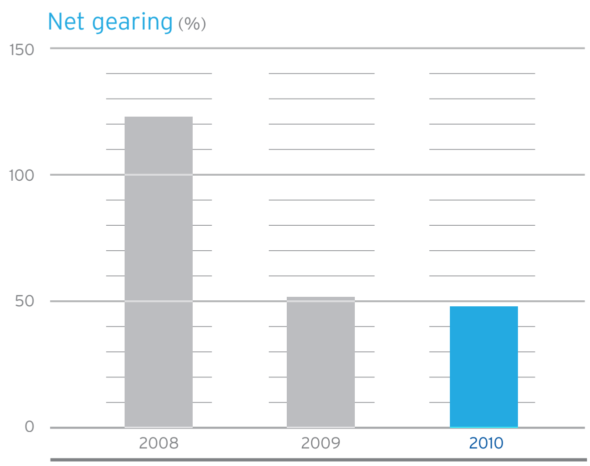
* Excluding non-recurring items



* Excluding non-recurring items








Frank Dorjee, Chairman and Chief Executive Officer

Letter from the Chairman

2010 has been an exceptional year in many respects. It is precisely 100 years since Draka was founded. In the intervening period we have grown from a small but ambitious Amsterdam manufacturer of copper wire to a leading global developer of innovative cable technology. In 2011, Draka enters a new stage by joining forces with the Italian company Prysmian, making the combined business the biggest player in the cable market worldwide.

In operational terms, 2010 was a year of transition for Draka, with a more definite shift in focus towards growth during the year. There were signs of improvement in economic conditions around the globe towards the end of 2009. In the course of 2010 we were able to profit from the tentative recovery in our most important end-markets. Revenue increased by 19% in 2010, with the operating result (excluding exceptionals) rising by 13%, to € 85 million. The improvement in results was partly brought about by the ongoing refinement of the organisation. Another important factor is and remains the achievement and maintenance of cost leadership. In that context we again achieved cost savings of € 30 million during the year and made good progress with further strengthening our competitiveness.

Following an unsolicited approach from the French company Nexans in October with an indicative takeover bid for Draka, we began actively exploring and evaluating all our strategic options, looking at the possibility of continuing on an independent footing as well as examining other possibilities for the long term. At the heart of the considerations and decisions concerning the future of Draka were the interests of all the stakeholders. This process ultimately led to a combination with Prysmian in February 2011, bringing to an end the independent existence of Draka as a listed company. Simultaneously we are embarking on a new stage. The new business combination creates the world's largest cable manufacturer, with sites in more than 50 countries, with around 90 separate plants and employing more than 20,000 people. Together we will be able to strengthen our competitive position, continue growing and look forward to the next 100 years.

2010 marked by ongoing improvement in competitiveness

Many of the activities engaged by us in 2010 were connected with the ongoing improvement in our competitive position. The Triple S 'Stop, Swap and Share' programme was launched back in 2005 with the object of producing an increasingly efficient and dynamic organisation through ongoing efforts. Further initiatives under this programme were implemented in 2010 and cost savings were again made, resulting from a further reduction of 3% in the workforce. The number of employees was reduced by 300 compared with year-end 2009 by cutting overheads in various divisions and closing plants in Oudenbosch (Netherlands), Ystad (Sweden) and Årnes (Norway). On top of the € 30 million already saved in 2009, the actions taken in 2010 produced savings of another € 30 million, as projected. In the second half of 2010, new projects were launched, leading to estimated additional savings based on current programmes of € 10 million for 2011.

Good working capital control and sound financial position retained in 2010

In 2010, Draka generated a free cash flow of approximately € 29 million compared with around € 160 million in 2009. The lower figure was entirely attributable to the increase in working capital due to the rise in the price of copper coupled with volume growth. However, owing to the ongoing focus on the control of working capital, we were able to keep working capital as a percentage of revenue at a historically low level despite this. The free cash flow generated also made possible a further reduction in the net debt position as well as an increase in equity by 7% in 2010. Draka's sound financial position remained as strong as ever in 2010.

New growth initiatives in attractive and high-value market segments

In addition to our consistent pursuit of the cost-cutting programmes in 2010, given the more favourable global economic climate, we have also been focusing more emphatically on the implementation of new growth initiatives. For instance, we have been concentrating on the supply of total cable product packages for industrial projects large and small and for railways and other infrastructure works in Europe to drive our growth. These initiatives are expected to start contributing to profits from 2011 onwards. We have also been making targeted investments in the expansion of capacity in several segments of the specialty cables market. In 2010, we once again succeeded in expanding our position in the emerging markets and specialty cable segment. This was largely organic growth due to increased orders but the acquisition of the American company Pressure Tube Manufacturing (PTM) also contributed to this success. The acquisition will enable us to accelerate the development of a new generation of cable, optical fibre and pipeline technologies to meet growing world demand for energy. The important and prestigious contracts secured in 2010 for submarine cable for offshore wind farms will also contribute to the further strengthening of our position in specialty cables. In particular, we won orders for the Baltic 2 and Gwynt y Môr offshore wind farms, both worth around € 25 million.

Focus on Corporate Social Responsibility

In 2010 we have reinforced our focus on Corporate Social Responsibility (CSR). Our CSR strategy is based on four strategic goals: encouraging eco solutions, ensuring safety of Draka operations and cable solutions, improving resource efficiency in all Draka business processes, and caring for people in Draka's environment. In the past year, we have defined specific objectives on occupational safety and developed other KPIs to further improve our CSR performance. This way, we are better prepared for environmental and social changes and can be more pro-active towards our customers who increasingly value CSR.

Joining forces with Prysmian heralds a new epoch for Draka

Talks with Prysmian on a possible merger had already been conducted in 2009. When they were abandoned we consciously set about pursuing our own strategy with renewed vigour, continuing to focus on improving competitiveness and on growing organically, helped by takeovers in the specialty cable segment and emerging markets where relevant.

Then, in October 2010, Nexans made an unsolicited initial takeover bid of € 15 per ordinary share for Draka. After careful consideration we came to the conclusion that the indicative Nexans offer substantially undervalued Draka and did not do proper justice to the position and interests of all the stakeholders. We also took the view that the transaction, as proposed by Nexans, represented a substantial execution risk. For those reasons we accordingly rejected the approach. In the following period, we again, in close consultation with our Supervisory Board, actively examined and evaluated our strategic options, including that of continued independence.

We noted the intention of Flint Beheer, an important, major shareholder since 1985, to run down its stake in the company. An evaluation of all the options, and the way in which the interests of all the

> "We share the conviction that success hinges on our commitment to the customer, and the knowledge that real value for customers results from Draka's sustainable performance."

stakeholders were served by them, led in November 2010 to an agreement with Prysmian on a bid by Prysmian for all issued shares of Draka which was substantially higher than the offer made by Nexans. Convinced that the Prysmian bid afforded real value for shareholders and represented an excellent opportunity for Draka and all its stakeholders to preserve the company's history, legacy and culture, we as Board of Management and Supervisory Board recommended this offer to our shareholders. During the same period, the Chinese company Xinmao indicated an interest in acquiring Draka. The indicative and highly conditional offer of Xinmao was higher than the offer from Prysmian but contained a lot of uncertainties. The lack of comfort regarding the financing arrangements and obtaining the necessary approvals from the Chinese authorities, plus the execution risk associated with this indicative offer, meant that the Prysmian bid was considered superior. As Prysmian continued with its offer, time pressures increased and Xinmao conceded in January 2011 that the chance of its bid succeeding was small because it would not be able to satisfy the conditions within the applicable timescale, and withdrew.

In February 2011 the combination with Prysmian was completed. In Prysmian we have a partner of our own choosing with which we will be strong and will be able to play a leading role in the consolidation of our industry. Both Draka and Prysmian have ample experience with integration processes and we are accordingly confident that the combination of the two businesses will be smoothly accomplished. This, too, was an important consideration in the decision in favour of Prysmian – joining forces with a world-class player in a smooth transaction so that the duration of any uncertainty for employees and customers can be kept as short as possible.

We share the conviction that success hinges on our commitment to the customer, and the knowledge that real value for customers results from Draka's sustainable performance. A crucial factor here is the interconnectedness of the worldwide Draka community. That is why we have adopted 'One Draka' as the theme for this annual report, with examples of how we put the customer first throughout its pages. We are convinced that this culture will be preserved and will flourish as part of Prysmian. This is one of the main reasons why we are full of confidence with regard to a healthy future for our business in the new constellation in partnership with Prysmian.

A word of thanks is due to the Central Works Council and the local Works Councils, who were called upon in 2010 to give careful consideration to a number of necessary and far-reaching decisions and in particular to Draka's acquisition by Prysmian. In all cases they took a critical and constructive approach to their tasks. In conclusion, I would like to thank all our staff for their hard work and commitment in what proved to be a historic and highly eventful year for Draka.

Frank Dorjee
Chairman and Chief Executive Officer

Report of the Supervisory Board

Financial statements and dividend

The Board of Management has submitted the financial statements for the 2010 financial year to the Supervisory Board. These statements, included on pages 73 to 137 of this report, have been audited by Deloitte Accountants B.V. The auditor's report can be found on page 138. 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 since the bid of Prysmian for Draka is cum dividend. We also invite the General Meeting to approve and discharge each of the members of the Board of Management of liability for their management and each of the members of the Supervisory Board of liability for their supervision thereof.

Activities of the Supervisory Board

The Supervisory Board held 19 meetings in 2010 which were attended by the Board of Management. Among the important matters discussed at these meetings were the non-binding proposal by Nexans to make a bid of € 15.00 per ordinary share, payable entirely in cash, for all the issued and outstanding ordinary shares of the Company, the bid from Prysmian of € 17.20 per ordinary share, payable partly in cash and partly in shares, for all the issued and outstanding ordinary shares of the Company and the non-binding proposal by Xinmao Group to make a bid of € 20.50 per ordinary share, payable entirely in cash, for all the issued and outstanding ordinary shares of the Company. The Supervisory Board also discussed the additional operational restructuring measures, the strategy and growth of the organisation, both organically and by acquisition, the progress of the cost-control programs within the scope of the Triple S project, 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.

To avoid a (potential) conflict of interest, Annemiek Fentener van Vlissingen and Harold Fentener van Vlissingen did not participate in the meetings of or decision-making by the Supervisory Board on the non-binding proposal by Nexans to make a bid for all the issued and outstanding ordinary shares of the Company, the bid from Prysmian for all the issued and outstanding ordinary shares of the Company and the non-binding proposal by Xinmao Group to make a bid for all the issued and outstanding shares of the Company and received no information relating to the three (proposed) bids.

The Supervisory Board also held four meetings in the absence of the Board of Management in 2010, 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 summarized and the questionnaire and summary were then discussed at length at the meeting. 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 19 February 2010) and Harold Fentener van Vlissingen, Fritz Fröhlich and Maarten Schönfeld (members).

The Audit & Governance Committee held seven meetings in 2010 in the presence of 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, legal matters, the 2011 audit plan, corporate financing and press releases.

Various aspects of corporate governance are discussed on pages 59 and 60.

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 three meetings in 2010. 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 2011 bonus targets for the Board of Management, the assessment of and succession planning for senior executives and succession planning for the Board of Management and Supervisory Board.

Strategy Committee

The Strategy Committee consists of Ludo van Halderen (chairman) and Bernard Dijkhuizen, Harold Fentener van Vlissingen and Aad Veenman (members).

The Strategy Committee held two meetings in 2010. While supervision of corporate strategy remains the responsibility of the full Supervisory Board, the task of the Strategy Committee is to study specific strategic issues and proposals by the Board of Management in depth and provide input to the Supervisory Board when 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.

Remuneration report in outline

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

Composition of the Supervisory Board

There were changes in the composition of the Supervisory Board in 2010. Harold Fentener van Vlissingen and Ludo van Halderen were reappointed to the Supervisory Board by the General Meeting on 20 April 2010. Annemieke Roobeek and Graham Sharman retired by rotation at the General Meeting of 20 April 2010. Bernard Dijkhuizen, Maarten Schönfeld and Aad Veenman were appointed to the Supervisory Board at the General Meeting of 20 April 2010.

Composition of the Supervisory Board after 14 February 2011

On 26 January 2011 the Company held an Extraordinary General Meeting of Shareholders ("EGM") to discuss the offer of Prysmian S.p.A. During this EGM the shareholders adopted, a.o., the following resolutions:

- Resignation of Annemiek Fentener van Vlissingen, Fritz Fröhlich, Bernard Dijkhuizen, Harold Fentener van Vlissingen, Rob van Oordt and Maarten Schönfeld as members of the Supervisory Board per settlement date.
- Appointment of Massimo Battaini, Francesco Facchini and Fabio Romeo as members of the Supervisory Board per settlement date.

As from 22 February 2011, the date of settlement, the Supervisory Board consists of Massimo Battaini, Francesco Facchini, Ludo van Halderen, Fabio Romeo and Aad Veenman.

A word of thanks

The Supervisory Board thanks the Board of Management and all the staff for their commitment and hard work on behalf of the Company in 2010, especially during the last quarter of 2010.

Amsterdam, 14 February 2011

Fritz Fröhlich, Chairman
Annemiek Fentener van Vlissingen, Deputy Chairman
Bernard Dijkhuizen
Harold Fentener van Vlissingen
Ludo van Halderen
Rob van Oordt
Maarten Schönfeld
Aad Veenman

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 appointed	1999
Current term	2007-2011

Annemiek Fentener van Vlissingen (Deputy Chairman) (1961) [4]	
Nationality	Dutch
Supervisory Board memberships	SHV Holdings N.V. (Chairman) De Nederlandsche Bank N.V. Flint Holding N.V. Heineken N.V.
First appointed	2001
Current term	2009-2013

Bernard Dijkhuizen (1949) [6]	
Nationality	Dutch
Supervisory Board memberships	VNO-NCW WENb NLKabel
First appointed	2010
Current term	2010-2014

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 appointed	2006
Current term	2010-2014

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 appointed	2006
Current term	2010-2014

Rob van Oordt (1936) [1,4]	
Nationality	Dutch
Supervisory Board memberships	Unibail-Rodamco S.E. (Chairman; France)
First appointed	1999
Current term	2007-2011

Maarten Schönfeld (1949) [2]	
Nationality	Dutch
Supervisory Board memberships	Arcadis N.V. S&B Industrials Minerals S.A. (Greece)
First appointed	2010
Current term	2010-2014

Aad Veenman (1947) [6]	
Nationality	Dutch
Supervisory Board memberships	TenneT B.V. GVB Amsterdam B.V. Woonbron SPF Beheer B.V. Eureko B.V. (Achmea)
First appointed	2010
Current term	2010-2014

[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.


Draka
Industry & Specialty

Report of the Board of Management

Main developments in 2010

Global cable market

After the sharp fall in demand in 2009 in the wake of the global financial crisis, the world cable market recovered significantly in 2010. Recovery was driven mainly by improving economic conditions in the developed countries, coupled with continuing growth in the emerging markets which started in the second half of 2009. The recovery was slow in the first six months of 2010, but gained momentum in the second half and delivered volume growth of about 7% over the year.

The growth in global cable market volume was powered by strong demand in the emerging markets. Growth in China, Brazil and Russia was very rapid at 10–15%, but far more modest in North America and Western Europe at only 4–6%, most of which was generated in the second half. This slower growth rate mainly reflected the low level of construction activity in those regions.

Within the cable market, the data communication cable segment (copper and optical fiber) showed the fastest growth, with demand up more than 9%. The picture in the rest of the communication cable segment was mixed, with demand for optical fiber telecommunication cable holding firm at the high level of 2009 and a further substantial fall (–10%) in demand for copper telecommunication cable. In the energy cable segment, demand for medium-voltage and high-voltage cable (Draka is not active in high-voltage cable) grew at around 6%, in line with demand for low-voltage cable. The special-purpose cable segment performed slightly better, with growth of about 7%.

Raw material prices

The prices of the raw materials that are relevant to the cable industry continued to rise in 2010. Some, such as copper and PVC, returned to the historically high levels reached in 2006–2007. Among the metals, the average copper price increased by around 55% in 2010 compared with year-end 2009, while the average aluminium price rose less sharply, at about 35%. Polymer prices were some 15% higher, reflecting the higher oil prices.

Copper price development (euros) over the period 2000-2010

Draka in general

Draka marked its centenary in 2010. It was precisely a hundred years ago that the company was founded in Amsterdam by Jan Teewis Duyvis. This milestone was celebrated with employees and customers during the Sail 2010 event in Amsterdam.

Operationally, 2010 was a year of transition for Draka, during which the management increasingly shifted the focus towards growth, in response to the improvement in the global economic climate since the second half of 2009. Draka implemented several new growth initiatives, such as positioning itself as a supplier of total cable product packages for major industrial, rail and infrastructure projects, while continuing to pursue its cost-reduction plans with undiminished vigour. On the basis of careful market analysis and research, these growth initiatives were embedded in the organisation in the second half of 2010 and are expected to make a positive contribution to results from 2011 onwards.

Thanks to its policy of responding actively to the still fragile recovery of the cable market while continuing to lower its cost base, Draka posted a good result, with a 50% increase in operating profit in the second half. This improvement confirms that Draka is right to continue on the path on which it has embarked. It also reflects the further strengthening and professionalisation of the organisational structure, which in 2010 saw investment in new senior management and expansion of Draka's expertise in lean manufacturing. Draka expects this investment to bring dividends in the coming years.

Talks with Nexans/Prysmian/Xinmao

In October 2010, Nexans made an unsolicited initial takeover bid of € 15 per ordinary share for Draka. After careful consideration Draka concluded that the indicative Nexans offer substantially undervalued Draka and did not do proper justice to the position and interests of all the stakeholders. The approach was accordingly rejected, following which Draka re-examined its strategic options, bearing in mind the intention of Flint Beheer to run down its stake in the company. This led in November 2010 to an agreement with Prysmian on a bid by Prysmian for all issued ordinary shares of Draka, 50% in cash and 50% in Prysmian shares, valuing Draka at € 17.20 per share at that time, which was substantially higher than the offer made by Nexans. During the same period, the Chinese company Xinmao indicated an interest in acquiring Draka. The terms of the Xinmao bid were better than the offer from Prysmian but contained a lot of uncertainties regarding the financing arrangements and obtaining the necessary approvals from the Chinese authorities. As Prysmian continued with its offer, Xinmao dropped its indicative bid in January 2011. In February 2011 the transaction with Prysmian was completed.

Optimisation

Draka continued to focus closely on further optimisation of its organisation. 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') programme, which was launched in 2005, is an ongoing process designed to make the organisation more efficient and effective.

The action taken by Draka in 2010, to which all the groups contributed, included completion of the closure of the plants in Oudenbosch (Netherlands), Ystad (Sweden) and Årnes (Norway) and reductions in overhead costs in several divisions. These actions had consequences for staffing levels, reducing the headcount by around 300 in 2010. The savings achieved in 2010 were in line with expectations, amounting to € 30 million.

New projects launched in the second half of 2010 which are intended to further reduce overhead costs and achieve operational excellence cover all three Draka groups and are scheduled for completion in 2011. The savings to be made in 2011 as a result of the current cost-reduction programmes are estimated at approximately € 10 million.

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.

Since the completion of the investment project to establish initial production capacity for submarine cable in 2009, Draka has undertaken no further investment in capacity expansion. Capital expenditure has consequently been confined to replacement investment.

Draka's share of the special-purpose cable market

One of Draka's strategic objectives is to advance its position in the special-purpose cable segment and in the emerging markets through organic growth and selective acquisitions. Draka again succeeded in 2010 in increasing the revenue from special-purpose cable, to around 53% of its total revenues compared with 51% in 2009. Most of this growth was organic, because demand in the special-purpose cable segment and in the emerging markets grew faster than Draka's total volume. The acquisition of Pressure Tube Manufacturing (USA) in the first half of 2010 also contributed to the growth of the special-purpose cable segment and will continue to do so in 2011, when it will be included in the consolidation for a full year. The investment in initial submarine-cable production capacity will also help to drive the growth in the share of special-purpose cable in total volume, thanks to the acquisition in 2010 of large and prestigious contracts for submarine cable for wind farms. These include contracts for the Baltic 2 and Gwynt y Môr offshore wind farms, each worth some € 25 million.

Acquisition

In April 2010, Draka announced its acquisition of Pressure Tube Manufacturing (PTM), a specialty tubing manufacturer located in New Jersey, USA. PTM manufactures small-diameter corrosion-resistant tubing used in a range of applications, from the control of hydraulic safety valves on oil wells to chemical injection in natural gas wells. In 2010, the company generated revenues of around € 8 million with a workforce of about 45. The purchase price was paid in cash and PTM has been included in the consolidation since June 2010.

The acquisition of PTM means that Draka can increase the pace of development of a new generation of cable, optical fiber and tubing technologies to meet the growing world demand for energy. It also strengthens Draka's leading position in the special-purpose cable segment of the USA oil and gas market, consistent with its strategy of focusing on its core growth markets.

Financial results

Draka benefited from the recovery of the cable market in the second half of 2010. Revenues were 18.5% higher, on volume growth of 3.5%. The higher average copper price accounted for 12.4 percentage points of the increase in revenues. Partly due to the higher volume, the operating result excluding non-recurring items turned out at € 85.4 million, up 13.4% compared with 2009. As well as the higher volume and hence higher capacity utilisation at Draka's plants, the various cost-saving programmes also made a positive contribution to the result (some € 30 million). The result was, however, adversely affected by the unrelenting competitive pressure. The result for the year attributable to shareholders, excluding non-recurring items, was € 60.5 million (2009: € 48.3 million), or € 1.13 per ordinary share (2009: € 1.01).

Cash flow

Draka generated free cash flow of € 28.8 million (€ 0.59 per ordinary share) in 2010, which was 82.0% lower than in 2009. All of this shortfall can be attributed to the increase in operating working capital in absolute terms (€ 12.6 million), which was due to the substantial 55% rise in the copper price compared with year-end 2009 and the volume growth achieved in the second half of 2010. The operating working capital in absolute terms in 2009 was € 143.4 million lower, amongst others due to the 18% reduction in volume.

Thanks to the sustained focus on working capital management, the operating working capital as a percentage of revenues remained at a historically low 12.9%, compared with 13.7% as at year-end 2009. The target of a stable operating working capital ratio of 15-17% was therefore again exceeded in 2010.

Restricting investments in intangible assets and property, plant and equipment to € 39.1 million, which was less than the amortisation and depreciation charge of € 62.7 million, also made a positive contribution to the free cash flow.

Financial position

Draka's financial position remained strong last year. The free cash flow enabled Draka to reduce net debt by € 11.6 million to € 283.4 million as at year-end 2010. Shareholders' equity increased to € 589.8 million in the past financial year, € 40.3 million higher than at year-end 2009. This further improved the ratio of net debt to shareholders' equity to 48.1% (2009: 53.7%).

Progress towards strategic objectives

Objectives	Medium term	2010	2009
Specialty profile as % of revenues	60%	53%	51%
Continuous optimisation of organisation	Cost leadership	€ 30 million cost savings	€ 30 million cost savings
Operating margin over economic cycle [1]	> 5%	3.7%	3.5%
Operating working capital as % of revenues	15-17%	12.9%	13.7%
Free cash flow	optimum	€ 29 million	€ 161 million

[1] Operating result as a percentage of revenues at constant copper prices (€ 4.40/kg).

Financial targets

Draka's strategic focus is on increasing 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 (2010: 1.9);
  - interest coverage ratio (EBITDA / interest) > 3.5 (2010: 6.7);
  - solvency (guarantee capital / balance sheet total) > 30.0% (2010: 33.2%).
- Stabilisation of operating working capital (defined as inventories plus trade receivables minus trade payables) at 15-17% of revenues (2010: 12.9%).

Financial results

General

In its reporting over 2010, Draka has reported revenues as usual on the basis of the current copper price and, in a new departure, on the basis of a constant copper price of € 4.40/kg, which was the price on 1 January 2007. Reporting on the basis of constant copper prices provides a clearer view of revenue and margin development.

Another change in 2010 was the reclassification of OEM revenue between the Energy & Infrastructure and Industry & Specialty groups. Revenues in 2009 have been restated to facilitate comparison, involving an increase in Energy & Infrastructure's revenues by € 30.1 million and a decrease in Industry & Specialty's revenues by the same amount.

Revenues

At current copper prices, revenues in 2010 were 18.5% higher at € 2,427.8 million. The effect of higher copper prices on revenues was 12.4 percentage points positive, due to passing on changes in the copper price in the price of cable products.

At constant copper prices, revenues were 6.1% higher compared with 2009, at € 2,299.5 million. This increase was the result of a combination of volume growth (3.5 percentage points) and positive exchange-rate effects (3.8 percentage points), in particular the strengthening of the dollar against the euro. The volume growth was due principally to the strong recovery in demand for special-purpose cable in the second half of the year. In the first six months of 2010, Draka reported negative volume growth (-0.6 percentage points), which can be partly attributed to the hard winter in Europe.

The net effect on revenues of acquisitions and disposals was 1.2 percentage points negative. The acquisition was Pressure Tube Manufacturing (USA), which has been included in the consolidation since June 2010 and contributed approximately € 8 million to Draka's revenues in 2010 (0.4 percentage points). The impact of disposals was -1.6 percentage points and comprised 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.

Revenues by group (x € million)	2010	2009
Energy & Infrastructure	854.0	694.4
Industry & Specialty	744.5	617.7
Communications	829.3	736.2
Total	**2,427.8**	**2,048.3**
Total, at constant copper prices	**2,299.5**	**2,167.8**

- Draka Energy & Infrastructure's revenues in 2010 were 23.0% higher at € 854.0 million, due primarily to the positive effect of higher average copper prices. Volume was 0.4% higher, mainly reflecting recovery in demand in the Scandinavian countries within the division Europe in the second half of 2010. In contrast, the Asia-Pacific division reported falling demand in the second half.

- Industry & Specialty's revenues were 20.5% higher in 2010 at € 744.5 million. The contributory factors in this increase were the higher copper price and the slight increase in volume. All of the 0.4% growth in volume was generated in the last six months of 2010, reflecting good performance by the Automotive & Aviation, Cableteq USA and Renewable Energy divisions. The acquisition of Pressure Tube Manufacturing had a 1.3 percentage point positive effect on revenues.

- Revenues in the Communications group in 2010 were 12.6% higher at € 829.3 million, mainly due to the volume growth of 9.6%. The Multimedia & Specials division in particular reported a substantial recovery in its revenues after the sharp fall in 2009. The Optical Fiber division and Draka's joint ventures in China and Brazil continued to perform well. The sale of the OPGW activities in Germany (June 2009) and the 55% interest in Draka Comteq SDGI Co Ltd in China (December 2009) had a 4.6 percentage point negative effect on revenues.

Operating result

Draka's operating result in 2010 was € 28.6 million, compared with € 8.8 million in 2009. On a like-for-like basis – excluding non-recurring items – the operating result was € 85.4 million, compared with € 75.3 million in 2009. All of the improvement in the underlying result, which was driven by volume growth, was achieved in the second half. The result for the last six months was 49.9% higher, compared with a 17.1% fall in the first half of 2010.

The non-recurring charges of € 56.8 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 2009 were € 66.5 million.

Operating margin

The operating margin – the operating result excluding non-recurring items as a percentage of revenues at constant copper prices – turned out at 3.7% compared with 3.5% in 2009. The improvement was driven by volume growth, which translated into higher capacity utilisation rates at Draka's plants, cost savings (around € 30 million) and an improved product mix. Negative factors affecting the margin were the competitive market conditions and the higher raw material prices (especially polymers) which could not be passed on fully in selling prices.

Operating result by group (x € million)	2010	2009
Energy & Infrastructure	29.2	31.8
Industry & Specialty	28.2	33.4
Communications	45.2	26.7
Not attributed	(17.2)	(16.6)
Total operating result (excluding non-recurring items)	**85.4**	**75.3**
Energy & Infrastructure	(14.4)	(13.8)
Industry & Specialty	(12.4)	(31.6)
Communications	(22.3)	(17.7)
Not attributed	(7.7)	(3.4)
Total non-recurring items	**(56.8)**	**(66.5)**
Operating result	**28.6**	**8.8**
Operating margin [1] (excluding non-recurring items)	**3.7%**	**3.5%**

[1] Operating result as a percentage of revenues at constant copper prices (€ 4.40/kg).

- The Energy & Infrastructure group's operating result, excluding non-recurring items, declined to € 29.2 million (-8.2%). The decline reflects the slightly lower market prices and increase in raw material prices. These negative factors were partly offset by a further improvement in the product mix and additional cost savings of some € 10 million.

- The Industry & Specialty group's operating result, excluding non-recurring items, was € 28.2 million, or 15.6% lower than in 2009 (€ 33.4 million). After declining 43.7% in the first six months of 2010, the result made a strong recovery of 30.1% in the second half, driven partly by improved performance in the Automotive & Aviation, Cableteq USA and Renewable Energy divisions. Cost reductions also contributed positively to the result and amounted to € 9 million in 2010.

