



Draka Holding

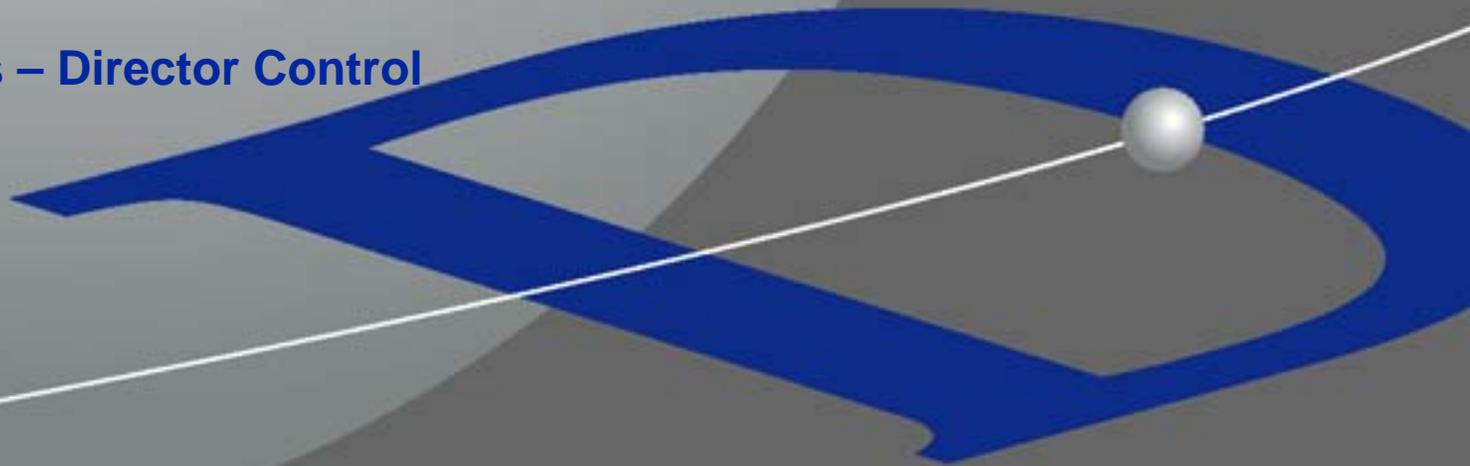
# Creating a world leader in optical fiber and communication cable

10 February 2004

Jan van Kesteren – CEO

Christian Raskin – COO

Jaap Sulkers – Director Control





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## Highlights

- ◆ **Draka and Alcatel have announced intention to combine their global optical fiber and communication cable businesses**
- ◆ **In fiber and fiber cable, the new company would be undisputed #1 in China, a leader in Europe and a major player in North America**
- ◆ **In copper telecommunication and data communication, the combination would be a leading player in Europe**
- ◆ **Expected aggregate global revenues in 2004 of some €670 million<sup>(1)</sup>**
- ◆ **Aggregate annual industrial synergies of at least some €20 million expected as from 2005 onwards<sup>(2)</sup>**
- ◆ **Draka's intention to issue €150 million of new equity in parallel**
- ◆ **Transaction expected to complete by end of second quarter of 2004, with related equity issue thereafter**

*Notes:*

*(1) Annualised pro forma, including 100% of turnover attributable to YOFC*

*(2) Including 100% of synergies expected in YOFC*



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## Agenda

- ◆ **Proposed combination**
- ◆ **Strategic rationale**
- ◆ **Synergy potential**
- ◆ **Proposed structure and governance**
- ◆ **Related equity issue**
- ◆ **Indicative financial impact on Draka**
- ◆ **Timing**
- ◆ **Questions**



## Proposed combination

- ◆ **Draka contribution**
  - ◆ **Fiber and fiber cable activities**
  - ◆ **Copper cable activities in telecommunication and data communication (excluding RF cables)**
  - ◆ **Including equity stake in Chinese joint venture and joint ventures in Japan and Brazil**
  - ◆ **15 production facilities in 11 countries**
  
- ◆ **Alcatel contribution**
  - ◆ **Fiber and fiber cable activities**
  - ◆ **Including equity stakes in joint ventures in China**
  - ◆ **8 production facilities in 6 countries**



