

R E P O R T O F T H E B O A R D O F D I R E C T O R S

Board of Directors	p. 5
Message from the Chairman and the Chief Executive Officer	p. 6
Bekaert Group Executive	p. 9
Strategy	p. 10
<hr/>	
Advanced metal transformation	p. 15
<hr/>	
Advanced wire products	p. 16
Fencing systems Europe	p. 22
<hr/>	
Advanced materials and coatings	p. 25
<hr/>	
Advanced materials	p. 26
Advanced coatings	p. 30
Personnel	p. 34
Health, safety and environment	p. 38

2003

Board of Directors



Baron Paul Buysse
Chairman



Julien De Wilde
Chief Executive Officer



Gary J. Allen



Pol Bamelis



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Roger Dalle



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Baudouin Velge



Message from the Chairman and the Chief Executive Officer

2003 was a special year. 2004 will be an important year.

Economically and politically, 2003 was a turbulent period for various regions in the world. While the Western European and North American economies were under heavy pressure, different markets in Asia, Latin America and Central and Eastern Europe continued to grow strongly.

Operationally, 2003 was a very positive year for Bekaert. Despite the important depreciation of the US dollar, sales decrease remained limited. At constant currencies, sales would have been 3% up on 2002. Despite the significant impact of currency movements, Bekaert posted a strong net result in 2003 and the first signs of a structural improvement in operating margin became apparent. Bekaert confirms its solid financial structure and good cash flow.

In 2003, the Board of Directors and management confirmed Bekaert's strategy for sustainable profitable growth. Based on its two core competences – advanced metal transformation and advanced materials and coatings – Bekaert offers its customers unique solutions with high added value. Bekaert adopted its new financial reporting for financial year 2003, which is fully IFRS-compliant. Bekaert has divided its activities into four reporting segments: advanced wire products, fencing systems Europe, advanced materials and advanced coatings.

In advanced wire products, Bekaert's sales and result held up well. In Western Europe and North America, Bekaert proved its resilience in the face of difficult economic conditions. The company is updating its production configuration on a continuous basis in response to the constantly changing needs of its various specific markets.



Bekaert also strengthened its position significantly in the growth markets in Asia, Latin America and Central and Eastern Europe. In China, where Bekaert is undertaking increased investments to consolidate its market share, sales of steel cord products for tire reinforcement were up by over 30%. Bekaert advanced its position in various wire products in Central Europe, a.o. through its recent acquisitions in the Slovak Republic. Bekaert performed very well in Latin America, especially in Brazil and Chile.

The extensive restructuring plan which Bekaert implemented in fencing systems Europe strongly improved financial results despite a lower level of sales in 2003. The efforts which the company makes to switch the production lines cost-effectively to a product range with higher added value, are clearly achieving results.

Bekaert continued to build on its position in advanced materials. Through carefully targeted acquisitions, Bekaert plans to introduce its metal-fibre concept more widely in the market and secure positions in new market segments. In combustion technologies, the company has already attained market leadership in special environment-friendly burners for high-efficiency boilers. Bekaert aims to continue growing its advanced materials business by focusing even more closely on selected applications of its core competences and investing even greater effort in its continuous process of innovation.

In the advanced coatings segment, Bekaert confirms, in 2003, the growth potential of its industrial coatings activity with several important breakthroughs in sputter technology and diamond-like coatings. The specialised films activity suffered in 2003 from extremely weak demand on the US market and performance fell short of expectations. Bekaert has taken operational measures to turn the situation around and has every confidence in its success.

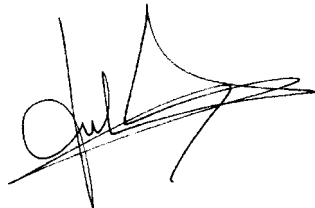
Bekaert terminated its activities in solar panels, composite profiles and consultancy in 2003 in order to focus more closely on its strategic objectives.

In the light of the company's good results for 2003 and the confidence of the Board of Directors and the management in the potential for further profit generation of the recently

approved corporate strategy, the Board of Directors will propose to the General Meeting of Shareholders that the dividend be increased by 4% compared with 2002. If this proposal is accepted, the gross dividend will be €1.748 per share.

2004 will be an important year for Bekaert. It will be a year of opportunities, but also of challenges. Bekaert intends to continue building its market and technological leadership around the world. In the growth markets, Bekaert is implementing its ambitious expansion programme and consolidating its competitive position. In advanced wire products, Bekaert foresees sustained demand for steel cord products worldwide, although the absence of clear signs of improvement in the economic conditions in North America and Western Europe obliges Bekaert to express appropriate caution. Apart from the effect of movements in the dollar/euro exchange rate, the rising price of wire rod, Bekaert's principal raw material, and the specific circumstances affecting the supply position represent significant challenges for the company. Striving to further improve profitability, Bekaert pursues its efforts unabatedly and therefore continuously evaluates and where necessary optimises worldwide its product portfolio.

On behalf of the Board of Directors, we thank our staff for their commitment and dedication. Bekaert is determined to achieve its objective of sustainable profitable growth. In successfully meeting the challenges it faces at various levels in 2004, Bekaert can rely in particular on the efforts of its personnel, who are fully aware of the importance of value creation for the shareholders and the customers and for the environment in which the company operates. It is crucial that we continue to develop innovative products and services which offer our customers new opportunities or lower costs. In order to consolidate its worldwide competitive advantage, Bekaert's customer-driven philosophy, high quality and continuous innovation process are the company's most important trump cards. In common with the Board of Directors, we have every confidence in the future.