- The Communications group's operating result, excluding non-recurring items, was € 45.2 million, up 69.3% compared with 2009. The improvement was due to a combination of volume growth, most notably in the Multimedia & Specials and Optical Fiber divisions, additional cost savings of approximately € 11 million and good performance by Draka's joint ventures in China and Brazil. The group achieved this result in the face of constant pressure on selling prices.

- The result not attributed to groups, such as the costs of the holding company and other unattributable expenses, increased slightly to € 17.2 million negative.

Other financial items

Net finance expense amounted to € 31.9 million, up 2.2% compared with 2009 (€ 31.2 million). This increase was fully driven by non-recurring items such as an impairment loss on a promissory note (Optelecom), net foreign exchange losses and fee expenses relating to Draka's syndicated loan. The interest expense showed an underlying decline of 22.9% reflecting the reduction in average net debt which resulted partly from the € 100 million share issue in October 2009. The taxation item was € 1.8 million positive, including the tax effect on the non-recurring items of € 3.6 million. Excluding this effect, the effective tax rate was 3.2% (2009: -4.3%).

The share in the profit of equity-accounted investees amounted to € 8.0 million, compared with € 5.0 million in 2009. A significantly higher profit at Draka's associate Oman Cable Industry in Oman (OCI) was largely responsible for this increase.

Other items and result for the year (x € million)	2010 [1]	2009 [1]
Operating result	28.6	8.8
Non-recurring items	(56.8)	(66.5)
Operating result (excluding non-recurring items)	**85.4**	**75.3**
Net finance expense	(29.2)	(31.2)
Result before income tax	**56.2**	**44.1**
Income tax expense	(1.8)	1.9
Share of results of equity-accounted investees	8.0	5.0
Result for the year	**62.4**	**51.0**
Minority interests	(1.9)	(2.7)
Result for the year attributable to shareholders	**60.5**	**48.3**
Preference dividend	**5.4**	**5.4**
Earnings per share (in euros)	**1.13**	**1.01**

[1] Excluding non-recurring items.

Result for the year

The result for the year attributable to shareholders was € 4.6 million positive, compared with € 18.2 million negative in 2009. Excluding non-recurring items, the result was € 60.5 million, an increase of 25.3% compared with 2009 (€ 48.3 million).

Basic earnings per share

After appropriation of the preference dividend (€ 5.4 million), basic earnings per ordinary share amounted to € 0.02 negative, compared with € 0.56 negative in 2009. Excluding non-recurring items, basic earnings per ordinary share amounted to € 1.13, which was up 11.9% compared with 2009 (€ 1.01). This improvement was partly tempered by a 15.0% increase in the average number of ordinary shares in issue.
As at year-end 2010, there were 48,736,597 ordinary shares in issue, unchanged from the position as at year-end 2009. The average number of ordinary shares in issue was 48,711,439, an increase of 15.0% compared with 2009 (42,349,572) due to the share issue in October 2009.

Dividend proposal

It is proposed that no dividend be paid on ordinary shares in respect of 2010. The reason for this proposal is that Prysmian's offer is cum dividend.

Financial position

Cash flow

Cash flow from operating activities in 2010 amounted to € 58.4 million. The decrease of 69.1% compared with 2009 (€ 189.2 million) reflected the € 12.6 million increase in operating working capital in 2010 due to the higher average copper price (54.9%), exchange-rate effects and the volume growth in the second half which required more working capital. In 2009 there was a decrease of € 143.4 million in operating working capital. Cash flow per share was € 1.20, compared with € 4.47 in 2009.

Thanks to action taken by Draka to minimize these effects, operating working capital as a percentage of revenues turned out at 12.9%, which was even slightly lower than the historically low ratio of 13.7% achieved in 2009 and exceeded again the target of stabilising the operating working capital ratio at 15-17%.

Abridged cash flow statement (x € million)	2010	2009
Cash flow from operating activities	58.4	189.2
Cash flow from investing activities	(32.6)	(35.8)
Cash flow from financing activities	32.6	(126.2)
Net cash flow	**58.4**	**27.2**

Investments, acquisitions and disposals

Net investments in intangible assets and property, plant and equipment amounted to € 39.1 million, less than the amortization and depreciation charge of € 62.7 million. The expenditure related solely to regular maintenance and replacement investments. Major projects included expansion of the optical fiber production capacity and a new warehouse in Sweden.

In the area of acquisitions, Draka paid € 3.0 million for Pressure Tube Manufacturing, a specialty tubing manufacturer located in New Jersey, USA. There were no disposals of material size in 2010.

Balance sheet position

The balance sheet total as at year-end 2010 was € 1,826.7 million, an increase of € 237.4 million compared with year-end 2009. This was due mainly to the € 219.0 million growth in current assets, most notably inventories and trade receivables, reflecting the higher copper price and higher volumes. Non-current assets were € 18.4 million higher, mainly because of an increase in investments in equity accounted investees and deferred tax assets.

Shareholders' equity

Shareholders' equity as at year-end 2010 amounted to € 589.8 million. The increase of € 40.3 million was mainly due to currency translation effects.

Movements in shareholders' equity (x € million)	
Shareholders' equity as at year-end 2009	**549.5**
Currency translation effects	36.6
Changes in fair value	8.0
Result for the year attributable to shareholders	4.6
Dividend paid	(5.4)
Other	(3.5)
Shareholders' equity as at year-end 2010	**589.8**

The solvency ratio (shareholders' equity as a percentage of balance sheet total) declined to 32.3% compared with 34.6% as at year-end 2009, because the increase in the balance sheet total was greater in percentage terms than the increase in shareholders' equity. The guarantee capital (consisting of shareholders' equity, the provision for deferred tax liabilities and the long-term portion of the subordinated loans) amounted to € 606.7 million, or 33.2% of the total invested capital (year-end 2009: 35.8%).

Balance sheet summary (in %)	2010	2009
Intangible assets and property, plant and equipment	35.8	41.3
Financial fixed assets	4.2	4.1
Deferred tax assets	3.3	3.3
Current assets	56.7	51.3
Total assets	**100.0**	**100.0**
Shareholders' equity	32.3	34.6
Minority interests	1.4	1.3
Provisions	6.0	7.9
Deferred tax liabilities	0.9	1.2
Non-current liabilities	2.7	18.4
Current liabilities	56.7	36.6
Total equity and liabilities	**100.0**	**100.0**

Interest-bearing debt

Net interest-bearing debt amounted to € 283.4 million, slightly below the year-end 2009 figure (€ 295 million). The net gearing (total net interest-bearing debt as a percentage of shareholders' equity) was 48.1%, compared with 53.7% as at year-end 2009. The net debt/ EBITDA ratio turned out at 1.9 (year-end 2009: 2.2), well below the covenant limit of 3.5.

Information and Communication Technology

Draka's ICT strategy is designed to support the business in terms of 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)

A standardised international communication network, e-mail and network security environment has been operational at most Draka locations for two years. It is based on a shared-services concept that is centrally managed and supported in close cooperation with Draka's partner, AtosOrigin/Verizon. The ICT policies and procedures developed to ensure the security and integrity of ISS are audited annually at the various Draka locations. By centralizing these services, Draka can reduce the cost of several of these elements.

Draka continued in 2010 to roll out the standard EDI (Electronic Data Interchange) system that provides a cost-effective method of setting up automatic transaction services (for example relating to orders) with customers and suppliers. A structure has been designed which uses SAP PI as a standard integration platform to enable efficient linking of the different ERP systems within Draka.

Central hosting of SAP has been transferred to a COD (computing on demand) service, based on a 'pay as you use' concept, which will reduce total costs in 2011. The business-continuity aspect of this important service has also been enhanced with the provision of a dual data centre facility.

Supply chain planning

A study of the effectivity of the IT solutions for supply chain planning has been completed, looking at how sales and operations planning, production planning and production scheduling operate within the various departments and what kinds of IT solution are employed. The industry-specific 'length-based' planning aspects play a particularly important role here. It has been decided both to further upgrade the supply chain planning functionality within the Draka SAP template and to examine a number of 'best of breed' solutions that can add value to the business.

Business applications

After the addition of more standard solutions to the Draka enterprise application landscape in 2009, the following projects have been implemented within the three groups with the support of the central competence centres:

- ERP - Draka SAP template: Draka Elevator has completed the roll-out of SAP to its Italian operating company. A start has been made on the development of a core system for the optical fiber plants that will be connected in 2011/2012 to the SAP system already in use for sales, distribution, inventory management, and finance and control within the Communications group. In Wuppertal, Suzhou and Santander, business cases are being compiled within Energy & Infrastructure Europe in preparation for the possible implementation of the Draka SAP template in the coming years.
- CRM – Salesforce.com: A global CRM programme has been set up to strengthen Draka's sales and customer service organisation. Following the first successful Salesforce.com implementation at Draka in the Czech Republic, a start has been made on further roll-out within the Communications group, which will take until the end of 2011. Implementation within in the Industry & Specialty group is planned for 2012.
- Business intelligence - QlikView: There is a growing need for analysis of data from various ERP applications, such as sales margins, order book and supply chain efficiency across various product groups and divisions. Following the successful implementation of QlikView in the Communications group, which has eliminated time-consuming analysis work, this cost-effective and user-friendly application will be rolled out more extensively within Draka.

ICT organisation and governance

The ICT organisation and ICT governance within Draka have been given a full redesign in the past year. A single functional ICT organisation has been created, in which each group has a director who bears full responsibility for ICT. Within the groups, ICT has been split into an ICT Services department, whose object is to achieve operational excellence in all ICT services, and a Business Solution department, which is dedicated fully to applications that add value and support improvements in business processes. The ICT function has been further strengthened with the appointment of senior ICT managers and experts in Draka's standard applications and architecture. The quality of the ICT community will be further enhanced, principally by implementing business ICT expertise and sharing specific high-grade competences across the various divisions. The new ICT organisation will be better equipped to meet the needs of the business and Draka's customers and achieve further cost savings.

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 significant 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.

All divisions continued to focus on stimulating innovation in 2010. Further progress was made in building a worldwide R&D community, which is now an integral part of the Draka organisation. Regular meetings were held by 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.

In 2010, Draka acknowledged the need to target R&D projects more closely on future profitability. This is measured by calculating the net present value of the estimated costs and benefits of each R&D project and regularly recalculating the NPV during the course of the project.

Going 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. No fewer than 35 innovations qualified in 2010. From these, a selection committee consisting of business leaders and scientific staff within Draka chose the nine recipients of the Innovation Award.

Corporate Social Responsibility strategy

Draka's Corporate Social Responsibility (CSR) mission is simple and straightforward. It's a clear recognition that CSR should be fully integrated into Draka's business model, enabling the company to take a conscious and responsible approach towards its role in society.

Draka's CSR strategy is based on four strategic goals:
- Encouraging eco solutions;
- Ensuring safety of cable solutions and Draka operations;
- Improving resource efficiency in all Draka business processes, and
- Caring for people in Draka's environment.

These goals are the outcome of regular contact with various stakeholders and the global commitment to sustainable performance.

Throughout the organisation, Draka has defined quantitative and qualitative objectives to meet the strategic goals and to improve the environmental and social performance of cable solutions, as well as to introduce continuous improvements in the company's processes.

Draka strives to:
- Execute safety leadership programmes for top management and all operational leaders in safety;
- Manufacture cable solutions with reduced environmental footprint, cable solutions for renewable energy markets and smart cable systems for improved energy efficiency;
- Manufacture increasingly safe cable solutions for safety in the supply chain;
- Continue with improvement programmes relating to resource efficiency, and
- Increase transparency of HR and social performance data.

Specific environmental and social key performance indicators (see also 'Personnel and Organisation'):

KPI	2010	Target 2010	Target 2011
% ISO 14001-certified production facilities	99%	100%	100%
tCO_2 emissions	206,854	Local targets	Local targets
Kg CO_2 emissions per Euro revenues	96	-	Translate local targets in corporate target
OSHA Lost Work Time Accidents rate [1]	1.9	2.0	1.5
Diversity			According to local policies
% Female	19%	-	
% Male	81%	-	
Training hours per employee	18	-	-
% Employees that received performance review	61%	-	70%

[1] OSHA Lost Work Time Accident rate is an international accepted indicator which relates the number of accidents resulting in work disability in the next shift to the number of working hours per 100 employees.

The Draka website provides more information about the CSR performance, such as an indicator table, the Global Reporting Initiative reporting principles used, and a GRI matrix (www.draka.com/csr).

Draka strategic CSR model

CSR Governance

Final responsibility for Draka's CSR strategy lies with the CEO. The Corporate Manager Safety, Health and Environment (SHE) is responsible for the execution. The Board of Management and the Corporate Manager SHE regularly consult on CSR. In addition, there is frequent contact between the Corporate Manager SHE and local subsidiaries. The Corporate Manager SHE also has contact with the other staff departments about CSR related topics. At corporate level so-called 'Champions' have been identified to take responsibility for the below-mentioned strategic CSR goals:

- Vice-President Technology & Development: 'Encouraging eco solutions' and 'Ensuring safety';
- Corporate HR Director and Corporate Manager SHE: 'Caring for people';
- Senior Vice President Operations: 'Improving resource efficiency'.

Draka's CSR model

Draka's CSR strategy is expressed by the model shown above, which maps out the journey towards sustainable performance, and ultimately more stakeholder value. The Draka CSR model consists of four strategic goals, integrated in every aspect of the value chain, and driven by management, communication and innovation.

CSR drivers

Management: Focus on continuous improvement

Draka's commitment to sustainable performance can be found in all aspects of the value chain. Every aspect, from raw materials to packaging, must comply with strict safety, health and environmental rules and regulations.

At the start of the value chain, in Sales & Marketing, close cooperation with customers results in solutions with long-term sustainability that meet the customer's needs while at the same time increasing eco-efficiency. Together with R&D departments, alternatives to existing products are developed, or new products with lower environmental impact, by applying new materials, secondary materials, designs and constructions.

Environmental and social standards are also increasingly integrated into the company's sourcing processes, most notably the purchasing of copper, tin, rubber, plastics and other raw materials. The social and environmental aspects of the metal production and waste handling require explicit attention in the sourcing process and continuous communication with suppliers. For example, Draka does not use copper from sensitive countries, and critically reviews the supply chain for CSR-related issues.

Draka understands its obligations, as downstream user, regarding regulated substances (ROHS, REACH) and takes any actions required to comply with these regulations. Additionally, efforts are made to increase the amounts of purchased 'green' electricity and self-generated renewable energy. From 2011, the Dutch plants will only source electricity from renewable sources, and for several years now the Nürnberg plant has been generating its own solar electricity. Environmental and social standards have been integrated in supplier contracts, and the goal is to further develop and enforce supply chain CSR programmes in the coming five years.

Through the manufacturing processes, Draka creates a positive relationship between the cables' effectiveness and reduced environmental impact. Manufacturing processes are therefore continuously improved by focusing on efficient use of resources, and implementing scrap reduction through re-use, sophisticated new manufacturing and recycling techniques and working methods.

Logistics is another focal area for the company. Draka is always looking for ways to optimise logistics with innovations that contribute to lower CO_2 emissions. In Europe an analysis of all forms of transportation used is the starting point for optimisation and reduction of fuel consumption and costs. Optimisation and re-use of packaging also receives constant attention, and has for example resulted in the re-use of 59% of the optical fiber bobbins. In the coming years, Draka will continue with improvement programmes relating to resource efficiency in its operational excellence programme, aimed at standardising operational processes across the group.

In recent years Draka has invested in the environmental management systems of its production sites. Practically all production sites[1] are now ISO 14001 certified, and the goal for 2012 is that all production facilities have a OHSAS 18001 certificate for safety and health management. Some of the facilities had already achieved this target by 2010, and others have certification programmes in place. The company is proud to comply with these international environmental standards and regulations, which enables Draka to guarantee that internal environmental goals and objectives are properly managed and implemented, and that the environmental and social aspects of business processes are the subjects of continuous improvement.

Communication: Interaction for future value

Through dialogue with internal and external stakeholders, Draka is finding new ways of working that will help to create value for the future. Close contact with customers is an important source of inspiration for innovation. By exchanging experience, knowledge and ideas, Draka works to improve and develop sustainable solutions. In discussions with customers, the goal is not only to advise on the best cabling to use based on technical specifications, but also to make recommendations which take environmental issues into account.

Draka encourages employees to think of ways to integrate environmental and social improvement opportunities in the development and manufacturing of cable solutions. To this end, a platform has been created for innovation and alternative thinking within the company, sharing the knowledge that is needed to create sustainable technology. Furthermore, safety programmes are designed to encourage employees to play an active role in the implementation, based on their own knowledge of safety needs. By increasing individual perception of safety awareness and responsibility regulations, every Draka employee has the opportunity to make a positive contribution to the creation of a safer workplace.

On several occasions Draka entered into dialogue with NGO's on matters such as the mining of copper and tin. By questioning suppliers, the company also encourages the use of working methods with reduced environmental impact. Draka intends to be among the front-runners in the industry in terms of CSR practices and thought leadership, and is continuously talking to relevant external parties about leading CSR issues. Three Draka companies are members of the United Nations Global Compact. Furthermore, Draka has since 2007 been a participant in the Carbon Disclosure Project and received recognition for its environmental efforts by its inclusion in the CDP leadership index on transparency. Also, Draka is a founding member of the association of the electrical and electronic equipment supply chain in France. This PEP association aims at standardisation of environmental product declarations based on life cycle analysis investigation.

Innovation: A mindset for sustainable performance

Innovation is central to Draka's CSR strategy, which rests on the firm conviction that technological solutions for sustainable development result from an innovative mindset. Draka works with customers, suppliers and scientific partners to improve and develop sustainable performance throughout the company. One of the initiatives realised in 2010 to promote an innovative mindset was the opening of the Innovation Centre, an interactive showcase for innovations from all parts of the organisation (see page 34). Furthermore, to highlight the importance of innovation and to recognise the efforts of its employees in creating an innovative workplace, Draka organises the Innovation Awards competition. Environment and safety are among the evaluation criteria. The awards are presented annually to employees who have created the most outstanding product innovations, new and different processes and cutting-edge services.

CSR goals

Encouraging eco solutions

Translating environmental performance challenges over the cable life cycle into new product opportunities is a priority for both customers and Draka companies. Innovative cable solutions leading to sustainable cable applications as well as economic synergies can be expedited and supported in this way. Many Draka products contribute to enhanced environmental performance, and the company provides solutions for innovative markets such as renewable energy, fiber to the home and smart grids. Also, customers are provided with the tools they need to evaluate the environmental performance of cables. These tools are based on facts resulting from life cycle analyses complying with international standards. Draka's ambition is to set targets and criteria for eco-design to better integrate environmental aspects in the innovation process.

[1] New companies receive time to meet the corporate standards.

Ensuring safety

Safety is of the utmost importance for everyone connected to the company. The goal is to provide a safe environment for all those who work at Draka's sites and under its responsibility, as well as those who work with Draka's products.

The OSHA Lost Work Time Accident (LTA) rate[1] has been defined as key performance indicator (KPI), including targets for subsequent years since 2008. With the LTA rate of 1.9, the target of 2010, 2, was met. The target for 2011 is 1.5 and in 2012 Draka aims to be stable below a LTA rate of 1. In 2011 more leading indicators for safety performance will be introduced.

Customers using Draka's cable solutions must also be assured of the highest safety and health performance possible. Draka companies produce cables for critical applications in fire protection, oil pipeline safety, elevator and escalator safety to name but a few. R&D teams are continuously seeking viable and sustainable alternatives for safe cable solutions.

As well as providing cables that maximise safety in their application areas, Draka also contributes to the safety campaigns of customers. The objective is to increase the market volume of safety-related cable solutions to ensure safety in the supply chain. Safety, in short, is a top priority at Draka – for employees, customers and end-users.

Improving resource efficiency

Efficient use of resources benefits not only the environment, but also the financial bottom line. Draka has invested a great deal of time and resources in environmentally enhanced production processes. This results in reductions of raw material and scrap waste, energy bills and carbon emissions. A key focal point is the efficient use and re-use of input materials. Several cable solutions with better environmental performance were introduced in 2010, such as raw material input of cables for wind power turbines. Draka also uses recycled input materials for the production of its cables. It is generally known that copper, the main raw material, has a global recycled rate of well over 80%. The recycled copper rate in cable applications is not exactly known. In Sweden Draka participates in a project with competitors and recycling companies to further improve the recycled rate of cable waste and find new technologies for the recycling of the plastics fraction, with a focus on the recycling of cross-linked polyethylens.

Another goal for the coming years is to further reduce the direct and indirect CO_2 emissions of operations. The focus is on reducing electricity consumption through increased efficiency of processes and logistics and green energy sourcing.

Caring for people

The active involvement, professionalism and knowledge of employees operating in a positive working climate are crucial for the company's success. Draka therefore actively promotes the values and ethical behaviour embodied in its Code of Conduct. Draka facilitates employability by creating equal opportunities for personal development, and communication of company and personal objectives in an open atmosphere. The company encourages individual and team performance through recognition and award schemes. In 2010, a new goal was set to be more transparent about the results of the company's people strategy, by further increasing the transparency of HR performance data. Draka reports on HR indicators such as diversity, training hours, training costs, and percentage of employees who receive a performance review for the first time this year. Draka-specific objectives for these indicators will be developed in 2011 (see also 'Personnel and organisation').

[1] OSHA Lost Work Time Accident rate is an international accepted indicator which relates the number of accidents resulting in work disability in the next shift to the number of working hours per 100 employees.

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:

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

The closure of three plants was completed in 2010. Plants were closed in the Netherlands (Oudenbosch) and Sweden (Ystad) following announcements made in the last quarter of 2009. In January 2010, the closure of a plant in Norway (Årnes) was announced, agreement subsequently being reached with all the employees' organisations concerned. The closure of these plants has resulted in the loss of more than 200 jobs.

As well as cuts in the number of direct jobs at the plants, considerable attention has also focused on optimizing the number of indirect jobs (overhead) and further reductions have been made. The measures taken started to benefit the operating result in 2010 and will continue to contribute to the structural improvement of Draka's profitability in 2011.

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, the average number of full-time equivalents fell to 9,410 in 2010, down 6.5% compared with 2009. The acquisition of Pressure Tube Manufacturing (USA) led to an increase of 45 in the number of employees. The number of employees at year-end 2010 was 9,377, an overall decrease of 2.3% compared with year-end 2009.

Long-term incentive plan

In 2010, 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 64) 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 68.

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 again given to internal communication in 2010. In connection with the plant closures announced and the reduction in overheads, it 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 combination with Italian cable producer Prysmian and the possible bids by the French company Nexans and the Chinese company Xinmao.

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. Three plenary meetings were held with the European Works Council in 2010 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 third, specially convened meeting discussed the situation surrounding a possible combination with Prysmian and the possible bid by Xinmao.

There was intensive consultation with the Central Works Council relating to the Council's formal recommendations on the possible combination with Prysmian and the situation surrounding the Xinmao bid. Clear agreements were ultimately arrived at between the Central Works Council, the Draka Board of Management and the Prysmian Executive Board concerning job continuity and ongoing investment as well as the future R&D organisation and management structure and worker participation during a future integration exercise.

The Board of Management thanks all concerned for their contributions to constructive consultation in 2010.

Ambitions for 2011

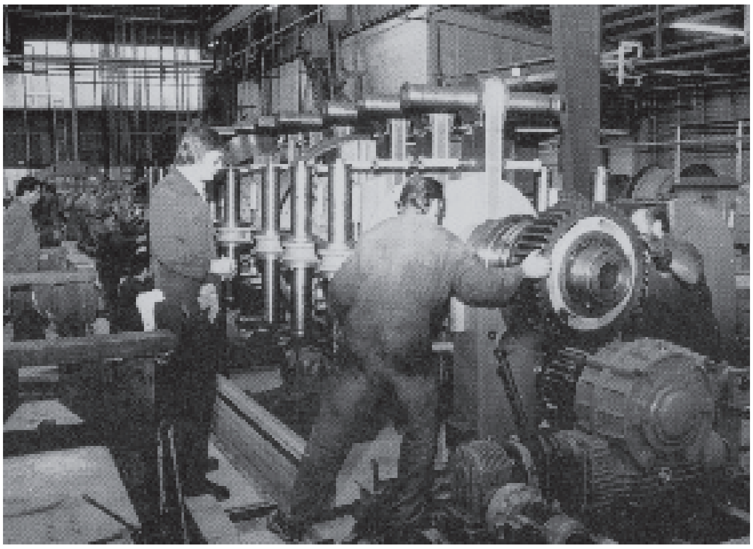
With the Prysmian merger going ahead, 2011 will be dominated by the integration of Draka and Prysmian. Human Resources will accordingly be concentrating on good internal communication and also on retaining talent within the organisation. At the same time, proper attention will continue to be paid to day-to-day operations to safeguard continuity as far as possible.

One century

For the past century, Draka's people have been going the extra mile to ensure customers benefit from durable, safe, innovative cable technology, tailored to their specific needs. Appropriately, the company's 100th anniversary in 2010 was marked by the opening of the Innovation Centre, located on the same factory site in Amsterdam where the first cables were produced in 1910. After all, Draka's sustained success is based not only on a strong heritage, but also on a future-oriented mindset.

"An eye to the future", as the central theme

In the 1970s, Draka's guiding principle was the belief that standing still means going backward. Continued investments proved to be a catalyst for further growth.



An eye to the future

Draka has been growing and innovating for 100 years, meeting economic developments and societal needs, including the increasing demand for sustainable solutions. It started in 1910 with the founding of the Hollandsche Draad- en Kabelfabriek by Jan Teeuwis Duyvis. He was inspired by the availability of metal wire, together with a drastic fall in the price of electricity. Duyvis predicted that these developments would lead to a strong increase in the demand for electricity.

Innovative mindset

An eye to the future and a determination to set the standard for reliable cabling has always formed the basis for the company's success. Throughout Draka's history, its people have nurtured the ability to adopt fresh perspectives, taking a fresh look at customers' needs and acting on these insights. This commitment has led to unique cable technologies for applications such as space rockets, luxury cars, the Airbus aircraft, optical fiber networks and the London Underground.

Investing in breakthroughs

The step from metal wire to space rocket wiring wasn't taken in just one day. Daring to invest and innovate in tough times has always been one of Draka's strengths. For example, even during the difficult economic times of the 1930s Duyvis continued to invest in Research & Development. This led to important breakthroughs, like a new, heat-resistant insulating material that improved the safety and reliability of cables. Draka also increased productivity in its factory by introducing the American Bedeaux system, which rewarded workers for higher productivity.

Turning challenges into opportunities

After the Second World War, Draka continued to turn challenges into growth opportunities. When rubber supplies were threatened by the decolonisation of the Dutch East Indies, Draka invested in the development of plastic insulating materials. The company became a leading player in this market, with new and acquired factories making a wide range of plastic products, from garden hoses to the vinyl used to produce life rafts. Draka also continued to anticipate developments in other areas. For example, before the start of the European Economic Community, which led to stronger foreign competition from 1958 onwards, Draka announced a merger with the Nederlandsche Kabelfabriek in 1957.

International markets

In the 1970s, Draka broadened its scope to include international markets. Thanks to the initiative and efforts of its people, new sales opportunities were created and within just a few years the share of exports increased from between 10 and 15% to almost 50%. After 1985, an ambitious strategy was adopted aiming at worldwide growth through acquisitions. With a balanced portfolio serving a range of industries, Draka reduced its sensitivity to variations in the economic cycle and positioned itself at the forefront of new market segments like optical fiber. By fostering close, international cooperation between its people, across divisions, groups and countries, Draka grew into a world leader that continues to set new standards for reliable, sustainable cabling.

1910
Jan Teeuwis Duyvis founds the Nederlandsche Draad- en Kabelfabriek in Amsterdam North.

1919
Record dividend: 68%. Employees are offered the opportunity to participate in the company.

1930
Visit by Queen Wilhelmina to the Draka factory.

1942
Draka is one of the first companies at which work is stopped to protest against the raids on Jews.

1954
Production reaches 100,000 kilometres of cable.

1958
Merger with the Nederlandsche Kabelfabriek (NKF).

The Innovation Centre

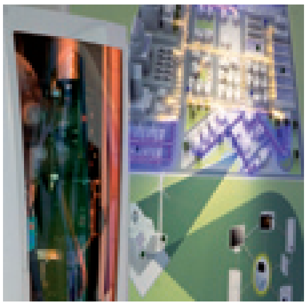
An interactive showcase of innovations

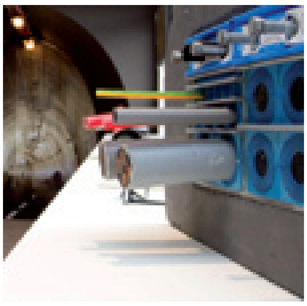
As part of its centenary celebrations in 2010, Draka opened its Innovation Centre: an interactive showcase for innovations from all parts of the organisation. The centre, located on the Draka premises in Amsterdam, consists of separate themed areas, dedicated to innovations in sustainability, (fire) safety, data and energy transport and faster cable production.