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## Proposed combination

- ◆ **New company:**
  - ◆ **#2 worldwide in fiber and optical fiber cables**
  - ◆ **A major European player in copper telecommunication and data communication cables**
  - ◆ **2004 forecast combined pro forma revenues of €670 million<sup>(1)</sup>**
  - ◆ **c.3,900 employees<sup>(2)</sup>**



***Creating a world leader in fiber and communication cable***

*Note:*

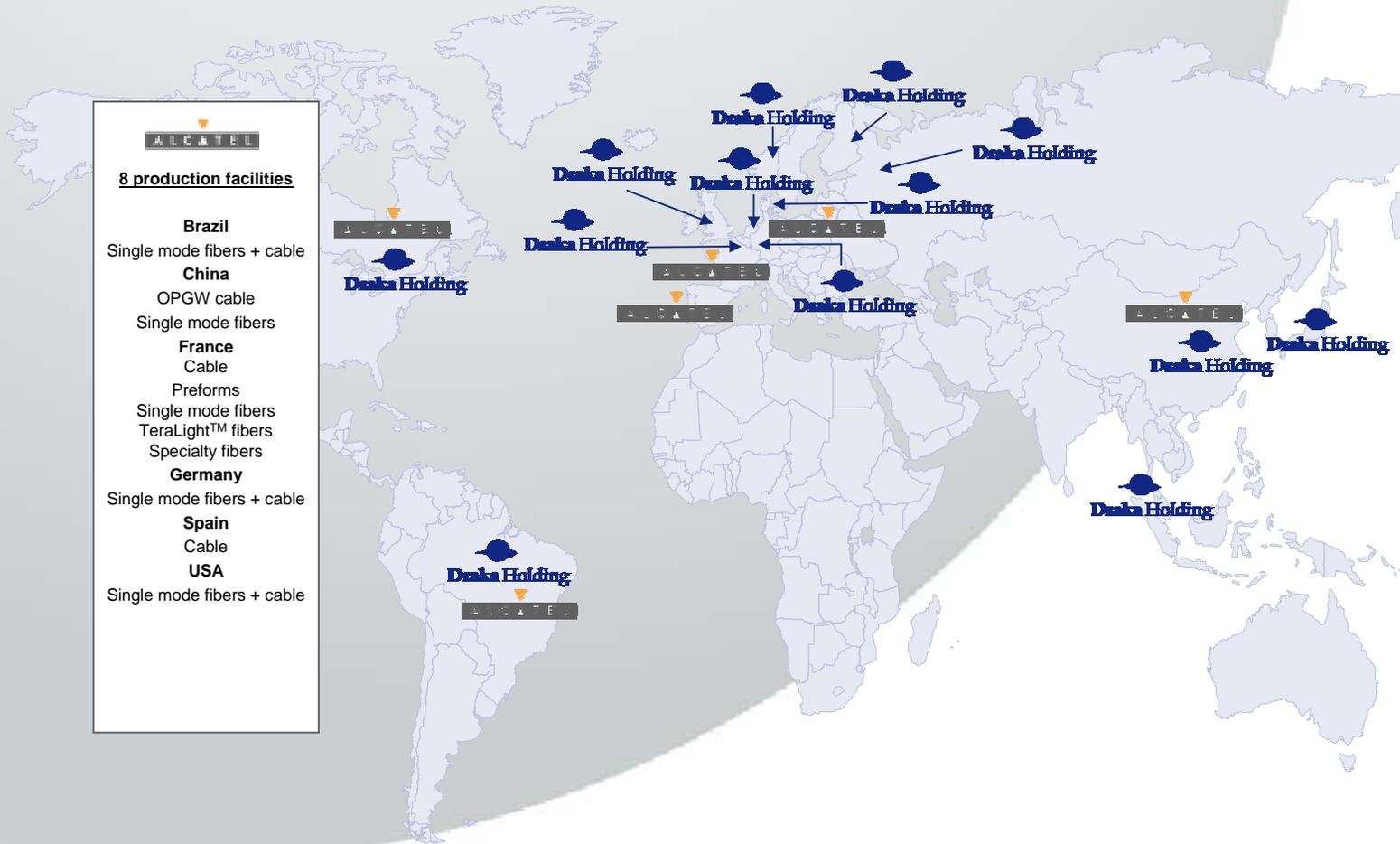
*(1) Including 100% of turnover attributable to YOFC*

