BEKAERT

BUILDING THE FUTURE. TOGETHER. WORLDWIDE.

ANNUAL REPORT 2004

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Research & Development,
Deerlijk, Belgium

BEKAERT IN ESSENCE

Optical disk mould

Bekaert diamond-like coatings on moulds used to produce optical disks extend mould life, giving longer production runs and more consistent product quality.

BEKAERT IN ESSENCE

Company profile

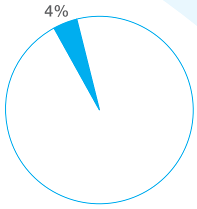
Bekaert is active worldwide in selected applications of its two core competences: advanced metal transformation and advanced materials and coatings. It is the combination of these competences which makes Bekaert unique.

In pursuit of its goal of sustainable profitable growth, Bekaert has built its global strategy on market leadership and technological leadership and strives to be world number one or two.

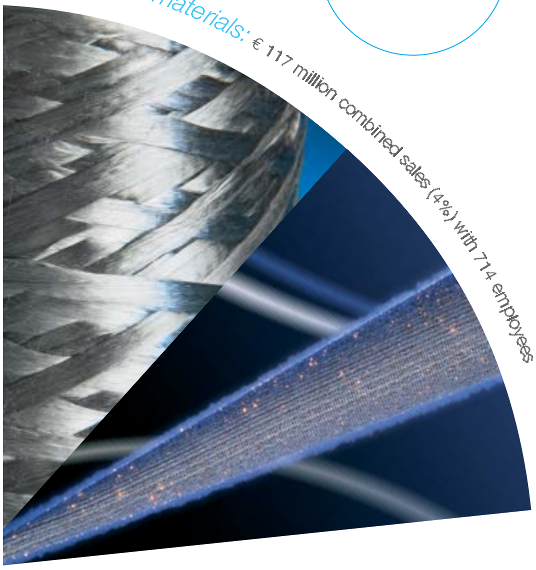
Bekaert supplies a diverse range of high-tech products, systems and services, giving its customers high added value and working in partnership with them to find solutions.

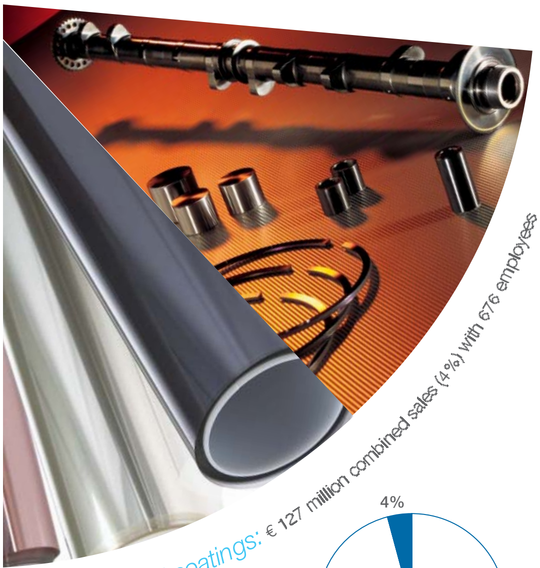
Bekaert, an European based company with its headquarters in Belgium, is active in 120 countries. In 2004, Bekaert employed 18 400 people and generated sales of € 3.1 billion.

Bekaert in 2004
€ 3.1 billion combined sales
€ 2.2 billion consolidated sales
€ 185.1 million EBIT
€ 167.6 million net result
18 400 employees
Euronext® Brussels: BEKB
www.bekaert.com

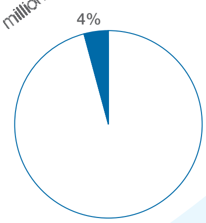


Advanced materials: € 117 million combined sales (4%) with 714 employees





Advanced coatings: € 127 million combined sales (4%) with 676 employees



Wide product range

Bekaert achieved vigorous sales growth in 2004 in all the business segments in which it operates.
Bekaert markets its extensive range of quality products and services worldwide to customers in many sectors, including automotive and construction.

Advanced wire products

Advanced wire products range from industrial spring wire, flexible hose reinforcement wire, plastic-coated specialities, textile machine wire, profiled wire, bookbinding wire, weaving wire, champagne cork wire and various types of lacquered and nylon-coated wire. High-tensile wire is woven into cord reinforcement for tires and other polymer applications, such as high-pressure hoses and conveyor belts.

Fencing systems Europe

The European fencing division manufactures and markets fencing and fencing systems for the residential and agricultural markets, security fencing systems and woven and welded mesh products for industrial applications.

Advanced materials

The advanced materials segment covers applications in fibre technologies, combustion technologies and composites. In fibre technologies, Bekaert develops ultra-thin metal fibres, chiefly in stainless steel, for filter media and conductive plastics and textiles. In combustion technologies, Bekaert specialises in environment-friendly gas burners and combustion systems. In composites, Bekaert manufactures glass-fibre-reinforced pressure vessels, mainly for reverse-osmosis desalination plants.

Advanced coatings

The advanced coatings segment comprises industrial coatings to various materials, applied by vacuum technologies or thermal spraying. Bekaert also supplies special equipment, predominantly to customers in the glass industry, for large-area coating in their production process. In specialised films, Bekaert produces window film for applications on windows in the automotive and construction sectors.

A worldwide player

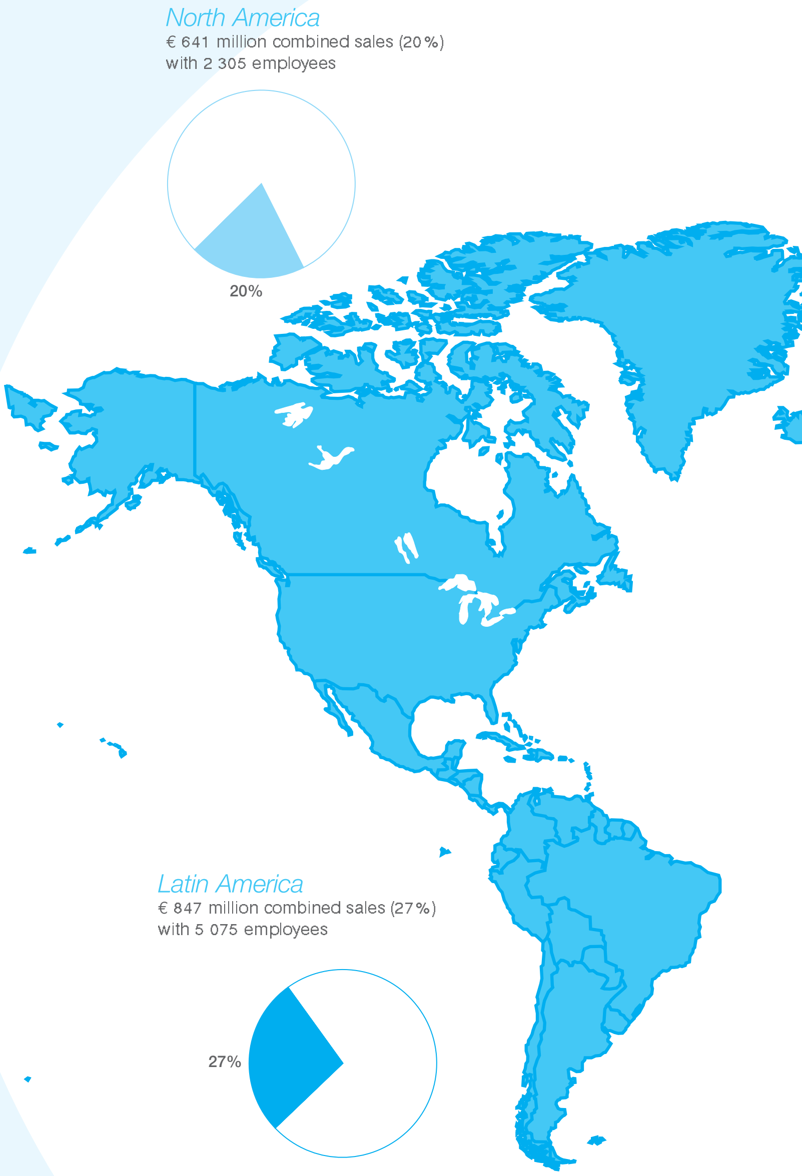
Bekaert achieved vigorous sales growth in 2004 in all the regions in which it operates.

Bekaert aims to have a presence anywhere in the world where there is a market for its products. To support this strategy, it has built a global sales network which is evolving constantly to suit changing markets and the specific requirements of customers. Bekaert's highly qualified specialists seek to understand customers' needs and work with them to find solutions, which can often trigger the development of new products and services.

Bekaert chooses the locations for its production plants to ensure the most effective possible response to the needs of its local customers, because its goal is to create value for its customers wherever they may be.

With its long international history, the global dimension has become second nature to Bekaert. Its open approach has been one of the key factors in its success. It is Bekaert's policy, when exploring new markets, to seek to understand them as fully as possible: the people, the culture, the language, the needs, the economic and social context, the authorities, the legislation and the business culture. Over the years, Bekaert has gained unparalleled experience in adapting, integrating and organising in an international context, in pursuit of its goal of meeting the needs and wishes of its customers as effectively as possible.

Following internationalisation of the sales and production functions, Bekaert is working to internationalise its purchasing functions, so that advantage can be taken of the opportunities for potential savings at a global level.



Europe
€ 1 350 million combined sales (43 %)
with 8 872 employees

Asia
€ 249 million combined sales (8 %)
with 1 984 employees

Rest of the world
€ 57 million combined sales (2 %)
with 139 employees

Board of Directors


Baron Paul Buysse
Chairman


Julien De Wilde
Chief Executive Officer


Gary J. Allen


Pol Bamelis


Baron Leon Bekaert


Roger Dalle


Count Charles
de Liedekerke


François de Visscher


Sir Anthony Galsworthy


Baron Georges Jacobs


Hubert Jacobs
van Merlen


Maxime Jadot


Bernard van de Walle
de Ghelcke


Baudouin Velge

Message from the Chairman and the Chief Executive Officer

Julien De Wilde
Chief Executive Officer

Baron Paul Buysse
Chairman

Dear reader,

2004 was a positive year. The North American economy picked up and Western Europe followed suit, albeit rather more slowly than had been hoped. The economies of most of the countries of Central Europe performed extremely well. Some countries in Asia and Latin America – such as China and Brazil – maintained their rapid rates of growth.

For Bekaert, 2004 was a remarkable year, characterised by exceptional market conditions. The rapid growth of large markets such as China created a structural shortage of steel and we were faced with unprecedented price rises for wire rod, the main raw material used by our plants around the world. The volatility of the raw material markets continued to present a special challenge throughout the year. We nevertheless succeeded in strengthening the two pillars on which Bekaert's strategy for sustainable profitable growth is built: we advanced our position as market leader and extended our global technological leadership. We achieved solid sales growth in all business segments and all regions. The company maintained its position in Europe and North America and performed well in the growth markets of Latin America and Asia. In short, 2004 was a record year for Bekaert.

That success is reflected in the figures, with sales growth of 20%. Bekaert posted a consolidated operating result (EBIT) of € 185 million, compared with € 112 million previous year, representing an EBIT margin on sales of 8.5%. The consolidated net result amounted to € 168 million, an increase of 93%.

In 2004, Bekaert achieved strong organic growth. Thanks to an efficient and flexible internal organisation, the company was able to overcome the difficult market conditions and safeguard the supply of raw materials to its production plants all over the world. While the higher raw material prices gave us no choice but to increase our sales prices, we kept our customers regularly informed of developments on the raw material markets and succeeded in maintaining supplies to them.

Our business processes around the world were streamlined to improve our service to customers still further. Production lines were rearranged to meet the constantly changing needs of our markets and customers, and we invested in expanding our production capacity, mostly in Europe and Asia.

Bekaert benefited from the acquisition of Solaronics in France, which has given us global access to a new market segment in combustion technologies. It also means that we can integrate our environment-friendly burners based on Bekaert metal-fibre technology into Solaronics' systems, thus widening the market for our products.

Through innovation, Bekaert seeks to develop high-tech products which meet our customers' current requirements and anticipate their future needs. Our goal is to offer our customers high added value. Our total research and development budget was significantly increased in 2004 and several additional international experts joined the central R&D team. Apart from investments in advanced wire products, a large part of the innovation budget in 2004 was earmarked for advanced materials and advanced coatings. Our investments in these segments relate to developments which are expected to generate returns in the medium term.

After a sharp rise in the fourth quarter, the share price ended 2004 at € 58.75, an increase of 8.7% compared with the beginning of the year and its highest level since 1998. Bekaert disapproves of the new rules governing the compilation of the Euronext® Brussels BEL20 index. Bekaert will continue to advocate an index which accurately reflects the Belgian industrial sector.

In the light of Bekaert's very strong performance in 2004 and its confidence in the future, the Board of Directors will invite the General Meeting of Shareholders to approve an increase in the gross dividend of 7%, to € 1.875 per share. To celebrate Bekaert's 125th anniversary in 2005, the Board of Directors will also propose an exceptional increase in the dividend of € 0.125. If both proposals are accepted, a gross dividend of € 2 per share will be distributed.

In early 2005, Bekaert sold its European fencing division Bekaert Fencing NV to Gilde, a leading investment company. An in-depth evaluation had indicated that sustained successful growth could best be assured by Bekaert Fencing NV's becoming completely independent. It found that the fencing division needed a different approach to markets and customers in Europe from that adopted by Bekaert's other divisions, due to the specific nature of its customer base, the related marketing requirements, its particular distribution needs and its technological characteristics.

2005 promises to be another challenging year for Bekaert. The raw material markets are likely to remain volatile for some time, so monitoring and efficient allocation of our inventories will continue to be a priority. The economic outlook is still positive. The Board of Directors is confident that, benefiting from its customer-driven approach, its constant endeavour to add value and its initiatives in the areas of quality and innovation, Bekaert will continue to make good progress in its strategy for sustainable profitable growth.

We sincerely thank our customers for their confidence in our products and services and for the good relations we have established with them over the years. Constructive cooperation is key to our success in bringing to market products which exactly meet their current needs. The growth which Bekaert achieved last year would not have been possible without the wholehearted commitment of our employees around the world, for which we thank them. Together they create a dynamic which strengthens the company, drives it forward and enhances its effectiveness. It is precisely this effectiveness which will enable us to achieve sustainable profitable growth in 2005.

Julien De Wilde
Chief Executive Officer

Baron Paul Buysse
Chairman

Bekaert Group Executive

Marc Vandecasteele
Group Executive
Vice President

Henri-Jean Velge
Group Executive
Vice President

Julien De Wilde
Chief Executive
Officer

Bert De Graeve
Group Executive
Vice President

Georges Brys
Group Executive
Vice President

Jose Mauro Salvato
Operations, Contagem -
Minas Gerais, Brazil

STRATEGY

Spring wire

Bekaert produces a wide range of high-quality round and profiled steel wires. These are used, for example, in the automotive industry for clutch springs, an application which demands high strength and fatigue resistance.

STRATEGY

Bekaert pursues a long-term strategy aimed at sustainable profitable growth. Its business is built on two core competences: advanced metal transformation and advanced materials and coatings. Bekaert's strategic objective is to extend its position as market leader and technological leader in selected applications of these two core competences around the world.

Market leadership

Because the company can only achieve sustainable profitable growth if it is a major player in the markets in which it operates, Bekaert will continue to work on consolidating and extending its position as a market leader worldwide.

Bekaert's goal is to be world number one or two. It has already achieved this position in many of its products, which together account for over half of the company's sales.

Leading player

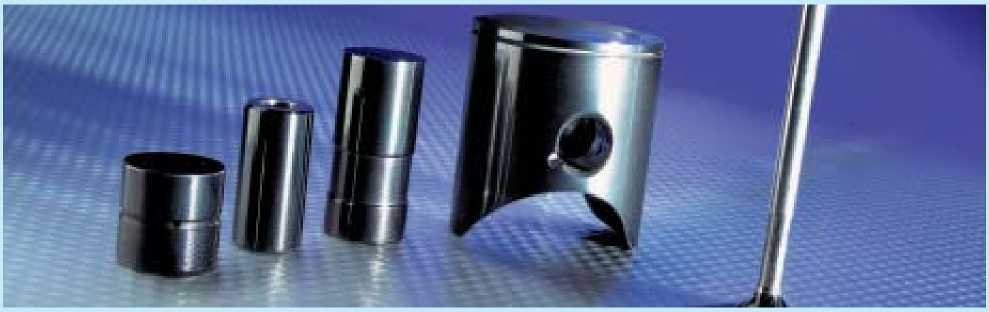
In advanced wire products, Bekaert is world leader not only in specialist niche items such as wire for champagne corks, fine cable for reinforcing toothed polyurethane timing belts and bookbinding wire, but also in wire products for mass-market applications, such as steel cord for tires, metal fibres for concrete reinforcement and coated wires of all kinds.

Coated champagne cork wire is produced in all kinds of colours.

Fine steel cord is used to reinforce toothed polyurethane belts to extend their service life.

In advanced materials and coatings, Bekaert is world leader in several specific product segments, including metal fibres, heat-resistant separation materials for windscreen production, burners (and related services) for paper drying, premix burners for condensing boilers, rotatable sputter targets for depositing coatings on glass, diamond-like coatings on CD and DVD moulds and racing engine components. Bekaert is ranked second in the world in window films and in membrane pressure vessels for reverse-osmosis seawater desalination plants.

Technical textiles based on ultra-thin metal fibres can be knitted, woven, braided or needle punched. They are used in the field of industrial textile solutions in a broad range of products for anti-static and/or electrically conductive textiles and in heat resistant fabrics.



Diamond-like coatings on racing-engine components increase their wear resistance.

Bekaert intends to pursue further expansion via a combination of organic growth and growth through selective acquisition, while continuing to consolidate its position in the mature markets of Western Europe and North America and advancing its presence in the expending markets of Latin America, Central Europe and Asia.

Bekaert is working to strengthen its internal organisation by focusing on operational excellence and quality. Bekaert has built a strong reputation in Total Quality Management (TQM), a concept which goes far beyond the quality of the products and production processes and extends to all business processes, in the best interests of the customer.

Externally, Bekaert will seek growth through carefully selected acquisitions which give access to new geographical markets, fresh areas of activity or innovative technologies. Joint ventures, which can have advantages in terms of operational flexibility and diversification of risk, are also seen as a useful route to growth.

Strong in Latin America

Latin America, a market of 500 million people, has considerable growth potential and presents numerous opportunities for Bekaert. Per capita steel consumption is only around a fifth of that in Western Europe. Bekaert has accumulated decades of experience in this market, where the group is a partner in fifteen joint ventures operating a total of twenty production plants and accounting for 85% of Bekaert's sales via joint ventures. The group has substantial market shares in most of the countries of Latin America.

This success is underpinned by Bekaert's excellent relations with its partners, its determination to achieve sustainable profitable growth and the complementary nature of their strengths: Bekaert's involvement in operational management, efficient deployment of Bekaert's technology, its partners' extensive knowledge of local markets and customers and their efficient management of logistical processes.

Technological leadership

Bekaert intends to achieve sustainable profitable growth by continuing to strengthen its technological leadership as a lever with which to consolidate and extend its market position.

In pursuit of that objective, Bekaert gives high priority to research and development (R&D). The company's R&D activities are concentrated at the technology centre in Deerlijk (Belgium), where high-tech, high-added-value products are developed by a strong team of international specialists.

Bekaert supplies more than just products. Thanks to wide-ranging expertise in many technologies, the diversity of the customer base and the knowledge of the processes in which its products are used, Bekaert's staff understand the customer's situation and the company can respond to customer needs, even when these are not explicitly stated. In this way, Bekaert is able to offer products and services which reduce the total cost of ownership: through savings in the production process, longer-lived components or cheaper technological solutions.

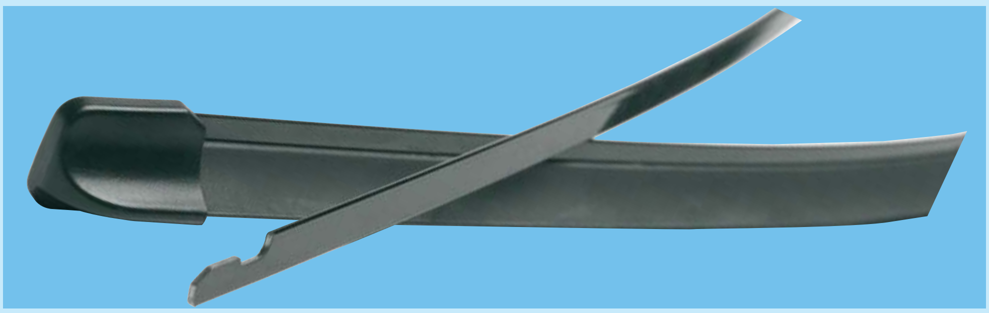
In some applications, especially in the advanced materials and advanced coatings segments, Bekaert is moving upwards in the value chain where there are more opportunities for value creation.

Customer value

Cost savings in customers' production processes have been achieved by Bekaert with its rotatable sputter targets (cylindrical tubes coated with high-grade materials). These targets are used as the material source in large-area deposition processes, such as the application of coatings to flat glass to improve its thermal insulating properties. Because they contain – and are able to utilise – more material, rotatable sputter targets offer far longer life than planar targets. Bekaert was a pioneer in marketing targets of this kind, which today are the reference standard in the glass industry for coatings on flat glass. Customers' production costs are significantly reduced because the coating lines need to be shut down less often.

Rotating sputter targets are used for efficient deposition of coatings on glass.

Another example is a new windscreen wiper arm with a corrosion-resistant coating, which was developed by Bekaert in conjunction with one of its lead customers. In this new design, the number of components has been reduced from more than twenty to fewer than ten and several processes have been eliminated, resulting in worthwhile cost savings for the customer.



Working closely with a lead customer, Bekaert developed a special grade of wire for a new generation of windscreen wipers.

When evaluating potential acquisitions, Bekaert ensures that they not only strengthen its market position, but also enable technological synergy to be utilised to maximum effect, because new competences can play a valuable role in the development of solutions within Bekaert's activity platforms worldwide.

Knowledge is power
Supplementary technological expertise in the application of diamond-like coatings contributed by Sorevi S.A., a French company in which Bekaert increased its stake to 87% in 2003, is being put to good use elsewhere in the organisation.

Global presence

In pursuit of its goal of sustained profitable growth built on market and technological leadership, Bekaert maintains a global presence which transcends regional borders and sector demarcations.

Worldwide player

Bekaert aims to have a presence everywhere in the world where there is a market for its products. It therefore has a worldwide network of sales activities, which is constantly updated in line with changing markets and the specific needs of customers. The company also endeavours to locate its production plants where they can provide the most effective possible response to its customers' needs, which are built on frequent close contact and efficient logistical support.

Close to the action
In Central Europe, total tire production has grown 70%, and truck tire production has doubled, in the past five years. The proportion of radial tires, which have steel cord reinforcement, is rising. In anticipation of vigorous economic growth, all the major tire manufacturers are expanding their capacity in the region significantly. To ensure a flexible response to the market's requirements, Bekaert currently has two steel cord production facilities in Central Europe, at Hlohovec and Sladkovicovo in Slovakia, next door to the world's largest truck tire factory and the third-largest car tire plant.

Its global presence enables Bekaert to maintain and develop a broad but balanced product portfolio and attune its production plants in the various regions closely to local needs. In Latin America, for example, Bekaert manufactures many products for markets which are still growing strongly, whereas these markets in Western Europe have reached maturity.

Pioneer spirit
Bekaert's first investments in steel cord production in China date back to 1993, when construction started on a new plant in Jiangyin (Jiangsu province). The doubling of capacity at the second Chinese steel cord plant in Shenyang (Liaoning province) was formally celebrated in October 2004 and the third plant in Weihai (Shandong province) is almost complete.

Its global experience helps Bekaert to establish bridgeheads quickly, for both local sales and production, in markets which are difficult to access. It also enables Bekaert swiftly and effectively to identify and respond to changes in the market.

Twin effects of dollar movements

Movements in the dollar exchange rate have two effects. Transaction differences arise all year round in connection with financial transactions in foreign currencies, such as sales by entities in the euro zone to customers in dollar zones. Translation differences arise on the balance sheet date, when the financial statements of entities in other currency zones are translated into euros. Around half of Bekaert's combined sales in 2004 were generated in dollar markets (the United States and other markets, such as Latin America and China, where currencies are tied directly or indirectly to the dollar). In Bekaert's case, most of the impact of exchange rate movements comes from these inevitable translation differences, because the company publishes its financial statements in euros.

Bekaert succeeds in minimising transaction differences in various ways. Firstly, it protects itself at the strategic level by buying and converting raw materials and selling the end-products within the same currency zone. Secondly, it systematically hedges its dollar exposure with forward foreign exchange contracts. Finally, a large proportion of Bekaert's borrowing is in US dollars and Chinese renminbi.

Transcending sector boundaries

Bekaert is active in many sectors, marketing a wide range of products. The most important of these are the automotive and construction products sectors, each of which accounts for around a third of combined sales. The other third is generated in several highly diverse economic sectors, from textiles through engineering to telecommunications and electronics.

Automotive

Many of Bekaert's products are associated with the automotive industry. A prime example is the steel cord products used as reinforcement in radial tires for cars and trucks. One in every four tires – or one tire per passenger car – incorporates one of Bekaert's steel cord products. The company is also a volume supplier to the automotive sector of a wide variety of other products.

Bekaert on the road

Many of Bekaert's wire products are used in the automotive industry: spring wire, fine rope wire, window systems, windscreen wiper wire, seat wire and welding wire. The average car contains around 30 kg of wire products.

As well as wire, Bekaert also supplies solar control and protective film for the automotive industry. In vehicles this film helps create a more pleasant in-car environment by improving temperature control, reducing reflections and shielding against harmful UV radiation.

Other Bekaert products used in this sector include metal fibres for seat heating systems and as additives to plastic casings to dissipate electrostatic charges and shield critical dashboard instruments from electromagnetic radiation. Electroluminiscent film is used in displays instead of incandescent bulbs and metal-fibre mats are used in windscreen manufacture as a heat-resistant separation layer. Diamond-like coatings are applied to engine components to reduce friction, extend service life and improve performance.

This long list of products for the automotive sector does, however, require some qualification. Only in exceptional cases is Bekaert's customer the automotive industry itself. Bekaert supplies steel cord products, for example, to tire manufacturers. The majority of its automotive products are in any case intended for the aftermarket and only a minority for the OEM (original equipment manufacturer) market. Most of the windscreen wiper wire – and all of the window film – sold by Bekaert is destined for the aftermarket.

Bekaert keeps in close touch with car and truck manufacturers, so that their future needs can be anticipated and appropriate solutions proposed. In Belgium, Bekaert is a member of the 'Flanders' DRIVE' knowledge network of suppliers to the automotive industry, which acts both as a pool of excellence and as a platform to foster innovation.

In China, Bekaert collaborates closely with the China Tire Industry Association and the China Rubber Industry Association. At the technical level there are also joint projects between Bekaert's technical centre in Jiangyin and the Beijing Research & Design Institute of Rubber Industry.

Construction sector

In contrast to the automotive sector, where the number of customers per product is relatively small, the construction sector represents a very large, diverse and diffuse clientele. The customers are mainly contractors specialising in particular trades, with activities that confined to their local markets.

In Europe in particular, fencing systems are one of Bekaert's main product groups, and its *Dramix*® product (steel fibres for concrete reinforcement) accounts for a significant proportion of the company's sales in this sector.

Dramix®: strength guaranteed

Dramix® steel fibres, which are manufactured all over the world, are used primarily for reinforcing industrial floors, tunnels and prefabricated concrete products.

Dramix® steel fibres make concrete stronger and prevent it cracking.

Dramix® steel fibres were chosen in 2004 for a major project in China: the construction of a dam at Longhsou, located in a seismologically active area and subject to extreme day and night temperatures. The steel fibres were used in combination with reinforcing mats to prevent cracking and improve the ductility and toughness of the concrete. Several of the concrete panels which did not incorporate *Dramix*® steel fibres had started to crack by the time the dam was completed, but those reinforced with *Dramix*® exhibited no cracking even after two earthquakes.

Bekaert also manufactures many other products for the construction sector, such as high-tensile wire and cable for prestressed concrete, masonry reinforcement, plastering mesh and profiles and road reinforcement to prevent cracking and rut formation.

Cables and rope wire for construction machinery and elevators can also be assigned indirectly to the construction sector, as can architectural window films and sputtering products for the glass industry.

Flexisteel® elevator cables are highly flexible, which means that a more compact motor can be used, the system is cheaper and more energy-efficient and no separate machine room is needed.

The international diversity of its customer base and the wide range of products and applications – in residential and commercial construction and in public-sector and infrastructure works, both on a recurring business and as project basis – cushion Bekaert against the economic cycles to which the construction industry is exposed.

Other sectors

There are few economic sectors which Bekaert does not address. Its advanced wire products and advanced materials and coatings are widely used in many applications, sometimes clearly visible, but generally hidden from view.

Its presence in virtually all sectors is one of Bekaert's key advantages, because diversity makes the company less dependent on developments in individual sectors. As well as giving Bekaert a broad perspective, the diversity of its contacts also enables it to respond swiftly to opportunities and devise innovative and creative solutions based on its core competences.

Product diversity

For the textile industry, for example, Bekaert supplies cards, card wire and reed wire and applies thermal-sprayed coatings and diamond-like coatings on textile machinery components.

The agricultural sector is one of the largest customers for fencing materials and the winemaking industry buys vineyard wire and metal-fibre burners.

Bekaert is well known in the chemical industry for its metal-fibre filter media and filtration systems, and in the plastics industry for its diamond-like coatings on injection moulds and metal fibres used to drain static charges and shield components against electromagnetic disturbances.

Bekaert develops filter elements and filtration systems for gases and liquids.

Bekaert supplies pulp binding wire for the paper industry, as well as industrial burner systems and related services for drying high-quality paper.

The telecommunications sector is a major user of communication cables. In 2004, Bekaert filled a large order for cable armouring wire for the Sea-Me-We-project, a network of 20 000 km of underwater telecommunications cable linking fourteen countries, from France to Singapore.

Bekaert products are used in the offshore industry: wires for anchoring cables for drilling platforms, welded mesh for reinforcement of pipelines and profiled wire for flexible pipes.

Cables made with Bekaert wire are also used in energy transmission.

The electronics industry is increasingly choosing membrane pressure vessels for the production by reverse osmosis of the ultra-clean water needed in semiconductor manufacture. The sector also uses various coatings, such as sputtered conductive film for LCD and plasma screens. Bekaert applies diamond-like coatings to CD and DVD moulds and to electronic components.

Spring wire is used in the mechanical engineering sector, and the printing industry uses Bekaert's bookbinding wire (also used to bind this annual report).