Julien De Wilde
Chief Executive Officer



Baron Paul Buysse
Chairman

Bekaert Group Executive



Julien De Wilde
Chief Executive Officer

Marc Vandecasteele
Group Executive Vice President

Bert De Graeve
Group Executive Vice President

Henri Jean Velge
Group Executive Vice President

Georges Brys
Group Executive Vice President



Strategy



In 2003 the Board of Directors confirmed Bekaert's strategy for **sustainable profitable growth**. The Bekaert Group Executive developed the long-term strategic plan, discussing it with a large group of managers within the company.

Bekaert is built on two core competences: **advanced metal transformation** and **advanced materials and coatings**. It is this combination of competences which makes Bekaert unique. Bekaert's strategy for sustainable profitable growth is based on the extension of its global market and technological leadership in these two core competences.

Bekaert is working to further reinforce its position as **global market leader** and hence extending its international activities. In the mature markets, Bekaert is consolidating the strong position that it has held for many years. The company also aims to strengthen its presence in various growth markets. Important progress towards this goal was achieved in 2003. Bekaert acquired substantial positions in advanced wire products in Central and Eastern Europe. In China, Bekaert is aiming for a total production capacity of 120 000 tonnes of steel cord products for radial tire reinforcement by the end of 2004. New growth opportunities in Russia are also being studied.

Bekaert offers its customers products and services with **high added value**. Bekaert is entering into partnerships with individual customers, so that it can work with them to develop products which meet their highly specific needs and offer them significant advantages. This cooperation frequently results in new products and applications.

Bekaert has greatly enhanced its market expertise in several sectors and is working actively to open up new markets. Bekaert aims to offer its customers **unique and preferred solutions** based on its core competences, by taking advantage of synergy between and combinations of the different technologies in the various sectors.

Bekaert utilises its existing distribution channels more effectively in presenting its product range to a wider clientele. A start was made in 2003 on a systematic exploration of the markets in Latin America and Asia for its advanced materials and advanced

Bekaert increases R&D efforts at the Bekaert Technology Center (Deerlijk, Belgium).



Bekaert supplies its customers around the world with top products which satisfy rigorous quality standards.



coatings. A dedicated sales office was opened in Brazil to support this activity and sales of these products increased strongly in several Asian markets.

Bekaert pursues growth by constantly reinforcing its **technological leadership**, maintaining its technological lead through a process of continuous **innovation**. The Bekaert Technology Centre in Deerlijk (Belgium), which employs over 260 people and is increasingly made up of international experts, has a key role to play in this strategy. The centre cooperates closely across all disciplines with the other group entities and Bekaert Engineering. This cross-functional cooperation between research, engineering and marketing staff has been institutionalised in the form of 'virtual companies' throughout the organisation. On the basis of the Marketing Road Map, these teams oversee the entire process, from the initiation of the idea, through its development and implementation, to the final market launch. Cooperation with lead customers and potential end-users is resulting in new developments which answer the customer's needs more effectively and can be introduced on the market more quickly.

Bekaert spent over €50 million on **research and development** in 2003. Half of this was invested in extending Bekaert's technological lead in products and services for its existing markets and the remainder in introducing products for new markets and deepening its knowledge in certain strategic areas of competence. Given the favourable outlook for advanced materials and advanced coatings, these segments are given extra priority and substantial resources are committed to research and development in these fields. Bekaert seeks to maintain a judicious balance between new and maturing products in its portfolio. Its resolve to focus R&D effort is demonstrated by its concentration on selected key market-driven projects. In 2003, international multidisciplinary teams generated around 30 patents with their new developments. Bekaert works closely with leading international universities and other eminent centres of technology and research around the world and participates in numerous European technology projects.

Bekaert has decided to increase its R&D budget for 2004 and plans to expand the R&D team with the recruitment of a further 20 highly technological employees in the next few years.



Bekaert aims for **operational excellence** in all its activities. Its long experience has given Bekaert extensive operational expertise in both quality and cost-efficiency, enabling it to supply its customers around the world with top products which satisfy rigorous quality standards.

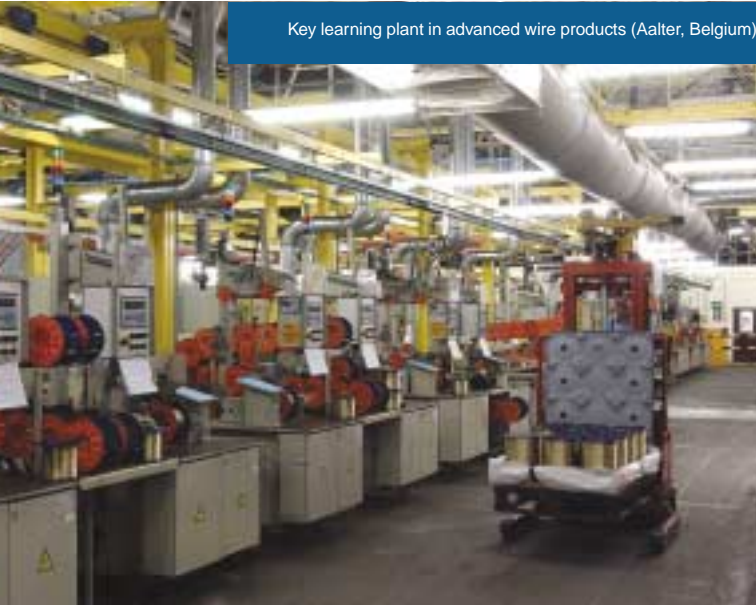
Close cooperation between Bekaert Engineering, Bekaert Technology Centre and the various production units enables Bekaert to operate its production equipment around the world with ever-improving efficiency. Bekaert continues to work on developing its concept of 'key learning plants'. Bekaert Engineering also supports the development of new products and plays a central role in expediting Bekaert's expansion in the various growth markets.

Bekaert combines **organic growth** with **alliances, joint ventures and acquisitions**. Appropriate transactions of this kind also give Bekaert access to complementary technological and commercial competences, which in turn can lead to new activities. Bekaert wishes to enhance its position in the value chain.