*(2) Including 100% of employees at YOFC*



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## Strategic rationale



- 8 production facilities**
- Brazil**  
Single mode fibers + cable
  - China**  
OPGW cable  
Single mode fibers
  - France**  
Cable  
Preforms  
Single mode fibers  
TeraLight™ fibers  
Specialty fibers
  - Germany**  
Single mode fibers + cable
  - Spain**  
Cable
  - USA**  
Single mode fibers + cable

- 15 production facilities**
- Brazil**  
Single mode fibers  
Fiber optic + copper telecom cable
  - China**  
Multi-mode and single mode fiber and fiber optic cable
  - Denmark**  
Fiber optic cable
  - Finland/Russia**  
Fiber, fiber optic + %copper telecom cable, OPGW
  - Germany**  
Copper data + telecom cable
  - Japan**  
Specialised fiber preforms
  - Netherlands**  
Multi-mode and single mode fiber, copper + fiber telecom cable, JETnet
  - Norway**  
Copper + fiber optic data cable
  - UK**  
Copper data cable
  - USA**  
Copper + fiber optic data cable
  - Singapore**  
Copper data cable



## Strategic rationale

- ◆ **Comprehensive product portfolio across fiber and fiber cable with extensive geographical coverage**
  - ◆ addressing full range of telecommunication and data communication applications
  - ◆ Undisputed number one in China
  - ◆ A leader in Europe and a major player in North America
- ◆ **Comprehensive copper telecommunication and data communication cable product range**
  - ◆ A leading player in Europe
- ◆ **Combination of complementary process technologies**
  - ◆ State of the art technology platform
  - ◆ Scope for substantial synergies



***Competitive provider of total communication cable solutions worldwide***



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## Synergy potential – Cost synergies

- ◆ **Scope for substantial short term industrial synergies**
- ◆ **Complementarity in process technologies alone is expected to generate at least some €20 million aggregate annual synergies at an operating profit level as from 2005 onwards<sup>(1)</sup>**
- ◆ **Cost base will also benefit from improved terms with suppliers and other scale benefits**

*Note:*

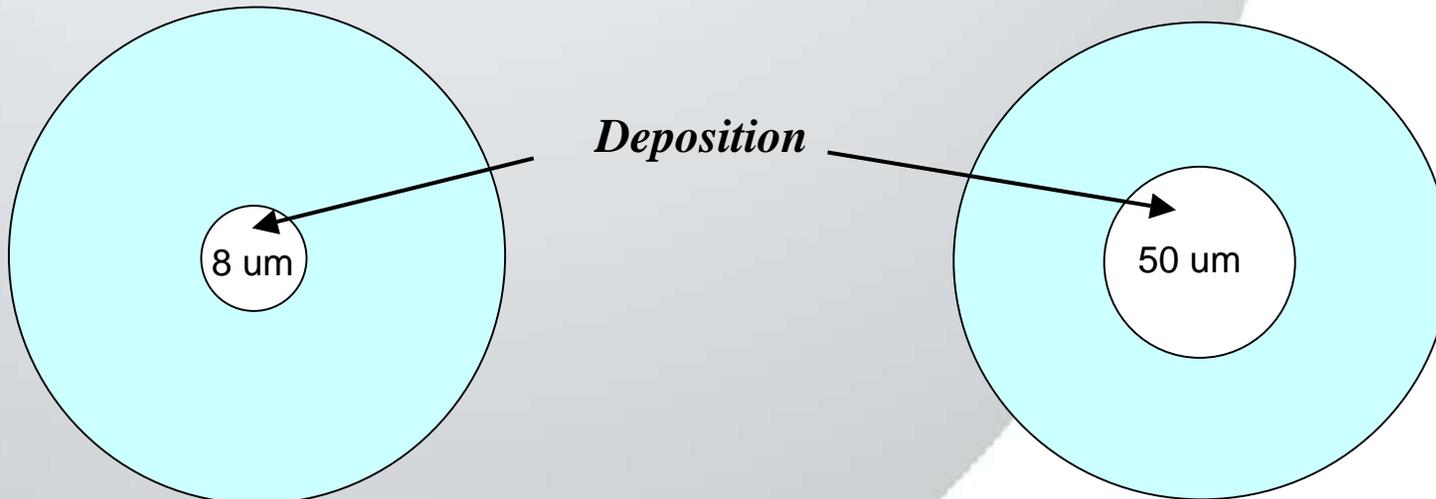
*(1) Including 100% of synergies expected in YOFC*