Bookbinding wire, in all the colours of the rainbow, broadens the options available to the printing industry.

Diao Qingli
Human resources,
Weihai, China

BEKAERT IN 2004

Tire

Bekaert steel cord products are used to reinforce one in every four tires produced around the world. With its leading technology, its high-quality process control and its skill in selecting the right wire rod grades, Bekaert can offer steel cord products with ultra-high tensile strength. Higher tensile strength means that less steel needs to be used, enabling manufacturers to produce lighter tires without compromising safety and reliability

BEKAERT IN 2004

Record year

Despite the exceptional market conditions it faced in 2004, Bekaert succeeded in consolidating its market and technological leadership at the global level.

Extreme raw materials market conditions

2004 was a remarkable year in all respects for wire rod, which accounts for around 5% of world steel production. Bekaert is the largest independent user of wire rod, from which most of its products are made.

Bekaert is the largest independent user of wire rod, the main raw material used by the company.

Supplies from all over the world
Bekaert purchases 250 grades of wire rod from suppliers around the world for its production plants in the different continents. Its independence as a buyer proved to be advantageous in 2004. Most of Bekaert's suppliers produce wire rod by an integrated process, starting from iron ore and coke. Others produce it in 'mini-mills', where scrap steel of various kinds is melted down in electric furnaces.

Demand for steel has risen sharply, fuelled by the rapid economic growth in several regions, most notably China. World steel production, which remained at around 800 million tonnes for many years, increased abruptly in 2000 and peaked again in 2003–2004. This gave rise to imbalance, not so much in the steel market itself, but in the market for the raw materials used to produce it – chiefly scrap and coke and, to a lesser extent, iron ore. Whereas a temporary steel shortage can be relieved by building new steel production capacity, a shortage of raw materials poses structural problems because the supply of scrap is limited and, given current concerns regarding the effects of CO_2 on the environment, building new coking plants is no longer an easy option.

The worldwide steel shortage had major repercussions for Bekaert's operations and the company was confronted with unprecedented price rises in the course of the year. China's growing steel production capacity did little to ease the situation. Bekaert was able to overcome this extremely difficult position. Through efficient internal organisation and effective cooperation between the various functions, it was able to meet its customers' requirements in the different regions and to keep its plants around the world supplied with enough raw materials to maintain output. Customers were kept regularly informed of developments on the raw material markets and of the unavoidable price rises. Bekaert worked untiringly to supply them on time.

The result from operations was also affected by the effect of applying the inventory valuation rules in the context, of these significant price increases for raw material.

Consolidating market leadership

In pursuit of global market leadership in its various products, Bekaert works hard to achieve sustainable growth. Bekaert achieved strong organic growth in 2004 in all business segments and regions in which it operates. The emphasis last year was on building a balanced portfolio, rather than on new acquisitions.

Organic growth

Bekaert made significant progress towards structural improvement in its operating performance in 2004 in its various business segments. All over the world, business processes were further streamlined and production lines were rearranged to meet the changing demands of markets and customers more effectively. The company also invested in expanding production capacity, mostly in Europe and Asia.

Despite the difficulties in raw material markets, Bekaert was able to strengthen its position significantly in virtually all regions by optimising its internal organisation. Worldwide demand for steel cord products rose sharply. In China, growth slowed temporarily because the government's strict clampdown on overloaded trucks eased the pressure on the transport sector to switch from cross-ply to (steel-cord-reinforced) radial tires, but the market picked up a little by the end of the year. Bekaert has now expanded its sales organisation in China, focusing strongly on the needs of the various customer groups. Because the new Chinese production capacity is fully integrated into Bekaert's global steel cord production platform, exports from China helped meet the high level of demand in other parts of the world, which also contributed to the strong growth of the steel cord others activity platform.

One in every four tires incorporates Bekaert steel cord products.

Because of the dollar exchange rate, preference was given to importing wire products for the Asian market, which Bekaert does not produce in the region, from the dollar zone (the United States and Latin America), with less being imported from Western Europe.

Given the volatility of the raw material markets, Bekaert benefited more than ever in 2004 from effective international coordination of its purchasing function. Based on the findings of a study carried out in 2003, an action plan has been rolled out for optimising worldwide purchasing of other products. Following internationalisation of the sales and production functions, Bekaert is now working to internationalise the purchasing of common or equivalent products and services. Local and central buying departments exchange information on the supply situation in various areas on a systematic basis, so that advantage can be taken of opportunities for potential savings at a global level.

Buying advantage

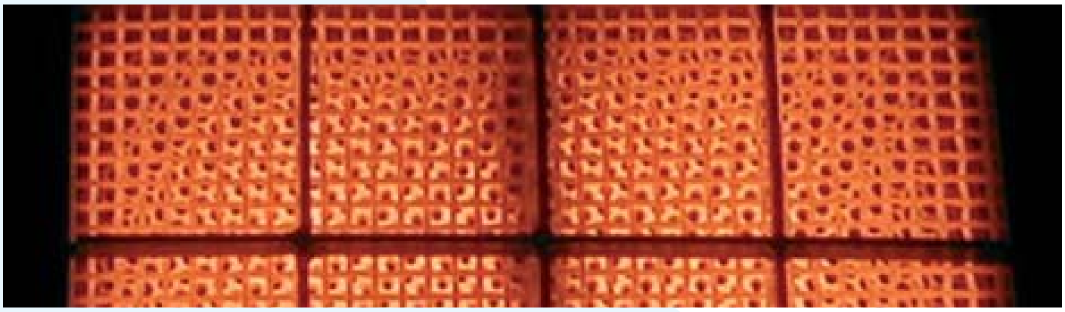
As an independent buyer, Bekaert was able in 2004 to source the most suitable grades of wire rod anywhere in the world. The company purchases over 250 different grades of wire rod, depending on the application. Bekaert's wire rod buying policy requires two sets of criteria to be met.

First, it imposes rigorous steel quality standards on its suppliers, and works closely with them to help achieve them. Bekaert's commitment to quality is exemplified by the prize awarded every two years to the wire rod supplier which has made the most significant progress in this area. The last recipient, at the end of 2003, was Baosteel in Shanghai (China). The second criterion relates to geographical diversification. Within the constraints of its quality requirements, Bekaert seeks to match procurement diversity to production diversity. As a global operation, Bekaert does this not only for logistical reasons, but also to minimise the effect of exchange-rate fluctuations and because buying locally helps to cement good long-term relationships with local suppliers.

In anticipation of significant growth in architectural window films in Europe, Bekaert has strengthened its organisation in this area, set up a new European distribution centre in Wervik (Belgium) and launched several new ranges, including the *Panorama* range of window films for the residential market in Belgium. A start has been made in Brazil on assembling a new distribution network and the organisation in Asia (and particularly China) has been expanded to address the rapidly growing market for window films, for both vehicles and buildings.

External growth and streamlined operations

Bekaert acquired the French company Solaronics Technologies, together with its subsidiaries Solaronics IRT and Solarelec, in January 2004. Solaronics specialises in solutions for drying coatings on paper, metal and wood, based on gas and electricity, and is world market leader in infrared drying processes for the paper industry. Solaronics' extensive service network adds customer value. At the time of the acquisition, the company was generating sales of € 20 million with a workforce of a hundred. The acquisition has strengthened Bekaert's combustion technologies activity platform by giving the company access to a global network serving a new market segment. There are plans to incorporate Bekaert's environment-friendly metal-fibre gas burners into the systems which Solaronics offers its customers, simultaneously enhancing Bekaert's offering with the addition of high-performance burner systems which are compatible with a range of gas qualities.



Bekaert is world market leader in infrared drying for the paper industry.

In early 2004, Bekaert increased its stake in Precision Surface Technology Pte Ltd, a Singapore company specialising in diamond-like coatings, chiefly for CD and DVD moulds, from 33.33% to 66.7%. At the end of September, a production facility for the application of these coatings was set up in Suzhou in China, a market with a large potential customer base, to meet the extremely short delivery times which are often demanded (24 hours is not unusual). For the same reason, Bekaert in the United States started applying diamond-like coatings in 2004 to components of racing cars taking part in the Nascar competition. Bekaert is planning to add several plants over the coming years.

In the interests of a more balanced portfolio, the composite profiles business was sold at the end of 2003 because securing global market leadership in this product would have diverted too many resources.

In early 2005, the European fencing division, Bekaert Fencing NV, was sold to Gilde. It had been an autonomous entity since 2003. An in-depth evaluation of the various options for the division's future conducted in 2004 had indicated that sustained successful growth could best be assured by Bekaert Fencing NV's becoming completely independent. The evaluation found that this division needed a different approach to markets and customers in Europe from that adopted by Bekaert's other divisions, due to its individual technological characteristics, the specific nature of its customer base and related marketing requirements and its particular distribution needs.

The European fencing division was sold in early 2005 to investment company Gilde.

Gilde, a leading European investment company, wished to continue the division's growth in industrial security fencing and other new products, focusing on specific projects and thereby consolidating its regional leadership. With the entry of this new shareholder, continuity is assured with no change to Bekaert Fencing NV's commitments to its employees, customers and suppliers.

Consolidating technological leadership

For Bekaert, innovation is a continuous process by which it seeks to better understand customer needs, even when these are not explicitly stated, and to meet them as fully as possible. Bekaert's research and development budget was significantly increased in 2004 and the central R&D team was augmented with the addition of a further fifteen highly qualified staff. Although a large share of Bekaert's innovation budget was earmarked for advanced materials and advanced coatings, substantial funding was also allocated to innovation in advanced wire products.

Innovations in 2004

One significant innovation last year was impregnated fine steel cord used for reinforcing the toothed polyurethane timing belts used in transmissions and in materials handling. Combining extended service life, excellent corrosion resistance and high precision, these new belts offer the added advantage that the equipment does not need readjustment after they have run in.

Impregnated fine cord is used to produce high-precision toothed polyurethane belts with superior corrosion resistance.

Another innovation is *Bezinal®* coating for industrial wire, which provides significantly better corrosion protection than traditional galvanising. In fact, *Bezinal®*-coated wire can be used as an alternative to more expensive stainless steel. *Bekipro®* fine galvanised wire, on which development effort was stepped up in 2004, is also a good substitute for stainless steel in some applications.

Coated industrial wires with high corrosion resistance have many applications in the automotive sector.

Bekaert made another breakthrough in steel cord products in 2004. Tire manufacturers are constantly striving, on environmental grounds, to make their products lighter, without compromising safety or reliability. Bekaert is working closely with a number of major customers on the development of steel cord with higher tensile strength, which can achieve the same performance with less weight. Through careful choice of wire rod grades and application of its unique expertise, Bekaert can now offer ultrahigh-tensile steel cord products.

In advanced coatings, Bekaert launched *Dylyn®Plus*, a new diamond-like coating with improved adhesion and even better wear resistance. The *Dylyn®Plus* technology allows series production and is therefore ideal for coating components used in the automotive sector. For the glass industry, Bekaert also introduced new high-density tin sputter targets, which offer higher quality, and the range of *ACV3 end blocks*, a new generation of basic components for sputter equipment.

In combustion technologies, Bekaert developed a new burner in 2004 which makes it possible to replace an entire range of burners with a single type, thus reducing the customer's overall costs. Because it employs metal-fibre technology, the burner can also be made smaller, which meshes perfectly with the growing demand for more compact boilers. Bekaert Solaronics also launched a newly developed design based on this technology.

In composites, Bekaert launched a new range of *Protec*® reverse-osmosis membrane pressure vessels, which are designed to achieve substantial savings in supply piping and installation and a lower total cost, thanks to lower operating and maintenance costs. A new pressure vessel with a diameter of 457.2 mm (18 inches) – a world first – was developed in partnership with a major customer.

Bekaert's activities in the field of innovation were further streamlined last year. A number of minor adjustments were made to the marketing road map, a product development guideline for the activity platforms, which was imposed rigorously. The road map was fully adopted by the 'virtual companies' which are responsible for the implementation and monitoring of the product development process. The virtual companies operate as new businesses which are managed by cross-functional teams working in accordance with clearly defined procedures, responsibilities and schedules. Bringing together people from different parts of the organisation – and often from different countries – fosters entrepreneurial spirit and motivates and stimulates the team members.

In 2004, one such virtual company developed a new window film offering maximum reflection of the sun's heat but allowing practically all of the light through. Encompassing the two activity platforms specialised films and industrial coatings, this company comprised marketing, research and production specialists in San Diego (USA), Deinze and Zulte (Belgium) and the technology centre.

Road map to systematic development

The marketing road map guarantees a systematic approach to the entire development process. Starting from the customer's requirement, it evaluates commercial and financial feasibility right from the start of the project and provides for the necessary feedback en route.

Coordinating the marketing road map used by the activity platforms and the innovation initiatives undertaken by the technology centre ensures careful project selection and faster and more efficient development.

As well as further systematising the development activities based on its two core competences, Bekaert has also focused its development effort more tightly, in order to raise the pace of innovation and improve the chances of success. Bekaert resolutely carried through a substantial reduction in the number of development projects in 2004, while simultaneously allocating greatly increased budgets to the projects which were retained, with closer focus and strict monitoring on an individual basis. Only projects which offered the customer significant and measurable value and which were commercially and financially sound were retained.

Human resources

Bekaert owes its strong position in so many areas to the efforts of its thousands of professional, highly trained and dedicated personnel. Every new customer relationship and every new development is underpinned by their technological expertise, their knowledge of markets and their desire to understand the customer's needs.

Strong customer relations

Bekaert personnel combine a determination to find solutions for the customer with a thorough technical grounding. Systematic support is provided in the form of techniques such as 'voice of the customer' and 'quality function deployment'. These techniques help them to identify the customer's needs and define the product or service parameters, so that they can work with the customer to find the ideal solution, resulting in a win-win situation.

In this respect, Bekaert departs from the traditional supplier/customer model, in which one salesperson talks to one buyer, creating a situation in which the best solution for both parties may not be found. A complete team of Bekaert specialists works closely with a team of the customer's specialists. Only this kind of approach, based on mutual trust and respect, can guarantee sustained added value for both parties.

Gateway to success

In the fencing systems market, a modular gate was launched in 2004 in France and Southern Europe. The new gate, which meets all quality standards, was developed in response to customer demand for extra-wide gates. To circumvent the problems in both production and logistics which a standard design would cause, a gate was developed consisting of individual, easily managed standard modules, joined with robust connectors, enabling the customer to assemble gates of any desired size.

Bekaert's performance in terms of closeness to the customer and customer service is measured at regular intervals in satisfaction surveys and in-depth interviews with customers. On the basis of the findings, specialised training programmes are provided for the staff.

Expanding sales network

With market and product knowledge being disseminated swiftly to the various regions via Bekaert's international sales network, successful product launches in one region can often trigger market research on the same products in other regions. As a result of the successful switch from galvanised spring wire to *Bezinal®*-coated wire in the European automotive sector, for example, the launch of these products in the United States has been brought forward. In 2004, the main areas in which the sales network was expanded were advanced materials and advanced coatings, in particular industrial coatings, window film and reverse-osmosis membrane pressure vessels.

Global personnel policy

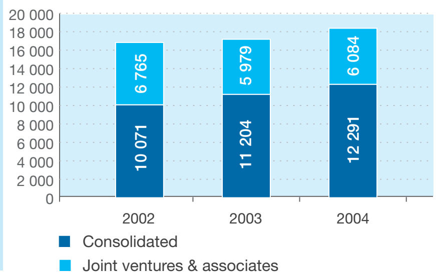
Bekaert's ongoing process of internationalisation has major consequences for its personnel policy, which is based on strong local teams, close and efficient cooperation, appropriate training, high mobility and consistent business ethics. Bekaert's policy of employing as many people as possible from the region demonstrates its respect for and faith in the capabilities of local staff. This policy is greatly appreciated and helps to facilitate Bekaert's acceptance by local businesses and its integration into the local economy. Bekaert aims to create strong, competent local teams which are able to function effectively as part of a global network. Teams which can work well together are essential if Bekaert is to provide the best possible customer support. The exchange of knowledge and experience and close cooperation across business units and functions are key themes in Bekaert's technical and management training programmes. Across regional boundaries, managers from the different countries come together to exchange information on best practices within a permanently learning organisation. Through formal and informal contacts, forums of this kind also promote team-building.

Top talent worldwide

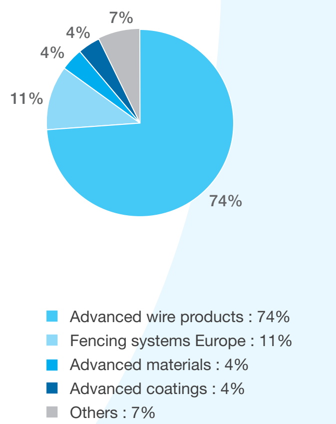
It is Bekaert's policy in all countries to position the company as an employer which is attractive to top talent. In 2004, a series of training programmes was organised, in rapidly-growing regions such as Central Europe and China, to give new managers an opportunity to familiarise themselves with such disciplines as strategic planning, organisation, technology, production, sales, coaching and problem-solving.

Bekaert actively fosters international mobility among its staff. The number of employee exchanges increased in 2004, which significantly expanded the transfer of knowledge. Managers from the United States, for example, were assigned to China to assist with the *Quantum*® range of automotive window film and a manager from Brazil was appointed general manager of the steel cord plant in Jiangyin (China). A substantial number of expatriates, from all continents, are engaged in supporting local management teams. Increased staff mobility in 2004 has prompted a comprehensive review of the various schemes applying to international transfers, on the basis of which Bekaert will be able to respond more flexibly to the growing demand for talented and internationally mobile staff.
The total number of employees increased, from 17 183 to 18 375. The number employed by the consolidated companies rose from 11 204 to 12 291 and the number employed by the joint ventures and associates increased slightly from 5 979 to 6 084.

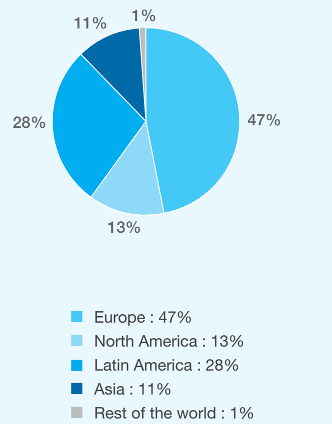
Evolution of personnel



Personnel by segment



Personnel by region



While continued expansion in China accounted for most of the growth, the workforce also expanded significantly in Slovakia, Turkey and the United States. The number employed in the advanced materials sector was also augmented by the acquisition of Solaronics in France. Since the sale of the European fencing division early 2005, the number of employees amounts to 16 400.

Ethics

To ensure consistency of business ethics worldwide, the main principles, guidelines and procedures are defined in two documents: the *Bekaert Code of Conduct* and the *Bekaert Guide to Business Control*.

In the area of internal audit, the emphasis was on proactive improvement of internal control and operational and integration audits. Attention was focused primarily on assurance regarding the security of information technology, procurement processes, inventory valuation and outward cash flows.

Research and development

Bekaert's strategic decision to centralise its research and development activities in Belgium is conducive to the achievement of the ambition of the European and Belgian governments to create a knowledge-based economy. Bekaert also participates in the Flanders Innovation Pact.

In 2004, Bekaert's research and development budget amounted to € 55 million. With its centralised R&D, Bekaert has opted for a broad technological base which greatly facilitates the identification and utilisation of synergy between the various technological competences. Having a single point of contact also ensures that research, development and innovation strategy is consistent both with corporate strategy and with the lower-level strategies of the business segments and activity platforms.
Bekaert's patent portfolio has grown by over 70% in the space of a decade. Close attention is paid to coordinating patent applications with the principal research and development projects undertaken by the technology centre and protecting Bekaert's industrial property.

The central R&D organisation is supplemented by local product development activities around the world. In early 2004, Bekaert set up a technical centre in Jiangyin (China), which works exclusively on product development in partnership with local steel cord customers. Bekaert has equipped the centre with state-of-the-art test facilities for polymer reinforcement of tires.

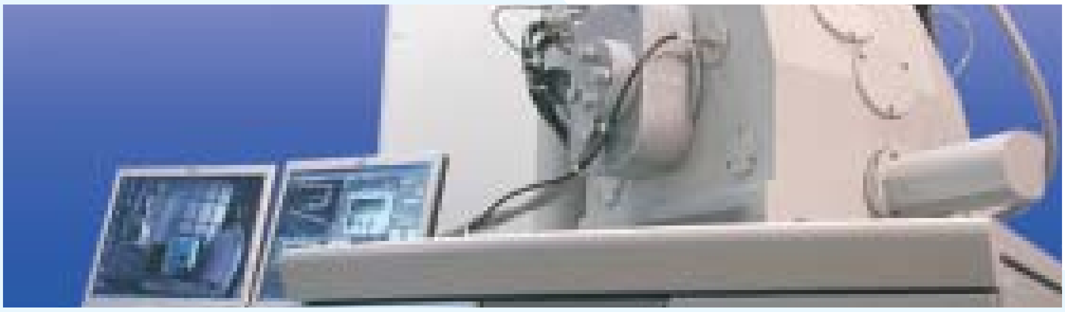
Innovation pact

The Flanders Innovation Pact is an agreement between private-sector companies and the government of Flanders. The government's target is to increase R&D-related investment to 3% of the gross regional product by 2010. The Innovation Pact has evolved from this quantitative target. A policy statement has been formulated by the Flemish Science Policy Council, of which Bekaert is a member via the Technology Policy Committee. Five important Bekaert research projects are supported by the Institute for the Promotion of Innovation by Science and Technology in Flanders (IWT).

Bekaert relies on the active support of the various authorities, in terms of both adequate and efficient grants for R&D projects and equitable and competitive tax and parafiscal treatment of the researchers employed on them.

Top technologists and cutting-edge technology

Bekaert intends its technology centre in Deerlijk (Belgium) to retain its place at the top and strengthened the central R&D team of over 250 highly-qualified researchers in 2004. More than 10% of the team are specialists from other countries. An assignment to the technology centre is a regular waypoint on the career paths of Bekaert technologists around the world, ensuring that they all share the same technological grounding.



Bekaert invests continuously in research equipment, such as this dual-beam scanning electron microscope which was installed in the technology centre in 2004, the first in Europe.

As part of the ongoing programme of updating the research equipment, a dual-beam scanning electron microscope – the first in Europe – was installed in Deerlijk (Belgium). This new apparatus enables Bekaert to perform more accurate analyses of materials and is ideally suited to the study of complex coatings. A new glow-discharge optical-emission spectroscope, for chemical analysis and depth profiling of flat samples, was also installed. This unit is used to study thin coatings on metal or plastic substrates, for example measuring the depth profile of diamond-like coatings or sputtered coatings on window film.

Synergy makes Bekaert unique

With its central research and development, its wide range of technological competences and the diversity of its markets, Bekaert is able to utilise the synergies which exist between the various activity platforms and to grasp new opportunities.

Bekaert's extensive knowledge of coating technologies stems from its search for improved coatings for fencing wire and wire for industrial applications. Coatings are employed in virtually all applications in wire products and fencing systems, either for decoration, for improved corrosion protection or adhesion, for ease of processing or for a combination of these properties. As heavier demands were made on the products, heavier demands were also made on the coatings, and Bekaert moved into more advanced technologies such as vacuum coating. These in turn opened up new opportunities, both for new applications and for products in other activity platforms.

The interactions and technological synergies between advanced wire products, advanced materials and advanced coatings are substantial. Plastic coatings, which were first used on fencing products, were later applied to industrial wires and cables, for example. Silane coatings combined with galvanising impart new properties to wire products. Vacuum coatings are applied to wire for the textile sector because of their long service life, while thermal-sprayed wear-resistant hard coatings are used for wire-drawing machines. Thermal spraying is also used in the manufacture of rotatable sputter targets. The latter are supplied to the glass industry together with the necessary equipment for vacuum coating, a technology which has grown out of Bekaert's expertise in sputter technology. Sputtering in turn is used in the production of window film and electrically conductive film. The competences of Bekaert's engineering department, which were previously confined mainly to wire-drawing machines, are now also being deployed in the development and production of various burners and burner systems.

Engineering is key

Engineering plays a strategic role in Bekaert's drive for technological leadership, because it enables Bekaert to develop and build equipment for most of its core processes, which is a major advantage. Staff of the engineering department are regular members of R&D project teams working on advanced wire products, advanced materials and advanced coatings. In Belgium, they also participate actively in a number of research projects, in conjunction with the Flanders' Mechatronics Technology Centre, which seek to improve control of machines and processing lines.

One of Engineering's main tasks in 2004 was to provide support for capacity expansion projects at Bekaert plants in Brazil, Central Europe and Asia. To provide the best possible service, the engineering department stays close to its internal customers. Following the formation of a local engineering unit in Brazil, further units were set up in China and Slovakia in 2004 to support local production.

External contacts

Consistent with Bekaert's policy of 'open innovation', collaboration with external agencies on technological development was intensified and its network of technology-related external contacts was expanded in 2004.

By investing in new high-tech companies via venture capital initiatives, Bekaert participates in new developments which complement its own R&D activities. The total budget for these investments was increased to € 10 million in 2004. One of the research projects in which Bekaert invested last year was through Cymbet Corporation in the United States, which engages in advanced research in vacuum technology and which is currently working on the development of thin films in rechargeable micro-batteries for various electronic applications. This fits well with ongoing developments in Bekaert's advanced coatings business segment.

An open world of research

Bekaert has entered into numerous cooperation agreements with high-tech companies, research centres and universities, including MIT (*Massachusetts Institute of Technology*) in the United States, the *Fraunhofer Institute* and *Research Centre Jülich* in Germany, the *National Physical Laboratory* in the United Kingdom, *Cereco* (Ceramics and Refractories Technological Development Company) in Greece, EPL (*Ecole Polytechnique Fédérale de Lausanne*) in Switzerland and the *Flanders' Mechatronics Technology Centre* and *Flanders' DRIVE* in Belgium. Bekaert is also in contact or collaborates with most of the Belgian universities. Together with a large group of leading companies around the world, Bekaert is a member of the MIT ILP (*Industrial Liaison Program*), which gives it direct access to the MIT faculty, the MIT facilities and the MIT research library. One of Bekaert's young technologists was seconded temporarily to MIT as a visiting scientist in 2004.

Bekaert was more active in 2004 in acquiring licences on externally developed ideas which were relevant to its own activities. At the same time, Bekaert increasingly offered to other companies spin-offs from its own developments for which it had no immediate internal use. Bekaert currently has more than ten offers posted on Yet2.com, an international technology website.

Bekaert also maintains active contacts with Innovation Relay Centre (IRC), a Europe-wide network of technology intermediaries which is supported by the European Commission. The new innovation portal on the Bekaert intranet has a direct link to IRC, to facilitate consultation on and evaluation of the latest technological advances and requirements.

Quality as strength

Operational excellence is one of Bekaert's unique selling points and the company enjoys worldwide recognition of its efficiency and uniformly high quality standards. These are preconditions of both market leadership and technological leadership, which is why total quality management (TQM) is an integral part of all of Bekaert's processes.

The project undertaken in 2004 to streamline the entire process from order preparation and receipt, through delivery and after-sales service to logistics and accounting follow-up, was instrumental in raising staff awareness. In the course of this project, for which modification of the IT systems was one of the requirements, the operational units around the world subjected their TQM functions to an in-depth review, to identify areas where further improvements could be made and incorporate them into their plans for the year.

Quality Days

A number of Quality Days were organised in North America, Europe, Latin America and Asia last year, to promote the exchange of information on best practices relating to customer focus, quality management, process optimisation and waste reduction. Similar events were held for specific activities within the organisation, including the high-carbon wire and construction departments. Management pays regular visits to selected plants to evaluate and motivate their TQM functioning.

The various quality tools are documented in detail and disseminated throughout the organisation. Thorough training is provided for new employees, new plants and recent acquisitions, so that Bekaert can guarantee the same high quality standards all over the world.

Attention is increasingly focusing not only on the manipulation of product and process quality tools, but also on the behavioural and management aspects of the quality assurance process. Critical indicators of improvement in various areas have been reconsidered and revised to meet the needs of the global economy, giving priority to reducing delivery times and providing greater delivery flexibility. Bekaert has also integrated the TQM concepts and techniques with the Six Sigma approach and the Lean Manufacturing concept.

Key learning plants

Bekaert has continued to develop the concept of key learning plants: those which – as part of their mission – serve as examples and models of operational excellence, TQM, process expertise and general management for other plants.

In advanced wire products, good examples of key learning plants are Aalter (Belgium), Dyersburg (USA) and Jiangyin (China). At Industrias Chilenas de Alambre – Inchalam SA in Chile, which manufactures advanced wire products, a new product flow system has been introduced which enables Bekaert to serve its customers more efficiently and reduces working capital significantly. The plant is now a model for other plants working in similar circumstances.

Health, safety and environment – twice

Health, safety and the environment are important issues for Bekaert at two levels: at product level and at production level.

... at product level

Bekaert develops and markets a number of products which specifically answer the need for greater safety and a cleaner environment.

Bekaert makes a significant contribution to environmental protection through its activities in combustion technologies. Bekaert's environment-friendly gas burners are used by most manufacturers of heating boilers for their condensing boilers. These metal-fibre burners provide clean combustion, producing fewer harmful gases such as NO_x. Premix burners for residential boilers offer a 10% efficiency improvement, reducing both gas consumption and CO_2 production and anticipating the increasingly strict legislation on greenhouse gas emissions. A recent change in UK law, for example, has greatly stimulated demand for condensing boilers incorporating Bekaert burners.

Metal-fibre burners achieve very clean combustion, with lower CO_2 emissions.

Measurements carried out on a traditional flare system used to burn off waste gas showed that it was discharging 400 tonnes of harmful gases into the atmosphere every hour. Using Bekaert's metal-fibre burners in flare systems reduces these emissions by a factor a thousand. These systems can also be used to burn off the natural gas released when working on main gas pipelines, which in many cases is still discharged into the atmosphere. Using the Bekaert flare system, up to 99.99% of the hydrocarbons released can be dealt with in an environment-friendly manner.

Membrane pressure vessels made of composite materials are used for reverse osmosis, a widely used process for converting seawater into water suitable for drinking and irrigation in an increasing number of regions where clean water is in short supply. The same process is also used to combat the escalating salinity of the groundwater in Florida. Similar pressure vessels are used to recycle waste water.

Window films reflect the sun's heat and keep temperatures inside buildings lower during the summer, thus saving the capital cost of an air-conditioning system or at least reducing energy and refrigerant consumption. Bekaert has software to calculate the savings made by installing window film. The University of Porto Alegre in Brazil found that, over a full year (summer and winter), an office building in the south of the country could save 31% of its air-conditioning capacity, which represents a 21% saving in electricity.

Window films provide protection against the sun's heat and harmful UV radiation.