It is Bekaert's clear policy to focus on selected applications of its core competences, envisaging global market and technological leadership. It is for this reason that Bekaert has withdrawn from its activities in solar panels, composite profiles and consultancy.

Sustainable growth depends on **rigorous profitability criteria**, and Bekaert sets strict targets for all segments. Bekaert strives to reach an overall return on investment which exceeds the weighted cost of the capital employed. Certain product lines which did not have the potential to meet these profitability requirements have already been discontinued and, for the same reason, others have been transferred to regions where they can be produced at a lower overall operating cost. Periodically, the various product lines are evaluated and, where necessary, optimised. Bekaert continues to give priority to the close monitoring of working capital and careful evaluation of new investments.

Key learning plant in advanced wire products (Aalter, Belgium)



Bekaert aims for operational excellence in all its activities (San Diego, USA).



Locating Bekaert's production platforms close to the specific markets around the world provides an effective natural hedge against operational currency movements. Optimum matching of procurement, production and sales receives constant attention. In addition, net trading transactions in foreign currencies are maximally hedged and debt positions are mainly expressed in US dollars.

Raising profitability to a higher level, Bekaert's primary goal, ultimately results in **sustainable value creation for shareholders**.

Consistent with its strategy of sustainable profitable growth, Bekaert has introduced a new segment reporting structure for 2003 which is fully IFRS-compliant. Bekaert seeks to meet the need for relevant financial information by providing appropriate insight into its activities, risks and returns. Based on its two core competences – advanced metal transformation and advanced materials and coatings – Bekaert's primary reporting is now in terms of four segments: advanced wire products, fencing systems Europe, advanced materials and advanced coatings. This follows from a thorough analysis of the risk profiles of Bekaert's activities around the world. The primary segmentation is supplemented with geographical information in line with the requirements of a secondary segmentation. Although the financial segment reporting relates only to the consolidated activities, additional information is provided on the activities of the joint ventures and associated companies in the various segments.

A photograph of several aerial acrobats performing in a dark studio. They are suspended from the ceiling by ropes and are holding onto various pieces of equipment, including a large metal hoop and a horizontal bar. The scene is lit with dramatic spotlights, creating strong highlights and deep shadows. The overall mood is one of strength and grace.

A D V A N C E D
M E T A L
T R A N S F O R M A T I O N

Experience
gives
confidence



Advanced wire products



Despite adverse currency movements, consolidated sales of advanced wire products were stable at €1.2 billion. Lower sales in a number of activities in this segment were compensated by the acquisitions in Central Europe, the purchase of the remaining 50% of Contours Ltd (USA) and higher sales of steel cord products for tire reinforcement. Combined sales were down 5.3% at €1.9 billion, mainly due to the slack demand for ropes in North America and due to currency movements.

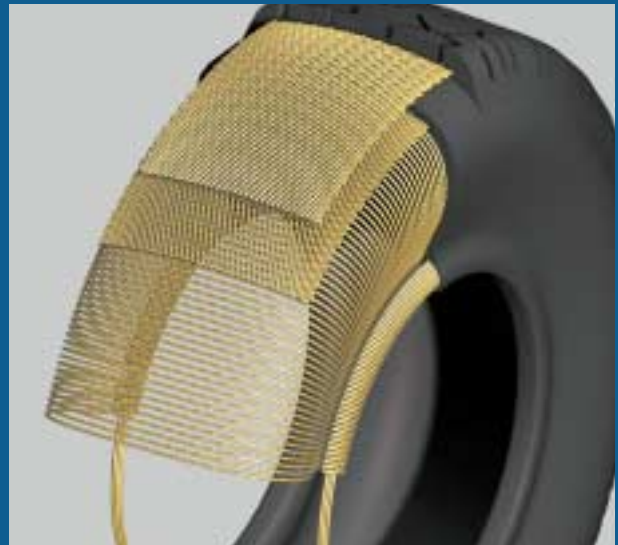
At constant currencies, consolidated sales were 8% higher and combined sales were 7% higher. The result from operations was again strong and the operating margin increased slightly to 10.1% of sales.

Advanced wire products (*)							in millions of euros			
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Consolidated companies										
Sales	1 233	1 251	1 120	1 318	1 208	1 211	1 229	1 220	1 206	1 196
Result from operations (EBIT)									121	121
EBIT / sales (%)									10.0	10.1
Capital expenditures	101	94	114	97	75	68	79	96	54	88
Personnel	9 654	9 000	8 156	7 838	6 794	6 352	6 392	6 467	6 138	7 400
Joint ventures and associates										
Sales	647	692	372	653	725	692	853	890	844	746
Capital expenditures	41	51	49	35	39	38	38	50	23	27
Personnel	5 564	5 856	4 404	5 846	5 728	6 053	6 073	5 941	5 676	5 335
Total										
Combined sales	1 880	1 943	1 492	1 971	1 933	1 903	2 082	2 110	2 050	1 942
Capital expenditures	142	145	163	132	114	106	117	146	77	115
Personnel	15 218	14 856	12 560	13 684	12 522	12 405	12 465	12 408	11 814	12 735

(*) From 2000 onwards, revised accounting principles have been applied: prior-year figures are for information only.

Bekaert manufactures a complete range of steel wires for various industries.

There is a steel cord product for every tire: passenger cars, trucks, buses and heavy equipment.



Wire Europe

2003 was a poor year for wire Europe, with France, Germany and Italy, its largest markets in Western Europe, in recession. Performance in most industrial sectors deteriorated in 2003, which depressed demand for various wire products. Bekaert observed a further weakening of the market in the second half of the year, reflecting the euro's rapid rise against the dollar. Wire rod prices were also higher, exerting increased pressure on margins.

