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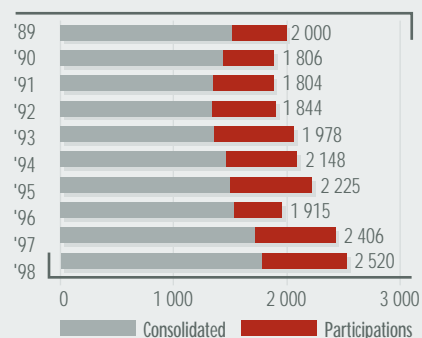
**ANNUAL REPORT 1998**

# BEKAERT GROUP ANNUAL REPORT 1998

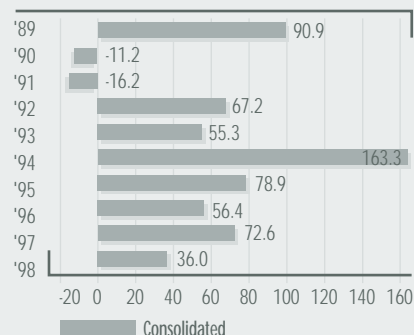
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# H I G H L I G H T S   P E R N . V .   B E K A E R T   S . A .   S H A R E

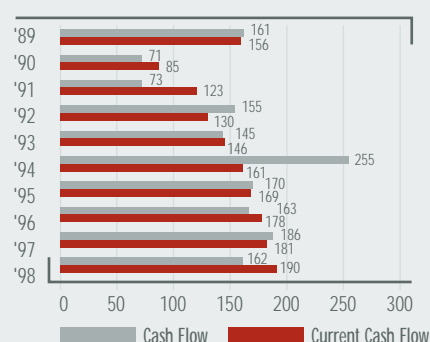
## SALES (IN EUR MILLIONS)



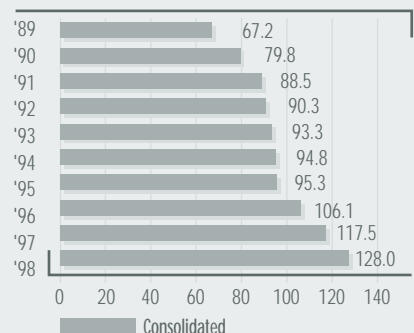
## CONSOLIDATED PROFIT (LOSS) (IN EUR MILLIONS)



## CASH FLOW (IN EUR MILLIONS)



## DEPRECIATION (IN EUR MILLIONS)



Participations are the companies accounted for under the equity method.

Highlights per N.V. Bekaert S.A. share in EUR and BEF, except number of shares and average daily volume traded.

	EUR 1998	EUR 1997	BEF (1) 1998	BEF (1) 1997
<b>NUMBER OF SHARES ISSUED</b>	<b>2 245 732</b>	<b>2 245 732</b>	<b>2 245 732</b>	<b>2 245 732</b>
– ordinary shares	<b>1 890 628</b>	<b>1 890 628</b>	<b>1 890 628</b>	<b>1 890 628</b>
– shares with reduced withholding tax	<b>355 104</b>	<b>355 104</b>	<b>355 104</b>	<b>355 104</b>
<b>STOCK EXCHANGE VALUE</b>				
– ordinary shares				
• highest	<b>774.67</b>	686.67	<b>31 250</b>	27 700
• lowest	<b>418.94</b>	459.22	<b>16 900</b>	18 525
– shares with reduced withholding tax				
• highest	<b>768.47</b>	669.31	<b>31 000</b>	27 000
• lowest	<b>409.02</b>	458.60	<b>16 500</b>	18 500
<b>AVERAGE DAILY VOLUME TRADED (2)</b>				
– ordinary shares	<b>3 473</b>	3 857	<b>3 473</b>	3 857
– shares with reduced withholding tax	<b>121</b>	135	<b>121</b>	135
<b>RETURNS (3)</b>				
– profit of consolidated companies	<b>8.69</b>	25.97	<b>350</b>	1 048
– profit of the group	<b>15.22</b>	30.69	<b>614</b>	1 238
– cash flow	<b>72.30</b>	83.01	<b>2 917</b>	3 349
– net dividend				
• ordinary shares	<b>11.1552</b>	11.1552	<b>450</b>	450
• shares with reduced withholding tax	<b>12.6426</b>	12.6426	<b>510</b>	510
<b>CAPITAL STRUCTURE</b>				
– equity	<b>397.80</b>	416.52	<b>16 047</b>	16 803

(1) exchange rate 1 EUR = 40.3399 BEF

(2) Brussels stock exchange

(3) 1998 date including extension to the Structural Profit Improvement Programme

# H I G H L I G H T S

in millions, except otherwise specified.

	EUR 1998	EUR 1997	BEF (1) 1998	BEF (1) 1997
<b>OPERATING PERFORMANCE</b>				
– sales	1 767	1 739	71 262	70 149
– operating profit				
• as reported	70	88	2 826	3 547
• excluding Profit Improvement Programme	83	88	3 365	3 547
– return on capital employed % (4)	5.5 (3)	7.1	5.5 (3)	7.1
– profit of the year				
• as reported	36	73	1 440	2 930
• excluding Profit Improvement Programme	55	73	2 236	2 930
– share in the results of companies accounted for under the equity method	16	14	653	577
– return on equity % (5)	3.7 (3)	7.6	3.7 (3)	7.6
<b>CAPITAL STRUCTURE</b>				
- long-term debt	256	270	10 339	10 908
- equity	893	935	36 038	37 734
– equity to total assets % (6)	50.4	50.4	50.4	50.4
<b>CASH FLOW (3) (7)</b>	162	186	6 550	7 520
<b>DEPRECIATION</b>	128	118	5 171	4 740
<b>CAPITAL EXPENDITURE</b>	106	125	4 275	5 054
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	29	28	1 189	1 143
<b>PERSONNEL AT YEAR-END (UNITS)</b>	10 926	11 351	10 926	11 351

(4) return on capital employed (ROCE) % equals operating profit dividend by average capital employed; capital employed is defined as the sum of formation expenses, intangible fixed assets, goodwill, tangible fixed assets and working capital.

(5) profit on the average equity, including minority interest.

(6) equity at year-end, including minority interest.

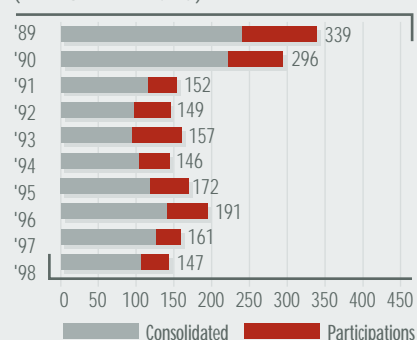
(7) cash flow: is defined as consolidated profit of the Group adjusted for operational depreciation.

The Bekaert Group has companies accounted for under the equity method.

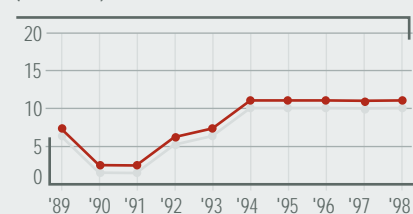
Combined figures for these companies are:

Sales	753	667	30 380	26 892
Profit for the year	36	32	1 472	1 278
Capital expenditure	41	36	1 638	1 453
Depreciation	37	31	1 509	1 253
Equity	451	480	18 198	19 362
Personnel at year-end (units)	5 799	5 906	5 799	5 906

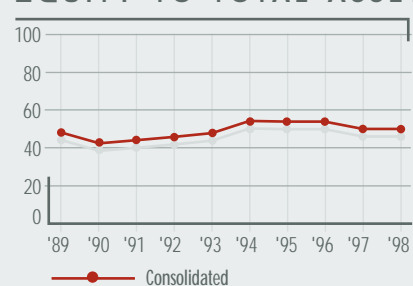
## CAPITAL EXPENDITURE (IN EUR MILLIONS)



## NET DIVIDEND ORDINARY SHARES PER N.V. BEKAERT S.A. SHARE (IN EUR)



## EQUITY TO TOTAL ASSETS



# C O M P A N Y   P R O F I L E

Bekaert is the world's leading independent producer and marketer of high-grade steel cord, steel wire and merchant products (fences). Bekaert also produces advanced materials. Bekaert's market and technological leadership is based on its core skills, namely metal-forming and a wide range of coating technologies.

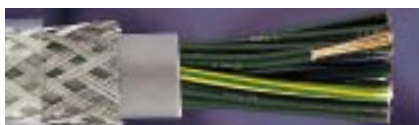
Bekaert has grown from a small manufacturing and trading company, founded by Leo Leander Bekaert in 1880, into a global group with its head office in Belgium, over 70 production centres worldwide and a network of sales offices and agencies. In 1998 the Bekaert Group companies recorded consolidated turnover of over EUR 2.52 billion and employed 16,725 people.

Bekaert has developed a strongly focused strategy of which Total Quality Management and Total Environmental Care are an integral part. Actions have been undertaken to deepen and broaden the technology base, shorten the time to launch of new and advanced products and materials and continuously improve the product mix.

The Bekaert Group consists of various business units, each addressing a number of market segments. The main business units are **Wire**, **Merchant Products**, **Steel Cord** and **Bekaert Advanced Materials**.

## WIRE

Wire comprises **four global businesses**: cable applications, high-carbon specialities, low-carbon specialities and building products. Other products are handled by the regional businesses for Europe, North America, Latin America and the Far East.



### CABLE APPLICATIONS

Reinforcement and support cables for power transmission and telecommunications, including optical-fibre cables and armouring wire for undersea cables.



### HIGH-CARBON SPECIALITIES

Solutions for selected segments, including suspension spring wire, flexible shaft wire, hose reinforcement wire, plastic-coated specialities, brush wire, textile machine wire, profile wire etc. There is a strong focus on the automotive sector.



### LOW-CARBON SPECIALITIES

A product range offering individual customer service and process technology, including pre-formed staple wire, bookbinding wire, weaving wire, champagne cork wire and various types of lacquered and nylon-coated wire.



### BUILDING PRODUCTS

Finished products for use in the building industry for support or reinforcement. The product range includes steel fibres for concrete reinforcement (Dramix®), plaster profiles and road reinforcement products.

# COMPANY PROFILE

The **regional products** within Wire include galvanised wire, cold heading wire, rope wire, bedding and seating wire, stainless steel wire etc.

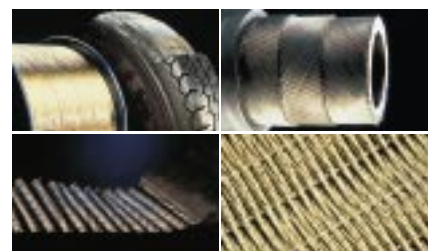
## MERCHANT PRODUCTS

The Merchant Products business unit designs, develops, produces and markets fences and fencing systems and woven and welded mesh products for the agricultural, residential and industrial sectors and for fencing contractors. The product range includes Flornet, mink netting, complete garden and industrial fencing systems, posts and gates, glass reinforcement mesh, heavy mesh panels etc.



## STEEL CORD

Steel Cord develops, produces and markets steel cord products for rubber reinforcement. In addition to tyre reinforcement cord, the product range also includes high-pressure hose reinforcement wire, conveyor belt cord, fine cord for transmission belts, sawing wire etc.



## BEKAERT ADVANCED MATERIALS

The Bekaert Advanced Materials business unit develops, manufactures and markets innovative industrial products which combine Bekaert's core skills with new technologies. These products are used in such areas as filtration, electromagnetic screening, electrostatic dissipation, flexible electrical circuit boards, anti-theft labels, seawater desalination, energy saving and health care. Many are designed to meet the growing demands imposed by environmental, health and safety standards or to fulfil the requirements of growth sectors such as telecommunications and electronic data processing. Bekaert Advanced Materials seeks to offer the client total solutions by combining an entrepreneurial approach with internal and external collaboration.

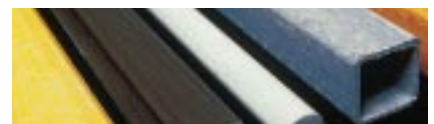
**BEKAERT FIBRE TECHNOLOGIES** specialises in the manufacture of fine fibres, primarily from stainless steel and also from various metal alloys.



**BEKAERT ADVANCED COATINGS** is responsible for all of Bekaert's activities relating to the vacuum-coating of materials. The unit comprises Innovative Specialty Film (ISF), Innovative Sputtering Technologies (IST), Sinvaco and Bekaert Dymonics.



**BEKAERT COMPOSITES** manufactures glass-fibre reinforced products employing various technologies for a wide range of applications in the transport sector, in corrosive environments etc.



# STATEMENT ON CORPORATE GOVERNANCE

Rules governing the role, responsibilities and functioning of the Board of Directors were drawn up by Bekaert several years before the debate on corporate governance in Belgium was initiated. The rules were set out in a document known as the 'Charter of the Board', which still sets the guidelines for the proper functioning of the Board of Directors.

In accordance with the recommendations of the Belgian Committee on Corporate Governance, which was set up on the initiative of the Brussels stock exchange, and the recommendations of the Committee on Banking and Finance relating to transparency, integrity and responsibility, the code of good governance applied by Bekaert is set out below.

## COMPOSITION OF THE BOARD OF DIRECTORS (see table)

The Board of Directors of N.V. Bekaert S.A. consists of 13 members, eight of whom, including the Chairman, represent the principal shareholders. Only the Chief Executive Officer, who is entrusted with the day-to-day management of the company, has an executive function. All the other members are non-executive directors. Four members are independent, in the sense that they have no connection with the management or the principal shareholders. The members of the Board of Directors are elected for three-year terms and are eligible for re-election. The names of new candidates must be communicated to the Board of Directors at least two months before the General Meeting of Shareholders. Members of the Board of Directors are subject to a minimum age limit of 35 and a maximum age limit of 65. Only in the case of the Chairman and Chief Executive Officer is membership of the Board their principal occupation.

Name	Position	Term expires	Principal employer	Membership of committees
<b>Members representing principal shareholder</b>				
Thierry Verhaeghe de Naeyer	Chairman	2001	N.V. Bekaert S.A.	SC/A&F/NCPC
Léon Baron Bekaert	Director	2000	Director different companies	
Roger Dalle	Director	2001		
Count Ch. Am. de Liedekerke	Director	2000	EVP Lafarge S.A. (France)	
François de Visscher	Director	2001	Founding partner de Visscher, Olson & Allen	A&F
Maxime Jadot	Director	2000	Head Investment Banking, Generale Bank	NCPC
Baudouin Velge	Director	2001	Chief Economist VBO/FEB	
Maurice Velge	Director	2001	Chairman Velge Int'l	SC
<b>Management</b>				
Raf Decaluwé	Chief Executive Officer	2000	CEO Bekaert Group	SC/A&F
<b>Independent members</b>				
Gary J. Allen	Director	1999	CEO IMI plc UK	A&F/NCPC
Pol Bamelis	Director	2001	Member of the Board of Management Bayer AG	SC
Jan Baron Huyghebaert	Director	1999	Chairman Almanij N.V.	NCPC
Georges Baron Jacobs	Director	1999	Pres. Exec. Com. UCB	

## FUNCTIONING OF THE BOARD OF DIRECTORS

As scheduled, the Board met on eight occasions in 1998. The dates were communicated to all the Board members by the Corporate Secretary at the beginning of the year. Their decision-making took place on the basis of consensus. The option envisaged in the Articles of Association of conducting meetings via teleconferencing or videoconferencing was not exercised. In addition to its statutory powers and powers under the Articles of Association, the Board of Directors also appoints the Chief



# STATEMENT ON CORPORATE GOVERNANCE

Executive Officer. The Board approves the Group's long-term vision and strategy as proposed by the Chief Executive Officer, decides on major investments and acquisitions, prepares and monitors performance against three-year plans and one-year budgets and is responsible for the annual accounts.

The agenda, including all relevant information, and the minutes of the previous meeting are circulated to all members by the Corporate Secretary at least one week before the meeting. This information includes, for example, the three-year plans and one-year budgets, investment dossiers, acquisition proposals, analyses of performance by business and against budget, substantial changes to the organisation, the Group's financial position, prospects etc.

The Chief Executive Officer monitors the activities of the subsidiaries and participating interests. Their executive boards are generally formed by the management, but in a few instances they include a member of the Board of Directors of the parent company, who in that case represents the Chief Executive Officer.

The Board of Directors is assisted by three committees:

**Strategic Committee (SC)** (for membership see table)

The Strategic Committee, which met on three occasions in 1998, has been chaired by Mr Pol Bamelis since January 1999.

The Committee advises the Board of Directors on Group strategy and the management's specific strategic proposals.

**Audit and Finance Committee (A&F)** (for membership see table)

The Audit and Finance Committee, chaired by Mr Thierry Verhaeghe de Naeyer, Chairman of the Board of Directors, met on three occasions in 1998. The Committee advises on the Group's financial position, internal financial and operational audits, appointment of the statutory auditor and compliance with his recommendations and advice on appropriate financial procedures for the Group.

**Nomination, Compensation and Pensions Committee (NCPC)** (for membership see table)

The Nomination, Compensation and Pensions Committee, which is chaired by Mr Thierry Verhaeghe de Naeyer, Chairman of the Board of Directors, met twice in 1998. It has four members, two of whom are independent Directors. The Committee determines the remuneration of the management and makes recommendations to the Board of Directors on appointments to the Board.

## REMUNERATION

The total remuneration, including pensions, paid to the Directors of N.V. Bekaert S.A. in respect of their service on the Board, on committees and on the executive boards of subsidiaries amounted to EUR 1.68 million.

## DAY-TO-DAY MANAGEMENT OF THE COMPANY

The day-to-day management of the company is the responsibility of the Chief Executive Officer, who reports to the Board of Directors. He is assisted by a **Steering Committee**, consisting of himself as chairman and four Executive Vice-Presidents. This Committee, which meets on average twice monthly, is responsible for developing Group strategy and co-ordinating and evaluating the strategies of the various businesses.

The **Executive Committee**, chaired by the Chief Executive Officer, consists of the members of the Steering Committee, the Corporate Vice-Presidents responsible for the operational units and the Corporate Secretary. The Executive Committee, which meets monthly, is a forum for discussion of the strategic priorities and significant events affecting the Group. It also monitors allocation of funds and expenditure within the approved budgets.

## POLICY ON PROFIT APPROPRIATION

It is the policy of the Board of Directors to propose a profit appropriation to the Annual General Meeting of Shareholders which provides, in so far as the profit permits, a stable or growing dividend while maintaining an adequate level of investment and self-financing.

## RELATIONSHIPS WITH PRINCIPAL SHAREHOLDERS

In order to rationalise the principal shareholders' interests, shares have been transferred by individuals and legal entities to Stichting AK Bekaert. Being principal shareholders and having joint control of Stichting AK Bekaert, they represent, together with Stichting AK Bekaert, 30.35 % of the authorised capital of N.V. Bekaert S.A.



# C O R P O R A T E   D I R E C T O R S A N D   O F F I C E R S

## BOARD OF DIRECTORS

Thierry Verhaeghe de Naeyer, Chairman

Rafaël Decaluwé, Chief Executive Officer

Gary J. Allen • Pol Bamelis

Leon Baron Bekaert • Roger Dalle

Count Charles-Amédée de Liedekerke

François de Visscher • Jan Baron Huyghebaert

Georges Baron Jacobs • Maxime Jadot

Baudouin Velge • Maurice Velge



*Thierry Verhaeghe de Naeyer*

*Rafaël Decaluwé*

## CORPORATE SECRETARY

Willy Snaet

## EXECUTIVE VICE-PRESIDENTS

Eric De Bruyne • Joseph De Neve • Leo Steenbergen • Jan Verhenne

## CORPORATE VICE-PRESIDENTS

Paul Denecker • Guy Haemers • Marc Holvoet • Bernard Marchant

Geo Pil • Marc Vandecasteele • Johan Van Waes • Henri-Jean Velge

## VICE-PRESIDENTS

Jacques Anckaert • Marc de Sauvage • Guido Haezebrouck

Willy Snaet • Willy Supeene

## STATUTORY AUDITOR

Arthur Andersen

## AUDITOR

Dirk Van Vlaenderen

(situation as at 30 March 1999)

# MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

## REVIEW OF 1998

For the Bekaert Group, the contrast between the first and second halves of 1998 was dramatic. The year started well and we were confident of achieving a substantial advance compared with 1997. As the year progressed, however, we were obliged to steadily downgrade our projections for 1998 in the face of dwindling demand for wire and wire products in Europe.

The repercussions of the crisis in South-East Asia were more serious and more far-reaching than expected, as the effects spread first to Latin America and then to Europe. Although the direct impact on Bekaert was limited, the same cannot be said of the indirect effects. The fall-off in demand for wire in South-East Asia resulted in a surplus on the world market, triggering a decline in raw material prices and increased pressure on selling prices.

Wire experienced a sudden and substantial drop in orders in mid-year because of the downturn in several sectors, particularly the automotive sector. The consequence was a low utilisation rate at our European mills. Despite the improved utilisation rates in North and Latin America, total profit on Wire and Wire Products fell well short of expectations. In response to this adverse market trend, especially in Europe, it was decided to accelerate and extend the implementation of the structural improvement programme in the United Kingdom and Germany.

Steel Cord, by contrast, achieved a high utilisation rate throughout the year. Demand remained buoyant, sustained mainly by demand in the truck tyre and replacement tyre markets, which is not affected by new car production. Steel Cord continued its programme of international expansion and increased production capacity in the Far East. Ultra tensile steel cord, which offers excellent prospects for the future, was used in a commercial application for the first time in the Extended Mobility Tyre (EMT).

In the latter half of 1998 Bekaert Advanced Materials also suffered the effects of the crisis in South-East Asia, where demand for fine metal fibres for filtration and conductive plastics was badly affected. Another factor which contributed to the fall-off in demand was the continuing decline in the use of fibres in airbags, which had been expected. Despite these adverse effects in the short term, the overall results turned out ahead of expectations, thanks to internal cost control and significant improvements in productivity. Bekaert Advanced Materials further strengthened its worldwide positions in 1998 and we are looking forward to substantially higher sales in the future, generated by organic growth, acquisitions and alliances.