One of the primary duties of the fencing sector is to strive for greater safety and security, through continuous improvement of and innovation in the fencing systems which protect people, animals or buildings. Gabions (wire baskets filled with stone) are used in flood defences and to reduce traffic noise. A recent innovation was the *Bekazur®* fencing system, introduced in 2004, which complies with the new French legislation (NF P90-306) on safety barriers around swimming pools.

Innovative fencing systems offer enhanced safety and security around swimming pools.

It all adds up

Bekaert is working with tire manufacturers to make vehicles lighter, because lighter vehicles use less fuel and hence produce smaller quantities of harmful exhaust gas. One approach is to reduce the weight of the steel used in tires by significantly improving its material properties. Steel cord products with higher tensile strength are contributing to this effort, as is an innovative windscreen wiper consisting of fewer components, which is lighter and offers improved aerodynamic performance.

Exhaust filters based on Bekaert metal-fibre technology, which remove 95% of the nanoparticulates, were fitted to forklift trucks for the first time in 2004.

Rotatable sputter targets and related equipment are used in the glass industry to apply coatings which improve the thermal insulation properties of glass and thus save energy.

Safety window films stop glass shards becoming hazardous projectiles which can cause injury or damage if the glass is blown out by explosion or storm.

... and at production process level

Consistent with its strategy of sustainable profitable growth, Bekaert seeks constantly to improve its health, safety and environmental performance.

As regards accident prevention and health and safety at work, Bekaert has set itself targets for reducing both accident frequency and accident severity. The figures continued to improve last year at its existing plants, but not at the new production units, and this aspect will receive special attention in 2005.

Learning from one another

The improvements at the existing production plants can be attributed largely to the exchange of information on best practices and benchmarking among the individual Bekaert plants.

The first intranet web board covering safety at work was set up in 2004. As well as raising general awareness of the importance of the environment and safety measures, a conference in Jiangyin (China) for the Bekaert plants in Asia addressed a number of other important issues, including corporate policy, environmental legislation in China and environment-friendly products and processes. Similar issues were discussed at round-table conferences on the environment in the United States and Europe.

Practical action

Action plans were drawn up in 2004 to reduce greenhouse gas emissions and make further energy savings through projects spread over a two-year period. Alternative processes were developed for chlorinated solvents to reduce emissions of volatile organic compounds, the major cause of soil and water pollution.

A number of actions were taken in preparation for new legislation. The required product information was compiled, so that Bekaert could make a proactive response to the new European Union directives on end-of-life vehicles, with a view to reducing waste, and the restriction of hazardous materials in the automotive, electrical and electronics sectors. Bekaert carried out an extensive study of the presence of banned or restricted substances.

As regards use of the best available technologies, the design document defining the best available surface coating technologies was revised and a pickling line was evaluated with reference to the best available metal processing technologies. A study was also carried out to make an initial assessment of the potential impact of REACH (Registration, Evaluation and Authorisation of CHemicals).

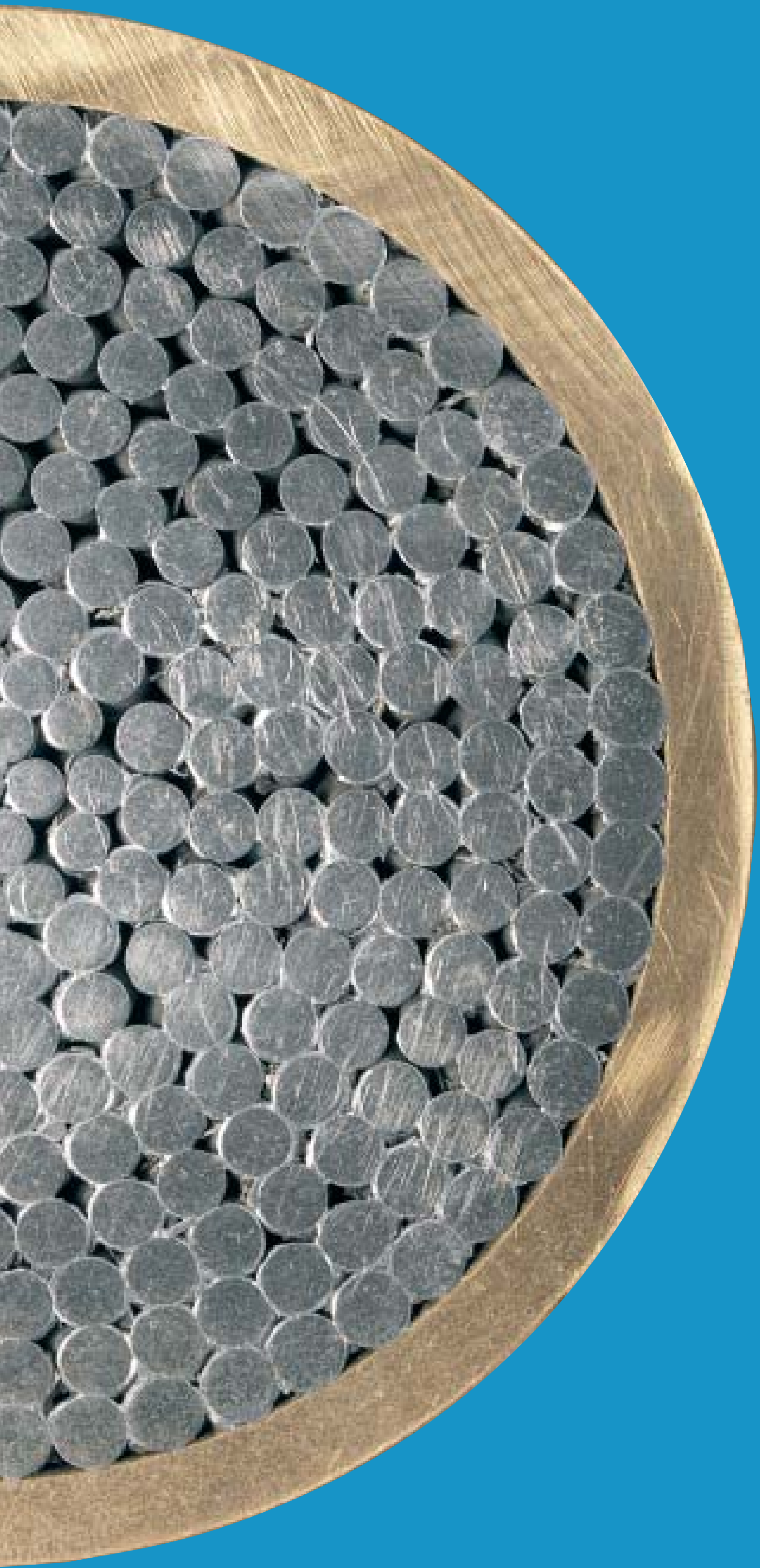
Bekaert made a breakthrough last year in its drive to achieve zero waste-water emissions, with the development of a recovery system for acid washers based on experience gained with pilot projects at two sites, the advanced wire products plants in Bohumín (Czech Republic) and Lanklaar (Belgium). Several plants were audited under the internal TEC (Total Environmental Care) system. An environmental management programme was launched to raise awareness at the plants in Latin America.

Notable achievements

Notable achievements in 2004 included:

- Approval of the energy plan for the Belgian companies.
- Commissioning of an incinerator for volatile organic compounds at the plant in Rome (USA).
- Several soil surveys in Europe, North America, Latin America and China in connection with due diligence investigations and the start of three projects in Belgium to clean up long-standing soil and groundwater pollution.
- Launch of several promising projects aiming to reduce energy consumption in various processes.
- Sustained reduction in the use of raw materials and consumables. The plant in Van Buren (USA), for example, halved its unit water consumption compared with 2002–2003.
- Certification of China Bekaert Steel Cord Company Limited in Jiangyin (China) as a ‘Green Enterprise’ (a certificate awarded to only nine of the 300 candidate companies), confirming the effectiveness of Bekaert's environmental management system.

Jozef Paska
Operations,
Hlohovec, Slovakia



SEGMENT REPORTING

Cable cross-section

Bekaert produces a range of heavily galvanised, high-tensile wire for the spiral strand constructions used to moor floating offshore oil production platforms. High tensile strength and superior fatigue resistance and corrosion resistance ensure excellent performance and long life.

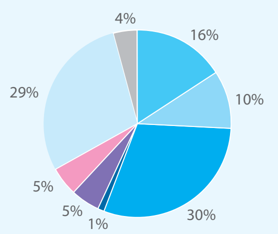
Advanced wire products

Combined sales for advanced wire products were 21 % higher (wire Europe +17 %, wire North America +22 %, wire Latin America +32 %, wire Asia +49 %, building products +20 %, steel cord China +1 %, steel cord others +21 % and other advanced wire products +2 %).

Despite the difficulties on the raw material markets, this segment had a very good year. With the economy picking up in Europe and North America, Bekaert made significant progress in consolidating the market positions of the majority of its advanced wire products. Wire Asia achieved substantial growth and a strong performance was delivered in most Latin American countries, in a very good economic climate, mainly as a result of substantial volume growth. Worldwide demand for steel cord products for tire reinforcement was especially strong. Growth slowed temporarily in China, due to government measures, but the market improved a little by the end of the year. Bekaert expanded its sales organisation in China, thereby focusing on the needs of the various customer groups. Because the new Chinese production capacity is fully integrated into Bekaert's global production platform for steel cord products, exports from China helped meet the high level of demand in other parts of the world, which also contributed to the vigorous growth of the activity platform steel cord others.

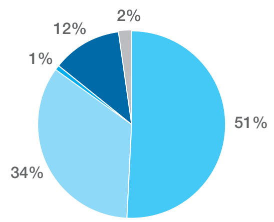
The result from operations reflected the strong growth in advanced wire products' volume. In addition, the effect of applying the inventory valuation rules in the context of significant price increases for raw materials amounted to € 35 million.

Combined sales by activity platform



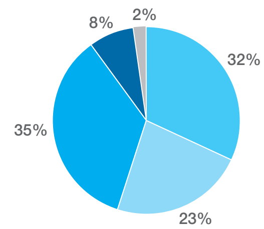
- Wire Europe : 16%
- Wire North America : 10%
- Wire Latin America : 30%
- Wire Asia : 1%
- Building products : 5%
- Steel cord China : 5%
- Steel cord others : 29%
- Others advanced wire products : 4%

Consolidated sales by region



- Europe : 51%
- North America : 34%
- Latin America : 1%
- Asia : 12%
- Rest of the world : 2%

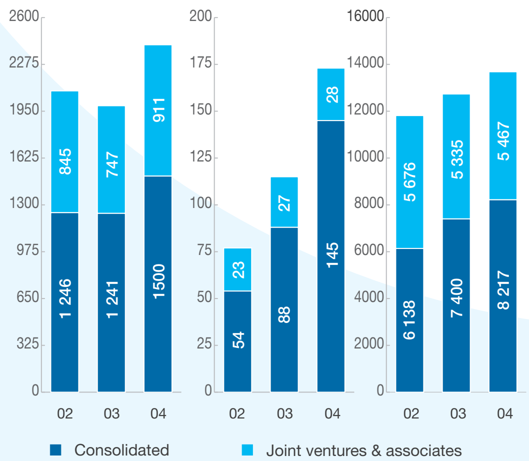
Combined sales by region



- Europe : 32%
- North America : 23%
- Latin America : 35%
- Asia : 8%
- Rest of the world : 2%

Advanced wire products	in millions of €		
	2002	2003	2004
Consolidated			
Sales	1 246	1 241	1 500
Result from operations (EBIT)	121	121	181
EBIT on sales (%)	9.7	9.8	12.1
Capital expenditures	54	88	145
Personnel	6 138	7 400	8 217
Joint ventures and associates			
Sales	845	747	911
Capital expenditures	23	27	28
Personnel	5 676	5 335	5 467
Total			
Combined sales	2 091	1 988	2 411
Capital expenditures	77	115	173
Personnel	11 814	12 735	13 684

Sales | Capital expenditures | Personnel



Fencing systems Europe

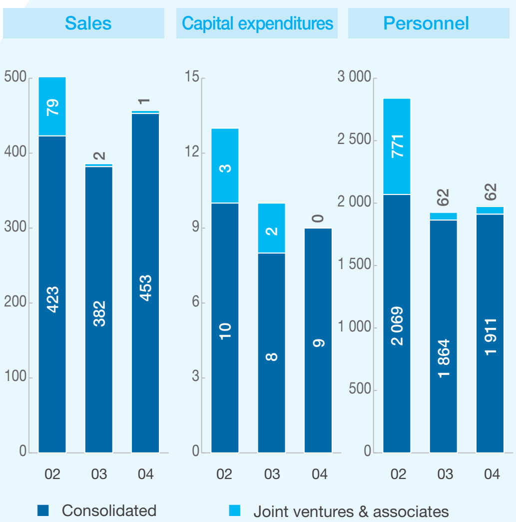
Combined sales for fencing systems Europe were 19% higher.

Fencing systems Europe's strong performance reflected a good season and also substantial volume growth in industrial fences, as well as further expansion of the project business. The impact of inventory valuation amounted to € 11 million.

In early 2005, Bekaert sold the shares in Bekaert Fencing NV to Gilde, an investment company, for an enterprise value of € 281.5 million. In 2004, this business segment generated combined sales of € 454 million and an operating result of € 52 million. The capital gain on this transaction, which was completed on 1 March 2005 with effect as of 1 January 2005, is expected to amount to € 56 million.

The business segment fencing systems Europe, as reported here, consists of the companies involved in the sales transaction, i.e. Bekaert Fencing NV and its subsidiaries. The handling activity, formerly reported in this segment, is now reported in 'intersegment sales and others'. For proper comparison reasons the 2003 figures were restated accordingly.

Fencing systems Europe	in millions of €		
	2002	**2003**	**2004**
Consolidated			
Sales	423	382	453
Result from operations (EBIT)	-9	27	52
EBIT on sales (%)	-2.1	7.2	11.4
Capital expenditures	10	8	9
Personnel	2 069	1 864	1 911
Joint ventures and associates			
Sales	79	2	1
Capital expenditures	3	2	0
Personnel	771	62	62
Total			
Combined sales	502	384	454
Capital expenditures	13	10	9
Personnel	2 840	1 926	1 973



Advanced materials

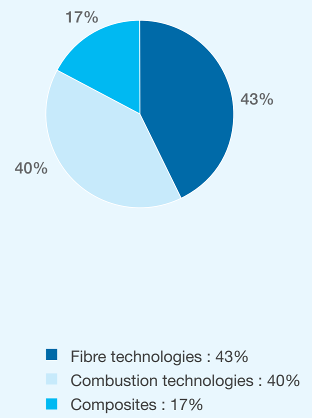
Combined sales of advanced materials recorded growth of 13% (fibre technologies +7%, combustion technologies +53%, composites -24%).

Bekaert achieved sustained organic growth in fibre technologies and combustion technologies.

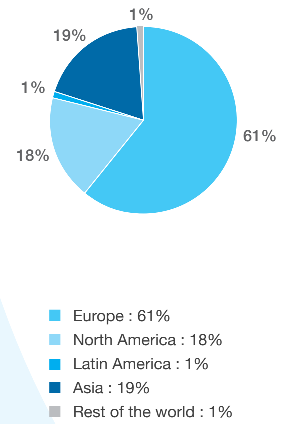
Significant additional growth in combustion technologies was gained from the acquisition of Solaronics, which was successfully integrated in the ensuing months and will make its full contribution to the result from 2005 onwards.

Bekaert withdrew from its composite profiles activities at the end of 2003.

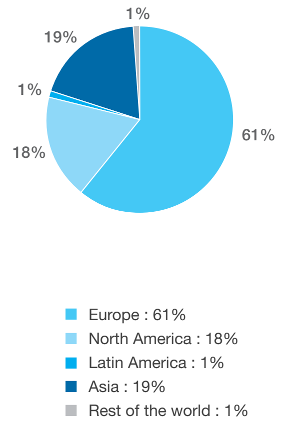
Combined sales by activity platform



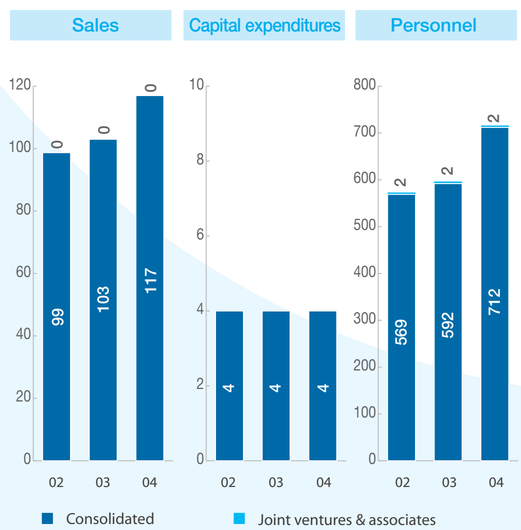
Consolidated sales by region



Combined sales by region



Advanced materials	in millions of €		
	2002	2003	2004
Consolidated			
Sales	99	103	117
Result from operations (EBIT)	2	8	8
EBIT on sales (%)	2.1	7.5	6.5
Capital expenditures	4	4	4
Personnel	569	592	712
Joint ventures and associates			
Sales	0	0	0
Capital expenditures	0	0	0
Personnel	2	2	2
Total			
Combined sales	99	103	117
Capital expenditures	4	4	4
Personnel	571	594	714



Advanced coatings

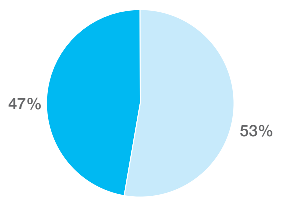
Combined sales of advanced coatings were up by 7% (industrial coatings +15%, specialised films +2%).

Demand grew for industrial coatings generally and for diamond-like coatings in particular. In the autumn of 2004, an additional production facility was set up in Suzhou (China) which will specialise in applying these high-quality coatings to moulds used in various industrial applications. In the coming years, Bekaert is planning to add several more facilities worldwide. This will also enable Bekaert to provide an even faster service to its customers.

In specialised films, the level of activity in the United States was stable. Thanks to the expansion of Bekaert's sales organisations, important growth was achieved in Europe and Asia,

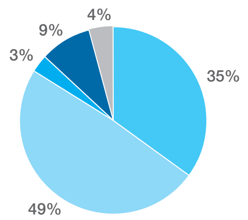
The intensification of the R&D effort and the further development of the sales organisations had a significant impact on the operating result. An impairment was applied to one of the niche applications of specialised films.

Combined sales by activity platform



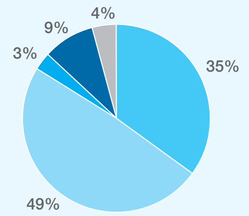
- Industrial coatings : 47%
- Specialised films : 53%

Consolidated sales by region



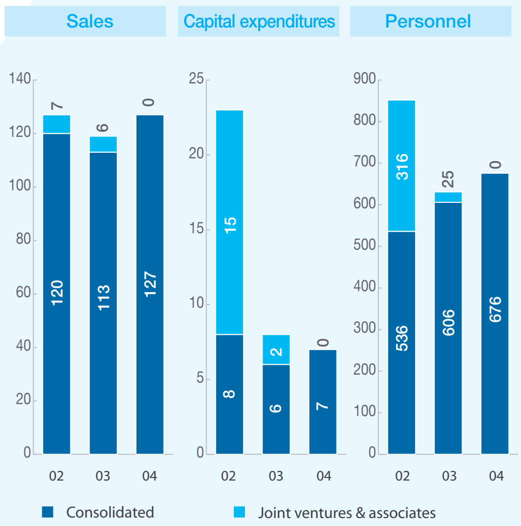
- Europe : 35%
- North America : 49%
- Latin America : 3%
- Asia : 9%
- Rest of the world : 4%

Combined sales by region

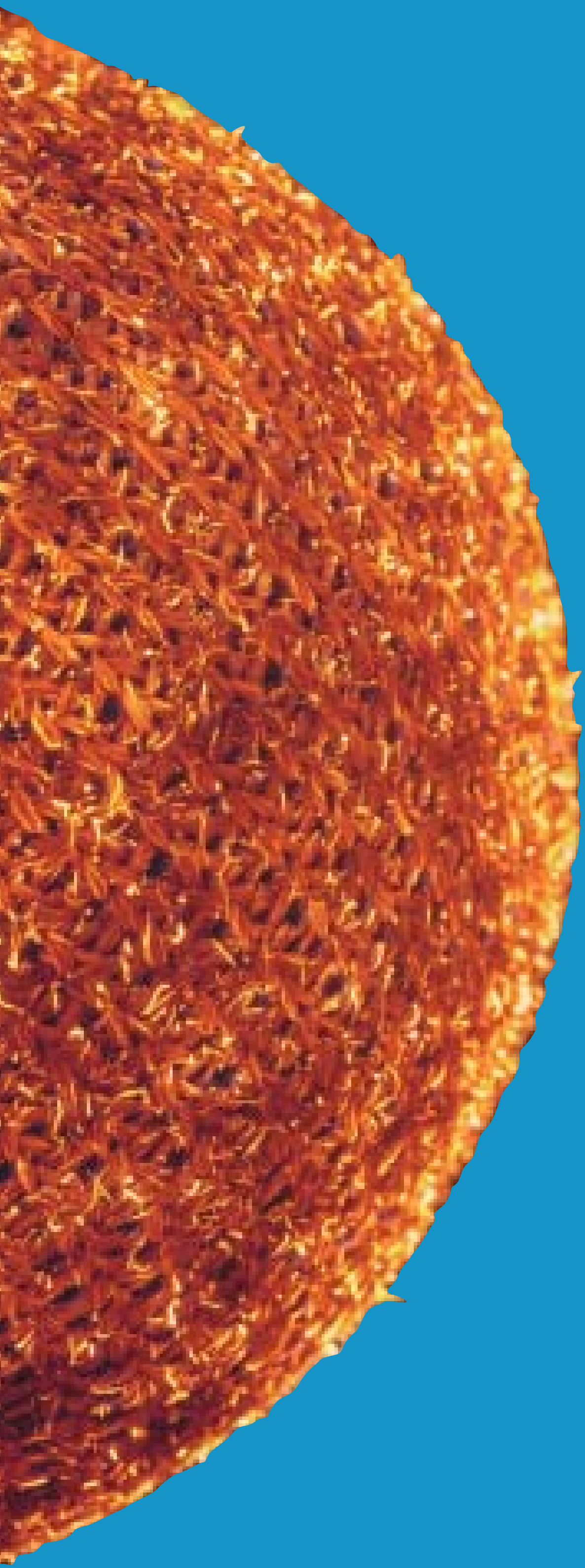


- Europe : 35%
- North America : 49%
- Latin America : 3%
- Asia : 9%
- Rest of the world : 4%

Advanced coatings (in millions of €)	2002	2003	2004
Consolidated			
Sales	120	113	127
Result from operations (EBIT)	3	-2	-8
EBIT on sales (%)	2.5	-1.9	-6.1
Capital expenditures	8	6	7
Personnel	536	606	676
Joint ventures and associates			
Sales	7	6	0
Capital expenditures	15	2	0
Personnel	316	25	0
Total			
Combined sales	127	119	127
Capital expenditures	23	8	7
Personnel	852	631	676



Celine Perque
Bekaert Solaronics,
Armentières, France



STATEMENT ON CORPORATE GOVERNANCE

Burner

Bekaert produces environment-friendly gas burners and burner systems based on fine metal fibres, which achieve better efficiency, lower consumption and lower emissions of harmful NO_x gases.

STATEMENT ON CORPORATE GOVERNANCE

Bekaert attaches great value to corporate governance and is aware that good governance of listed companies is an important factor in investment decisions. Bekaert accordingly complies with internationally accepted standards and rules.

The Belgian Corporate Governance Code, published by the Lippens Committee on 9 December 2004, will be on the agenda of the Ordinary General Meeting of Shareholders on 11 May 2005. Bekaert will determine its position with respect to the Code in the course of 2005.

As a member of the Belgian 'Instituut voor Bestuurders' (Institute for Directors), Bekaert is helping to shape a coherent vision of corporate governance based on solid research, cultural norms and practical management needs.

General Meeting of Shareholders

The Articles of Association stipulate that the Ordinary General Meeting shall be held on the second Wednesday in May at 10:30 a.m. Shareholders wishing to attend the General Meeting must notify the company of their intention at least three full working days before the meeting. Each shareholder may be represented by a proxy who is entitled to vote in his own right. However, legal persons may be represented by a proxy who is not a shareholder. Registered shareholders will receive an invitation in advance, together with the agenda and the annual report. The meeting can only consider and adopt resolutions on the items appearing on the agenda, but time is always allowed for questions. All shares carry the same rights and each share entitles the holder to one vote.

A total of 127 shareholders were present in person or by proxy at the Ordinary General Meeting on 12 May 2004, representing a total of 6 522 963 shares or 29.6 % of the total number of issued shares. Seven holders of subscription rights also attended the meeting, representing 13 239 subscription rights or 3.6 % of the total number of issued subscription rights.
The meeting approved the financial statements and profit appropriation for 2003 and discharged the Directors and the Statutory Auditor of responsibility. Messrs. Pol Bamelis, Roger Dalle, François de Visscher and Baudouin Velge were re-appointed as Directors for a term of three years, ending at the close of the Ordinary General Meeting in 2007. The meeting acknowledged Baron Jan Huyghebaert's resignation from the Board. Sir Anthony Galsworthy and Mr. Bernard van de Walle de Ghelcke were appointed as Directors for a term of three years, ending at the close of the Ordinary General Meeting in 2007. Mr. Pol Bamelis was appointed as an independent Director within the meaning of Article 524 of the Belgian Companies Code and in accordance with the interim provision of Article 53, para 2, of the Act of 2 August 2002. Sir Anthony Galsworthy was appointed as an independent Director within the meaning of the above-mentioned Article 524. Mr. Gary Allen and Baron Georges Jacobs were confirmed in their capacity as independent Directors within the meaning of the above-mentioned Article 524 and interim provision. Deloitte & Partners Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Messrs. Geert Verstraeten and Guy Wygaerts, was re-appointed as Statutory Auditor for a term of three years, ending at the close of the Ordinary General Meeting in 2007. The annual remuneration of the members of the Board of Directors for 2004 was maintained at € 52 058 per person, of which € 37 184 was fixed and € 14 874 was variable, based on attendance at six meetings. The remuneration of the Statutory Auditor for 2004 was set at € 78 000.

An Extraordinary General Meeting held on 12 May 2004 renewed the Board's authority to repurchase the company's own shares for a period of eighteen months, and for a period of three years to prevent a threatened serious harm to the company (including a public takeover bid). The Board's authority to increase the registered capital by a maximum amount of € 170 million (authorised capital) was extended for five years. In the event of a public bid for the company's shares, such extension is valid for three years and special restrictions apply. Also, the advisory committees of the Board of Directors were regulated in the Articles of Association (cf. below).

A provision was included in the Articles of Association in 2003 authorising the Board of Directors to transfer its management powers to an executive committee. The Board of Directors has not exercised this authority to date.

Composition of the Board of Directors

The Board of Directors of NV Bekaert SA consists of fourteen members, eight of whom represent the reference shareholders. Only the Chief Executive Officer, who is responsible for the day-to-day management of the company, has an executive function. All other members are non-executive directors. Four directors are independent.

The members of the Board of Directors are appointed for a three-year term and are eligible for re-appointment. New candidates must notify the Board of Directors at least two months prior to the Ordinary General Meeting. The selection of new candidates for Board membership is formally entrusted to the Nomination, Compensation and Pensions Committee. The selection criteria relate to the contribution which the candidate can make to the Board of Directors on the basis of talent, interest, background and willingness and ability to devote adequate time to the office. In the case of a nomination for re-appointment, the quality of the actual contribution to the Board is considered. Membership of the Board of Directors is subject to a minimum age limit of 35 and a maximum age limit of 67. Only in the case of the Chairman and the Chief Executive Officer is membership of the Board their principal occupation. The candidates proposed by the Nomination, Compensation and Pensions Committee are nominated by the Board for appointment by the General Meeting.

Name	Position	Term expires	Principal occupation[1]	Membership of committees[2]
Members representing reference shareholder				
Baron Leon Bekaert	Director	2006	Director of companies	SC
Roger Dalle	Director	2007		NCPC
Count Charles de Liedekerke	Director	2006	Director of companies	SC
François de Visscher	Director	2007	President of de Visscher & Co. (USA)	A&F
Hubert Jacobs van Merlen	Director	2006	President and Chairman, IEE SA (Luxembourg)	
Maxime Jadot	Director	2006	Head of Investment Banking, Fortis Bank (Belgium)	SC/NCPC
Bernard van de Walle de Ghelcke	Director	2007	Partner, Linklaters	
Baudouin Velge	Director	2007	Chief Executive Officer, FEDIS (Belgium)	A&F
Management				
Julien De Wilde	Chief Executive Officer	2006	NV Bekaert SA	SC/A&F
Other members				
Baron Paul Buysse	Chairman	2006	NV Bekaert SA	SC/A&F/NCPC
Gary J. Allen	Independent Director	2005		A&F/NCPC
Pol Bamelis	Independent Director	2007	Director of companies	SC
Sir Anthony Galsworthy	Independent Director	2007	Director of companies	
Baron Georges Jacobs	Independent Director	2005	Chairman of the Board of Directors, UCB (Belgium)	

Situation as of 31 March 2005

[1] *An extensive curriculum vitae of all Directors is available on the Bekaert website.*
[2] *SC: Strategic Committee – A&F: Audit & Finance Committee – NCPC: Nomination, Compensation and Pensions Committee*

Functioning of the Board of Directors

The Board met on eight occasions in 2004. Seven were regular meetings, at which the average attendance rate was 93.7%, and one was held in the presence of a notary public for the purpose of issuing subscription rights within the limits of the authorised capital. One regular meeting was held on 16 September 2004 at the Bekaert Shenyang Steel Cord Co., Ltd, plant in Shenyang (Liaoning province, China).

All resolutions were adopted by consensus. The Board of Directors did not make use in 2004 of the options provided by the Articles of Association of holding meetings and adopting resolutions via teleconferencing or videoconferencing or by unanimous written consent, nor of its freedom to enlist the assistance of independent experts at the company's expense.

In addition to its statutory powers and powers under the Articles of Association, the Board of Directors in 2004 approved amongst others the update of the strategy proposed by management. It approved major investments and acquisitions and the issue of subscription rights in accordance with the company's stock option plan (SOP1), which was introduced in 1999. The Board monitored the implementation of the strategy and performance against three-year plans and one-year budgets and drew up the 2003 annual accounts.

The Chief Executive Officer monitors the activities of the subsidiaries, joint ventures and associates. Their boards generally consist of management personnel, but in a few instances they include members of the Board of Directors of the parent company, who in that case represent the Chief Executive Officer.