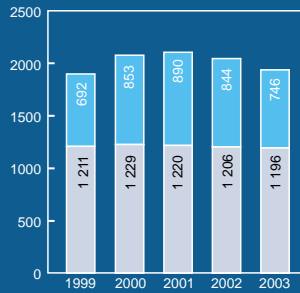
Further cost optimisation within Bekaert's European manufacturing operation was achieved. In this context, a number of production lines at Zwevegem and Hemiksem plants in Belgium were relocated. Bringing production closer to local markets will enable Bekaert to respond even more effectively to the customer's needs.

Central and Eastern Europe are important growth markets in which Bekaert is working to strengthen its competitive position. Bekaert, which already owned the Bohumín plant in the Czech Republic, acquired Drôtovňa Drôty in the Slovak Republic in early 2003.

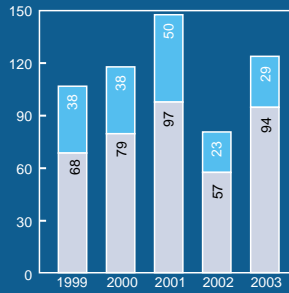
Despite the market conditions, 2003 was a good year for product innovation. Working closely with lead customers, Bekaert launched a renewed type of wire for the next generation of windscreen wipers and homologated several new products for flexible pipe reinforcement for use in the offshore industry. New coatings were developed for spring wire which facilitate processing by customers. Another new product, Bekipro®, a fine galvanised wire with increased corrosion resistance used as a rust-resistant wrapping on various materials, was well received by customers. Bekaert increased its share of the market significantly with coatings such as Bezinal® and Bekacolor®.

Further improvements were made in both product quality and quality of service relating to the delivery times. Although the difficult economic conditions meant that Bekaert had to fill many relatively small orders, the central distribution centre in Zwevegem (Belgium) was able to maintain the desired service standards. The centre also played an important role in the distribution in Western Europe of Bekaert products manufactured in Central Europe and Asia.

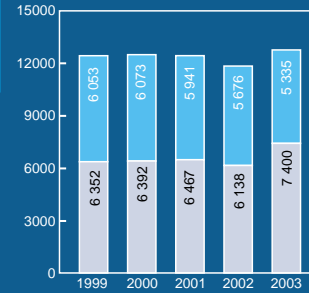
Sales (in millions of euros)



Capital expenditures (in millions of euros)



Personnel



Consolidated
Joint ventures & associates

Consolidated
Joint ventures & associates

Consolidated
Joint ventures & associates

Thanks to these efforts, Bekaert succeeded in advancing its market share appreciably in several specific segments.

Wire North America

2003 was also a difficult year for wire North America. Market demand was weak and in addition wire rod prices rose sharply in the second half-year. Anti-dumping measures and tax disincentives for traditional importers choked off the supply and the prices of wire rod from local producers rose to record levels.

Competition in the wire industry in North America was exceptionally intense in 2003, with several competitors using pricing policy to gain volume. Bekaert expects the reshaping of the competitive environment to continue in 2004.

In the United States, sales of galvanised wire and agricultural fencing suffered as a result of the long, cold winter. The market softened when several important customers shut down their production facilities and the level of activity in the North American automotive sector declined. In August 2003, Bekaert acquired the remaining 50% of the share capital of Contours Ltd (Ohio), which manufactures specialised high-carbon wire, and fully integrated the company.

Titan Steel & Wire Co. Ltd in Canada acquired the strand activities of Wire Rope Industries Ltd (Canada) early in 2003 and invested in faster galvanising technology which yielded a significant improvement in quality, lower production cost and increased production capacity. Several sectors of Canadian industry were under pressure from the weaker US dollar in 2003, which translated into lower galvanised wire sales.

Bekaert made substantial investments in several plants, in order to expand the product range and offer customers more added value.

Wire Latin America

In Latin America, where the main market of interest is industrial wire and agricultural fencing, the positive trend continued in 2003. Only the operations in the Andina region reported slack demand and heavy pressure on prices.

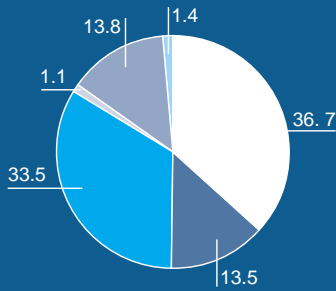
In the Mercosur region, Inchalam (Chile) performed well despite lower export sales, its results in the second half of the year helped by the weakening dollar/peso exchange rate and the favourable economic outlook. In Brazil, Belgo Bekaert Arames S.A. had a good year, with higher exports more than compensating for falling local demand.

In the Andina region, Vicson's operations in Venezuela were affected by the exchange controls which the government introduced in early 2003. Although market demand remained low, consistent with the difficult economic situation, Vicson was able to reap the benefits of the restructuring exercises undertaken in 2002 and reported good results in 2003. In Colombia, the first steps were taken in the process of consolidating the four production units in Bogota. A new galvanising line was installed, which enabled the plant to handle an improved product mix, and the plant layout was optimised. Prices were under heavy pressure in the fourth quarter from strong local competition. Despite the weakness of the local markets in Peru and Ecuador, Bekaert was able to secure a solid position in a number of attractive niche markets.

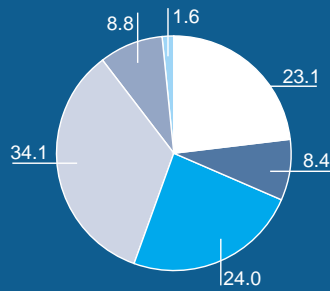
Wire Asia

For wire Asia, 2003 was a year of consolidation and growth. After terminating the joint venture with Hikari in Japan at the end of 2002, Bekaert started up production of nylon-coated wire at Bekaert-Jiangyin Wire Products Co., Ltd (China) for the fast-growing Asian bookbinding wire markets.