Customers can experience Draka innovations for themselves in the Innovation Centre. It strengthens the innovative image of Draka, and demonstrates that the total organisation is more than the sum of the parts. Jacques Blanc, Vice-President Technology & Development, emphasises how important this is. "Innovation has always been one of the core values of Draka, but it hasn't always been visible to customers. They're usually only familiar with the end-product that they have ordered, and don't realise the many other things that Draka can offer."

Additionally, the company's own organisation also benefits from the Innovation Centre, Jacques emphasises. It provides a great opportunity for the divisions to share their knowledge and successes with each other. "Since 2002 we've focused strongly on bringing together ideas from the whole organisation. The Innovation Centre proves that we are in fact One Draka, and I hope it will inspire the groups, divisions and countries to work together even more."

The Innovation Centre shows that Draka is constantly innovating. From cables bringing power to households, right through to innovative wiring for space rockets and geothermal energy wells.





1969
First computer enters service after an internal rebuilding.

1970
Draka/NKF is acquired by Philips N.V. and becomes part of its Wire & Cable division.

1986
Draka again becomes independent, after a buy-out financed by Parcom and Flint Beheer.

1990
Draka Kabel becomes Draka Holding.

1991
Draka is listed on the Amsterdam Euronext Stock Exchange.

2010
Draka has operations in more than 30 countries and celebrates a century of innovation.

Report of the groups

Energy & Infrastructure

Europe
Asia-Pacific

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 customized 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 35% (or € 855 million in 2010) of Draka's total revenues.

Industry & Specialty

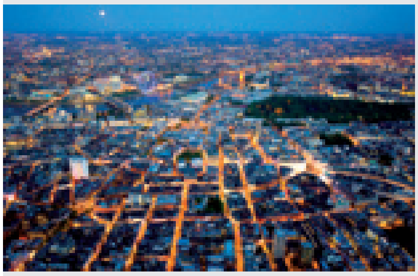
Automotive & Aviation
Cableteq USA
Elevator Products
Offshore
Renewable Energy

Industry & Specialty

Draka Industry & Specialty is a diverse group that specializes in the development and manufacture of innovative solutions. Its five divisions – Automotive & Aviation, Cableteq USA, Elevator Products, Offshore and Renewable Energy – 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 elevators.

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 31% (or € 745 million in 2010) of Draka's total revenues.



Communications

Telecom Solutions
Multimedia & Specials
Optical Fiber

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 34% (some € 830 million in 2010) of Draka's revenues.

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 2010

- In most European countries there was little or no growth but the bottom appears to have been reached
- Recovery in most Asian markets over 2009 levels, with increasing project activity
- Economic recovery in China has led the growth in other Asian economies
- Volume-driven recovery in Energy & Infrastructure results in second half year
- Efficiency and supply chain optimisation to further reduce cost base and improve logistics performance
- Focus on service and support to strengthen partnerships with wholesale channel

Ruud Majenburg, president Draka Energy & Infrastructure

"The group achieved a satisfactory result, and the recovery seen in the second six months bodes well for future profitability."

Financial results

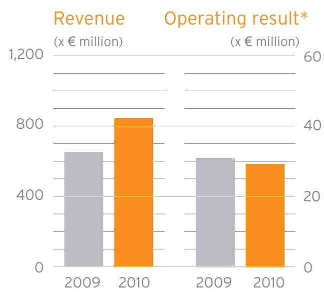
Following the sharp decline in construction activity in 2009, market conditions in 2010 were less challenging. Various geographical markets in which the Energy & Infrastructure group operates showed a slight recovery in demand. The ongoing competitive market, however, led to slightly lower market prices, which had a negative effect on operating margins. Despite this, the group still achieved a satisfactory result, and the recovery seen in the second six months bodes well for future profitability.

Results (x € million)	2010	2009
Revenues [1]	854.0	694.4
Revenues at constant copper prices [1]	782.9	750.8
Operating result [2]	29.2	31.8
Operating margin as % of revenue [3]	3.7%	4.2%
Capital expenditure	7.6	10.4
Depreciation and amortisation	17.9	17.3

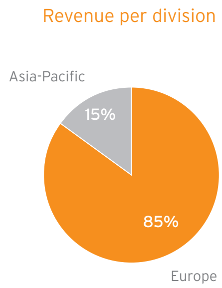
[1] Due to reclassification of (OEM) revenues as between Energy & Infrastructure and Industry & Specialty, the revenues in 2009 have been restated to facilitate comparison (€ 30.1 million positive).
[2] Excluding non-recurring items. There was a non-recurring charge of € 14.4 million in 2010 relating to the closure of the plant in Ystad (Sweden) and other restructuring exercises. Non-recurring items in 2009 were € 13.8 million negative.
[3] Operating result as a percentage of revenues at constant copper prices.

Energy & Infrastructure reported an 23.0% increase in revenue in 2010, to € 854.0 million, mainly lifted by the higher average copper prices passed on in sales (18.1 percentage points) and gains on exchange (4.5 percentage points). Volume growth amounted to 0.4% and was entirely seen in the second half of the year.

The operating result, excluding non-recurring items, fell to € 29.2 million, compared with € 31.8 million in 2009, chiefly owing to the slightly lower market prices resulting from the continued competitiveness of the market. Both the further improvement in the product mix and additional cost savings boosted the result (approximately € 10 million) but were not enough to compensate fully for the adverse effects. In the second half, the operating result was up by 14.8% compared with the corresponding period in 2009, representing an improvement of 13.1% on the first six months of 2010.



* Excluding non-recurring items



Division

Europe

Products	Low- and medium-voltage cables, ranging from medium voltage power and installation to instrumentation and control cables	Establishments	Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Norway, Poland, Romania, Russia, Slovakia, Spain, Sweden and UK
Market segments	Construction (residential and commercial), industry, infrastructure, electrical applications	Employees	Around 1,765
Growth driver	Construction market in general, investments by industry and in infrastructure	Customers	Construction and installation companies, electrical wholesalers such as Edmundson Electrical (UK), Onninen (Finland), Rexel (France) and Sonepar (France)
Market position	No. 3 in Europe		

Headlines in 2010

- Markets in most European countries showed little or no growth; bottom appears to have been reached
- Focus on service and support to strengthen partnerships with wholesale channel
- Efficiency and supply chain optimisation to further reduce cost base and improve logistics performance

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 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 continues to feel the effects of the downturn, affecting building and infrastructure projects. Successes were achieved with products offering better margins together with a strong focus on service and support. This allowed market share to be increased in a number of countries. New building in Spain is still far below the 2006/2007 peak, with market overcapacity. The same applies to industry and infrastructure, although the market has stabilised with market share maintained or even increased. Business in France benefited from the strong position in energy distribution, with increased sales to EDF, utilities and contractors through local distributors. This success is based on a dedicated portfolio with new products such as lead-free low-voltage underground cables plus strong customer service. The UK residential market has reached a stable although low level, and despite strong competition the position was maintained by focusing on areas with better margins. Supplies continued for the major London Underground upgrade project. The market in Ireland was flat, with very low housing activity. However supplies to Dublin Airport were extended by the addition of medium-voltage cables. The division maintained its strong position in the Benelux, although the market was down by 10-15% because of lower commercial and residential building activity. Here too the market has now probably reached the low point in the present cycle. In the Nordic region, where the effects of the crisis differed from country to country, markets began to show some improvement in the second half. The division benefited from the slight upturn due to a strengthened position with key wholesalers. The local sales teams established during 2009 in the Eastern European countries are showing positive results, although market conditions vary greatly between countries. Thanks to this new approach, sales are gaining ground in both traditional and new segments. The Baltic countries showed a somewhat better picture with slight market growth and improvement of the division's share.

Developments in the division

Efficiency optimisation efforts continued, resulting in further cost reductions of around 8%. Closure of the Ystad (Sweden) factory was completed in mid-2010, with production transferred to other locations. Attention was given to supply chain optimisation together with distributors to improve logistics performance. Late order changes can always be expected, so excellent logistics are a key distinguishing factor. The same applies to customer service in partnership with wholesalers, for example with products cut to length, labelled for time-saving installation and delivered on-site, all within 24 hours. Innovations continue to play an important role, for example the award-winning Clixys total solution with pre-assembled sockets, connectors and switches developed with ABB. Also important are low fire hazard, halogen-free cables developed for the building industry. High flexibility simplifies the installer's work, for example with Evolution® which is successful on the Spanish market. Further developments include improved aging performance and UV resistance. A service innovation is ECO Advice, an online design tool that supports designers and engineers in saving energy, reducing CO_2 emissions and cost. Customer partnerships in the Netherlands were further strengthened by visits to the Draka Innovation Centre, where some 1,500 installers saw a wide range of developments (see also page 34). This formed part of the efforts to strengthen wholesaler partnerships, including marketing and logistics support, training and joint activities aimed at installers. The company's 100th anniversary in the Netherlands was marked at SAIL Amsterdam, visited by well over 1,000 customers. Similar wholesaler partnerships have been started in Spain, with regional tours of distributors and joint installer training. The success of customer collaboration in Nordic was underlined by the Supplier of Year award in Norway from the biggest electrical wholesaler Elektroskandia for the third year in a row. The division aims to strengthen its market position in industrial installations like power and (petro)chemical plants, with an international sales and marketing organisation, a dedicated portfolio, improved logistics cooperation and alignment of sales and operations.

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, infrastructure and petrochemicals	Employees	Around 450
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 2010

• Recovery in most Asian markets over 2009 levels, with increasing project activity
• Economic recovery in China has led the growth in Asia's economies
• Business in Malaysia up thanks to government spending; petrochemical and infrastructure activities at a high level

Profile

The Asia Pacific division 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

Most markets in the region showed a cautious recovery in 2010, and although cable supplies lag the economy by six to nine months more project activity is now being seen. However industry overcapacity remains an issue, and pressure on prices continues even though sales have picked up somewhat. Overall many projects are expected to start in the near future, for example in areas such as urban mass transit, tunnels, railway and petrochemical expansion. The market in Australia was particularly strong, led by high activity levels in energy and resources. For example there have been sales successes in the oil & gas industry, including a number of new LNG projects.

Recovery is also being seen in Indonesia, with growth at around 8-9% following the downturn in 2009. The same applies in Malaysia, where project activity has benefited from continuing investments by the government and private sector. The government has initiated a 350 billion dollar Economic Transformation Programme over the next 10 years, starting from 2011, to propel Malaysia into a high income economy. Growth of around 4% was seen in Thailand despite the country's political turmoil, although some major infrastructure projects have been delayed. Sales there were at about the same level as in 2009, although margins improved somewhat due to increased activity in communications projects involving higher-margin products. As in other countries in the region, strong activity was also seen in petrochemical projects. Business in China was up from 2009, with strong support from government spending on rail network upgrading and other infrastructure projects. However this stimulus spending could be withdrawn in the near future as the government seeks to contain credit and achieve balanced growth. Building activity continued at a high level, although this sector is subject to intense price pressure for standard product types. Efforts are therefore being made to target the industrial, infrastructure and OEM markets with higher-margin products. The market in Hong Kong was relatively stable with continued support from the financial and tourism industries. Sales showed an upturn in the second half of the year in both the building and infrastructure sectors. Work on the long delayed casino project in Macao has now restarted, with cable supplies expected to resume in the near future.

Developments in the division

The new factory in Malaysia was officially opened in February 2010 and is now fully operational, providing valuable extra capacity in time for the emerging economic recovery across the region. This is the division's largest Asia-Pacific facility, and produces mainly instrumentation and control cables for Malaysia, Singapore and export markets. Overall, production is returning to full 3-shift operation, following the cutbacks in late 2009. Increases in the numbers of production staff are planned for the first quarter of 2011 as new projects start to come on-stream. The former joint venture in India has now been taken over completely under Draka management, as part of the plans to expand operations and benefit from the booming market in India. Growth is strong across the board, but especially in the oil & gas industry. As in other markets emphasis is being placed on innovative, higher-margin products in which the division has a unique position, for example field bus cables for control and instrumentation applications. The present efforts to gain a strong position in India are expected to pay dividends particularly in the coming years because of the country's continuing strong economic growth. In Vietnam plans are being made to upgrade the present representative office to a full Foreign Investment Enterprise in 2011. This is to allow sales and marketing activities directly instead of only through agents as at present. In the meantime contacts with customers and consultants are being strengthened, and efforts are being made to gain a presence in some of the high profile projects scheduled in Vietnam.

Draka Industry & Specialty

The Industry & Specialty group consists of five divisions: Automotive & Aviation, Cableteq USA, Elevator Products, Offshore and Renewable Energy. Industry & Specialty encompasses a broad range of activities and specializes in the development and production of innovative solutions for a global customer base. The five 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 elevators, to mention just a few examples.

Headlines in 2010

- Industry & Specialty's profitability was under pressure from lower results, especially from Elevator Products in the first six months; strong profit recovery for Industry & Specialty in second half
- Automotive & Aviation profited from strong growth in the automotive sector
- Acquisition of PTM, a specialised tubing manufacturer, strengthens position in global oil and gas industry and lifted results at Cableteq USA
- Elevator Products benefits from continuing growth of Chinese market
- Offshore profiting from orders in Europe for offshore wind farms and wave and tidal energy projects
- Prospects for Renewable Energy improving after downturns in 2009 and first six months of 2010

André Surchat, president Draka Industry & Specialty

> "The group benefited from improved market conditions in the second six months, especially for the Automotive & Aviation, Cableteq USA and Renewable Energy divisions."

Financial results

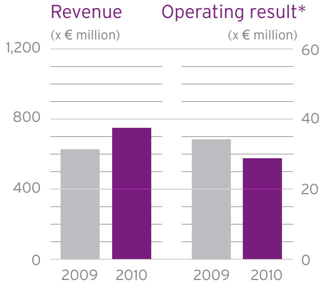
After a difficult first half, with profits under considerable pressure, the Industry & Specialty group benefited from improved market conditions in the second six months, especially for the Automotive & Aviation, Cableteq USA and Renewable Energy divisions.

Results (x € million)	2010	2009
Revenues [1]	744.5	617.7
Revenues at constant copper prices [1]	703.9	665.8
Operating result [2]	28.2	33.4
Operating margin as % of revenue [3]	4.0%	5.0%
Capital expenditure	7.9	20.2
Depreciation and amortisation	15.7	15.5

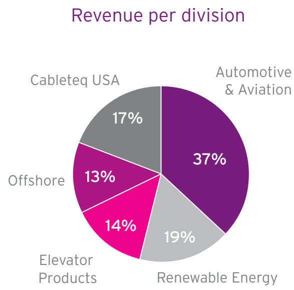
[1] Reclassification of OEM revenue from Industry & Specialty to Energy & Infrastructure. For comparison purposes, the 2009 figure has been restated (reduction of € 30.1 million).
[2] Excluding non-recurring items. There was a non-recurring charge of € 12.4 million in 2010 relating to the closure of the plant in Ystad (Sweden) and other restructurings. Non-recurring items in 2009 were € 31.6 million negative.
[3] Operating result as a percentage of revenue at constant copper prices.

Industry & Specialty group revenues in 2010 were up by 20.5%, at € 744.5 million, mainly on the back of the higher average copper prices passed on in sales (14.2 percentage points) and gains on exchange (4.6 percentage points). Volume growth amounted to 0.4% and was mainly driven by demand for automotive cable, cable for wind turbines and specialty cables. The acquisition of PTM (USA) contributed 1.3 percentage points to the revenues.

The operating result, excluding non-recurring items, was down 15.6%, at € 28.2 million. With the exception of Automotive & Aviation and Cableteq USA, all divisions reported lower results. There has, however, been an underlying improvement in results since Q2 2010, driven by volume growth. The cost savings came in at approximately € 9 million.



* Excluding non-recurring items



Division

Automotive & Aviation

Products	Cables and wires 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 and one of the largest suppliers to the North American automotive market; second supplier to the European aerospace industry
Establishments	China, Czech Republic, France, Germany, Mexico and Philippines
Employees	Around 900
Customers	Automotive Tier 1 harness suppliers such as Yazaki (Japan), Lear (USA), Delphi (USA), and Dräxlmaier (Germany); Airbus, Eurocopter (France/Germany), Asstrium, Eurofighter, Dassault, Labinal, Latelec and Fokker for aerospace cable

Headlines in 2010

• Strong growth of automotive production; BRIC countries now account for over 30% of global assembly
• Aviation sector back to growth after one year of crisis; commercial aircraft volumes up but defence sales at low level
• Progressive ramp-up of Durango facility in Mexico; dollar-based production will strengthen competitive position on North American market

Profile

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

Market developments Automotive

Strong demand in emerging markets and inventory replenishment are responsible for the strong growth of automotive production in 2010, eclipsing the 2007 pre-crisis high point. Rebalancing inventory as car manufacturers cut back aggressively in the first half of 2009 and strong performance of the BRIC countries (Brazil, Russia, India and China) drove recovery in 2010. In contrast to the industry’s last peak in 2007, when BRIC countries accounted for 19% of global output, these markets accounted for over 30% of global automotive assembly estimated at 70 million units in 2010. In the developed economies government incentives and scrappage schemes implemented during 2009 ended in all major markets, and had limited impact in 2010. The trend is towards smaller cars in emerging markets and increased functionalities in the developed markets. The global industry continues to pursue higher fuel efficiency, weight reduction and new technologies, primarily hybrid, electric and fuel cell.

Developments in the division Automotive

The division is working to strengthen its position by rethinking the customer and product portfolio. An extensive analysis was implemented to review the manufacturing locations to provide better long-term customer support. Cost-saving measures to address the 2009 crisis were implemented to improve competitive strength. A plan to optimise fixed asset utilisation was implemented to support growing markets, for example by expanding capacity in Mexico. Customers are increasingly seeking localisation, better value solutions and lower risk, with globally standardised products and suppliers with a proven track record. 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 automotive specifications, for example metric wires. Specific innovation areas are small-cross-section wires, halogen-free cables, lightweight aluminium cables and specialty automotive cables for power distribution at higher voltages.

Market developments Aerospace

Aviation business is back to growth since mid-2010 after the crisis starting a year earlier. For example Airbus forecasts 34 A320 aircraft per month, increasing to 40 during 2011. Airbus also has a substantial order book up to 2012 and 2013, which provides a useful buffer. However the rest of the aviation and aerospace business is still at a low level. The competitive position towards Boeing is adversely affected by the largely euro cost base, although this is expected to improve with the ramp-up of the Durango facility in Mexico.

Defence sales are declining because of budget cuts by major countries such as Germany and the UK. European projects such as Eurofighter, Rafale and military helicopters have not gained significant export orders and volumes are low. However the downturn in defence sales is partly compensated by the good commercial business, which involves much larger cable volumes.

Developments in the division Aerospace

Ramp-up of the new Durango facility in Mexico will continue during 2011 and 2012 with the intention of handling most of the ‘high runner’ products. This plant benefits from dollar-based production together with low labour costs, and is close to the main customer Labinal in Chihuahua, which is a major Tier 1 supplier to Aerospace including Airbus. An opportunity for business with Boeing may arise in new in-flight entertainment systems, which require specific high-speed copper and fiber-based data cables. Efforts are being made to leverage Draka’s fiber knowledge and innovative products such as the Bendbright bend-insensitive fiber, which is an advantage in this field.

Efficiency-optimising measures continued in 2010, focusing mainly on restructuring and downsizing of manufacturing in France. The aim is to concentrate all high-end products at this location, such as data communication, fire-resistant and other special cables, with the high volume products gradually being transferred to Durango.

Division

Cableteq USA

Products	Specialty composite cables consisting of copper, tubing and fiber conductors, low- and medium-voltage cables, ranging from power and control, signal and instrumentation cables; corrosion-resistant specialty tubing; and specialty silicone rubber compounds employing nanotechnologies
Market segments	Defence, industry, energy, infrastructure, mining, water management, and construction (commercial and industrial)
Growth drivers	Global basic needs such as food, water, energy and security: Investments in infrastructure and energy, oil & gas exploration and production, water & agriculture, defence & security, resource extraction
Market position	Top 3 position in market niches in USA
Establishments	USA (Massachusetts, New Jersey, Pennsylvania, North Carolina), Canada, Brazil, Germany
Employees	Around 450
Customers	OEMs such as Reinke and Valmont for irrigation systems, major global seaports for material handling, Schlumberger within the oil & gas industry, local government for fire-resistant cable, transit systems, roadway and runway lighting and defence industry

Headlines in 2010

- Acquisition of specialty tubing company PTM strengthened position in global oil & gas exploration and production
- Market downturn and price erosion largely compensated by stable sales and margins in unaffected sectors
- Infrastructure-related markets benefited from government stimulus programmes

Profile

Draka Cableteq USA provides innovative custom-engineered wire, fluid and fiber conductor solutions to a wide range of markets including industrial, defence, medical, water, utility, fire protection, roadway & runway lighting, transit, mining, crane and material handling, and for oil & gas exploration & production.

60% of products are custom-engineered for harsh environmental or high performance specifications. These include cables that operate without failure for extended periods of time in harsh environments such as sulphuric acid and oxidizing gas mixtures, 1,000°C fires, deep underground or on containers of molten steel and in naval warfare.

The division provides customers with comprehensive, end-to-end solutions, based on a full range of power, control, signal, fiber optic and instrumentation cables, 2-hour fire rated emergency cable, corrosion resistant small-diameter alloy tubing and specialty silicone rubber compounds. Draka Cableteq USA offers customers in-depth knowledge of virtually all applications, and has extensive testing and validation facilities to ensure that custom designs meet the required quality and performance specifications.

Market developments

The diversified and specialised markets served by Draka Cableteq USA again helped it to maintain a stable performance, while the strong focus on specialty and custom engineered products allowed margins to be maintained at a good level.

Business in the oil & gas sector was good, and benefited from the acquisition in the first half of the year of Pressure Tube Manufacturing (PTM) in New Jersey, which supplies corrosion-resistant tubing. Exploration and production were positively affected by the improving outlook in these markets and the introduction of specialised small-diameter tubing for chemical injection into gas wells. Sales of specialised metal tube encapsulated sensing cables used to monitor conditions in oil wells and geothermal reservoirs improved with new product introductions for hotter and deeper wells.

The water market began to recover to sustainable levels, driven by concern about worldwide droughts and regional crop failures. Mining saw recovery in the Czech Republic, Russia and Australia.

The utilities market was affected as regional investor-owned utilities scaled back new construction in the face of a drop in demand for electricity, and as new competitors entered the markets.

The defence market is showing signs of softening, with layoffs announced at Boeing, Raytheon and Lockheed Martin. However increasing market share in defence fiber optic products partially covered the decline in projects in 2010. The crane market was impacted by the global shipping slowdown, but is now showing signs of recovery.

Mass transit and subways are benefiting from government stimulus programmes, with major projects in New York City involving trackside power, control, instrumentation and fiber cables. Further major projects in this market are expected in 2011. Another positive niche market is special lighting for roadways and airports, with government spending continuing in 2011. Fire protection cables are used for systems such as alarms, fans and pumps whose functions must be assured in emergencies. Fire protection cable sales for new commercial construction projects were down sharply this year, although growth is anticipated in new applications areas such as tunnels and fire-hardened elevator refits.

Developments in the division

The cost-reduction and efficiency programmes initiated in 2008 and 2009 were continued, with a shift in emphasis during 2010 to continuous improvement projects. The emphasis in 2011 will be on organic growth to capture global opportunities, aiming to take advantage of the efficiency and productivity gains that have now been realised.

In marketing, the focus is now on global niche opportunities for specialty compounds, corrosion-resistant tubing, and high performance fiber cable. New products developed under the US Department of Energy grant for high temperature, hydrogen-resistant fiber, and copper cables, developed in conjunction with the Communications group, are now being brought to market.

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 specialized 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 650
Customers	Lift manufacturers such as Kone (Finland), Otis (USA), Schindler (Switzerland) and ThyssenKrupp (Germany)

Headlines in 2010

- Business in Europe and USA flat; remains at or near second half 2009 levels
- Growth trend continues in China; strong demand from high-rise modernisation and renovation projects expected in coming years
- MRO business grows to 50% of total; over-the-counter retail operations rolled-out in China and Brazil following success in USA

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

With the exception of China, sales in all regions were flat in 2010 and remained at or near the 2009 levels. In Europe project activity was low because of the depressed new building market, while in the USA business was stable but still at a low level. However some growth was seen in Brazil, where building and renovation activity is picking up. The picture in China continued last year's positive trend, with growth maintained and even increasing slightly. Maintenance and renovation activity in particular is expected to continue this growth trend, with large numbers of high-rise buildings there that will require modernisation in the coming years.

Overall, to counter the economic slowdown in new elevator construction the division is shifting its focus to this aftermarket business, which formerly only accounted for 20% of the total business volume but is now at around 50%. In the USA the new over-the-counter retail operations started in 2009 in New York City, Los Angeles, Chicago and Houston have proved to be a success, offering installers and contractors a fast, walk-in service for all the replacement parts and kits they need. This new concept is enabling the division to maintain a good level of business in a difficult market, and even to win market share from competitors.

One of today's biggest challenges is the trend among major OEMs to cut back on their purchasing programmes in today's difficult market conditions. To combat this trend and defend sales, the 'visible price model' has been introduced. This gives OEMs a transparent price calculation that clearly shows the benefits of sourcing their components and subsystems from Draka, rather than going back to in-house production. Thanks to this information, some success has been booked in retaining this business. New business was also gained with the new rope brake introduced in 2009 in the USA, which has been well received in the market.

Developments in the division

In Europe the operations were restructured in 2010 to build further on the earlier cost-saving measures. The European operations were consolidated and moved to a new and larger facility in Milan, with reduced total numbers of employees but higher efficiency to prepare the organisation for a market upturn. The over-the-counter retail model first introduced in the USA has now also been rolled out in China to benefit from the demand for new and replacement parts and kits which is expected to show strong growth in the coming years. Further investments in China are planned for 2011 to increase production capacity and strengthen customer service, for example with new distribution centres in the northern and southern regions. China is also becoming increasingly important as major European OEMs such as Kone and Schindler relocate their purchasing operations to China. To maintain the positions with these OEMs the division has assigned key account managers, to work with them and develop a single global sourcing concept. This takes maximum advantage of Draka's global footprint, allowing customers to conveniently source the same products at all their production locations around the world.

To increase both customer service capacity and efficiency in Brazil the new facilities in São Paulo and Londrina offer over-the-counter retail sales to provide installers with a quick, convenient service for spare parts and kits.

Division

Offshore

Products	Flexible, rubber- and plastic-insulated low- and medium-voltage cables according to most relevant international standards, client-specific designs and strict industry standards; subsea cables; cable accessories and systems
Market segments	Oil & gas industry; marine; offshore renewable energy
Growth driver	Investments and maintenance by oil industry; investments in wind farms, wave and tidal installations; investments in ships
Market position	No. 2 in Europe in oil & gas, prominent in North America and Far East; no. 3 in Europe in subsea cables
Establishments	Brazil, China, Netherlands, Norway, Russia, Scotland, Singapore and USA
Employees	Around 300
Customers	Oil & gas offshore industry; shipyards and ship owners; public utilities, private developers

Headlines in 2010

- Marine business still depressed as shipping market awaits global upturn
- MRO activity in oil & gas sector stronger as oil price rebounds; new construction and conversion projects still at a low level
- Offshore drilling in the Gulf of Mexico halted due to the BP disaster
- Offshore wind farm installations affected by recession; large orders secured for offshore wind farms and wave and tidal installation in Europe

Profile

The division offers advanced, cost-effective cable solutions for the shipbuilding, oil & gas and offshore renewable energy industries. These solutions meet strict industry safety standards and ensure that vessels and drilling rigs can be used reliably for long periods. The division's products include halogenfree, flame-retardant cables with excellent physical and electrical properties, including resistance to fire, dust, oil, wear and tear and (petro-) chemicals. Flexible, rubber-insulated cables are produced to international specifications and customer-specific designs for power, control and instrumentation applications. During 2010 Draka Offshore launched its own line of accessories and assemblies adding value to its product portfolio. In addition, the product portfolio for offshore wind farm and oil & gas applications has been completed by the addition of medium-voltage subsea cables, accessories and systems.

Market developments

The level of business varied greatly in the division's three sectors: marine, oil & gas and offshore renewable. Business in the marine sector remained depressed, with most shipbuilding activity currently taking place in China and Korea. Many new shipbuilding projects have been postponed or cancelled awaiting an upturn in the global economy.

In the oil & gas sector, new construction or conversion projects remained at around the same relatively low level as in 2009. However MRO (maintenance, repair and overhaul) activity was somewhat stronger under the influence of the rebound in oil prices during 2010. The new range of engineered cable packages complete with connectors and terminations was well received. Draka is regarded as technical leader in this market, and the benefits of this new value-added product line are expected to be felt in 2011. Subsea cable sales were still well below earlier expectations. However the offshore wind energy market showed some recovery following last year's strong downturn, which saw some projects delayed because of financing difficulties. Signs are positive for a continuing recovery in 2011 and the following years. Plans are now under way for major offshore wind farm projects to be realised in the coming three to four years, for example in Belgium, Germany, the Netherlands and the UK. Draka has already secured three major orders for offshore wind farms and has been selected as cable development partner for a fourth project. The increasing activity level is driven by better availability of financing, government stimulation programmes and better rates paid for the power generated, together with international treaties to reduce the carbon emissions associated with fossil fuels.