The Board of Directors is assisted by three committees:

Strategic Committee

The Strategic Committee (membership: cf. table) has six members, is chaired by the Chairman of the Board, and further consists of the Chief Executive Officer and four Directors, one of whom is independent and three of whom represent the reference shareholders. The Group Secretary acts as its secretary. The Strategic Committee, which met four times in 2004, advises the Board of Directors on general policy and on the principal strategic decisions. The Chairman formally reports the recommendations of the Strategic Committee to the Board for approval.

Audit & Finance Committee

The Audit & Finance Committee (membership: cf. table) has six members, is chaired by the Chairman of the Board, and further consists of the Chief Executive Officer, three Directors, one of whom is independent and two of whom represent the reference shareholders, and the Chief Financial & Administration Officer (who also acts as secretary). This composition ensures that the necessary dialogue takes place between the Board of Directors and management. The Audit & Finance Committee met on three occasions in 2004. The Committee advises on the financial statements, the full year and half-year results, the proposed dividend, the annual report, the indebtedness, the valuation rules, the hedging of foreign currency exposure and forward purchasing of strategic materials, internal financial and operational controls, the selection and remuneration of the Statutory Auditor and compliance with its recommendations and advice on appropriate financial procedures. The full Audit & Finance Committee meets twice a year to receive the reports of the internal auditors and the Statutory Auditor. A number of meetings are also held each year between the Chairman of the Audit & Finance Committee, who is also the Chairman of the Board of Directors, and the Statutory Auditor. The Chairman formally reports the recommendations of the Audit & Finance Committee to the Board for approval. Particular attention was devoted in 2004 to the scope and efficiency of the internal control systems. The Audit & Finance Committee approves the Board of Directors' operating budget and monitors actual expenditure.

Nomination, Compensation and Pensions Committee

The Nomination, Compensation and Pensions Committee (membership: cf. table) has four members, is chaired by the Chairman of the Board, and further consists of three Directors, one of whom is independent and two of whom represent the reference shareholders. The Chief Executive Officer acts as secretary. The Committee met four times in 2004.

The Committee advises the Board on the (re)appointment of Directors, the appointment and remuneration of the members of the Bekaert Group Executive (cf. below), senior management remuneration policy and all aspects of the company's subscription rights and option plans.

The Chairman formally reports the recommendations of the Nomination, Compensation and Pensions Committee to the Board for approval.

Conflicts of interest within the Board of Directors

As prescribed by company law, the members of the Board of Directors are expected to give the Chairman prior notice of any agenda items in respect of which they have a direct or indirect conflict of interest of a financial nature with the company, and to refrain from participating in the discussion of and voting on those items. Two such conflicts of interest arose in 2004.

Except from the minutes of 16 September 2004.
Indemnification of civil directors liability of Sir Anthony Galsworthy
The Chairman informs the members of the Board that he received a letter, dated 1 September 2004, from Sir Anthony Galsworthy reporting a conflict of interest in connection with the Board's discussion and decision relative to the indemnification of his civil directors liability by the company. The conflict arises from the fact that Sir Anthony Galsworthy will be the beneficiary of the indemnification. Sir Anthony Galsworthy also informed the company's independent auditors in writing on 1 September 2004. Sir Anthony Galsworthy thereupon leaves the Board room.

The Chairman explains that it has been the company's policy since a number of years to indemnify its directors and officers from their civil liability incurred in the performance of their duties as such. The policy was introduced in response to the increasing legal exposure of directors and officers. It has become established international market practice, and is viewed as a prerequisite to attracting highly qualified individuals to serve on boards of directors and senior management positions. The company has contracted an insurance policy to cover the cost of such indemnification commitments. The aggregate directors' and officers' liability insurance premium in respect of the directors and officers of the company, and of its wholly or majority owned subsidiaries worldwide, amounts to approx. USD 88 000 for the current annual insurance period. In the Chairman's opinion, the adoption of the proposed resolution is in the company's interest.
Resolution: The Board resolves to fully indemnify Sir Anthony Galsworthy from and against any and all financial consequences of his civil liability as a director of the company, except if such liability results from his fraudulent intent or wilful misconduct. Sir Anthony Galsworthy thereupon returns to the Board room.

Indemnification of civil directors liability of Mr Bernard van de Walle de Ghelcke
The Chairman informs the Members of the Board that he received a letter, dated 31 August 2004, from Mr. Bernard van de Walle de Ghelcke reporting a conflict of interest in connection with the Board's discussion and decision relative to the indemnification of his civil directors liability by the company. The conflict arises from the fact that Mr. Bernard van de Walle de Ghelcke will be the beneficiary of the indemnification. Mr. Bernard van de Walle de Ghelcke also informed the company's independent auditors in writing on 31 August 2004. Mr. Bernard van de Walle de Ghelcke thereupon leaves the Board room.

The Chairman refers to his expose on the previous agenda item. In his opinion, the adoption of the proposed resolution is in the company's interest.
Resolution: The Board resolves to fully indemnify Mr. Bernard van de Walle de Ghelcke from and against any and all financial consequences of his civil liability as a director of the company, except if such liability results from his fraudulent intent or wilful misconduct. Mr. Bernard van de Walle de Ghelcke thereupon returns to the Board room.

Remuneration of the Board of Directors

The annual remuneration of the members of the Board of Directors consists of a fixed fee and a variable fee, plus reimbursement of expenses incurred in the performance of their duties. The Ordinary General Meeting on 12 May 2004 determined that the annual remuneration of the members of the Board of Directors would remain unchanged at € 52 058, consisting of a fixed fee of € 37 184 and a variable fee of € 14 874, based on attendance at six meetings. With the exception of the Chairman and the Chief Executive Officer, the members of the Board of Directors receive no stock options nor any other benefit in kind. With the exception of the Chairman and the Chief Executive Officer, the members of the Board of Directors who are members of the committees of the Board receive a fee of € 1 487 for each meeting they attend. In 2004, the total remuneration of the Directors of NV Bekaert SA in respect of their service on the Board and on committees, amounted to € 2.70 million.

Daily management of the company

The daily management of the company is the responsibility of the Chief Executive Officer, who reports to the Board of Directors. He is assisted by the Bekaert Group Executive, consisting of himself as chairman and four members with responsibility for the various activity platforms and for finance and administration. The Bekaert Group Executive, which meets on average twice per month, is responsible for developing, implementing and monitoring the strategy of each activity platform and of the various functional units, for formulating and monitoring the short-term and long-term plans and for the results of the various activity platforms and the Group.

Senior management remuneration policy

The Nomination, Compensation and Pensions Committee formulates all recommendations relating to the nomination and remuneration of the Group Executive Vice Presidents and Group Vice Presidents, on the proposal of the Chief Executive Officer. The committee discusses in depth the remuneration policy, the levels and the individual evaluations of senior management staff.
Senior management remuneration consists of a base salary, a variable bonus, subscription rights or options, a pension plan and life insurance and other customary insurance (such as incapacity). Appointments to the boards of certain subsidiaries are also remunerated. Senior management staff are provided with all the equipment needed to perform their duties. Remuneration is benchmarked at regular intervals through external comparative studies by independent consultants. The variable remuneration of senior management staff is based on individual performance and the results achieved in the area for which they are accountable. The number of subscription rights for or options on NV Bekaert SA shares offered to senior management staff depends on the achievement of pre-defined targets relative to Bekaert's group result.
Post-employment benefits consist of a defined-benefit plan funded through V.Z.W. Bekaert Pensioenfonds and a defined-contribution plan funded through an external insurance company.

The total remuneration of all Group Executive Vice Presidents and Group Vice Presidents for 2004 was as follows:

in thousands of €

	Total	Average
Number of persons	17	-
Short-term employee benefits		
Basic remuneration	3 019	178
Variable remuneration	1 712	101
Remuneration as directors of subsidiaries	761	45
Post-employment benefits		
Pension defined benefit plans	205	12
Defined contribution pension plans	399	24
Other long-term benefits	-	-
Termination benefits	-	-
Total gross remuneration	**6 469**	**381**
Number of subscription rights/option granted (stock option plan)	50 420	2 966

Senior management includes all Group Executive Vice Presidents and Group Vice Presidents.

Policy on profit appropriation

It is the policy of the Board of Directors to propose a profit appropriation to the Ordinary General Meeting which provides, in so far as the profit permits, a stable or growing dividend while maintaining an adequate level of cash flow for investment and self-financing. In practice, this means that Bekaert seeks to maintain a pay-out ratio of around 40% of the consolidated net result over the longer term.

Relationships with reference shareholders

Stichting Administratiekantoor Bekaert was established in order to rationalise the reference shareholders' interests. The Stichting, which is jointly controlled by a number of physical persons and companies representing the reference shareholders, holds 4 741 750 shares or 21.68% of the issued share capital of NV Bekaert SA. Stichting AK Bekaert and the physical persons and companies referred to further in this annual report act in concert, and together own 9 209 380 shares or 42.10% of the issued share capital of NV Bekaert SA.

Stock option plans

1) Subscription rights were issued for the sixth and last time in 2004, within the limits of the authorised capital, under the stock option plan introduced in 1999 (SOP 1). The Board of Directors executed a notarial deed on 30 September 2004 to issue 167 394 subscription rights to senior management and executive employees of the company and a number of subsidiaries, excluding the pre-emptive rights of the existing shareholders. Each subscription right is convertible into one NV Bekaert SA share at an exercise price of € 47.29. Up to the end of 2004, a total of 536 664 subscription rights had been issued under SOP 1. An overview is shown in Note 5.11 further in this annual report.

During the period 16-30 November 2004, subscription rights of the first and second series, issued in 2000, were exercised for the first time. A total of 23 705 subscription rights were exercised, resulting in the issue of 23 705 new NV Bekaert SA shares and increasing the company's share capital to € 171 million.

2) Under a second stock option plan (SOP 2), which is restricted to a maximum of 50 individuals and was approved by the Board of Directors in 2000, for the Chairman, the Chief Executive Officer and senior managers of the company and its subsidiaries whether employees or self-employed, a total of 32 800 options were granted in 2004 subject to the same conditions as those applying to employees under SOP 1. If and when these options are exercised, NV Bekaert SA will purchase own shares on the stock exchange. By the end of 2004, a total of 52 920 options had been granted under SOP 2. An overview is shown in Note 5.11 further in this annual report.

Repurchase of own shares

A total of 220 300 NV Bekaert SA shares were repurchased in 2004 at an average price of € 46.28 and subsequently cancelled, in order to avoid a possible future dilution of the voting rights of the existing shares as a result of the conversion of subscription rights into shares. Following the cancellation of the shares, the Articles of Association of NV Bekaert SA were amended accordingly.

Jerome Lee
Internal audit,
Akron, USA

FINANCIAL REVIEW

Cycle wheel

Bekaert spoke wire for cycle wheels with Bezalplast coating are offered in high strength, superior corrosion resistance and are offered in a wide range of colours.

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Executive summary

Bekaert had a record year in 2004, a year of exceptional market conditions. Despite continuing volatility on the raw material markets, which translated into higher selling prices, Bekaert was able, through efficient internal organisation, to maintain uninterrupted supplies to its customers. Bekaert achieved substantial volume growth in most of its activities and strengthened its position in most of its markets.
Bekaert further streamlined its product portfolio to meet the changing demands of markets and customers more effectively but also invested in expanding its production capacity, chiefly in Europe and Asia. While continuing to give high priority to quality and cost control, Bekaert intensified its research and development (R&D) effort significantly in 2004.

Sales

In 2004, Bekaert generated consolidated and combined sales[1] of € 2.2 billion (+21%) and € 3.1 billion (+20%), respectively[2].
The consolidated sales increase was 22% from organic growth and 3% from the net movement in acquisitions and divestments, while adverse currency movements amounted to 4%.
Bekaert achieved strong organic sales growth in all business segments and all regions in 2004.

Advanced wire products

Combined sales of advanced wire products were 21% higher (wire Europe +17%, wire North America +22%, wire Latin America +32%, wire Asia +49%, building products +20%, steel cord China +1%, steel cord others +21% and other advanced wire products +2%).
Despite the difficulties on the raw material markets, advanced wire products had a very good year. With the economy picking up in Europe and North America, Bekaert made significant progress in consolidating the market positions of the majority of its advanced wire products. Wire Asia achieved substantial growth and a strong performance was delivered in most Latin American countries, in a very good economic climate, mainly as a result of substantial volume growth. Worldwide demand for steel cord products for tire reinforcement was especially strong. Growth slowed temporarily in China, due to government measures, but the market improved a little by the end of the year. Bekaert expanded its sales organisation in China, thereby focusing on the needs of the various customer groups. Because the new Chinese production capacity is fully integrated into Bekaert's global production platform for steel cord products, exports from China helped meet the high level of demand in other parts of the world, which also contributed to the vigorous growth of the activity platform steel cord others.
Consolidated sales of advanced wire products benefited from external growth with the acquisition of Bekaert Hlohovec, a.s. (Slovakia) and the purchase of the outstanding shares in Contours Ltd (USA), which were included in the 2003 consolidated figures for nine months and six months, respectively.
The result from operations reflected the strong growth in advanced wire products' volume. In addition, the effect of applying the inventory valuation rules in the context of significant price increases for raw materials amounted to € 35 million.

Fencing systems Europe[3]

Combined sales for fencing systems Europe were 19% higher.
Fencing systems Europe's strong performance reflected a good season and substantial volume growth in industrial fences, as well as further expansion of the project business.
The impact of inventory valuation amounted to € 11 million.

Advanced materials

Combined sales of advanced materials recorded growth of 13% (fibre technologies +7%, combustion technologies +53%, composites -24%).
Bekaert achieved sustained organic growth in fibre technologies and combustion technologies. Significant additional growth in combustion technologies was gained from the acquisition of Solaronics, which was successfully integrated in the ensuing months and will make its full contribution to the result from 2005 onwards. Bekaert withdrew from its composite profiles activities at the end of 2003.

[1] *Combined sales are sales generated by consolidated companies, joint ventures and associates.*
[2] *All comparisons are made relative to 2003.*
[3] *The business segment fencing systems Europe consists of the companies involved in the sales transaction completed on 1 March 2005, i.e. Bekaert Fencing NV and its subsidiaries. The handling activity, formerly reported in this segment, is now reported in 'intersegment sales and others'. The comparisons are based on the restated 2003 figures.*

Advanced coatings

Combined sales of advanced coatings were up by 7% (industrial coatings +15%, specialised films +2%). Demand grew for industrial coatings generally and for diamond-like coatings in particular. In the autumn of 2004, an additional production facility was set up in Suzhou (China) which will specialise in applying those high-quality coatings to moulds used in various industrial applications. In the coming years, Bekaert is planning to add several more facilities worldwide. This will also enable the company to provide an even faster service to its customers.
In specialised films, the level of activity in the United States was stable. Thanks to the expansion of Bekaert's sales organisations, important growth was achieved in Europe and Asia.
The growth in consolidated sales of advanced coatings was also due in part to the increase in Bekaert's interest in Sorevi S.A. (France) and Precision Surface Technology Pte Ltd (Singapore).
The intensification of the R&D effort and the further development of the sales organisations significantly impacted on the operating result. An impairment was applied to one of the niche applications of specialised films.

Profitability

Bekaert achieved a consolidated operating result (EBIT) of € 185.1 million compared with € 111.8 million (+66%), representing an EBIT margin on sales of 8.5% (6.2%). Non-recurring items, including various impairments, had a negative impact of € 14.3 million. The result was also adversely affected by additional provisions for employee benefit obligations.
The consolidated net result amounted to € 167.6 million compared with € 86.7 million, an increase of 93%. Non-operating income and expenses included an impairment of € 4.6 million on the handling activity and a positive result of € 3.6 million on financial instruments.
The companies accounted for under the equity method contributed € 56.8 million (€ 36.9 million[1]) to the result.

Balance sheet

As at 31 December 2004, total equity represented 44% of total assets.

Cash flow

Operational cash flow (EBITDA) increased to € 316.7 million. Cash flow amounted to € 307.1 million, or € 14.04 per share. Cash provided by operating activities amounted to € 159.7 million and depreciation, amortisation and impairments totalled € 131.6 million. Working capital amounted to € 452.6 million (€ 354.0 million), reflecting the higher sales and the corresponding level of inventories. Cash used in investing activities by the consolidated companies totalled € 159.7 million. Acquisitions of interests in other companies amounted to € 16.7 million. Investments in tangible assets totalled € 166.2 million, mainly in connection with expansion projects in Europe and Asia. Reflecting the ambitious expansion programme and the increase in working capital, net debt increased to € 409.3 million and the gearing ratio (net debt / total equity) was 43%.

NV Bekaert SA (statutory accounts)

The parent company's sales amounted to € 620.0 million and its profit to € 57.7 million.

Dividend

In the light of Bekaert's very strong performance in 2004 and its confidence in the future, the Board of Directors will invite the General Meeting of Shareholders to approve an increase in the gross dividend of 7%, to € 1.875 per share. To celebrate Bekaert's 125th anniversary in 2005, the Board of Directors will also propose an exceptional increase in the dividend of € 0.125 per share. If both proposals are accepted, a gross dividend of € 2 per share will be distributed, equivalent to a net dividend per share of € 1.5. The net dividend on shares with VVPR strip, giving entitlement to reduced withholding tax of 15%, will be € 1.7 per share in that case. The dividend will be payable as from 18 May 2005.

Events after balance sheet date

In early 2005, Bekaert sold the shares in Bekaert Fencing NV to Gilde, an investment company, for an enterprise value of € 281.5 million. In 2004, this business segment generated combined sales of € 454.0 million and an operating result of € 51.7 million. The capital gain on this transaction, which was completed on 1 March 2005 with effect as of 1 January 2005, is expected to amount to € 56 million.

[1] *As most of the Latin American joint ventures have adopted IFRS, the figures for 2003 have been restated.*

Definitions

Capital employed (CE)	Working capital + net intangible assets + net goodwill + net property, plant & equipment. The average CE is computed as capital employed at previous year-end plus capital employed at balance sheet date divided by two.
Cash flow	Consolidated net result of the Group + depreciation, amortisation and impairment on assets.
Equity (total)	For ratio calculation purposes, total equity includes equity attributable to equity holders of the parent and minority interests.
Equity method	A method of accounting whereby the investment (an interest in a joint venture or associate) is initially recorded at cost and subsequently adjusted for any changes in the investor's share of net assets (ie equity) of the investee (the joint venture or associate). The income statement reflects the investor's share in the net result of the investee.
Financial autonomy	Total equity relative to total assets.
Gearing	Net debt relative to total equity.
Net debt	Financial liabilities net of current loans, current financial assets and cash & cash equivalents. Derivatives are not included; neither are any value adjustments as a result of hedge accounting.
Operating cash flow (EBITDA)	Result from operations (EBIT) + depreciation, amortisation and impairment on assets.
ROCE	Result from operations (EBIT) relative to average capital employed.
Sales (combined)	Sales of consolidated companies + 100% of sales of joint ventures and associates.
Working capital	Inventories + trade receivables – trade payables – advances received – remuneration and social security charges – withholding taxes on remuneration.

Financial statements

Consolidated income statement

in thousands of €

YEARS ENDED 31 DECEMBER	Notes	2004	2003
Sales	4.1	2 173 167	1 796 987
Cost of sales	4.2	(1 682 369)	(1 424 481)
GROSS PROFIT	4.2	**490 798**	**372 506**
Distribution & selling expenses	4.2	(111 666)	(111 496)
General & administrative expenses	4.2	(108 933)	(100 632)
Research & development expenses	4.2	(53 867)	(35 928)
Other revenues	4.1	19 559	20 135
Other expenses	4.2	(50 810)	(32 784)
RESULT FROM OPERATIONS	4.3	**185 081**	**111 801**
Interest income & expenses	4.4	(26 595)	(32 305)
Non-operating income & expenses	4.5	(3 971)	(10 660)
RESULT FROM ORDINARY ACTIVITIES BEFORE TAXES		**154 515**	**68 836**
Income taxes	4.6	(28 113)	(8 158)
RESULT FROM ORDINARY ACTIVITIES AFTER TAXES		**126 402**	**60 678**
Share in the result of joint ventures and associates	4.7	56 772	36 911[1]
Amortisation goodwill on joint ventures and associates	4.7/5.4	(3 220)	(3 429)
Minority interests	5.13	(12 350)	(7 486)
CONSOLIDATED NET RESULT OF THE GROUP		**167 604**	**86 674**[2]
EARNINGS PER SHARE	4.9/2		
RESULT FROM ORDINARY ACTIVITIES BEFORE TAXES (euros per share)			
including discontinuing operations			
Basic		7.049	3.113
Diluted		7.038	3.113
excluding discontinuing operations			
Basic		5.087	2.412
Diluted		5.079	2.412
CONSOLIDATED NET RESULT OF THE GROUP (euros per share)			
including discontinuing operations			
Basic		7.646	3.920[3]
Diluted		7.634	3.920
excluding discontinuing operations			
Basic		5.685	3.230
Diluted		5.676	3.230
RESULTS BEFORE NON-RECURRING EVENTS	4.8/4.9		
excluding discontinuing operations	2		
RESULT FROM ORDINARY ACTIVITIES BEFORE TAXES		130 366	64 019
EARNINGS PER SHARE	4.9		
RESULT FROM ORDINARY ACTIVITIES BEFORE TAXES (euros per share)			
Basic		5.947	2.895
Diluted		5.938	2.895

The accompanying notes are an integral part of this income statement.
The impact of discontinuing operations is set out in note 2.

[1] *Impact of restatement to IFRS by joint ventures is + € 1 461 (reported last year € 35 450). See note 4.7.*
[2] *Impact of restatement to IFRS by joint ventures is + € 1 461 (reported last year € 85 213). See note 4.7.*
[3] *Impact of restatement to IFRS by joint ventures is + 0.066 euros per share (reported last year € 3.854). See note 4.9.*

All financial amounts are expressed in thousands of €

Consolidated balance sheet

in thousands of €

ASSETS 31 DECEMBER	Notes	2004	2003
NON-CURRENT ASSETS		**1 222 943**	**1 165 644**
Intangible assets	5.1	42 438	48 542
Goodwill and negative goodwill	5.2	75 982	70 917
Property, plant & equipment	5.3	791 620	757 564
– Land and buildings		*207 091*	*211 542*
– Plant, machinery and equipment		*482 582*	*475 266*
– Furniture and vehicles		*10 846*	*9 557*
– Other		*4 025*	*3 425*
– Under construction and advance payments		*87 076*	*57 774*
Investments accounted for under the equity method	5.4	219 707	201 006[1]
Loans and receivables	5.6	356	860
Financial assets		92 840	86 755
– Available-for-sale financial assets	*5.5*	*6 351*	*13 126*
– Derivatives	*5.17*	*86 489*	*73 629*
CURRENT ASSETS		**948 251**	**756 936**
Inventories	5.7	419 300	322 642
– Raw materials & consumables		*145 982*	*102 284*
– Work in progress & finished goods		*252 767*	*200 971*
– Goods purchased for resale & advance payments		*20 551*	*19 387*
Amounts receivable		421 707	338 588
– Trade receivables	*5.7*	*385 176*	*307 740*
– Loans	*5.8*	*763*	*5 766*
– Other receivables	*5.9*	*35 768*	*25 082*
Financial assets		45 457	32 571
– Available-for-sale financial assets		*32*	*48*
– Derivatives	*5.17*	*3 621*	*1 916*
– Short-term deposits		*41 804*	*30 607*
Cash & cash equivalents		57 059	50 468
Deferred charges and accrued income	5.9	4 728	12 667
DEFERRED TAX ASSETS	5.10	**18 153**	**15 064**
TOTAL		**2 189 347**	**1 937 644**

The accompanying notes are an integral part of this balance sheet.
The impact of discontinuing operations is set out in note 2.

[1] *Impact of restatement to IFRS by joint ventures is +€ 11 884 (reported last year € 189 122). See note 5.4.*

in thousands of €

EQUITY AND LIABILITIES 31 DECEMBER	Notes	2004	2003
EQUITY		**909 708**	**790 834**
Share capital	5.11	171 000	170 000
– Issued capital		*171 000*	*170 000*
Reserves and retained earnings		883 119	759 659[1]
Hedging reserve	5.12	(1 061)	(3 018)
Cumulative translation adjustment		(143 350)	(135 807)[2]
MINORITY INTERESTS	5.13	**48 831**	**43 344**
NON-CURRENT LIABILITIES		**463 172**	**539 270**
Employee benefit obligations	5.14	172 004	171 435
Provisions	5.15	44 436	43 804
Financial liabilities		246 477	322 169
– Finance leases	*5.16*	*1 581*	*1 034*
– Credit institutions	*5.16*	*131 946*	*204 317*
– Bonds	*5.16*	*108 760*	*106 998*
– Derivatives	*5.17*	*4 190*	*9 820*
Other amounts payable	5.16	255	1 862
CURRENT LIABILITIES		**704 212**	**499 516**
Financial liabilities		314 370	177 343
– Current portion of non-current financial liabilities	*5.16*	*75 394*	*8 480*
– Credit institutions	*5.16*	*236 583*	*168 103*
– Derivatives	*5.17*	*2 393*	*760*
Trade payables	5.7	250 798	191 417
Advances received on contracts in progress	5.7	2 446	6 245
Employee benefit obligations	5.7	88 734	69 922
Taxes		31 643	24 937
– Income taxes		*12 637*	*7 289*
– Other taxes		*19 006*	*17 648*
Other amounts payable	5.18	9 067	22 005
Accrued charges and deferred income	5.18	7 154	7 647
DEFERRED TAX LIABILITIES	5.10	**63 424**	**64 680**
TOTAL		**2 189 347**	**1 937 644**

The accompanying notes are an integral part of this balance sheet.
The impact of discontinuing operations is set out in note 2.

[1] *Impact of restatement to IFRS by joint ventures is + € 12 617 (reported last year € 747 042).*
[2] *Impact of restatement to IFRS by joint ventures is € (733) (reported last year € (135 074)).*

Consolidated statement of changes in shareholders' equity

in thousands of €

	Share capital	Share premium	Treasury shares	Hedging reserve	Retained earnings	Deferred tax booked in equity	Cumulative translation adjustment	Total
BALANCE AT 1 JANUARY 2003	**170 000**	**-**	**-**	**(13 015)**	**684 534**	**22 728**	**(105 844)**	**758 403**
RESTATEMENT [1]	**-**	**-**	**-**	**-**	**665**	**-**	**-**	**665**
BALANCE AT 1 JANUARY 2003 AFTER RESTATEMENT	**170 000**	**-**	**-**	**(13 015)**	**685 199**	**22 728**	**(105 844)**	**759 068**
Result of the Group as reported last year	-	-	-	-	85 213	-	-	85 213
Restatement [2]	-	-	-	-	11 952	-	(733)	11 219
Result recognised directly in equity:								
- Foreign exchange translation differences	-	-	-	-	-	-	(29 230)	(29 230)
- Cash flow hedges [3]	-	-	-	9 997	-	-	-	9 997
- Other	-	-	-	-	(4 702)	(1 382)	-	(6 084)
Own shares acquired	-	-	(2 185)	-	-	-	-	(2 185)
Cancellation own shares	-	-	2 185	-	(2 185)	-	-	-
Dividends to shareholders	-	-	-	-	(37 164)	-	-	(37 164)
BALANCE AT 31 DECEMBER 2003	**170 000**	**-**	**-**	**(3 018)**	**738 313**	**21 346**	**(135 807)**	**790 834**
BALANCE AT 1 JANUARY 2004	**170 000**	**-**	**-**	**(3 018)**	**738 313**	**21 346**	**(135 807)**	**790 834**
Result of the Group as reported	-	-	-	-	167 604	-	-	167 604
Result recognised directly in equity:								
- Foreign exchange translation differences	-	-	-	-	-	-	(7 543)	(7 543)
- Cash flow hedges [3]	-	-	-	1 957	-	-	-	1 957
- Other	-	-	-	-	4 916	(806)	-	4 110
Creation of new shares	1 000	249	-	-	-	-	-	1 249
Own shares acquired	-	-	(9 924)	-	-	-	-	(9 924)
Cancellation own shares	-	-	9 924	-	(9 924)	-	-	-
Dividends to shareholders	-	-	-	-	(38 579)	-	-	(38 579)
BALANCE AT 31 DECEMBER 2004	**171 000**	**249**	**-**	**(1 061)**	**862 330**	**20 540**	**(143 350)**	**909 708**

The accompanying notes are an integral part of this statement.
The impact of discontinuing operations is set out in note 2.

[1] *Relates to the restatement impact on the opening equity; see 'Impact of first application of IFRS by joint ventures' under note 1.*
[2] *Relates to the restatement impact on the result (+ € 1 461) and on other elements (mainly timing differences on dividend recognition and translation effects) of the closing equity as of 31 December 2003; see note 5.4. 'Investments accounted for under the equity method'.*
[3] *See note 5.12 'Hedging reserve'.*

All financial amounts are expressed in thousands of €

Consolidated cash flow statement

in thousands of €

YEARS ENDED 31 DECEMBER	2004	2003
OPERATING ACTIVITIES		
Result from operations	185 081	111 801
Non-cash items included in result from operations	131 042	96 096
- Depreciation and amortisation	*122 629*	*127 307*
- Impairment losses on assets	*9 005*	*-*
- (Gains) / losses on disposals of assets	*3 303*	*(2 602)*
- Provision for liabilities and charges	*(7 521)*	*(28 609)*
- Venture capital funds transfer to R&D	*3 626*	*-*
Income taxes	(32 865)	(18 490)
Gross cash provided by operating activities	**283 258**	**189 407**
Change in operational working capital	(112 585)	(18 570)
Change in other working capital	(12 780)	(18 503)
Other non-operating cash flows	1 843	(2 201)
CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	**159 736**	**150 133**
INVESTING ACTIVITIES		
New investments acquired and capital increases	(16 686)	(33 947)
Proceeds from sales and disposals of investments	63	5 701
Gross (increase) / decrease non-current loans and receivables	503	(243)
Dividends received from companies accounted for under the equity method	22 772	18 902
Cash provided by / (used in) portfolio related activities	**6 652**	**(9 587)**
Purchase of intangible assets	(6 629)	(9 519)
Purchase of property, plant & equipment	(166 236)	(108 630)
Proceeds from sales of intangible assets	22	-
Proceeds from sales of property, plant & equipment	6 623	11 738
Proceeds from government grants	(88)	(11)
Cash provided by / (used in) industrial related activities	**(166 308)**	**(106 422)**
CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	**(159 656)**	**(116 009)**
FINANCING ACTIVITIES		
Interest received	3 229	3 329
Interest paid	(19 232)	(21 574)
Gross dividend paid	(45 314)	(44 860)
New shares issued from exercised subscription rights	1 249	-
Capital paid in by minority interests	422	249
(Increase) / decrease treasury shares at cost	(10 041)	(2 185)
Cash flows from non-current financial liabilities	6 337	82 153
Cash flows from current financial liabilities	76 875	(40 025)
(Increase) / decrease current loans and receivables	5 021	1 652
(Increase) / decrease current financial assets [1]	(11 231)	(11 542)
CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES	**7 315**	**(32 803)**
NET INCREASE IN CASH & CASH EQUIVALENTS	**7 395**	**1 321**
CASH & CASH EQUIVALENTS AT 1 JANUARY	**50 468**	**52 381**
Effect of exchange rate changes on cash & cash equivalents	(804)	(3 234)
CASH & CASH EQUIVALENTS AT 31 DECEMBER	**57 059**	**50 468**

The accompanying notes are an integral part of this statement.
The impact of discontinuing operations is set out in note 2.