## Illustration: Draka's PCVD deposition

Singlemode - 125 um fibre

Multimode - 125 um fibre



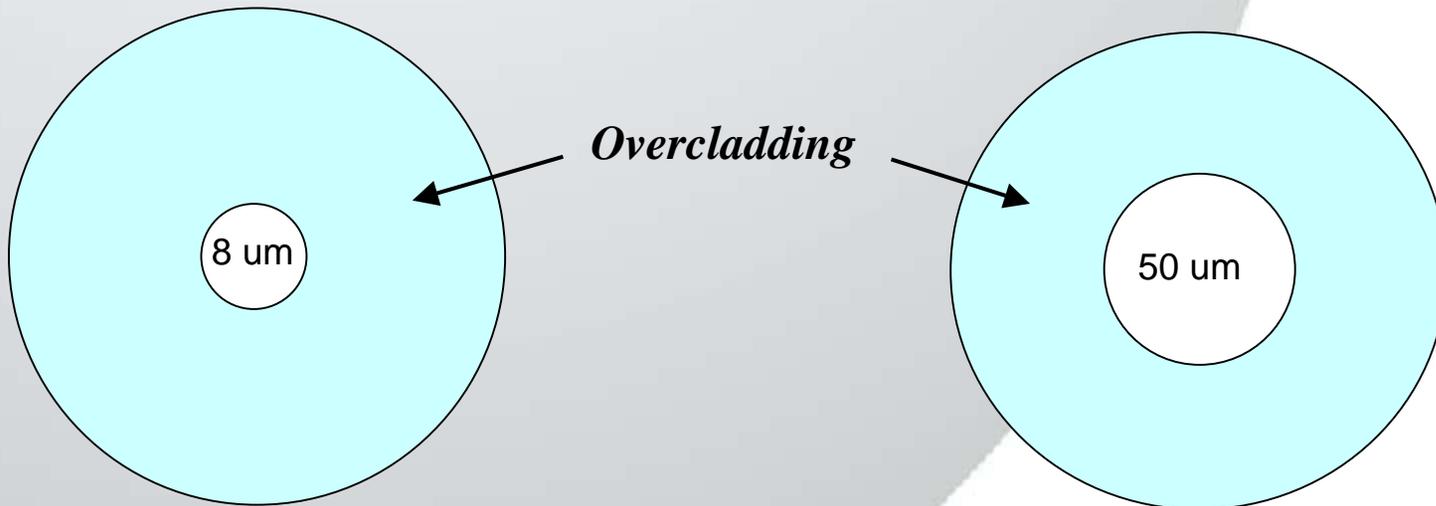
- ◆ Draka is the acknowledged global technological leader at deposition. Its state of the art PCVD process results in some 90% efficiency; competing technologies result in an estimated 30% efficiency
- ◆ This gives Draka a significant cost advantage, particularly in multimode where deposition represents as much as 35% of the manufacturing costs



## Illustration: Alcatel's overcladding

Singlemode - 125 um fibre

Multimode - 125 um fibre



- ◆ For example, in single mode, overcladding represents some 50% of manufacturing costs
- ◆ Alcatel's innovative overcladding technology costs some 60% less than some competing technologies, providing a significant cost advantage

→ ***The combination of Draka's deposition process with Alcatel's overcladding technology provides genuine cost leadership***



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## **Synergy potential – Revenue synergies**