Reflecting the worsening situation in Europe, the further restructuring measures and the direct and indirect repercussions of the crisis in South-East Asia, Bekaert's consolidated profit for the 1998 financial year amounted to EUR 35.7 million, which is half of the year before. Despite these adverse effects, however, the consolidated current operating result before provisions remained close to the 1997 level. Consolidated sales were up 1.6 % and sales by the participating interests were 12.9 % higher. The General Meeting of Shareholders will be invited to maintain the net dividend for the 1998 financial year at the 1997 level and declare a dividend of EUR 11.1552 per share and EUR 12.6426 per share with reduced withholding tax (VVPR).

# MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

## GROWTH AND PROFITABILITY

As explained below in the context of the Group's strategy and technology policy, various actions have been undertaken to accelerate the rate of growth and boost profitability beyond our critical targets.

In the past, a substantial part of our R&D effort has been directed towards supporting Bekaert technology in the context of the Group's global expansion. In early 1998 we decided to allocate a larger proportion of our effort to innovative projects in order to deepen our technology. Through closer collaboration between marketing and research within Bekaert and between Bekaert and our customers, we are able to develop new products at an early stage. It is essential to identify our customers' future and latent needs and offer creative solutions. The way to create unique products with higher added value is through technology and cooperation with the customer.

Achievement of our growth and profitability targets will also be supported by further internationalisation. In view of the difficult conditions which currently prevail in the Far East markets, we shall exercise all due caution in building on our presence in those markets. Nevertheless, their long-term potential is too great for us not to seek a prominent position.

In pursuit of further cost reductions, the 'Lean Bekaert by 2000' programme has been extended to our production plants under a project which we have named 'Lean and high-performing plants'. The aim is to optimise the labour organisation and create an appropriate structure for each production unit. The best-performing plant in the Group will serve as the benchmark for each function, technology and production step.

In this rapidly evolving industrial environment, each business unit has to systematically reassess its product range. If, despite all the measures which have been taken, certain product lines cannot achieve the prescribed minimum level of profitability in the long term, their replacement will be speeded up.

We have made good progress with our structural improvement programme. Annual savings of EUR 30 million have been identified and measures to realise one-third of these savings were implemented in 1998. Concrete measures have been taken in the area of personnel and organisation. The number of hierarchical levels has been reduced, responsibility has been delegated to lower levels in the organisation and further investments have been made in people, with a view to equipping us to respond more efficiently and more promptly to customer requirements.

## Focus

The structure of the Bekaert Group was modified in March 1998 in order to sharpen the focus on development and implementation of strategy.

A **Steering Committee** was formed, which is responsible for developing Group strategy and assessing and monitoring the strategies proposed by the operational units. The members of the Steering Committee also provide support and functional focus within their particular spheres of interest.

There is also an **Executive Committee**, consisting of the members of the Steering Committee, the General Managers responsible for the operational units and a number of Bekaert Group staff officers. The Executive Committee monitors

# MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

allocation of funds and expenditure within the approved budgets and is a forum for discussion of the strategic priorities and significant events affecting the Group.

The **Business Management Teams** are responsible in their turn for the development of strategic proposals and day-to-day operational management.

We are sure that, as well as creating many new opportunities, these changes to the organisation will result in a flatter and more efficient structure and, more particularly, greater dynamism.

## OUTLOOK

Bekaert's profit projections for 1999 are dictated by general economic trends.

The outlook for the international environment is undoubtedly better than the second half of previous year as far as Wire is concerned, and demand for Steel Cord's products is expected to remain high. Provided the global economy springs no fresh surprises, we should be able to further consolidate our market positions and can look forward to an improved return over the full year. How fast we are able to achieve this objective will depend partly on the pace of recovery in the growth markets, and in particular Japan's emergence from recession which will dictate the further course of the crisis in the Far East.

With better demand, we expect **Wire** to achieve higher total volumes in Europe than in 1998. Selling prices have fallen in the wake of lower raw material prices, but margins are holding up, placing Bekaert in a good position. Imports from the Far East are competitively priced and will continue to pose problems while the capacity surplus persists in those countries. A lower rate of growth is expected in the United Kingdom and further rationalisation is needed throughout the UK wire industry. The crisis in Russia is not expected to have any adverse effect. We foresee no slow-down in the US and expect to be able to sustain our growth and rising profitability. Thanks to the far-reaching restructuring programme implemented at BMBA at the time of the acquisition, we are now well placed to benefit from recovery in the Brazilian economy. Appropriate measures have been taken in the other Latin American countries to adapt to the changed economic conditions.

We expect **Merchant Products** to have a better year in Europe, after the restructuring in Germany (Rösler), the UK (Twil) and France (Tréfilest) and the poor showing in 1998. We are continuing to shift the emphasis towards products with higher added value and update the product range. Bezinal®, the anti-corrosion coating, was successfully introduced on a wider scale. All these elements have helped to prevent erosion of margins and provide a sound base for 1999.

We expect **Steel Cord** to maintain a high level of capacity utilisation and consolidate our market positions. Our competitive edge is helping us to gain market share. New developments in technology are bringing results and we look forward to rising demand for ultra tensile steel cord. Good progress is being made in Steel Cord's international diversification strategy: work will start on a new plant in India in 1999 and a location study for a new plant in Central Europe is running. The devaluation of the Brazilian real has made our steel cord customers more competitive in export markets, and it is an encouraging sign that the Brazilian automotive sector is planning to invest USD 5 billion in expansion over the next three years. In Asia, we are waiting to see how the situation develops, but this is not delaying our plans.

At **Bekaert Advanced Materials (B.A.M.)**, the forecasts show good demand for Bekaert Fibre Technologies' products with the exception of fibres for conductive plastics. Greater growth potential and improved market penetration will be sought in conjunction with Acotech. Composites has a full order book and capacity is being extended. For B.A.M. as a whole, there is clear potential for doubling sales over the next three years.

# MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In the service sector, Bekaert-Stanwick is seeking to expand in order to handle major projects. Delaware Computing is becoming a significant player in the IT market as an integration specialist, and this is translating into vigorous sales growth.

While mindful of the precarious nature of economic predictions, we continue to look to the future with confidence.

## ACKNOWLEDGEMENTS

Despite the difficult year we have been through, we are looking to the future with confidence. We have no doubt that, with the continuing commitment of all our employees, our greater focus on technology, the faster development of new products and the upgrading of our existing product range, we can achieve the growth and profitability targets we have set. We extend our sincere thanks to all staff for their efforts during the year and for the on-going support of our shareholders.



Rafaël Decaluwé  
Chief Executive Officer



Thierry Verhaeghe de Naeyer  
Chairman

# GROUP STRATEGY

Bekaert has for several years been pursuing a strategy aimed at securing leadership in technology and quality, through international expansion in selected market segments and ongoing efforts to reduce costs and improve quality, in order to increase the pace of growth and raise profitability.

Two years ago, Bekaert's progress towards these objectives was given new momentum. On the initiative of Raf Decaluwé, the Chief Executive Officer, Bekaert conducted a thorough and systematic analysis of all the environmental factors, the Group's strengths and weaknesses, its present and future strategic profile and the objectives it was seeking to achieve.

The study confirmed that Bekaert is a group whose driving force is technology. The metal forming and coating technologies in particular require specific core competences in the area of technology and process development and market applications.

In pursuit of these objectives, Bekaert has been concentrating its full attention in recent months on five actions.

The 'Technology 2000' working group has studied the actions which relate directly and indirectly to **technology in greater depth**. This has yielded many practical measures, including changes to the organisation, standardisation of processes, more effective and more focused project selection and management and the development of specific competences. The R&D budget for innovative products has been doubled close to 1 % of sales.

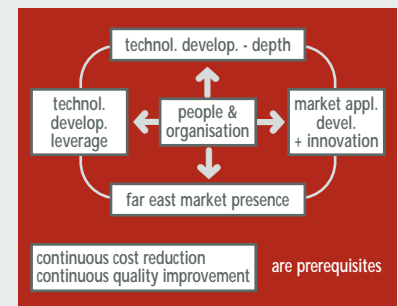
In order to **broaden Bekaert's technology base**, a project was launched in 1998 with the aim of achieving the optimum organisation and structure, using a 'zero-base' approach and internal benchmarking, in place at all Bekaert plants around the world by the millennium.

Bekaert is devoting particular attention to **the development of new market applications and innovation**, not only within Bekaert Advanced Materials, but also in the more traditional Wire and Steel Cord operations. Through a more focused market approach, closer collaboration between our customers' technology specialists and Bekaert's own experts and implementation of a continuous process of innovation, we are seeking to create a rejuvenated business culture in which innovation plays a central role. We are confident that this new strategic approach will generate a steadily growing flow of new products and applications offering greater added value and better margins. The segmentation of Wire and the many new applications currently being developed within Wire, Steel Cord and Advanced Materials will make a substantial contribution to growth in Group sales and profitability in the future.

**Expansion in the Far East** is still an important part of Bekaert's strategy because of the region's considerable long-term potential. We are building our position gradually, but progress depends on whether the risks, especially those relating to the timing of investments, can be minimised.

Because people are a crucial factor in the implementation of any strategy, **Personnel & Organisation (P&O)** occupies a central position in our new strategic approach. The Group organisation has been revised on that basis and all the elements of P&O policy have been designed to enable development of the necessary competences, both for the Group as a whole and for each individual employee.

## THE 5 MOST IMPORTANT CRITICAL GOALS/ACTIONS



## RECIPE FOR SUCCESS

"The secret to success lies in focus, integration and consensus, built around a limited number of critical goals, and in their excellent deployment down to the shopfloor"

Raf Decaluwé  
C.E.O. Bekaert

## RESEARCH AND DEVELOPMENT, ENGINEERING

Bekaert's principal objective with the 'Technology 2000' programme is to focus R&D effort on growth through innovation. For the past decade, much of our R&D effort has been devoted to supporting existing technology in pursuit of global expansion. We are now switching some of the maintenance/service funding of R&D to more innovative projects, developing technologies to support the planned growth. Within the constraints of the strategic priorities, a portfolio of R&D projects with high profit potential is being built up. The effort devoted to innovation within R&D has been stepped up, while keeping within the overall budget of 1.7 % of sales, and is focused more closely on high-value projects. Through this heightened emphasis on technology Bekaert aims to retain and consolidate its technological leadership and contribute to the growth and profitability, both of the business units and of the Bekaert Group as a whole. In pursuit of effective and efficient technological development, we have three main levers at our disposal:

### TECHNOLOGY PRIZE

The fifth biennial Technology Prize of EUR 25,000, by means of which Bekaert is helping to promote cooperation between research centres and industry, was awarded on 7 October to Messrs. Georg Frommeyer and Oliver Grassel of the Max-Planck Institute (Germany) for their study 'High-strength TRIP/TWIP and superplastic steels'.



From left to right: Oliver Grassel, Thierry Verhaeghe de Naeyer and Georg Frommeyer.

### ORGANISATIONAL STRUCTURE

The fundamental technology is managed on a pooled basis from a shared Technology Centre. This enables us to share common infrastructure costs, accumulate a critical mass of future-oriented competences and disseminate knowledge more effectively. The applied technology which is unique to each business is managed on a decentralised basis within each business unit.

### METHODS, RULES AND PROCESSES

The standardisation of R&D methods, rules and processes throughout the Bekaert Group is essential to achieving systematic improvement and efficient technology development based on best practice.

### SKILLS AND COMPETENCES

The aim is to implement optimum career planning for technologists to meet the challenge of the 'Technology 2000' programme, consistent with personnel policy in that area. The deepening and broadening of the technology base, the solution of problems at plant level and the reduced level of technical support for current technology from central R&D mean that new skills and competences are needed in all plants and technical departments around the world.

The critical actions required throughout R&D are:

- definition of an R&D portfolio with strong growth and profit potential
- protection, supported by patent, publications, notarial deposition etc.
- more effective project management, as the cornerstone of R&D
- more active development of competences and expertise.

Practical results in 1998 included:

- ultra tensile steel cord
- production methods requiring fewer process steps
- wire rod fitness-for-use programmes
- new process control techniques
- updated wiredrawing methods
- optimisation procedures to increase process stability (CIM)
- lower-cost processes for lower added-value products
- use of new alloys.



# PERSONNEL POLICY

Personnel policy was brought fully into line with the Group's strategic objectives in 1998. Priority was given to the implementation of the structural profit improvement programme, the 'A lean Bekaert by 2000' programme and the acquisition of the necessary competences.

## STRUCTURAL PROFIT IMPROVEMENT PROGRAMME

The first phase of the programme focused on improving the profitability of the Zwevegem plant (Belgium). Various areas were addressed:

- Purpose and configuration of the plant  
Detailed business plans were drawn up which offer good prospects of continuity and job guarantees for the existing staff, conditional upon a satisfactory improvement in productivity and reduction in costs.
- Productivity target  
Clear progress has been made on procedures and on negotiations about manning levels. No real breakthrough has yet been made and implementation should be speeded up. A strategic approach, based on the 'model plant' and international benchmarking for Bekaert plants around the world, is the most appropriate instrument.

The second phase was concerned with reducing wage costs and implementing 'A lean Bekaert by 2000':

- Lower wage costs  
Negotiations with the trade unions on a reduction in total wage costs continued, but progress should be accelerated.
- 'A lean Bekaert by 2000'  
Various measures have been taken to reduce the Group's fixed costs. With a large number of management staff now close to retirement, Bekaert has a unique opportunity to reduce costs by filling only a small proportion of the vacancies which will arise, provided appropriate changes are made to the organisation. Measures have been taken to control staffing levels and give high priority to succession planning.

## COMPETENCES

To meet the challenges of the 21st century, the personnel systems have been restructured on the basis of an integrated model. The new competences are concerned more closely with creativity, innovation, opportunities and cross-functional cooperation. Leadership and performance management are also key factors, as well as individual competences. A new remuneration system based on performance management has been developed, which features a team bonus to encourage cross-functional cooperation.

The total number employed by the Group, including the participating interests, was 16,725 at the end of 1998. The number employed by the Group's consolidated companies decreased from 11,351 at the end of 1997 to 10,926 at the end of 1998, due to the further rationalisation exercises. The number employed by the participating interests increased from 5,906 at the end of 1997 to 5,799 at the end of 1998.

## INTEGRATED P&O APPROACH LEADING TO A CULTURE OF CHANGE



## ENVIRONMENTAL POLICY DECLARATION BEKAERT GROUP

- legal compliance
- minimal impact
- rational use of resources
- training and involvement
- environment-friendly processes



The environmental policy for the entire Bekaert Group, which was introduced in 1991 as a concomitant to its Total Quality Management policy, is based on five main objectives. In the implementation of this policy, broad actions have been defined in the environmental manual for each of these objectives.

### COMPLIANCE WITH LEGISLATION

Permits and licences are continuously monitored and renewed as necessary. When contemplating acquisitions, Bekaert has systematic soil surveys carried out in accordance with strictly defined procedures. Environment-friendly products are used and packaging meets the minimum percentage recyclability requirements set by the European packaging decree. Bekaert also assists with the compilation of Best Available Technology reports.

### MINIMUM IMPACT

Appropriate measures are taken to suppress noise and smell at source. Containments, underground pipelines and tanks are inspected regularly for leakage and industrial waste is separated before collection. Bekaert recycles used acids, zinc, lead and cardboard.

### RATIONAL USE OF MATERIALS

A detailed monitoring procedure has been established for all environmental parameters, including water, acids, energy etc. The performance against benchmarks achieved by all the plants can be compared via the intranet. More efficient packaging, such as water-soluble packaging for Dramix® fibres for concrete reinforcement, is being introduced.

### TRAINING AND INVOLVEMENT

Every two years Bekaert organises a round-table discussion on the environment for all the Group's coordinators and environmental specialists worldwide. Internal audits are performed annually at the principal plants, based on the Bekaert Total Environmental Care system. The Environment Steering Group checks compliance with ISO standards and assists with the monitoring of environmental parameters and environmental costs. Two of Bekaert's plants already hold ISO 14001 certification: Tinsley Wire in Sheffield and Bekaert Handling & Display in Glenrothes, both in the UK.

The following plants have also won environmental awards:

- the Telegraph Newspaper Green Business prize was awarded to the Sheffield plant in the UK;
- the City of Rogers prize was awarded to the plant in Rogers, Arkansas (USA).

### ENVIRONMENT-FRIENDLY PROCESSES, PRODUCTS AND TECHNOLOGIES

The development of products and environmental projects designed to reduce both environmental impact and cost is carried out by the Bekaert Technology Centre, in close collaboration with Bekaert Engineering. Bekaert performs an environmental assessment for each development project and evaluates the environmental impact of all new products and equipment. Examples include:

- alternative, environment-friendly means of heating and cooling wire
- acid-free processes for wire cleaning
- introduction of electrolytic pickling for specific processes
- removal of lead from used pickling acid
- condensation/evaporation of waste products such as used emulsions
- extending the life of chemical process baths.

Substantial cost savings have also accrued from the actions undertaken in connection with the Total Environmental Care policy.

# B U S I N E S S   R E P O R T

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P&CEE indices

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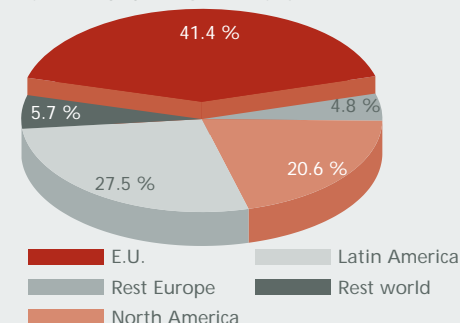


# NOTABLE EVENTS IN 1998

- FEBRUARY:** Start-up of the new steel cord plant in Indonesia on 7 February.  
Commissioning of the new galvanising line in the Czech Republic on 24 February.
- MARCH:** Changes to the Group structure with the aim of sharpening the focus on development and implementation of strategy.  
Signature on 7 March of the agreement relating to the new joint venture in China, Bekaert-Shenyang Steel Cord Co. Ltd (BSSC).  
Launching on 13 March of the first 'Talent' intra-regional commuter train, which incorporates composite panels manufactured by Bekaert Composites, to Deutsche Bahn in Germany.
- MAY:** Signature on 19 May of a letter of intent for a 50/50 joint venture with MSC Specialty Film Inc. (USA).  
Announcement of the 'Technology 2000' programme.
- JUNE:** Signature on 2 June of a 50/50 joint venture agreement with Contours Inc. Orrville, Ohio (USA) for the development, production and sale of profile wire.  
Official opening of Shanghai Bekaert-Ergang Co. Ltd (China) and start of production of Dramix® fibres on 9 June.  
Signature on 18 June of a letter of intent by Bekaert Composites and E.P.C. relating to a 50/50 joint venture to undertake combined activities in composites.  
Commissioning on 25 June of two new production units (BFT and IST) at RTP, North Carolina (USA).
- JULY-AUGUST:** Signature of the agreement whereby Bureau Veritas Quality International acquired a majority interest in Eurosym.  
Closure of the merchant products manufacturing facility in Commercy (France).
- SEPTEMBER:** Award on 30 September of the 'Corporate Excellence' prize by CICI-MG, a manufacturers' organisation in the state of Minas Gerais (Brazil), to Belgo-Mineira Bekaert Arames S.A. (BMBA).  
Bekaert Group's annual international 'TQM Top Day' on 18 September.
- OCTOBER:** Award by Bekaert of the biennial 'Technology Prize' of EUR 25,000 to Messrs. Georg Frommeyer and Oliver Grässel of the Max-Planck Institute (Germany) on 7 October.
- NOVEMBER:** Signature on 2 November of an agreement relating to the formation of Bekaert-Timeda B.V., an 80/20 joint venture with Humeca B.V., a Dutch medical research company.
- DECEMBER:** Announcement of further restructuring measures in the United Kingdom and Germany.

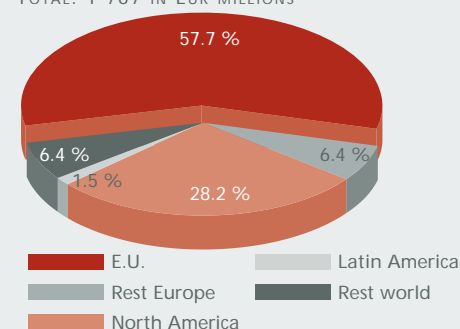
## SALES GEOGRAPHICALLY 1998

CONSOLIDATED COMPANIES AND PARTICIPATIONS  
TOTAL: 2 520 IN EUR MILLIONS



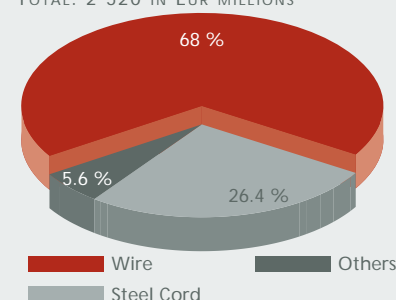
## SALES GEOGRAPHICALLY 1998

CONSOLIDATED COMPANIES  
TOTAL: 1 767 IN EUR MILLIONS



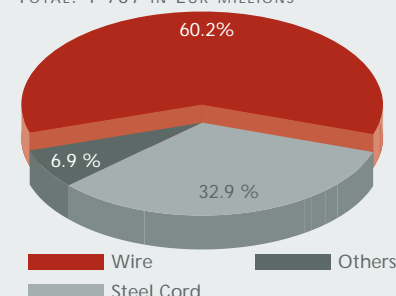
## SALES BY BUSINESS SEGMENT 1998

CONSOLIDATED COMPANIES AND PARTICIPATIONS  
TOTAL: 2 520 IN EUR MILLIONS



## SALES BY BUSINESS SEGMENT 1998

CONSOLIDATED COMPANIES  
TOTAL: 1 767 IN EUR MILLIONS









# BUSINESS REPORT

## WIRE

1998 was a difficult year for Wire. Total consolidated sales volume was down by 2.9 % compared with 1997, and this was reflected in low capacity utilisation at most of the European plants in the second half of the year, due mainly to reduced stock levels. The fall in wire rod prices exerted heavy pressure on selling prices, which had to be adjusted. The margins were maintained, but profitability was adversely affected by lower capacity utilisation and the write-down of stocks produced with expensive raw materials. Sales of wire and wire products by the consolidated companies and participating interests was up by 4.4 % compared with 1997. Wire continued to pursue its programme of international expansion. The galvanising line at BŽB-Bohumín (Czech Republic) was successfully commissioned in early 1998 and is working at full capacity. A joint venture agreement was signed with Contours in the US for the development, production and sale of profiled wires, and production of Dramix® started at Shanghai Bekaert-Ergang Co. Ltd in China. The complete integration of Twil is well underway. Demand has fallen short of the projections, however, and this has necessitated further rationalisation. The industrial wire distribution operations have been centralised in Belgium, resulting in closure of the stores in Germany and France.