[1] *excluding derivatives*

All financial amounts are expressed in thousands of €

Notes to the consolidated financial statements

1. Summary of principal accounting policies

1.1. Statement of compliance

NV Bekaert SA (the 'Company') is a company domiciled in Belgium. The Company's consolidated financial statements include those of the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in companies accounted for under the equity method. The consolidated financial statements were authorised for issue by the Board of Directors on 16 March 2005.
The accompanying consolidated accounts have been prepared in full conformity with the International Financial Reporting Standards ('IFRSs'), including International Accounting Standards ('IASs'), IFRIC and SIC interpretations issued by the International Accounting Standards Board ('IASB'), all of which have been approved by the European Union. The Company has opted not to elect early application of any new or improved standards.

1.2. General principles

Basis of preparation

The consolidated financial statements are presented in thousands of euros, under the historical cost convention, except that investments held for trading and available for sale are stated at their fair value. Financial assets which do not have a quoted market price in an active market and with market value that cannot be reliably measured, are carried at cost.
The accounting policies were applied consistently with the previous year. Because the data necessary for the accurate restatement of periods before 2000, as presented in the 'Historical Review', are not available, these periods have not been restated.

Principles of consolidation

Subsidiaries

Subsidiaries are enterprises over which NV Bekaert SA exercises control, which generally means that NV Bekaert SA, directly or indirectly, holds more than 50% of the voting rights attaching to the enterprise's share capital and is able to govern its financial and operating policies so as to obtain benefits from its activities. Acquisitions are accounted for by the purchase method, in accordance with IAS 22 'Business Combinations' for business combinations agreed before 31 March 2004 and in accordance with IFRS 3 'Business Combinations' for business combinations agreed on or after that date. The financial statements of subsidiaries are included in the consolidated financial statements from the date when the Group acquires control until the date when control is relinquished. All intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the diminution in value is permanent. The equity and net result attributable to minority shareholders are shown separately in the balance sheet and income statement, respectively.

Joint ventures and associates

A joint venture is a contractual arrangement whereby NV Bekaert SA and other parties undertake, directly or indirectly, an economic activity that is subject to joint control. Associates are companies in which NV Bekaert SA, directly or indirectly, has a significant influence, and which are neither subsidiaries nor joint ventures. This is presumed if the Group holds at least 20% of the voting rights attaching to the shares. Financial statements of these companies are only restated to the accounting policies applied by the Group when the appropriate information is available. In 2004, the major Latin American joint ventures restated their financial statements to IFRS. The financial statements of other entities are prepared under other accounting policies than those of the Group.

The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures and associates on an equity accounted basis, from the date when joint control or significant influence commences until the date when joint control or significant influence ceases. If the Group's share of the losses of a joint venture or associate exceeds the carrying amount of the investment, the investment is carried at nil value and recognition of additional losses is limited to the extent of the Group's commitment. Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the enterprise, against the investment in the joint venture or the associate. Investments in joint ventures and associates are reassessed if there are indications that the asset has been impaired or that impairment losses recognised in prior years have ceased to apply.

Foreign currency translation

Given the economic substance of the transactions relevant to the Group, the euro is used as presentation currency. Financial statements of foreign entities are translated as follows:

- assets and liabilities are translated at the year-end rate of the European Central Bank;
- income and expenses are translated at the weighted average exchange rate for the year;
- shareholders' equity accounts are translated at historical exchange rates.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, joint ventures and associates at the year-end exchange rates are included in shareholders' equity under 'cumulative translation adjustment'. On disposal of foreign entities, accumulated exchange differences are recognised in the income statement as part of the gain or loss on the sale. The financial statements of the subsidiary Beksa Celik Kord Sanayi ve Ticaret A.S. (Turkey) are presented in its functional currency, the euro, consistent with the economic substance of the transactions relevant to that enterprise.
All assets and liabilities denominated in foreign currency are translated at the exchange rate at the balance sheet date in the financial statements of the parent company and its subsidiaries. Unrealised and realised exchange gains and losses are recognised in the income statement.

1.3 Balance sheet items

Intangible assets

Intangible assets are initially measured at cost. Intangible assets are recognised if it is probable that the future economic benefits which are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. The amortisation period and the amortisation method are reviewed at each financial year-end. A change in the useful life of an intangible asset is accounted for prospectively as a change in estimate. Under the new provisions of IAS 38, intangible assets acquired in a business combination agreed on or after 31 March 2004 can have indefinite useful lives. If the useful life of an intangible asset is deemed indefinite, no amortisation is recognised, but the asset is reviewed at least annually for impairment.

Licences, patents and similar rights

Expenditure on acquired licences, patents, trademarks and similar rights is capitalised and is amortised using the straight-line method over the contractual period, if any, or the estimated useful life, which is normally considered to be not longer than ten years.

Computer software

Generally, costs associated with the acquisition, development or maintenance of computer software programs are recognised as an expense as incurred, but external costs directly associated with the acquisition and implementation of acquired ERP software are recognised as intangible assets.
Computer software costs recognised as assets are amortised over five years using the straight-line method.

Rights to use land

Rights to use land are recognised as intangible assets and are amortised over the contractual period using the straight-line method.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technological 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 prior to commercial production or use, is capitalised if, and only if, all of the recognition criteria set out below are met:
- the product or process is clearly defined and costs are separately identified and reliably measured;
- the technical feasibility of the product is demonstrated;
- the product or process will be sold or used in-house;
- the assets will generate future economic benefits (e.g. a potential market exists for the product or, if for internal use, its usefulness is demonstrated); and
- adequate technical, financial and other resources required for completion of the project are available.

In most cases, these recognition criteria are not met. Capitalised development costs are amortised from the commencement of commercial production of the product using the straight-line method over the period during which benefits are expected to accrue. The period of amortisation does not normally exceed ten years.

Goodwill and negative goodwill

Goodwill represents the excess of acquisition cost over the fair value at the date of acquisition of the Group's share of the net assets acquired. Goodwill is amortised using the straight-line method over its estimated useful life, not exceeding twenty years.
Negative goodwill represents the excess of the fair value over the acquisition cost of the Group's share in the net assets acquired. Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that it relates to expected future losses and expenses which are identified in

the Group's plan for the acquisition and can be reliably measured, but which do not represent identifiable liabilities, negative goodwill is recognised as income as those losses and expenses are incurred. Any remaining negative goodwill, not exceeding the fair value of non-monetary assets acquired, is recognised in the income statement over the remaining useful life of those assets; negative goodwill in excess of the fair value of those assets is recognised in the income statement immediately.

Goodwill and negative goodwill are currently accounted for as an asset of the parent entity and not of the acquired entity. The 'investments accounted for under the equity method' presented in the balance sheet includes the carrying amount of any related goodwill.

As a consequence of the new IFRS 3 'Business Combinations', goodwill relating to business combinations agreed on or after 31 March 2004 is no longer amortised, but is reviewed for impairment at least annually. Negative goodwill relating to business combinations agreed on or after that date is recognised in the income statement. In accordance with the transitional provisions of IFRS 3, amortisation on previously recognised goodwill will be discontinued from 2005 onwards, and the carrying amount of any negative goodwill will be derecognised against equity as at 1 January 2005. As a further consequence of IFRS 3, goodwill will be accounted for as an asset of, and in the currency of the acquiree.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes all direct costs and all expenditure incurred to bring the asset to its working condition and location for its intended use. Borrowing costs are not capitalised.

Subsequent expenditure related to an item of property, plant and equipment is usually charged to income when incurred. Such expenditure is only capitalised when it can be clearly demonstrated that it has resulted in an increase in the expected future economic benefits expected to be obtained from the use of an item of property, plant and equipment in excess of its originally assessed standard of performance.

Depreciation is provided over the estimated useful lives of the various classes of property, plant and equipment using the straight-line method. The useful life and depreciation method is reviewed at least at each financial year-end.

Annual depreciation rates are:

- buildings	5%
- plant, machinery and equipment	8%
- furniture and vehicles	20%
- computer hardware	25%

Improvements to leased buildings are capitalised and depreciated over the remaining term of the lease or their expected useful life if shorter.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (see section on 'impairment of assets' below). Gains and losses on disposals are included in the result from operations.

Leases

Finance leases

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine it; otherwise the company's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets which are owned.

Operating leases

Leases under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Government grants

Government grants relating to the purchase of property, plant and equipment are deducted from the cost of those assets. They are recorded in the balance sheet at their expected value at the time of initial government approval, and corrected, if necessary, after final approval. The grant is recognised as income in proportion to the depreciation of the underlying fixed assets.

Financial assets

Financial assets, except derivatives, are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs.

Financial assets available for sale and held for trading are subsequently carried at fair value without any deduction for transaction costs. Equity securities classified as available for sale which do not have a quoted market price in an active market and for which fair value cannot be reliably measured by alternative valuation methods are measured at cost. Gains or losses on measurement to fair value of assets held for trading are recognised directly in the income statement, while gains or losses on measurement to fair value of available-for-sale financial assets are recognised in equity.

Held-to-maturity financial assets are carried at amortised cost using the effective interest-rate method, except for short-term deposits, which are carried at cost.

Non-current available-for-sale assets include investments in other shares, amounts receivable in more than one year and cash guarantees. Current available-for-sale financial assets mainly include corporate bonds, government bonds, commercial paper, preferred and common stocks and rights to acquire or sell securities, all of which are saleable at the option of the holder and for which there is a ready market.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. For processed inventories, cost means full cost including all direct and indirect production costs required to bring the inventory items to the stage of completion at the balance sheet date. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Receivables

Receivables are stated at amortised cost. At the balance sheet date, an estimate is made of the bad debts based on the total outstanding amounts and an appropriate amount is written off.

Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, have original maturities of three months or less and are subject to an insignificant risk of change in value.

Cash, cash equivalents and short-term deposits are carried in the balance sheet at nominal value.

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 ('treasury shares') are presented in the balance sheet as a deduction from equity. When they are cancelled, as is the case with options granted under the first stock option plan, this results in a reduction of retained earnings. When options granted to personnel under the first stock option plan are subsequently exercised, this results in an increase in share capital. When treasury shares are purchased and subsequently sold, as is the case with options granted under the second option plan, the result of any transaction is recognised in shareholders' equity, but does not result in an increase of share capital.

Minority interests

Minority interests represent the part of the equity of subsidiaries which are not fully owned.

It includes the minority shareholders' proportion of the fair value of net assets recognised on acquisition of a subsidiary together with the appropriate proportion of subsequent profits and losses.

The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are charged against the Group's profit except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, all such profits are credited to Group income until the minority's share of losses previously absorbed by the Group has been recovered.

Provisions

Provisions are recognised in the balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event, which is expected to result in an outflow of resources embodying economic benefits which can be reliably estimated.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. When appropriate, provisions are measured on a discounted basis.

Restructuring

A provision for restructuring is only recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly before the balance sheet date. Any restructuring provision only includes the direct expenditure arising from the restructuring which is necessarily entailed by the restructuring and is not associated with the ongoing activities of the enterprise.

Site restoration

A provision for site restoration in respect of contaminated land is recognised in accordance with the Group's published environmental policy and applicable legal requirements.

Employee benefit obligations

The parent company and its Belgian, US, UK and German subsidiaries have pension, death benefit and health care benefit plans covering a substantial part of their personnel.

Defined benefit plans

Most pension plans are defined benefit plans with benefits based on years of service and on the level of remuneration.

For defined benefit plans, the amount recognised in the balance sheet is the present value of the defined benefit obligation adjusted for the unrecognised actuarial gains and losses, less the fair value of any plan assets and any past service costs not yet recognised.

The 'present value of the defined benefit obligation' is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The present value of the defined benefit obligation and the related current and past service costs are calculated by a qualified actuary using the projected unit credit method. The discount rate is the yield at balance sheet date on high quality corporate bonds which have maturity dates approximating to the terms of the Group's obligations.

'Actuarial gains and losses' comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.

In principle, actuarial gains and losses are not immediately recognised but deferred and, to the extent that their cumulative amount exceeds the boundaries of a defined 'corridor', recognised on a straight-line basis over the expected average remaining service life of the participants.

The 'corridor' is determined separately for each defined benefit plan and has an upper and a lower boundary equal to 110% and 90% respectively of the greater of the present value of the defined benefit obligation and the fair value of the plan assets.

'Past service cost' is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested following the introduction of, or changes to, a defined benefit plan, past service costs are recognised as an expense immediately.

Where the calculated amount to be recognised in the balance sheet is negative, the recognised asset does not exceed 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 (the 'asset ceiling' principle). However, in this case actuarial gains or losses are immediately recognised, if their deferred recognition would result under the 'asset ceiling' principle in a gain being recognised solely as a result of an actuarial loss in the current period or in a loss being recognised solely as a result of an actuarial gain in the current period. Past service costs are also immediately recognised if their deferred recognition would result under the 'asset ceiling' principle in a gain being recognised solely as a result of a past service cost in the current period.

The amount charged to the income statement consists of current service cost, any recognised past service cost, interest cost, the expected return on any plan assets and recognised actuarial gains and losses, plus any impact of the change in asset ceiling.

In the income statement, current and past service costs are included in 'Result from operations' and all other elements are included in 'Interest and similar expense'.

Pre-retirement pensions in Belgium and post-employment plans for medical care in the US are also treated as post-employment benefits of a defined benefit type.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred. Death and disability benefits granted to employees of the parent company and its Belgian subsidiaries are covered by independent pension funds. The annual cost charged to the income statement equals the insurance premium to be paid in the Belgian market for one year's risk cover by an external insurance company. Death and disability benefits granted to the personnel of other Group companies are mainly covered by external insurance policies where premiums are paid annually and charged to the income statement.

As defined contribution plans in Belgium are now legally subject to a minimum guaranteed return, the Belgian supplementary pension plan for managers, which offers participants limited investment choice, is now accounted for as a defined benefit plan. The other Belgian defined contribution plans for blue collars and white collars are still accounted for as defined contribution plans, as the legally required return is basically guaranteed by the insurance company.

Other long-term employee benefits

Other long-term employee benefits, such as service anniversary bonuses, are accounted for using the projected unit credit method. However, the accounting method differs from the method applied for post-employment benefits, as actuarial gains and losses and past service cost are recognised immediately.

Equity and equity-related compensation benefits

The stock option plans allow Group employees to acquire shares of NV Bekaert SA. The option exercise price equals the average market price of the underlying shares during an agreed period shortly before the grant and no employee compensation cost of the obligation is recognised at this time. When the options are exercised, equity is increased by the amount of the proceeds received.

Financial liabilities

Financial liabilities, except derivatives (see below), are recognised initially at the fair value of the consideration received, net of transaction costs incurred. In subsequent periods, they are stated at amortised cost using the effective interest-rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the liability.

If financial liabilities are hedged using derivative financial instruments qualifying as a fair value hedge, then these liabilities are recognised at fair value (see valuation principles on derivative financial instruments and hedging).

Trade and other payables

Trade and other payables are stated at cost, which is the fair value of the consideration received.

Income taxes

Income taxes are classified as either current or deferred taxes. Current income taxes include expected tax charges based on the accounting profit for the current year and adjustments to tax charges of prior years. Deferred taxes are calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of property, plant and equipment, provisions for pensions, pre-pensions and other post-retirement benefits, and tax losses carried forward.

Deferred taxes are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realised or settled, based on tax rates enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised; this criterion is reassessed at each balance sheet date.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Derivative financial instruments, hedging and hedging reserve

The Group uses derivative financial instruments to hedge its exposure to foreign exchange, interest-rate and commodity price risks arising from operational, financing and investment activities. The net exposure of all subsidiaries is managed on a centralised basis by the Group Finance Department in accordance with the aims and principles laid down by general management. As a policy, the Group does not engage in speculative or leveraged transactions, nor does it hold or issue financial instruments for trading purposes.

Foreign exchange risk

In order to reduce the impact of fluctuations in exchange rates, forecast cash inflows and outflows are covered by forward contracts for the next six months. Significant exposures maturing beyond that time frame can also be covered.

Interest risk

General guidelines are applied in order to cover interest risk:

- the target average life time of long-term debt is four years, and
- the distribution of the long-term debt as between floating and fixed interest rates must remain within the defined limits.

Commodity price risk

The Group withdrew from all zinc hedges in 2003, mainly because of its limited exposure and the lack of any significant benefits.

On inception, Group Treasury identifies certain derivatives as either:

a. a hedge of the fair value of an asset or liability (fair value hedge),
b. a hedge of the exposure to variability in cash flows attributable to an asset or liability or a forecast transaction (cash flow hedge),
c. a hedge of a net investment in a foreign entity,
d. a derivative financial instrument not designated as a hedging instrument.

The Group's criteria for classifying a derivative instrument as a hedge include: (1) the hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship, (2) the effectiveness of the hedge can be reliably measured, (3) there is adequate documentation of the hedging relationships at the inception of the hedge, (4) for a cash flow hedge, the forecast transaction which is the subject of the hedge must be highly probable, (5) the hedge was assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting period.

Fair value hedges

Fair value hedges are hedges of the exposure to variability in the fair value of recognised assets and liabilities. Both the derivatives classified as fair value hedges and the hedged asset or liability are carried at fair value with the corresponding change in fair value recognised in the income statement. When a hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged interest-bearing financial instrument is written off immediately.

Cash flow hedges

Cash flow hedges are hedges of the exposure to variability in future cash flows related to recognised assets or liabilities, or highly probable forecast transactions or unrecognised firm commitments.

Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognised directly in shareholders' equity, in the 'hedging reserve'. The ineffective portion is immediately recognised in the income statement.

If the hedged cash flow results in the recognition of an asset or a liability, all gains and losses previously recognised directly in equity are transferred from equity and included in the initial measurement of the cost or carrying value of the asset or liability. For all other cash flow hedges, gains and losses initially recognised in equity are transferred from hedging reserve to net profit or loss when the hedged firm commitment or forecast transaction affects the income statement.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively and the cumulative gain or loss is retained in equity until the committed or forecast transaction occurs. If the committed or forecast transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is transferred to the income statement.

Derivative financial instruments that are not designated as hedging instruments

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39 'Financial Instruments: Recognition and Measurement'. Changes in the fair value of any such derivative instruments are recognised immediately in the income statement.

Impairment of assets

Assets other than inventories, deferred tax assets, employee benefits and financial instruments are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount (being the higher of its net selling price and its value in use), an impairment loss is recognised in income. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the assets belong.

Reversal of impairment losses recognised in prior years is recorded in income when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. However, impairment losses on goodwill are reversed only in exceptional situations.

1.4. Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Sales are recognised net of sales taxes and discounts. Revenue from sales of goods is recognised when delivery has taken place and the transfer of risks and rewards has been completed.

Revenue from construction contracts is recognised by reference to the stage of completion when this can be measured reliably. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of the contract expenses recognised as probably recoverable. In the period in which it is determined that a loss will result from the performance of a contract, the entire amount of the estimated ultimate loss is charged against income.

No revenue is recognised on barter transactions involving the exchange of similar goods or services.

Interest is recognised on a time-proportional basis that reflects the effective yield on the asset.

Royalties are recognised on an accrual basis in accordance with the terms of agreements.

Dividends are recognised when the shareholder's right to receive payment is established.

1.5. Miscellaneous

Discontinuing operations (IAS 35)

IAS 35 'Discontinuing Operations' defines a discontinuing operation as a component of the enterprise which the enterprise has divested or is about to divest, which represents a separate major line of business or geographical area of operations, and which can be distinguished operationally and for financial reporting purposes. A discontinuing operation is disclosed if either the enterprise has entered into a binding sale agreement for substantially all of the assets attributable to the discontinuing operation, or the enterprise's board of directors has both approved a detailed formal plan for the discontinuance and made an announcement of the plan. If the initial disclosure event occurs after the balance sheet date, some information is provided in the financial statements. The carrying amount of a discontinuing operation, including any goodwill attributable to it, is reviewed for impairment and any excess of the carrying amount over the recoverable amount is recorded as an impairment loss.

As a consequence of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' coming into effect on 1 January 2005 and superseding IAS 35, assets classified as held for sale will be measured at the lower of their carrying amount and fair value less costs to sell. Any excess of the carrying amount over the fair value less costs to sell will be recorded as an impairment loss.

Contingencies

Contingent assets are not recognised in the financial statements but are disclosed if the inflow of economic benefits is probable.

Contingent liabilities are not recognised in the financial statements, except if they arise from a business combination accounted for in accordance with IFRS 3 'Business Combinations'. They are disclosed unless the possibility of a loss is remote.

Events after the balance sheet date

Events after the balance sheet date which provide additional information about the company's position at the balance sheet date ('adjusting events') are reflected in the financial statements. Events after the balance sheet date which are not adjusting events are disclosed in the notes when material.

Impact of first application of IFRS by joint ventures

Financial statements of the major Latin American joint ventures were restated to comply with IFRS. This had a minor impact on the opening equity of 2003:

	in thousands of €
EQUITY AS REPORTED AT 31.12.2002	758 403
IFRS restatement of joint ventures	665
RESTATED EQUITY AT 1.1.2003	759 068

As a consequence, IFRS compliant joint ventures now represent 88% of the total value of investments accounted for under the equity method.

2. Impact of discontinuing operations

On 12 January 2005, the Group entered into a sale agreement to dispose of its business segment 'fencing systems Europe'. The enterprises involved are Bekaert Fencing NV (Belgium), Bekaert Fencing Limited (UK), Bekaert Fencing S.A. (France), Bekaert France S.A. (France), Société de Participations Financières Bekaert (France), Bekaert Fencing S.p.A. (Italy), Bekaert Fencing Sp.z o.o. (Poland), Bekaert Deutschland GmbH (Germany), Werler Drahtwerke GmbH (Germany), Bekaert Fencing España, S.L. (Spain), Bekaert Portugal Lda (Portugal), Bekaert Bastion Fencing Systems (Pty) Limited (South-Africa) and the associates Pindurg S.L. (Spain). The disposal was completed on 1 March 2005, but control of fencing systems Europe was passed to the acquirer on 1 January 2005. The capital gain on this transaction is expected to amount to € 56 million.

The data in this disclosure are presented from the viewpoint of the Bekaert Group and should be viewed as parts of the Group by analogy to the segment reporting. The purpose is not to provide separate overviews of the Fencing activities or of the operations that are to remain in the Bekaert Group. The presentation thus follows the principles set out in IAS 35 for reporting discontinuing operations.

in thousands of €

INCOME STATEMENT	2004	2003
Sales	450 624	377 311
Cost of sales	(355 397)	(308 467)
Gross profit	**95 227**	**68 844**
Distribution & selling expenses	(28 465)	(27 630)
General & administrative expenses	(14 991)	(16 487)
Research & development expenses	(370)	(243)
Other revenues	2 010	3 599
Other expenses	(1 669)	(723)
RESULT FROM OPERATIONS	**51 742**	**27 360**
Interest income & expenses	(11 038)	(9 477)
Non-operating income & expenses	2 296	(2 389)
RESULT FROM ORDINARY ACTIVITIES BEFORE TAXES	**43 000**	**15 494**
Income taxes	(89)	(383)
RESULT FROM ORDINARY ACTIVITIES AFTER TAXES	**42 911**	**15 111**
Share in the result of joint ventures and associates	90	157
Amortisation goodwill on joint ventures and associates	(7)	(7)
NET RESULT	**42 994**	**15 261**

in thousands of €

BALANCE SHEET	2004	2003
NON-CURRENT ASSETS	**93 771**	**95 975**
Intangible assets	3 068	4 273
Goodwill and negative goodwill	622	784
Property, plant & equipment	89 549	90 489
Investments accounted for under the equity method	341	253
Loans and receivables	191	176
CURRENT ASSETS	**241 060**	**206 745**
Inventories	102 566	72 801
Amounts receivable	73 379	62 139
Financial assets	41 659	26 139
Cash & cash equivalents	22 712	45 356
Deferred charges & accrued income	744	310
DEFERRED TAX ASSETS	**10 662**	**10 294**
ASSETS	**345 493**	**313 014**
NON-CURRENT LIABILITIES	**(194 668)**	**(205 072)**
Employee benefit obligations and provisions	(29 253)	(34 358)
Financial liabilities	(165 415)	(170 714)
CURRENT LIABILITIES	**(104 114)**	**(82 166)**
Financial liabilities	(20 353)	(22 928)
Trade payables	(57 865)	(37 533)
Employee benefit obligations	(14 875)	(11 796)
Taxes	(3 315)	(1 707)
Other amounts payable	(3 153)	(3 458)
Accrued charges and deferred income	(4 553)	(4 744)
DEFERRED TAX LIABILITIES	**(9 536)**	**(14 185)**
LIABILITIES	**(308 318)**	**(301 423)**

All financial amounts are expressed in thousands of €

3. Segment reporting

Two segmentations are presented below: the primary segmentation by business segments and the secondary by geographical markets.
The business segmentation is based on an in-depth analysis of various factors defining the distinguishing components of each segment (including the risk profile, the nature of the products, services and production processes and the potential for similar long-term financial performance) and on the Group's internal financial reporting.
Bekaert's risks and returns are mainly linked to two core competences: advanced metal transformation (which drives the advanced wire products and fencing systems Europe business segments) and advanced materials and coatings (which drives the advanced materials and advanced coatings segments). The fencing systems Europe business segment has been slightly reconfigured to comprise all entities sold with effect from 1 January 2005; the 2003 figures have been restated accordingly (see note 2 'Impact from discontinuing operations').
Detailed information on the segments is also available in the report of the Board of Directors and in the Shareholders' brochure.

Key data by primary reporting segment

in thousands of €

2004	Advanced wire products	Fencing systems Europe	Advanced materials	Advanced coatings	Other	Eliminations	Consolidated
Net sales to external customers	1 472 297	450 624	116 290	124 702	9 254		2 173 167
Net sales to other segments	27 815	2 066	230	2 269	111 136	(143 516)	-
Total net sales	1 500 112	452 690	116 520	126 971	120 390	(143 516)	2 173 167
Result from operations before non-recurring events	*184 664*	*51 742*	*9 273*	*(1 490)*	*(44 849)*		*199 340*
Non-recurring events	*(4 107)*	*-*	*(1 750)*	*(6 257)*	*(2 145)*		*(14 259)*
Result from operations (EBIT)	180 557	51 742	7 523	(7 747)	(46 994)		185 081
Depreciation & amortisation	*77 448*	*14 985*	*5 498*	*14 691*	*10 007*		*122 629*
Impairment losses	*1 039*	*-*	*1 757*	*6 209*	*-*		*9 005*
EBITDA	259 044	66 727	14 778	13 153	(36 987)		316 715
Segment assets	*1 180 061*	*292 264*	*111 458*	*160 008*	*107 125*	*(136 401)*	*1 714 515*
Unallocated corporate assets							*474 832*
Total assets							2 189 347
Segment liabilities	*240 881*	*105 583*	*31 055*	*20 652*	*91 075*	*(137 395)*	*351 851*
Unallocated corporate liabilities							*878 957*
Total liabilities							1 230 808
Capital employed	939 180	186 681	80 403	139 356	16 050	994	1 362 664
Average capital employed	884 822	178 495	72 130	143 956	11 708	5 709	1 296 820
Return on average capital employed (ROCE)	20.4%	29.0%	10.4%	(5.4%)			14.3%
Capital expenditure – PP&E	144 510	8 834	4 006	6 815	2 071		166 236
Capital expenditure – intangible assets	3 247	411	414	1 355	1 202		6 629
Share in the result of joint ventures and associates	56 127	90	35	-	520		56 772
Investments in companies accounted for under the equity method (excl. goodwill)	212 690	284	75	-	-		213 049
Number of employees (year-end)	8 217	1 911	712	676	775		12 291

All financial amounts are expressed in thousands of €

Assets and liabilities allocated to the various segments comprise only capital employed elements: intangible assets, goodwill, property, plant and equipment and the elements of the operational working capital. All other assets and liabilities (excluding equity and minority interests) have not been allocated to the business segments; they are reported as unallocated corporate assets or liabilities.

Key data by primary reporting segment

in thousands of €

2003	Advanced wire products	Fencing systems Europe	Advanced materials	Advanced coatings	Other	Eliminations	Consolidated
Net sales to external customers	1 196 156	377 311	102 730	111 552	9 238		1 796 987
Net sales to other segments	44 843	5 110	403	1 046	54 184	(105 586)	-
Total net sales	1 240 999	382 421	103 133	112 598	63 422	(105 586)	1 796 987
Result from operations before non-recurring events	*124 359*	*27 116*	*8 650*	*(183)*	*(38 239)*		*121 703*
Non-recurring events	*(3 146)*	*244*	*(912)*	*(1 921)*	*(4 167)*		*(9 902)*
Result from operations (EBIT)	121 213	27 360	7 738	(2 104)	(42 406)		111 801
Depreciation & amortisation	*85 247*	*17 522*	*6 008*	*13 931*	*4 599*		*127 307*
Impairment losses	-	-	-	-	-		-
EBITDA	206 460	44 882	13 746	11 827	(37 807)		239 108
Segment assets	*1 009 024*	*247 560*	*87 935*	*171 441*	*60 529*	*(69 084)*	*1 507 405*
Unallocated corporate assets							*418 355*
Total assets							1 925 760
Segment liabilities	*178 561*	*77 252*	*24 079*	*22 884*	*53 163*	*(79 507)*	*276 432*
Unallocated corporate liabilities							*827 034*
Total liabilities							1 103 466
Capital employed	830 463	170 308	63 856	148 557	7 366	10 423	1 230 973
Average capital employed	830 246	175 783	62 196	157 502	2 479	15 268	1 243 474
Return on average capital employed (ROCE)	14.6%	15.6%	12.4%	(1.3%)	-	-	9.0%
Capital expenditure – PP&E	87 577	7 843	3 665	5 601	3 944		108 630
Capital expenditure – intangible assets	6 177	651	1 459	89	1 143		9 519
Share in the result of joint ventures and associates	35 162	157	40	472	1 080		36 911
Investments in companies accounted for under the equity method (excl. goodwill)	186 107	253	81	614	4 073		191 128
Number of employees (year-end)	7 400	1 864	592	606	742		11 204

'Other' mainly consists of the group technology functional unit, non-allocated expenses for group management and services, and the part of fencing systems Europe which has not been sold but is too small to qualify as a separate business segment. EBIT before non-recurring events decreased from € (38 239) in 2003 to € (44 849). Higher activity in engineering was offset by increased efforts in internal and external R&D, and by higher consultancy expenditure.