Developments in the division

The marine activities are currently subject to an ongoing restructuring programme to increase their competitiveness against the background of the continuing depressed level of business in this sector. In both the oil & gas and subsea sectors work continued on rolling-out the division's business model of value-added products and services that contribute to reduced equipment downtime and time-saving installation. The subsea products for the renewable energy grid include highly engineered cables and systems with connectors, terminations and other accessories. Draka's design and engineering skills are valuable assets as products usually have to be customised for specific applications. Similar developments have been made in the oil & gas sector with fully terminated cables ready for fast 'drop-in' fitting, such as those for drilling rig service and repairs. Time savings are vital in this market due to the very high leasing costs of drilling rigs and the costs of lost production. In this area the Offshore division is able to offer complete technical expertise to users by drawing on the resources of the other Draka divisions.

A major recent investment was the expansion of the factory in Drammen, Norway, which was completed in late 2009. This plant is now capable of supplying long lengths of cable for the offshore renewable grid market, with direct load-out of cable onto laying vessels. These cables, which also include optical fiber units, are used to interconnect the turbines to the transformer platform.

Division

Renewable Energy

Products	Wind turbine cables, cable sets and tower internals, cables for connection of solar power photovoltaic modules for greenfield and rooftop installations, and installation services for solar power plants
Market segments	Wind and solar power business
Growth driver	Investments in renewable energy, particularly wind and solar power plants
Market position	Global market leader in cables for wind turbines
Establishments	Australia, Brazil, China, Denmark, Germany, Netherlands, Spain and USA
Employees	Around 750
Customers	Industrial equipment manufacturers such as wind turbine manufacturers, tower manufacturers, distributors and installers of photovoltaic equipment and project developers of solar power plants

Headlines in 2010

- Wind farm activity stabilised after downturn and postponements in 2009; growth around 15 to 20% foreseen for the coming years
- Exceptionally strong growth in solar energy activities, with major projects in Central Europe based on strong government support and CO_2 reduction targets
- Continued focus on complete product range of wind turbine internals, including value-added concept with ready-to-fit cable sets and tower internals

Profile

The division offers advanced, cost-effective cable solutions that include halogen-free, flame-retardant cables with excellent physical and electrical properties, including resistance to fire, dust, oil, wear and tear and (petro-)chemicals. Flexible, rubber-insulated cables are produced to international specifications and customer-specific designs, mainly for low- and medium-voltage applications in wind turbines and photovoltaic plants.

Market developments

Following financing delays experienced in 2009 many new wind farm projects are now starting to be realised around the world, and as market leader in wind turbine internal cables Draka is starting to benefit from this growth. At 5 to 10% growth is below earlier expectations, but still shows a positive overall picture. The major European turbine OEMs have strong order books, and growth is expected to increase further in the coming years. The downturn has in many cases led to a reappraisal of the financial viability of proposed new projects, and 'bankability' has become a more important criterion than ever. Draka's proven expertise and in many cases unique products enable the division to maintain its strong position with the OEMs. Asian players are also starting to enter the export market for wind turbines, including Chinese state-owned companies, and Draka's global strategy with a local presence in the region is a good fit for the needs of these new customers. In the Americas growth is strong in Brazil, with major government-funded programmes, although wind farm activity in the USA is below expectations due partly to the current low price of natural gas.

Exceptional growth continued in the solar power market, for example with major projects in Central Europe based on strong government support to meet the European goal of 20% renewable energy by 2020. German governmental support by the well-known Energy Feed-in Law continued in 2010, although the price level for renewable energy will be reduced progressively in the coming years to maintain the balance with cost reduction of the technology. Solar power is currently receiving a lot of attention in China as the main players in the market have established large, modern manufacturing facilities. Overall growth is currently in the range of 20-30% per year as solar energy becomes a mature technology. As well as rooftop installations, the trend is to larger photovoltaic farms directly integrated in the MV power grid.

Developments in the division

The ongoing programme of cost-reduction measures was continued, for example with attention to the compounding processes in which significant savings have been made. New product introductions and innovations are continuing in the wind turbine field, and the division is now able to offer a complete portfolio of wind turbine internals. This includes a new LED-based lighting system used during maintenance activities, which is easy to install and offers significant cost savings. The system's robust construction increases reliability and eliminates the former problem of lamps breaking during transport to the tower site. The range also includes service lifts which OEMs can easily integrate in their designs. In the photovoltaic field a major development is a new collection and distribution system with cables that are ready for use with connectors allowing simpler, time-saving installation on site.

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 2010.

Headlines in 2010

- Strong performance by Communications, thanks to continuing strong demand for optical fiber, data communication cable and rigorous cost cutting
- Recovery in level of investment by telecom companies in Europe in second half year, following financial stimulus by governments and EU
- Strong sales figures and growing market share for high-end data communication cables in France and Germany
- Demand for optical fiber declined slightly in China (after explosive growth in 2009) but effect offset by strong sales figures in Europe and North America
- Strong demand for high-end optical fiber products for enterprise networks and data centres

Phil Edwards, president Draka Communications

"Results of the group improved sharply in 2010 thanks in part to the improved market conditions in Europe and additional cost savings."

Financial results

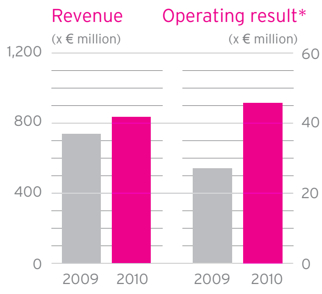
Communications results increased sharply, thanks in part to the improved market conditions in Europe, the group's most important market, and the strong performance of Draka's joint ventures in China and Brazil. The implemented cost savings also contributed to the good performance.

Results (x € million)	2010	2009
Revenues	829.3	736.2
Revenues at constant copper prices	812.7	751.2
Operating result [1]	45.2	26.7
Operating margin as % of revenue [2]	5.6%	3.6%
Capital expenditure	23.1	10.8
Depreciation and amortisation	28.2	29.3

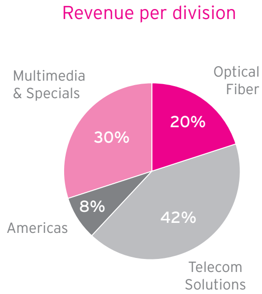
[1] Excluding non-recurring items. There was a non-recurring charge of € 22.3 million in 2010 relating to the closure of the plant in Årnes (Norway) and to various efficiency projects. Non-recurring items in 2009 amounted to € 17.7 million negative.
[2] Operating result as a percentage of revenues at constant copper prices.

The Communications group generated revenue growth of 12.6%, to € 829.3 million in 2010. This increase is attributable to volume growth (9.5 percentage points), the effect of the increased price of copper passed on in sales (3.7 percentage points) and gains on exchange (4.0 percentage points). The sale of the OPGW activities in Germany (June 2009) and Draka Comteq SDGI Co Ltd in China (55%) in December 2009 had the effect of depressing revenue by 4.6 percentage points.

The operating result came in at € 45.2 million, an increase of 69.3% compared with 2009. The increase was driven by volume growth, chiefly in the Optical Fiber division, additional cost savings (approximately € 11 million) and the good progress made by Draka's joint ventures in China and Brazil. Set against that, the pressure on selling prices remained as high as ever.



* Excluding non-recurring items



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, Denmark and USA
Market segments	Telecommunication, cable networks	Employees	Around 1,450
Growth driver	Investments by telecom operators driven by growing demand for greater bandwidth	Customers	Telecom operators such as Telefónica, KPN, Deutsche Telekom, France Telecom, Free, Telia/Sonera, Swisscom, Telecom Italia, 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 2010

- Strong recovery in European telecom investments from second half, influenced by government and EU programmes
- Modest increase in activity in USA, especially by smaller operators; demand in Brazil rises rapidly
- Continuing focus on high-end products and value-added solutions; broadening of product offering to cover non-telecom applications

Profile

Within the telecommunications market segment, Draka Communications concentrates on copper and indoor and outdoor 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

Investments in the European telecom market picked up strongly in the second half of 2010, after a slow start in the first half. Much of the strong order intake was due to government- or EU-funded programs. These led to accelerated investment programmes, for example with new FTTH projects in a number of countries such as France, Spain and Portugal. In France business benefited from the government plan to ensure nationwide 100 MB/s network coverage within 10 years. This led to an overall increase in orders, especially from Free and France Telecom. Europe-wide, the recommendation on third-party competitive access to high-speed broadband networks under the EU's Digital Agenda are leading to increased investments, especially in premium, high-fiber-count cables which can command higher fees for capacity rental. This effect is supported by the emerging economic recovery, and with it better availability of financing.

In the USA fiber sales showed a modest increase, but are not yet back to the pre-downturn level of 2008. The main growth driver is rural projects under the government's stimulus programmes. Aimed specifically at the smaller operators, these investments are designed to drive fiber deeper into the network footprints and should sustain growth over the next few years. After that investments are expected to continue, for example in private network infrastructure for 3G/4G expansion projects. Another growth driver is the trend to network sharing, with networks being built specifically for rental of capacity. Growth in Brazil was far stronger than in the USA, almost exceeding supply, and the division is working to increase local capacity because of the high tariffs faced by cable imports.

Developments in the division

The stronger focus on high-end products with more attractive margins is continuing in Europe, especially with the declining share of traditional copper cable in favour of high-speed fiber. Good successes were achieved with the pre connectorised FTTH riser cables for use inside buildings, which offer fast, 'plug & play' installation. The cost-reduction programme in the organisation is continuing, although the same rapid pace of gains as in the past years cannot be maintained. Attention was given to a further rationalisation of production, and more efficient use of labour. Fixed costs were reduced by a further 10% under the focused factory programme. In the coming year a strong focus will be maintained on improving logistics processes and working capital reduction.

The strategy in the USA is to broaden the product offering and provide users with value-added solutions wherever possible. The range is designed to cover the different worlds of outdoor (the core business of big, high-fiber-count cables) and indoor (many different cable requirements with lower fiber count for access solutions near and inside buildings). The wide product range also opens the door to new, non-telecom applications in fields such as data centres, industry, nuclear, oil & gas and mass transit. In manufacturing, efforts are continuing to optimise the cost structure to address the cost pressure in the market, as well as to reduce labour costs, redesign products for more efficient production and further optimise procurement of materials such as commodity-based plastics.

Division

Multimedia & Specials

Products	Copper and optical fiber cable solutions for applications in the data, communication and industrial markets, 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, industry automation and instrumentation and railway signalling
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. 4 globally in mobile networks
Establishments	Brazil, China, Denmark, Finland, Germany, Netherlands, Singapore, Slovakia, UK and USA
Employees	Around 900
Customers	Electrical wholesalers, distributors, OEMs, system providers and mobile telecom suppliers and operators

Headlines in 2010

- Strong sales and higher market share in France and Germany with high-end data communication cables
- Successful business in the fast-growing data centres market, driven by 'cloud computing' trend
- Strong sales in railway signalling in Middle East and Central Europe
- Continuing rationalisation of manufacturing to reduce cost base and improve efficiency

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, data communications, broadcasting and railway signalling 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

The level of market recovery in 2010 varied greatly from country to country. Business was particularly strong in France and Germany from the second quarter onwards. The division's sales were helped by its leadership position in the high-end copper and fiber data communication cables, which are needed in the increasing numbers of high-bandwidth networks. The strong sales in these countries were accompanied by higher market shares, especially in Germany and France due to the aggressive marketing approach.

The market in Spain is still strongly affected by the recession and resulting low level of building activity. There is much more emphasis on low-end products, which are subject to strong price competition from manufacturers in the Far East. However the continuing low level of activity in Spain was compensated by the good business in Central Europe.

The highlight of the division's business continues to be in the fast-growing data centres market. This is benefiting from the trend towards concentration in bigger centres, driven by the structural and strong increase in demand for bandwidth. Another important driver for this business is the trend to 'cloud computing', which is further increasing the demand for remote storage and with it for high-end cables and related products. The outlook in this segment continues to be very promising, with a steadily expanding customer base.

The close cooperation with leading data communication OEMs and wholesalers was responsible for increased sales. Sales in the railway signalling niche market strengthened, especially in the Middle East where the division has a strong foothold. The position in this market continues to grow, with particularly good sales in Turkey and Saudi Arabia. Business was also good in the studio and broadcast markets, especially under the influence of the European Football Championship, to be held in 2012 in Poland and Ukraine.

Developments in the division

The closure of the factory in Årnes (Norway) was almost completed by the end of 2010, with capacity transferred to other European facilities such as that in Slovakia. The closure is part of the continuing programme to rationalise manufacturing, reduce the cost base and improve efficiency, while the move to Eastern Europe also allows labour costs to be reduced.

Product innovations have been made in cooperation with the Optical Fiber division, for example by the use of that division's Bendbright bend-insensitive fiber in data cables. This innovative product speeds and simplifies installation in buildings, saving time for installers and reducing the margin erosion suffered by standard products. A new total connectivity cable range was launched in 2010 in the UK under the complete solutions concept developed by Multimedia & Specials.

The division's focus on finding new applications outside its traditional areas is underlined by the railway signalling business, which is based on the former copper telecom cables activities. Similar products are now being successfully applied in this niche market with its combination of telecom, data communication, mobile network and fiber cables.

Division

Optical Fiber

Products	Single mode and multimode optical fiber, tailored fiber solutions (Specials), preforms	Market position	No. 2 worldwide in single mode optical fiber; no. 1 worldwide in multimode optical fiber
Market segments	Telecommunications, data communications, transport and industrial	Establishments	Brazil, China, France, Netherlands and USA
Growth driver	Investments by telecom operators (including FTTH), IT investments, extension of fiber application portfolio	Employees	1,300
		Customers	Cable makers for telecommunications and data communications applications

Headlines in 2010

• Demand in China normalises following explosive growth in 2009; decline compensated by strong sales in Europe and North America
• Major European telecom operators return to the market, with support from institutional investors
• Strong demand for high-end fiber products for enterprise networks and data centres; increasing attention for specialised non-telecom applications

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 sales 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 the 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

Both North America and Europe saw strong increases in demand for fiber in 2010, while the Chinese market declined somewhat following the explosive increase in volume in 2009. While sales in past years benefited fully from the strong demand as capacity of the local joint ventures had to be supplemented by imports, this effect disappeared in 2010 as demand normalised. However this was more than compensated by the increase in other regions.

In North America the effects of government stimulus spending started to be felt, and demand returned to around the same level as at the beginning of 2009. Growth was stronger in Europe following the steep decline of around 25% in 2009, as major telecom operators returned to the market with new projects. Demand also benefited from investments in fiber networks by institutional investors.

Countries such as Italy and Spain that were most severely impacted by the downturn showed the strongest return to growth in 2010, with around half of the 2009 decline being recovered. Business was also good in Brazil, with a market growth of around 20%. Plans are in hand to further develop the relatively small manufacturing base there, which can also serve as a hub for sales in the surrounding countries. Sales to third-party manufacturers were at a good level. Opportunities to sell fiber to local cable manufacturers also arose in Eastern Europe and the Middle East, with applications ranging from basic infrastructure to FTTH.

Outside the traditional telecom market sales of multimode fiber for enterprise networks and data centres were strong, driven by the increasing demand for these premium, high-bandwidth fibers. There was also increasing activity in other applications in the industrial, energy, scientific and medical fields. These typically require cables with specialised properties such as the ability to resist high temperatures and pressures in mines and geothermal energy wells. The expertise of other Draka divisions is an important factor in meeting these widely differing requirements.

Developments in the division

Rationalisation of the activities in China included the sale of a majority shareholding of Draka Comteq SDGi to YOFC, Draka's joint venture partner, with the aim of a uniform brand presentation to the market. However the Chinese joint ventures, as well as that in Brazil, are continuing to make a strong bottom-line contribution, as well as generating dividend and royalty revenues.

Production overall came close to 100% utilisation in 2010, but at the same time it was possible to reduce flexible labour through efficiency improvements. Continuing investments were made to achieve industrial excellence, for example by increasing the robustness of processes and further reducing both fixed and unit costs to maintain the division's cost leadership. The global manufacturing base demands excellence in logistics, and this is another area receiving specific attention to ensure world-class performance.

Product development focused on high-end fibers for data communication and FTTH applications, as well as on the wide range of custom-engineered speciality products. Strong marketing efforts continued in the highly successful multimode fibers for which the division is world market leader.

Main subsidiaries, associates and joint ventures

(100% owned by Draka Holding N.V, unless otherwise indicated, situation as of 14 February 2011)

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 Ltd
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
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 Offshore Far East Pte Ltd
	Singapore Cables Manufacturers Pte Ltd
Europe	
Czech Republic	Draka Kabely sro
Denmark	Draka Denmark Copper Cable A/S
France	Draka Fileca SAS
Germany	Draka Deutschland GmbH
	Höhn GmbH
	Draka Industrial Cable GmbH
	Draka Automotive GmbH
	Draka Kabeltechnik GmbH
Italy	D.B. Lift Draka Elevator Products Srl
Netherlands	Draka Elevator Products BV
	White Holding BV
	White Products 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 Ltda (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%)

One goal

"Be passionate about your customers' needs and success will follow"

Draka literally keeps today's world turning. From optical fiber cable networks to traffic control centres, and from power supplies to the many kilometres of cable in an aircraft: cable technology connects and powers the world. That's why Draka's people are focused on delivering innovative, durable cable solutions.

This commitment forms the bedrock of Draka's sustainable performance. Technological, economic, and societal trends place increasing – but also changing – demands on cable technology. Specialists from different groups, divisions and countries are working closely together to meet these various requirements. Driven by the same goal: exceeding the expectations of customers by anticipating and meeting their future needs.

New life for drilling rigs

One of those needs is the fast, flexible supply of reliable cables for the renovation of offshore oil rigs. "Renewable energy sources are gaining ground, but oil will still be essential in the coming decades", says Klees Verkuil, Business Manager Industry & Infra. Many European offshore platforms are now approaching end-of-life, which is usually a period of around 20 years. But thanks to new technology, these platforms can be kept in service for another 20 years after a thorough renovation.

That's an attractive option for the owner/operator, provided one vital condition is met: the downtime of the platform during renovation must be kept to a minimum. "Operating an offshore platform is extremely costly", Klees emphasises. "If it's out of production for just one day, it can be a financial disaster for the customer." Which not only means all the components must be of the highest quality, but also that it's vital for delivery times to be as short as possible. That's a big challenge, as the renovation of a large oil production complex for BP on the Valhall oilfield in the North Sea shows. Draka is supplying all the cables, for various contractors in the USA, Norway, the Netherlands and the UK. A complicating factor is that the demand for cables is changing all the time. "Designers are constantly finetuning their plans. Ten to twenty per cent of the cables are only ordered at the last possible moment."

Thanks to Draka's global coverage the Offshore division was able to participate actively in the entire development process. "Our people in the USA are working together with the overall designers, while in the Netherlands we're working closely together with the builders of the platform. Colleagues from Aberdeen maintain contact with the company that is building the living accommodation, and Draka colleagues in Norway are advising BP. Two of our production facilities and a large distribution centre in Scotland are also involved. Thanks to this spread, the flexibility in production and the dedicated efforts of all the local Draka teams, we were even able to reduce the standard delivery time of ten weeks by half."

Thanks to new technology, drilling rigs can be kept in service for another 20 years after a thorough renovation.

Optical fiber in aviation

To meet customers' needs, collaboration may be needed that extends not only across national borders but also across different Draka groups. The Automotive & Aviation division (Industry & Specialty group), for example, approached the Optical Fiber division (Communications group) to jointly develop an optical fiber cable solution for use in defence aircraft and helicopters. "These carry increasingly advanced equipment ", says Mark Teunissen (Automotive & Aviation). "Optical fiber offers the required bandwith. Additional advantages are that optical fiber cables are light and – highly important – very reliable because they're insensitive to electromagnetic interference."

In 2005 the UK government together with manufacturers and suppliers started a research project that led to a European initiative to define a standard for optical fiber cables in aviation. The standard is being developed in close collaboration between manufacturers and suppliers, including Draka. The UK-Italian helicopter manufacturer AgustaWestland intends from 2011 to use optical fiber cables meeting the new specifications, and has asked Draka to develop this cable. That's no small task, because optical fiber cable for defence aviation applications has to meet very specific demands, in terms of robustness and compatibility with older optical fiber technology, as well as in its processing characteristics during production.

"One big advantage for us is that we have access to the state-of-the-art expertise of our colleagues at the Optical Fiber division", says Mark. At the same time the collaboration also required an explicit joint commitment. "Compared with the millions of kilometres of fiber that Optical Fiber usually supplies, this project involves relatively small quantities. And in our market the development times and life cycles are also much longer. In other words, this project is not so much about quickly generating ROI. The important thing is meeting the needs of the customer, which will also provide us with a strong strategic starting position for the long term. We're convinced that optical fiber cable will experience tremendous growth in the aviation industry, for both defence and – in the longer term – commercial applications. By investing together in next-generation technology for the customer, we're also ideally placed to benefit from that growth."

Defence aircraft and helicopters carry increasingly advanced equipment, which creates a growing demand for bandwidth.

Intelligent cable for geothermal energy wells

Another area with a large potential for growth is the technology needed for providing additional clean, renewable energy sources. In the USA, for example, Draka is involved in the development of breakthrough solutions such as Enhanced Geothermal Systems (EGS). In this technology, cold water is injected into deep, high-temperature rock layers. The water is heated and used to generate electricity, for example by steam turbines. Geothermal heat is a potentially huge source of clean energy which, unlike fluctuating energy sources such as wind and solar power, is constantly available. The strategy of the United States Department of Energy is aimed at meeting 20% of American electricity needs from geothermal energy within ten years.

For EGS it's essential to be able to monitor the temperature at all points in the injection well. "But the problem is that at present no cables are available on the market that can withstand the high temperatures of 300°C and more for longer than a few days", says Jay Monahan of Draka's Cableteq USA division. A challenge that looks as though it was made for the division. "It's our ambition to make the cables that our competitors can't supply", says Jay. Together with Mark Lowell, Vice President of Innovation at Draka Cableteq USA, he submitted a research proposal to the Department of Energy. The department then awarded Draka a 3.2 million dollar subsidy to develop optical fiber cables that will ultimately even be able to survive the optimum EGS temperature of 374°C. "As well as that, we're talking about an intelligent cable that itself acts as a sensor", says Mark. "That means you can use it to measure the temperature at thousands of points in the well."

According to Jay the project demands an unprecedented level of collaboration between specialists from both the Industrial and Communications groups. "Six Draka locations were involved, spread across the USA, France and the Netherlands, as well as a private research & development company in North Carolina and the US Department of Energy's Sandia National Laboratory in New Mexico." Mark says the project is on schedule for field trials in 2011 and delivery of the end-product in 2012. "The partnership is perfect. I'm very impressed by the enthusiasm and speed with which colleagues in other divisions and countries are making their contributions to finding a solution for the customer. This project proves that the reorganisation and strategy in recent years is delivering results."

Geothermal energy demands cables that can withstand temperatures of 300°C and higher.

Risk management

In the conduct of its operations, Draka is exposed to a number of business risks. The object of the company's risk management policy is to permanently control the various actual and potential risks to Draka's business in the long term and to limit and hedge those risks where possible. Despite the priority given to the control of those risks and the management and control procedures in place, risks can never be eliminated completely. Given the wide diversity of markets, customers and geographical areas served by Draka, they are an inherent part of doing business. Draka's long-term risks are limited by:

- the great diversity of the markets in which it operates (both geographically and in terms of clients);
- the fact that no client accounts for more than 6% of Draka's worldwide sales;
- the wide spread of suppliers;
- the fact that movements in the prices of important raw materials (copper, aluminium and polymers) can be passed on within a reasonable period;
- its state-of-the-art process technologies, many developed in-house;
- its informative, compliant and transparent reporting systems;
- its highly skilled workforce;
- a proactive, responsible management style.

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 are quantified as accurately as possible. The risks described below do not represent an exhaustive list, but are a selection of the most important risk factors.

Operational risks

Risks relating to litigation and claims

The nature of Draka's business exposes it to product liability risk, in the form of claims for harm caused by its products to people or property. The operating companies have stringent quality procedures in place to limit product liability risk. Many of Draka's operating companies are ISO 9001 certified, which requires them to have appropriate quality-management systems. Where possible, Draka minimizes product liability when negotiating sales contracts with customers. Draka's sales teams may involve the company's legal departments in more complex contractual negotiations.

Draka also has product liability insurance, which is arranged centrally at a level which it considers appropriate given the nature and scale of its operations. Under its supply contracts, Draka may be held liable for failure to deliver products or perform services in accordance with the contract terms, even if such failure is attributable to acts or omissions of third parties.

Individual contracts may contain penalty and/or liability clauses that apply if Draka fails to comply with the delivery schedule and/or the agreed quality requirements. Draka also warrants the performance of its products. Warranties given to Draka under contracts for the supply of materials and components used in its products may be less extensive than the warranties Draka gives its customers.

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

Risks relating to cyclical movements in economic activity

Draka operates in markets which are sensitive to cyclical movements in economic activity, changes in economic growth rates and fluctuations in supply and demand. Demand for Draka's products typically mirrors changes in the economic growth rates of the countries in which it is active. Demand for the products of the various divisions is also dependent on developments in the industries for which such cables are designed (for example, the construction, marine, oil and gas and transport industries) and levels of investment in those industries. There are different growth drivers for different parts of Draka's business: for example, energy prices affect the Renewable Energy and Offshore divisions and developments in the construction market affect the Energy & Infrastructure group. The Communications group is also subject to fluctuations in supply and demand in response to the level of investment in the telecommunications industry. The profitability of cable manufacturers, including Draka, is severely impacted by such factors.

Geographically, Europe is Draka's most important market, accounting for approximately 55% of its revenue in 2010. North America and Asia are also important markets for Draka, accounting for approximately 15% and 21% of its 2010 revenues, respectively. As such, the company is particularly affected by the level of economic activity in these three regions.

Portfolio diversity, in terms both of type of business and geographical region, spreads Draka's business risk and protects the company's profitability and financial position against negative developments in any one factor or region. Draka's financial position and/or operating results may, however, be adversely affected by a decline in demand for its products and services as a result of a cyclical downturn or by sustained pressure on prices.

Risks relating to dependence on customers

Draka's activities are spread across many sectors (including construction, telecommunications and energy) and many different types of end-customer (including wholesalers, distributors, equipment manufacturers and industrial users). This diversity serves as a safeguard for the company as a whole and no one customer accounts for more than 6% of total net revenue. Certain customers may, however, represent a significant portion of a division's business and the loss of such customers may have a significant impact on the division's operations, financial position and performance. Risks relating to creditor concentration are discussed on page 95.

Risks relating to raw materials and supplies

Copper, preforms for optical fiber, aluminium, PVC, polyethylene and other polymers are raw materials that Draka needs for its manufacturing processes and its business is therefore exposed to fluctuations in their prices and availability. In 2010, raw materials accounted for approximately 75% of Draka's total operating costs. Shortage of raw materials can adversely impact the company's results. Non-ferrous raw materials (including copper and aluminium) are purchased centrally by Corporate Procurement at Draka Holding, based on requirements reported by the local operating companies. Lead buyers have been designated for the different divisions (groups) who are responsible for central procurement of other raw materials. Draka ensures a constant supply on the best possible terms by centralizing procurement, combining buying power and using diverse sources of supply. To limit the risk of raw material shortages, Draka has set up a sophisticated forecasting process and takes full advantage of the scale of its operations and its optimized value chain, with plants concentrating on product families. Internal controls are also an integral part of contractual arrangements with suppliers, including clauses governing the volume, performance, quality and supply flexibility of raw materials.

In particular, the company is exposed to fluctuations in the price of copper on the commodity exchanges. Copper accounted for approximately 60% of Draka's total operating costs in 2010. Changes in the copper price have a significant effect on Draka's revenue, working capital requirements, cost of sales, debt position and financing costs.

Copper price movements are generally passed on to the customers. Where Draka uses price lists, the prices are adjusted when copper moves outside the set tolerances defined in the price list. The copper price can also be fixed contractually, in which case it changes on the basis of agreed indicators or over a predefined period. In the case of projects where the copper price is fixed for a given future date, price exposure is hedged with derivatives contracts. Hedging is organised centrally by the Central Procurement department at Draka Holding.

To mitigate exposure to inventory risk from changes in copper prices, Draka includes copper price escalation clauses in sales contracts with customers, tailored to the specific situation, and has working capital management procedures in place. Draka also continuously monitors its economic position to assess potential exposure to copper price movements and takes pre-emptive action if necessary. Based on the economic position as at 31 December 2010, a change of € 0.10 in the copper price would 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 and the inventory turnover rate.