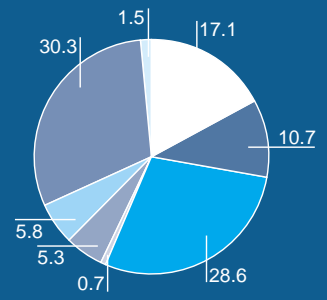
Sales by region: Consolidated



Sales by region: Combined



Sales by activity platform: Combined



European Union: 36.7%
 C. & E. Europe: 13.5%
 North America: 33.5%
 Latin America: 1.1%
 Asia: 13.8%
 Rest of the world: 1.4%

European Union: 23.1%
 C. & E. Europe: 8.4%
 North America: 24.0%
 Latin America: 34.1%
 Asia: 8.8%
 Rest of the world: 1.6%

Wire Europe: 17.1%
 Wire North America: 10.7%
 Wire Latin America: 28.6%
 Wire Asia: 0.7%
 Building products: 5.3%
 Steel cord China: 5.8%
 Steel cord others: 30.3%
 Other advanced wire products: 1.5%

Despite difficult market conditions and growing local competition, Jiangyin Fasten-Bekaert Optical Cable Steel Products Co., Ltd contributed to profitable growth. The company produces mainly armouring wire for optical fibre cables and also supplies intermediate products to other plants in China.

Traditional agricultural fencing products, such as Motto® barbed wire and stock fencing, sold well in China and in the other Asian markets, helped by the newly developed metallic coatings.

Building products

Despite the difficult economic conditions, Bekaert was able to maintain its level of activity in building products. Demand for steel fibres for concrete reinforcement, which represents the bulk of the building products business, came mainly from a number of large-scale projects, mostly tunnels. This compensated for the weak markets in North America and Japan, where public works were subject to strict budget limits in 2003. After a very weak 2002, demand revived a little in Germany and Central Europe but flagged in other European markets.

Innovations in this segment included a Bekaert-developed high-tensile fibre which is eminently suitable for use in tunnel applications. An interactive design programme has been included on Bekaert's website, to give design engineers access to the best possible advice on the use of Dramix®, fibres.

Except for Southern Europe, demand was weak in Europe for the other products in this segment, most of which are used for masonry and plaster reinforcement. In 2003, Bekaert decided to improve the profitability of these products. In this context, production of building products (excluding steel fibres) is being transferred from Zwevegem (Belgium) to Bekaert Hlohovec, a.s. (Slovak Republic).

Steel cord China

The Chinese market for steel cord for tire reinforcement is experiencing explosive growth, with both local and international tire producers responding to the burgeoning car sales. As the Chinese road infrastructure develops, there will also be a progressive switch from cross-ply tires to steel-cord-reinforced radial tires. This evolution, which will be most marked in the truck segment, will have a very important impact on demand for steel cord.



Bekaert is well established as a supplier to tire manufacturers in China. In view of the rapidly growing demand for steel cord, Bekaert decided in May 2003 to expand significantly its production capacity in China. The capacity of the existing China Bekaert Steel Cord Company Limited plant (Jiangyin, Jiangsu province) and the Bekaert Shenyang Steel Cord Co., Ltd plant (Shenyang, Liaoning province) will be more than doubled in 2004. In July 2003, Bekaert chose Weihai (Shandong province) as the site for a new, state-of-the-art facility and, by December, work had started on Bekaert's third plant in China. By the end of 2004, Bekaert expects to have secured total production capacity of 120 000 tonnes per year. Bekaert's aim is to supply its Chinese customers with locally manufactured products of superior quality. Bekaert is increasingly turning to Chinese suppliers for the wire rod used as raw material by its plants in China. In November 2003, Bekaert awarded the prize for excellent quality to Chinese iron and steel conglomerate Shanghai Baosteel.

Steel cord others

The North American market for steel cord for tire reinforcement was significantly affected by the disappearance from the market of one of the major producers. Bekaert took this opportunity to advance its market position substantially by making up a large proportion of the lost capacity.

To benefit from the growing Central and Eastern European market and in response to the recent trend for the major tire manufacturers to relocate production there, Bekaert acquired Drôtovňa Kordy a.s. (Slovak Republic). The integration of this

new plant into the Bekaert organisation and the expansion of the existing steel cord plant at Sladkovicovo (Slovak Republic) proceeded according to plan. The Russian market for radial tires is also developing and Bekaert has devised a specific strategy to enable it to play a more active role.

The market in Latin America continued to grow steadily and Bekaert increased its market share. Work started on expansion programmes at the two plants in Brazil.

The market in India continued to develop satisfactorily. Recent market indicators point to significantly greater penetration by radial tires in the commercial vehicle market in the near future, which will fuel demand for steel cord. The Bekaert Industries Private Limited plant in Pune was officially inaugurated in February 2004. In Indonesia, where PT. Bekaert Indonesia manufactures a variety of steel cord products, Bekaert advanced its share of a growing market.

With its steel cord plant in Izmit (Turkey), Bekaert was able to fulfil its sales targets in the Middle East, despite the turbulent political situation in this region.

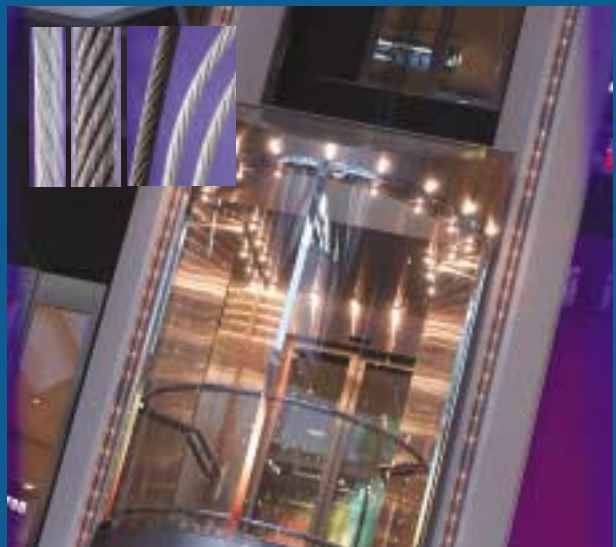
In the markets for other steel cord products used as polymer reinforcement, Bekaert managed in general to hold its position. After collapsing at the beginning of 2003, the market for steel cord for high-pressure hose reinforcement recovered remarkably as the year progressed.