Non-recurring events under 'Other' related to environmental programmes (2004: € 1 340, 2003: € 2 305), accelerated depreciation of R&D equipment (2004: € 805) and the restructuring of Bekaert Indoor Safety B.V. (2003: € 1 862), which was wound up in 2004 and eliminated from fencing systems Europe.

Key data by secondary reporting segment

As a consequence of the enlargement of the European Union in May 2004, the previous geographical segments 'European Union' and 'Rest of Europe' have been merged.

in thousands of €

2004	Europe	North America	Latin America	Asia	Rest of the World	Consolidated
Net sales	1 272 663	587 010	31 223	242 493	39 778	2 173 167
Total assets before consolidation	*2 357 635*	*484 373*	*39 314*	*347 563*	*3 507*	*3 232 392*
Intercompany eliminations	*(1 125 602)*	*(7 417)*	*-*	*(18 628)*	*(678)*	*(1 152 325)*
Consolidation adjustments						*109 280*
Total assets after consolidation						2 189 347
Capital expenditure						
PP&E	*75 132*	*12 820*	*-*	*78 133*	*151*	*166 236*
Intangible assets	*4 210*	*1 755*	*-*	*664*	*-*	*6 629*
2003						
Net sales	1 051 788	483 570	22 394	210 951	28 284	1 796 987
Total assets before consolidation	*2 152 947*	*481 011*	*39 057*	*230 452*	*2 203*	*2 905 670*
Intercompany eliminations	*(1 053 039)*	*(5 649)*	*-*	*(5 509)*	*(103)*	*(1 064 300)*
Consolidation adjustments						*84 390*
Total assets after consolidation						1 925 760
Capital expenditure						
PP&E	*49 056*	*14 208*	*8*	*45 321*	*37*	*108 630*
Intangible assets	*4 439*	*5 080*	*-*	*-*	*-*	*9 519*

The split of net sales shows the revenue from external customers by geographical area based on the geographical location of the customers.
Total assets and capital expenditure are analysed by geographical location of the assets. The unallocated 'consolidation adjustments' relate mainly to goodwill recognised and amortised in the consolidation.

4. Income statement items

4.1. Sales and other revenues

in thousands of €

	2004	2003	%
Sales	**2 173 167**	**1 796 987**	**+20.9**

Sales were favourably affected by organic growth (22.4%) and new acquisitions net of divestments (2.6%). There was a negative currency impact (especially of the US dollar and Chinese renminbi) of 4.1%.

Sales by business segment and by region are disclosed in note 3 'Segment reporting' and in the report of the Board of Directors.

in thousands of €

	2004	2003
Other revenues	**19 559**	**20 135**
Royalties received	7 424	3 801
Gain on disposal of PP&E and intangible assets	1 562	6 508
Realised exchange results on sales and purchases	(845)	(330)
Tax rebates	459	421
Government grants	2 867	2 834
Miscellaneous	8 092	6 901

Miscellaneous revenues in 2004 relate mainly to insurance revenue (€ 4 100), recharged expenses (€ 461), rental income (€ 439) and decrease in provisions (€ 267).

4.2. Operating expenses

The table below provides additional information on how the major operating expenses, categorised by nature, were allocated to the line items of the income statement by function.

in thousands of €

2004	Cost of sales	Distribution & selling	General & administrative	Research & development	Other expenses from operations	TOTAL
Raw materials	836 797	-	-	-	-	836 797
Half-products & goods for resale	141 722	-	-	-	-	141 722
Change in work-in-progress and finished goods	(62 137)	-	-	-	-	(62 137)
Personnel cost	389 563	59 008	51 800	25 242	19 788	545 401
Depreciation PP&E	93 646	820	1 814	2 123	287	98 690
Amortisation of intangible assets	843	719	8 296	3 701	275	13 834
Amortisation of investment grants	(846)	-	-	-	-	(846)
Amortisation of goodwill – subsidiaries	-	-	-	-	5 777	5 777
Writedown of inventories	3 918	-	-	-	-	3 918
Writedown of trade receivables	-	1 256	-	-	-	1 256
Depreciation & amortisation	97 561	2 795	10 110	5 824	6 339	122 629
Impairment losses	-	-	-	-	9 005	9 005
Freight	82 734	-	-	-	-	82 734
Handling of finished goods	6 172	-	-	-	-	6 172
Miscellaneous expenses	189 957	49 863	47 023	22 801	15 678	325 322
TOTAL	**1 682 369**	**111 666**	**108 933**	**53 867**	**50 810**	**2 007 645**

in thousands of €

2003	Cost of sales	Distribution & selling	General & administrative	Research & development	Other expenses from operations	TOTAL
Raw materials	569 904	-	-	-	-	569 904
Half-products & goods for resale	102 462	-	-	-	-	102 462
Change in work-in-progress and finished goods	7 099	-	-	-	-	7 099
Personnel cost	370 483	58 368	45 912	22 490	9 620	506 873
Depreciation PP&E	98 367	778	1 649	1 261	458	102 513
Amortisation of intangible assets	791	3 405	8 358	8	284	12 846
Amortisation of investment grants	(930)	-	-	-	-	(930)
Amortisation of goodwill – subsidiaries	-	-	-	-	6 984	6 984
Writedown of inventories	4 304	-	-	-	-	4 304
Writedown of trade receivables	-	1 590	-	-	-	1 590
Depreciation & amortisation	102 532	5 773	10 007	1 269	7 726	127 307
Impairment losses	-	-	-	-	-	-
Freight	70 263	-	-	-	-	70 263
Handling of finished goods	6 501	-	-	-	-	6 501
Miscellaneous expenses	195 237	47 355	44 713	12 169	15 438	314 912
TOTAL	**1 424 481**	**111 496**	**100 632**	**35 928**	**32 784**	**1 705 321**

The increase in cost of sales was mainly driven by higher volumes and substantial increases in raw material prices. General and administrative expenses were mainly affected by higher consultancy costs. Both internal and external R&D efforts were stepped up. Other expenses were adversely affected by impairment losses (see note 4.8. 'Non-recurring events') and higher provisions for employee benefit obligations.

4.3. Result from operations

in thousands of €

	2004	2003	%
Result from operations	185 081	111 801	+65.5

The result from operations was 65.5% higher in 2004. The advanced wire products and fencing systems Europe segments accounted for most of the increase, which originated from higher volumes (and sales) and the effect (approximately € 46 million) of applying FIFO in the context of significant price increases for raw materials. The results from operations in the advanced materials and advanced coatings segments were mainly affected by higher expenses in R&D. External research expenditure through venture capital funds amounted to approximately € 10 million. Results were also adversely affected by higher provisions for employee benefit obligations. The cost of non-recurring events amounted to € 14 million (2003: € 10 million), consisting mainly of impairment losses in the special films display business, the carding business and composites for glass-fibre-reinforced pressure vessels and of additional provisions for environmental programmes.

4.4. Interest income & expenses

in thousands of €

	2004	2003
Interest & similar income	3 229	3 329
Interest & similar expense	(19 580)	(21 457)
Interest portion on interest-bearing provisions	(10 244)	(14 177)
TOTAL	**(26 595)**	**(32 305)**

The interest portion on interest-bearing provisions mainly relates to all components of the net benefit expense of defined benefit plans, other than current and past service cost (see note 5.14. 'Employee benefit obligations').

4.5. Non-operating income & expenses

in thousands of €

	2004	2003
Value adjustments to financial instruments	12 971	23 968
Unrealised exchange results	(8 649)	(23 075)
Realised exchange results	(2 384)	(7 146)
Translation gains / (losses) – inflation accounting	343	341
Gain / (loss) on disposal of financial assets	(2)	(55 930)
Dividends from other shares	7	7
Reversals / (write-downs) of investments	-	62 421
Impairment of investments	(4 593)	(5 800)
Reversals / (write-downs) on loans and receivables	(22)	(424)
Other	(1 642)	(5 022)
TOTAL	**(3 971)**	**(10 660)**

Value adjustments to financial instruments include changes to the fair value of all derivatives, other than those designated as 'cash flow hedges' (see table below), and of all debt hedged by a 'fair value hedge'. Unrealised exchange results relate to the effect of valuing balance sheet items at closing rates, while realised exchange results relate to transactions other than normal trading sales and purchases. The impairment of € 4 593 relates to Bekaert Handling Group A/S.

Effect of financial instruments on non-operating income and expenses

in thousands of €

	2004	2003
Value adjustments		
Zinc option contracts	-	86
Foreign exchange contracts	1 671	51
Interest-rate swaps	2 470	2 126
Cross-currency interest-rate swaps	19 348	41 854
Total value adjustments to derivatives	**23 489**	**44 117**
Value adjustments to hedged items	(10 518)	(20 149)
Total value adjustments to financial instruments	**12 971**	**23 968**
Unrealised exchange results on hedged items	(9 340)	(22 024)
TOTAL	**3 631**	**1 944**

The 'unrealised exchange results on hedged items' reported here covers only the portion relating to the euro loans of Bekaert Corporation, which are hedged by means of cross-currency interest-rate swaps not qualifying as 'fair value hedges'. Consequently, these loans are not carried at fair value, but their restatement at closing rate is recorded as an unrealised exchange result rather than as part of 'value adjustments to financial instruments'.

4.6. Income taxes

in thousands of €

	2004	2003
Current taxes for the year	(32 744)	(17 909)
Adjustment to current taxes in respect of prior periods	(1 018)	(1 116)
Deferred taxes	5 649	10 867
TOTAL INCOME TAXES	**(28 113)**	**(8 158)**

Relationship between tax expense and accounting profit

In the table below, accounting profit or loss is defined as 'result from ordinary activities before taxes'.

in thousands of €

	2004	2003
Accounting profit	154 515	68 836
Tax income / (expense) at the theoretical domestic rates applicable to profits of taxable entities in the countries concerned	(49 059)	(16 975)
Theoretical tax rate	31.8%	24.7%
Tax effect of:		
Non-deductible items	(4 795)	(5 336)
Other tax rates and special tax regimes	16 306	7 213
Non-recognition of deferred tax assets	(2 382)	(6 229)
Utilisation of deferred tax assets not previously recognised	13 868	16 159
Current tax adjustments relating to prior periods	(1 018)	(1 116)
Deferred tax adjustments relating to prior periods	3 147	-
Taxes on (un)distributed earnings	(3 245)	(2 498)
Other	(935)	624
Total tax income / (expense) in income statement	**(28 113)**	**(8 158)**

4.7. Share in the result of joint ventures and associates

The major Latin American joint ventures[1] restated their financial statements in accordance with IFRS as from 2003 (starting with the opening balance as at 1 January 2003). The effect on the share in their 2003 result amounted to € 1 461, which mainly related to differences in the depreciation of PP&E. Most of the Group's Latin American companies benefited from the very favourable economic climate and achieved substantial increases in sales volumes.

in thousands of €

		2004	2003 restated	Restatement	2003 reported
JOINT VENTURES					
Bekaert Australia Steel Cord Pty Ltd	Australia	425	210	-	210
Bekaert Faser Vertriebs GmbH	Germany	35	41	-	41
Bekaert Handling Group A/S	Denmark	520	1 080	-	1 080
Belgo Bekaert Arames Ltda.	Brazil	32 489	18 739		18 739
BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda.	Brazil	6 917	6 857	1 222	5 635
Chilean entities[2]	Chile	11 114	5 540	284	5 256
Contours Ltd[3]	USA	-	1 047	-	1 047
Ideal Alambrec S.A.[4]	Ecuador	1 728	662	-	662
Netlon Sentinel Limited	UK	59	72	-	72
Spaleck-Bekaert GmbH & Co. KG	Germany	208	484	-	484
Vicson, S.A.	Venezuela	3 174	1 646	(45)	1 691
SUBTOTAL – JOINT VENTURES		**56 669**	**36 378**	**1 461**	**34 917**
ASSOCIATES					
Jiangyin Fasten-Bekaert Optical Cable Steel Products Co., Ltd	China	72	(23)	-	(23)
Pindurg S.L.	Spain	31	84	-	84
Precision Surface Technology Pte Ltd[5]	Singapore	-	280	-	280
Sorevi S.A.[6]	France	-	192	-	192
SUBTOTAL – ASSOCIATES		**103**	**533**	**-**	**533**
TOTAL – JOINT VENTURES and ASSOCIATES excluding amortisation of related goodwill		**56 772**	**36 911**	**1 461**	**35 450**
Amortisation of related goodwill		**(3 220)**	**(3 429)**	**-**	**(3 429)**
TOTAL – JOINT VENTURES and ASSOCIATES including amortisation of related goodwill		**53 552**	**33 482**	**1 461**	**32 021**

[1] Belgo Bekaert Arames Ltda., BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda., the Chilean entities and Vicson, S.A.
[2] Includes Prodalam Group and Inchalam Group.
[3] Became a subsidiary in 2003.
[4] Relates to the Ideal Alambrec Group.
[5] Became a subsidiary in 2004.
[6] Became a subsidiary in 2003.

4.8. Non-recurring events

in thousands of €

2004	As reported in income statement	Non-recurring events	Before non-recurring events
Operating revenues / (expenses)			
Restructuring programmes		(1 675)	
Impairment losses		(9 005)	
Other		(3 579)	
Result from operations	**185 081**	**(14 259)**	**199 340**
Interest income & (expenses)	(26 595)		(26 595)
Non-operating income / (expenses)	(3 971)	(4 593)	622
Impairment losses on investments in joint ventures & associates		(4 593)	
Other		-	
Result from ordinary activities before taxes	**154 515**	**(18 852)**	**173 367**

The main non-recurring events affecting the result from operations were :

- restructuring programmes in advanced wire products relating to the reconfiguration in Europe of various production lines, commenced in 2003;
- impairment losses relating to Sobelcard (€ 1 040), the display business at Bekaert Specialty Films, LLC (€ 6 208) and composites at Bekaert Progressive Composites Corporation (€ 1 757);
- other non-recurring events relating mainly to additional provisions for environmental clean-up programmes in Belgium and Slovakia.

The non-recurring event included in non-operating income and expenses was an impairment charge in respect of Bekaert Handling Group A/S (€ 4 593).

in thousands of €

2003	As reported in income statement	Non-recurring events	Before non-recurring events
Operating revenues / (expenses)			
Restructuring programmes		(7 280)	
Impairment losses		-	
Other		(2 622)	
Result from operations	**111 801**	**(9 902)**	**121 703**
Interest income & (expenses)	(32 305)		(32 305)
Non-operating income / (expenses)	(10 660)	(530)	(10 130)
Impairment losses on investments in joint ventures & associates		(5 800)	
Other		5 270	
Result from ordinary activities before taxes	**68 836**	**(10 432)**	**79 268**

The main non-recurring events affecting the result from operations were restructuring programmes in:

- advanced wire products: NV Bekaert SA (Belgium), Bekaert Hemiksem (Belgium), Rome (US) and Industrias del Ubierna, S.A. (Spain);
- fencing systems Europe: completion of last year's programme and winding up of Bekaert Indoor Safety B.V. (Netherlands);
- advanced coatings: restructuring Santa Rosa plant (a part of Bekaert Specialty Films, LLC (US)).

Other non-recurring events relate mainly to additional provisions for environmental clean-up programmes in Belgium and the US.

Non-recurring events included in non-operating income and expenses were an impairment charge in respect of Bekaert Handling Group A/S (€ 5 800), and a gain arising from the sale of Bekaert ECD Solar Systems LLC and United Solar Systems Corp. (€ 5 270).

4.9. Earnings per share

in thousands of €, unless explicitly stated in €

At 31 December 2004	Basic	Diluted
Weighted average number of ordinary shares	21 920 662	21 920 662
Effect of stock options on issue (note 5.11)	-	34 179
Weighted average number of ordinary shares (diluted)	-	21 954 841
Including discontinuing operations	**Basic**	**Diluted**
Net income attributable to ordinary shareholders	167 604	167 604
Earnings per share (in euros)	**7.646**	**7.634**
Result from ordinary activities before taxes	154 515	154 515
Result from ordinary activities before taxes per share (in euros)	**7.049**	**7.038**
Result from ordinary activities before taxes and non-recurring events	173 367	173 367
Result from ordinary activities before taxes and non-recurring events per share (in euros)	**7.909**	**7.897**
Excluding discontinuing operations	**Basic**	**Diluted**
Net income attributable to ordinary shareholders	124 610	124 610
Earnings per share (in euros)	**5.685**	**5.676**
Result from ordinary activities before taxes	111 514	111 514
Result from ordinary activities before taxes per share (in euros)	**5.087**	**5.079**
Result from ordinary activities before taxes and non-recurring events	130 366	130 366
Result from ordinary activities before taxes and non-recurring events per share (in euros)	**5.947**	**5.938**
At 31 December 2003	**Basic**	**Diluted**
Weighted average number of ordinary shares	22 111 807	22 111 807
Effect of stock options on issue (note 5.11)	-	83
Weighted average number of ordinary shares (diluted)	-	22 111 890

Earnings per share were recalculated after the restatement of the joint ventures in accordance with IFRS.

in thousands of €, unless explicitly stated in €

Including discontinuing operations	After restatement basic = diluted	Before restatement basic = diluted
Net income attributable to ordinary shareholders	86 674	85 213
Earnings per share (in euros)	**3.920**	**3.854**
Result from ordinary activities before taxes	68 836	68 836
Result from ordinary activities before taxes per share (in euros)	**3.113**	**3.113**
Result from ordinary activities before taxes and non-recurring events	79 268	79 268
Result from ordinary activities before taxes and non-recurring events per share (in euros)	**3.585**	**3.585**
Excluding discontinuing operations		
Net income attributable to ordinary shareholders	71 413	69 952
Earnings per share (in euros)	**3.230**	**3.164**
Result from ordinary activities before taxes	53 343	53 343
Result from ordinary activities before taxes per share (in euros)	**2.412**	**2.412**
Result from ordinary activities before taxes and non-recurring events	64 019	64 019
Result from ordinary activities before taxes and non-recurring events per share (in euros)	**2.895**	**2.895**

The weighted average closing price during 2004 was € 50.06 per share (2003: € 41.22 per share). The impact of discontinuing operations is disclosed in note 2.

5. Balance sheet items

5.1. Intangible assets

in thousands of €

COST	Licences, patents & similar rights	Computer software	Right to use land	Development costs	Other	Total 2004	Total 2003
At 1 January	36 142	44 313	6 750	1 089	3 929	92 223	87 787
Expenditure	20	5 771	664	50	124	6 629	9 519
Sales and disposals	(3)	(32)	-	-	(305)	(340)	(2 499)
Transfers to / (from)	787	555	-	3 626	(1 342)	3 626	-
First consolidation	445	-	-	255	-	700	101
Left out of consolidation	-	-	-	-	-	-	-
Translation gains / (losses)	-	(351)	(545)	(103)	(43)	(1 042)	(2 685)
At 31 December	37 391	50 256	6 869	4 917	2 363	101 796	92 223
AMORTISATION							
At 1 January	12 194	27 440	1 397	1 027	1 623	43 681	32 837
Charge for the year	3 463	6 072	184	3 710	405	13 834	12 846
Impairment losses	2 277	-	-	-	-	2 277	-
Sales and disposals	-	(4)	-	-	(305)	(309)	(1 074)
Transfers to / (from)	240	29	-	-	(269)	-	-
First consolidation	253	-	-	83	-	336	48
Left out of consolidation	-	-	-	-	-	-	-
Translation (gains) / losses	-	(229)	(116)	(96)	(20)	(461)	(976)
At 31 December	18 427	33 308	1 465	4 724	1 434	59 358	43 681
NET BOOK VALUE AT 31 DECEMBER 2004	**18 964**	**16 948**	**5 404**	**193**	**929**	**42 438**	
NET BOOK VALUE AT 31 DECEMBER 2003	**23 948**	**16 873**	**5 353**	**62**	**2 306**		**48 542**

An amount of € 5 771 of the expenditure relates to the implementation of ERP software (SAP). The negative exchange effect on the 2004 net book value amounts to € 581, mainly on assets recorded in US dollars and Chinese renminbi.

'Licences, patents and similar rights' consists mainly of intellectual property of the specialised films activity platform, acquired in 2001, and having a net book value of € 17 080 (2003: € 22 989) after normal annual amortisation and an impairment loss of € 2 277 on the display business.

5.2. Goodwill and negative goodwill

a. Goodwill

in thousands of €

COST	2004	2003
At 1 January	125 443	113 671
Expenditure	13 692	13 742
Sales and disposals	(686)	(884)
Transfers to / (from)	-	9 758
First consolidation	642	105
Left out of consolidation	(430)	-
Translation gains / (losses)	(4 684)	(10 949)
At 31 December	133 977	125 443
AMORTISATION		
At 1 January	50 530	40 813
Charge for the year	6 857	7 372
Impairment losses	2 032	-
Sales and disposals	(685)	(884)
Transfers to / (from)	-	4 481
First consolidation	244	72
Left out of consolidation	(259)	-
Translation (gains) / losses	(1 384)	(1 324)
At 31 December	57 335	50 530
NET BOOK VALUE AT 31 DECEMBER	**76 642**	**74 913**

b. Negative goodwill

in thousands of €

COST	2004	2003
At 1 January	4 384	680
Expenditure	226	3 704
Sales and disposals	(1 898)	-
At 31 December	2 712	4 384
AMORTISATION		
At 1 January	388	-
Charge for the year	1 252	388
Impairment	408	-
Translation gains / (losses)	4	-
At 31 December	2 052	388
NET BOOK VALUE AT 31 DECEMBER	**660**	**3 996**
TOTAL NET BOOK VALUE AT 31 DECEMBER (a-b)	**75 982**	**70 917**

This note relates only to goodwill and negative goodwill on consolidation of subsidiaries. Goodwill in respect of companies accounted for under the equity method is disclosed in note 5.4 'Investments accounted for under the equity method'.

Expenditure on goodwill in 2004 relates to the acquisition of Solaronics S.A. (€ 13 499) and the purchase of the minority interest in Precision Surface Technology Pte Ltd (€ 194). Impairment losses were recognised on goodwill relating to Bekaert Progressive Composites Corporation (€ 1 757) and on goodwill relating to Bekaert Specialty Films, LLC (€ 275).

The decrease in gross negative goodwill relates to changes in initial accounting for the acquisition (in 2003) of Bekaert Hlohovec, a.s., and arises mainly from a remeasurement of the fair value of the PP&E and the identification of liabilities related to environmental clean-up.

The purchase of the minority interest (25%) in Imaware resulted in an increase in negative goodwill of € 226.

The amortisation charge for the year includes an amount of € 1200 in respect of maintenance expenses which were identified in the acquisition plan of Bekaert Hlohovec, a.s. The impairment on negative goodwill relates to the carding business.

5.3. Property, plant and equipment

in thousands of €

COST	Land and buildings	Plant, machinery & equipment	Furniture and vehicles	Leasing and other similar rights	Other PP&E	Assets under construction and advance payments	Total 2004	Total 2003
At 1 January	506 180	1 551 477	62 010	4 292	9 785	57 774	2 191 518	2 253 034
Capital expenditure	13 676	51 983	3 616	710	2 083	94 168	166 236	108 630
Sales and disposals	(3 140)	(63 947)	(3 418)	(135)	(263)	(8 417)	(79 320)	(72 105)
Transfers to / (from)	5 348	46 802	1 660	11	21	(53 842)	-	-
First consolidation	(1 686)	2 482	720	421	-	143	2 080	49 337
Left out of consolidation	-	-	-	-	-	-	-	(1 077)
Translation gains / (losses)	(12 003)	(34 787)	(1 028)	(34)	(485)	(2 750)	(51 087)	(146 301)
At 31 December	508 375	1 554 010	63 560	5 265	11 141	87 076	2 229 427	2 191 518
Depreciation and impairment losses								
At 1 January	293 676	1 073 005	52 946	2 607	6 360	-	1 428 594	1 469 292
Charge for the year	18 728	74 128	4 148	462	1 224	-	98 690	102 513
Impairment losses	-	5 103	-	-	-	-	5 103	-
Sales and disposals	(3 643)	(62 176)	(3 333)	(94)	(156)	-	(69 402)	(63 030)
Transfers to / (from)	(841)	985	(152)	26	(18)	-	-	-
First consolidation	32	730	460	51	-	-	1 273	6 180
Left out of consolidation	-	-	-	-	-	-	-	(685)
Translation (gains) / losses	(7 385)	(22 430)	(766)	(3)	(294)	-	(30 878)	(85 676)
At 31 December	300 567	1 069 345	53 303	3 049	7 116	-	1 433 380	1 428 594
Net book value before investment grants and reclassification of leases	**207 808**	**484 665**	**10 257**	**2 216**	**4 025**	**87 076**	**796 047**	**762 924**
Net investment grants	(1 820)	(2 602)	(5)	-	-	-	(4 427)	(5 360)
Reclassification of leases	1 103	519	594	(2 216)	-	-	-	-
Net book value at 31 December 2004	**207 091**	**482 582**	**10 846**	**-**	**4 025**	**87 076**	**791 620**	
Net book value at 31 December 2003	**211 542**	**475 266**	**9 557**	**-**	**3 425**	**57 774**		**757 564**

The increase in expenditure between 2003 and 2004 is mainly explained by the investment programme in Europe and Asia.

The negative net currency translation effect for the year (€ 20 209) relates mainly to assets recorded in US dollars and Chinese renminbi. First consolidation in 2004 relates to the acquisition of Solaronics S.A. (France) and Precision Surface Technology Pte Ltd (Singapore) and a downward correction of € (1 802) to the initial fair value measurement of land and buildings at Bekaert Hlohovec, a.s. (Slovakia). Impairment losses relate to Sobelcard (€ 1 447) and Bekaert Specialty Films, LLC (€ 3 656).

5.4. Investments accounted for under the equity method

Prior to this year's annual report, the financial statements of most of these companies were prepared under different accounting policies from those of the Group and the information for restating them in accordance with Group policies was generally unavailable. The financial statements of the major Latin American joint ventures have been restated to IFRS. As a consequence, IFRS compliant joint ventures now represent 88% of the value of investments accounted for under the equity method.

Investments excluding related goodwill

in thousands of €

NET BOOK VALUE	2004	2003 restated	restatement	2003 reported
At 1 January	191 128	185 839	665	185 174
Expenditure	-	-	-	-
Result for the year	56 772	36 911	1 461	35 450
Dividends	(25 524)	(14 149)	10 023	(24 172)
Sales and disposals	(446)	-	-	-
(Write-downs) / reversals [1]	(4 593)	(5 800)	-	(5 800)
Translation gains / (losses)	(3 214)	(7 515)	(733)	(6 782)
Other restatements	(460)	385	468	(83)
Transfers [2]	(614)	(4 543)	-	(4 543)
NET BOOK VALUE AT 31 DECEMBER	**213 049**	**191 128**	**11 884**	**179 244**

[1] *(Write-downs) / reversals relate to impairment losses in Bekaert Handling Group A/S.*
[2] *Transfers in 2003 relate mainly to the increase in shareholding in Contours Ltd (€ 4 319) and Sorevi S.A. and Sorevi Savoie S.A (€ 1 386); these companies have moved from joint ventures and associates to subsidiaries.*

Related goodwill

in thousands of €

COST	2004	2003
At 1 January	28 507	39 987
Expenditure	-	-
Sales and disposals	-	-
Transfers to / (from)	-	(9 758)
Translation gains / (losses)	-	(1 722)
At 31 December	28 507	28 507
AMORTISATION		
At 1 January	18 629	20 524
Charge for the year	3 220	3 429
Sales and disposals	-	-
Transfers to / (from)	-	(4 481)
Translation (gains) / losses	-	(843)
At 31 December	21 849	18 629
NET BOOK VALUE AT 31 DECEMBER	**6 658**	**9 878**
TOTAL NET BOOK VALUE OF INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD	**219 707**	**201 006**

The Group's share of the assets and liabilities and results of joint ventures and associates (excluding related goodwill) is summarised below:

Combined items

in thousands of €

	2004	2003 restated
Property, plant & equipment	121 276	137 007
Other non-current assets	25 801	14 916
Current assets	202 479	169 124
Non-current liabilities	(30 357)	(27 639)
Current liabilities	(106 150)	(102 280)
Total net assets / (liabilities)	**213 049**	**191 128**
Sales	462 660	384 240
Profit from operations	78 715	50 070
Net profit	56 772	36 911

For the major Latin American joint ventures, combined items were collected from restated financial statements of consolidated entities, whereas they were collected from single entity financial statements last year.

The Group's share in the equity of the companies accounted for under the equity method is analysed as follows:

in thousands of €

		2004	2003 after restatement	restatement	2003 as reported
JOINT VENTURES					
Bekaert Australia Steel Cord Pty Ltd	Australia	4 076	4 254		4 254
Bekaert Faser Vertriebs GmbH	Germany	75	81		81
Bekaert Handling Group A/S and subsidiaries	Denmark	-	4 073		4 073
Belgo Bekaert Arames Ltda.	Brazil	101 517	79 361	9 629	69 732
BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda.	Brazil	27 134	28 640	6 855	21 785
Chilean entities [1]	Chile	46 542	41 121	(3 771)	44 892
Ideal Alambrec S.A. [2]	Ecuador	10 572	10 273	226	10 047
Netlon Sentinel Limited	UK	-	-		-
Spaleck-Bekaert GmbH & Co. KG	Germany	1 092	1 091		1 091
Vicson, S.A.	Venezuela	20 600	20 190	(1 055)	21 245
SUBTOTAL JOINT VENTURES		**211 608**	**189 084**	**11 884**	**177 200**
ASSOCIATES					
Jiangyin Fasten-Bekaert Optical Cable Steel Products Co., Ltd	China	1 157	1 177		1 177
Pindurg S.L.	Spain	284	253		253
Precision Surface Technology Pte Ltd [3]	Singapore	-	614		614
SUBTOTAL ASSOCIATES		**1 441**	**2 044**	**-**	**2 044**
TOTAL JOINT VENTURES and ASSOCIATES excluding related goodwill		**213 049**	**191 128**	**11 884**	**179 244**
Net book value of related goodwill		**6 658**	**9 878**	**-**	**9 878**
TOTAL JOINT VENTURES and ASSOCIATES including related goodwill		**219 707**	**201 006**	**11 884**	**189 122**

[1] *Includes Prodalam Group and Inchalam Group.*
[2] *Relates to the Ideal Alambrec Group.*
[3] *Became a subsidiary in 2004.*

5.5. Non-current available-for-sale financial assets

in thousands of €

NET BOOK VALUE	**2004**	**2003**
At 1 January	13 126	10 279
Expenditure	-	3 587
Sales and disposals	(975)	(27 158)
Reversal / (write-down)	173	28 361
Transfers to / (from)	(6 272)	(2 050)
First consolidation	288	214
Left out of consolidation	-	(12)
Translation gains / (losses)	11	(95)
NET BOOK VALUE AT 31 DECEMBER	**6 351**	**13 126**

The transfers in 2004 relate to the investments in venture capital funds (€ 3 626) which have been reclassified to intangible assets and fully amortised within R&D expenses, and to a reclassification from non-current receivables (€ 2 646) to other current receivables. The sales and disposals and reversals in 2003 relate mainly to the disposal of United Solar Systems Corp. (€ 26 885).