Risks relating to inventory

Draka holds stocks to meet the needs of specific client groups for delivery on demand of the full product range within certain cable segments. Stockholding impacts the company's working capital and has to be financed. Stockholding exposes Draka to the risk of complete or partial product obsolescence and the risk of pressure on margins from lower underlying selling prices.
The internal controls to mitigate these risks include an effective forecasting process, an optimized value chain with plants concentrating on product families and effective inventory management which seeks to minimize stock levels while holding a full product range. Internal controls are also embedded in the contractual arrangements with suppliers and customers, such as price agreements.

Risks relating to the technologies employed

Draka's products are used in a wide variety of applications. The regular introduction of ever more advanced products, particularly in the specialty cable segment, is a feature of the cable industry. Draka has so far been successful in introducing new generations of improved products. Its future operating results will depend to a large extent on its ability to continue introducing new and improved products and applications that offer value for Draka's customers. Because it competes in a number of constantly evolving industries, Draka is under constant pressure to innovate in order to satisfy its customers' changing demands.

Draka believes that many of its products are technological leaders in their markets and it will continue to identify, develop and market innovative replacements for existing products in order to maintain its competitive advantage. In this way, Draka seeks to eliminate the risk of other players developing products or technologies that render its own obsolete or uncompetitive.

If Draka does not keep pace with the technological advances in its markets, it may lose market share and sustain harm to its reputation and position as a leader in technology in its markets that may adversely affect its business, its operating results and its financial position.

Draka is occasionally involved in patent infringement claims filed either by the company against other parties or by competitors against the company. The financial consequences have not hitherto been material to the company. Management is not aware of any current patent infringement claims against Draka.

Risks relating to increasingly stringent environmental regulations

Draka is subject to numerous environmental regulations in the various jurisdictions in which it operates, including legislation and regulations governing the handling, transportation, disposal and emission of hazardous waste and materials.

While Draka believes that it complies with current environmental legislation and regulations, the possibility of the company being required to incur significant environment-related expense in the future cannot be excluded. This may be the result of existing or future legislation and regulations or of its own operations or those of its partners or businesses which Draka acquires. Such expense could have an adverse impact on Draka's financial position and/or operating results.

Risks relating to pensions

Draka operates defined-benefit schemes in nine countries, the most important being the Netherlands, France, the United Kingdom and Germany. The company operates defined-contribution plans in several other countries. A significant part of the company's defined-benefit plans is funded with plan assets that have either been segregated from the company and placed in independent pension funds or trusts or insured to provide for the pension benefits even in difficult times. The company's net obligations with respect to the defined-benefit schemes are calculated separately for each plan on the basis of actuarial calculations.

In the Netherlands, Draka participates in a multi-employer pension plan which is externally funded. Because 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 is under no obligation to fund any deficits and is not entitled to any surpluses. The financial treatment of the pension funds is explained in note 24 (page 117) of the financial statements.

Risks relating to economic slowdown

Draka's financing depends on borrowed capital as well as equity so the company has a significant level of debt. As at 31 December 2010, Draka had outstanding debt of around € 283 million. Further information on Draka's capital structure is given in 'Capital risk management' (page 98).

Draka believes that its expected cash flows, together with available borrowings, will be adequate to meet its anticipated financial needs. However, Draka's ability to repay or refinance its debt and fund working capital requirements, capital expenditure 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 are insufficient to pay its debts as they mature or to fund its liquidity needs, the company may be obliged to:

- reduce or postpone business activities and capital expenditure;
- sell assets;
- raise additional debt or equity capital;
- restructure or refinance some or all of its debt on or before maturity; or
- forego opportunities (e.g. deferring acquisitions).

Draka cannot give any assurances that it would be able to implement any of these alternatives in time or on satisfactory terms, if at all. The terms of the company's existing and future debt and its syndicated loan may limit its ability to pursue any of these alternatives.

Financial risks

The financial risks to which Draka is exposed are:
- counterparty credit risk
- debtor risk
- foreign-exchange risk
- interest-rate risk
- liquidity risk
- metal and other price risks

All these risks are described in detail in notes 4 and 27 to the consolidated financial statements (pages 94 and 121), including a sensitivity analysis.

Risk management and internal control

The Board of Management, under the supervision of the Supervisory Board, is responsible for the proper functioning of the company's risk management and internal control systems. Risk management is an integral part of business management. The objective of Draka's risk management and internal control systems is to provide reasonable assurance that the company's objectives are met, ensure compliance with legal requirements and safeguard the integrity of the company's financial reporting and related disclosures.

Draka's risk management approach is embedded in its governance structure, its risk-based framework of policies and procedures and its periodic business planning and review cycles.

Risk management process

In an increasingly dynamic business environment, the risks Draka faces are becoming more complex and extensive. Managing these risks is part of the company's day-to-day activities and intelligent management of these risks contributes to the continued success of the business. The level of control is also affected by the global reduction in Draka's headcount.

Risk management provides assurance, transparency and insight in relation to the management of Draka's business risks on behalf of its internal and external stakeholders, based on structured and thorough risk management procedures. A risk workshop was organised to increase understanding of the main business risks to which Draka is exposed and improve awareness of the risk management and control systems at senior management level.

The risk management process consisted of two parts:

- Interviews: Before the workshop, interviews were held with the key players within the organisation at which they were asked to identify the most important business risks that potentially threaten Draka's strategy and objectives, the key incidents that occurred during the past year and the day-to-day activities designed to manage these risks.

- Risk workshop: The results of the interviews were collated and used as the starting point for the workshop. At the workshop, Draka's major risks were identified and assessed by senior management through a combination of presentations, discussions and voting. Risks were assessed on the basis of the likelihood of occurrence and their impact. It was decided at the workshop to conduct a survey among a larger population and include more potential business risks.

The web questionnaire was circulated to all those involved in the interviews and risk workshop, who were invited to assess additional risks on the basis of likelihood and impact. The findings of the survey were presented to the Board of Management. A risk owner was explicitly nominated for the two main risks.

The following next steps were identified:

- organise an additional risk workshop at divisional level;
- assemble a risk task group with experts in the most significant risks;
- identify the current overall projects, activities relating to these most significant risks;
- perform a causal analysis, focusing on both financial and non-financial aspects;
- identify the control measures and management information relating to the risk;
- identify potential gaps in management information and in the design and operational effectiveness of control measures;
- close the gaps that have been identified and verify that the risk is adequately managed;
- embed periodic discussion of the risks in the business reviews and management information.

Corporate governance

Corporate governance is the system of management and supervision by which a company is controlled. Draka believes that proper corporate governance is crucial to business success. The key elements of good corporate governance are effective internal controls and high ethical standards.

The Audit and Governance Committee (A&GC) met on seven occasions in 2010. One of the A&GC's main responsibilities is to oversee proper financial reporting and compliance with the company's internal risk control system.

An internal code of conduct, which reflects the company's standards and values, has been implemented by the Board of Management and communicated to the employees. As part of the code of conduct, the company has also implemented a whistleblower's policy. Clear internal rules have been formulated and a clear reporting structure has been developed, to serve as the basis for reporting of potential violations of the internal code. The Company Secretary acts as Compliance Officer. One complaint was reported to the Compliance Officer and the A&GC in 2010 and has been resolved.

A more detailed description of the company's corporate governance model can be found on page 59.

Risk-based framework of policies and procedures

The Board of Management has implemented an internal control framework defining the group's main policies, procedures and risks. The internal authority matrix, which defines approval authorisation at different levels in the company, was revised by the Board of Management in 2009 and further improved in 2010.

The Operational Audit department continued its review of operating companies in 2010, as part of the audit plan to review all major subsidiaries within a three-year period. The Operational Audit department also carried out ad hoc assignments on specific topics. The findings and recommendations of all reviews have been discussed with the responsible management and reported to the Board of Management and the A&GC. The recommendations are used to further strengthen the internal controls.

The Board of Management has also improved standard management reporting for each activity by introducing additional KPIs and benchmarking the company's performance against that of its competitors. This enables Corporate Control to analyse the company's financial performance in these activities and place it in a wider context.

Business planning and review

The company's budgeting and internal reporting processes are subject to fixed procedures and detailed guidelines. The Board of Management periodically discusses the financial performance and operational and financial risks of its activities with divisional management in the course of business reviews. The division's financial performance is evaluated and measured against approved budgets, historical performance, market developments and the competitive environment. Forecasts are evaluated quarterly and updated where necessary. The company has clearly defined procedures and authorisation levels for approval of capital expenditure. The Capex Committee is responsible for reviewing and approving all capital expenditure above € 100,000. This has been incorporated into the internal authority matrix.

Management statements

In control statement

In the light of the foregoing, the Board of Management believes that, with regard to financial reporting risks, the company's risk management and internal control systems functioned properly in 2010 and provide a reasonable degree of certainty that the consolidated financial statements are free from material misstatement. The Board of Management has no reason to assume that these systems will not function properly in 2011.

This does not imply that these systems and procedures provide any assurance that the company's operational and financial objectives will be met, 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 in which new challenges constantly arise, ever-increasing demands are being placed on the internal risk management process. These processes therefore have to be reviewed and updated regularly.

The Board of Management remains focused on continuous assessment and improvement of the company's risk management systems. The process and its monitoring are periodically discussed by the Board of Management with the Audit & Governance Committee and the Supervisory Board.

Responsibilities relating to the financial statements and annual report

The Board of Management is responsible for preparing the financial statements and the annual report in accordance with the applicable laws of the Netherlands and the International Financial Reporting Standards (IFRS) which have been 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 assets, liabilities, financial position and profit or loss of the companies included in the consolidation. They are responsible for maintaining proper accounting records, safeguarding their assets and taking reasonable steps to prevent and detect fraud and other irregularities. The Board of Management is 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 the best of 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 course of business during the financial year of Draka Holding N.V. and its group companies included in the annual financial statements and describes the principal risks to which Draka Holding N.V. is exposed.

Amsterdam, 14 February 2011

Board of Management
Frank Dorjee, Chairman and CEO

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 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 of Shareholders (the 'General Meeting').

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

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

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 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 consisted of two members in 2010: Frank Dorjee, Chairman of the Board of Management and Chief Executive Officer, and Okke Koo, Chief Operating Officer. Representative authority is vested both in the Board of Management and in each member of the Board of Management acting individually.

Okke Koo has resigned from the Board of Management at his request with effect from 31 December 2010. The Board of Management now consists only of Frank Dorjee. In the light of developments with regard to the Company in the last quarter of 2010, the Supervisory Board has decided (for the time being) not to seek a successor to Okke Koo as a member of the Board of Management.

Supervisory Board

The Supervisory Board is responsible for supervising the policy of 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 Draka's Articles of Association and in the charters of the Supervisory Board and its committees. Members of the Supervisory Board are appointed by the General Meeting on the recommendation of the Supervisory Board. The General Meeting and Central Works Council may nominate candidates for appointment to the Supervisory Board. It has been agreed with the Central Works Council that one candidate for appointment to the Supervisory Board will be nominated by the Central Works Council. 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, its shareholders and the expertise and background required of its members. The resignation schedule for members of the Supervisory Board has been determined in accordance with the principles of the Code and avoids too many Supervisory Board members resigning at the same time. Draka's Supervisory Board currently consists of eight 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 (included in the Supervisory Board's charter), the resignation schedule and the charters and composition of the Supervisory Board and its committees have been adopted by the Supervisory Board and can be viewed at the company's website (www.draka.com).

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 company's website (www.draka.com). 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 or its operations are also subject to the approval of the General Meeting.

The General Meeting is the body authorized to decide on the issue of new shares, but may delegate this authority to another corporate body. This authority to issue (and grant rights to subscribe for) new shares is currently vested in the Board of Management, subject to approval by the Supervisory Board, for a period of eighteen months commencing on 20 April 2010, the date of the General Meeting. This authority is limited to a maximum of 10% of the total issued share capital on 20 April 2010. This restriction does not apply to any issue of class B protective preference shares. Draka 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 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 2010 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, did not qualify as independent during the 2010 financial year, 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 prefers to secure long-term access to the required expertise. This is inconsistent with best-practice provision III 3.5.

Draka's Supervisory Board has a combined Remuneration & Nomination Committee. Because Draka 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.

Fundamental changes in the shareholdings in Draka may necessitate further departures from the Code. Where applicable, information will be posted on the company's website (www.draka.com).

Code of Conduct and whistleblower policy

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

One planet

Draka is – rightly - expected to conduct its business in a socially and environmentally responsible way. To ensure sustainable performance, in every sense of the term, Corporate Social Responsibility (CSR) principles should be fully integrated in our business model. This, in a nutshell, is Draka's CSR mission.

"A conscious and responsible approach towards our role in society"

From: brochure 'Draka Corporate Social Responsibility'

The first Oyster wave energy device began operating at sea in november 2009 at the European Marine Energy Centre (EMEC) in Orkney. A crucial factor in this is the Draka cable used to collect and transport power.

Throughout the organisation, Draka's people are aware that investing in CSR means investing in the company's sustained growth, its people's future and the quality of the environment. Their efforts in this regard are focused by a clear CSR strategy, which consists of:

- Encouraging eco solutions;
- Ensuring safety;
- Improving resource efficiency;
- Caring for people.

Putting these principles into practice requires the commitment of the whole organisation. It also calls for an innovative mindset, continually looking for ways to improve our products and the way we work. These pages illustrate how in each of these four areas, Draka's people are contributing to the future of both planet and society.

Encouraging eco solutions

Many of our products contribute significantly to enhanced environmental performance. Draka facilitates energy management, helping customers to assess the environmental footprint of different types of cable. Draka also uses new materials and manufacturing processes to design energy-efficient alternatives for existing cables and invests in the development of the cable technology needed for renewable energy sources, such as solar and wind power.

Two forms of renewable energy that so far have not been harnessed to their full potential, are wave power and tidal power. However, the European Marine Energy Centre (EMEC) is currently undertaking ambitious research at a test site near the Scottish Orkney Islands. A crucial factor in this is the quality of cables used to collect and transport power. EMEC, one of Europe's leading test and research institutes, asked Draka to supply 15 kilometres of subsea power cable. The cable, which connects a series of tidal wave generators at the bottom of the sea, presented a unique R&D challenge. Draka rose to this challenge and developed a 33,000 volts power cable, which incorporates optic fiber communication and copper control cables and which, with its two layers of thick steel wire insulation, is easy to handle and at the same time is sturdy enough to brave the elements for years to come.

Ensuring safety

Draka provides cable solutions that maximise the safety of installers and end-users, for example in the oil & gas, fire protection, elevator, and geothermal industries. However, safe cable technology also requires that Draka gives top priority to the occupational safety and health of its own employees.

Some cables may literally save lives. For example, in case of a fire Draka's Low Smoke Zero Halogen (LSOH) cables retain their function for longer periods of time than existing regulations demand. This keeps crucial systems like lighting, alarm systems and power circuits up and running. The cables also emit low levels of smoke and no halogen gas at all, thus facilitating evacuation procedures. In Spain (as in many other countries) legislation requires that only LSOH cables are used in public buildings. A drawback, from the installers' point of view, is that these cables are generally less flexible and take longer to install. However, Draka specialists came up with a LSOH cable for the Spanish market which is highly flexible, reducing installation time by 30 % compared to other types of LSOH cable.

Safety should also be the guiding principle on the factory floors where Draka's cables are made. Draka's ultimate goal is zero accidents. Instead of submerging people in safety rules, Draka has invested in behavioural changes through the 'Working together safely' programme. Employees are trained by their own colleagues, in sessions that draw on the experience and convictions of both trainer and trainees. This has proved very successful: it has demonstrated a real willingness to change and improve among employees, and has helped foster genuine safety consciousness.

Improving resource efficiency

Seemingly small efficiency improvements in Draka's production processes can yield substantial benefits, both in terms of the environment and the financial bottom line. Draka invests time and energy in the reduction of scrap waste, carbon emissions and energy bills. Ways to achieve this include the integration of environmental standards into sourcing and logistics processes and efficient use and re-use of raw materials.

For example, an innovation in the way single mode fiber optics are produced has enabled Draka to make more fiber out of the same quantity of glass. In the Draka-patented Plasma activated Chemical Vapour Deposition Process (PCVD), high-purity glass is deposited layer by layer inside a glass tube. This process results in a so-called 'core rod'. This core rod is covered with inexpensive, lower purity glass, resulting in a 'preform' from which optical fibers are drawn. An isolation layer inside the core rod shields the high-quality glass from the low-purity outer layer of the preform.

To make the fiber-drawing process more efficient, Draka engineers wanted to increase the amount of high-quality optical glass in the core rod. This, however, meant that the isolation layer between the high-purity glass in the core rod and the low-purity outer layer would become thinner, compromising the fiber's quality. To counter this, an extra step was introduced in the process, by which the core rod is first sleeved with a high-purity tube and only then covered with low-purity glass. Using this 'gap-jacketing process', 20% to 40% more fiber can be made from a single preform, saving both raw materials and energy.

Caring for people

The key to sustainable performance is the continued commitment and enthusiasm of Draka's people. Draka's human resources strategy is to develop, train, motivate and retain people, helping them to derive maximum benefit from their potential.

Particular attention is given to providing the next generation of professionals with opportunities to develop their potential. One Draka facility that has attracted attention because of its efforts in this area, is Draka Wuppertal (Germany). Here, more than 120 apprentices have been trained over the last decade, as part of the German Dual Education system: a combination of training at vocational schools and gaining hands-on experience in a real working environment.

At Draka Wuppertal, apprentices are given duties and responsibilities early on during their apprenticeship. Job rotation enables them to work in various departments, helping them to accumulate valuable experience. Three times during the last five years, Draka Wuppertal received an award for its outstanding commitment to creating and safeguarding training positions, and for its efforts to develop new ideas to increase the quality and attractiveness of dual education. Another award praised the company for its "voluntary involvement in enriching economic development and social cohesion".

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 2010 and to be applied in 2011.

This remuneration report is in three sections. The first section describes the remuneration policy applied to the Board of Management in 2010 and the remuneration structure for the Board of Management. The second section covers the remuneration received by the Board of Management in 2010 and briefly discusses the remuneration policy to be applied to the Board of Management in 2011. The third section describes the remuneration policy for and remuneration received by the Supervisory Board in 2010 and the remuneration policy to be applied in 2011.

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

Board of Management remuneration policy in 2010

General

The remuneration policy for the Board of Management, as revised by the General Meeting on 11 May 2007, continued to apply throughout 2010. 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 2010 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 remained unchanged in 2010.

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

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

Remuneration structure

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

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

Base salary

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

Short-term incentive (bonus)

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

- one-third based on the Company's earnings before interest, 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 2010, these targets were related partly to the achievement of certain results in the context of the Operation Excellence programme.

If the predetermined targets for 2010 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 reviews 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 are measured against those of the following listed 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/Dow Jones
Leoni	Frankfurt 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 2/3%
3	133 1/3%
4	100%
5	83 1/3%
6	66 2/3%
7	50%
8-14	0%

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

Pension plan

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

Loans

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

Board of Management remuneration in 2010

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, so called scenario analysis.

Base salary

The base salary of Frank Dorjee has been adjusted in 2010 in relation with his new function as CEO and Chairman of the Board of Management. The salary of Okke Koo was determined at his entrance into office in January 2010.

Short-term incentive

On the basis of the financial targets, the short-term incentive bonus for 2010 will be 50% of base salary. As regards the discretionary element, the Supervisory Board has decided to pay to Frank Dorjee 30% of his base salary. The Supervisory Board has thus decided to pay a total bonus of 80% (compared with the maximum of 90%) of base salary for 2010 to Frank Dorjee. The Supervisory Board has decided to pay to Okke Koo a bonus of 60% of his base salary.

An additional bonus of € 300.000 has been granted to Frank Dorjee in 2010 as compensation for the period in 2009 when he took over the position of CEO in combination with his function as CFO as well as the period in 2010 when he acted as the sole member of the Board of Management and ensured the proper functioning of the Board of Management. The bonus payments for the 2010 financial year are shown in the remuneration table on page 66.

Long-term incentive

The members of the Board of Management, consistent with this policy, have been awarded conditional performance shares to the value of 55% of base salary in respect of 2010.

Pensions

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 € 12,673 in 2010).

Okke Koo has a defined-contribution pension plan, for which the contributions have been structured as follows since 1 January 2010:

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

The contribution to Okke Koo's pension plan is based on his base salary in excess of the threshold (amounting to € 12,673 in 2010).

Overview

The table on page 66 shows the expense incurred by the Company in respect of remuneration of the members of the Board of Management in 2010.

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
Frank Dorjee	550	34	740	3	1,327	130	293	1,750	7	1,757
Okke Koo	475	-	285	6	766	109	87	962	7	969

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
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
31-12-2010	9,940	189,854
Okke Koo		
31-12-2010	-	-

	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
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
31-12-2010	95,267	763,145	n/a	n/a
Okke Koo				
31-12-2010	5,821	87,082	n/a	n/a

Employment contracts

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

Frank Dorjee's 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.

Okke Koo's employment contract was entered into on 1 January 2010 for a period of four years and will therefore expire on 31 December 2013. The employment contract provided for a notice period of three months in the case of termination by Okke Koo and six months in the case of termination by the Company. An exit arrangement had been agreed with Okke Koo which provided for payment of one year's base salary in the event of the employment contract being terminated other than for cause before the end of the period. Okke Koo has prematurely terminated his employment contract as of 31 December 2010.

Board of Management remuneration in 2011

The remuneration policy for the members of the Board of Management, as adopted by the General Meeting in 2007, will continue to apply in 2011. Consistent with this policy, Frank Dorjee's base salary in his position as Chairman of the Board of Management and Chief Executive Officer is € 561,000 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 2010

The following remuneration was received by the Supervisory Board members in 2010 and 2009:

	2010	2009
Fritz Fröhlich (Chairman)	€ 83,500	€ 83,500
Annemiek Fentener van Vlissingen (Deputy Chairman)	€ 61,500	€ 66,000
Bernard Dijkhuizen [1]	€ 36,667	-
Harold Fentener van Vlissingen	€ 61,000	€ 56,000
Ludo van Halderen	€ 61,650	€ 60,000
Rob van Oordt	€ 65,000	€ 65,000
Annemieke Roobeek [2]	€ 18,333	€ 55,000
Maarten Schönfeld [1]	€ 37,333	-
Graham Sharman [2]	€ 21,167	€ 63,500
Aad Veenman [1]	€ 37,333	-

[1] As from 20 April 2010.

[2] Until 20 April 2010.

Supervisory Board remuneration in 2011

No change in the remuneration of the Supervisory Board is proposed for 2011.

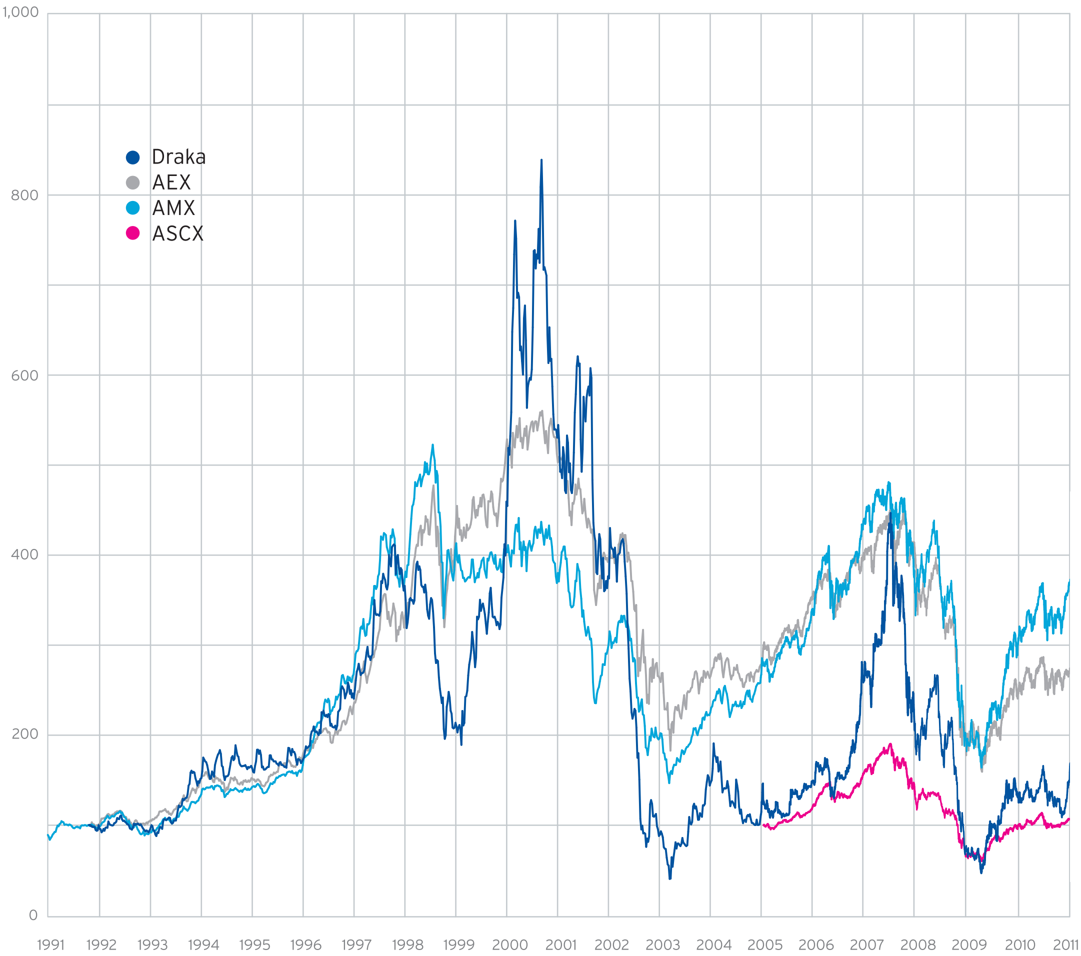
Share information

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 capitalization as at year-end 2010 amounted to approximately € 930 million.

Options on Draka shares have been traded on NYSE Liffe in Amsterdam since July 2002.

Draka Holding N.V. share price performance (October 1991-February 2011)



Capital and shares

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

2010	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 2010, there were 54,491,254 fully paid-up shares in issue, representing an amount of € 27,245,627. There was thus no change from the position as at 31 December 2009.

Repayment of subordinated convertible loan 2010

The € 100 million 4% subordinated convertible bond loan was repaid in full at par on 22 September 2010. Of the € 100 million of bonds issued originally in 2005, bonds to the value of € 25,715,000 remained in issue following Draka's combined bid of cash and shares on 8 December 2008. The remaining bonds were repaid at par from Draka's available funds.

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 11 January 2011) are known:

	Interest	Ordinary shares	Preference shares [1]
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 be paid on ordinary shares in respect of 2010. The reason for this proposal is that Prysmian's offer is cum dividend. No dividend was distributed in respect of 2009 either.

A dividend of approximately 7.1% is paid to the holders of the preference shares in issue. The total 2010 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 183,271 trades in Draka shares were executed in 2010, up 17.0% compared with 2009. Some 68.2 million (+25%) shares, or 140% 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 2010, there were 717,383 outstanding options/SARs and 26,706 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
2003	–	5,007	€ 7.42
2004	–	16,789	€ 11.63
2005	–	43,399	€ 10.05
2006	–	84,372	€ 13.51
2007	–	102,722	€ 28.02
2008	4,706	126,267	€ 23.44
2009	14,301	190,020	€ 7.93
2010	7,699	148,807	€ 14.41
Total	**26,706**	**717,383**	

General Meeting of Shareholders

The General Meeting of Shareholders held on 20 April 2010, at which 61.1% of the total shares in issue were represented, adopted the following resolutions:

- adoption of the 2009 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 2009;
- approval of the appointment of Okke Koo as a member of the Board of Management with effect from 20 April 2010;
- approval of the reappointment of Ludo van Halderen and Harold Fentener van Vlissingen and appointment of Maarten Schönfeld, Aad Veenman and Bernard Dijkhuizen as members of the Supervisory Board;
- approval of the proposal to fix the number of members of the Supervisory Board at eight;
- 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 2010 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 or to grant rights to subscribe for shares for a period ending on 20 October 2011;
- designation of the Board of Management as the body authorised to resolve, subject to the approval of the Supervisory Board, to restrict or exclude statutory pre-emptive rights for a period ending on 20 October 2011.
- authorization of the Board of Management to acquire the company's own shares, up to maximum of 10% of the issued capital at that time, for a period ending on 20 October 2010.

Extraordinary General Meeting of Shareholders

On 26 January 2011 the Company held an Extraordinary General Meeting of Shareholders to discuss the offer of Prysmian S.p.A. During this Extraordinary General Meeting of Shareholders, at which 73.2% of the total shares in issue were represented, the following resolutions were adopted:

- amendment of the articles of association of the Company in accordance with the proposals made by the Board of Management of the Company as per the date of settlement of the offer;
- ratification of the actions of the Supervisory Board with regard to their supervision in 2010;
- approval of the appointment of Massimo Battaini, Francesco Facchini and Fabio Romeo as members of the Supervisory Board as per the date of settlement of the offer;
- approval of the resignation of Annemiek Fentener van Vlissingen, Fritz Fröhlich, Bernard Dijkhuizen, Harold Fentener van Vlissingen, Rob van Oordt and Maarten Schönfeld as members of the Supervisory Board as per the date of settlement of the offer.