Four **global businesses** were set up in 1997: Cable Applications, High-Carbon Specialities (intended primarily for the automotive sector), Low-Carbon Specialities and Building Products. These sectors demand a global approach, with greater focus and greater responsiveness to customer needs.

### CABLE APPLICATIONS

The wave of mergers and acquisitions in the global cable industry continued in 1998. The customers in this market have acknowledged the efforts which Bekaert has made to focus on their requirements, and this has strengthened our links with them. The effort devoted to the development of new products was further intensified, with the allocation of additional resources. These activities remain a priority in 1999.

### HIGH-CARBON SPECIALITIES

High-Carbon Specialities' product range is undergoing rapid evolution to meet the needs of a number of new and promising niche markets, chiefly in the area of technical profiled wires. The recent certification of several of these promising products should help to boost profitability in this highly competitive segment. The order book was still relatively poorly filled at the end of 1998 and the pressure on prices is being maintained.

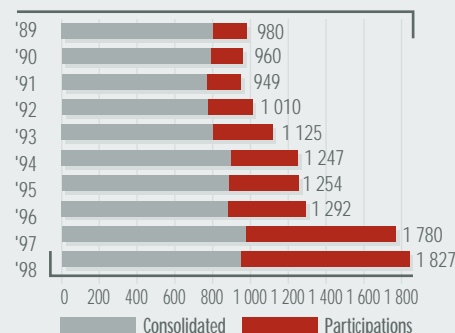
### LOW-CARBON SPECIALITIES

A global strategy for the main product categories has also been developed and implemented in Low-Carbon Specialities' sector. The production capacity of the various plants has been tailored to the needs of the regional markets which they address. Quality standards within one particular segment have also been brought into line at the various plants.

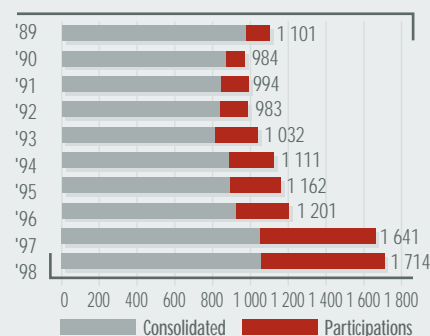
### BUILDING PRODUCTS

Although there was further growth in sales of steel fibres for concrete reinforcement in 1998, it was tempered by the Asian crisis which led to more rapid price erosion and the cancellation of some Dramix® orders due to local financial difficulties.

### VOLUME (000 TONNES)



### SALES (IN EUR MILLIONS)



- Participations are the companies accounted for under the equity method
- Merchant Products Europe included

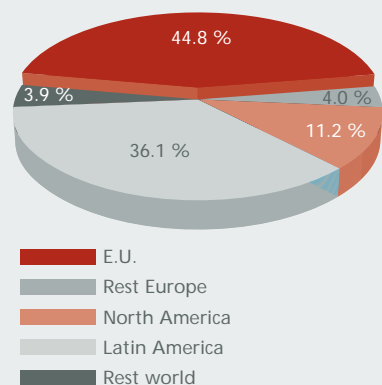




The result was a poorly-filled order book compared with 1997. Stock levels had to be reduced, which translated into a lower capacity utilisation rate. Despite the prevailing climate, demand in Central Europe remained strong. The expansion of Dramix® production at Moen (Belgium) has been completed and plans are well advanced for further expansion in other countries. Production has started in China and Brazil and preparations are in progress in Turkey. The existing capacity in the Czech Republic will be expanded in 1999. Orders for the other building products remained at a disappointingly low level. A new, specially designed product for asphalt reinforcement, which is produced on automatic machines, was launched. The range of masonry reinforcement products was also augmented.

## SALES GEOGRAPHICALLY

CONSOLIDATED COMPANIES AND PARTICIPATIONS  
TOTAL: 1 714 IN EUR MILLIONS



- Participations are the companies accounted for under the equity method
- Merchant Products Europe included

## WIRE EUROPE

In terms of volume, 1998 was comparable to 1997. A good start was made in the first half year, but the trend reversed in the third quarter and the fourth quarter was extremely weak. The position was exacerbated by the fact that Wire operates in Europe as an internal supplier of semi-manufactures to other Bekaert plants, which also had a lacklustre second half. The crisis in the Far East had some direct effects on construction projects, but the indirect effects were not felt until the second half. The crisis also impacted heavily on sales to textile equipment manufacturers. Meanwhile, imports of various standard products (stainless steel wires, welding wires and weaving wires) from the Far East increased. In contrast, the crisis in Russia had no demonstrable effects.

The strength of sterling, the low level of industrial activity and the overcapacity were reflected in a sharp fall in both demand and prices in the UK and it was decided that the rationalisation exercises which were already in progress should be taken a step further. Some of the activities of the Warrington (UK) plant were transferred to Sheffield (UK) and Twil's organisational structure was simplified still further. Production of profiled wires is being concentrated in Zwevegem (Belgium). Other products were exchanged between plants, either to make best use of the units offering the greatest efficiency or to bring production closer to the market. The transfer of hard-drawn spring wire from Zwevegem (Belgium) to Hemiksem (Belgium) was completed. Production of galvanised wire started in the Czech Republic. Galvanising lines in Belgium and Ireland were shut down. A number of processes within Wire in Europe were analysed in depth as part of the business re-engineering project, in preparation for the updated IT systems and millennium-related modifications.

## WIRE NORTH AMERICA

For Bekaert's wire operations in North America, the situation in 1998 was virtually the mirror image of that in Europe. The economy remained strong, driven by the construction sector, causing capacity utilisation to rise sharply in the second half of the year. As well as the favourable general economic climate, there were also a number of sector-specific factors. The year saw several major rationalisations in the wire sector: North-West Steel & Wire, which mainly addressed the agricultural and distribution markets, withdrew from the wire business, while the failure of Gilbert & Bennett generated additional sales for Bekaert. The spring storms in the North-East of the United States and the arrangement with creditors (Chapter 11) of Indiana Steel

& Wire provided an unexpected boost to demand for Van Buren's (Arkansas) products (strands). Demand for Muskegon's (Michigan) products for the automotive market was depressed by the strike at General Motors. It has been difficult to restore order volume in this sector and performance fell short of the level achieved in 1997. Armapipe®, a welded mesh product for offshore pipeline reinforcement, sold well, the most prestigious project being a 266 km pipeline for Sable Offshore in Nova Scotia (Canada). On 2 June 1998, in pursuit of its global expansion strategy, Bekaert set up a 50/50 joint venture with Contours Inc. (Orrville, Ohio) for the development, production and sale of flat and profiled steel wires. The joint venture has taken over Contours Inc.'s existing activities. Contours is the leader in the United States in the development and production of flat and profiled steel wires, with output of 30,000 tonnes per year, annual sales of USD 35 million and over 200 employees. The product range is being expanded by combining Contours' expertise with Bekaert's state-of-the-art wire drawing and coating technologies. The products can be marketed worldwide via the Bekaert organisation's global network. Thanks to the strong economy and the high level of capacity utilisation, combined with raw material prices which were lower than expected, the margin target was achieved. We may thus conclude that 1998 was a good year for our wire operations in North America. Total volume was up by 8 % in 1998 compared with 1997, at a reasonable level of profitability.

## WIRE LATIN AMERICA

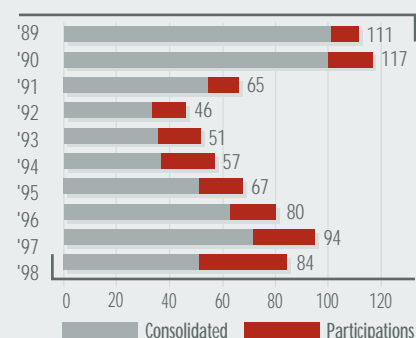
The Latin American economies suffered not only under the successive crises on the financial markets in Asia and Russia in 1998, but also under natural disasters triggered by El Niño. The financial uncertainty and high interest rates weighed heavily on industry. Some countries proved better equipped to recover from this situation than others. The Peruvian economy was hardest hit and has still not recovered. Brazil's second half-year was far worse than expected and the crisis is persisting longer than predicted. Despite this difficult economic environment, Bekaert's existing participating interests in Latin America were able to maintain their overall profitability, helped by their strong market positions and ongoing internal productivity improvements.

For **Hylsa-Bekaert (Mexico)**, 1998 was a year of transition, in which the foundations were laid for the future. The company's activities were consolidated and the allocation of operational resources and management structures were modified. **Vicson (Venezuela)** had a very difficult year and action had to be taken by the management to adjust the scale of operations to the worsening economic situation. The plant at Maturin is being closed and its activities will be integrated into those of the existing plant at San Joaquin (Valencia). The company has sought to compensate for the weakness of the home market by increasing exports, but the over-valuation of the bolivar meant that this was less profitable. **Proalco (Colombia)** also had a difficult year due to the weakness of the economy, which inevitably impacted on the wire industry. The country is facing many problems and declining demand is fuelling price competition. For the present, we are adopting a cautious stance.

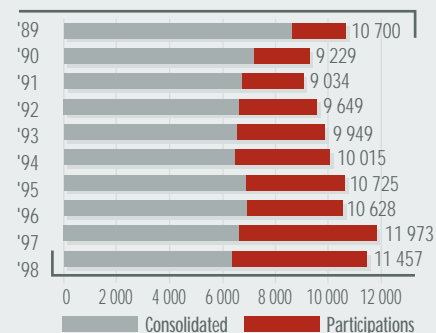
**Ecuador's** political situation has improved and it has enjoyed relative economic stability, which is good for industry. 1998 was a record year, not least because we were able to benefit from the reconstruction of the banana plantations which had largely been destroyed by El Niño-related weather.

In **Peru** the year started well but deteriorated later due to political influence and excessively high interest rates. El Niño also had an adverse effect here, notably on

## CAPITAL EXPENDITURE (IN EUR MILLIONS)



## PERSONNEL



- Participations are the companies accounted for under the equity method
- Merchant Products Europe included



sales of cables for the fishing industry. The damage to the infrastructure meant that several of Bekaert's warehouses had to be closed temporarily and rebuilding was slow to start.

Despite the economic crisis, 1998 was a very good year for **Inchalam (Chile)**, thanks in part to the lower raw material prices. By the end of the year, however, a marked slowdown in the construction sector adversely affected sales of re-mesh by Acma and nails by Inchalam.

The devaluation of the **Brazilian** real and international loss of confidence in the Brazilian economy are giving cause for concern and are adding to the uncertainty. Industrial activity is being paralysed by high interest rates and the adverse business climate. The restructuring measures which Bekaert undertook at the time of the acquisition have been successfully completed and will provide a sound basis when the economy improves. In order to strengthen the company's financial and economic position, Belgo-Mineira Bekaert Arames S.A. (BMBA) is seeking to increase its export volume. A start was made on the restructuring exercise at CIMAF in mid-1998. BMBA was awarded the 'Corporate Excellence' prize by CICI-MG, a manufacturers' organisation in the state of Minas Gerais, on 30 September. This prize, which is awarded to companies achieving excellent performance in the area of new applications, environmental protection, quality and employee welfare, is a valued mark of recognition by the market. Overall profitability was satisfactory last year. We expect 1999, and especially the first half, to be more difficult, but the situation could improve markedly when the confidence of the financial world is restored.

## WIRE FAR EAST

The Asian crisis inevitably had an impact on results in the Far East in 1998. Hikari in **Japan**, which produces mainly low-carbon specialties, was unable to match its 1997 sales volume. The programme of action to cut costs and improve the product mix was continued. In **China**, the official opening of Shanghai Bekaert-Ergang Co. Ltd took place on 9 June and the first Dramix® fibres have been produced and shipped. Several new projects, including further expansion of local production in this region, are in preparation.



Merchant Products had a poor year in Europe in 1998, with no growth in the market compared with 1997. The sharp fall in the wire rod price led to reduced stockholding within the distribution channels in expectation of further falls resulting in reduced order intake. In the United Kingdom in particular this was compounded by a merger between two major customers and the rationalisation of their stockholding. Meanwhile, Bekaert had built up stocks of products made from high-priced wire rod in late 1997 and early 1998. The poor weather caused delays in fence-contracting projects and adversely affected Bekaert's residential sales. On the international market, the Asian crisis affected sales of a limited number of products intended for industrial customers in Japan. In the United Kingdom, the strength of sterling attracted increased competition from the Continent. Good results were posted in France and progress was made in Central Europe (Poland and Hungary), where the manufacturing base is established for further expansion.

All data are included in Wire.

The trend in the **agricultural market** in Western Europe is still downwards, especially in Germany and the United Kingdom where farm incomes, and hence also the level of investment in the agricultural sector, have been severely eroded by the BSE crisis.

In the **residential market**, the shift away from woven products towards welded products continued. Despite the relative weakness of the market, sales volumes were maintained at the 1997 level.

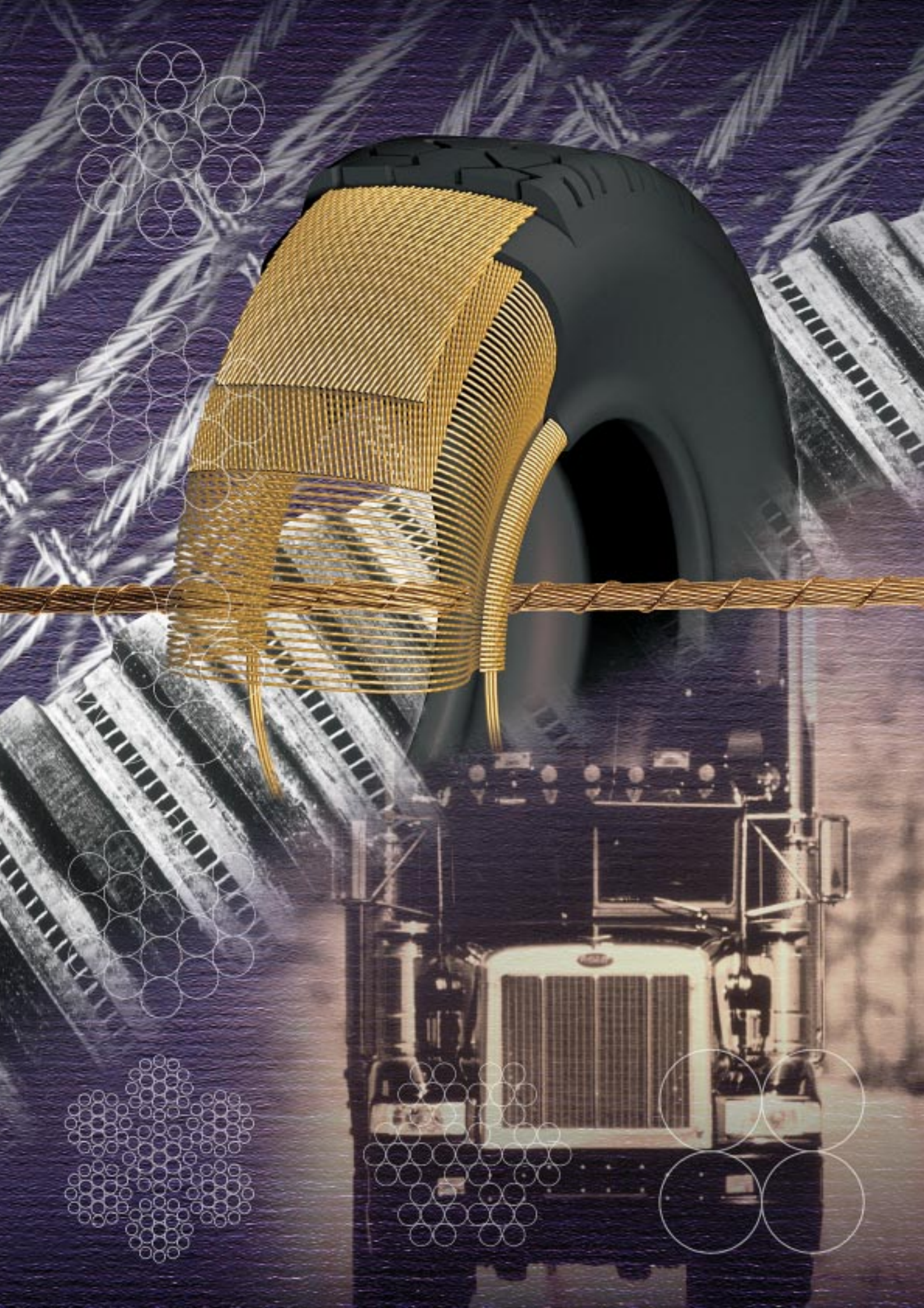
The year 1998 saw sustained growth in **industrial and public-sector fencing systems**, which might have been even higher had the weather been better. Major orders included track fencing for the Berlin rail system and fencing for Hamburg airport. New products such as Decofoor® continued to make progress in penetrating the market.

The year 1998 also began well for **industrial products**, but sales declined in the second half of the year as a consequence of the Asian crisis. Products for the mining sector were deliberately phased out in response to the expected downturn in the market, especially in Germany. 1998 was one of the most successful years ever for sales of Armapipe®. Bekaert supplied reinforcement for the concrete coating for 1,500 km of undersea pipeline around the world last year.

As part of the Group restructuring programme, Twil's Merchant Products division in the UK was integrated into the European organisation last year. Faced with the difficult market conditions in the United Kingdom and Germany, Bekaert sees no alternative to further restructuring measures in the future. In Germany, Bekaert will specialise even more in a limited number of products. The restructuring exercise which was previously announced at Tréfilest (France), involving the closure of the Commercy plant and the rationalisation of the Charleville facility, was completed. The introduction of SAP as the standard integrated information system was brought forward. All merchant products plants in Europe will be using this new software by 2000.







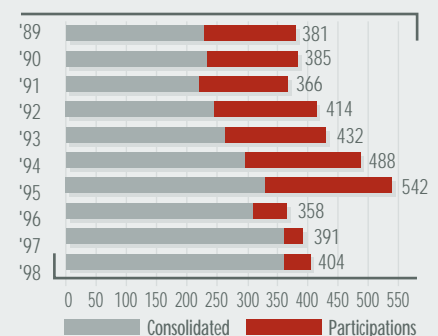


# STEEL CORD

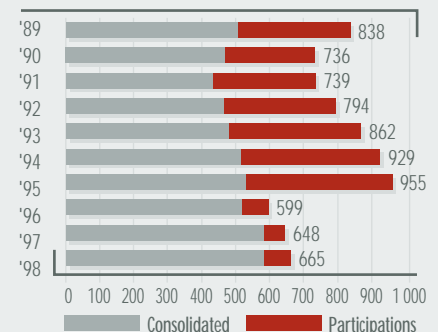
In the same way as 1997, 1998 was a good year for Steel Cord. Combined sales volume of all steel cord products by the consolidated companies and participating interests was up 3.3 % on the year before. As a consequence, all plants operated at a good level of capacity utilisation, with the exception of Beksa in Turkey, where local market demand was extremely weak, although it improved towards the end of the year. This was one of the few indirect effects of the crisis in Russia experienced by the Group. Europe and North America performed very strongly and Steel Cord made clear gains in market share. The strike at General Motors had no adverse consequences for Steel Cord. In fact, some plants kept working during the holiday period to meet demand. The second half of the year was weak in Latin America, especially in Brazil where industrial activity was stifled by the strong real and high interest rates. The devaluation of the real will make our steel cord customers more competitive in their export markets and we are looking forward to higher volumes. Production capacity for steel cord for truck tyres in Brazil was expanded in 1998. With market conditions as they are at present, with a generally high level of demand, our presence in Indonesia is not posing any problems and the unrest did not create major difficulties. China made further progress in 1998. Bridgestone in Japan has fully integrated its steel cord plant, and as a result Bekaert now holds Bridgestone shares instead of BMA shares. A start has already been made on placing these shares in the market in tranches: two-thirds have already been sold forward and the remainder will be sold at a later date, depending on the price.

Sales of **steel cord for tyre reinforcement** by the consolidated companies increased 1 % in volume last year compared with 1997. Demand for truck tyres, stocks of which had fallen extremely low, was particularly buoyant throughout the year. Sales by the participating interests last year were up, mainly thanks to the resumption of production after the flooding of the Vespasiano (Brazil) plant. Sales of **bead wire** were lower, due to increased competition from suppliers in North America and Korea. Global sales volume was down 2 % compared with 1997. Production of bead wire was started at the Jiangyin plant in the People's Republic of China, in response to demand from local customers. The other **steel cord products** performed well.

## VOLUME (000 TONNES)



## SALES (IN EUR MILLIONS)



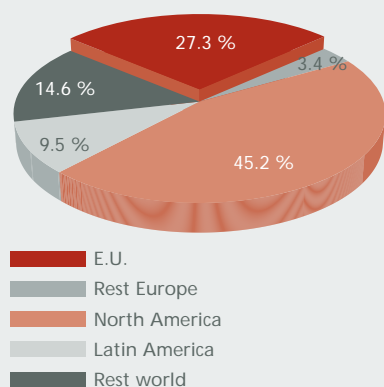
Participations are the companies accounted for under the equity method

While prices generally remained stable at the 1997 level, selective price rises were applied in several cases which, combined with the effects of the internal restructuring exercise, yielded an improved margin. Although the devaluation of the won made Korean suppliers more competitive on price, this had limited impact.

The structural profit improvement programme in Europe and at the Rome (Georgia, USA) plant has been brought to a successful conclusion and Steel Cord can now start reaping the benefits. The programme has also helped to strengthen our competitive position. When several of our competitors in Europe, South Africa and the United States decided to withdraw from steel cord production in the face of growing competitive pressure, we took the opportunity to buy assets which we can use in our expansion programme to bring capacity more quickly into line with market demand.

## SALES GEOGRAPHICALLY

CONSOLIDATED COMPANIES AND PARTICIPATIONS  
TOTAL: 665 IN EUR MILLIONS



Steady progress was made with our expansion programme in 1998. Production in Indonesia started in February, with capacity tailored to meet local market conditions. One month later, an agreement was signed with Shenyang for a joint venture in China. A bead wire line entered service at CBSC (China) as part of the programme to expand steel cord capacity. In Waregem (Belgium), fine steel cord and woven steel cord mat capacity was expanded and will be further extended in 1999. Construction is due to start this year on a new steel cord plant in India. Plans are ready for production of steel cord and bead wire in Central Europe, where demand is rising. With a good global spread of steel cord production capacity, Bekaert is well equipped to meet growth in demand on any continent with local production, so that it can offer the best possible service to all customers, anywhere in the world.