The main remaining available-for-sale investment at the year-end is Enerjisa (€ 3 292), an investment held by Beksa in the independent energy division of the Sabanci Group in Turkey.

5.6. Non-current loans and receivables originated by the enterprise

in thousands of €

A. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD	2004	2003
NET BOOK VALUE		
At 1 January	829	832
Increases / (decreases)	(509)	311
Translation gains / (losses)	(1)	(314)
At 31 December	319	829

B. OTHER INVESTMENTS	2004	2003
NET BOOK VALUE		
At 1 January	31	186
Increases / (decreases)	6	(155)
At 31 December	37	31
NET BOOK VALUE AT 31 DECEMBER (A+B)	**356**	**860**

5.7. Operational working capital

in thousands of €

	2004	2003	%
Inventories	419 300	322 642	+30.0
Trade receivables	385 176	307 740	+25.2
Trade payables	(250 798)	(191 417)	+31.0
Advances received on contracts	(2 446)	(6 245)	-60.8
Current employee benefit obligations	(88 734)	(69 922)	+26.9
Personnel related taxes	(9 874)	(8 849)	+11.6
OPERATIONAL WORKING CAPITAL	**452 624**	**353 949**	**+27.9**

Average operational working capital represented 18.6% on sales (2003: 19.6%). The net increase in the operational working capital resulted from :

- an increase of € 112 585, mainly in inventories, trade receivables and trade payables largely in line with organic growth and increases in raw material prices;
- a negative currency impact of € 13 283;
- an increase of € 4 546 from new acquisitions.

Additional information on:

- Inventories
  Write-down of inventories recognised in the income statement: € 3 918 (2003: € 4 304). No inventories were pledged as security for liabilities (2003: also none).
- Trade receivables
  Allowance for bad and doubtful debt recognised in the income statement: € 1 256 (2003: € 1 590).

5.8. Current loans and receivables

in thousands of €

NET BOOK VALUE	2004	2003
At 1 January	5 766	8 124
Increase / (decrease)	(5 021)	(1 867)
First consolidation	-	29
Translation gains / (losses)	18	(520)
NET BOOK VALUE AT 31 DECEMBER	**763**	**5 766**

Financial receivables are mainly loans to joint ventures and associates.

5.9. Other receivables, deferred charges and accrued income

Other receivables

in thousands of €

NET BOOK VALUE	2004	2003
At 1 January	25 082	33 652
Increase / (decrease)	7 346	(6 726)
Transfer to / (from)	2 646	-
First consolidation	953	608
Left out of consolidation	-	(100)
Translation gains / (losses)	(259)	(2 352)
NET BOOK VALUE AT 31 DECEMBER	**35 768**	**25 082**

Other receivables consist mainly of an amount of € 23 722 (2003: € 16 859) related to taxes and an amount of € 2 665 (2003: € 1 810) related to royalties. The transfer concerns a reclassification from non-current available-for-sale financial assets. The increase in other receivables mainly relates to a reclassification from accrued income.

Deferred charges and accrued income

in thousands of €

NET BOOK VALUE	2004	2003
At 1 January	12 667	8 750
Increase / (decrease)	(7 913)	4 315
First consolidation	111	353
Left out of consolidation	-	(31)
Translation gains / (losses)	(137)	(720)
NET BOOK VALUE AT 31 DECEMBER	**4 728**	**12 667**

The decrease in accrued income mainly relates to a reclassification to other receivables.

5.10. Deferred tax assets and liabilities

in thousands of €

	ASSETS		LIABILITIES		NET POSITION	
NET BOOK VALUE	2004	2003	2004	2003	2004	2003
At 1 January	15 064	10 665	(64 680)	(66 062)	(49 616)	(55 397)
Increase / (decrease) via income	231	11 158	5 418	(291)	5 649	10 867
Increase / (decrease) via equity	(2 071)	(97)	1 209	(1 285)	(862)	(1 382)
First consolidation	216	988	(297)	(2 633)	(81)	(1 645)
Left out of consolidation	-	-	-	-	-	-
Translation gains / (losses)	4 713	(7 650)	(5 074)	5 591	(361)	(2 059)
NET BOOK VALUE AT 31 DECEMBER	**18 153**	**15 064**	**(63 424)**	**(64 680)**	**(45 271)**	**(49 616)**

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

in thousands of €

	ASSETS		LIABILITIES		NET POSITION	
NET BOOK VALUE	2004	2003	2004	2003	2004	2003
Intangible assets	1 279	487	(3 746)	(2 775)	(2 467)	(2 288)
Property, plant & equipment	3 880	3 325	(62 588)	(72 282)	(58 708)	(68 957)
Investments	1 536	-	(17 282)	(15 412)	(15 746)	(15 412)
Inventories	4 630	2 223	(5 701)	-	(1 071)	2 223
Receivables	1 718	437	(38)	(32)	1 680	405
Other current assets	17	36	(1 398)	(898)	(1 381)	(862)
Employee benefits	17 450	7 167	(82)	(6 528)	17 368	639
Other provisions	2 299	7 756	(187)	(379)	2 112	7 377
Other liabilities	1 092	843	(1 940)	(2 841)	(848)	(1 998)
Tax losses carried forward, tax credits and recoverable income taxes	13 790	29 257	-	-	13 790	29 257
Tax assets / (liabilities)	**47 691**	**51 531**	**(92 962)**	**(101 147)**	**(45 271)**	**(49 616)**
Set-off of assets and liabilities	**(29 538)**	**(36 467)**	**29 538**	**36 467**		
NET TAX ASSETS / (LIABILITIES)	**18 153**	**15 064**	**(63 424)**	**(64 680)**	**(45 271)**	**(49 616)**

The deferred tax liabilities on investments relate mainly to temporary differences arising from undistributed profits from subsidiaries, joint ventures and associates.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following deductible items (gross amounts):

in thousands of €

	2004	2003	change
Deductible temporary differences	93 531	114 215	
Capital losses	74 364	70 155	
Trade losses	96 205	97 303	
TOTAL	**264 100**	**281 673**	**(17 573)**

Of the capital losses in 2004, 63% will expire before 2009.

5.11. Ordinary shares, treasury shares, subscription rights and share options

in thousands of €

ISSUED CAPITAL	Value	Number of shares
1. At 1 January 2004	170 000	22 070 300
Movements in the year		
Creation of new shares	1 000	23 705
Cancellation of shares	-	220 300
At 31 December 2004	171 000	21 873 705
2. Structure		
2.1 Classes of share capital		
Ordinary shares without par value	171 000	21 873 705
2.2 Registered shares	-	572 246
Bearer shares	-	21 301 459
AUTHORISED, NOT ISSUED CAPITAL	**170 000**	

The Company repurchased and cancelled 220 300 shares in 2004, reducing the reserves by € 9 924. During the exercise period from 16 to 30 November 2004, 23 705 subscription rights were exercised and 23 705 new shares of the company were created, increasing the capital by € 1 000 and the share premium by € 249.

The Extraordinary General Meeting of Shareholders of 14 October 1999 authorised the Board to issue up to 1 300 000 subscription rights to its management and executive employees in the period 2000–2004 in connection with a stock option plan based on the Act of 26 March 1999. To avoid dilution of the existing shares, the company has hitherto repurchased and cancelled a total of 607 320 existing shares. The 2004 offering was 233 845 subscription rights, of which 167 394 were granted on 7 September 2004 and issued on 30 September 2004.

Overview

Date offering	Date of issue of subscription rights	Exercise price in €	Number of subscription rights: Granted	Exercised	Expired	Outstanding	First exercise period	Last exercise period
17.12.1999	04.04.2000	52.60	35 730	6 985	385	28 360	01.06-15.06.2003	15.11-30.11.2012
17.12.1999	04.04.2000	52.60	2 890	60	2 590	240	01.06-15.06.2003	15.11-30.11.2009
17.12.1999	04.04.2000	52.60	1 000	1 000		-	01.06-15.06.2003	16.11-30.11.2004
14.07.2000	26.09.2000	54.00	106 547	10 670	720	95 157	01.06-15.06.2004	22.05-15.06.2013
14.07.2000	26.09.2000	54.00	5 515	240	4 355	920	01.06-15.06.2004	22.05-15.06.2010
14.07.2000	26.09.2000	49.85	4 750	4 750		-	01.06-15.06.2004	01.06-15.06.2005
13.07.2001	26.09.2001	41.94	139 389			139 389	22.05-30.06.2005	22.05-15.06.2014
13.07.2001	26.09.2001	41.94	4 125			4 125	22.05-30.06.2005	22.05-15.06.2011
12.07.2002	25.09.2002	47.48	35 364			35 364	22.05-30.06.2006	22.05-15.06.2015
12.07.2002	25.09.2002	47.48	380			380	22.05-30.06.2006	22.05-15.06.2012
11.07.2003	06.10.2003	40.89	33 580			33 580	22.05-30.06.2007	22.05-15.06.2013
09.07.2004	30.09.2004	47.29	167 394			167 394	22.05-30.06.2008	22.05-15.06.2014
TOTAL			**536 664**	**23 705**	**8 050**	**504 909**		

A further 32 800 options on existing shares were offered and granted in 2004 under the second stock option plan.

Date offering	Number of options offered	Date granted	Number of options granted	Exercise price in €	First exercise period	Last exercise period
26.07.2000	2 850	24.09.2000	2 850	49.85	01.06-15.06.2004	22.05-15.06.2013
13.07.2001	11 450	11.09.2001	11 450	41.94	22.05-30.06.2005	22.05-15.06.2014
12.07.2002	3 040	10.09.2002	3 040	47.48	22.05-30.06.2006	22.05-15.06.2015
11.07.2003	2 780	09.09.2003	2 780	40.89	22.05-30.06.2007	22.05-15.06.2013
09.07.2004	32 800	07.09.2004	32 800	47.29	22.05-30.06.2008	22.05-15.06.2014
TOTAL	**52 920**		**52 920**			

5.12. Hedging reserve

in thousands of €

BALANCE	2004	2003
At 1 January	(3 018)	(13 015)
New instruments added	-	-
Existing instruments settled	-	7 123
Value changes of existing instruments	1 737	1 922
Translation gains / (losses)	220	952
NET BOOK VALUE AT 31 DECEMBER	**(1 061)**	**(3 018)**
Of which		
Interest-rate swaps (US dollar loans)	(1 061)	(3 018)

Changes in the fair value of hedging instruments designated as effective 'cash flow hedges' are recognised directly in equity.

5.13. Minority interests

in thousands of €

BALANCE	2004	2003
At 1 January	43 344	44 343
(Increase) / decrease in ownership	(501)	-
Share of net profit of subsidiaries	12 350	7 486
Dividend pay-out	(6 713)	(7 756)
Capital increases	422	249
Transfer from equity method	600	502
Translation gains / (losses)	(671)	(1 480)
NET BOOK VALUE AT 31 DECEMBER	**48 831**	**43 344**

The increase in ownership relates to the repurchase of 25% of the shares of Imaware.
Capital increases in 2004 relate to Bekaert Shenyang Steel Cord Co., Ltd (€ 242) and China Bekaert Steel Cord Company Limited (€ 180).
The transfer from equity method relates to the increase in the shareholding in Precision Surface Technology Pte Ltd from 33% to 67% in 2004.

5.14. Employee benefit obligations

Several Bekaert companies operate retirement benefit and other post-employment benefit plans. These plans generally cover all employees and provide benefits which are related to salary and length of service. Most assets in Belgium and the UK are invested in mixed portfolios of shares and bonds, mainly denominated in local currency. Plan assets in the US are invested in annuity contracts providing a guaranteed rate of return, in fixed-income funds and in equity investments. The pension funds hold no direct positions in Bekaert shares, nor do they own any property used by a Bekaert entity. It is general Group policy to fund pension benefits on an actuarial basis with contributions paid to insurance companies and / or independent pension funds.
As defined contribution plans in Belgium are now legally subject to a minimum guaranteed return, the Belgian supplementary pension plan for managers, which offers participants limited investment choice, is now accounted for as a defined benefit plan. The other Belgian defined contribution plans for blue-collar and white-collar employees are still accounted for as defined contribution plans, as the legally required return is adequately guaranteed by the insurance company.

At 31 December 2004 the total net liabilities for employee benefit obligations amounted to € 172 004 (€ 171 435 at 31 December 2003), analysed as follows:

in thousands of €

	2004	2003
Liabilities for:		
Defined benefit pension plans	54 824	66 664
Other post-employment benefit plans	87 900	90 989
Other long-term employee benefits	1 525	-
Other employee benefit obligations	27 755	13 782
Total net (assets) / liabilities	**172 004**	**171 435**

Defined benefit pension plans and other post-employment benefit plans

in thousands of €

MOVEMENT IN DEFINED BENEFIT OBLIGATION ('DBO')	Defined benefit pension plans 2004	Defined benefit pension plans 2003	Other post-employment benefit plans 2004	Other post-employment benefit plans 2003
Present value at 1 January	417 127	398 092	94 181	96 953
Service cost	13 974	10 151	2 349	2 465
Interest cost	22 002	20 990	4 439	4 900
Participants' contributions	691	577	-	-
Plan amendments	4 754	-	392	-
First consolidation / (left out of consolidation)	-	106	-	-
Actuarial (gains) / losses	8 502	39 893	2 740	1 884
Benefits paid	(32 821)	(25 877)	(9 140)	(8 549)
Translation (gains) / losses	(6 746)	(26 805)	(1 171)	(3 472)
Present value of defined benefit obligation at 31 December	**427 483**	**417 127**	**93 790**	**94 181**

Other post-employment benefit plans relate to pre-retirement pensions in Belgium (DBO in 2004: € 78 580, 2003: € 76 474) and other post-employment benefits for medical care in the US (DBO in 2004: € 15 210, 2003: € 17 707), which are not externally funded. Of the DBO in Belgium, an amount of € 37 882 (2003: € 38 255) relates to employees in active service who have not yet entered into any pre-retirement agreement.

in thousands of €

MOVEMENT IN PLAN ASSETS	Defined benefit pension plans 2004	Defined benefit pension plans 2003	Other post-employment benefit plans 2004	Other post-employment benefit plans 2003
Fair value at 1 January	279 057	247 627	-	-
Actual return on plan assets	26 199	51 578	-	-
Company contributions	35 315	22 173	-	-
Plan participants' contributions	691	577	-	-
First consolidation / (left out of consolidation)	-	(567)	-	-
Settlements	-	-	-	-
Benefits paid	(32 819)	(24 439)	-	-
Translation gains / (losses)	(4 775)	(17 892)	-	-
Fair value of plan assets at 31 December	**303 668**	**279 057**	**-**	**-**

in thousands of €

FUNDED STATUS	Defined benefit pension plans 2004	Defined benefit pension plans 2003	Other post-employment benefit plans 2004	Other post-employment benefit plans 2003
Present value of unfunded obligations	24 788	22 290	93 790	94 181
Present value of funded obligations	402 695	394 837	-	-
Fair value of plan assets	(303 668)	(279 057)	-	-
Present value of net obligations	**123 815**	**138 070**	**93 790**	**94 181**
Unrecognised actuarial gains / (losses)	(68 990)	(71 405)	(6 067)	(3 332)
Unrecognised past service cost	(1)	(1)	177	140
Net (asset) / liability	**54 824**	**66 664**	**87 900**	**90 989**
Amounts in the balance sheet:				
Assets	**-**	**-**	**-**	**-**
Liabilities	**54 824**	**66 664**	**87 900**	**90 989**

in thousands of €

MOVEMENT IN LIABILITY	Defined benefit pension plans 2004	2003	Other post-employment benefit plans 2004	2003
Net (asset) / liability at 1 January	66 664	73 985	90 989	95 056
Contributions paid	(35 355)	(23 435)	(9 140)	(8 549)
Expense recognised in the income statement	24 521	19 665	7 283	7 505
First consolidation	-	195	-	-
Left out of consolidation	(74)	(222)	(30)	-
Translation (gains) / losses	(932)	(3 524)	(1 202)	(3 023)
Net (asset) / liability at 31 December	**54 824**	**66 664**	**87 900**	**90 989**
Amounts in the balance sheet:				
Assets	**-**	**-**	**-**	**-**
Liabilities	**54 824**	**66 664**	**87 900**	**90 989**

The amounts recognised in the income statement are as follows:

in thousands of €

NET BENEFIT EXPENSE	Defined benefit pension plans 2004	2003	Other post-employment benefit plans 2004	2003
Current service cost	13 974	10 151	2 349	2 465
Interest cost	22 002	20 990	4 439	4 900
Expected return on plan assets	(18 975)	(14 426)	-	-
Net actuarial (gains) / losses recognised in the year	2 706	2 856	51	42
Past service cost	4 813	94	444	98
TOTAL	**24 520**	**19 665**	**7 283**	**7 505**

The principal actuarial assumptions on the balance sheet date (weighted averages) were:

in thousands of €

ACTUARIAL ASSUMPTIONS	Defined benefit pension plans 2004	2003	Other post-employment benefit plans 2004	2003
Discount rate	5.2%	5.3%	4.9%	5.1%
Expected return on plan assets	6.5%	6.9%	-	-
Future salary increases	3.9%	3.7%	3.2%	3.3%
Health care cost increases	-	-	11.0%	12.0%

Weighted averages for other post-employment benefit plans are slightly different from those for pension plans because the former include only the Belgian and US plans; actuarial assumptions by country were, however, identical.

Other long-term employee benefits

The other long-term employee benefits relate to service anniversary bonuses.

Other employee benefit obligations

Other employee benefit obligations relate mainly to retirement benefits in Europe and Turkey and individual pension promises.

5.15. Provisions

in thousands of €

	Restructuring	Legal claims	Other	Total
AT 31 DECEMBER 2003	**6 586**	**3 071**	**34 147**	**43 804**
Additional provisions made	257	4 198	7 642	12 097
Unused amounts released	(37)	(297)	(2 845)	(3 179)
Increase in discounted amount	-	(14)	(97)	(111)
Charged to the income statement	**220**	**3 887**	**4 700**	**8 807**
First consolidation	-	(407)	2 083	1 676
Amounts used during the year	(2 791)	(1 173)	(6 030)	(9 994)
Translation (gains) / losses	20	(88)	211	143
AT 31 DECEMBER 2004	**4 035**	**5 290**	**35 111**	**44 436**

The additional provisions made relate to Bekaert Indoor Safety B.V. (Netherlands), environmental programmes and disputes with government bodies. It is not yet known when these provisions will be settled.

5.16. Financial liabilities and non-current other amounts payable

Information concerning the contractual terms of the Group's interest-bearing loans and borrowings, covering financial liabilities (current and non-current) and other amounts payable (non-current) is given below:

in thousands of €

2004	Due within 1 year	Due between 1 and 5 years	Due after 5 years	TOTAL
Non-current financial liabilities				
– finance leases	-	1 581	-	1 581
– credit institutions	-	131 946	-	131 946
– bonds	-	108 760	-	108 760[1]
Other non-current amounts payable	-	255	-	255
Current financial liabilities				
– current portion of non-current finance leases	499	-	-	499
– current portion of non-current financial liabilities-credit institutions	74 895	-	-	74 895
– credit institutions	236 583	-	-	236 583
TOTAL	**311 977**	**242 542**	**-**	**554 519**

in thousands of €

2003	Due within 1 year	Due between 1 and 5 years	Due after 5 years	TOTAL
Non-current financial liabilities				
– finance leases	-	581	453	1 034
– credit institutions	-	203 307	1 010	204 317
– bonds	-	-	106 998	106 998[2]
Other non-current amounts payable	-	1 862	-	1 862
Current financial liabilities				
– current portion of non-current finance leases	179	-	-	179
– current portion of non-current financial liabilities-credit institutions	8 301	-	-	8 301
– credit institutions	168 103	-	-	168 103
TOTAL	**176 583**	**205 750**	**108 461**	**490 794**

[1] *Includes € 45 277 of value adjustments as a result of hedge accounting.*

[2] *Includes € 38 534 of value adjustments as a result of hedge accounting.*

Total financial debt was mainly denominated in US dollars (55.2%, 2003: 66.9%), euros (19.6%, 2003: 20.4%) and Chinese renminbi (22.8%, 2003: 8.4%). The general principle is that loans are entered into by entities in their local currency, so as to avoid currency risk.

Fixed interest rates applied to 44.9% of the long-term financial debt (2003: 47.4%). The weighted average interest rates at the year-end were:

- fixed interest rate loans: 5.65% on US dollar loans (2003: 5.65%); not applicable to any euro or Chinese renminbi loans in 2004 (2003: not applicable);
- floating interest rate loans: 2.97% on US dollar loans (2003: 1.94%) and 2.37% on euro loans (2003: 2.33%).

The weighted average lifetime at year-end of long-term financial debt was 2.6 years (2003: 3.5 years).

Short-term financial debt was mainly denominated in US dollars (33.6%, 2003: 52.1%), Chinese renminbi (43.7%, 2003: 20.7%) and euros (21.2%, 2003: 20.3%). Of the short-term financial debt, the weighted average interest rates for the main currencies at year-end were: 2.88% on US dollar loans (2003: 1.60%), 3.03% on Chinese renminbi loans (2003: 1.57%) and 2.60% on euro loans (2003: 2.31%).

Several uncommitted short-term credit lines in euros and other currencies are available to the Group in amounts considered adequate for current and near-future financial needs. These facilities are generally of the mixed type and may be utilised for advances, overdrafts, acceptances, etc.

The Group also has committed credit facilities at its disposal up to a maximum equivalent of € 191 million (2003: € 185 million) at floating interest rates with fixed margins. These credit facilities will mature in 2005, 2006 and 2007. At year-end, € 73.9 million had been drawn under these facilities (2003: € 101.0 million).

In addition, the Group has a commercial paper and medium-term notes programme available for a maximum of € 123.9 million (2003: € 123.9 million). On 31 December 2004, no commercial paper notes were outstanding (2003: € 24.5 million).

5.17. Derivative financial instruments

The Group uses derivative financial instruments to hedge exchange-rate exposure and interest-rate exposure arising from its industrial and commercial operations. Only some of these financial instruments qualify for 'hedge accounting' under the stringent criteria defined in IAS 39 'Financial Instruments: Recognition and Measurement'. Other derivatives are treated as 'free-standing instruments held for trading' in accordance with IAS 39.

The net exposure of all subsidiaries is managed on a centralised basis by the Group Finance Department in accordance with the aims and principles laid down by general management, supported by timely controlling and reporting procedures. As a policy, the Group does not engage in speculative or leveraged transactions, nor does it hold or issue financial instruments for trading purposes.

A. Fair value

The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows.

The Group's principal financial instruments not carried at fair value are cash and cash equivalents, receivables and other current assets, non-current assets, trade and other payables and long-term borrowings.

The carrying amount of cash equivalents approximates to their value, given the short-term maturity of these financial instruments. Similarly, the historical-cost carrying amounts of receivables and payables, which are all subject to normal trade credit terms, approximate to their fair values.

The fair value of long-term fixed rate borrowings is based on the quoted market price for the same or similar issues, or on the current rates available for debt with the same maturity and credit-rating risk profile. The fair value of long-term floating rate borrowings only takes into account the currency impact.

B. Foreign-exchange exposure

The Group uses forward exchange contracts to limit its commercial foreign-exchange risk on such transactions as sales, purchases, royalties and dividends. These contracts are concluded with major financial institutions.

With the adoption of IAS 39, the Group has not designated its forward exchange (FX) contracts as 'cash flow hedges'. As a consequence, changes in the fair value of these contracts between two balance sheet dates are shown as 'Value adjustments to financial instruments' under 'Non-operating income & expenses'.

As at 31 December 2004, the total fair value of the forward exchange contracts was € 1 886 (2003: € 1 179), while the notional amounts were:

in thousands of €

FORWARD EXCHANGE CONTRACTS	2004	2003
Currencies purchased forward, maturing:		
up to 6 months	6 670	717
after 6 months	1 404	2 786
	8 074	**3 503**
Currencies sold forward, maturing:		
up to 6 months	118 595	58 555
after 6 months	9 469	640
	128 064	**59 195**

The Group has entered into cross-currency interest-rate swaps (CCIRS) for a notional amount of € 264 740 (2003: € 260 542) resulting in the obligation to sell currencies and interest thereon against euros, US dollars and sterling on pre-set terms.

With the adoption of IAS 39, the Group has designated the CCIRS related to its Eurobond as a 'fair value hedge'. As a consequence, changes in the fair value of the hedging instrument and of the hedged item offset each other in the income statement. The other CCIRSs do not qualify for hedge accounting under IAS 39 and consequently are not treated as hedging instruments, even though they provide economic hedging. As at 31 December 2004, the total fair value of CCIRS instruments amounted to € 86 347 (2003: € 73 164).

C. Interest-rate exposure

To manage its interest-rate exposure, the Group has entered into interest-rate swaps. Any interest-rate differential is recognised as an adjustment to interest income and expenses over the term of the related underlying debt.

Of the total outstanding debt on 31 December 2004, the interest-rate exposure relating to the equivalent of € 110 124 (2003: € 119 083) was hedged through these interest-rate agreements.

The maturities of the interest-rate swaps are as follows:

- maturing within one year: € 36 708 (2003: € 319);
- maturing between one and five years: € 73 416 (2003: € 98 970);
- maturing after more than five years: nil (2003: € 19 794).

As at 31 December 2004, the total fair value of the interest-rate swaps amounted to € (4 706), compared with € (9 378) the previous year.
With the adoption of IAS 39, the Group has designated only part of its interest-rate swaps as 'cash flow hedges'. Although the Group entered into interest-rate swaps (IRS) relating to a combination of a loan and a cross-currency interest-rate swap (CCIRS) only for hedging and not for trading reasons, these IRSs are treated as 'instruments held for trading' under IAS 39 rather than as hedging instruments.

D. Credit risk

To manage its credit risk, the Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all counterparties requiring significant credit facilities. Furthermore, credit risk is covered by credit insurance policies with either a public or private credit insurer and by the systematic use of trade finance instruments (e.g. letters of credit).

Breakdown of net position by type of financial instrument

in thousands of €

FAIR VALUE OF CURRENT AND NON-CURRENT DERIVATIVES	ASSETS 2004	ASSETS 2003	LIABILITIES 2004	LIABILITIES 2003	NET POSITION 2004	NET POSITION 2003
Financial instruments						
Foreign-exchange contracts	3 621	1 916	(1 735)	(737)	1 886	1 179
Interest-rate swaps	-	-	(4 706)	(9 378)	(4 706)	(9 378)
Cross-currency interest-rate swaps	86 489	73 629	(142)	(465)	86 347	73 164
NET ASSETS / (LIABILITIES)	**90 110**	**75 545**	**(6 583)**	**(10 580)**	**83 527**	**64 965**

Movement in the net position recognised in the balance sheet

in thousands of €

	2004	2003
At 1 January	64 965	20 740
Increase / (decrease) via income statement	23 489	44 117
Increase / (decrease) via hedging reserve	1 737	9 045
First consolidation	(3)	-
Left out of consolidation	-	-
Translation gains / (losses)	(6 661)	(8 937)
Transfers	-	-
NET BOOK VALUE AT 31 DECEMBER	**83 527**	**64 965**

Movements via the income statement are explained in note 4.5. 'Non-operating income & expenses'.

5.18. Other payables, accrued charges and deferred income

Other payables

in thousands of €

NET BOOK VALUE	2004	2003
At 1 January	22 005	12 493
Increase / (decrease)	(14 685)	11 700
First consolidation	1 572	886
Left out of consolidation	-	(16)
Translation (gains) / losses	175	(3 058)
NET BOOK VALUE AT 31 DECEMBER	**9 067**	**22 005**

The movement in other payables arises from a timing difference in payments.