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 2009 and interim figures for 2010, Draka also released two trading updates, in May and November. When announcing the full-year figures for 2009 and the interim figures for 2010, 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 and on publication of the 2010 trading updates, enabling interested parties who were unable to attend to listen to the discussions on the full-year figures for 2009, the interim figures for 2010 and the 2010 trading updates.

As in previous years, Draka conducted an active investor relations policy in 2010, 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 2009 and the interim figures for 2010. Institutional investors exhibited significantly greater enthusiasm last year than the year before: some 200 one-on-one meetings were held with investors in 2010, compared with 150 in 2009. In conjunction with NCVB (Dutch Central Association for Capital Growth and Investment Education), Draka also gave two presentations to groups of private investors, followed by a guided tour of the plant and the innovation centre in Amsterdam-Noord.

Investor relations rankings

For the fourth year in succession, Draka's annual report for 2009 was awarded a certificate of transparency by the Scenter research bureau. This award gives an indication of the transparency in terms of policy and strategy against seven criteria.

Other information

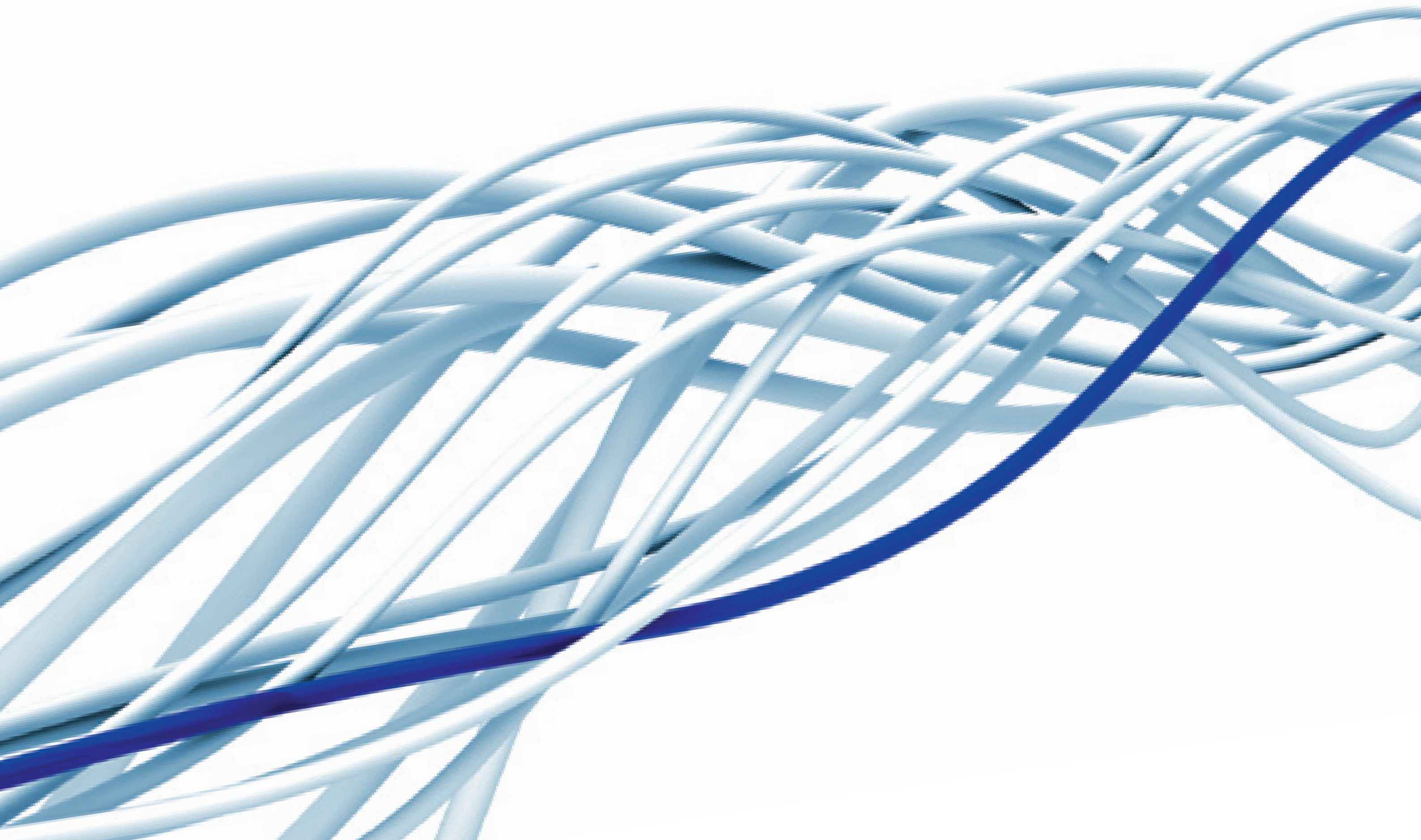
Specific information for investors can be found on the website www.draka.com which, as well as the latest share data, provides comprehensive information on Draka's activities, strategy, objectives and outlook. Also posted on the website is an interactive version of the annual report, which includes a 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)	**2010**	2009	2008	2007	2006
Shareholders' equity (excluding preference shares)	10.52	9.69	8.96	9.11	9.85
Result for the year after dividend on preference shares	(0.02)	(0.56)	1.78	2.46	0.57
Dividend	0.00	0.00	0.00	0.68	0.37
Pay-out	0%	0%	0%	30%[1]	30%[1]
Share price, high	20.06	14.26	25.20	42.20	26.60
Share price, low	9.95	4.17	5.97	19.75	11.70
Year-end share price	19.10	13.46	6.54	23.00	25.80
Price/earnings ratio based on year-end price	n/a	n/a	3.7	9.3	54.9

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

Financial calendar (provisional)	
9 May 2011	: Annual General Meeting of Shareholders at Draka's head office in Amsterdam
12 May 2011	: Publication of first quarter 2011 results
26 August 2011	: Publication of first-half results for 2011
10 November 2011	: Publication of third quarter 2011 results

Financial statements 2010



Consolidated statement of income

For the year ended 31 December

In millions of euro	Note*	2010	2009
Revenue	6)	2,427.8	2,048.3
Cost of sales		(2,211.7)	(1,855.2)
Gross profit		**216.1**	**193.1**
Selling and distribution expenses		(133.8)	(124.8)
Other income and expenses	7)	(53.7)	(59.5)
Operating result		**28.6**	**8.8**
Finance income		3.1	3.7
Finance expense		(35.0)	(34.9)
Net finance expense	12)	**(31.9)**	**(31.2)**
Share of profit of equity accounted investees (net of income tax)	16)	8.0	5.0
Result before income tax		**4.7**	**(17.4)**
Income tax benefit	13)	1.8	1.9
Result for the year		**6.5**	**(15.5)**
Attributable to:			
Equity holders of the company		4.6	(18.2)
Minority interests		1.9	2.7
Result for the year		**6.5**	**(15.5)**
Basic earnings per share (euro)	22)	(0.02)	(0.56)
Diluted earnings per share (euro)	22)	(0.02)	(0.56)

Consolidated statement of comprehensive income

For the year ended 31 December

In millions of euro	2010	2009
Result for the year	**6.5**	**(15.5)**
Foreign exchange translation differences	38.7	6.2
Effective portion of fair value changes of cash flow hedges (net of income tax)	8.5	23.3
Share of other comprehensive income of equity accounted investees	(0.5)	2.6
Other comprehensive income for the year	**46.7**	**32.1**
Total comprehensive income for the year	**53.2**	**16.6**
Attributable to:		
Equity holders of the company	49.2	14.5
Minority interests	4.0	2.1
Total comprehensive income for the year	**53.2**	**16.6**

* The notes to the consolidated financial statements on pages 78 to 125 are an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 31 December

In millions of euro	Note*	2010	2009
Assets			
Non-current assets			
Property, plant and equipment	14)	540.2	541.7
Intangible assets	15)	113.5	114.3
Investments in equity accounted investees	16)	58.8	49.7
Deferred tax assets	13)	60.9	51.9
Derivative financial instruments	28)	3.8	0.6
Other non-current financial assets	17)	14.4	15.0
Total non-current assets		**791.6**	**773.2**
Current assets			
Inventories	18)	399.8	350.3
Trade and other receivables	19)	485.3	381.4
Derivative financial instruments	28)	8.9	9.5
Income tax receivable		2.4	0.9
Cash and cash equivalents	20)	138.7	74.0
Total current assets		**1,035.1**	**816.1**
Total assets		**1,826.7**	**1,589.3**
Equity			
Shareholders' equity			
Share capital		27.2	27.2
Share premium		457.5	457.5
Retained earnings		80.0	84.5
Other reserves		25.1	(19.7)
Total equity attributable to equity holders of the company		**589.8**	**549.5**
Minority interests		25.0	21.0
Total equity	21, 37)	**614.8**	**570.5**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	23)	44.1	286.8
Provision for employee benefits	24)	81.6	82.7
Derivative financial instruments	28)	5.3	5.6
Other provisions	25)	16.4	20.0
Deferred tax liabilities	13)	16.9	19.0
Total non-current liabilities		**164.3**	**414.1**
Current liabilities			
Bank overdrafts	20)	9.8	6.9
Interest-bearing loans and borrowings	23)	368.2	74.7
Derivative financial instruments	28)	5.9	5.0
Trade and other payables	26)	645.2	489.3
Income tax payable		6.9	6.3
Other provisions	25)	11.6	22.5
Total current liabilities		**1,047.6**	**604.7**
Total liabilities		**1,211.9**	**1,018.8**
Total equity and liabilities		**1,826.7**	**1,589.3**

* The notes to the consolidated financial statements on pages 78 to 125 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*	2010	2009
Result for the year		6.5	(15.5)
Adjustments for:			
Depreciation	14)	55.8	56.6
Amortisation	15)	6.9	6.3
Impairments	14)	0.4	4.1
Finance income	12)	(3.1)	(3.7)
Finance expense	12)	35.0	34.9
Share of profit of equity accounted investees	16)	(8.0)	(5.0)
Equity-settled share-based payments	11)	1.3	2.4
Income tax benefit	13)	(1.8)	(1.9)
		93.0	**78.2**
Changes in inventories	18)	(34.3)	26.7
Changes in trade receivables	19)	(83.2)	43.6
Changes in trade payables	26)	104.9	73.1
Changes in other working capital		31.0	3.0
Changes in provisions		19.5	30.1
Other		2.9	(1.6)
		133.8	**253.1**
Interest received		1.9	2.4
Interest paid		(25.7)	(40.9)
Income tax paid		(13.3)	(6.8)
Application of provisions	24, 25)	(38.3)	(18.6)
Net cash from operating activities		**58.4**	**189.2**
Dividends received	16)	2.8	2.2
Proceeds from sale of property, plant and equipment and intangible assets		6.7	4.6
Disposal of subsidiaries and associates, net of cash disposed		-	6.9
Acquisition of subsidiaries and associates, net of cash acquired		(3.0)	(7.2)
Acquisition of intangible assets	15)	(4.4)	(6.9)
Acquisition of property, plant and equipment	14)	(34.7)	(35.4)
Net cash used in investing activities		**(32.6)**	**(35.8)**
Issue of shares		-	98.7
Dividends paid (preference shares)		(5.4)	(5.4)
Convertible subordinated bond redeemed		(25.7)	-
Movement in multicurrency facility		54.5	(241.0)
Shares acquired under long-term incentive plans		(0.2)	(1.7)
Shares delivered under long-term incentive plans		0.6	0.9
Movements in other bank loans		8.8	22.3
Net cash from financing activities		**32.6**	**(126.2)**
Net increase in cash and cash equivalents		**58.4**	**27.2**
Cash and cash equivalents at 1 January (net of bank overdrafts)		67.1	41.2
Exchange rate fluctuations on cash and cash equivalents		3.4	(1.3)
Cash and cash equivalents at 31 December (net of bank overdrafts)	20)	**128.9**	**67.1**

* The notes to the consolidated financial statements on pages 78 to 125 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 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**
Foreign exchange translation differences	-	-	36.6	-	-	-	-	36.6	2.1	38.7
Effective portion of fair value changes of cash flow hedges (net of income tax)	-	-	-	8.0	-	-	-	8.0	-	8.0
Total income and expenses recognised directly in equity	**-**	**-**	**36.6**	**8.0**	**-**	**-**	**-**	**44.6**	**2.1**	**46.7**
Result for the year	-	-	-	-	-	5.4	(0.8)	4.6	1.9	6.5
Total recognised income and expense	**-**	**-**	**36.6**	**8.0**	**-**	**5.4**	**(0.8)**	**49.2**	**4.0**	**53.2**
Share-based payments	-	-	-	-	-	-	1.3	1.3	-	1.3
Shares acquired under long-term incentive plans	-	-	-	-	(0.2)	-	-	(0.2)	-	(0.2)
Shares delivered under long-term incentive plans	-	-	-	-	0.4	-	0.2	0.6	-	0.6
Dividends paid	-	-	-	-	-	(5.4)	-	(5.4)	-	(5.4)
Reclassification long-term incentive plans to current liabilities due to modification from equity-settled in cash-settled	-	-	-	-	-	-	(5.2)	(5.2)	-	(5.2)
Total direct changes in equity	**-**	**-**	**-**	**-**	**0.2**	**(5.4)**	**(3.7)**	**(8.9)**	**-**	**(8.9)**
Balance as at 31 December 2010	**27.2**	**457.5**	**13.8**	**6.1**	**(0.2)**	**5.4**	**80.0**	**589.8**	**25.0**	**614.8**

* The notes to the consolidated financial statements on pages 78 to 125 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 2010 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 49 of this Annual report.

The financial statements were authorised for issue by the Board of Management on 14 February 2011. The financial statements are tabled for adoption by the Annual General Meeting of Shareholders.

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 income statement included in the Company financial statements have been drawn up in accordance with article 402, Part 9, Book 2 of the Netherlands Civil Code, which allows a simplified income statement in the Company financial statements in the event that a comprehensive income statement is included in the consolidated financial statements.

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).

Impact acquisition Draka by Prysmian

On 22 November 2010, Prysmian S.p.A. ("Prysmian") and Draka Holding N.V. ('Draka") jointly announced they reached a conditional agreement in connection with a public offer by Prysmian for all issued and outstanding ordinary shares of Draka at an offer price of € 8.60 in cash plus 0.6595 newly issued Prysmian ordinary shares for each Draka ordinary share. On 3 February 2011, 44,064,748 Shares have been tendered for acceptance under the Offer, representing around 90.4% of Draka's issued and outstanding ordinary share capital (excluding any Shares held by Draka). On 8 February 2011, Prysmian declared the public offer for all Shares in Draka unconditional.

Based on the above, Management's current expectation is that the public offer will succeed, which triggers several change of control and transaction related items that have been accounted for in the consolidated financial statements as per 31 December 2010 in accordance with the applicable IFRS standard. The items with the most significant impact are discussed below:

• Share based payments

In case of a change of control, all incentive plans will be settled in cash. This leads to a modification of the equity settled incentive plans into cash settled incentive plans. To calculate the amount that needed to be reclassified from equity to liabilities, the fair value at the expected date of settlement (1 March 2011) was used as best estimate of the fair value at the date of modification (31 December 2010). The reclassification from equity to liabilities amounts to € 5.2 million. The total liability as at 31 December 2010 equal to the expected cash out at 1 March 2011, amounts to € 5.8 million.

• Multicurrency revolving credit facility (RCF)
In case of a change of control, the lenders of the multicurrency revolving credit facility (RCF) have the right to cancel the facility. Therefore the RCF, with an original maturity date of December 2012, has been reclassified to the current portion of interest bearing loans and borrowings. Furthermore the at 31 December 2010 remaining fees in the amount of € 1.8 million, originally to be amortized until 2012, were fully charged to the 2010 statement of income.

• Success fees and other to be incurred expenses
Several success fees are payable upon successful completion of the take over. A total amount of € 6.0 million has been provided for in the consolidated financial statements as per 31 December 2010.

(I) Standards, amendment and interpretations effective in 2010 relevant to the Group:

- On January 1, 2010, the Company applied IFRS 3 'Business Combinations' (revised standard 2008) in accounting for business combinations. The revised standard has been applied prospectively; the change did not have a material impact on the Company's consolidated financial statements. For acquisitions on or after January 1, 2010, the contingent consideration transferred is valued at fair value; changes after initial recognition are recorded in the profit and loss account. Transaction costs, other than those associated with the issue of debt or equity securities, which the Company incurs in connection with a business combination, are expensed as incurred.

Other IFRS standards and interpretations effective from January 1, 2010 did not have a material impact on the Company.

(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 2011 or later periods. The Group has not early adopted them:

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 and has not yet been endorsed by the European Union. The Group is yet to assess IFRS 9's full impact. The Group has not yet decided when to adopt IFRS 9.

- Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted.

- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group does not expect this amendment to have a significant impact.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted. The Group does not expect this amendment to have a significant impact.

- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective 1 January 2011. The Group does not expect this amendment to have a significant impact.

(b) Basis of preparation

Unless indicated otherwise, all amounts in the financial statements are reported in millions of Euros. 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.

(VI) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 'Income Taxes' and IAS 19 'Employee Benefits' respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 'Share-based Payment' at the acquisition date and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

(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 28. Movements on the hedging reserve in shareholders' equity are presented net and shown in note 37.

(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 2009 and 2010 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 2009 and 2010 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

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. The cost of finished goods and work in progress 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 work in progress, cost includes an appropriate share of overheads 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 or amortisation, if no impairment loss had been recognised.

(n) Share capital

(I) Preference share capital

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

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

(II) Repurchase of share capital

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

(III) Dividends

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

(o) Convertible subordinated bonds

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

(p) Interest-bearing borrowings

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

(q) Employee benefits

(I) Defined contribution plans

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

(II) Defined benefit plans

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

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

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

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

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

(III) Long-term service benefits

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

(IV) Share-based payment transactions

The Group has a stock option and matching shares plan that conditionally allows certain employees to acquire Draka Holding N.V. common shares. These options and matching shares generally vest in three years. In addition, the Group has a performance share plan for members of the Board of Management under which shares are conditionally granted. These performance-related shares might vest in three years depending on Draka's Total Shareholder Return ("TSR") performance relative to a performance peer group.

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). 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 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 performance shares granted to the Board of Management is measured using the Monte Carlo approach. The amount recognized as an expense is adjusted to reflect the actual number of options or (performance) shares that vest, except where forfeiture or extra vesting of performance shares is due to a TSR performance that differs from the performance anticipated at the grant of the performance shares.

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

Pressure Tube Manufacturing

On April 27, 2010, the Company announced that it has reached an agreement to acquire Pressure Tube Manufacturing (PTM), a specialty tubing manufacturer located in New Jersey, USA. The acquisition of PTM enables Draka to enhance its already leading position in the specialty cable segment of the oil & gas market in the USA. The total acquisition price amounts to approximately $ 8.5 million, of which $ 4 million is paid in the first half of 2010. The remaining part will be paid in 2 tranches in 2011 and 2012. Acquisition related costs of $ 0.2 million have been recognised as an expense.

Consideration transferred

In millions of euro	
Cash	3.0
Remaining part of the consideration payable	3.4
Total	**6.4**

Assets acquired and liabilities recognised at the date of acquisition

In millions of euro	
Current assets	
Inventories	1.1
Trade and other receivables	2.0
Non-current assets	
Plant and equipment	3.0
Current liabilities	
Trade and other payables	(2.6)
Non-current liabilities	
Other non-current liabilities	(1.5)
	2.0

Goodwill arising on acquisition

In millions of euro	
Consideration transferred	6.4
Less: Fair value of identifiable net assets acquired	(5.4)
Goodwill arising on acquisition	**1.0**

Goodwill arose in the acquisition of PTM because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. The goodwill arising on the acquisition is expected to be deductible for tax purposes.

The entity has increased Group's revenue by approximately € 8.2 million and € 1.8 million on the Group's operating result for the year.

Had the business combination been effected at 1 January 2010, the revenue of the Group would have been increased by € 14.0 million, and the operating profit for the year would have been increased by approximately € 3.1 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 22.7 % of the balance sheet total in 2010 (2009: 19.6%), with an average credit term of approximately 62 days (2009: 55 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 2010 an amount of € 208.5 million (44.3% of the total trade receivables) is considered at risk (2009: € 158.4 million; 50.9%), of which € 83.0 million (2009: € 65.0 million) is at debtors of which the credit limit application is still pending or was denied by the credit insurer and € 125.5 million (2009: € 93.4 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 and Cash and cash equivalents

Managing these types of risks is set out in the Treasury Charter drawn up by the Board of Management. Counterparty risk on borrowing money is limited. The assessment criteria formulated in the Treasury Charter are taken into account when lending money. The Treasury Charter stipulates that a counterparty should have a credit rating at least equal to 'A+' (Standard & Poor's) or 'A1' (Moody's). Counterparty risk is further reduced by dispersion across a number of parties, predetermined limits for each counterparty and maximum lending terms. The counterparty risk for financial instruments (swap contracts) is limited by:
- The use of framework agreements on ISDA terms,
- Procedures based on regular assessment of counterparty risk.

Guarantees

At 31 December 2010, € 50.7 million guarantees were outstanding: € 20.7 million in relation to outstanding performance bonds and guarantees of € 30.0 million to ING Bank in relation to cash pooling agreements.

(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 monitoring the debt maturity profile, 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 15-17% 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;
- 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 € 39.0 million in bank overdraft provided by local banks.

For the committed multicurrency revolving credit facility (RCF), interest is payable at the relevant inter-bank interest rate plus 75 basis points (based on the situation at 31 December 2010). 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 case of a change of control, the lenders of the multicurrency revolving credit facility (RCF) have the right to cancel the facility. Therefore the RCF, with an original maturity date of December 2012, has been reclassified to the current portion of interest bearing loans and borrowings.

In 2010 and 2009 the Group complied with all covenants for the RCF.

(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 is the exposure to value changes of financial instruments arising from changes in exchange rates. 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 Corporate 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.

Corporate 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. Corporate 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

Interest rate risk is the exposure to value changes in financial instruments arising from changes in market interest rates. 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 2010 the fair value of these derivatives amounts to an asset of € 11.4 million (2009: asset of € 9.5 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 24.

4.2 Capital risk management

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

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

For capital risk management the Group focuses on guarantee capital, consisting of shareholders' equity, the provision for deferred tax liabilities and the long-term part of the subordinated convertible bonds. At 31 December 2010 the guarantee capital amounts to € 606.7 million (2009: € 568.5 million). Based on the nature of the underlying assets and similar financial covenants included in the Group's debt arrangements, the Group's target is to achieve a ratio for guarantee capital as a percentage of total invested capital in excess of 30.0%. In 2010, guarantee capital as a percentage of total invested capital was 33.2% (2009: 35.8%)

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 2010 it is proposed not to pay any dividend on ordinary shares in 2011. In 2010 no dividend was paid out on ordinary shares in relation to 2009 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 2010 interest coverage as defined was 6.7 (2009: 4.9).

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.

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 2010 and 2009.

(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 2010. 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 2010 was set at 5.0% (2009: 5.3%). A change of 50 basis points to the discount rate applied would not increase or decrease the employee benefit expense significantly.

For a detailed discussion of the other underlying assumptions, expected future funding obligations and expected future payments, see note 24 to the consolidated financial statements. It is expected that the future payments will have no material impact on future cash flows and that there is no material uncertainty in the funding of the obligation itself.

(f) Other provisions

The Group recognised provisions regarding restructuring, 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 25.

(g) Financial instruments

The determination of the fair value of certain financial instruments requires significant judgement of management regarding underlying assumptions and estimates like discount rates, credit risks and yield curves. We refer for further explanation to note 23.

6. Segment reporting

Operating segments

In millions of euro	Energy & Infrastructure 2010	Energy & Infrastructure 2009[1]	Industry & Specialty 2010	Industry & Specialty 2009[1]	Communications 2010	Communications 2009	Not allocated to segments / eliminations 2010	Not allocated to segments / eliminations 2009	Consolidated 2010	Consolidated 2009
Revenue from external customers	854.0	694.4	744.5	617.7	829.3	736.2	-	-	2,427.8	2,048.3
Intersegment transactions	59.7	42.3	18.3	11.4	37.9	30.6	(115.9)	(84.3)	-	-
Revenue	**913.7**	**736.7**	**762.8**	**629.1**	**867.2**	**766.8**	**(115.9)**	**(84.3)**	**2,427.8**	**2,048.3**
Operating result (excluding non-recurring items)	29.2	31.8	28.2	33.4	45.2	26.7	(17.2)	(16.6)	85.4	75.3
Non-recurring items	(14.4)	(13.8)	(12.4)	(31.6)	(22.3)	(17.7)	(7.7)	(3.4)	(56.8)	(66.5)
Operating result	**14.8**	**18.0**	**15.8**	**1.8**	**22.9**	**9.0**	**(24.9)**	**(20.0)**	**28.6**	**8.8**
Net finance expense									(31.9)	(31.2)
Share of profit of equity accounted investees	2.4	1.6	3.2	2.0	2.4	1.4	-	-	8.0	5.0
Income tax benefit									1.8	1.9
Result for the year									**6.5**	**(15.5)**
Capital expenditure	7.6	10.4	7.9	20.2	23.1	10.8	0.5	0.9	39.1	42.3
Depreciation and amortisation	17.9	17.3	15.7	15.5	28.2	29.3	0.9	0.8	62.7	62.9
Impairments	-	2.5	0.4	1.1	-	0.5	-	-	0.4	4.1
Segment operating liabilities	201.2	187.2	269.1	228.7	401.8	228.4	339.8	374.5	1,211.9	1,018.8
Segment non-current assets	181.3	192.1	242.6	234.8	519.6	313.2	(210.7)	(16.6)	732.8	723.5
Investments in equity accounted investees	16.2	14.4	21.6	17.7	21.0	17.6	-	-	58.8	49.7
Segment current assets	468.3	347.8	626.5	425.0	407.3	356.4	(467.0)	(313.1)	1,035.1	816.1
Total assets	**665.8**	**554.3**	**890.7**	**677.5**	**947.9**	**687.2**	**(677.7)**	**(329.7)**	**1,826.7**	**1,589.3**

[1] Due to reclassification of (OEM) revenues between Energy & Infrastructure and Industry & Specialty, the revenues in 2009 have been restated to facilitate comparison.

Geographical segments

In millions of euro	The Netherlands 2010	The Netherlands 2009	United Kingdom 2010	United Kingdom 2009	Scandinavia 2010	Scandinavia 2009	Germany 2010	Germany 2009
Revenue from external customers	186.2	176.6	145.2	118.5	295.6	258.0	205.9	149.4
Total non-current assets *	220.6	223.1	10.2	10.3	67.7	75.1	75.6	77.9
Total assets	401.5	345.3	38.6	38.0	197.9	188.4	188.5	157.7
Capital expenditure	4.3	6.3	0.8	1.1	3.5	10.9	3.3	4.3

In millions of euro	Rest of Europe 2010	Rest of Europe 2009	North America 2010	North America 2009	Asia 2010	Asia 2009	Other regions 2010	Other regions 2009
Revenue from external customers	493.3	427.0	360.7	286.7	510.9	437.3	230.0	194.8
Total non-current assets *	159.1	161.7	56.6	53.1	112.9	96.7	24.2	22.8
Total assets	383.8	343.6	175.1	148.8	363.8	296.9	77.5	70.6
Capital expenditure	10.2	7.5	2.7	3.7	12.4	5.5	1.9	3.0

In millions of euro	Consolidated 2010	Consolidated 2009
Revenue from external customers	2,427.8	2,048.3
Total non-current assets *	726.9	720.7
Total assets	1,826.7	1,589.3
Capital expenditure	39.1	42.3

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

7. Other income and expenses

In millions of euro	Note	2010	2009
Increase in provision in relation to restructurings within the Group		(21.5)	(31.7)
Increase in other provisions		(3.8)	(3.3)
Increase in provisions	25)	**(25.3)**	**(35.0)**
Release of unused provisions and other	25)	6.5	6.2
Expenses as incurred in relation to restructurings within the Group and other non-recurring items		(34.9)	(30.7)
		(53.7)	**(59.5)**

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

In millions of euro	2010	2009
Operating result	28.6	8.8
Non-recurring items:		
Restructurings within Energy & Infrastructure	14.4	13.8
Restructurings within Industry & Specialty	12.4	31.6
Restructurings within Communications	22.3	17.7
Other non-recurring items Holding	7.7	3.4
	56.8	**66.5**
Operating result excluding non-recurring items	**85.4**	**75.3**

Total non-recurring items in 2010 amount to € 56.8 million. Various restructuring plans have been executed throughout the Group to further reduce the Group's cost structure. The total amount related to these restructurings amount to € 49.1 million. The restructuring costs include severance costs, impairment charges, onerous contracts and the costs of moving certain activities. The impairment charge in 2010 of € 0.4 million is included in the cost of sales (see note 14). The nature of the impairment charge is also explained in this note.