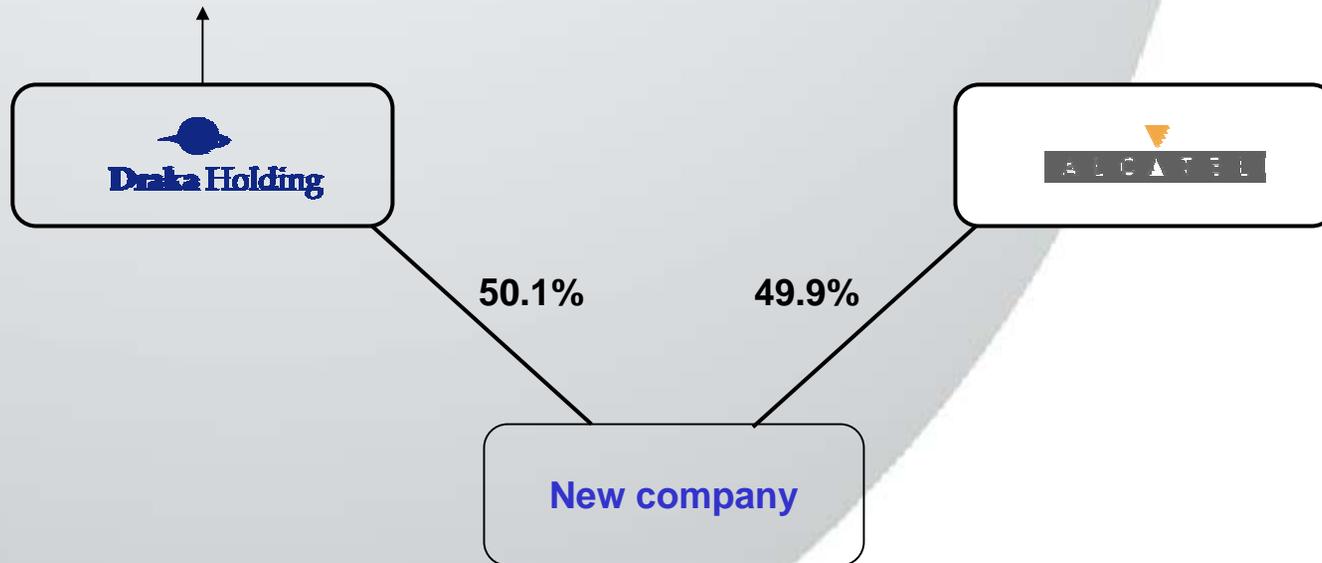
- ◆ **Cross-selling opportunities**
- ◆ **Leverage customer bases**
- ◆ **Fiber / copper complementarity**
- ◆ **Scope to increase sales from low cost Chinese market**
- ◆ **Genuine critical mass in a consolidating industry**
- ◆ **Combination ideally placed to benefit from an upturn in telecom**



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## Proposed structure of combination

€150m equity issue



- ◆ Incorporated in the Netherlands
- ◆ Initially debt free
- ◆ Including IPR rights



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## Proposed governance

- ◆ **Two-tier board structure**
- ◆ **Supervisory Board:**
  - ◆ **Two from Draka, including Chairman**
  - ◆ **Two from Alcatel**
- ◆ **A dedicated Management Board:**
  - ◆ **CEO, CFO, COO(s)**
  - ◆ **Appointed by Supervisory Board**



## Related equity issue

- ◆ It is Draka's intention to issue €150 million of new equity in parallel with the transaction
- ◆ Will be fully underwritten by Draka's two largest shareholders, Flint Holding N.V. and Parcom Ventures B.V.
- ◆ Proceeds to be used to reinforce Draka's balance sheet
- ◆ Interests of all Draka's shareholders will be protected through preferential allocation in this issuance



*Support from largest shareholders underscores clear merits of transaction*



## Indicative financial impact on Draka

- ◆ **Draka's contribution to the new company represents some €390 million of expected turnover in 2004 on an annualised pro forma basis<sup>(1)</sup>**
- ◆ **The resultant combination is expected to generate aggregate global revenues of some €670 million in 2004 on an annualised pro forma basis<sup>(2)</sup>**
- ◆ **The proposed combination is expected to be effective from a financial perspective on 1 July 2004**
- ◆ **The proposed combination is expected to have a net positive effect on Draka's operating profit and net result as from 2005 onwards**

*Notes:*

*(1) Including turnover attributable to Draka's 37.5% interest in YOFC on an proportionate basis*

*(2) Including 100% of turnover attributable to YOFC*



## Timing





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# Q & A



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