2003 was a difficult year for sales of steel cord for conveyor belt reinforcement, with a limited number of projects and keen competition from low-pay countries resulting in very low

In car wiper arm systems, Bekaert wire has a prominent position: wiper arm, blades, springs and hooks are all made out of steel wire.



Bekaert's steel cord products for polymer reinforcement gives numerous applications strength and capacity.



prices. In the light of these market conditions, Bekaert decided to relocate this product line from Zwevegem (Belgium) to Hlohovec (Slovak Republic), in order to strengthen the company's competitive position and enable it to operate effectively in an unpredictable and volatile market.

Sales of woven steel cord for rubber reinforcement and fine cord for transmission belts reinforcement developed well. Bekaert augmented its product range with plastic-coated cables for use in new applications, such as lift cables and plastic pipe reinforcement.

The market for sawing wire – fine steel cord for sawing microcrystalline silicon into thin slices as used in electronics and solar panels – showed strong growth.

Other advanced wire products

Bekaert produces wire ropes for anchoring drilling platforms, for cranes and lifts and for the fishing industry. The plants in Latin America operated in a stable environment, but sales by Wire Ropes Industries Ltd (Canada) were held back by a lengthy strike. Agreement was reached with the trade unions in the last quarter of 2003.

Bekaert supplies special wire for the manufacture of cards used in the textile industry for processing raw natural and synthetic fibres and in other industrial applications. This market is growing particularly strongly in Asia. Significant progress was made in 2003 in improving the production process and optimising all the equipment.



Fencing systems Europe



The 8.5% decline in consolidated and combined sales reflects the shift towards a product mix with higher added value, which necessitated the closure of several production lines.

The implementation of the rationalisation plan was successfully completed, turning the negative result in 2002 into a positive operating margin of 6.6% of sales in 2003.

Fencing systems Europe (*)										in millions of euros
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Consolidated companies										
Sales	160	174	308	318	436	424	378	383	419	383
Result from operations (EBIT)									(9)	25
EBIT / sales (%)									(2.1)	6.6
Capital expenditures		10	13	12	13	15	15	14	10	8
Personnel		1 267	2 154	2 102	2 612	2 460	2 289	2 103	2 069	1 862
Joint ventures and associates										
Sales	0	0	0	0	10	10	94	98	79	72
Capital expenditures								2	3	2
Personnel							625	779	771	617
Total										
Combined sales	160	174	308	318	446	434	472	481	498	455
Capital expenditures		10	13	12	13	15	15	16	13	10
Personnel		1 267	2 154	2 102	2 612	2 460	2 914	2 882	2 840	2 479

(*) From 2000 onwards, revised accounting principles have been applied: prior-year figures are for information only.

Bekaert supplies fencing systems, with the emphasis on major projects and safety applications.

Bekaert also produces woven and welded mesh products for industrial applications.



The fencing systems Europe segment encompasses the European activities whose transfer into the separate legal entity Bekaert Fencing NV was completed in 2003. This wholly owned subsidiary of N.V. Bekaert S.A. has manufacturing operations in Belgium, France, Germany, the United Kingdom, Spain, Poland and Italy.

Implementation of the rationalisation plan, designed to improve Bekaert Fencing's profitability, was successfully completed in 2003. The product mix emphasises higher added-value products. The configuration of the production plants and the sales and accounting organisations has been optimised and cost efficiency further improved, enabling Bekaert to withstand the growing competition from cheap Chinese imports of woven agricultural fencing and light welded mesh.

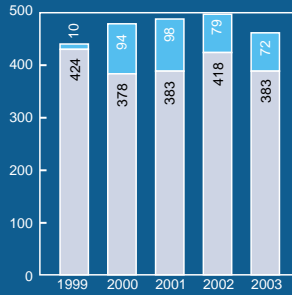
With sales of fencing systems depressed by the weakness of the French, German and Italian economies, Bekaert responded by diversifying its range to include products with particular growth potential. Solutions were devised to reduce the overall project cost to the customer, such as the 3-meter panel recently introduced by Bekaert, which requires fewer fittings and can be erected more quickly.

Security fencing systems performed well, benefiting from the growing demand for protection for strategic installations and buildings. With its updated product range and greater production flexibility, Bekaert is capable of handling large-scale projects and successfully completed numerous commissions in this segment last year. The range of automated sliding gates was expanded and sales continued to grow in 2003.

Sales in Central Europe increased significantly as Bekaert responded effectively to the rising level of investment in this region. A professional network of local partners was set up to install the larger and more complex security systems.

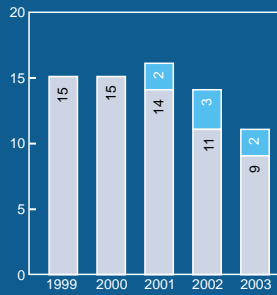
Sales of industrial panels were also higher, thanks to several large projects in the United Kingdom, but the lower level of oil exploration activity translated into reduced sales of Armapipe®, the reinforcement mesh for gas and oil pipelines.