The non-recurring items also include € 7.7 million costs (mainly advisory fees) relating to the offer from Prysmian on Draka.

In the Energy & Infrastructure Group the closure of the plant in Ystad was completed and several other programs were launched to reduce overhead costs. The total reduction in employees in 2010 was 100 and the savings realised in 2010 are approximately € 10 million.

The measures in the Industry & Specialty Group focused in particular on further downsizing the automotive cable production in several countries and on the downsizing of the Wire & Cable Assemblies activities. The total reduction in employees in 2010 was 80 and the savings realised in 2010 are approximately € 9 million.

In the Communications Group the closure of the plant in Arness (Norway) and a range of further cost-saving measures were implemented. The main purpose of these measures is to reduce fixed costs (overhead) and direct costs. The total reduction in employees in 2010 was 110 and the savings realised in 2010 are approximately € 11 million.

Total non-recurring items in 2009 amounted to € 66.5 million. These restructuring costs related to the implementation and intensification of Triple S projects and other cost-saving measures across the entire organisation, in response to the challenging market conditions. Furthermore at Holding level non-recurring advisory fees were incurred in relation to the discussions with Prysmian about a possible merger between the two companies.

The impairment charge in 2009 of € 4.1 million in relation to the closure of the plant in Ystad (Sweden), the winding-down of automotive cable production in the Czech Republic and on leasehold improvements as a result of efficiency measures taken in the Communications Group, was included in the cost of sales (see note 14).

9. Employee benefit expense

In millions of euro	Note	2010	2009
Wages and salaries		298.7	295.0
Social security charges		57.2	58.0
Contributions to defined contribution plans	24)	12.2	12.4
Expenses related to defined benefit plans	24)	3.0	2.7
Share-based payments	11)	1.7	2.5
		372.8	**370.6**

During 2010, the average number of employees (permanent and temporary) was 9,410 (2009: 10,059). The number of employees (permanent and temporary) at 31 December 2010 was 9,377 (31 December 2009: 9,599), of which 1,013 were employed by Dutch Group companies (985 in 2009).

10. Remuneration of the Board of Management and Supervisory Board

The remuneration of the current and former members of the Board of Management in 2010 amounted to € 2.7 million (2009: € 3.1 million) and the remuneration of the Supervisory Board in 2010 amounted to € 0.5 million (2009: € 0.4 million). See note 41 for additional details on remuneration.

11. Share-based payments

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

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

Share options

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

The following table summarizes option activity for the year ended 31 December 2010:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Range of exercise prices	
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
Forfeited during the period	(20,664)	€ 12.25	4.7	€ 7.42	€ 14.41
Forfeited / expired during the period	(47,672)	€ 25.38	4.2	€ 23.44	€ 28.02
Exercised during the period	(47,129)	€ 9.85	4.2	€ 7.42	€ 14.41
Granted during the period	116,303	€ 14.41	7.5	€ 14.41	€ 14.41
Outstanding at 31 December 2010	420,141	€ 11.21	5.5	€ 7.42	€ 14.41
Outstanding at 31 December 2010	185,683	€ 25.49	5.1	€ 23.44	€ 28.02
Total outstanding at 31 December 2010	**605,824**	**€ 15.58**	**5.4**	**€ 7.42**	**€ 28.02**
Exercisable options at 31 December 2010	232,849	€ 17.79	3.5	€ 7.42	€ 28.02

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 weighted average share price at the date of exercise, for share options exercised in 2010 was € 13.96 (2009: € 12.51).

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 2010 and 2009 were as follows:

Fair value of share options and assumptions at measurement date	**2010**	2009
Fair value at measurement date	€ 5.34	€ 3.39
Share price	€ 14.41	€ 7.93
Exercise price	€ 14.41	€ 7.93
Assumptions used:		
Expected volatility (expressed as weighted average volatility used in the modelling under binomial option pricing model)	43.85%	42.3%
Option term	8 years	8 years
Expected dividends	1.77%	-
Risk-free interest rate (based on national government bonds)	2.18%	2.78%

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 2010 grant of matching shares amounts to € 13.66 (grant 2009: € 7.93), which is equal to the share price at the date of the bonus conversion discounted for forfeited dividend. At the end of 2010 the number of matching shares outstanding to senior management was 26,706 (2009: 27,549).

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. 2007 was the last year in which shares under this plan were granted. Draka's performance over the period 2007 to 2009 resulted in an eight position within the ranking of the peer group companies. Consequently, the final vesting percentage of the 2007 grant equalled 0 percent, resulting in no grant of shares to members of the Board of Management.
At the end of 2010 the number of shares outstanding under this plan was nil (2009: 5,203).

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. Draka's performance over the period 2007 to 2009 resulted in a ninth position within the ranking of the peer group companies. Consequently, the final vesting percentage of the 2007 grant equalled 0 percent, resulting in no grant of shares to members of the Board of Management. In 2010 68,933 performance shares were conditionally granted to (former) members of the Board of Management. The fair value of the shares at measurement date amounted to € 14.96 (grant 2009: € 3.97).

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 2010 the total number of shares (conditionally issued or issuable) under all share plans with the Board of Management was 200,890 (2009: 286,634).

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

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

	Number of shares senior management **2010**	Number of shares (former) members Board of Management **2010**	Number of shares senior management 2009	Number of shares (former) members Board of Management 2009
Outstanding at 1 January	27,549	286,634	19,322	139,925
Forfeited during the period	(1,921)	(154,677)	(1,548)	(10,983)
Vested during the period	(6,621)	-	(7,267)	-
Granted during the period	7,699	68,933	17,042	157,692
Total outstanding at 31 December	**26,706**	**200,890**	**27,549**	**286,634**

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 2010 32,504 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 104 for further details). The fair value of the liability is remeasured at each reporting date and at settlement date.

The following table summarizes SARs activity for senior management:

	Number of SARs senior management 2010	Number of SARs senior management 2009
Outstanding at 1 January	92,463	53,025
Forfeited during the period	(5,561)	(4,158)
Exercised during the period	(7,847)	-
Granted during the period	32,504	43,596
Total outstanding at 31 December	**111,559**	**92,463**

Employee benefit expense related to share-based payments:

In millions of euro	Note	2010	2009
Share options and (performance) shares granted		1.3	2.4
Expense arising from SARs (grant and remeasurement)		0.4	0.1
Total expense recognised as employee benefit expense	9)	**1.7**	**2.5**
Total carrying amount of liabilities for cash-settled arrangements		**5.8**	**0.1**

In case of a change of control, all incentive plans will be settled in cash. This leads to a modification of the equity settled incentive plans into cash settled incentive plans. To calculate the amount that needed to be reclassified from equity to liabilities, the fair value at the expected date of settlement (1 March 2011) was used as best estimate of the fair value at the date of modification (31 December 2010). The reclassification from equity to liabilities amounts to € 5.2 million. The total liability as at 31 December 2010 equal to the expected cash out at 1 March 2011, amounts to € 5.8 million.

12. Net finance expense

Recognised in the income statement

In millions of euro	2010	2009
Interest income	(1.9)	(2.4)
Net foreign exchange gain	-	(1.3)
Net gain on remeasurement of derivatives through the income statement	(1.2)	-
Finance income	**(3.1)**	**(3.7)**
Interest expense	24.4	31.6
Fee expenses	4.6	2.5
Impairment loss promissory note Optelecom	2.7	-
Net foreign exchange loss	3.3	-
Net loss on remeasurement of derivatives through the income statement	-	0.8
Finance expense	**35.0**	**34.9**
Net finance expense	**31.9**	**31.2**

In the fee expenses of 2010 a one-off charge is included in relation to the revolving credit facility (RCF). As a result of the change of control the RCF lenders have the right to cancel the facility. Therefore the at 31 December 2010 remaining fees in the amount of € 1.8 million, originally to be amortized until 2012, were fully charged to the 2010 statement of income.

In November 2010 the TKH Group announced to acquire Optelecom-NKF. Part of the agreement was a restructuring of Optelecom-NKF's debt. In connection with this restructuring, Draka Holding N.V. as its largest lender agreed to a reduction of € 2.7 million of the promissory note, which is recognised as an impairment loss in the 2010 finance expense. The remaining outstanding balance of the promissory note in the amount of € 6.4 million was received in January 2011.

13. Taxes

Total income tax recognised in the income statement amounted to a benefit of € 1.8 million in 2010 (2009: benefit of € 1.9 million). The components of income taxes are as follows:

Recognised in the income statement

In millions of euro	2010	2009
Current income tax (expense) / benefit		
Current year	(11.5)	(13.4)
Prior periods	(0.7)	6.4
Total current income tax (expense) / benefit	**(12.2)**	**(7.0)**
Deferred income tax benefit		
Origination and reversal of temporary differences	(4.4)	(6.5)
Origination and reversal of tax losses carry forward	13.6	31.1
Temporary differences not recognised	0.5	(1.0)
Tax losses carry forward not recognised	(14.4)	(19.3)
Prior periods for temporary differences	1.0	6.5
Prior periods for tax losses carry forward	17.7	(1.9)
Total deferred income tax benefit	**14.0**	**8.9**
Total income tax benefit	**1.8**	**1.9**

In 2010 the Group benefitted from various legal restructurings following the acquisition of the remaining 49.9% of Comteq in 2007. As a result it became probable that the results of future operations in certain countries will now generate sufficient taxable profits to utilize deferred tax assets. This resulted in a benefit of € 17.7 million of tax losses carry forward previously not recognised.

Reconciliation of effective tax rate

In millions of euro	2010	2010 in %	2009	2009 in %
Result for the year	6.5		(15.5)	
Total income tax benefit	(1.8)		(1.9)	
Result before tax	**4.7**	**100%**	**(17.4)**	**100%**
Income tax calculated at tax rates applicable in the respective tax jurisdictions	4.3	92%	(6.4)	37%
Non-tax deductible expenses	4.0	85%	2.6	(15%)
Tax exempt income	(7.2)	(153%)	(7.2)	42%
Temporary differences not recognised	(0.5)	(11%)	1.0	(6%)
Tax losses carry forward not recognised	14.4	306%	19.3	(111%)
Prior periods for current tax	0.7	15%	(6.4)	37%
Prior periods for temporary differences	(1.0)	(21%)	(6.5)	37%
Prior periods for tax losses carry forward	(17.7)	(377%)	1.9	(11%)
Other	1.2	26%	(0.2)	1%
	(1.8)	**(38%)**	**(1.9)**	**11%**

The weighted average applicable tax rate increased from 37% in 2009 to 92% in 2010 due to a change in the country mix of income tax rates and a change of the mix of profits and losses in the various countries of the Group.

The effective income tax rate in 2010 is lower than the weighted average applicable rate, mainly due to benefits from tax losses carry forward previously not recognised. These are partly offset by new losses carry forward not recognised in other countries since it is not probable that these can be realised in a foreseeable future, given the uncertain economic situation in these countries. The item other primarily relates to withholding tax on received dividends and royalties.

Recognised directly in equity

The deferred income tax expense recognised directly in shareholders' equity during the year amounted to € 2.5 million (2009: € 8.7 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 31/12/2008	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**

	Balance 31/12/2009	Recognised in income statement	Recognised in shareholders equity	Effects of movements in foreign exchange	Derecognised on disposal of a subsidiary	Balance 31/12/2010
Property, plant and equipment	(28.9)	5.9	-	(1.2)	-	(24.2)
Intangible assets	2.2	(0.6)	-	0.1	-	1.7
Financial fixed assets	0.1	(0.1)	-	-	-	-
Receivables	(1.4)	1.0	(2.9)	0.1	-	(3.2)
Inventories	2.3	(1.1)	-	0.2	-	1.4
Interest-bearing loans and borrowings	15.6	(2.8)	-	-	-	12.8
Employee benefits	4.4	(0.7)	-	0.1	-	3.8
Provisions	1.5	(0.5)	-	0.1	-	1.1
Other current liabilities	1.9	0.5	0.4	0.3	-	3.1
Tax value of loss carry-forwards recognised	35.2	12.4	-	0.7	(0.8)	47.5
	32.9	**14.0**	**(2.5)**	**0.4**	**(0.8)**	**44.0**
Deferred tax assets	51.9					60.9
Deferred tax liabilities	19.0					16.9
Net deferred tax position	**32.9**					**44.0**

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	2010	2009
Deductible temporary differences	206.8	248.2
Tax losses	709.5	740.1
	916.3	**988.3**

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	2010	2009
Within 1 year	7.0	9.4
Within 2 - 5 years	127.6	91.1
After 5 years and thereafter	257.5	270.9
Indefinite	507.8	512.8
	899.9	**884.2**

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 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**
Acquisitions	-	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**
Acquisition	-	2.8	-	-	2.8
Capital expenditure	5.9	16.6	5.3	6.9	34.7
Depreciation charge for the year	(9.6)	(42.1)	(4.1)	-	(55.8)
Impairment losses	-	-	-	(0.4)	(0.4)
Reclassification	6.8	29.7	(13.5)	(23.0)	-
Disposals	(5.5)	(0.6)	(0.3)	(0.2)	(6.6)
Derecognised on disposal of a subsidiary	(0.3)	-	-	-	(0.3)
Effect of movements in foreign exchange	8.1	13.8	1.2	1.0	24.1
Total changes	**5.4**	**20.2**	**(11.4)**	**(15.7)**	**(1.5)**
Balance as at 31 December 2010					
Cost	459.8	1,092.9	101.8	12.4	1,666.9
Accumulated depreciation and impairments	(250.4)	(799.8)	(73.4)	(3.1)	(1,126.7)
Carrying amount	**209.4**	**293.1**	**28.4**	**9.3**	**540.2**

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.

Depreciation and impairment losses

The depreciation and impairment charge for an amount of € 56.2 million (2009: € 60.7 million) is recognised in the income statement as cost of sales.

In 2010 the Group incurred an impairment loss of € 0.4 million in relation to the further winding-down of automotive cable production in the Czech Republic (Industry & Specialty Group), which resulted in equipment under construction becoming idle.

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.

The Group has not reversed any impairment loss in 2010 and 2009.

Leased property, plant and equipment

The Group leases land, buildings, plant and equipment under a number of finance lease-agreements. At 31 December 2010, the net carrying amount of leased property, plant and equipment was € 20.4 million (2009: € 18.7 million). The leased land, buildings, plant and equipment secures lease obligations (see note 23).

Security

At 31 December 2010, mortgages have been granted as security for debts to credit institutions of € 0.7 million (2009: € 5.3 million) (see note 23).

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 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**
Acquisitions	0.4	-	-	-	-	0.4
Additions	-	2.4	0.5	1.5	-	4.4
Amortisation charge for the year	-	(2.0)	(0.1)	(4.5)	(0.3)	(6.9)
Disposals	-	-	-	(0.1)	-	(0.1)
Effect of movements in foreign exchange	0.6	0.2	-	0.5	0.1	1.4
Total changes	**1.0**	**0.6**	**0.4**	**(2.6)**	**(0.2)**	**(0.8)**
Balance as at 31 December 2010						
Cost	81.7	32.9	2.2	45.3	2.6	164.7
Accumulated amortisation and impairments	(0.5)	(12.6)	(1.4)	(35.3)	(1.4)	(51.2)
Carrying amount	**81.2**	**20.3**	**0.8**	**10.0**	**1.2**	**113.5**

Goodwill
Acquisitions include goodwill arising from acquisitions in subsidiaries (as stated in note 3). An acquisition of € 1.0 million relates to Pressure Tube Manufacturing (PTM).

In earlier years the Group acquired 100% of the shares of DeBiase Lift Components S.R.L. As part of the purchase price consideration, the Group agreed an earn-out arrangement with the prior shareholders. The value of the corresponding liability depended on the performance of the company in the five years after acquisition. In 2010 the Group adjusted the estimate of the company's future performance downwards. The corresponding decrease in the liability of € 0.6 million is recognised in goodwill.

In accordance with the revised IFRS 3 standards, for all new acquisitions where this is applicable, the contingent consideration will be measured at fair value at the time of the business combination. If the amount of contingent consideration changes as a result of a post-acquisition event (such as meeting an earnings target), accounting for the change in consideration depends on whether the additional consideration is an equity instrument or cash or other assets paid or owed. If it is equity, the original amount is not remeasured. If the additional consideration is cash or other assets paid or owed, the changed amount is recognised in profit or loss. If the amount of consideration changes because of new information about the fair value of the amount of consideration at acquisition date (rather than because of a post-acquisition event) then retrospective restatement is required.

The acquisition of € 0.1 million in 2009 related to Hickory Wire Inc.

Amortisation
The amortisation charge for an amount of € 6.9 million (2009: € 6.3 million) is recognised in the income statement as cost of sales.

Impairment loss and subsequent reversal
The Group has not incurred nor reversed any impairment losses in 2010 and 2009.

Impairment tests for cash-generating units containing goodwill
The carrying amount of goodwill relates to:

In millions of euro	2010	2009
Communications	64.3	64.3
Industry and Specialty	15.6	15.7
Energy and Infrastructure	1.3	0.2
Total	**81.2**	**80.2**

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 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 pre-tax discount factor used is 11% (2009: 11%). 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 2010 the carrying amount of these rights is € 10.1 million (2009: € 11.2 million) and the remaining useful live is approximately 9 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 2010	Ownership 2009
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%	19.1%
Draka Comteq SDGI Co. Ltd.	Associate	China	18.4%	18.4%
Tianjin YOFC XMKJ Optical Communications Co., Ltd.	Associate	China	18.4%	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%
Tianjin YOFC XMKJ Optical Cable Co., Ltd.	Associate	China	7.5%	7.5%

The Group's share of result in equity accounted investees for the year ended 31 December 2010 was € 8.0 million (2009: € 5.0 million). During the year 2010 the Group received dividends from equity accounted investees for an amount of € 2.8 million (2009: € 2.2 million). Oman Cables Industry (SAOG) is listed on public stock exchange markets. Based on the stock price at 31 December 2010, the fair value of the investment in Oman Cable Industry (SAOG) amounts to € 71.4 million (31 December 2009: € 80.8 million). Summary financial information of equity accounted investees and joint ventures at 100 per cent based on 31 December 2010 and 2009 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
2010									
Oman Cables Industry (SAOG)	187.3	69.1	256.4	143.9	21.5	165.4	394.7	378.7	16.0
Elkat Ltd.	21.6	5.1	26.7	0.6	0.1	0.7	246.5	245.4	1.1
Telcon Fios e Cabos Para Telecomunicações	48.7	19.0	67.7	25.1	8.5	33.6	93.8	86.5	7.3
Yangtze Optical Fibre & Cable Co. Ltd.	220.7	151.4	372.1	175.2	58.3	233.5	437.6	405.6	32.0
Precision Fiber Optics Ltd.	3.3	-	3.3	1.2	-	1.2	4.6	3.3	1.3
Jiangsu YOFC Zhongli Fiber and Cable Co. Ltd.	27.9	3.4	31.3	15.2	-	15.2	48.0	43.9	4.1
Yangtze Optical Fiber and Cable Sichuan Co. Ltd.	17.7	4.0	21.7	12.2	-	12.2	26.5	25.1	1.4
Draka Comteq SDGI Co. Ltd.	17.2	3.4	20.6	3.2	-	3.2	15.5	15.3	0.2
Tianjin YOFC XMKJ Optical Communications Co. Ltd.	15.7	24.3	40.0	11.5	-	11.5	32.7	30.4	2.3
Shantou Hi-tech Zone Aoxing Optical Communication Equipment Co. Ltd.	22.0	8.2	30.2	5.9	-	5.9	47.9	44.3	3.6
Yangtze (Wuhan) Optical System Co. Ltd.	10.2	0.6	10.8	2.5	-	2.5	10.5	9.0	1.5
Tianjin YOFC XMKJ Optical Cable Co.. Ltd.	18.0	9.3	27.3	16.3	-	16.3	20.9	20.8	0.1
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

17. Other non-current financial assets

In millions of euro	2010	2009
Receivables	11.4	12.3
Other investments	3.0	2.7
	14.4	**15.0**

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	2010	2009
Raw materials and consumables	106.3	85.7
Work in progress	40.7	35.9
Semi finished goods	46.6	29.0
Finished goods	206.2	199.7
	399.8	**350.3**

In 2010 raw materials and consumables and changes in work in progress, semi finished goods and finished goods recognised as cost of sales amounted to € 1,594.9 million (2009: € 1,247.1 million). In 2010 the additions to allowances for obsolete stock amounted to € 13.1 million (2009: € 11.9 million). The additions are included in cost of sales.

At 31 December 2010, no inventories have been pledged (2009: nil).

19. Trade and other receivables

In millions of euro	2010	2009
Trade receivables	414.6	309.2
Trade receivables due from associates	-	2.1
Other current receivables and prepayments	70.7	70.1
	485.3	**381.4**

At 31 December 2010, other current receivables include retentions of € 1.2 million (2009: € 0.3 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 € 9.9 million at 31 December 2010, representing 2.3% of trade receivables (2009: € 11.9 million or 3.7%). In 2010, expenses relating to the impairment of trade receivables of € 2.9 million were recognised in the consolidated statement of income, representing 0.12% of revenue (2009: € 6.0 million, or 0.29% of revenue).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in notes 4 and 27.

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 2010. 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 the maximum amount of € 50 million at 31 December 2010 (2009: € 31.2 million).

20. Cash and cash equivalents

In millions of euro	2010	2009
Cash and cash equivalents	138.7	74.0
Bank overdrafts	(9.8)	(6.9)
Cash and cash equivalents in the statement of cash flows	**128.9**	**67.1**

Cash and cash equivalents are freely available.

21. Total equity

Total equity consists of shareholders' equity attributable to the equity holders of the Company of € 589.8 million (2009: € 549.5 million) and minority interests of € 25.0 million (2009: € 21.0 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 37 for additional details on shareholders' equity.

22. 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	2010	2009
Result for the year	4.6	(18.2)
Dividends on redeemable cumulative preference shares	(5.4)	(5.4)
Result attributable to ordinary equity holders	**(0.8)**	**(23.6)**

Weighted average number of ordinary shares

In thousands of shares	2010	2009
Issued common shares as at 1 January	48,736	40,617
Effect of treasury shares held	(25)	(13)
Issue of shares	-	1,746
Weighted average number of ordinary shares at 31 December	**48,711**	**42,350**

Basic earnings per share (euro)

Basic earnings per share	**(0.02)**	**(0.56)**

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 ordinary equity holders (diluted)

In millions of euro	2010	2009
Result attributable to ordinary equity holders	(0.8)	(23.6)
After-tax effect of interest on convertible subordinated bond notes	1.0	1.3
Result attributable to ordinary equity holders (diluted)	**0.2**	**(22.3)**

Weighted average number of ordinary shares (diluted)

In thousands of shares	2010	2009
Weighted average number of ordinary shares (basic)	48,711	42,350
Effect of long-term incentive plans	218	191
Effect of conversion of convertible subordinated bond notes	1,691	1,748
Weighted average number of ordinary shares (diluted) at 31 December	**50,620**	**44,289**

Diluted earnings per share (euro)

Diluted earnings per share	**(0.02)**	**(0.56)**

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 2010 and 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.

23. Interest-bearing loans and borrowings

In millions of euro	2010 Carrying amount	2010 Fair value	2009 Carrying amount	2009 Fair value
Non-current liabilities				
Bank facilities and loans	29.4	29.4	269.9	269.9
Finance leases	14.7	14.7	16.9	16.9
	44.1	**44.1**	**286.8**	**286.8**
Current liabilities				
Convertible subordinated bonds	-	-	25.1	25.2
Bank facilities and loans	365.5	365.5	46.4	46.4
Current portion of finance leases	2.7	2.7	3.2	3.2
	368.2	**368.2**	**74.7**	**74.8**
Total interest-bearing loans and borrowings	**412.3**	**412.3**	**361.5**	**361.6**

In millions of euro	Bank facilities and loans	Finance Leases	Total
Effective interest rate	1.6%	9.6%	
Due in 2011	365.5	2.7	368.2
Due between 2012 - 2015	26.3	7.1	33.4
Due after 2015	3.1	7.6	10.7
Total interest-bearing loans and borrowings	**394.9**	**17.4**	**412.3**
Of which included in non-current	29.4	14.7	44.1
Of which included in current	365.5	2.7	368.2
Total interest-bearing loans and borrowings	**394.9**	**17.4**	**412.3**

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

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

The Group has hedged the interest rate risk on part of the multicurrency revolving credit facility. More information about the Group's exposure to interest rate and foreign currency risk has been disclosed in note 27.

4 per cent Convertible Subordinated Bonds due 2010

In millions of euro	2010	2009
Balance at 1 January	25.1	24.3
Amortisation of interest expense	0.6	0.8
Redemption at face value	(25.7)	-
Carrying amount of liability at 31 December	-	25.1

In September 2010 the 4% convertible subordinated bond was redeemed at face value of € 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.

In case of a change of control, the lenders of the multicurrency revolving credit facility (RCF) have the right to cancel the facility. Therefore the RCF, with an original maturity date of December 2012, has been reclassified to the current portion of interest bearing loans and borrowings.

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 75 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 € 0.7 million (2009: € 5.3 million) (see note 14).

Finance lease liabilities

Finance lease liabilities are payable as follows:

In millions of euro	Future minimum lease payments 2010	Interest 2010	Present value of minimum lease payments 2010	Future minimum lease payments 2009	Interest 2009	Present value of minimum lease payments 2009
Less than one year	4.3	1.6	2.7	4.9	1.7	3.2
Between one and five years	12.5	5.4	7.1	13.4	5.9	7.5
More than five years	9.6	2.0	7.6	12.3	2.9	9.4
	26.4	9.0	17.4	30.6	10.5	20.1

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

24. Provision for employee benefits

Defined benefit plans

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

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

In the Netherlands the Group participates in a multi-employer pension plan. This pension plan is externally funded in PME, the Dutch industry wide pension fund for the Metalelektro. In accordance with IAS 19 the related pension scheme should be treated as a defined benefit plan. Since the assets and liabilities of this multi-employer plan can not be allocated in a systematic way to the employers, the Group applies the exemption mentioned in paragraph 19.30 of IAS and treats the scheme as a defined contribution plan.
The pension fund has a deficit. The coverage ratio per 31 December 2010 on the basis of the actual market interest rate was 96% (2009: 99%). The Group has no obligation to fund any deficits and is not entitled to any surpluses.

In millions of euro	2010	2009
Present value of unfunded obligations	60.4	59.8
Present value of funded obligations	181.5	170.5
Fair value of plan assets	(169.8)	(152.4)
Present value of net obligations	**72.1**	**77.9**
Unrecognised actuarial gains and (losses)	(1.4)	(6.0)
Recognised liability for defined benefit obligations	**70.7**	**71.9**
Liability for long-service leave	10.2	10.8
Restrictions on assets recognised	0.7	-
Total employee benefits	**81.6**	**82.7**
Actual return on plan assets	**18.4**	**17.0**

The 2010 contribution to the Group's multi employer plan (PME) amounted to € 6.5 million (2009: € 6.5 million).

Movement in the liability for defined benefit obligations

In millions of euro	2010	2009
Liability for defined benefit obligations at 1 January	230.3	223.4
Benefits paid by the plan	(8.2)	(9.4)
Current service costs	2.9	2.9
Interest on obligation	12.0	12.4
Actuarial losses or (gains)	3.6	(1.6)
Benefits paid by the employer	(3.3)	(3.2)
Employee contributions	0.8	0.8
Liabilities extinguished on settlements	(1.2)	(2.6)
Effect of movements in foreign exchange	5.0	7.6
Liability for defined benefit obligations at 31 December	**241.9**	**230.3**

Movement in plan assets

In millions of euro	2010	2009
Fair value of plan assets at 1 January	152.4	133.2
Benefits paid by the plan	(8.2)	(9.1)
Employer contribution	3.9	5.0
Employee contribution	0.8	0.8
Expected return on plan assets	9.8	8.3
Actuarial (losses) or gains	8.6	8.7
Effect of movements in foreign exchange	2.5	5.5
Fair value of plan assets at 31 December	**169.8**	**152.4**

Expense recognised in the statement of income

In millions of euro	2010	2009
Interest on obligation	(12.0)	(12.4)
Current service costs	(2.9)	(2.9)
Expected return on plan assets	9.8	8.3
Curtailment	1.2	-
Amortization unrecognised net gain or loss	(0.6)	0.2
Adjustment for restrictions on defined benefit assets	(0.7)	-
	(5.2)	**(6.8)**

The 2011 expense is not expected to differ significantly from the 2010 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 € 12.2 million (2009: € 12.4 million).

