CHANGES IN ACCOUNTING POLICIES

In the preparation of the accompanying consolidated financial statements as at 31 December, 2001 and 2000, several accounting policies have been applied that are different from those used in previous accounting periods.

The purpose of these changes is to enhance the quality of the Group's financial reporting by applying uniform, internationally accepted accounting policies. The policies used in the accompanying financial statements are generally in accordance with the principles set out in the Belgian Accounting Legislation and with the European Union's Directives relating to consolidated financial statements. Departures therefrom are in agreement with the 'International Financial Reporting Standards' (IFRS, formerly called IAS) issued by the 'International Accounting Standards Board' (IASB) and effective at the closing date.

An approval was obtained from the Belgian Commission for Banking and Finance (CBF) concerning the following departures:

- Presentation of the financial statements
    - Belgian Accounting principle: the structure and content of the balance sheet and the income statement are based on the rules specified in the Royal Decree of 30 January 2001, title II, chapter VI, clauses I and II.
    - Departure: the structure and content of the balance sheet and the income statement are based on the rules specified in the IFRS by the IASB.
- Consolidation scope
    - Belgian Accounting principle: Investments in which the parent company either owns, directly or indirectly, less than 20% of the shares or holds less than 20% of the voting rights associated with the shares are recorded at cost.
    - Departure (IAS 39): An investment in an enterprise which can neither be considered as a subsidiary (IAS 27), nor as an associate or joint venture company (IAS 28) is recorded at fair value, or if a reliable price quotation in an active market is not available or if the fair value of the investment cannot be reliably measured, at cost.
- Goodwill arising on acquisition
    - Belgian Accounting principles: For the first consolidation of an acquired subsidiary, goodwill (i.e. the excess of acquisition cost over the Group's share of the carrying amount of net assets acquired) is allocated, as far as possible, to the assets and liabilities of the subsidiary acquired. The non-allocated part of initially calculated goodwill and all subsequent adjustments to goodwill are capitalised and amortised.
    - Departure (IAS 22- SIC 8): Upon acquisition of subsidiaries, all recognised assets and liabilities are stated at their fair value. Any remaining goodwill is capitalised. All goodwill arising on acquisitions made before 1995 is written off directly against equity.
- Non-cash purchase consideration
    - Belgian Accounting principle: assets acquired for non-cash purchase consideration are accounted for at the agreed value of the consideration.
    - Departure (IAS 22): assets acquired for non-cash purchase consideration are recorded at fair value.

- Capital grants and other government grants

  - Belgian Accounting principles: government grants are recognised when all conditions are fulfilled and it is certain that they will be received. Capital grants are recorded net of their deferred tax impact at the balance sheet.

  - Departures (IAS 20): government grants are recognised when there is reasonable assurance that the company will comply with the conditions. In the balance sheet, the nominal value of capital grants is deducted from the property, plant & equipment. A deferred tax liability is recognised for any recoverable temporary difference that might arise from the capital grant, as prescribed by IAS 12.

- Provisions in general

  - Belgian Accounting principle: Provisions for risks and costs are recognised :

    – To cover losses or expenses
    – of a clearly defined nature
    – which are, at the closing date, probable or certain but the amount of which is uncertain.

    All foreseeable risks, potential losses and write-downs, originating during or before the accounting period to which the financial statements relate are included, even if they only become known between the balance sheet date and the date when the financial statements are authorised for issue.

  - Departure (IAS 37): a provision is a liability of uncertain timing or amount and which should be recognised only if all the following conditions are met:

    – the enterprise has a present obligation (legal or constructive) as a result of a past event and
    – it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
    – a reliable estimate can be made of the amount of the obligation.

    The management of N.V. Bekaert S.A. is aware that a conflict with the E.C. Directives might arise in the specific case of provisions relating to reorganisations. No situation giving rise to any such potential conflict has yet arisen but, should one occur, the E.C. Directives will be followed and the treatment in accordance IAS 37 will also be disclosed.

- Provisions for repair and maintenance

  - Belgian Accounting principle: such provisions are made as appropriate
  - Departure (IAS 37): such provisions are not made

- Provisions for pre-pensions

  - Belgian Accounting principle: provisions for pre-pensions are made at the time the pre-pension agreements are signed by the employees and are based on detailed calculations of the costs relating to those employees.
  - Departure (IAS 19): Pre-pension obligations are regarded as a constructive obligation arising from a past event, which will most probably require an outflow of resources that can be reliably estimated. Pre-pension obligations are treated as provisions for other deferred employee benefits.

- Deferred tax liabilities or assets

  - Belgian Accounting principle: The recognition of deferred tax liabilities is subject to a probability test. Movements in taxes, deferred tax liabilities and assets are posted to the results of the period.
  - Departure (IAS 12): Deferred tax liabilities are recognised in conformity with the rules set out in IAS 12, and are not individually subject to a probability test. Taxes and deferred taxes are posted to equity if they pertain to items being posted to equity.

- Financial instruments

  - Belgian Accounting principles: Financial derivatives are disclosed as off balance sheet commitments. Unrealised gains are not recognised, except unrealised foreign exchange gains.
  - Departures (IAS 39): All financial derivatives are stated at fair value and recorded in the balance sheet. For 'cash flow hedges' unrealised gains and losses are posted to equity. For 'fair value hedges', fair value adjustments of the hedging instrument as well as of the hedged item (asset or liability) are posted to the income statement. Any unrealised gain is recognised.

- Leasing

  - Belgian Accounting principles: A transaction is regarded as a finance lease if the amount invested by the lessor is covered by the sum of the capital portions of the lease payments. For operating leases, lease payments are treated as rental costs and recognised as incurred.
  - Departures (IAS 17): A transaction is regarded as a finance lease if the agreement transfers substantially all the risks and rewards associated with ownership of the leased asset to the lessee. Lease payments from operating leases are recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which the benefit is derived from the leased asset.