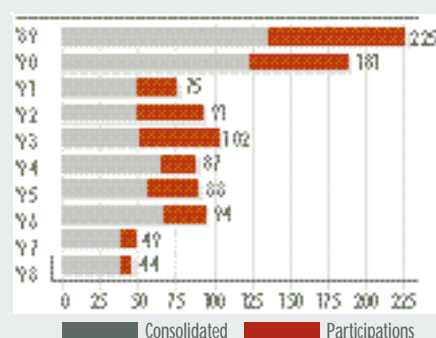


# STEEL CORD

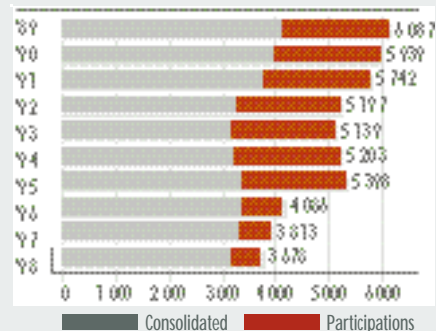
In the area of technology, Bekaert achieved a breakthrough in 1998 with its ultra tensile steel cord, which has found its first commercial application in the EMT or Enhanced Mobility Tyre. More important is the fact that this technology has strong potential for use in carcass reinforcement for light truck tyres, where it can replace rayon and polyester. The market for other new products, such as Betru® and Bicri®, open-cords which offer improved rubber penetration and higher impact resistance, continued to develop well.

The outlook for 1999 is encouraging, with full capacity utilisation in steel cord for tyre reinforcement, especially for the commercial vehicle market. The supply of bead wire has increased, resulting in stronger competition and falling prices. There is a temporary dip in demand for high-pressure hoses. Barring unforeseen economic developments, we expect to be able to further strengthen our market positions and improve profitability.

## CAPITAL EXPENDITURE (IN EUR MILLIONS)

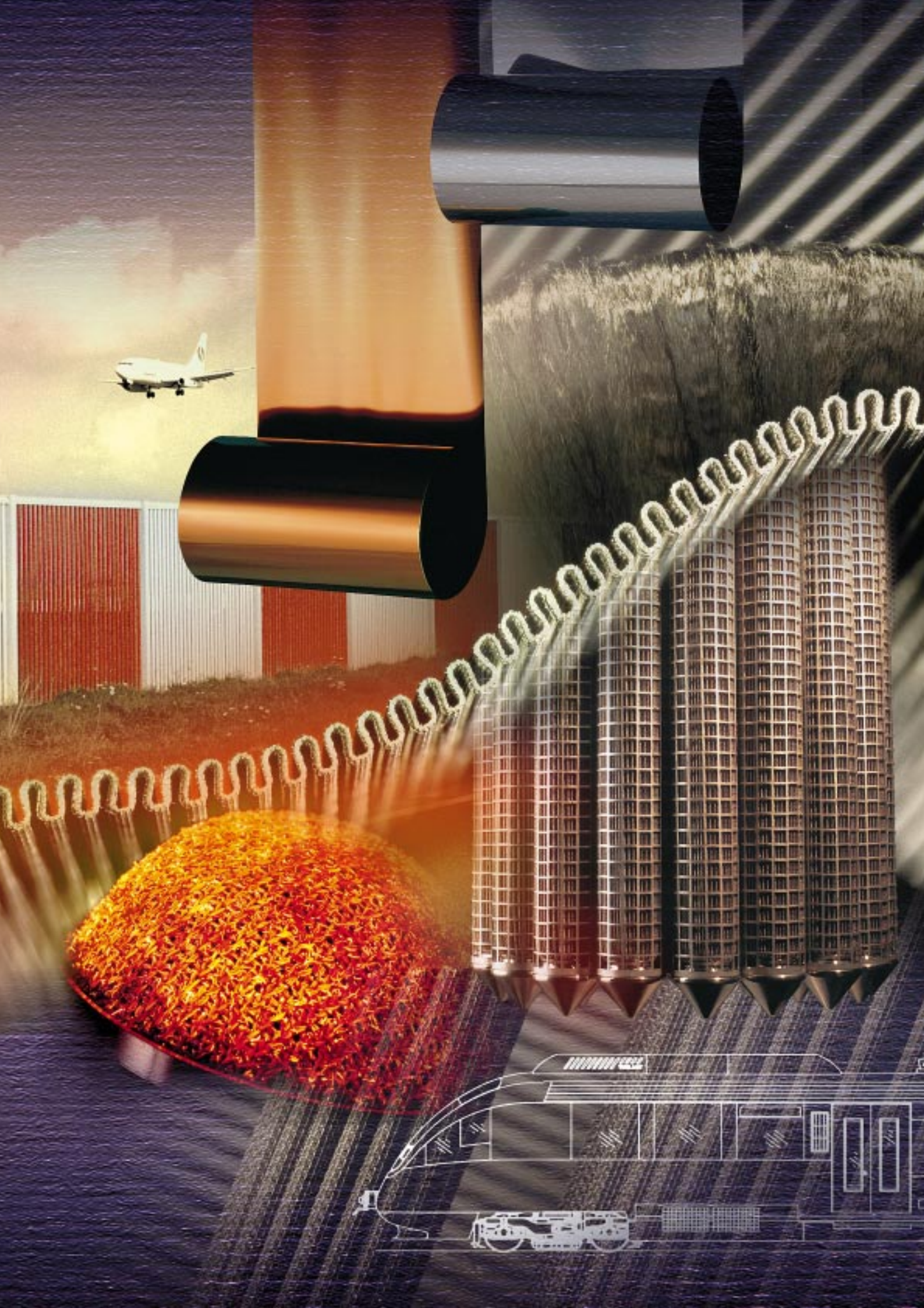


## PERSONNEL



Participations are the companies accounted for under the equity method







# BEKAERT ADVANCED MATERIALS

Consolidated sales remained stable in 1998 at the previous year's level, due to a combination of two factors: the anticipated continuing decline in the use of fine metal fibres in airbags and the impact of the economic downturn in the Asian countries on demand for fine metal fibres for polymer filtration and conductive plastics. Global sales (including participating interests) rose by 8 %.

Bekaert Advanced Materials further consolidated its position in world markets in 1998 through its strategy of organic growth, alliances and acquisitions in 1998 and intends to pursue this strategy with even greater vigour in the near future. We can therefore look forward to substantial growth in sales.

Bekaert entered into alliances in 1998 with Material Sciences Corporation (Specialty Film Division) for the production of sputtered films for a variety of applications, and with DuPont de Nemours, with which a joint programme has been set up specifically for the development of electronic circuit boards. In the medical sector, Bekaert has been cooperating with Humeca in the Netherlands on the development of a catheter for peritoneal kidney dialysis using fine titanium fibres. Bekaert Dymonics, a joint venture with the Flemish Institute for Technological Research (VITO) in Belgium and Advanced Refractory Technologies (ART) in the United States, became operational in 1998 and has made good progress with the development of a number of promising niche products.

The formation of Acotech Corporation in Marietta, Georgia (USA), will help to facilitate Acotech's penetration of the US market for gas burners employing sintered and woven fine metal fibres.

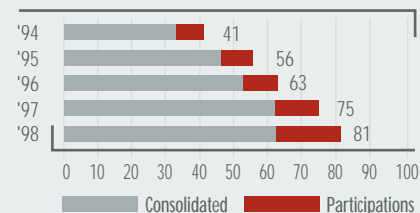
Bekaert Advanced Materials recruited no fewer than 18 new management staff in 1998, mainly in technical/commercial and research positions. Research effort continued undiminished, with research expenditure representing over 10 % of sales of these activities. Ten patents were obtained for new Bekaert Advanced Materials products last year.

Many new projects are in hand and we expect a number of them to be ready for market launch shortly.

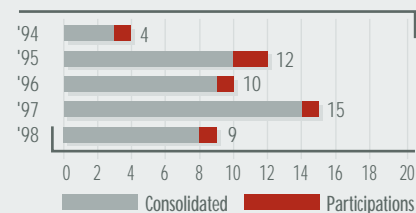
## BEKAERT FIBRE TECHNOLOGIES (BFT)

A new process for producing fine metal fibres which offers an alternative to the traditional bundle-drawing process entered service on an industrial scale last year. The process, developed by Nippon Institute of Technology (NIT) with which Bekaert signed a joint venture agreement in 1997 relating to production in Japan, is now also in use at the Belgian plant. The new process enables several metals to be formed into fibres more quickly and cheaply. A number of new applications for these Bekinit® fibres were developed last year and existing applications were further refined. The products include a new fine metal fibre which, after spinning into yarn, can be woven for use in gas burners.

### SALES (IN EUR MILLIONS)



### CAPITAL EXPENDITURE (IN EUR MILLIONS)



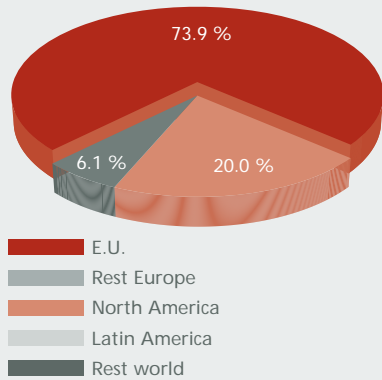
Participations are the companies accounted for under the equity method



# BEKAERT ADVANCED MATERIALS

## SALES GEOGRAPHICALLY

CONSOLIDATED COMPANIES AND PARTICIPATIONS  
TOTAL: 81 IN EUR MILLIONS



This fibre, which is being marketed by Acotech, a joint venture with Belgian Shell, represents a significant extension of Acotech's existing product range, enabling the company to address a wider segment of the burner market and boosting sales by over 20 %.

The predicted decline in the use of fine metal fibres for airbags as a result of changing technology continued in 1998. Sales of fibres for conductive plastics and polymer filtration were also severely affected by the economic situation in South-East Asia, because a large proportion of the world's polyester and nylon production capacity is based in that region. These decreases were largely offset by higher sales in other areas, so that BFT's overall sales turned out close to the 1997 level.

A number of new sectors will help to sustain growth in the future. Additional sales volume will be generated in 1999 by fibres used for ink filtration in inkjet printers, and the commercial launch of microfiltration products is expected in the course of the current year. Several other developments are in hand which we hope will be brought to a successful conclusion in the relatively near future.

Bekintex in Wetteren (Belgium), which specialises in fine metal-fibre textiles, recorded sales growth of 13 % in 1998. The company made good progress in all areas last year: electrically conductive textiles, thermally conductive textiles (used for example in the production of vehicle windscreens as a substitute for asbestos) and a number of new developments such as fine metal fibres for cathode ray tube production and metal yarns for heating systems in vehicle seats.

The plant in Raleigh Durham, North Carolina (USA), where production started at the end of 1997, continued to develop well in its function as a base from which to address the US market.

## BEKAERT ADVANCED COATINGS

### INNOVATIVE SPECIALTY FILM/INNOVATIVE SPUTTERING TECHNOLOGIES

IST's sales recorded growth of just under 10 % in 1998. A joint venture between Bekaert and Material Sciences Corporation (Specialty Films Division) (San Diego, California, USA), under the name Innovative Specialty Film, was set up to combine the sputtered-film activities of both groups. MSF has a strong position in sunscreen films for windows and anti-reflective films, while IST specialises in the development and production of soft-magnetic films for use in anti-theft labels and other applications which were launched on the US market in 1998. The new joint venture became operational on 1 January 1999. Because the two partners complement one another so well, ISF is well-placed to become the world leader in sputtered films.



# BEKAERT ADVANCED MATERIALS

An alliance was also formed with DuPont Flex Circuit Materials (DuPont de Nemours) (Wilmington, Delaware, USA) for the development and production of copper-coated polyimide films for use in electronic circuits and semiconductor applications. Bekaert is responsible for the film-coating technology and DuPont is handling the marketing.

## SINVACO

Sinvaco, a joint venture between Bekaert and Vanderstraeten (Belgium) which manufactures industrial vacuum-coating equipment for specific applications, reported growth in sales of around 50% in 1998. Sinvaco combines a wealth of fundamental expertise with a strong engineering basis which can be placed at the disposal of external clients as well as IST/ISF and Bekaert Dymonics.

## BEKAERT DYMONICS

Bekaert Dymonics, a joint venture between Bekaert, ART and VITO, specialises in very hard diamond-like coatings applied to various materials and products by plasma-assisted vacuum deposition. As well as extreme hardness, these coatings also offer low friction and high corrosion resistance. They also possess anti-stick properties which make them ideal for coating plastic injection-moulding dies. 1998 saw the launch of several interesting applications. Bekaert Dymonics is working on a number of new applications which should start contributing to turnover in 1999.

## BEKAERT COMPOSITES

Bekaert Composites' sales were up 15% in 1998. The consolidation of the Belgian and Spanish plants to form a single entity has been an unqualified success. The growth achieved in the past year can be attributed mainly to further penetration in existing growth sectors such as transport. Deliveries of the side panels for 133 German train sets started in 1998, under a contract which extends until 2000. The panels combine elegant design with corrosion resistance and high impact strength and their light weight is an important advantage in the transport sector where fuel efficiency is a priority. Bekaert Composites' product was also awarded the 'Best Product' title by EPTA (European Pultrusion Technology Association) as the best European pultruded product of 1998. Production capacity at the Spanish plant for high-pressure pipes for seawater desalination (using reverse osmosis) was increased.

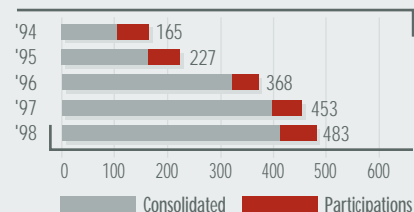
The alliance with EPC, the French composites group, under an agreement which Bekaert Composites signed last year has been postponed in view of uncertainty as to environmental legislation.

Helped by sales of a number of pultruded profiles which have been developed for new market segments, the rising trend observed in 1998 is expected to continue in 1999.



(Left to right) Guy Haemers, Thierry Verhaeghe de Naeyer, Raf Decaluwé, governor James B. Hunt, Jr., RTP Foundation's Jim Robertson, Durham County Commission Chair Maryann Black and Durham Chamber President/CEO Tom White participate in the ribbon cutting ceremony.

## PERSONNEL



Participations are the companies accounted for under the equity method



# SUPPORTING SERVICE COMPANIES

## BEKAERT-STANWICK

### 'THE CONSULTANCY FIRM THAT MAKES THE DIFFERENCE'

Bekaert-Stanwick's turnover in 1998 amounted to EUR 9 million, an increase of 14 % on 1997. Belgium, Spain and France accounted for most of this growth. The number of consultants and other specialists employed by the Bekaert-Stanwick group has grown steadily.

Bekaert Consulting S.L. (Spain) successfully extended its 5S programme to companies in the Basque region. In order to safeguard future growth, Eurosym entered into a partnership with BVQI (Bureau Veritas Quality International), in which Bekaert-Stanwick holds a minority interest. Storck Management Consultants expanded its training programmes for the automotive sector.

Around a fifth of the turnover was generated by projects commissioned by Bekaert. High priority and support was given in 1998 to the 'Roadmap to Business Excellence', 'Lean Manufacturing' and 'A lean Bekaert by 2000' projects. Bekaert-Stanwick was also involved in projects relating to innovative processes, the introduction of the SAP system and the implementation of autonomous teams.

Over the years, Bekaert-Stanwick has secured a unique position in the consultancy world. Clients see Bekaert-Stanwick as 'the consultancy firm that makes the difference'. In 1998 this image was combined with the group's mission and competences in the formulation of a new commercial approach: giving clients the 'Roadmap to Business Excellence'. The basic competences relate to supporting the process of change: engendering attitudes in the staff to welcome change in pursuit of concrete objectives and to work together towards the achievement of a challenging vision.

Bekaert-Stanwick possesses unique expertise and experience in managing the process, instilling substantive competences and heading projects in such fields as:

- world-class manufacturing (TPM and maintenance, autonomous teams, lean manufacturing etc.)
- re-engineering of processes and design of organisations (in terms of structure and culture) to meet the needs of these processes (breakthrough, innovation, TQM etc.)
- personnel development, including competence management, training and support, and organisational development (search conferences, group interventions etc.).

The principles employed in pursuit of Bekaert-Stanwick's mission to help clients on the road to excellence are implemented in accordance with the company's values and objectives.

Bekaert-Stanwick takes great pride in being the first Belgian company to be chosen as a finalist in the competition for the 1998 European Quality Award given by the European Foundation for Quality Management (EFQM).

## EXCELLENCE

We define with you your way to excellence



## DELAWARE COMPUTING

The preparations made in 1997 for the restructuring of Delaware Computing Group (DC) were implemented in 1997–1998. The redesign achieved the expected results in 1998: the rate of growth accelerated and turnover improved by over 50 % compared with 1997, at around EUR 50 million. The proportion of turnover generated outside the Bekaert Group recorded growth of over 70 %. The workforce again expanded, to a total of 420 at year-end 1998.

DC is continuing to develop its professional skills in the area of Delaware Industrial Solutions (DIS). Its project management methodology, tailored precisely to the client's needs, employs the latest IT tools. DC has high hopes of its PROMAR (Project Management Reinforcement) programme, involving a major training effort in which 25 % of the staff participated in 1998. The programme continues in 1999. DC has a solid reputation as an implementer of a wide range of software products, including SAP. DC has been provided with the resources and competences needed to perform that function.

With the integration of Bekaert's infrastructure with that of Picañol (Belgium), Delaware Infrastructure Management (DIM) is equipped to achieve high performance standards as an efficient and effective service provider with the key attributes of flexibility and transparency. The hardware integration exercise, in which standardisation and economies of scale are vitally important, is proceeding according to plan. The service is based on practical performance measurement and a permanently accessible global helpdesk.

In the Industrial Products sector, Delaware continued to pursue its policy of selective international expansion. A separate company, Delaware TQM Products BV, was formed to support the Laboratory Information Management System (LIMS).

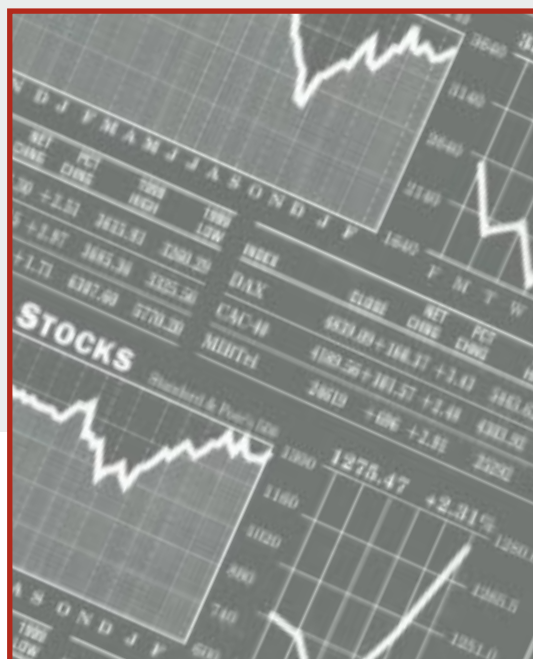








# INFORMATION FOR SHAREHOLDERS



# INFORMATION FOR SHAREHOLDERS

## SHARE IDENTIFICATION

Quotation	Number	Market	BEL20 code	Reuters Bloomberg	BERTt.BR BEK.BB
Ordinary	1,890,628	Continuous	BEK 1504207		
VVPR	<u>355,104</u> 2,245,732	Semi-continuous	BEKV 504093		

## SHARE PRICE HISTORY (PAST 10 YEARS) IN EUR

EUR 1 =  
BEF 40.3399

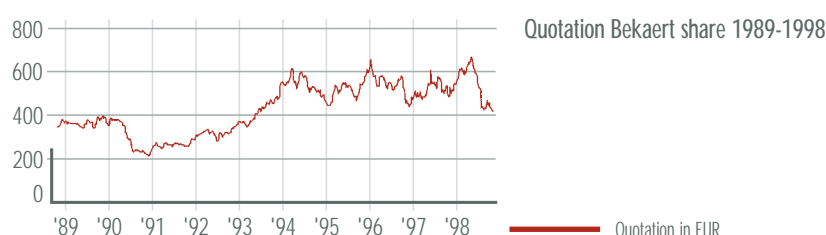
YEAR	VOLUMES (daily average)		QUOTED PRICES (EUR)				PRICE/EARNINGS RATIO		NET DIVIDEND (EUR)	
	Ordinary shares	VVPR shares	Ordinary shares High	Ordinary shares Low	VVPR shares High	VVPR shares Low	Ordinary shares High	Ordinary shares Low	Ordinary shares	VVPR shares
1989	1786	226	407.78	334.66	400.35	335.28	10	8	7.44	10.60
1990	1747	90	415.22	180.71	404.69	178.73	187	82	2.48	2.64
1991	1699	75	246.41	164.85	244.67	173.77	16	11	2.48	2.64
1992	1816	101	337.14	227.32	313.59	219.39	19	13	6.20	6.61
1993	2413	163	528.01	332.18	495.79	306.77	22	14	7.44	7.44
1994	2532	139	705.88	508.18	679.85	485.87	24	17	11.16	13.01
1995	3575	52	616.64	461.08	614.16	466.04	19	14	11.16	12.64
1996	5414	114	809.99	448.07	773.43	455.50	25	21	11.16	12.64
1997	3857	135	686.67	459.22	669.31	458.60	22	16	11.16	12.64
1998	3473	121	774.67	418.94	768.47	409.02	28	15	11.16	12.64

## MARKET CAPITALISATION, TURNOVER AND VELOCITY (EUR x 1.000)

1998	High	Capitalisation Low	Dec. 31	Cumulative turnover	High	Velocity % Low	Dec. 31
Ordinary shares	1,464,608	792,060	801,433	520,886	35.56	65.76	64.99
VVPR shares	272,887	145,246	149,868	18,000	6.60	12.39	12.01
Total	1,737,494	937,306	951,301	538,886	31.02	57.49	56.65

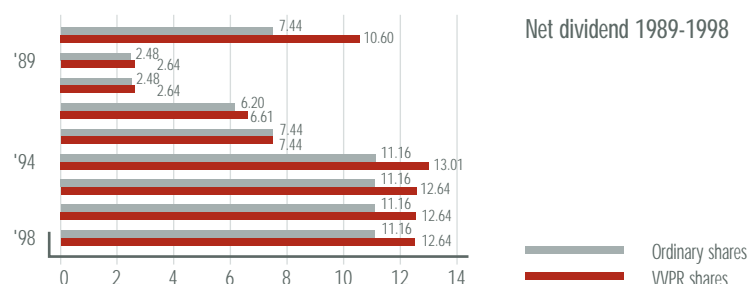
## SHARE PRICE

At the beginning of January the share price stood at EUR 567.68 (BEF 22,900). The price rose steadily during the first half of the year to EUR 774.67 (BEF 31,250), due partly to the generally favourable stock market climate and partly to Bekaert's greatly improved results in 1997 compared with 1996. Steel Cord's breakthrough in ultra tensile steel cord for tyre reinforcement was clearly also a contributory factor. The stock market crisis of the summer months and Wire's falling order intake brought pressure to bear on the share price in the second half of the year. The announced reshuffling of the Bel20 and the repetitive news on the Brazilian crisis had an adverse effect on the share price, although the impact of the crisis in Brazil on the Bekaert profit was limited (about EUR 1.25 million). The highest price was quoted on 11 June 1998 at EUR 774.67 and the lowest, at EUR 418.94, on 22 September 1998.