Accrued charges and deferred income

in thousands of €

NET BOOK VALUE	2004	2003
At 1 January	7 647	7 662
Increase / (decrease)	(275)	(790)
First consolidation	43	1 674
Left out of consolidation	-	(13)
Translation (gains) / losses	(261)	(886)
NET BOOK VALUE AT 31 DECEMBER	**7 154**	**7 647**

6. Miscellaneous items

6.1. Effect of acquisitions and disposals

The first consolidation in 2004 relates to the acquisition of Solaronics S.A. and the purchase of the minority in Precision Surface Technology Pte Ltd, which was formerly an associate.
In 2003, the first consolidation related to the increase in shareholding in Contours Ltd, Sorevi S.A. and Sorevi Savoie S.A., the acquisitions of Bekaert Hlohovec, a.s., Bekaert Specialty Films Nordic AB, Bekaert Specialty Films North Europe AB, Bekaert CEB Technologies B.V. and Bekaert CEB Technologies Canada Ltd.
The impact of the disposal of Bekaert-Stanwick and Bekaert Consulting, S.L. is reflected in 'left out of consolidation' in 2003.

in thousands of €

SUBSIDIARIES	2004 first consolidation	2003 first consolidation	2003 left out of consolidation	2003 total
Intangible assets (other than goodwill)	363	52	-	52
Goodwill acquired	499	34	-	34
Property, plant & equipment	2 603	43 005	(393)	42 612
Investments	288	214	(16)	198
Inventories	1 507	11 872	-	11 872
Trade receivables	9 602	16 274	(2 643)	13 631
Other receivables	1 359	766	(48)	718
Cash & cash equivalents	4 782	2 413	(7)	2 406
Deferred charges & accrued income	111	353	(31)	322
Deferred tax assets	216	988	-	988
Provisions	(802)	(1 767)	-	(1 767)
Non-current financial liabilities	(1 056)	(2 795)	-	(2 795)
Current financial liabilities	(1 067)	(5 887)	36	(5 851)
Trade payables	(3 958)	(10 512)	261	(10 251)
Other payables	(4 096)	(15 292)	2 575	(12 717)
Accrued charges & deferred revenues	(43)	(1 651)	13	(1 638)
Deferred tax liabilities	(296)	(2 633)	-	(2 633)
TOTAL NET ASSETS	**10 012**	**35 434**	**(253)**	**35 181**
Goodwill arising on related acquisitions	13 693	10 038	-	10 038
Timing difference in effective cash	(2 000)	(4 911)	(146)	(5 057)
Reclass of investments previously accounted for under the equity method	(614)	(5 705)	-	(5 705)
Minority contribution on related acquisitions	(659)	(503)	-	(503)
CONSIDERATION PAID	**20 432**	**34 353**	**(399)**	**33 954**
Cash acquired	(4 782)	(2 413)	7	(2 406)
NET CASH OUTFLOW	**15 650**	**31 940**	**(392)**	**31 548**

COMPANIES	Month of acquisition	Impact on the consolidated net result of the Group
Solaronics S.A.	March 2004	35
Precision Surface Technology Pte Ltd	January 2004	161

All financial amounts are expressed in thousands of €

6.2. Off balance sheet commitments

As at 31 December, important commitments were:

in thousands of €

	2004	2003
Guarantees given to third parties	4 301	4 433
Commitments to purchase fixed assets	479	1 730
Operating lease obligations	32 023	36 391

The Group has entered into several contracts classified as operating leases mainly with respect to buildings, predominantly in Belgium and the United States. The maturities of these lease obligations were distributed as follows:

in thousands of €

	2004	2003
Within one year	9 917	9 974
Between one and five years	17 138	20 405
More than five years	4 968	6 012

6.3. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated in consolidation and are not disclosed in this note. Transactions with other related parties are disclosed below.

in thousands of €

	2004	2003
Transactions with joint ventures and associates		
Sales of goods	14 927	7 541
Purchases of goods	23 694	22 278
Royalties and management fees received	7 235	3 650
Interest and similar income	81	362
Interest and similar expense	-	10
Dividends received	22 767	22 056
Outstanding balances with joint ventures and associates		
Non-current receivables	319	2 937
Trade receivables	2 909	1 289
Other current receivables	2 594	3 650
Non-current payables	-	-
Trade payables	267	1 623
Other current payables	-	31
Off balance sheet commitments with joint ventures and associates		
Guarantees given to third parties on behalf of JVs and associates	2 927	2 692
Transactions and outstanding balances with other related parties		
(a) Trans-Easy NV (Belgium)		
Sales of goods	208	201
Purchases of goods	2 705	1 936
Trade receivables	87	64
Trade payables	315	51
(b) Inpalco sro (Slovakia)		
Sales of goods	2	29
Purchases of goods	125	-
Trade receivables	-	17
Trade payables	-	-
(c) Bege sro (Slovakia)		
Sales of goods	336	31
Purchases of goods	-	24
Trade receivables	21	31
Trade payables	-	-

All financial amounts are expressed in thousands of €

Baron Leon Bekaert, a member of the Board of Directors, has either control or joint control in each of the companies (a), (b) and (c) mentioned as related parties, which act as subcontractors in the production of gates and accessories for fencing systems Europe.
Sales of goods to related parties were made at the Group's usual list prices. Purchases were made at market prices discounted to reflect the quantity of the goods purchased and the relationships between the parties.
The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

in thousands of €

	2004	2003
Directors' remuneration		
Number of persons	14	13
Fixed remuneration	1 808	1 850
Variable remuneration	890	370
Total gross remuneration	**2 698**	**2 220**
Number of subscription rights / options granted (stock option plan)	22 000	1 600
Senior management personnel remuneration		
Number of persons	17	20
Short-term employee benefits		
Basic remuneration	3 019	3 310
Variable remuneration	1 712	952
Remuneration as directors of subsidiaries	761	732
Post-employment benefits		
Defined benefit pension plans	205	247
Defined contribution pension plans	399	468
Other long-term benefits	-	-
Termination benefits	-	-
Total gross remuneration	**6 469**	**5 710**
Number of subscription rights / options granted (stock options plan)	50 420	9 230

Senior management includes all Group Executive Vice Presidents and Group Vice Presidents.

6.4. Events after the balance sheet date

On 12 January 2005, Bekaert signed an agreement for the sale of fencing systems Europe to Gilde, a leading investment company in Europe for an enterprise value of € 281.5 million. The disposal was completed on 1 March 2005, but control of fencing systems Europe was passed to the acquirer on 1 January 2005.

As a result of this transaction, fencing systems Europe is treated as a 'discontinuing operation' in accordance with IAS 35 (see note 1 'Summary of significant accounting policies' and note 2 'Impact of discontinuing operations'). The capital gain on this transaction is expected to amount to € 56 million.

6.5. Non-audit services provided by Statutory Auditor and related persons

During 2004, the statutory auditor and persons professionally related to him performed special tasks for an amount of € 1 102. These fees relate essentially to further assurance services (€ 251), consulting services for tax issues (€ 643) and other non-recurring non-audit services (€ 208). The special tasks have been approved by the statutory audit committee.

6.6. Subsidiaries, joint ventures and associates

A. SUBSIDIARIES

INDUSTRIAL COMPANIES		%
EUROPE		
Bekaert Advanced Coatings	Deinze, Belgium	100
Bekaert Bohumín s.r.o.	Bohumín, Czech Republic	100
Bekaert CEB Technologies B.V.	Eindhoven, Netherlands	100
Bekaert Combustion Technology B.V.	Assen, Netherlands	75
Bekaert Combustion Technology NV	Zwevegem, Belgium	75
Bekaert Deutschland GmbH	Schwalmtal, Germany	100
Bekaert Dymonics GmbH	Bad Homburg, Germany	100
Bekaert Fencing España, S.L.	Burgos, Spain	100
Bekaert Fencing Limited	Sheffield, United Kingdom	100
Bekaert Fencing NV	Zwevegem, Belgium	100
Bekaert Fencing S.A.	Bourbourg, France	100
Bekaert Fencing S.p.A.	Tortoreto, Italy	100
Bekaert Fencing Sp.z o.o.	Kotlarnia, Poland	100
Bekaert Fibre Processing Systems	Wevelgem, Belgium	100
Bekaert France S.A.	Charleville-Mézières, France	100
Bekaert Hemiksem	Hemiksem, Belgium	100
Bekaert Hlohovec, a.s.	Hlohovec, Slovakia	100
Bekaert Indoor Safety B.V.	Ede, Netherlands	100
Bekaert Petrovice s.r.o.	Petrovice, Czech Republic	100
Bekaert Progressive Composites, S.A.	Munguía, Spain	100
Bekaert Slovakia, s.r.o.	Sládkovičovo, Slovakia	100
Bekintex	Wetteren, Belgium	100
Industrias del Ubierna, S.A.	Burgos, Spain	100
Sobelcard	Zwevegem, Belgium	100
Solarelec SAS	Champagne au Mont d'Or, France	75
Solaronics S.A.	Armentières, France	75
Sorevi S.A.	Limoges, France	87
Tinsley Wire (Ireland) Limited	Dublin, Ireland	100
Werler Drahtwerke GmbH	Werl, Germany	100
NORTH AMERICA		
Bekaert CEB Technologies Canada Ltd	Calgary, Canada	100
Bekaert Combustion Technology Corporation	Wilmington (Delaware), USA	75
Bekaert Corporation	Wilmington (Delaware), USA	100
Bekaert Progressive Composites Corporation	Atlanta (Georgia), USA	80
Bekaert Specialty Films, LLC	Wilmington (Delaware), USA	100
Rotar, Inc.	Minneapolis (Minnesota), USA	100
Titan Steel & Wire Co. Ltd	Surrey (BC), Canada	70
LATIN AMERICA		
Bekaert Sistemas de Combustão e Tecnologia – BCT Ltda.	São Bernardo, Brazil	100
AFRICA		
Bekaert Bastion (Pty) Ltd	Blackheath, South Africa	60
ASIA		
Bekaert Binjiang Steel Cord Co., Ltd	Jiangyin, China	90
Bekaert Industries Private Limited	Taluka Shirur, District Pune, India	100
Bekaert Jiangyin Steel Cord Company Limited	Jiangyin, China	90
Bekaert-Jiangyin Wire Products Co., Ltd	Jiangyin, China	90
Bekaert New Materials (Suzhou) Co., Ltd	Suzhou, China	100
Bekaert Precision Surface Technology (Suzhou) Co., Ltd	Suzhou, China	67
Bekaert (Shandong) Tire Cord Co., Ltd	Weihai, China	100
Bekaert Shenyang Steel Cord Co., Ltd	Shenyang, China	98
Bekaert Technology and Engineering (Jiangyin) Co. Ltd	Jiangyin, China	100
Bekaert Toko Metal Fiber Co., Ltd	Tokyo, Japan	70
Bekinit Kabushiki Kaisha	Miyashiro-Machi, Japan	60
Beksa Celik Kord Sanayi ve Ticaret A.S.	Istanbul, Turkey	50
China Bekaert Steel Cord Company Limited	Jiangyin, China	90
Precision Surface Technology Pte Ltd	Singapore	67
PT. Bekaert Indonesia	Karawang, Indonesia	100
Shanghai Bekaert Ergang Company Limited	Shanghai, China	70

SALES OFFICES, WAREHOUSES AND OTHERS		%
EUROPE		
Bekaert (Schweiz) AG	Baden, Switzerland	100
Bekaert A/S	Roskilde, Denmark	100
Bekaert Asia	Zwevegem, Belgium	100
Bekaert-CMTM GmbH	Saalfeld, Germany	100
Bekaert Combustion Technology Limited	Hinckley, United Kingdom	75
Bekaert France SAS	Antony, France	100
Bekaert Ges.m.b.H.	Wien, Austria	100
Bekaert Limited	Sheffield, United Kingdom	100
Bekaert Norge A/S	Frogner, Norway	100
Bekaert Portugal Lda	Lisboa, Portugal	100
Bekaert Specialty Films Nordic AB	Rimbo, Sweden	100
Bekaert Specialty Films (UK) Ltd	Worcestershire, United Kingdom	100
Bekaert Svenska AB	Göteborg, Sweden	100
Bekaert Wire o.o.o.	Moscow, Russian Federation	100
Imaware	Zwevegem, Belgium	100
Joseph Sykes Brothers Limited	Sheffield, United Kingdom	100
Leon Bekaert S.p.A.	Trezzano Sul Naviglio, Italy	100
Solaronics AB	Vänusborg, Sweden	75
Solaronics GmbH	Achim, Germany	75
Solaronics Oy	Vantaa, Finland	75
NORTH AMERICA		
Bekaert Specialty Films (Canada), Inc.	Oakville, Canada	100
Bekaert Solaronics Inc.	Marietta, USA	75
Bellmont Inc.	Atlanta, USA	75
LATIN AMERICA		
Bekaert Specialty Films de Mexico, SA de CV	Monterrey, Mexico	100
Bekaert Trade Latin America N.V.	Curaçao, Netherlands Antilles	100
Bekaert Trade Mexico, S. de R.L. de C.V.	Mexico City, Mexico	100
Specialty Films de Services Company, SA de CV	Monterrey, Mexico	100
ASIA		
Bekaert Hong Kong Limited	Hong Kong, China	100
Bekaert Korea Ltd	Seoul, Korea	100
Bekaert Management (Shanghai) Co., Ltd	Shanghai, China	100
Bekaert Singapore Pte Ltd	Singapore	100
Bekaert Specialty Films (SEA) Pte Ltd	Singapore	100
SAM Logistics (Shanghai) Co., Ltd	Shanghai, China	100
AUSTRALIA		
Bekaert Specialty Films Australia Pty Ltd	Seven Hills, Australia	100

FINANCIAL COMPANIES		%
Becare Limited	Dublin, Ireland	100
Bekaert (Ireland) Limited	Dublin, Ireland	100
Bekaert Coördinatiecentrum	Zwevegem, Belgium	100
Bekaert do Brasil	Contagem, Brazil	100
Bekaert Engineering	Zwevegem, Belgium	100
Bekaert GmbH	Friedrichsdorf, Germany	100
Bekaert Holding B.V.	Dordrecht, Netherlands	100
Bekaert Ibérica Holding, S.L.	Burgos, Spain	100
Bekaert North America Management Corporation	Wilmington (Delaware), USA	100
Bekpart B.V.	Dordrecht, Netherlands	100
Société de Participations Financières Bekaert	Antony, France	100
Sentinel Garden Products Limited	Sheffield, United Kingdom	100

B. JOINT VENTURES

INDUSTRIAL COMPANIES		%
EUROPE		
Bekaert Handling A/S	Middelfart, Denmark	50
Bekaert Handling Limited	Spennymoor, United Kingdom	50
Bekaert Handling SNC	Saint Clément des Levées, France	50
Benitis Technologie Innovation Surfaces S.A.	Chelles, France	25
Bruker Technik GmbH	Schramberg, Germany	50
Spaleck-Bekaert GmbH & Co. KG	Bocholt, Germany	50
NORTH AMERICA		
Wire Rope Industries Ltd	Pointe-Claire, Canada	48
LATIN AMERICA		
Acma S.A.	Santiago, Chile	50
Acmanet S.A.	Santiago, Chile	50
Belgo Bekaert Arames Ltda.	Contagem, Brazil	45
Belgo Bekaert Nordeste S.A.	Feira de Santana, Brazil	45
BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda.	Vespasiano, Brazil	45
Cimaf Cabos S.A.	São Paulo, Brazil	48
Ideal Alambrec S.A.	Quito, Ecuador	50
Industrias Chilenas de Alambre Inchalam S.A.	Talcahuano, Chile	50
Procables S.A.	Callao, Peru	46
Productora de Alambres Colombianos S.A. – Proalco S.A.	Bogota, Colombia	50
Productos de Acero Cassadó S.A.	Callao, Peru	42
Productos de Acero S.A. – Prodinsa	Maipu, Chile	48
Transportes Puelche Limitada	Talcahuano, Chile	50
Vicson, S.A.	Valencia, Venezuela	50
AUSTRALIA		
Bekaert Australia Steel Cord Pty Ltd	North Shore, Australia	50

SALES OFFICES, WAREHOUSES AND OTHERS		%
EUROPE		
Bekaert Faser Vertriebs GmbH	Idstein, Germany	50
LB Systemer A/S	Copenhagen, Denmark	50
Netlon Sentinel Limited	Sheffield, United Kingdom	50
SCI La Haie Briffault	Saint Clément des Levées, France	50
LATIN AMERICA		
Prodalam Argentina S.A.	Buenos Aires, Argentina	50
Productos de Alambre Prodalam S.A.	Santiago, Chile	50
Productos de Manejo de Fluidos S.A.	Maipu, Chile	50
AUSTRALIA		
Bekaert Handling (Australia) Pty. Ltd.	Sydney, Australia	50

FINANCIAL COMPANIES		%
Acma Inversiones S.A.	Talcahuano, Chile	50
Alambres Andinos S.A. (Alansa)	Quito, Ecuador	50
Bekaert Handling France SAS	Saint Clément des Levées, France	50
Bekaert Handling Group A/S	Copenhagen, Denmark	50
Impala S.A.	Panama, Panama	50
Instafer S.A.	Santiago, Chile	50
Inversiones Y Manufacturas del Metal – Manumetal Ltda	Talcahuano, Chile	50
InverVicson, S.A.	Valencia, Venezuela	50
Numelino S.A.	Panama, Panama	50

C. ASSOCIATES

INDUSTRIAL COMPANIES		%
EUROPE		
Pindurg S.L.	Briviesca (Burgos), Spain	33
ASIA		
Jiangyin Fasten-Bekaert Optical Cable Steel Products Co., Ltd	Jiangyin, China	30

CHANGES IN 2004

1. New investments

SUBSIDIARIES		%
Bekaert Binjiang Steel Cord Co., Ltd	Jiangyin, China	90
Bekaert Management (Shanghai) Co., Ltd	Shanghai, China	100
Bekaert New Materials (Suzhou) Co., Ltd	Suzhou, China	100
Bekaert Precision Surface Technology (Suzhou) Co., Ltd	Suzhou, China	67
Bekaert Sistemas de Combustão e Tecnologia – BCT Ltda.	São Bernardo, Brazil	100
Bekaert Solaronics Inc.	Marietta, USA	75
Bellmont Inc.	Atlanta, USA	75
Solarelec SAS	Champagne au Mont d'Or, France	75
Solaronics AB	Vänusborg, Sweden	75
Solaronics GmbH	Achim, Germany	75
Solaronics Oy	Vantaa, Finland	75
Solaronics S.A.	Armentières, France	75

JOINT VENTURES		%
Bekaert Handling (Australia) Pty. Ltd.	Sydney, Australia	50
InverVicson, S.A.	Valencia, Venezuela	50

2. Increased / decreased ownership

SUBSIDIARIES		
Bekaert Indoor Safety B.V.	Ede, Netherlands	From 95 to 100%
Imaware	Zwevegem, Belgium	From 75 to 100%
Precision Surface Technology Pte Ltd	Singapore	From 33 to 67%

JOINT VENTURES		
Bekaert Handling Systems AB	Stockholm, Sweden	From 50 to 0%
Bekaert Handling Systems Ltd	Droitwitch, United Kingdom	From 50 to 0%
Procables S.A.	Callao, Peru	From 45 to 46%

3. Mergers / conversion

SUBSIDIARIES	
Bekaert Beheer B.V.	Merged into Bekaert Holding B.V.
Bekaert Dymonics	Merged into Bekaert Advanced Coatings
Bekaert Nederland B.V.	Merged into Bekaert Holding B.V.
Bekaert Specialy Films Nordic AB	Merged into Bekaert Specialty Films North Europe AB
Sorevi Savoie S.A.	Merged into Sorevi S.A.

JOINT VENTURES	
VBS Wire Company	Merged into Numelino S.A.

4. Change of name

Bekaert Advanced Coatings	Formerly Bekaert VDS
Bekaert Bastion (Pty) Ltd	Formerly Bekaert Bastion Fencing (Pty) Ltd
Bekaert Specialty Films Nordic	Formerly Bekaert Specialty Films North Europe AB
Belgo Bekaert Arames Ltda.	Formerly Belgo Bekaert Arames S.A.
Belgo Bekaert Nordeste S.A.	Formerly Jossan S/A

5. Liquidated

Bekaert Building Products Pty Ltd	Sydney, Australia
Bekaert Timeda B.V.	Enschede, Netherlands
Imperial Eagle	Hinckley, United Kingdom
Innovative Sputtering Technology	Zulte, Belgium

DISCONTINUING OPERATIONS (see note 2.)

SUBSIDIARIES

INDUSTRIAL COMPANIES

EUROPE

Bekaert Deutschland GmbH	Schwalmtal, Germany
Bekaert Fencing España, S.L.	Burgos, Spain
Bekaert Fencing Limited	Sheffield, United Kingdom
Bekaert Fencing NV	Zwevegem, Belgium
Bekaert Fencing S.A.	Bourbourg, France
Bekaert Fencing S.p.A.	Tortoreto, Italy
Bekaert Fencing Sp.z o.o.	Kotlarnia, Poland
Bekaert France S.A.	Charleville-Mézières, France
Werler Drahtwerke GmbH	Werl, Germany

AFRICA

Bekaert Bastion (Pty) Ltd	Blackheath, South Africa

SALES OFFICE

EUROPE

Bekaert Portugal Lda	Lisboa, Portugal

FINANCIAL COMPANY

Société de Participations Financières Bekaert	Antony, France

ASSOCIATE

INDUSTRIAL COMPANY

EUROPE

Pindurg S.L.	Briviesca (Burgos), Spain

Parent company information

Annual report of the Board of Directors and annual accounts of NV Bekaert SA

Statutory annual accounts

The statutory annual accounts of the parent company, NV Bekaert SA, are reported below in an abridged format.

In conformity with Belgian Company Law, the directors' report and annual accounts of the parent company, NV Bekaert SA, together with the statutory auditor's report, are deposited at the National Bank of Belgium.

They are available on request from:

NV Bekaert SA
President Kennedypark 18
BE - 8500 KORTRIJK

The statutory auditor issued an unqualified report on the annual accounts of NV Bekaert SA.

ABRIDGED PROFIT AND LOSS STATEMENT

in thousands of €

YEARS ENDED 31 DECEMBER	2004	2003
Sales	619 965	496 492
Operating profit / (loss)	35 858	10 693
Financial result	50 593	151 822
Extraordinary result	(26 047)	(45 946)
Current and deferred income taxes	(2 727)	-
PROFIT / (LOSS) FOR THE YEAR	**57 677**	**116 569**

ABRIDGED BALANCE SHEET AFTER PROFIT APPROPRIATION

in thousands of €

31 DECEMBER	2004	2003
FIXED ASSETS	**1 383 053**	**1 358 168**
Formation expenses, intangible fixed assets	25 247	31 688
Tangible fixed assets	73 524	78 383
Financial fixed assets	1 284 282	1 248 097
CURRENT ASSETS	**267 839**	**220 856**
TOTAL ASSETS	**1 650 892**	**1 579 024**
EQUITY	**807 029**	**801 775**
Capital	171 000	170 000
Share premium	249	-
Revaluation surplus	1 995	1 995
Legal reserve	17 100	17 000
Untaxed reserves	3 606	-
Reserves available for distribution, retained earnings	613 079	612 780
PROVISIONS AND DEFERRED TAXES	**87 255**	**68 292**
CREDITORS	**756 608**	**708 957**
Amounts payable after one year	369 368	439 368
Amounts payable within one year, accrued charges and deferred income	387 240	269 589
EQUITY AND LIABILITIES	**1 650 892**	**1 579 024**

All financial amounts are expressed in thousands of €

Valuation principles

Valuation and translation principles applied in the statutory accounts of the parent company are based on Belgian accounting legislation.

Summary of the annual report of the Board of Directors

Sales amounting to € 619 965 were 25% higher than in the previous year. In advanced wire products, sales increased by 13% mainly due to higher sales prices (necessitated by higher raw material prices) and a sales volume increase of 3%. Sales in fibres technologies went up by 7%. Due to the expansion programme in Europe and Asia, sales of the engineering department were 144% higher than last year.

The result from operations amounted to € 35 858 (2003: € 10 693). The better result came not only from the aforementioned increase in sales volume and the high activity level in engineering, but also from the impact of FIFO in the context of significant price increases of raw material. Higher revenues from royalties were offset by higher provisions for employee benefits.

The financial results of € 50 593 were substantially lower than in 2003 (€ 151 822) because of lower revenues from financial fixed assets. No dividend payout was made from Bekaert Coördinatiecentrum, Tinsley Wire Limited and Bekaert Holding.

The extraordinary results were negative for € 26 047 (2003: € 45 946) mainly due to write-downs on financial fixed assets (Bekaert Handling Group A/S, Sobelcard, Bekaert Progressive Composites, S.A.) and a provision for identified exposures in respect of employee benefit obligations.

The net profit for the year ending 31 December 2004 amounted to € 57 677, compared with a profit of € 116 569 in 2003.

Statement on the activities of the Statutory Auditor and related persons

During 2004, the statutory auditor and persons professionally related to him performed special tasks for an amount of € 760. These fees relate essentially to further assurance services (€ 234), consulting services for tax issues (€ 362) and other non-recurring non-audit services (€ 164). The special tasks have been approved by the statutory audit committee.

Environmental programmes

The provision for environmental programmes increased slightly to € 14 786 (2003: € 13 945). Additonal charges were booked for € 1 340 while expenditures amounted to € 500.

Information on research and development

Information on the Research and Development activities of the Company can be found in the Report of the Board of Directors.

Conflict of interest

As provided by company law and prescribed by the Charter of the Board, the members of the Board of Directors are expected to give the Chairman prior notice of any agenda items in respect of which they have a direct or indirect conflict of interest of a financial nature with the company and to refrain from participating in the discussion and voting on those items.

In 2004, Sir Anthony Galsworthy and Mr. Bernard van de Walle de Ghelcke refrained from participating in the discussion and voting on indemnification by the company of their civil liability as director. For more details, refer to the Corporate Governance chapter in this Annual Report.

Statement of capital

Since the issue of the 2003 annual report, ten new notifications of participation in the share capital of the company, in conformity with art. 4 of the Law of 2 March 1989, have been received.

NOTIFIER	Date of notification	Number of shares	% of total number of shares
Stichting Administratiekantoor Bekaert Chasséveld 1, Breda (Netherlands) *	31.12.04	4 741 750	21.68
Common attorney, on behalf of individuals, Mr. X. Oberson, 20 rue de Candolle, Geneva (Switzerland) *	31.10.96	2 223 140	10.16
Beauval Enterprises Corp., 325 Waterfront Drive, Tortola (British Virgin Islands)	31.12.04	1 000 985	4.58
Tirhold Inc., Bank of America Building, 50th Street 5, Panama (Rep. of Panama)	31.12.04	1 000 985	4.58
HLF S.p.r.l., square Vergote 19, Brussels *	31.12.04	76 820	0.35
N.V. BSI, Schoonberg 15, Aalter *	31.12.04	56 000	0.25
S.A. Berfin, Drève L. Chaudoir 16, Brussels	31.12.04	30 640	0.14
Millenium 3 S.A., av. N. Plissart 8, Brussels *	31.12.04	30 000	0.14
Velge & C° N.V. in liquidation, Keizerstraat 13, Antwerpen *	31.12.04	19 000	0.09
N.V. De Sneppe, Kortrijkstraat 11, Zwevegem *	31.12.04	17 460	0.08
S.A. Subeco, rue Guimard 19, Brussels *	01.03.99	12 600	0.05
Brocsa S.A., av. De Fré 225, Brussels *	31.12.04	0	0.00
TOTAL		**9 209 380**	**42.10**

** These individuals and companies, linked by their joint control of Stichting Administratiekantoor Bekaert, together with the Stichting Administratiekantoor Bekaert, have 7 176 770 shares (32.81%).*

Proposed appropriation of NV Bekaert SA 2004 result

The profit after tax for the year ended 31 December 2004 was € 57 676 634, compared with € 116 568 856 for the year ended 31 December 2003. An amount of € 3 606 312 is transferred to untaxed reserves, the profit brought forward is € 24 964 327, giving a profit of € 79 034 649 available for appropriation.

At the General Meeting of Shareholders on 11 May 2005, the Board will propose that the above profit be appropriated as follows:

	in €
Gross dividends	43 747 410
Transfer to the legal reserve	100 000
Transfer to reserves	2 376 681
Carried forward to next year	32 810 558
	79 034 649

In the light of Bekaert's very strong performance in 2004 and its confidence in the future, the Board of Directors will invite the General Meeting of Shareholders to approve an increase in the gross dividend of 7%, to € 1.875 per share.

To celebrate Bekaert's 125th anniversary in 2005, the Board of Directors will also propose an exceptional increase in the dividend of € 0.125 per share.

If both proposals are accepted, a gross dividend of € 2 per share will be distributed, equivalent to a net dividend per share of € 1.5. The net dividend on shares with VVPR strip, giving entitlement to reduced withholding tax of 15%, will be € 1.7 per share in that case.

The dividends will be payable in euros from 18 May 2005 onwards upon presentation of dividend coupon number 6 at the following banks:

- ING Bank, Fortis Bank, KBC Bank, Bank Degroof and Dexia Bank in Belgium;
- Société Générale in France;
- ABN-AMRO Bank in the Netherlands;
- UBS in Switzerland.

Appointments pursuant to the articles of association

As of the date of the General Meeting of Shareholders the following appointments as director expire:

Gary J. Allen
Baron Georges Jacobs

The Board of Directors proposes to re-elect the following persons as directors for a new term of three years ending immediately after the General Meeting of Shareholders in 2008:

Gary J. Allen
Baron Georges Jacobs

Statutory auditor's report

To the Shareholders

In accordance with the legal and statutory requirements, we are pleased to report to you on our audit assignment which you have entrusted to us.

We have audited the accompanying consolidated financial statements of NV BEKAERT SA and subsidiaries ('the Company') as of and for the year ended 31 December 2004, which have been prepared under the responsibility of the Board of Directors. These contain the consolidated balance sheet and the related consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in shareholders' equity. The consolidated financial statements show a balance sheet total of EUR 2 189 347 (000) and an income statement resulting in a profit for the year of EUR 167 604 (000).

We did not audit the financial statements of certain entities accounted for by use of the equity method. The Company's share in the net assets of these entities is EUR 166 507 (000). The share of these entities in the consolidated profit of the year is a profit of EUR 45 658 (000). The financial statements of these entities were audited by other auditors whose reports have been furnished to us. Our opinion on the accompanying consolidated financial statements, insofar as it relates to the amounts included for those entities, is based solely upon the reports of the other auditors.

Unqualified audit opinion on the accompanying consolidated financial statements

We conducted our audit in accordance with the standards of the Belgian Institute of Company Auditors. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement taking into account the legal and statutory requirements applicable to consolidated financial statements in Belgium.

In accordance with these standards, we considered the group's administrative and accounting organisation as well as its internal control procedures. We have obtained explanation and information required for our audit. An audit includes examining, on a test basis, evidence supporting the amounts in the consolidated financial statements. An audit also includes assessing the accounting policies used, the basis for consolidation and significant estimates made by management as well as evaluating the overall consolidated financial statements presentation. We believe that our audit, together with the reports of other auditors, provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of NV Bekaert SA and subsidiaries as of 31 December 2004, the consolidated results of their operations, the cash flows and the changes in shareholders' equity for the year then ended, in accordance with International Financial Reporting Standards as endorsed by the EU. The consolidated financial statements comply with the legal and regulatory requirements applicable in Belgium to consolidated financial statements and related notes.

Additional statements

We supplement our report with the following statements which do not modify our audit opinion on the consolidated financial statements:

The consolidated annual report for the year ended 31 December 2004 contains the information required by Law and is consistent with the consolidated financial statements.

16 March 2005
The Statutory Auditor
DELOITTE & PARTNERS Bedrijfsrevisoren
BV o.v.v.e. CVBA
Represented by

Guy Wygaerts

Geert Verstraeten

Bekaert Group Executive

Julien De Wilde	Chief Executive Officer
Bert De Graeve	Chief Financial and Administration Officer
Georges Brys	Advanced materials and advanced coatings
Marc Vandecasteele	Advanced wire products
Henri-Jean Velge	Advanced wire products and fencing systems Europe

Group Vice Presidents

Jacques Anckaert	Investor relations
Daniël Chambaere	Advanced wire products
Alfons De Knijf	Human Resources Belgium
Marc de Sauvage	Bekaert Engineering
Mark Goyens	Human Resources worldwide
Pol Huysentruyt	Strategic projects
Lieven Larmuseau	Purchasing
Peter Ramaut	Fencing systems Europe
Geert Roelens	Advanced wire products
Herman Vandaele	Bekaert Asia
Frans Van Giel	Business development
Geert Van Haver	Advanced wire products
Geert Voet	Advanced wire products

Group Secretary

Bert De Graeve

Statutory Auditor

Deloitte & Partners Bedrijfsrevisoren

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The annual report for the 2004 financial year is available on the internet in Dutch, French and English, at www.bekaert.com and can be downloaded as an Adobe™.pdf file

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Coordination: An Goedgezelschap
Design: www.ogilvy.be
Printing: Lannoo – Belgium

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Bekaert is a world leader in advanced metal transformation and in advanced materials and coatings.

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