Sales (in millions of euros)



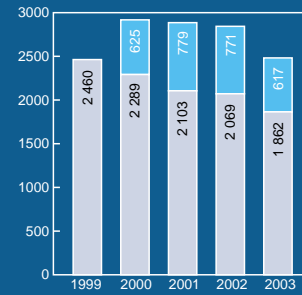
■ Consolidated
■ Joint ventures & associates

Capital expenditures (in millions of euros)



■ Consolidated
■ Joint ventures & associates

Personnel



■ Consolidated
■ Joint ventures & associates


On the basis of an extensive customer survey, which confirmed Bekaert's leadership in quality, product range and efficiency, action was taken to improve still further the standards of service and flexibility.

2003 marked a turning point for Bekaert Handling. Part of the non-core activities of Bekaert Handling A/S (Middelfart, Denmark) were sold and Bekaert Handling Systems Ltd (Droitwich, UK), which leases liquid-transport containers, was completely restructured. Having successfully completed a large order for handling containers from one of the leaders in European wholesale distribution, Bekaert has become the benchmark for quality and flexibility in the handling container market, which was instrumental in its winning a very large order from a wholesale distributor in Australia. Bekaert expects these successes to lead to further orders in this market segment. The improvement drive will continue in 2004, to consolidate Bekaert's leadership in handling containers and to boost profitability.


A photograph of three aerialists performing on silks against a dark background. They are in various poses, with one at the top, one in the middle, and one at the bottom, all holding onto the silks. The lighting is dramatic, highlighting their bodies and the fabric.

A D V A N C E D
M A T E R I A L S A N D
C O A T I N G S

Innovating
takes courage



Advanced materials



Consolidated sales were 5.5% higher, due entirely to growth of Bekaert's activities in combustion technologies. At constant currencies, consolidated sales were up 8%.

By focusing clearly on selected applications and further moving up the value chain, Bekaert strengthened its position and achieved a structural improvement in operating margin to 7.5% of sales.

Advanced materials (*)							in millions of euros			
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Consolidated companies										
Sales	3	3	5	6	8	20	86	89	97	103
Result from operations (EBIT)									2	8
EBIT / sales (%)									2.2	7.5
Capital expenditures	3	8	6	10	5	6	6	4	4	4
Personnel	81	123	279	320	330	546	540	580	569	592
Joint ventures and associates										
Sales	1	2	3	4	5	5	5	5	0	0
Capital expenditures	0	0	0	0	0	0	0	0	0	0
Personnel	5	6	4	10	16	11	15	17	2	2
Total										
Combined sales	5	5	8	10	13	25	90	94	97	103
Capital expenditures	4	8	6	10	5	6	6	4	4	4
Personnel	86	129	283	330	346	557	555	597	571	594

(*) From 2000 onwards, revised accounting principles have been applied: prior-year figures are for information only.

Ultra-thin metal fibres, in the range of 1 to 80 micron thickness, are up to 60 times thinner than human hair and are used in various applications.



Environment-friendly gas burners and gas combustion systems based on ultra-thin metal fibres.



Fibre technologies

Within the advanced materials segment, Bekaert is developing a significant competence in fibre technologies. The ultra-fine metal fibres produced by Bekaert are used in a range of applications.

In filtration media, Bekaert maintained its share of the mature polymer filtration market, but sales of inkjet filter media were down slightly. Bekaert intends to move further up the value chain by developing filter elements and systems for gas and liquid filtration.

Bekaert's metal fibres are also used in the textile industry. Sales of metal fibres for conductive textiles in various traditional applications for draining electrostatic charges were down a little, but demand for conductive metal-fibre textiles for vehicle seat heating continued to rise. Bekaert has built a strong position in heat-resistant fibre mats which are used in windscreen production. Last year again brought vigorous growth in metal-fibre textiles used as an intermediate product in the manufacture of metal-fibre burners.

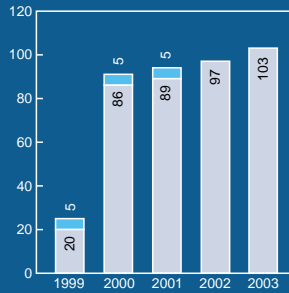
Sales of metal fibres by the Bekaert Toko Metal Fiber Co., Ltd production unit in Japan were particularly strong.

Combustion technologies

Building on its market position and technological strengths, Bekaert further expanded its activities in the combustion technologies sector based on its ultra-fine metal fibres. Bekaert is market leader in environment-friendly burners for high-efficiency boilers for domestic and commercial applications.

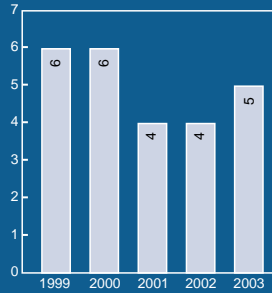
Partnerships have been formed with a number of major customers with whom Bekaert has signed long-term agreements. This close cooperation in product development resulted in 2003 in the formation of a partnership with Bosch Junkers, one of the leading central heating boiler manufacturers.

Sales (in millions of euros)



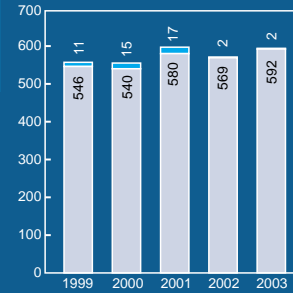
Consolidated
Joint ventures & associates

Capital expenditures (in millions of euros)



Consolidated
Joint ventures & associates

Personnel



Consolidated
Joint ventures & associates

Seeking to extend its metal-fibre concept to industrial applications, Bekaert acquired Solaronics in France, itself a global player in industrial combustion technologies, in early 2004. Solaronics specialises in solutions which use gas and electricity to dry coatings on paper, metal and timber. This acquisition creates further opportunities for Bekaert in new market segments with high added value.

