Trading update 2010

Recovery is gaining momentum in H2

Frank Dorjee (CEO)

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Summary trading update 2010[1]

Promising H2 2010 results driven by momentum in volume recovery:

	FY 2010E	FY 2009	H2 2010E	H2 2009
Volume:	0-2%	(18.0)%	3-4%	(15.7)%
EBITDA[1]:	€ 142-147m	€ 138.2m	€ 77-82m	€ 66.4m
Operating result[1]:	€ 80-85m	€ 75.3m	€ 46-51m	€ 34.3m
Result for the period[1]:	€ 50-55m	€ 48.3m	€ 30-35m	€ 28.9m
Operating working capital ratio:	14-15%	13.7%	14-15%	13.7%
Operating cash flow:	positive	€ 189m	positive	€ 115m
Net debt:	c.€ 295m	€ 295m	c.€ 295m	€ 295m

- Market circumstances improve YoY and sequentially in H2 2010; recovery driven by high value add specialty cable segment and communication cable
- Competitive market conditions, though no worse than in H1 2010, to be more than compensated by positive effects of improved product mix and cost-reduction programmes. Reduction in cost base of around € 30 million in 2010 and € 10 million in 2011
- Fully confident on 2011 based on market recovery and consistent strategy execution: focusing on growth areas and initiating new cost saving opportunities

[1] Excluding non-recurring items. Gross non-recurring items in 2010 are expected to be around € 45 million negative (2009: € 66.5 million negative).

July-October 2010

- Fragile market recovery in Q2 2010; momentum increasing in H2 2010
- Market remains competitive but does not intensify
- Margin pressure due to higher raw material prices levels off
- Volume increase of 3.5% in first four months of H2 2010; gaining momentum after 2.5% decline in Q1 and 0.9% increase in Q2
- Higher volume mainly due to high-end specialty cable and communication cable segments. Furthermore, negative impact of lower volumes in construction related cables experienced in Europe in H1 disappeared in H2
- Recovery in demand for specialty cables mainly driven by renewables, elevator cable and offshore. Automotive & Aviation and Cableteq USA stable at high levels
- Within communication cables growth is driven by take off in FTTH projects, mainly in Europe. Significant increase in demand for datacom cable resulting from substantial investment in data centers

Expected financial results for 2010[1]

	FY 2010E	FY 2009	H2 2010E	H2 2009
Volume:	0-2%	(18.0)%	3-4%	(15.7)%
EBITDA:	€ 142-147m	€ 138.2m	€ 77-82m	€ 66.4m
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- Expected volume increase results in higher capacity utilisation in Draka's production facilities, which supports profitability in H2
- Impact of competitive market conditions more than compensated by further cost savings
- Margin improvement resulting from positive product mix effect (high value added specialty cable and communication cable)
- Overall, considerable increase in operating result in H2 expected

[1] Excluding non-recurring items. Gross non-recurring items in 2010 are expected to be around € 45 million negative (2009: € 66.5 million negative).

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Status of cost-saving measures

- Closure of factory in Ystad (Sweden) is finalised and Årnes (Norway) is expected to be completed at YE 2010
- Other actions, including further downsizing of automotive cable production activities in various countries as well as Wire & Cable assemblies will be concluded in 2010. Implementation of various efficiency measures in Communications group are proceeding according to plan
- Workforce will be reduced by around 300 in 2010, reduction of 3% relative to YE 2009. Reduction in cost base of approx. € 30 million in 2010
- New savings opportunities are initiated, focussing on overhead reduction and implementing operational excellence across all three Groups
- Additional savings of approx. € 10 million in 2011
- Total non-recurring charges expected to be c.€ 45 million relating to cost of Triple S projects that have already been announced and new projects designed primarily to reduce overhead expenses and implement operational excellence. Around € 10 million of total cost is non-cash

Expected financial position in 2010

	FY 2010E	FY 2009	H2 2010E	H2 2009
Operating working capital ratio:	14-15%	13.7%	14-15%	13.7%
Operating cash flow:	positive	€ 189m	positive	€ 115m
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- OWC is expected to increase approx. 12-20% in 2010 (YE 2009: € 281 million). Anticipated increase driven by considerable rise in copper price, volume increase and FX impact
- OWC as percentage of revenue expected to be 14-15%, slightly higher than in 2009 (13.7%) but in line with target range of 15-17%
- Due to anticipated increase in OWC, cash flow from operating activities in 2010 is expected to be positive but substantially lower than in 2009
- Net debt is expected to be comparable with YE 2009

Developments within three Groups

Energy & Infrastructure

- European construction market generally stable; limited growth in some Scandinavian countries offset by ongoing decline in Benelux region.
- Competitive landscape unchanged vs. H1, further cost reductions support results
- In Asia, business is mixed after general uptick in Q2 2010. Market position in region substantially improved after opening second factory in Malaysia

Industry & Specialty

- Upturn gains momentum, driven by renewables, offshore and elevator products
- Automotive & Aviation relatively stable at high level achieved in H1 2010
- Cableteq USA benefits strongly from Precision Tube Manufacturing (USA), acquired in H1. Promising growth prospects for 2011
- H2 2010 results show upswing due to volume growth and positive product mix

Communications

- Optical fiber segment remains at high level; lower demand in Asia more than compensated by growth in European and North American markets
- Fiber telecom cable benefit from good market circumstances in Europe and North America; successful in acquiring FTTH-contracts
- Demand for data communication cable is exhibiting a significant recovery driven by substantial investments in data centers

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Nexans' unsolicited indicative non-binding proposal

- Draka remains of the view that the current proposal from Nexans is not in the interests of its stakeholders
- Draka is making good progress with its review of strategic alternatives and will keep all of its stakeholders informed of any significant developments

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Thank you for your attention

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Disclaimer

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