## DIVIDEND POLICY

It is the policy of the Board of Directors to propose a profit appropriation to the Annual General Meeting of Shareholders which provides, in so far as the profit permits, a stable or growing dividend while maintaining an adequate level of investment and self-financing.



Ordinary shares:

gross dividend = EUR 14.87 – 3.72 (25 % withholding tax) = EUR 11.1552 net

Shares subject to reduced withholding tax ('VVPR shares'):

gross dividend = EUR 14.87 – 2.23 (15 % withholding tax) = EUR 12.6426 net.

Subject to approval, the net dividend will be payable in BEF from 11 June 1999 on presentation of coupon no. 60 at branches of Bank Brussel Lambert, Generale Bank, KBC Bank, Bank Degroef and Artesia Bank in Belgium, Société Générale in France, ABN-AMRO Bank in the Netherlands and Union des Banques Suisses in Switzerland.

## DEFINITIONS

Capital base	Equity at year end, including minority interest, on total assets (financial autonomy)
Cash flow	Consolidated profit of the Group + depreciation
Current	Excluding all annual extraordinary results and the notable exceptional, non-recurring operational elements
Gearing	Net debt on equity, including minority interest, at year end
P/E ratio	Share price divided by the current profit of the Group per share
ROCE	Operating profit on the average capital employed
ROE	Profit on the average equity, including minority interest
Velocity	Turnover on the Brussels Stock Exchange divided by the market capitalisation

## DEVELOPMENT OF SHARE CAPITAL

Year	Shares	Capital (BEF)	Transaction
1880			Formation of family company
1924	300	3,000,000	Formation of public limited company (N.V.)
1929	15,000	15,000,000	Capital increase due to capitalisation of reserves and contribution in cash
1932	15,005	15,005,000	Merger with S.C. Espérance, Fontaine-L'Evêque
1935			Conversion to private limited company (P.V.B.A.)
1941	48,000	48,000,000	Capital increase due to contribution in cash and in kind and capitalisation of reserves
1952	48,000	480,000,000	Capitalisation of reserves and increase in nominal value of shares from BEF 1,000 to BEF 10,000
1965	49,200	1,623,600,000	Capitalisation of reserves and increase in nominal value of shares to BEF 33,000
1969	787,200	1,623,600,000	Merger with N.V. Bekaert Steelcord, formerly a subsidiary of P.V.B.A. Tréf. L. Bekaert, acquiring 59 % stake through issue of 1,200 shares of BEF 33,000 nominal value
1970	807,200	2,800,000,000	Conversion to public limited company (N.V.) and 16-for-1 share split
1972	1,614,400	2,800,000,000	Capital increase due to contribution in cash of BEF 70,000,000 under pre-emptive right and capitalisation of reserves of BEF 1,106,400,000 without share issue
1975	1,614,665	2,800,459,775	2-for-1 share split Bekaert flotation, first quotation on 11 December 1972
1976	1,614,910	2,800,884,850	Conversion of 265 convertible bonds
1978	1,640,705	2,845,639,175	Conversion of 245 convertible bonds
1979	1,758,313	3,049,689,055	Conversion of 25,795 convertible bonds
1980	1,760,972	3,054,302,420	Conversion of 117,608 convertible bonds
1982	1,890,628	3,279,255,580	Conversion of 2,659 convertible bonds
1983	1,890,628	3,279,255,580	Conversion of 129,656 convertible bonds
1988	VVPR 355,104	4,000,000,000	Issue of 355,104 new shares subject to reduced withholding tax ('VVPR shares')
	VVPR 1,890,628	5,682,663,000	Capitalisation of reserves
	VVPR 355,104	1,067,337,000	
1998	1,890,628	5,682,663,000	
	VVPR 355,104	1,067,337,000	
	2,245,732	6,750,000,000	or EUR 167,328,129

## DISTRIBUTION OF SHAREHOLDINGS

Of the total number of shares, 37,668 were registered on 31 December 1998. In conformity with the Law of 2 March 1989, notifications of holdings representing 40.05 % of the share capital have been received by Bekaert. The remainder is spread over institutional and individual investors. It is estimated that institutional investors, chiefly Belgian companies, hold 11%.

## BEKAERT GROUP – TEN-YEAR SUMMARY

### CONSOLIDATED BALANCE SHEETS

EUR MILLIONS

<i>Consolidated balance sheet</i>	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
<b>FIXED ASSETS</b>	868	936	965	972	1,053	964	1,002	1,060	1,223	1,125
Formation expenses	7	8	6	4	3	2	2	2	5	4
Intangible fixed assets	1	0	1	1	2	4	6	9	22	27
Goodwill	28	19	25	21	18	15	23	16	28	37
Tangible fixed assets	665	750	753	746	766	737	758	848	902	850
Financial fixed assets (associated)	164	153	177	195	260	202	207	116	197	198
Financial fixed assets (other)	4	6	3	4	4	4	5	69	70	9
<b>CURRENT ASSETS</b>	606	552	512	528	534	642	645	682	704	730
Amounts receivable >1 year	2	2	2	2	6	7	21	12	10	5
Inventories	290	244	224	238	246	256	296	280	301	300
Amounts receivable < 1 year	267	227	222	219	237	263	265	270	319	300
Cash deposits	22	49	34	46	18	66	17	32	25	78
Cash	21	26	24	17	21	42	37	74	28	30
Deferred charges and accrued income	2	4	4	6	6	8	9	14	22	17
<b>TOTAL ASSETS</b>	1,473	1,488	1,477	1,501	1,587	1,606	1,647	1,742	1,927	1,855
<b>EQUITY</b>	642	589	585	632	688	801	816	857	935	893
<b>MINORITY INTEREST</b>	68	57	65	62	66	69	67	73	36	41
<b>PROVISIONS AND DEFERRED TAXES</b>	150	168	186	185	180	172	192	231	221	207
Pensions and similar rights	95	96	87	105	93	81	90	94	111	111
Other liabilities and charges	3	11	42	18	18	13	18	75	43	31
Deferred taxes	53	61	58	61	69	77	84	62	66	65
<b>CREDITORS</b>	614	674	641	622	653	564	572	580	735	714
Financial debt > 1 year	216	343	327	311	251	185	138	221	248	238
Other > 1 year	3	3	2	3	22	20	18	16	22	18
Financial debt < 1 year	90	68	89	75	103	69	115	70	146	166
Other < 1 year	305	260	223	234	277	291	301	273	319	292
<b>TOTAL EQUITY AND LIABILITIES</b>	1,473	1,488	1,477	1,501	1,587	1,606	1,647	1,742	1,927	1,855

### BALANCE SHEET RATIOS

<i>Balance sheet ratios</i>	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
<b>Consolidated companies</b>										
ROE (average)	13.1	(1.7)	(2.5)	10.0	7.6	20.1	9.0	6.2	7.6	3.7
ROE (current) (average)	12.4	0.4	5.3	6.2	7.8	8.4	8.9	8.0	7.1	6.7
ROCE (current) (average)	11.9	3.0	4.2	5.7	6.7	9.9	9.3	6.1	7.1	6.6
Capital base (autonomy)	48.2	43.4	44.0	46.2	47.5	54.2	53.6	53.4	50.4	50.4
Gearing	37.0	52.1	54.8	46.6	41.8	16.8	22.6	19.9	35.2	30.5
<b>Associated companies</b>										
ROE	24.1	14.4	12.9	15.4	10.1	7.0	11.1	15.0	7.2	8.1
Average shareholding in %	43.4	43.2	47.6	42.5	45.9	34.0	34.3	39.7	41.1	43.9



## CONSOLIDATED PROFIT AND LOSS STATEMENT

<i>Profit and loss account</i>	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
<b>SALES</b>	1,517	1,413	1,313	1,319	1,347	1,471	1,504	1,532	1,739	1,767
Cost of sales					(1,115)	(1,199)	(1,232)	(1,279)	(1,444)	(1,486)
<b>GROSS PROFIT</b>					232	272	272	253	295	281
Selling expenses					(79)	(82)	(82)	(87)	(95)	(98)
Administrative expenses					(66)	(71)	(70)	(79)	(83)	(75)
Research and development					(25)	(24)	(26)	(28)	(28)	(29)
Other operating revenue					17	12	10	13	24	14
Other operating charges					(10)	(8)	(8)	(53)	(25)	(23)
<b>OPERATING PROFIT</b>	99	31	10	57	68	100	96	19	88	70
Interest and other debt charges	(36)	(43)	(45)	(36)	(29)	(23)	(19)	(19)	(23)	(30)
Revenue from current assets	7	5	14	14	8	11	9	4	3	3
Revenue from financial fixed assets	0	1	1	0	0	0	0	0	1	1
Other financial revenue	18	21	10	9	10	12	8	17	17	25
Other financial charges	(15)	(15)	(10)	(16)	(15)	(22)	(22)	(13)	(16)	(20)
Extraordinary revenue	12	19	7	46	3	101	4	65	18	4
Extraordinary charges	(7)	(33)	(26)	(20)	(4)	(6)	(3)	(31)	(12)	(19)
<b>Profit before taxes</b>	78	(15)	(39)	54	42	173	74	42	75	34
Income taxes	(27)	(18)	1	(16)	(12)	(24)	(18)	(3)	(16)	(14)
<b>Profit of consolidated companies</b>	51	(33)	(39)	38	30	149	56	39	58	20
Associated companies	40	22	22	29	25	14	23	17	14	16
<b>CONSOLIDATED PROFIT</b>	91	(11)	(16)	67	55	163	79	56	73	36
Profit of the Group	94	(9)	(16)	65	52	161	75	57	69	34
Minority interest	3	2	0	(2)	(3)	(3)	(4)	0	(4)	(2)

## CURRENT RESULTS

<i>Current results</i>	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Operational elements	0	0	32	0	0	0	0	50	0	13
<b>Current operating result</b>	99	31	42	57	68	100	96	69	88	83
Extraordinary elements	(5)	14	18	(26)	1	(95)	(1)	(34)	(5)	15
<b>Current result before taxes</b>	73	(1)	11	28	43	78	73	58	69	62
Current result of consolidated companies	46	(19)	12	12	31	54	55	55	53	48
<b>Current consolidated result</b>	86	3	34	42	56	69	78	72	67	64
Group share in current net result	89	5	35	39	53	66	74	72	64	62

## PROFIT AND LOSS ACCOUNT RATIOS

<i>Profit and loss account ratios</i>	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
<b>Consolidated companies</b>										
Operating profit/sales	6.5	2.2	0.8	4.3	5.1	6.8	6.4	1.2	5.1	4.0
Profit of consolidated companies/sales	3.4	(2.3)	(2.9)	2.9	2.2	10.1	3.7	2.5	3.4	1.1
Current gross margin on sales	10.9	7.8	10.0	11.2	12.0	13.2	12.8	11.4	11.8	11.9
Current operating profit/sales	6.5	2.2	3.2	4.3	5.1	6.8	6.4	4.5	5.1	4.7
Current profit of consolidated companies/sales	3.0	(1.3)	0.9	0.9	2.3	3.7	3.7	3.6	3.0	2.7
Dividend pay-out ratio	26.4	149.0	21.4	47.0	42.5	51.1	45.4	46.2	52.5	53.9
<b>Associated companies</b>										
Operating profit as a percentage of sales	23.3	21.4	17.4	18.8	15.7	16.1	14.0	10.1	9.5	8.5

# CONSOLIDATED STATEMENT OF CHANGES IN CASH

EUR MILLIONS

<i>Statement of movements in cash</i>	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Consolidated operating profit	99	31	10	57	68	100	96	19	88	70
Depreciation and amortisation	68	82	90	93	99	96	95	107	120	129
Provisions for liabilities and charges	(0)	1	19	(13)	(20)	(21)	(12)	32	(5)	(16)
<b>CASH GENERATED BY OPERATIONS</b>	<b>167</b>	<b>114</b>	<b>119</b>	<b>138</b>	<b>147</b>	<b>175</b>	<b>180</b>	<b>159</b>	<b>202</b>	<b>183</b>
Capital expenditures tangible fixed assets	(232)	(204)	(97)	(84)	(88)	(95)	(115)	(140)	(126)	(111)
Changes in working capital	(49)	45	16	(21)	2	(21)	(24)	(8)	(12)	(19)
<b>CASH (USED) IN OPERATIONS</b>	<b>(281)</b>	<b>(160)</b>	<b>(81)</b>	<b>(105)</b>	<b>(86)</b>	<b>(116)</b>	<b>(139)</b>	<b>(148)</b>	<b>(138)</b>	<b>(130)</b>
<b>OPERATIONAL CASH FLOW</b>	<b>(115)</b>	<b>(46)</b>	<b>37</b>	<b>32</b>	<b>61</b>	<b>58</b>	<b>41</b>	<b>11</b>	<b>64</b>	<b>53</b>
New investments / capital increases	(56)	(4)	(32)	37	(11)	147	(12)	82	(120)	(15)
Dividends received	11	9	9	10	12	10	8	7	8	4
Financial results	(27)	(36)	(32)	(23)	(20)	(13)	(17)	(9)	(15)	(24)
Change in indebtedness	157	120	(0)	(37)	(48)	(73)	(7)	24	69	25
Gross dividend paid	(26)	(10)	(9)	(20)	(24)	(35)	(37)	(35)	(35)	(34)
Income taxes	0	0	0	0	(2)	(5)	(10)	(12)	(12)	(15)
Capital paid in by minority interest	26	2	12	0	2	4	0	3	2	5
Currency translation and other items	(15)	(3)	(2)	4	5	(25)	(18)	(20)	(14)	56
<b>INCREASE (DECREASE) IN CASH</b>	<b>(45)</b>	<b>32</b>	<b>(16)</b>	<b>4</b>	<b>(24)</b>	<b>68</b>	<b>(53)</b>	<b>52</b>	<b>(54)</b>	<b>55</b>

## Cash flow

Profit of the Group	94	(9)	(16)	65	52	161	75	57	69	34
Operational depreciation	67	80	88	90	93	95	95	106	118	128
<b>Total cash flow</b>	<b>161</b>	<b>71</b>	<b>73</b>	<b>155</b>	<b>145</b>	<b>255</b>	<b>170</b>	<b>163</b>	<b>186</b>	<b>162</b>

## Current cash flow

Current profit of the Group	89	5	35	39	53	66	74	72	64	62
Operational depreciation	67	80	88	90	93	95	95	106	118	128
<b>Total cash flow</b>	<b>156</b>	<b>85</b>	<b>123</b>	<b>130</b>	<b>146</b>	<b>161</b>	<b>169</b>	<b>178</b>	<b>181</b>	<b>190</b>

## Additional key figures

<b>Consolidated</b>										
Gross margin	166	110	131	148	161	195	192	175	205	198
Capital expenditure	236	222	112	93	89	102	119	141	125	106
Amortisation of goodwill	3	3	3	4	4	3	4	9	4	4
Capital employed (average)	831	1,001	1,014	1,013	1,018	1,015	1,043	1,129	1,234	1,257
Working capital	286	239	226	241	234	250	288	306	331	340
Net debt	263	336	357	323	315	146	199	185	342	296
Personnel	14,167	12,429	11,720	11,087	10,942	11,007	11,612	11,706	11,351	10,926
<b>Participating interests</b>										
Sales	483	393	491	525	631	677	721	382	667	753
Operating profit	112	84	85	99	99	109	101	39	63	64
Profit for year	84	45	46	61	56	43	62	43	32	36
Capital expenditure	103	74	40	56	68	44	53	49	36	41
Depreciation and amortisation	43	50	45	49	55	51	47	23	31	37
Equity	380	350	365	451	545	592	600	292	480	451
Group's share	165	152	173	192	250	201	206	116	197	198
Personnel	4,039	4,111	4,393	5,234	5,596	5,755	6,065	4,454	5,906	5,799

## RATIOS PER SHARE

<i>Ratios per share</i>	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Consolidated earnings per share	22.8	(14.7)	(17.2)	16.8	13.3	66.4	24.9	17.4	26.0	8.9
Net earnings per share (EPS)	41.8	(4.0)	(7.1)	29.0	23.2	71.5	33.2	25.2	30.7	15.1
Current net profit per share	39.5	2.2	15.4	17.6	23.6	29.4	32.8	32.2	28.3	27.6
Cash flow per share (CFPS)	63.6	38.4	41.6	61.0	58.0	113.4	68.3	91.4	77.8	72.1
Current cash flow per share	61.3	44.6	64.0	49.6	58.4	71.2	67.8	98.4	75.4	84.6
Net dividend per ordinary share	7.4	2.5	2.5	6.2	7.4	11.2	11.2	11.2	11.2	11.2
Net dividend per VVPR share	10.6	2.6	2.6	6.6	7.4	13.0	12.6	12.6	12.6	12.6
Book value per share	286	262	260	281	307	357	363	382	417	398

## KEY FIGURES BY SEGMENT

### Key figures by segment

<b>Consolidated companies</b>										
Wire tonnage	800	792	738	772	800	898	886	927	975	945
Wire sales	971	879	831	820	806	881	890	914	1,055	1,064
Wire capital expenditure	101	100	54	33	36	37	51	62	71	51
Wire personnel	8,666	7,126	6,749	6,629	6,574	6,423	6,908	6,913	6,697	6,295
Steel Cord tonnage	229	233	218	249	261	298	332	313	353	353
Steel Cord sales	501	466	436	456	482	512	535	514	581	580
Steel Cord capital expenditure	133	124	47	47	50	64	53	65	38	37
Steel Cord personnel	4,082	3,931	3,712	3,231	3,137	3,231	3,359	3,397	3,243	3,111
BAM sales	-	-	-	-	-	33	46	53	62	62
BAM capital expenditure	-	-	-	-	-	3	10	9	14	8
BAM personnel	-	-	-	-	-	107	161	318	393	412
<b>Participating interests</b>										
Wire tonnage	180	168	211	238	325	349	368	412	805	882
Wire sales	130	104	163	163	226	230	272	287	586	650
Wire capital expenditure	11	17	11	12	16	19	16	19	23	32
Wire personnel	2,034	2,103	2,285	3,020	3,375	3,592	3,817	3,715	5,276	5,159
Steel Cord tonnage	152	152	148	165	171	190	210	45	38	52
Steel Cord sales	337	270	303	337	381	417	420	85	67	84
Steel Cord capital expenditure	92	57	29	43	52	23	35	30	12	7
Steel Cord personnel	2,005	2,008	2,030	1,966	2,002	1,972	2,039	689	570	569
BAM sales	-	-	-	-	-	8	9	9	13	18
BAM capital expenditure	-	-	-	-	-	1	3	1	1	2
BAM personnel	-	-	-	-	-	58	66	50	60	71
<b>Group</b>										
Sales (in billion)	2.00	1.81	1.80	1.84	1.98	2.15	2.23	1.91	2.41	2.52
Capex (in million)	339	296	152	149	157	146	172	191	161	147
Personnel	18,206	16,540	16,113	16,321	16,538	16,762	17,677	16,160	17,257	16,725

## INVESTOR RELATIONS

The Group's annual report for the 1998 financial year is available on the Internet in Dutch, French and English at [www.bekaert.com](http://www.bekaert.com) and can be downloaded with Adobe™ as a pdf file. Shareholders, investors and other interested parties wishing to receive the Group's annual report, the annual accounts of N.V. Bekaert S.A. or other information published by the Group may contact the Investor Relations department at any time.