Actuarial assumptions

Principal weighted average actuarial assumptions at the balance sheet date:

	2010	2009	2008
Discount rate at 31 December	5.0%	5.3%	5.6%
Expected return on plan assets at 31 December	5.0%	5.8%	5.6%
Future salary increases	2.5%	2.5%	2.5%
Future pension increases	1.0%	1.8%	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 2010 and 2009 is approximately as follows:

	2010	2009
Shares and related instruments	35%	34%
Bonds	63%	61%
Other	2%	5%

Historical information

In millions of euro	2010	2009	2008	2007	2006
Present value of the defined benefit obligation	241.9	230.3	223.4	306.0	330.1
Fair value of plan assets	169.8	152.4	133.2	256.2	259.4
Deficit in plan	**(72.1)**	**(77.9)**	**(90.2)**	**(49.8)**	**(70.7)**
Experience adjustments arising on plan liabilities	(0.8)	1.9	(2.2)	(2.5)	0.1
Experience adjustments arising on plan assets	8.2	8.7	(36.4)	(1.5)	5.5

Other employee benefit provisions

In several countries the Group established jubilee and long service plans in accordance with local customs. The provision resulting from these plans is recognised under other employee benefits. The Group has applied the same actuarial assumptions as those used in the actuarial calculation of the defined benefit post retirement plans. All actuarial gains or losses have been recognised in the income statement.

25. Other provisions

In millions of euro	Warranties	Restructuring	Onerous contracts	Other	Total
Balance at 1 January 2009	**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**
Provisions made during the year	1.5	21.5	0.9	1.4	25.3
Provisions used during the year	(0.8)	(31.2)	(0.4)	(3.0)	(35.4)
Provisions reversed during the year	(0.9)	-	-	(5.6)	(6.5)
Reclassifications	0.3	-	-	(0.3)	-
Effect of movements in foreign exchange	0.1	1.0	-	1.0	2.1
Balance at 31 December 2010	**3.0**	**14.2**	**1.6**	**9.2**	**28.0**
Non-current	2.8	4.9	-	8.7	16.4
Current	0.2	9.3	1.6	0.5	11.6

Warranties
The provision for product warranty reflects the estimated costs of replacement and free-of-charge services that will be incurred by the Group with respect to products sold. The Group expects to incur most of the liability within the time frame of 4 years.

Restructuring
In 2010 Draka continued several cost saving measures across the entire organisation. The closure of the plants in Arness (Norway) and Ystad (Sweden) were completed in the second half of 2010 and further efficiency measures are proceeding according to plan. As a result hereof a total restructuring provision of € 21.5 was made of which € 11.3 million was used in 2010. The majority of the restructuring in relation to these plans is expected to be completed in 2011.

In 2009 the Group announced to close its factories in Ystad and Arness, started with further downsizing of the Automotive cable production operations in several countries and took efficiency measures within the Communications Group. In relation to this a provision of € 31.7 million was made, of which € 11.8 million has been used in 2009. In 2010 the remaining amount of € 19.9 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.

26. Trade and other payables

In millions of euro	2010	2009
Trade payables	501.4	380.5
Non-trade payables and accrued expenses	143.8	108.8
	645.2	**489.3**

27. Financial instruments

Credit risk

Exposure to credit risk

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

In millions of euro	Note	Carrying amount 2010	2009
Receivables	17)	11.4	12.3
Promissory note		6.4	9.0
Other investments	17)	3.0	2.7
Trade receivables	19)	414.6	309.2
Trade receivables due from associates	19)	-	2.1
Other receivables		48.6	43.4
Fair value derivatives	28)	12.7	10.1
Cash and cash equivalents	20)	138.7	74.0
		635.4	**462.8**

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 2010	Impairment 2010	Gross 2009	Impairment 2009
Not past due	344.2	0.7	268.2	0.2
Past due 0-30	35.0	0.1	24.0	-
Past due 31-90	18.1	0.5	12.8	0.3
Past due 91-365	18.7	3.4	7.5	2.4
More than one year	8.5	5.2	10.7	9.0
	424.5	**9.9**	**323.2**	**11.9**

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

In millions of euro	Carrying amount 2010	2009
Balance at 1 January	**11.9**	**9.6**
Impairment loss recognised	2.9	6.0
Write off against financial asset	(3.3)	(1.4)
Reversal of impairment loss	(1.9)	(2.1)
Translation differences	0.5	0.1
Derecognised on disposal of a subsidiary	(0.2)	(0.3)
Balance at 31 December	**9.9**	**11.9**

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

Liquidity risk

The following are the contractual maturities of financial liabilities at 31 December 2010:

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							
Bank facilities and loans	394.9	(394.9)	(349.9)	(15.6)	(4.0)	(22.3)	(3.1)
Finance lease liabilities	17.4	(26.4)	(2.1)	(2.2)	(3.4)	(9.1)	(9.6)
Trade and other payables	645.2	(645.2)	(645.2)	-	-	-	-
Bank overdrafts	9.8	(9.8)	(9.8)	-	-	-	-
Derivative financial liabilities							
Interest rate derivatives	9.6	(9.7)	(2.3)	(2.1)	(3.2)	(2.1)	-
Foreign exchange derivatives	1.6	(1.6)	(1.7)	0.2	(0.1)	-	-

The Multicurrency facility expires in 2012. Drawings under this facility typically have a tenor of one or three months.

In case of a change of control, the lenders of the multicurrency revolving credit facility (RCF) have the right to cancel the facility. Therefore the RCF, with an original maturity date of December 2012, has been reclassified to the current portion of interest bearing loans and borrowings.

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)	-	-

Currency risk

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2010	2009	**2010**	2009
Euro	1.00	1.00	1.00	1.00
USD	0.76	0.72	0.75	0.69
GBP	1.17	1.12	1.16	1.13

Sensitivity analysis

A 10 per cent strengthening or weakening of the euro against the aforementioned currencies at 31 December 2010 would have changed equity and profit or loss in the range of € 0.5 to € 1.0 million. This analysis assumes all other variables remain constant and excludes the effect of translating financial data denominated in a functional currency other than the euro – the reporting currency of the Group. The forward exchange contracts have been included in this estimation.

Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

In millions of euro	Carrying amount 2010	2009
Fixed rate instruments		
Financial assets	6.4	9.0
Financial liabilities	17.4	45.2
Floating rate instruments		
Financial assets	138.7	74.0
Financial liabilities	404.7	323.2

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 2010				
Variable rate instruments	(2.7)	2.7	-	-
Interest rate derivatives	2.5	(2.5)	5.9	(6.7)
Cash flow sensitivity net	**(0.2)**	**0.2**	**5.9**	**(6.7)**
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)**

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 2010, 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 2010				
Financial assets:				
Derivative financial instruments - cash flow hedges	-	11.4	-	11.4
Derivative financial instruments - fair value through profit or loss	-	1.3	-	1.3
Total	**-**	**12.7**	**-**	**12.7**
Financial liabilities:				
Derivative financial instruments - cash flow hedges	-	9.6	-	9.6
Derivative financial instruments - fair value through profit or loss	-	1.6	-	1.6
Total	**-**	**11.2**	**-**	**11.2**
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**

28. Derivative financial instruments

Derivative financial instruments comprise:

In millions of euro	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives - cash flow hedges	-	9.6	-	10.3
Forward foreign exchange contracts - fair value through profit or loss	1.3	1.6	0.6	0.3
Forward copper contracts - cash flow hedges	11.4	-	9.5	-
Total	**12.7**	**11.2**	**10.1**	**10.6**

The following tables indicate the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and are expected to impact profit or loss:

In millions of euro	Carrying amount	Expected cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
31 December 2010							
Interest rate derivatives							
Liabilities:							
cash flow hedges	9.6	(9.7)	(2.3)	(2.1)	(3.2)	(2.1)	-
Forward copper contracts (commodities)							
Assets:							
cash flow hedges	11.4	11.4	5.2	3.6	2.2	0.4	-

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	-

29. Commitments and contingent liabilities

Investment and supplier commitments

As at 31 December 2010, the Group entered into contracts to purchase property, plant and equipment for an amount of € 2.2 million (2009: € 0.3 million). These commitments are expected to be settled in 2011.

Commitments under rental and lease agreements

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In millions of euro	2010	2009
Less than one year	10.2	10.2
Between one and five years	35.1	29.6
More than five years	13.5	19.4
	58.8	**59.2**

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 € 0.1 million (2009: € 1.0 million) are expected to be received until expiry date. The Group has recognised a provision of € 1.6 million (2009: € 1.0 million) in respect of two leases (see note 25).

During the year ended 31 December 2010, € 11.5 million (2009: € 12.3 million) was recognised as an expense in the income statement in respect of operating leases. An amount of € 0.2 million was recognised as income in the income statement in respect of subleases (2009: € 0.3 million).

Guarantees

At 31 December 2010, € 50.7 million guarantees were outstanding: € 20.7 million in relation to outstanding performance bonds and guarantees of € 30.0 million to ING Bank in relation to cash pooling agreements.

30. Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries. associates and joint ventures. In addition. for an overview of important shareholders in the Group reference is made to Share Information. Disclosure of Major Holdings in Listed Companies Act in this Annual report. For an overview of the remuneration of the Board of Management and Supervisory Board. reference is made to note 41.

Transactions with associates and joint ventures (equity accounted investees)

In millions of euro	2010	2009
Sale of goods to related parties	72.0	80.2
Purchase of goods from related parties	5.0	7.3
Amounts owed by related parties	4.5	13.2
Amounts owed to related parties	3.8	4.9
Dividend received from related parties	15.1	11.5

31. 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*	2010	2009
Assets			
Non-current assets			
Intangible fixed assets	34)	1.5	1.5
Tangible fixed assets		1.0	1.4
Derivative financial instruments		2.6	0.6
Financial fixed assets	35)	1,241.2	1,050.9
Total non-current assets		**1,246.3**	**1,054.4**
Current assets			
Derivative financial instruments		10.5	8.9
Trade and other receivables	36)	128.7	87.9
Cash in bank and in hand		28.4	44.5
Total current assets		**167.6**	**141.3**
Total assets		**1,413.9**	**1,195.7**
Equity			
Shareholders' equity			
Share capital		27.2	27.2
Share premium		457.5	457.5
Translation reserve		13.8	(22.8)
Hedging reserve		6.1	(1.9)
Reserve for equity accounted investees		42.1	36.9
Reserve for treasury shares		(0.2)	(0.4)
Retained earnings		38.7	71.2
Unappropriated result for the year		(0.8)	(23.6)
Preference shares dividend reserve		5.4	5.4
Total shareholders' equity	37)	**589.8**	**549.5**
Provision for employee benefits		**0.9**	**1.2**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	38)	121.4	293.1
Derivative financial instruments		5.2	5.6
Deferred tax liability		2.9	3.5
Total non-current liabilities		**129.5**	**302.2**
Current liabilities			
Interest-bearing loans and borrowings	38)	310.4	25.1
Other provisions		1.4	2.3
Derivative financial instruments		4.4	5.0
Trade and other payables	39)	377.5	310.4
Total current liabilities		**693.7**	**342.8**
Total liabilities		**824.1**	**646.2**
Total equity and liabilities		**1,413.9**	**1,195.7**

Statement of income for the years ended 31 December			
Income after taxes from investments in group companies	35)	25.4	5.5
Other income after taxes		(20.8)	(23.7)
Result attributable to the shareholders		**4.6**	**(18.2)**

* The notes to the company financial statements on pages 127 to 135 are an integral part of these company financial statements.

Notes to the company financial statements

Contents

32. General

The company financial statements (hereinafter also referred to as the 'statutory financial statements of the Company') are part of the 2010 financial statements of Draka Holding N.V. and are prepared in compliance with the legal requirements of Part 9, Book 2, of the Netherlands Civil Code.

With respect to the company statement of income, the Company made use of the exemption provided under section 2:402 of the Netherlands Civil Code, which allows the Company to present only the profit from Group companies after income tax and other income and expenses after income tax.

33. Principles for the measurement of assets and liabilities and the determination of the result

Draka Holding N.V. has applied the option in section 2:362 (8) of the Netherlands Civil Code to use the same principles of valuation and determination of result for the statutory financial statements as those applied for the consolidated financial statements. Unless otherwise described in the notes to the statutory financial statements, reference should be made to the notes to the consolidated financial statements for details of the accounting principles adopted in these statutory financial statements.

34. Intangible fixed assets

In millions of euro	Goodwill	Software	Total
Balance as at 31 December 2009			
Cost	0.7	1.8	2.5
Accumulated amortisation	-	(1.0)	(1.0)
Carrying amount	**0.7**	**0.8**	**1.5**
Additions	-	0.4	0.4
Amortisation charge for the year	-	(0.4)	(0.4)
Total changes	**-**	**-**	**-**
Balance as at 31 December 2010			
Cost	0.7	2.2	2.9
Accumulated amortisation	-	(1.4)	(1.4)
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 off the reserves. Goodwill acquired through indirect investments in Group companies is capitalised within the carrying value of the entities that have directly acquired these investments.

35. Financial fixed assets

Group companies or 'subsidiaries' are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Investments in Group companies are measured using the net asset value method. The net asset value and results of Group companies are determined on the basis of the accounting policies that are applied in the consolidated financial statements. The accounting policies of Group companies are changed where necessary to ensure consistency with the policies adopted by the Company.

If losses of Group companies that are allocable to the Company exceed the carrying value of the interest in the Group company (including separately presented goodwill, if any, and including other non-secured receivables), further losses are not recognised unless the Company has incurred obligations or made payments on behalf of the Group company to satisfy obligations of the Group company. In such a situation, the Company recognises a provision up to the extent of this obligation.

Unrealised gains and losses on transactions between Group companies, if any, are eliminated.

In millions of euro	Investments in group companies	Investments in equity accounted investees	Amounts from group companies and other	Total
Balance as at 31 December 2009	**727.7**	**25.3**	**297.9**	**1,050.9**
Share in result	19.8	5.6	-	25.4
Additions	193.3	-	-	193.3
Dividend received	(56.0)	(1.9)	-	(57.9)
Disposals	(15.7)	-	-	(15.7)
Financing and other movements	7.2	(0.5)	1.9	8.6
Effect of movements in foreign exchange	34.7	1.9	-	36.6
Balance as at 31 December 2010	**911.0**	**30.4**	**299.8**	**1,241.2**

Draka Holding N.V. is at the head of the Group and has capital interests in subsidiaries, associates and joint ventures presented on page 49.

36. Trade and other receivables

In millions of euro	2010	2009
Receivables from group companies	114.0	70.2
Other receivables and prepayments	14.7	17.7
	128.7	**87.9**

Receivables from Group companies and other receivables are mainly due within 1 year.

37. Shareholders' equity

For both the years ended 31 December 2010 and 31 December 2009, the total of capital and reserves that are attributable to the Company's equity holders included in the statutory financial statements is equal to the capital and reserves attributable to the Company's equity holders as presented in the consolidated financial statements. Certain reserves have been presented separately in the Company balance sheet, whereas for consolidated purposes these have been summarised as retained earnings and other reserves.

Authorised and issued share capital

At 31 December 2010, 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 (2009: 48,736,597). Excluding the number of shares that have been repurchased, the number of ordinary shares issued and outstanding is 48,719,418 (31 December 2009: 48,705,966);
- 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 (2009: 2,925,000) and of which 2,829,657 preference shares held by Kempen were issued and fully paid (2009: 2,829,657).

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.

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 interest term of 2 years with annual dividends of 7.12% for the preference shares held by ASR and 7.06% for the preference shares held by Kempen.
All 5,754,657 preference shares will be acquired by Prysmian from ASR and Kempen on 1 March 2011.

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 2010 the Company owns 17,179 shares (2009: 30,631) and the amount paid to acquire the shares was € 195,860 (2009: € 384,344) (see note 2 (n)).

Movements in the number of shares in 2009 and 2010 that are issued and fully paid are as follows:

In numbers of shares	Ordinary shares	Treasury shares	Preference shares
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**
Movement in own shares	13,452	(13,452)	-
Balance at 31 December 2010	**48,719,418**	**17,179**	**5,754,657**

The maximum increase in the number of ordinary shares due to the conversion of the convertible bonds in 2009 was 1,748,130, corresponding to 3.6% of the ordinary shares as at 31 December 2009.

The movement schedule of capital and reserves attributable to the shareholders of the Company in 2009 and 2010 is presented below:

In millions of euro	Ordinary shares		Preference shares			Reserve		Preference	Reserve		Unapprop-	
					Trans-	for		shares	for equity		riated	
	Share capital	Share premium	Share capital	Share premium	lation reserve	treasury shares	Hedging reserve	dividend reserve	accounted investees	Retained earnings	result for the year	Total
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**
Appropriation of the result 2009	-	-	-	-	-	-	-	-	-	(23.6)	23.6	-
Foreign exchange translation differences	-	-	-	-	36.6	-	-	-	-	-	-	36.6
Effective portion of fair value changes of cash flow hedges (net of income tax)	-	-	-	-	-	-	8.0	-	-	-	-	8.0
Dividends paid	-	-	-	-	-	-	-	(5.4)	-	-	-	(5.4)
Result for the year	-	-	-	-	-	-	-	5.4	5.2	(5.2)	(0.8)	4.6
Share based payments	-	-	-	-	-	-	-	-	-	1.3	-	1.3
Shares acquired under long term incentive plans	-	-	-	-	-	(0.2)	-	-	-	-	-	(0.2)
Shares delivered under long term incentive plans	-	-	-	-	-	0.4	-	-	-	0.2	-	0.6
Reclassification long-term incentive plans to current liabilities due to modification from equity-settled in cash-settled	-	-	-	-	-		-	-	-	(5.2)	-	(5.2)
Balance as at 31 December 2010	**24.3**	**383.4**	**2.9**	**74.1**	**13.8**	**(0.2)**	**6.1**	**5.4**	**42.1**	**38.7**	**(0.8)**	**589.8**

Translation reserve

The translation reserve comprises all foreign exchange differences arising since 1 January 2004 from the translation of the financial statements of foreign operations 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 € 42.1 million (2009: € 36.9 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 was 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 Telecommunicações, 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 € 65.9 million (2009: € 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.

38. Interest-bearing loans and borrowings

In millions of euro	Note	2010	2009
Non-current liabilities			
Bank facilities and loans		-	254.0
Group companies		121.4	39.1
		121.4	**293.1**
Current liabilities			
Convertible subordinated bonds	23)	-	25.1
Bank facilities and loans		310.4	-
		310.4	**25.1**

39. Trade and other payables

In millions of euro	2010	2009
Trade creditors	153.9	97.7
Payables to group companies	196.5	204.8
Other current liabilities. accruals and deferred income	27.1	7.9
	377.5	**310.4**

Trade and other payables are mainly due within 1 year.

40. Financial instruments

Credit risk

Exposure to credit risk

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

In millions of euro	Carrying amount	
	2010	2009
Investments in group companies and equity accounted investees	941.4	753.0
Amounts from group companies	293.6	291.8
Promissory note	6.4	9.0
Other investments	0.3	0.3
Receivables from group companies	114.0	70.2
Other receivables	1.4	4.1
Fair value derivatives	13.1	9.5
Cash and cash equivalents	28.4	44.5
	1,398.6	**1,182.4**

Liquidity risk

The following are the contractual maturities of financial liabilities at 31 December 2010:

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							
Bank facilities and loans	310.4	(310.4)	(310.4)	-	-	-	-
Loans from group companies	121.4	(121.4)	-	-	-	-	(121.4)
Trade and other payables	377.5	(377.5)	(377.5)	-	-	-	-
Derivative financial liabilities							
Interest rate swaps	9.6	(9.7)	(2.3)	(2.1)	(3.2)	(2.1)	-

In case of a change of control, the lenders of the multicurrency revolving credit facility (RCF) have the right to cancel the facility. Therefore the RCF, with an original maturity date of December 2012, has been reclassified to the current portion of interest bearing loans and borrowings.

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)	-	-	-	-

41. Remuneration of the Board of Management and Supervisory Board

Board of Management

The remuneration of members of the Board of Management is determined by the Supervisory Board. The Company's policy concerning remuneration is designed to ensure that the Company is able to attract and retain suitable qualified members of the Board of Management. The remuneration package consists of a base salary, a short-term incentive (bonus) payment and a long-term incentive in the form of shares. In addition, individual pension schemes are in place for the members of the Board of Management.

The remuneration is determined annually in light of the tasks and responsibilities of the individual members of the Board of Management. Based on pre set targets, the levels of the bonus payments made to members of the Board of Management are determined annually by the Supervisory Board after the end of the financial year. In addition to the financial targets, the Supervisory Board has set discretionary targets for the individual members of the Board of Management on the basis of which the bonus is calculated.

The remuneration paid to the current and former members of Draka's Board of Management in 2010 and 2009 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
2010										
Frank Dorjee	550	34	740	3	1,327	130	293	1,750	7	1,757
Okke Koo	475	-	285	6	766	109	87	962	7	969
	1,025	**34**	**1,025**	**9**	**2,093**	**239**	**380**	**2,712**	**14**	**2,726**
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**

The long-term incentive reflects the fair value of shares (conditionally) granted to members of the Board of Management and relate to the expenses following IFRS 2. 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 2010 and 2009 was as follows:

Number of shares owned	2010	2009
Frank Dorjee	9,940	9,940

Number of conditionally granted performance shares	2010	2009
Frank Dorjee	95,267	99,834
Okke Koo	5,821	-

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	2010	2009
Bernard Dijkhuizen[2]	36.7	-
Fritz Fröhlich	83.5	83.5
Annemiek Fentener van Vlissingen	61.5	66.0
Harold Fentener van Vlissingen	61.0	56.0
Ludo van Halderen	61.7	60.0
Rob van Oordt	65.0	65.0
Annemieke Roobeek[1]	18.3	55.0
Maarten Schönfeld[2]	37.3	-
Graham Sharman[1]	21.2	63.5
Aad Veenman[2]	37.3	-
	483.5	**449.0**

[1] Stepped down at the Annual General Meeting of Shareholders held on 20 April 2010.

[2] Appointed at the Annual General Meeting of Shareholders held on 20 April 2010.

42. Audit fees

Fees paid to the Group's auditor for 2010 and 2009 (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		**2010**		2009		
	Deloitte Accountants BV	Deloitte Touche Tohmatsu	Total	Deloitte Accountants BV	Deloitte Touche Tohmatsu	Total
Audit fees	0.5	1.3	**1.8**	0.5	1.2	**1.7**
Audit-related fees	0.1	0.2	**0.3**	0.2	0.4	**0.6**
Fees for tax advice	0.1	-	**0.1**	-	-	**-**
Other non-audit fees	-	-	-	-	0.4	**0.4**
	0.7	**1.5**	**2.2**	**0.7**	**2.0**	**2.7**

43. Commitments and contingent liabilities

The Company has assumed joint and several liabilities for debts arising from legal actions of its Dutch subsidiaries, in accordance with Article 403, section 1, Part 9, Book 2 of the Netherlands Civil Code. The debts of these subsidiaries amounted to € 38.4 million (2009: € 30.2 million).

Draka Holding N.V. forms a fiscal unity with several Dutch Group companies for the Dutch income tax. Consequently Draka Holding is jointly and severally liable for any debts arising from the fiscal unity.

The Company has issued guarantees in respect of credit facilities granted to subsidiaries of € 38.3 million (2009: € 36.0 million) and guarantees of € 30.0 million to ING Bank in relation to cash pooling agreements.

Amsterdam, 14 February 2011

Board of Management
Frank Dorjee, Chairman and CEO

Supervisory Board
Fritz Fröhlich, Chairman
Annemiek Fentener van Vlissingen, Deputy Chairman
Bernard Dijkhuizen
Harold Fentener van Vlissingen
Ludo van Halderen
Rob van Oordt
Maarten Schönfeld
Aad Veenman

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 2010 will be appropriated as follows (including comparative amounts):

In millions of euro	2010	2009
Reserve for equity accounted investees	5.2	2.8
Dividend preference shares	5.4	5.4
Other reserves	(6.0)	(26.4)
	4.6	**(18.2)**

Employees

During 2010, the average number of employees employed by the Company (permanent and temporary) was 79 (2009: 80). The number of employees (permanent and temporary) employed by the Company at 31 December 2010 was 84 (31 December 2009: 77).

Events after the balance sheet date

On 22 November 2010, Prysmian S.p.A. ("Prysmian") and Draka Holding N.V. ("Draka") jointly announced they reached a conditional agreement in connection with a public offer by Prysmian for all issued and outstanding ordinary shares of Draka at an offer price of €8.60 in cash plus 0.6595 newly issued Prysmian ordinary shares for each Draka ordinary share. On 3 February 2011, 44,064,748 Shares have been tendered for acceptance under the Offer, representing around 90.4% of Draka's issued and outstanding ordinary share capital (excluding any Shares held by Draka). On 8 February 2011, Prysmian declared the public offer for all Shares in Draka unconditional.

An estimate of the financial effect, except as described in section 2, cannot be made.

Independent 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 2010 of Draka Holding N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2010, the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in total equity for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at December 31, 2010, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Board of Management in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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, 2010 and of its result and its cash flows 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 Dutch 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, 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Board of Management, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that Report of the Board of Management, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, February 14, 2011

Deloitte Accountants B.V.
P.J. Bommel

Trustee report

4 % 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, b, 2 of the trust deed executed before
Mr. R.J.J. Lijdsman on September 22, 2005, we report as follows.

On September 22, 2010 the remaining amount of the loan was redeemed by Draka Holding N.V.
From the € 100,000,000.- of bonds initially issued an amount of € 25,715,000,- was still outstanding
at the time of redemption.

During the year no bonds of € 1,000.-- have been offered for conversion.

Amsterdam, January 11, 2011

ANT Trust & Corporate Services N.V.

L.J.J.M. Lutz

Ten years of Draka Holding N.V.

	2010 [4]	2009 [4]	2008 [2,4]	2007 [2,4]	2006 [4]	2005 [4]	2004 [4]	2003	2002	2001
Results (x € million)										
Revenue	2,428	2,048	2,829	2,816	2,529	1,879	1,684	1,420	1,499	1,917
EBITDA	91	72	156	198	112	89	56	103	53	250
Operating result	29	9	95	146	58	31	(4)	42	(10)	189
Result before income tax	5	(17)	63	116	32	(8)	(36)	8	(49)	153
Result for the year (equity holders)	5	(18)	69	93	22	4	(9)	11	(25)	118
Balance sheet (x € million)										
Shareholders' equity	590	550	440	401	427	360	445	362	383	430
Guarantee capital [1]	607	569	490	523	620	702	624	563	618	556
Total assets	1,827	1,589	1,703	1,799	1,745	1,638	1,604	1,279	1,386	1,549
Current assets -/- non-interest bearing current liabilities	366	293	415	415	280	302	380	355	402	455
Per ordinary share (x € 1)										
Shareholders' equity (excluding preference shares)	10.52	9.69	8.96	9.11	9.85	10.13	8.84	11.16	12.13	14.98
Result for the year after dividend on preference shares	(0.02)	(0.56)	1.78	2.46	0.57	0.12	(0.67)	0.12	(1.62)	5.43
Proposed dividend	-	-	-	0.68	0.37	-	-	0.10	-	1.63
Pay-out	-	-	-	30%	30%	-	-	83%	-	30%
Highest share price	20.06	14.26	25.20	42.20	26.60	14.30	20.90	16.85	45.71	67.35
Lowest share price	9.95	4.17	5.97	19.75	11.70	9.95	8.75	4.10	7.15	36.35
Market price at year end	19.10	13.46	6.54	23.00	25.80	13.23	10.70	15.60	9.45	39.50
Price / Earnings ratio on basis of price at year end	(1,163)	(24.2)	3.7	9.3	45.0	110.3	(16.0)	130.0	(5.8)	7.3
Price of convertible subordinated bond 2010 at year end	-	101%	74%	156%	168%	103%	-	-	-	-
Ratios (in %)										
Operating result / Revenue	1.2	0.4	3.4	5.2	2.3	1.6	(0.3)	3.0	(0.7)	9.9
ROTA [3]	0.3	(1.1)	3.6	6.5	1.9	(0.5)	(2.5)	0.7	(3.4)	10.6
Result for the year / Revenue	0.2	(0.9)	2.4	3.3	0.9	0.2	(0.5)	0.8	(1.7)	6.1
Result for the year / Average shareholders' equity (excluding preference shares)	0.9	(4.6)	21.4	27.6	6.1	1.3	(2.4)	3.0	(6.2)	30.5
Shareholders' equity / Total assets	32.3	34.6	25.9	22.3	24.5	22.0	27.7	28.3	27.6	27.8
Guarantee capital / Total assets	33.2	35.8	28.8	29.1	35.5	42.8	38.9	44.0	44.6	35.9
Other ratios										
Current ratio	1.0	1.3	1.6	1.4	1.2	1.4	1.4	1.5	1.3	1.1
Quick ratio	0.6	0.8	0.9	0.8	0.7	0.8	0.8	0.8	0.7	0.6
Revenue of total assets	1.3	1.3	1.7	1.6	1.5	1.1	1.0	1.1	1.1	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.

Design and production
Commond - Content for brands
www.commond.nl

Photography
Johan van der Horn
BP Oil
Augusta Westland
Aquamarine Power
Draka Holding
Getty Images
Corbis
iStockphoto

Draka

Draka Holding N.V.
De Boelelaan 7
Building 'Officia I'
1083 HJ Amsterdam

P.O. Box 75979
1070 AZ Amsterdam
The Netherlands

t +31 (0)20 568 98 65
f +31 (0)20 568 98 99
i www.draka.com