- Treasury shares

  - Belgian Accounting principles: Treasury shares are recorded at purchase cost in the caption 'Cash deposits' in the balance sheet. Simultaneously, a reserve unavailable for distribution is credited with the same amount. A gain or loss is recognised when treasury shares are subsequently sold or cancelled.
  - Departures (SIC 16): Treasury shares are presented in the balance sheet as a deduction from equity. As required, the impact of movements in treasury shares is disclosed as an adjustment to retained earnings. No gain or loss is recognised in the income statement when treasury shares are sold or cancelled.

- Extraordinary depreciation of assets

  - Belgian Accounting principle : extraordinary depreciation is assessed and posted on an individual asset basis
  - Departure (IAS 36): A new notion 'impairment losses' is introduced instead of 'extraordinary depreciation'. When it is impossible to estimate the recoverable amount of an individual asset, impairment losses should be based on the difference between the carrying amount and the estimated recoverable amount of 'cash generating units'.

- Profit appropriation

  - Belgian Accounting principle: the consolidated financial statements are compiled after the proposed profit appropriation of N.V. Bekaert S.A. and before the profit appropriation of subsidiaries.
  - Departure (IAS 10): Dividends in respect of the reported accounting period, established or proposed after the balance sheet date but before the financial statements are authorised for issue, are not recorded as a liability but as a separate element of equity in the balance sheet.

- Impact of changes in valuation principles

  - Belgian Accounting principle: When a valuation principle is changed, the full impact is recorded in income in the period when the change becomes effective. All changes in valuation principles are explained in the disclosures.
  - Departure (IAS 8/ SIC 8/ transitional provisions various IASs): Current Standards and Interpretations are applied retrospectively, unless specific transitional provisions permit another treatment. Any adjustment to prior periods is presented as an adjustment to the opening balance of retained earnings of the earliest period presented in accordance with IASs. The financial statements of the presented periods are restated as if the accounting policy applied throughout the periods.

In order to enhance the comparability of financial information, the consolidated financial statements of 2000 have been restated and consequently the accompanying statements are different from those presented in the annual report of 2000. The differences are mainly related to the treatment of:

- Deferred tax liabilities and assets
- Provisions for employee benefits (pensions, pre-pensions and similar obligations).

The changes relating to deferred tax are as follows:

- Deferred tax liabilities that may result from the remittance of undistributed earnings by affiliates are now recognised.
- The financial statements of Beksa Celik Kord Sanayi ve Ticaret (Turkey), located in a high inflation country, were compiled in euro as the functional currency and are fully consolidated as such. The valuation for tax purposes was based on Turkish Lira, and deferred tax liabilities and assets are recognised on the currency translation differences between the valuations.

Concerning the provisions for employee benefits, the transitional liability at year-end 1999 for the various pension and pre-pension plans were calculated in accordance with IAS 19 (revised 2000). The transitional liability for the defined benefit plans is obtained by deducting the fair value of the plan assets and the past service cost not yet recognised from the future payments obligation.

The impact of the restatement on annual financial periods prior to 2000 is reported as an adjustment to the opening balance of the Group's retained earnings as at 1 January 2000 and is summarised below:

		€000
Equity reported as at 31.12.1999 (excluding Minority Interests)		**1 012 936**
Write-off of formation expenses	(1)	**(3 493)**
Write-off of goodwill on acquisitions prior to 1995	(2)	**(1 198)**
Impact restatement of goodwill on acquisitions between 1995 and 1999	(3)	**(4 204)**
Write-off of capitalised interests	(4)	**(3 831)**
Provisions for pensions, pre-pensions and similar obligations	(5)	**(12 690)**
Elimination of provisions disallowed under IAS 37 (1998)	(6)	**4 773**
Deferred tax liabilities and assets	(7)	**(42 377)**
Other differences		**(462)**
Equity before reclassifications as at 01.01.2000		**949 454**
Reclassification capital grants	(8)	**(5 741)**
Reclassification proposed appropriation of 1999 profit	(9)	**35 932**
Equity as at 01.01.2000		**979 645**

(1) Formation expenses include expenses related to important new companies, incurred prior to the commencement of the new operation. These expenses were formerly capitalised and amortised over a 5 year period, commencing on the date the facility became available for use. During the restatement all formation expenses were written off against equity.

(2) Positive goodwill on acquisitions was formerly capitalised and amortised over a 10 year period. The carrying amount of goodwill on acquisitions prior to 1995 was written off against equity during the restatement.

(3) Upon acquisition of a company, all its identifiable assets and liabilities are recorded at fair value. For all acquisitions between 1995 and 1999, the difference between the restated goodwill and the initially reported goodwill was written off against equity during the restatement process.

(4) Interest was formerly capitalised for material projects and amortised over the estimated life of the assets acquired. During the restatement process all capitalised interest was written off against equity.

(5) Concerning provisions for pensions, pre-pensions and similar obligations, the 'transitional liability' as at year-end 1999 was established for the various plans in accordance with IAS 19 (revised 2000). Each difference with the liability recognised in accordance with the former accounting policies, was recorded as an adjustment against equity.

(6) Some provisions did not comply with the conditions set out in IAS 37 and were written back against equity.

(7) The impact on deferred tax liabilities and assets relates mainly to the above restatements, and to the undistributed earnings in subsidiaries, joint ventures and associates.

(8) During the restatement process capital grants were eliminated from equity and are now treated as a deduction from property, plant and equipment.

(9) As a result of the restatement the proposed dividend payable is now presented as a separate caption of equity, and no longer as part of 'other amounts payable within one year'.