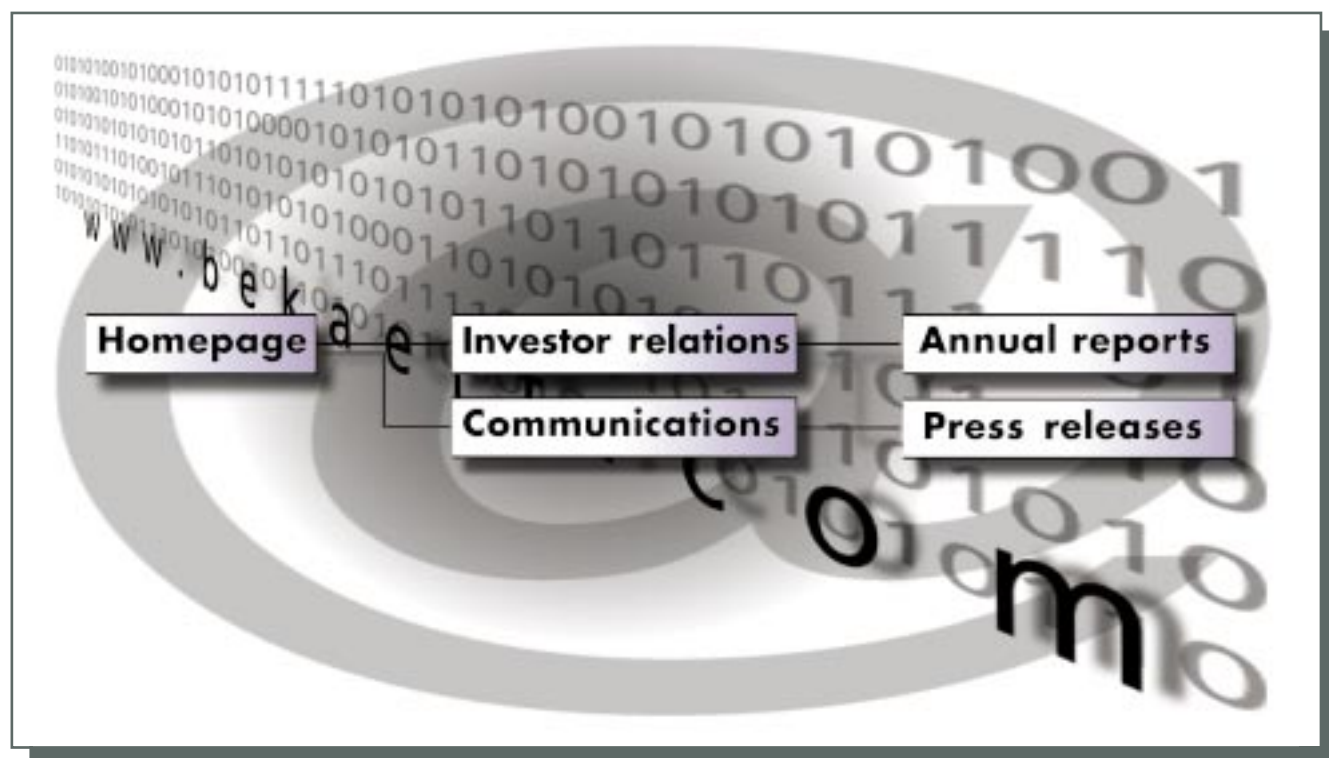
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## FINANCIAL CALENDAR

1998 annual report available on Internet	5 May 1999
General meeting of shareholders	26 May 1999
Dividend payable from	11 June 1999
Announcement of 1999 interim result	29 July 1999
Announcement of 1999 result	9 March 2000
1999 annual report available on Internet	17 April 2000
General meeting of shareholders	24 May 2000
Financial analysts	
Teleconference on 1999 interim results	30 July 1999
Analysts' meeting on 1999 results	9 March 2000

## INTERNET GUIDE

Homepage: [www.bekaert.com](http://www.bekaert.com)





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## NOTABLE EVENTS IN THE YEAR

### THE STRUCTURAL PROFIT IMPROVEMENT PROGRAMME

The Structural Profit Improvement Programme started at the end of 1996, continued throughout 1998, and resulted in an improvement in productivity and flexibility as well as in a reduction in administrative overheads. However, changing market conditions and the objective to reach the profitability targets have led to extensions to the programme: one for the UK operations (TWIL) and one in Merchant Products particularly affecting Rösler. This resulted in a total charge for the year of €19 726.

### UK OPERATIONS

A significant part of the decrease in gross margin was due to poor performance of the Wire businesses in the UK market. The market suffered severely from the high Pound Sterling, which attracted more imports and put pressure on domestic prices. Furthermore there was still a structural over capacity in the UK market. Therefore, the original Structural Profit Improvement Programme was extended in order to pursue further production rationalisation at TWIL, where some activities at the Warrington location will be transferred to Sheffield, and to achieve additional overhead reduction. This resulted in a further provision of €11 335.

### RESTRUCTURING RÖSLER

To improve the profitability of the Merchant Products operations in Europe, it was decided to rationalise the production organisation and logistics. This decision mainly affects Rösler, where some further focussing on specific product ranges will lead to a decrease of 150 in the workforce. A provision of €6 765 was established in the 1998 results to cover this restructuring.

### BELGIAN OPERATIONS

Management decided to stop a galvanising line in the Zwevegem plant because of over capacity in Europe of galvanised wires, resulting in a cost of €1 626.

### ACQUISITION OF 50 % OF CONTOURS

Mid 1998, Bekaert Corporation entered a 50/50 joint venture with Contours Inc. into which Contours Inc. contributed all its operations. Focussed primarily on flat and shaped steel wires, sales are to a variety of manufacturers across a broad spectrum of industries and products. The results of this new joint venture are in line with expectations.

### INCREASE OF SHAREHOLDING IN CIMAF

At the end of 1998, the Group increased its shareholding in Companhia Industrial e Mercantil de Artefatos de Ferro

(CIMAF) – Brazil, from 18.466 % to 45 %. CIMAF is co-owned by CSBM, who is also our partner in BMBA, with a similar shareholding split. The additional shareholding was taken after a major restructuring had taken place.

### CONVERSION OF THE BMA SHARES INTO BRIDGESTONE SHARES

In the last quarter of 1998, it was decided that BMA would be absorbed by Bridgestone. As a result all BMA shares were converted into Bridgestone shares at the rate of 1 BMA share for 0.22 of Bridgestone shares. Since Bekaert owns only 0.32 % of Bridgestone shares the holding has been recorded under current investments.

## BEKAERT GROUP YEAR 2000 STATEMENT

The Bekaert Group is striving to avoid any disruption in data communication or supply of products or services to its customers which might arise from Year 2000-problems. To that end in 1996 the Bekaert Group started an inventory of all systems and equipment used in its offices and production units worldwide, which contained date-related data and functions and which may be affected by the transition to the Year 2000. This inventory resulted in a Year 2000 action plan, the implementation of which began in 1997. Expenses related to the transition between 1997 and 2000 are estimated to be €4 500 and include the migration of Application Systems, Office Systems and Embedded Systems (PLC's,...). Up to December 31, 1998, €3 200 was already been incurred. The total cost does not include the expenses for outdated software that is replaced by the installation of new ERP systems throughout the Group, which is also partially driven to avoid the Year 2000-problems. The Bekaert Group is also seeking assurances from its suppliers (including but not limited to software vendors) that there will be no disruption in their data communication or supply of products or services to the Bekaert Group. The Bekaert Group will fulfill its obligations through and beyond December 31, 1999 in accordance with the terms of its contracts with its customers.

## EURO

Many transactions are already taking place in EUR, both with suppliers and customers and so far no software problems have been encountered in these relationships by the Bekaert Group. The total cost incurred in dealing with the Euro-issue has been limited to €200. During 1999, further changes to software will be made for an estimated total amount of €1 000.

# CONSOLIDATED BALANCE SHEET

ASSETS December 31,		1998	1997
<b>FIXED ASSETS</b>		<b>1 124 783</b>	<b>1 223 463</b>
<b>Formation expenses</b>	Note 5	<b>3 787</b>	<b>4 855</b>
<b>Intangible fixed assets</b>	Note 6	<b>26 876</b>	<b>21 638</b>
<b>Goodwill</b>	Note 7	<b>36 941</b>	<b>27 558</b>
<b>Tangible fixed assets</b>	Note 8	<b>849 948</b>	<b>902 016</b>
- Land and buildings		236 004	235 979
- Plant, machinery and equipment		554 754	560 396
- Furniture and vehicles		12 099	13 805
- Leasing and other similar rights		1 073	995
- Other tangible assets		1 578	1 648
- Assets under construction and advance payments		44 440	89 193
<b>Financial fixed assets</b>	Note 9	<b>207 231</b>	<b>267 396</b>
- Investments accounted for under the equity method		<u>197 602</u>	<u>197 401</u>
• Shares		197 602	197 401
- Other investments		<u>9 629</u>	<u>69 995</u>
• Shares		8 010	68 556
• Amounts receivable		1 619	1 439
<b>CURRENT ASSETS</b>		<b>729 780</b>	<b>703 755</b>
<b>Amounts receivable after one year</b>		<b>5 638</b>	<b>9 704</b>
- Trade receivables		5 222	5 479
- Deferred taxes	Note 15	416	4 225
<b>Inventories and contracts in progress</b>		<b>299 525</b>	<b>300 538</b>
- Inventories		<u>299 525</u>	<u>300 538</u>
• Raw materials and consumables, goods purchased for resale, advance payments		134 483	123 745
• Work in progress and finished goods		165 042	176 793
<b>Amounts receivable within one year</b>		<b>299 547</b>	<b>319 270</b>
- Trade receivables		269 724	288 903
- Other amounts receivable		29 823	30 367
<b>Cash deposits</b>		<b>77 807</b>	<b>24 623</b>
- Other investments and deposits		77 807	24 623
<b>Cash</b>		<b>29 673</b>	<b>28 038</b>
<b>Deferred charges and accrued income</b>		<b>17 590</b>	<b>21 582</b>
<b>TOTAL</b>		<b>1 854 563</b>	<b>1 927 218</b>



EQUITY AND LIABILITIES December 31,		1998	1997
<b>EQUITY</b>		<b>893 361</b>	<b>935 401</b>
<b>Capital</b>		<b>167 328</b>	<b>167 328</b>
- Issued capital		167 328	167 328
<b>Revaluation surplus</b>		<b>216</b>	<b>219</b>
<b>Reserves and retained earnings</b>	Note 10	<b>784 455</b>	<b>785 571</b>
<b>Cumulative translation adjustment</b>	Note 11	<b>(62 714)</b>	<b>(21 591)</b>
<b>Investment grants</b>		<b>4 076</b>	<b>3 874</b>
<b>MINORITY INTEREST</b>	Note 12	<b>41 138</b>	<b>35 824</b>
<b>PROVISIONS AND DEFERRED TAXES</b>		<b>206 802</b>	<b>220 610</b>
<b>Provisions</b>		<b>142 120</b>	<b>154 416</b>
- Pensions and similar rights	Note 13	111 452	110 955
- Other liabilities and charges		30 668	43 461
<b>Deferred taxes</b>	Note 15	<b>64 682</b>	<b>66 194</b>
<b>CREDITORS</b>		<b>713 262</b>	<b>735 383</b>
<b>Amounts payable after one year</b>		<b>256 304</b>	<b>270 406</b>
- Financial debt	Note 14	<u>238 054</u>	<u>247 990</u>
• Leasing and other similar obligations		223	456
• Credit institutions		237 831	247 534
- Other amounts payable	Note 14	<u>18 250</u>	<u>22 416</u>
<b>Amounts payable within one year</b>		<b>452 028</b>	<b>458 342</b>
- Current portion of amounts payable after one year	Note 14	<u>12 072</u>	<u>29 582</u>
- Financial debt		<u>153 479</u>	<u>116 613</u>
• Credit institutions		153 479	116 613
- Trade payables		<u>147 172</u>	<u>169 958</u>
• Suppliers		147 172	169 958
- Advances received on contracts in progress		<u>2 040</u>	<u>2 822</u>
- Taxes, remuneration and social security		<u>91 003</u>	<u>95 356</u>
• Taxes		21 599	12 510
• Remuneration and social security		69 404	82 846
- Other amounts payable	Note 16	<u>46 262</u>	<u>44 011</u>
<b>Accrued charges and deferred income</b>		<b>4 930</b>	<b>6 635</b>
<b>TOTAL</b>		<b>1 854 563</b>	<b>1 927 218</b>

The accompanying notes are an integral part of this Balance Sheet.

# CONSOLIDATED PROFIT AND LOSS STATEMENT

Years ended December 31,		1998	1997
Sales	Note 17	1 766 547	1 738 940
Cost of sales		1 485 565	1 444 101
<b>GROSS PROFIT</b>		<b>280 982</b>	<b>294 839</b>
Selling expenses		97 642	94 776
Administrative expenses		75 069	82 840
Research and Development expenses		29 476	28 343
Other operating revenue		14 208	24 202
Other operating charges		22 941	25 158
<b>OPERATING PROFIT</b>	Note 18	<b>70 062</b>	<b>87 924</b>
<b>Financial revenue</b>	Note 19	<b>28 883</b>	<b>21 246</b>
- Revenue from financial fixed assets		1 391	1 442
- Revenue from current assets		2 592	3 087
- Other financial revenue		24 900	16 717
<b>Financial charges</b>	Note 20	<b>50 210</b>	<b>39 823</b>
- Interest and other debt charges		30 208	23 459
- Other financial charges		20 002	16 364
<b>PROFIT BEFORE EXTRAORDINARY RESULTS AND INCOME TAXES</b>		<b>48 735</b>	<b>69 347</b>
<b>Extraordinary revenue</b>		<b>4 032</b>	<b>17 691</b>
- Adjustments to write-down of financial fixed assets		630	478
- Adjustments to provision for extraordinary liabilities and charges		-	13 915
- Gain on disposal of fixed assets		3 002	2 443
- Other extraordinary revenue		400	855
<b>Extraordinary charges</b>	Note 21	<b>19 140</b>	<b>12 342</b>
- Extraordinary depreciation of (in)tangible fixed assets		6 328	4 128
- Write-down of financial fixed assets		342	-
- Provision for extraordinary liabilities and charges		(33)	104
- Loss on disposal of fixed assets		8 754	6 505
- Other extraordinary charges		3 749	1 605
<b>PROFIT FOR THE YEAR OF THE CONSOLIDATED COMPANIES BEFORE INCOME TAXES</b>		<b>33 627</b>	<b>74 696</b>
<b>Income taxes</b>	Note 15	<b>14 115</b>	<b>16 371</b>
- Current taxes for the year		15 101	12 915
- Adjustment to current taxes and write-back of tax provisions		(474)	(267)
- Deferred taxes		(512)	3 723
<b>PROFIT OF THE CONSOLIDATED COMPANIES</b>		<b>19 512</b>	<b>58 325</b>
<b>Share in the result of companies accounted for under the equity method</b>	Note 9	<b>16 186</b>	<b>14 301</b>
- Profit		19 562	17 120
- (Loss)		(3 376)	(2 819)
<b>CONSOLIDATED PROFIT FOR THE YEAR</b>		<b>35 698</b>	<b>72 626</b>
Profit of the group		34 172	68 916
Minority interest		1 526	3 710

The accompanying notes are an integral part of this Profit and Loss statement.

# CONSOLIDATED STATEMENT OF CHANGES IN CASH (NOTE 22)

Years ended December 31,	1998	1997
<b>Operating activities</b>		
Consolidated operating profit	70 062	87 924
Non-cash items included in consolidated operating profit		
Depreciation and amortisation	129 302	119 634
Provision for liabilities and charges	(16 734)	(5 082)
<b>CASH GENERATED BY OPERATIONS</b>	<b>182 630</b>	<b>202 476</b>
Additions to tangible fixed assets	(105 976)	(125 285)
Start-up, sales and disposals of tangible fixed assets	(5 457)	(1 120)
Changes in working capital	(18 357)	(11 879)
<b>CASH (USED IN) OPERATIONS</b>	<b>(129 790)</b>	<b>(138 284)</b>
<b>OPERATIONAL CASH FLOW</b>	<b>52 840</b>	<b>64 192</b>
<b>Investment activities</b>		
New investments acquired and capital increases	(15 453)	(120 115)
Sales and disposals	–	264
Dividends received from companies accounted for under the equity method	3 898	7 511
<b>CASH (USED IN) / GENERATED BY INVESTMENT ACTIVITIES</b>	<b>(11 555)</b>	<b>(112 340)</b>
<b>Financing activities</b>		
Financial results	(24 229)	(14 875)
Increase in long term debt	23 846	59 605
Repayment of long term debt	(39 460)	(47 328)
Increase (Decrease) in short term debt, credit institutions	40 713	56 333
Gross dividend paid	(34 158)	(34 705)
Capital paid in by minority interests	4 793	2 177
<b>CASH (USED IN) / GENERATED BY FINANCING ACTIVITIES</b>	<b>(28 495)</b>	<b>21 207</b>
Income taxes	(15 290)	(12 210)
Currency translation and other items	57 319	(14 489)
Increase (Decrease) in cash deposits and cash	54 819	(53 640)
Cash deposits and cash - beginning of the year	52 661	106 301
<b>Cash deposits and cash - end of the year</b>	<b>107 480</b>	<b>52 661</b>

The accompanying notes are an integral part of this statement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 PRINCIPLES OF CONSOLIDATION

Investments in subsidiaries, joint and associated companies are included in the Consolidated Financial Statements, in accordance with the following methods:

- **FULL CONSOLIDATION METHOD** for investments over which N.V. Bekaert S.A. exercises directly or indirectly a dominant influence (consolidated companies).
- **EQUITY METHOD** for investments that are not fully consolidated and over which N.V. Bekaert S.A. has, directly or indirectly, a significant influence and holds at least 20 % of the voting rights associated with the shares. The joint companies that prepare financial statements based upon valuation principles not in conformity with the Group uniform valuation principles and for which the appropriate information is not available unless substantial costs are incurred, are also accounted for under the equity method.
- **COST METHOD** for investments in which N.V. Bekaert S.A. owns directly or indirectly less than 20 % of the shares or holds less than 20 % of the voting rights associated with the shares.  
This method is also applied for investments without activity or for which it has been decided to discontinue operations.

## 2 VALUATION PRINCIPLES

### 1. GENERAL

The policies used in the accompanying financial statements are in accordance with the principles set forth in Belgian Accounting legislation, which is in agreement with the Seventh E.C. Directive.

### 2. SPECIFIC

Financial statements of consolidated companies are based on the Group valuation principles outlined below. Financial statements of companies accounted for under the equity method are not restated to these principles, unless the appropriate information is available.

Group valuation principles differ in some respects from those applied in the statutory accounts of the parent company. Differences relate mainly to depreciation policy, treatment of research and development expenses, measurement of pension liabilities and deferred income taxes.

### Formation expenses

Formation expenses include the pre-operating costs related to new plants. These costs are amortised over a period of five years with effect from the start-up of operations.

### Intangible fixed assets

Intangible fixed assets include the cost of licences and other similar rights purchased from third parties.

They are amortised using the straight line method over the contractual period, if any, or the estimated useful life, but not in excess of ten years.

Research and development costs are charged to expense as incurred.

### Goodwill

The Group records goodwill on its investments as being the excess of acquisition cost over the value of net assets acquired. Therefore the value of net assets acquired is first brought into conformity with Group uniform valuation principles. The remaining excess is reported as goodwill. Because of the long term strategic view on this issue, goodwill is capitalised and amortised over ten years.

### Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation. Cost includes all direct costs and all expenditure incurred to make the asset usable. Interest is capitalised only for major capital expenditure projects.

Depreciation is provided over the estimated useful economic lives of the various classes of fixed assets using the straight-line method. Depreciation of assets acquired during the year starts when they are ready for use on a pro rata time basis.

Annual depreciation rates are:

- buildings	5 %
- plant, machinery and equipment	8 %
- furniture and vehicles	20 %
- computers	33 %

Improvements in rented buildings are capitalised and depreciated over the term of the rental contract with a maximum of nine years.

Gains and losses on disposals of fixed assets are classified as extraordinary results.

### Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market value. Cost means full cost including all direct and indirect production costs required to bring the inventory items to their final saleable condition. Obsolete or slow-moving inventories are written down as appropriate.



### Receivables

Receivables are carried at nominal value net of bad debt allowance which equates to estimated net realisable value. Allowances are set up for receivables considered to be non-collectable.

### Investment grants

Investment grants are recorded in the balance sheet at their expected value at the time of initial government approval. This value may have to be corrected after final approval. Investment grants are taken into results (other financial revenue) in proportion to the depreciation of the underlying fixed assets.

### Provisions

Provisions relate to pension, early retirement and other similar obligations and all other possible losses of which the occurrence is probable as at the date of the financial statements and of which the amount of loss can be reasonably estimated.

In the case of payments due in the long term, the net present value is reported.

Significant commitments are mentioned in the notes.

### Income taxes

Accounting for income taxes is based upon the following basic principles:

- a current tax liability or asset is recognised for the estimated taxes payable or refundable on tax returns;
- a deferred tax liability or asset is recognised for the estimated future tax effects attributable to temporary differences and carry forwards;
- the measurement of current and deferred tax liabilities and assets is based on provisions of current tax law; the effects of future changes in tax laws or rates are not anticipated;
- an allowance is made where realisability of deferred tax assets is not assured within the foreseeable future.

The company does not provide for deferred taxes that may result from remittance of undistributed earnings by subsidiaries, since it is generally the company's intention to reinvest these earnings indefinitely in the subsidiaries.

### Other investments

Other investments are valued at the lower of cost or market value.

## 3 TRANSLATION PRINCIPLES

The financial statements of foreign companies are translated as follows: assets and liabilities at the year-end rate of the European Central Bank; sales and expenses at the weighted average exchange rate for the year; shareholders' equity accounts at transaction exchange rates.

Translation gains and losses arising from the difference between the transaction exchange rates and the exchange rate at the year-end are recorded as part of shareholders' equity under 'cumulative translation adjustment'.

For consolidation of the financial statements of the subsidiary Beka Celik Kord Sanayi ve Ticaret A.S. (Turkey), which operates in a highly inflationary economy, the financial statements are expressed in the functional currency BEF, and as such incorporated in the consolidated accounts.

All foreign currency denominated assets and liabilities outstanding at the year-end in the financial statements of the parent company and its subsidiaries are translated at the exchange rate at the balance sheet date, except for amounts that are hedged. These are translated at the rate provided by the hedging instrument.

Unrealised and realised exchange gains and losses are recorded in the Profit and Loss statement.

## 4 PROFIT APPROPRIATION

The consolidated financial statements are prepared after the proposed profit appropriation of N.V. Bekaert S.A. and before profit appropriation of the subsidiaries.

## 5 FORMATION EXPENSES

	1998	1997
<b>Net book value at January 1,</b>	<b>4 855</b>	<b>2 339</b>
Expenses incurred in the year	1 567	2 805
Amortisation for the year	(2 452)	(589)
First consolidation	–	3
Translation gains / (losses)	(183)	297
<b>Net book value at December 31,</b>	<b>3 787</b>	<b>4 855</b>

Formation expenses relate to operating expenses incurred in new plants prior to the start of production. In 1998, the Group capitalised €1 567 of formation expenses primarily at Shanghai Bekaert-Ergang and Bekaert-Shenyang Steel Cord.

**6 INTANGIBLE FIXED ASSETS**

	1998	1997
<b>At cost</b>		
At January 1,	29 750	13 341
Expenditure	16 181	17 118
Sales and disposals	(1 839)	(1 360)
Translation gains / (losses)	(458)	651
At December 31,	43 634	29 750
<b>Amortisation</b>		
At January 1,	8 112	3 859
Charge for the year	9 040	4 409
Sales and disposals	(327)	(225)
Translation (gains) / losses	(67)	69
At December 31,	16 758	8 112
<b>Net book value at December 31,</b>	<b>26 876</b>	<b>21 638</b>
which consists of:		
Licences and patents	5 554	6 560
Intangible pension asset	386	457
Right to use land (China)	5 520	3 104
Other (including non-competition agreement)	15 416	11 517

The net increase in intangible fixed assets relates primarily to the capitalisation of know-how on the incorporation of Bekaert Dymonics and the right to use land at Bekaert-Shenyang Steel Cord.

**7 GOODWILL**

	1998	1997
<b>At cost</b>		
At January 1,	51 998	54 197
Additions	14 291	20 243
Decreases	(142)	(22 740)
Translation gains / (losses)	(628)	298
At December 31,	65 519	51 998
<b>Amortisation</b>		
At January 1,	24 440	37 940
Charge for the year	4 318	3 593
Decreases	(22)	(17 275)
Translation (gains) / losses	(158)	182
At December 31,	28 578	24 440
<b>Net book value at December 31,</b>	<b>36 941</b>	<b>27 558</b>

Gross goodwill increased by €14 291 mainly due to the acquisition of Contours (€9 554), and of additional CIMAF shares (€4 026).

**8 TANGIBLE FIXED ASSETS**

	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Leasing and other similar rights	Other tangible fixed assets	Assets under construction and advance payments	Total 1998	Total 1997
<b>At cost</b>								
At January 1,	452 352	1 386 670	73 808	6 145	4 951	89 193	2 013 119	1 862 576
Capital expenditure	10 461	54 317	4 996	46	674	35 482	105 976	125 285
Sales and disposals	(7 197)	(36 725)	(6 281)	(226)	(26)	(1 347)	(51 802)	(68 327)
Transfers	19 871	57 425	983	567	—	(78 846)	—	—
First consolidation	—	—	—	—	—	—	—	—
Translation gains/(losses)	(14 129)	(39 125)	(1 246)	(383)	(158)	(42)	(55 083)	93 585
At December 31,	461 358	1 422 562	72 260	6 149	5 441	44 440	2 012 210	2 013 119
<b>Depreciation</b>								
At January 1,	216 373	826 274	60 003	5 150	3 303	—	1 111 103	1 014 989
Depreciation for the year	21 872	89 695	6 529	430	747	—	119 273	113 025
Sales and disposals	(4 354)	(28 452)	(5 354)	(227)	(12)	—	(38 399)	(58 707)
First consolidation	—	—	—	—	—	—	—	—
Translation (gains)/losses	(8 537)	(19 709)	(1 017)	(277)	(175)	—	(29 715)	41 796
At December 31,	225 354	867 808	60 161	5 076	3 863	—	1 162 262	1 111 103
<b>Net book value at December 31,</b>	<b>236 004</b>	<b>554 754</b>	<b>12 099</b>	<b>1 073</b>	<b>1 578</b>	<b>44 440</b>	<b>849 948</b>	<b>902 016</b>
Land and buildings				107				
Plant, machinery and equipment				966				

Of the capital expenditure, 48.4% was invested in Wire, 35.3 % in Steel Cord, 7.6 % in Bekaert Advanced Materials and 8.7 % in other activities.

## 9 FINANCIAL FIXED ASSETS

	Equity method	
	1998	1997
<b>INVESTMENTS</b>		
<b>At cost</b>		
At January 1,	122 181	58 932
Expenditure	6 041	63 249
Sales and disposals	–	–
Transfers	–	–
Translation gains / (losses)	–	–
At December 31,	128 222	122 181
<b>Equity earnings</b>		
At January 1,	75 220	57 022
Result for the year	16 186	14 301
Dividends	(10 977)	(7 135)
Sales and disposals	–	–
Transfers	–	–
Translation gains / (losses)	(11 049)	11 032
At December 31,	69 380	75 220
<b>Net book value at December 31,</b>	<b>197 602</b>	<b>197 401</b>

The movements in other shares were as follows:

	Other	
	1998	1997
<b>1. OTHER SHARES</b>		
<b>At cost</b>		
At January 1,	77 450	76 530
Expenditure	492	1 321
Sales and disposals	(45)	(400)
Transfers	(63 910)	–
Translation gains / (losses)	(1)	(1)
At December 31,	13 986	77 450
<b>Write-down</b>		
At January 1,	8 894	9 377
Write-down	4 400	–
Reversal write-downs	–	(478)
Sales and disposals	–	(5)
Transfers	(7 318)	–
Translation (gains) / losses	–	–
At December 31,	5 976	8 894
<b>Net book value at December 31,</b>	<b>8 010</b>	<b>68 556</b>
<b>2. AMOUNTS RECEIVABLE</b>		
<b>Net book value at January 1,</b>	<b>1 439</b>	<b>1 492</b>
Increases / (decreases)	180	(53)
<b>Net book value at December 31,</b>	<b>1 619</b>	<b>1 439</b>

The decrease in financial fixed assets, other shares, (€60 546) was primarily due to the reclassification of shares to cash deposits:  
 BMA (€55 064)  
 Robotic Vision Systems, Inc. (€1 104)  
 Southwall Technologies, Inc. (€517)

Shown in more detail, the Group's share in the equity and the profit (loss) of the companies accounted for under the equity method was as follows:

	Equity value		Profit (loss)	
	1998	1997	1998	1997
Netlon Sentinel Ltd, UK	(852)	–	(896)	–
Spaleck-Bekaert GmbH & Co., KG, Germany	1 031	1 028	217	446
Contours Ltd, USA	4 207	–	815	–
Vicson S.A., Venezuela <sup>(1)</sup>	18 715	20 544	519	2 119
Chilean entities <sup>(2)</sup>	39 049	38 039	7 432	5 328
Ideal Alambrec S.A., Ecuador	5 288	7 968	906	1 136
Belgo-Mineira Bekaert Arames S.A., Brazil <sup>(3)</sup>	74 645	73 815	6 769	6 472
Hylsa Bekaert S.A. de C.V., Mexico	5 013	7 030	(1 031)	(37)
Companhia Industrial e Mercantil de Artefatos de Ferro – CIMAF, Brazil <sup>(4)</sup>	20 700	1 974	–	–
Bekcim Participações Ltda, Brazil <sup>(4)</sup>	–	17 161	–	–
Productora de Alambres Colombianos S.A. – Proalco, Columbia	110	25	85	15
Productos de Acero Cassado S.A. – Prodac, Peru	373	782	160	1 029
Hikari Corporation, Japan	1 348	1 076	52	123
Belgo-Mineira-Bekaert Artefatos de Arame Ltda., Brazil	20 376	18 626	2 145	(2 782)
Bekaert-BHP Steel Cord Pty. Ltd., Australia	5 290	7 525	(1 448)	116
N.V. Acotech S.A., Belgium <sup>(5)</sup>	475	453	198	186
B.V.B.A. E. Vanderstraeten, Belgium	1 585	1 355	230	150
Bekaert Faser Vertriebs GmbH, Germany	72	–	33	–
Innovative Specialty Films LLC., USA	177	–	–	–
	<b>197 602</b>	<b>197 401</b>	<b>16 186</b>	<b>14 301</b>

(1) Including Vicson Oriente, Brivensa and Vicson San Joaquin, merged with Vicson in 1997.

(2) Productos de Alambre Prodalam S.A. and Industrias Chilenas de Alambre Inchalam S.A., including Acma, Prodinsa and Procables.

(3) Belgo-Mineira Bekaert Arames S.A. acquired in 1997 (45% shareholding).

Bemaf-Belgo Mineira Bekaert Arames Finos Ltda (joint company in 1996) merged in 1997 in BMBA.

(4) CIMAF: Increased ownership from 18.466 % to 45 % at the end of December 1998; Bekcim merged in 1998 in Bekaert do Brasil.

(5) Including Acotech Corporation (USA).

**10 RESERVES AND RETAINED EARNINGS**

	1998	1997
Opening balance, January 1	785 571	748 053
Add (Deduct)		
Profit for the year	35 698	72 626
Minority interest	(1 526)	(3 710)
Dividends declared	(33 402)	(33 402)
Minimum pension liability & other items	(1 886)	2 004
Closing balance, December 31	784 455	785 571

Reserves and retained earnings at December 31, 1998 included €52 572 not available for distribution.

**11 CUMULATIVE TRANSLATION ADJUSTMENT**

1998	1997
(62 714)	(21 591)

The decrease resulted mainly from:

- the realisation of BMA shares (€11 537);
- the result of differences in closing exchange rates for the US Dollar (€13 833), Pound Sterling (€3 462), Renminbi (€3 370) and Latin American currencies (€7 384).

**12 MINORITY INTEREST**

1998	1997	%
41 138	35 824	+ 14.8

The increase in minority interest of €5 314 arose mainly from a sale of part of Delaware Infrastructure Management to a third party, and the constitution of new companies with minority shareholders, (Shanghai Bekaert-Ergang, Bekaert Dymonics N.V. and Bekaert-Shenyang Steel Cord). The profit attributable to minority shareholders amounted to €1 526.

**13 PROVISIONS**

1998	1997	%
142 120	154 416	- 8.0

Provisions for pensions and similar rights increased by €497 to €111 452. Although the number of employees decreased, the provision showed a small increase due to a higher value of pre-pension accrued, and a decrease in the discount factor in the actuarial assumptions following the consistently low interest rate.

The decrease in provisions for other liabilities and charges resulted from the use of provisions for the Structural Improvement Programme, partly offset by new provisions for extensions to the Programme. Additional provisions at TWIL and Rösler amounted to €19 726.

**14 LONG TERM DEBT**

	Due within one year	Due between one and five years	Due over five years
Financial debt			
- leasing	240	223	-
- other loans	11 832	120 690	117 141
Other amounts payable	-	18 250	-
<b>TOTAL</b>	<b>12 072</b>	<b>139 163</b>	<b>117 141</b>

Long term financial debt is primarily denominated in US dollars (71 %) and in Euro currencies (27 %). Fixed interest rates apply to 39 % of the total long term financial debt.

The weighted average of the fixed interest rate is 6.3 % for US dollar loans and 4.3 % for Euro currency loans.

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

The Group also has credit facilities at its disposal up to a maximum equivalent of €74 368 under 'Multicurrency Credit Facilities', at floating interest rates with a fixed margin. These credit facilities mature in 1999, 2001 and 2003.

No amounts were outstanding under these facilities at December 31, 1998.

In addition, the Group has a Commercial Paper and Medium Term Notes Programme available for a maximum amount of €123 945. At December 31, 1998, no commercial paper notes were outstanding.

**15 INCOME TAXES****A. CURRENT**

1998	1997	%
14 115	16 371	- 13.8

The Group's overall tax rate expressed as a percentage of profit before income taxes, increased from 21.9 % in 1997 to 41.9 % in 1998.



The main reasons for this increase were:

1. Recorded reductions in share values were not tax deductible (impact €2 418).
2. No deferred tax assets were recorded for the tax losses incurred in TWIL and Rösler (impact €8 613).  
Current income taxes amounted to €15 101 and include €1 223 withholding taxes on dividends paid by the Group's subsidiaries.

The financial statements at December 31, 1998 include net deferred tax liabilities of €64 682 and net deferred tax assets of €416, being a net deferred liability position of €64 266, analysed as follows:

	Companies in a net asset position		Companies in a net liability position		TOTAL	
	1998	1997	1998	1997	1998	1997
Deferred tax assets	32 462	25 020	50 057	63 925	82 519	88 945
Valuation allowance	(30 513)	(19 262)	–	–	(30 513)	(19 262)
Net deferred tax assets	1 949	5 758	50 057	63 925	52 006	69 683
Deferred tax liability	(1 533)	(1 533)	(114 739)	(130 119)	(116 272)	(131 652)
Net asset / (liability)	416	4 225	(64 682)	(66 194)	(64 266)	(61 969)

Deferred tax assets, €82 519 at December 31, 1998 and €88 945 at December 31, 1997, include the future tax effect of:

	1998	1997
Tax losses carried forward	30 016	25 572
Tax credits	5 689	7 923
Timing differences	24 704	27 183
Recoverable income taxes	13 975	19 042
Intercompany profit elimination	8 135	9 225

Deferred tax liabilities amounted to €114 739 at December 31, 1998 and relate primarily to timing differences between the value in the financial statement and the tax basis of tangible fixed assets.

## 16 OTHER AMOUNTS PAYABLE WITHIN ONE YEAR

1998	1997	%
46 262	44 011	+ 5.1

Subject to the approval by the General Assembly of Shareholders of N.V. Bekaert S.A., a gross dividend of €33 402 will be distributed. The related liability is included in the other amounts payable within one year.

## B. DEFERRED

Deferred income taxes are recorded on temporary differences in the recognition of revenue and expense for tax and financial statement purposes, as well as on tax credits and losses carried forward. Deferred tax assets are written-off to realisable value in a foreseeable future. Deferred tax assets and liabilities are netted at the individual entity level.

## 17 SALES

	1998	1997	%
	1 766 547	1 738 940	+ 1.6
By business segment	1998	1997	
Wire and wire products	1 063 769	1 054 908	
Steel wire and cable for rubber reinforcement	580 354	581 034	
Other	122 424	102 998	
Geographically	1998	1997	
European Union	1 019 216	993 744	
Rest of Europe	110 596	89 049	
North America	498 292	500 068	
Rest of the world	138 443	156 079	

Consolidated sales increased by 1.6 % in 1998, while the corresponding volume decreased by 2.1 %. The major impact came from changes in the product mix as the effect of exchange rates against the Euro was small (the US Dollar and Renminbi average rate increased by 1.1 %, the Pound Sterling rate by 3.6 %). Wire and Wire product sales volume decreased by 2.9 % while sales value remained static at €1 063 769 (+ 0.8 %). Volume of Industrial and Speciality Steel Wires for the year showed no change, with activity high during the first six months, falling to much lower levels towards the year end, with consequent pressure on sales prices. Against a background of excess supply to its European Markets, sales volume of Merchant Products fell by 7.5 %. However this resulted in a sales mix improvement which gave a 4 % increase in the average price in continental Europe, unlike the UK where prices remained at low levels.

Both sales value of Steel cord (€580 354) and volume remained at 1997 levels. Within the total, Tyre cord volume increased by 1.0 % whereas Bead Wire volume decreased by 2.3 %. Volumes in Europe dropped by 0.8 % and in North America by 1.5 %, although volume produced and sold in the Far East, increased by 38 %. Sales prices remained under pressure.

## 18 OPERATING PROFIT

1998	1997	%
70 062	87 924	- 20.3

Operating profit in 1998 decreased from 5.1 % to 4.0 % of sales. The major part of this decrease was due to a lower gross profit arising particularly in TWIL and Trefilest. Appropriate actions have been taken to improve the performance of both companies.

The remainder of the impact resulted from a provision for restructuring cost which reduced the operating result by €13 345. Excluding the effect of this provision, operating profit would have been 4.7 % of sales, which is close to last year. Administrative expenses decreased by €7 771, as a result of the Structural Profit Improvement Programme. Overall, personnel costs for the Group decreased from €524 669 in 1997 to €519 954 in 1998 (- 0.9 %).

Consolidated personnel charges	1998	1997
Remuneration and social charges	501 253	506 742
Pension costs	18 701	17 927
Total	519 954	524 669

Average number of employees	1998	1997
In consolidated companies	11 139	11 529
• Blue collars	7 716	8 061
• White collars	2 428	2 420
• Management	995	1 048
In equity companies	5 853	5 180

Depreciation	1998	1997
Goodwill	4 318	3 593
Other fixed assets	123 876	113 911
Total	128 194	117 504

## 19 FINANCIAL REVENUE

1998	1997	%
28 883	21 246	+ 35.9

The increase in financial revenue was almost entirely attributable to the realisation of the Cumulative Translation Adjustment on the BMA shares, when converted to Bridgestone shares (€11 537).

## 20 FINANCIAL CHARGES

1998	1997	%
50 210	39 823	+ 26.1

Financial charges increased by €10 387. The main factors in this increase were the loss on realisation of the BMA shares at the time of their conversion (€1 988), a write down in value of two other current investments, Southwall Technologies and Robotic Vision Systems (€4 058) and a higher average interest charge over the year.

## 21 EXTRAORDINARY CHARGES

1998	1997	%
19 140	12 342	+ 55.1

The extraordinary charges in 1998 relate mainly to:

Depreciation on formation expenses	
and (in)tangible fixed assets	€ 6 328
Loss on disposal of fixed assets	€ 8 754
Other	€ 3 749

The loss on disposal of fixed assets related to the Structural Profit Improvement Programme, with major write-offs recorded in:

TWIL	€ 4 787
Rösler	€ 588
N.V. Bekaert S.A.	€ 1 006

## 22 CHANGES IN CASH

Cash generated by operations was €19 846 lower than last year as a result of the reduced level of profit and expenditure against provisions for liabilities and charges, especially for the Structural Profit Improvement Programme, partly offset by a higher depreciation charge. Cash used in operations fell by €8 494 following lower capital expenditure (- €19 309) and higher working capital (+ €6 478). In consequence operational cashflow fell by €11 352 to €52 840.

Cash used in investment activities at €11 555 was substantially lower than in 1997 which included the investment in Belgo-Mineira Bekaert Arames S.A. (BMBA) and the purchase of the remaining 40 % shares in TWIL (UK).

The increase in currency translation and other items was due to the reclassification of some financial fixed assets into cash deposits, €56 592.

## 23 COMMITMENTS

### A. OFF BALANCE SHEET COMMITMENTS

#### 1. FINANCIAL INSTRUMENTS

The Bekaert Group uses financial instruments to hedge exchange rate exposure, interest rate exposure and commodity price exposure arising from its industrial and commercial operations. The net exposure of all subsidiaries is managed on a centralised basis by the Group Finance Department in accordance with the aims and principals laid down by general management. As a policy the Group doesn't engage in speculative or leveraged transactions, nor does the Group hold or issue financial instruments for trading purposes.

##### a. Foreign exchange exposure.

The commercial foreign exchange risk of the Group is limited by means of foreign exchange risk instruments, such as forward exchange contracts and foreign exchange options. These contracts are concluded with major financial institutions. The maximum hedged positions are the forecasted purchases and sales in foreign currency for six months ahead together with any firm commitments thereafter.

At December 31, 1998, commitments were:

##### *Under forward exchange contracts:*

Currencies purchased forward	€17 527
Currencies sold forward	€110 095

##### *Under foreign exchange option contracts:*

Purchase of puts (right to sell foreign currency)	€2 124
Sale of calls (obligation to sell foreign currency)	€2 124

The Group entered into cross currency interest rate swaps for a notional amount of €53 689 resulting in the obligation to sell foreign currency and interest thereon against BEF at preset conditions.

##### b. Interest rate exposure.

To manage its interest rate exposure, the Group entered into interest rate agreements, such as interest rate swaps, forward rate agreements and interest rate options. Any interest rate differential is recognised as an adjustment to other financial charges or revenues over the term of the related underlying debt.

Of the total outstanding debt at December 31, 1998, the interest rate exposure relating to the equivalent of €115 595 was hedged through the aforementioned interest rate agreements.

##### c. Commodity risk exposure.

To manage the zinc price exposure, the Group entered into zinc hedging agreements such as forward contracts and options. Gains and losses on these hedging instruments will become part of the cost of sales on a symmetrical basis with the underlying transaction being the sale of the finished goods. Realised gains or losses on these hedging instruments before the realisation of the underlying transaction are deferred.

At December 31, 1998, these commitments amount to

Expiring in 1999	€22 343
Expiring in 2000	€19 500
Expiring in 2001	
put	€7 097
call	€5 906

At December 31, 1998 the application of the Mark-to-Market valuation on the zinc hedging would result in a loss of €4 170.

##### d. Share price exposure.

To manage the price exposure on the Bridgestone shares, the Group entered into forward contracts and options.

At December 31, 1998, commitments were:

##### *Under forward contracts:*

Shares sold forward	€21 713
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##### *Under option contracts:*

Purchase of puts (right to sell shares)	€14 458
Sale of calls (obligation to sell shares)	€17 844

#### 2. OTHER SIGNIFICANT COMMITMENTS

At December 31, 1998, other important commitments were:

Guarantees given on behalf of third parties	€12 805
Assets encumbered as securities for debt of Bekaert	€523
Goods on consignment with third parties	–
Commitments to purchase fixed assets	€3 907
Other commitments	€985

## B. RETIREMENT BENEFITS, PENSION COST AND HEALTH CARE BENEFITS

The parent company and its Belgian, USA, UK and German subsidiaries have pension and death benefit plans covering a substantial part of their personnel. Most pension plans are defined benefit plans with benefits based on years of service and most of them on the level of compensation.

Death 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 premium, calculated as a one year risk coverage, to be paid in the Belgian market for total risk coverage by an external insurance company. Death 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 Profit and Loss statement.

Plan assets in Belgium and UK are mainly invested in a mixed portfolio providing market returns. Plan assets in the USA are invested in group annuity contracts providing a guaranteed rate of return, in fixed income funds and in equity investments. It is general Group policy to fund pension benefits on an actuarially acceptable basis with contributions paid to insurance companies and/or independent Pension Funds.

The underlying assumptions for actuarial present value calculations relate to average discount rates, rates of future compensation increases, rates of return on plan assets, and mortality. Appropriate rates and mortality tables have been used for all plans.

The Group obligations based upon the calculations of independent actuaries are as follows:

### FUNDING STATUS COMBINED PENSION PLANS

	1998	1997
Accumulated Benefit Obligation (ABO)	(279 182)	(294 515)
Projected Benefit Obligation (PBO)	(339 544)	(354 104)
Plan Assets at fair value	302 497	283 151
PBO in excess of assets	(37 047)	(70 953)
Unrecognized amounts		
Transition obligation (asset)	(885)	(963)
Prior service cost	28 472	32 084
Net gain	(15 501)	(18 512)
Other	765	918
Adjustment for minimum liability	(3 046)	(1 103)
Provision for pension cost	(27 242)	(58 529)
Pension cost of the period	18 701	21 232

The 'accumulated benefit obligation' represents the present value of all benefits earned to date by plans' participants, based on past and current salary levels; the 'projected benefit obligation' includes the effect of estimated future salary changes. Where the 'accumulated benefit obligation' is underfunded, an additional minimum liability is recorded, representing the excess of accumulated benefit obligation over previously recorded pension cost liabilities. At December 31, 1998, a €3 044 minimum liability was reported, offset by an intangible asset of €386 and a cumulative adjustment to shareholders' equity of €2 658.

## 24 MARIBEL

The European Commission decided that the reduction in the social security contributions of the employer, as a result of "Maribel bis and ter", is not acceptable from a European Community legislation point-of-view.

The Belgian Government, however, decided to delay reclaiming the reduction from the companies concerned. If a verdict of the European Court of Justice forced reclamation of the amounts, N.V. Bekaert S.A. would have to reimburse some €8 600, excluding interest.

Since the outcome of this matter is uncertain, no provision was made in the accounts at December 31, 1998.

## 25 REMUNERATION OF DIRECTORS

Remuneration and pensions of the parent company's directors for their services rendered to Group companies amounted €1 686 in 1998.

## 26 CONSOLIDATED STATEMENT ON RELATIONSHIPS WITH COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

At December 31, 1998, the consolidated companies had the following outstanding balances due from or due to these companies:

	1998	1997
Amounts receivable after one year	2 133	841
Amounts receivable within one year	6 791	1 244
Amounts payable after one year	81	–
Amounts payable within one year	3 022	1 403



and realised the following transactions with these companies:

	1998	1997
Sales	16 178	23 817
Royalties received	5 394	3 880
Financial revenue		
- Dividends	10 211	6 073
- Other	521	74
Financial charges	–	14
Extraordinary revenue	7	–
Extraordinary charges	–	164

## 27 SHARE CAPITAL OF N.V. BEKAERT S.A.

	Value	Number of shares
Issued capital		
1. At January 1, 1998	167 328	2 245 732
Movement in the year	–	–
At December 31, 1998	167 328	2 245 732
2. Structure		
2.1 Classes of share capital		
ordinary shares		
without par value	140 870	1 890 628
shares with reduced withholding tax		
without par value	26 458	355 104
2.2 Registered shares	–	37 668
Bearer shares	–	2 208 064
Authorised, not issued capital	167 328	–

## 28 ANNUAL ACCOUNTS OF N.V. BEKAERT S.A.

The statutory financial statements of the parent company N.V. Bekaert S.A. are reported below in 000 EUR in a condensed format.

In conformity with Belgian Company Law, the Annual Report and Financial Statements of the parent company N.V. Bekaert S.A., together with the Statutory Auditor's report, are deposited in BEF at the National Bank of Belgium. They are available on request to:

N.V. Bekaert S.A.  
Corporate Management  
President Kennedypark 18  
B-8500 KORTRIJK (Belgium)

The auditor gave an unqualified report on the statutory financial statements of N.V. Bekaert S.A.

## A. CONDENSED BALANCE SHEET AFTER PROFIT APPROPRIATION

December 31,	1998	1997
<b>FIXED ASSETS</b>	<b>1 137 036</b>	<b>1 068 507</b>
Formation expenses,		
intangible fixed assets	19 832	21 571
Tangible fixed assets	108 113	111 138
Financial fixed assets	1 009 091	935 798
<b>CURRENT ASSETS</b>	<b>309 929</b>	<b>265 659</b>
<b>TOTAL ASSETS</b>	<b>1 446 965</b>	<b>1 334 166</b>
<b>EQUITY</b>	<b>760 558</b>	<b>617 375</b>
Capital	167 328	167 328
Revaluation surplus	1 995	1 995
Legal reserve	16 733	16 733
Untaxed reserves	–	–
Reserves available for distribution, retained earnings	574 247	431 022
Capital grants	255	297
<b>PROVISIONS AND DEFERRED TAXES</b>	<b>67 575</b>	<b>72 345</b>
<b>CREDITORS</b>	<b>618 832</b>	<b>644 446</b>
Amounts payable after one year	257 663	248 507
Amounts payable within one year, accrued charges and deferred income	361 169	395 939
<b>EQUITY AND LIABILITIES</b>	<b>1 446 965</b>	<b>1 334 166</b>

## B. CONDENSED PROFIT AND LOSS STATEMENT

Years ended December 31,	1998	1997
Sales	700 109	706 255
<b>OPERATING PROFIT (LOSS)</b>	<b>34 702</b>	<b>37 311</b>
Financial results	75 479	(6 506)
Extraordinary results	66 147	(61 494)
Current and deferred income taxes	(299)	(1 548)
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>176 627</b>	<b>(29 141)</b>
Profit (Loss) for the year available for appropriation	176 627	(26 884)

The economic activity was strong during the first half of the year. In the second half however, several business segments were confronted with a decreasing order intake. The last quarter of the year was consequently for most segments very weak in terms of production and sales.

Sales value decreased by 0.9 % whereas volume decreased by 3.5 %, compared to last year. The Business Unit Merchant Products was especially hit by low volumes.

The operating profit decreased by 7 % compared to 1997.

The financial revenue increased from €33 213 to €124 376, mainly because of a high dividend inflow from subsidiaries. Financial expenses increased by €9 179 to €48 897, due to the higher indebtedness during the year and a write-down on other investments.

Extraordinary revenue were €121 946. A capital gain on the sale of shares of Bekaert Corporation (USA) within the Group of €116 285 is the major reason. Also, €51 341 write-off's have been recorded on financial assets, causing extraordinary expenses to total to €55 799. These transactions did not affect the consolidated accounts.

Situation at March 1, 1999:

Notifier	Date of notification	Number of shares	Percentage of total number of shares
Brocsa S.A., av. De Fré 225, Brussels (*)	01.03.99	677	0.03
N.V. De Sneppe, Kortrijkstraat 11, Zwevegem (*)	02.09.94	1 746	0.08
N.V. BSI, Schoonberg 15, Aalter (*)	16.06.94	5 747	0.26
N.V. Grisar & Velge, Keizerstraat 13, Antwerp (*)	31.10.96	1 900	0.08
S.A. Berfin, Drève L. Chaudoir 16, Brussels (*)	01.03.99	1 500	0.07
S.A. Subeco, rue Guimard 19, Brussels (*)	01.03.99	1 260	0.06
Tirhold Inc., Bank of America Building, 50th Street 5, Panama (Rep. of Panama)	01.03.99	107 963	4.80
Davbury Ltd, 17 Dame Street 2, Dublin (Ireland)	01.03.99	110 000	4.89
HLF S.p.r.l., square Vergote 19, Brussels (*)	31.10.96	7 682	0.34
CdL & Co S.A., av. N. Plissart 8, Brussels (*)	01.03.99	1 600	0.07
Stichting Administratiekantoor Bekaert, Chasséveld 1, Breda (The Netherlands) (*)	01.03.99	437 186	19.47
Common attorney, on behalf of individuals, Mr. X. Oberson, 20 rue de Candolle, Genève (Switzerland) (*)	31.10.96	222 314	9.90
<b>Total</b>		<b>899 575</b>	<b>40.05</b>

All above mentioned companies and some of the individuals who have given notification through the common attorney Mr. X. Oberson, act in concert.

(\*) These individuals and companies, linked by their joint control of the Stichting Administratiekantoor Bekaert, together with the Stichting Administratiekantoor Bekaert, have 681 612 shares (30.35 %). The companies N.V. Finheuster - Hoogvorstweg 38c - 3080 Tervuren and N.V. Sediaal - rue du Pinson - 1170 Brussels, also participate in the joint control of the Stichting Administratiekantoor Bekaert, together with the companies and individuals mentioned above.

## C. VALUATION PRINCIPLES

Valuation and translation principles applied in the statutory accounts of the parent company differ in some respects from group valuation and translation principles.

The differences are mentioned in Note 2 to the Consolidated Financial Statements under the heading Valuation Principles.

## D. STATEMENT OF CAPITAL

In conformity with art. 4 of the Law of March 2, 1989, the following notifications of participation in the share capital of the company have been received:

## 29 INVESTMENTS

### A. FULLY CONSOLIDATED SUBSIDIARIES

#### INDUSTRIAL COMPANIES

##### Europe

Bekaert Composites, S.A.	Munguia, Spain	98
Bekaert Dymonics N.V.	Zulte, Belgium	59
Bekaert Handling & Display Ltd	Sheffield, UK	100
Bekaert Kotlarnia Sp.z o.o.	Kotlarnia, Poland	90*
Bekaert Hemiksem N.V.	Hemiksem, Belgium	100
Bekaert-ŽDB Bohumín s.r.o.	Bohumín, Czechia	55
Bekaert-ŽDB Building Products s.r.o. (in set up)	Bohumín, Czechia	75
Bekintex	Wetteren, Belgium	100
Industrias del Ubierna, S.A.	Burgos, Spain	100
Innovative Sputtering Technology	Zulte, Belgium	100
Metallurgica Adriatica S.p.A.	Tortoreto, Italy	100
Rösler Draht GmbH	Schwalmtal, Germany	100
Sinvaco	Deinze, Belgium	62
Tinsley Wire (Ireland) Ltd	Dublin, Republic of Ireland	100
Tinsley Wire Ltd	Sheffield, UK	100
Tréfileries de Bourbourg	Bourbourg, France	100
Trefilest	Charleville-Mézières, France	100
Werler Drahtwerke GmbH	Werl, Germany	100

\* control percentage is 100 %, since all voting rights are kept by N.V. Bekaert S.A.

##### North America

Bekaert Corporation	Akron (Ohio), USA	100
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##### Asia

Bekaert Industries Private Limited	Pune, India	100
Bekaert Mechanical Engineering (Jiangyin) Co., Ltd	Jiangyin, China	100
Bekinit Kabushiki Kaisha	Tokyo, Japan	60
Beksa Celik Kord Sanayi ve Ticaret A.S.	Istanbul, Turkey	50
China Bekaert Steel Cord Co., Ltd	Jiangyin, China	90
PT Bekaert Indonesia	Karawang, Indonesia	100
Shanghai Bekaert-Ergang Co., Ltd	Shanghai, China	70
Bekaert-Shenyang Steel Cord Co., Ltd	Shenyang, China	80

#### SALES OFFICES AND WAREHOUSES

##### Europe

Bekaert A/S	Roskilde, Denmark	100
Bekaert Asia	Brussels, Belgium	100
Bekaert Deutschland GmbH	Bad Homburg, Germany	100
Bekaert France	Antony, France	100
Bekaert Ges.m.b.H.	Vienna, Austria	100
Bekaert Ibérica, S.A.	Barcelona, Spain	100
Bekaert Nederland B.V.	Dordrecht, The Netherlands	100
Bekaert Norge A/S	Oslo, Norway	100
Bekaert Portugal Limitada	Porto, Portugal	100
Bekaert (Schweiz) AG	Baden, Switzerland	100
Leon Bekaert S.p.A.	Milano, Italy	100
Bekaert Svenska A/B	Göteborg, Sweden	100
Reddiwire Limited	Redditch, UK	100
Bekaert Wire o.o.o.	Moscow	100

**North America**

Bekaert North East Sales Company	New York (New York), USA	51
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**Latin America**

Bekaert Trade Latin America	Dade (Florida), USA	100
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**Asia**

Bekaert Korea Ltd	Seoul, Korea	100
Bekaert Singapore Pte. Ltd	Singapore	100

**FINANCIAL COMPANIES**

Becare Limited	Dublin, Republic of Ireland	100
Bekaert América Latina Participações Ltda	Sao Paulo, Brazil	100
Bekaert Coördinatiecentrum	Kortrijk, Belgium	100
Bekaert do Brasil Participações Ltda	Belo Horizonte, Brazil	100
Bekaert Engineering	Zwevegem, Belgium	100
Bekaert Holding B.V.	Dordrecht, The Netherlands	100
Bekaert Ibérica Holding, S.L.	Burgos, Spain	100
Bekaert (Ireland) Ltd	Dublin, Republic of Ireland	100
Beknam Corporation	Delaware, USA	100
Bekpart B.V.	Dordrecht, The Netherlands	100
Bekaert Deutsche Holding AG	Bad Homburg, Germany	100
Matrac I.T. S.p.A.	Pescara, Italy	100
Sentinel (Wire Products) Ltd	Sheffield, UK	100
Société de Participations Financières Bekaert	Antony, France	100
TWIL Ltd	Sheffield, UK	100

**CONSULTANCY COMPANIES**

Bekaert Consulting, S.L.	Bilbao, Spain	100
Bekaert-Stanwick	Kortrijk, Belgium	100
Storck Management Consulting N.V.	Lommel, Belgium	100

**SOFTWARE COMPANIES**

Delaware Computing Deutschland GmbH	Bad Homburg, Germany	100
Delaware Computing Nederland B.V.	Nieuwegein, The Netherlands	84
Delaware Computing Services Inc.	Wilmington (Delaware), USA	100
Delaware Infrastructure Management N.V.	Zwevegem, Belgium	75
Delaware Industrial Solutions N.V.	Zwijnaarde, Belgium	75
Delaware Computing N.V.	Brussels, Belgium	100

**B. JOINT COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD****INDUSTRIAL COMPANIES****Europe**

N.V. Acotech S.A.	Zwevegem, Belgium	50
Spaleck-Bekaert GmbH & Co., KG	Bocholt, Germany	50
Bekaert Timeda B.V.	Enschede, The Netherlands	50

**North America**

Acotech Corporation	Wilmington (Delaware), USA	50
Contours Ltd	Orrville (Ohio), USA	50
Innovative Specialty Films LLC	Wilmington, USA	50



**Latin America**

Belgo-Mineira-Bekaert Artefatos de Arame Ltda.	Vespasiano, Brazil	45
Belgo-Mineira Bekaert Arames S.A.	Contagem, Brazil	45
Companhia Industrial e Mercantil de Artefatos de Ferro – CIMAF	Osasco, Brazil	45
Industrias Chilenas de Alambre Inchalam S.A.	Talcahuano, Chile	50
Acma - Aceros de Alta Resistencia en Mallas S.A.	Santiago, Chile	50
Productos de Acero S.A., Prodinsa	Santiago, Chile	50
Ideal Alambrec S.A.	Quito, Ecuador	50
Hylsa Bekaert, S.A. de C.V.	Nuevo León, Mexico	50
Productos de Acero Cassado S.A. - Prodac	Lima, Peru	40
Procables S.A.	Lima, Peru	47
Vicson S.A.	Valencia, Venezuela	50

**Australia**

Bekaert-BHP Steel Cord Pty. Ltd	Geelong, Australia	50
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**SALES OFFICES & WAREHOUSES****Europe**

Bekaert Faser Vertriebs GmbH	Idstein, Germany	50
Netlon Sentinel Ltd	Sheffield, UK	50

**Latin America**

Productos de Alambre Prodalam S.A.	Santiago, Chile	50
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**C. ASSOCIATED COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD****INDUSTRIAL COMPANIES****Europe**

B.V.B.A. E. Vanderstraeten	Deinze, Belgium	25
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**Latin America**

Productora de Alambres Colombianos S.A. – Proalco	Villamaria, Columbia	34
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**Asia**

Hikari Corporation	Tenri, Japan	40
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**D. NON CONSOLIDATED SUBSIDIARIES ACCOUNTED FOR AT COST**

		%	Reason of exclusion
China First Bekaert Co., Ltd	Kuanyin, Taiwan	100	in liquidation
Immobiën Munkendoorn	Zwevegem, Belgium	100	diversified activity
Eurosymb N.V.	Kortrijk, Belgium	39	diversified activity
Bedrijvencentrum Regio Kortrijk	Wevelgem, Belgium	27	diversified activity
Ockham Technology	Antwerpen, Belgium	19	lower than 20 %
Draht Bremer und Partner GmbH	Zöblitz, Germany	19	lower than 20 %

## CHANGES IN 1998

### NEW INVESTMENTS

#### A. Fully consolidated subsidiaries

		%
Bekaert Dymonics N.V.	Zulte, Belgium	59
Bekaert-Shenyang Steel Cord Co., Ltd	Shenyang, China	80
Bekaert Wire o.o.o.	Moscow	100
Matrac I.T. S.p.A.	Pescara, Italy	100
Delaware Computing N.V.	Brussels, Belgium	100

#### B. Joint companies accounted for under the equity method

		%
Bekaert Timeda B.V.	Enschede, The Netherlands	50
Contours Ltd	Orrville (Ohio), USA	50
Innovative Specialty Films LLC	Wilmington, USA	50

### INCREASED / DECREASED OWNERSHIP

Bekaert Kotlarnia Sp.z o.o.	Kotlarnia, Poland	from 71 % to 90 %
Reddiwire Limited	Redditch, UK	from 51 % to 100 %
Delaware Computing Nederland B.V.	Nieuwegein, The Netherlands	from 77 % to 84 %
Delaware Infrastructure Management N.V.	Zwevegem, Belgium	from 100 % to 75 %
Companhia Industrial e Mercantil de Artefatos de Ferro – CIMAF	Osasco, Brazil	from 19 % to 45 %
Productora de Alambres Colombianos S.A. – Proalco	Villamaria, Columbia	from 25 % to 34 %
Hikari Corporation	Tenri, Japan	from 33 % to 40 %
Eurosym N.V.	Kortrijk, Belgium	from 50 % to 39 %

### MERGERS / CONVERSION

Bekaert Engineering do Brasil Ltda	Merged into Bekaert do Brasil Participações Ltda
BEKICM Participações Ltda	Merged into Bekaert do Brasil Participações Ltda
Bekaert International Trade	Merged into Bekaert Engineering

### CHANGE OF NAME

Bekaert Hemiksem N.V.	Formerly Bekaert-Tinsley
Bekaert Deutsche Holding AG	Formerly Rösler Draht AG
Delaware Infrastructure Management N.V.	Formerly Delaware Computing Zwevegem
Belgo-Mineira Bekaert Arames S.A.	Formerly Belgo-Mineira Bekaert Trefilarias S.A.

### LIQUIDATION

Twil Wire Holding B.V.	Dordrecht, The Netherlands
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## 30 SIGNIFICANT EVENT AFTER YEAR-END

#### BRAZIL

As a consequence of free floating of the Real against the US dollar since mid January 1999, the exchange rate of the Real against the US dollar has weakened from 1.30 to 2.10 early March. If the exchange rate stabilises, the overall effect will be limited.

# PROPOSED APPROPRIATION OF N.V. BEKAERT S.A. 1998 RESULT

The profit for the year ended December 31, 1998, after income taxes, was BEF 7 125 128 677 compared to a loss of BEF 1 175 532 088 for the year ended December 31, 1997.

At the General Assembly of Shareholders on May 26, 1999, the Board will propose to appropriate the above mentioned profit of BEF 7 125 128 677 as follows:

	BEF
Net dividends for 1 890 628 ordinary shares	850 782 600
Net dividends for 355 104 shares with reduced withholding tax	181 103 040
Withholding tax on the dividends for 1 890 628 ordinary shares	283 594 200
Withholding tax on the dividends for 355 104 shares with reduced withholding tax	31 959 360
Transfer to available reserves	5 000 000 000
Carried forward to the following year	777 689 477
	7 125 128 677

Gross dividends payable are as follows:

Dividends per ordinary share:	EUR	BEF
Net dividend	11.1552	450
Withholding tax at 25/75 of BEF 450		150
Gross dividend	14.87	600

Dividends per share with reduced withholding tax:

Net dividend	12.6426	510
Withholding tax at 15/85 of BEF 510		90
Gross dividend	14.87	600

If agreed, the net dividend of BEF 450 (€11.1552) per ordinary share and BEF 510 (€12.6426) per share with reduced withholding tax, will be payable in BEF on June 11, 1999 upon presentation of dividend coupon number 60 at the following banks:

- Bank Brussel Lambert, Generale Bank, KBC Bank, Bank Degroof and Artesia Bank in Belgium;
- Société Générale in France;
- ABN-AMRO Bank in the Netherlands;
- Union des Banques Suisses in Switzerland.

## STATUTORY NOMINATIONS

As of the date of the General Shareholders' meeting the following appointments as Directors expire:

- Gary J. Allen
- Jan Baron Huyghebaert
- Georges Baron Jacobs.

We propose to re-elect the following persons as Directors for a new term of three years ending immediately after the General Shareholders' meeting of the year 2002:

- Gary J. Allen
- Jan Baron Huyghebaert

# STATUTORY AUDITOR'S REPORT

## TO THE SHAREHOLDERS OF N.V. BEKAERT S.A.:

We have examined the consolidated balance sheets of N.V. BEKAERT S.A. and subsidiaries as of December 31, 1998 and 1997, the consolidated profit and loss statements, the consolidated statements of changes in cash and the notes for the years then ended. These consolidated annual accounts have been prepared under the responsibility of the Board of Directors. The balance sheet total as of December 31, 1998 and 1997 is 1 854 563 (000 EUR) and 1 927 218 (000 EUR), and the profit for the years then ended is 35 698 (000 EUR) and 72 626 (000 EUR). We have also examined the consolidated directors' report for the year ended December 31, 1998.

We did not examine the financial statements of a limited number of subsidiaries. The investments in those companies represent 10 % of total consolidated assets at December 31, 1998 and 8 % at December 31, 1997. The Group's share of their net income amounts to 15.3 (mio EUR) in 1998 and 16.8 (mio EUR) in 1997. Those statements were examined by other auditors whose reports have been furnished to us. Our opinion on the accompanying consolidated annual accounts, insofar as it relates to the amounts included for those companies, is based solely upon the reports of the other auditors.

### OPINION, WITHOUT RESERVATION, ON THE CONSOLIDATED ANNUAL ACCOUNTS

Our examinations were made in accordance with the auditing standards of the Belgian Institute of Company Auditors. These require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free of material misstatement, taking into account Belgian law and regulations with respect to the consolidated annual accounts. In accordance with these standards, we have taken into consideration the administrative and accounting procedures and system of internal control of the company. We have examined, on a test basis, evidence supporting the amounts in the consolidated annual accounts. We also assessed the valuation rules, the principles of consolidation, significant accounting estimates and the presentation of the consolidated annual accounts as a whole. We received from the management of the company the information and explanations we requested. We believe that these procedures and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our examinations and the reports of other auditors, the accompanying consolidated annual accounts present fairly the financial position of N.V. Bekaert S.A. and subsidiaries as of December 31, 1998 and 1997 and the results of their operations and changes in cash for the years then ended, in conformity with the applicable Belgian law and regulations, and the notes to the consolidated annual accounts are adequate.

### ADDITIONAL STATEMENT

The consolidated directors' report for the year ended December 31, 1998 is in agreement with the consolidated annual accounts and includes the information required by the law.

The Statutory Auditor,  
ARTHUR ANDERSEN  
Bedrijfsrevisoren



Dirk Van Vlaenderen  
March 18, 1999



# BEKAERT IN THE WORLD