In February 2003, Bekaert increased its 19% stake in CEB ('Clean Enclosed Burners') Technologies in the Netherlands to 100%. Bekaert CEB Technologies B.V. is currently engaged in the development, production, sale and leasing of gas flare systems, which are used mainly in oil and gas exploration to burn off excess gas. Flare systems employing metal-fibre burners offer exceptionally clean – and thus environment-friendly – combustion. Because the flares are practically silent and create no light pollution, oil and gas production can take place in areas where it was previously unacceptable. These flares are in service around the world, chiefly in Canada, the United States, Europe and Indonesia.

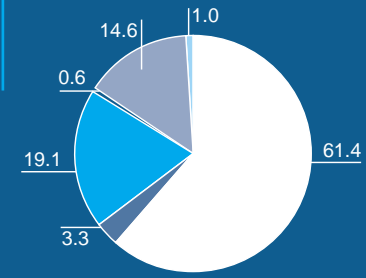
Composites

In 2003, Bekaert's activities in this field related to the manufacture of composite profiles for various applications and glass-fibre reinforced pressure vessels for seawater desalination. Total sales were down slightly, mainly due to lower demand for composite profiles.

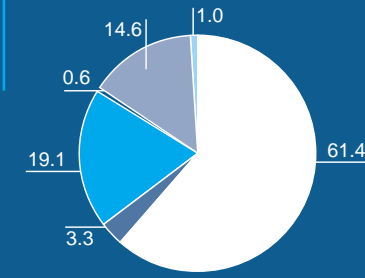
In early 2004, Bekaert sold its composite profiles business to the Finish Exel Oyj, a leading European specialist in composites technology. Achieving Bekaert's strategic targets for this activity would have made heavy demands on resources which would inevitably have slowed the company's growth in other fields more closely related to its core competences.

Sales of glass-fibre-reinforced pressure vessels, mainly used in water purification and desalination of sea water, remained more or less stable. Bekaert, which has production units in Munguía (Spain) and Vista (California, USA), is second in the world league in this market. In contrast to 2002, sales by the Vista plant have been included in the consolidation for a full year in 2003. This business is also highly project-centred and therefore depends on government financial support. Several substantial orders were received at the end of 2003 which will be completed in 2004. Bekaert also executed a number of interesting projects in Asia.

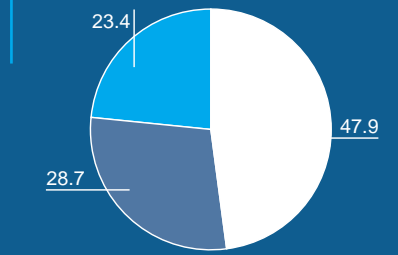
Sales by region: Consolidated



Sales by region: Combined



Sales by activity platform: Combined



European Union: 61.4%
 Latin America: 0.6%
 Asia: 14.6%
 North America: 19.1%
 Rest of the world: 1.0%
 C. & E. Europe: 3.3%

European Union: 61.4%
 Latin America: 0.6%
 Asia: 14.6%
 North America: 19.1%
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Fibre technologies: 47.9%
 Composites: 23.4%
 Combustion technologies: 28.7%



Advanced coatings



Consolidated sales were 6.5% lower and combined sales were down 7.3%. Sales of industrial coatings were higher, but specialised films' sales were sharply lower, due entirely to the weakness of the dollar. At constant currencies, consolidated sales were up 7% and combined sales were 6% higher.

The decline in profitability reflected exceptionally weak demand for specialised films on the American market. Action has been taken where necessary to improve quality and efficiency.

Advanced coatings (*)	in millions of euros									
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Consolidated companies										
Sales	30	43	48	56	54	67	31	71	119	112
Result from operations (EBIT)									3	(2)
EBIT / sales (%)									2.5	(1.9)
Capital expenditures	3	2	3	4	3	1	3	8	8	6
Personnel	26	38	39	73	82	114	134	511	536	606
Joint ventures and associates										
Sales	7	7	6	9	13	18	18	10	7	6
Capital expenditures	1	3	1	1	2	1	8	47	15	2
Personnel	53	60	46	50	55	59	247	286	316	25
Total										
Combined sales	37	50	54	65	67	85	49	81	126	117
Capital expenditures	4	5	4	5	5	2	11	55	23	8
Personnel	79	98	85	123	137	173	381	797	852	631

(*) From 2000 onwards, revised accounting principles have been applied: prior-year figures are for information only.

Industrial coatings are applied on various materials by vacuum technologies and thermal spraying.

Solar control, safety and security films for automotive, residential and commercial applications.



Industrial coatings

Bekaert is a specialist in sputtering, a high-tech process in which a coating is deposited on a substrate under vacuum. Bekaert applies sputtered coatings to various materials, mainly plastic films.

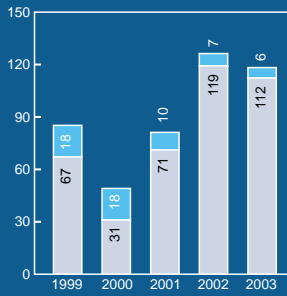
Bekaert also supplies a range of sputtering products, predominantly to customers in the glass industry. These include sputtering targets – cylindrical elements coated with high-grade materials by a thermal spraying process – used in the customer's production process as a material source for large-area application of various coatings. Bekaert manufactures targets in Deinze (Belgium) and Springfield (Wisconsin, USA). The related sputtering equipment is developed and manufactured in Belgium. Bekaert also places its large expertise at its clients' disposal in the form of maintenance services.

Bekaert is world leader in rotating sputtering targets, which achieve higher efficiency than planar targets. Two factors explain the rapid growth which Bekaert experienced in 2003: the burgeoning demand for glass with special coatings and the steady progress made by the glass industry in replacing planar targets with rotating targets. Bekaert realised several important breakthroughs among glass producers in Asia last year, most notably in the fast-growing Chinese market.

Bekaert specialises in thermal spraying of coatings for industrial and medical applications. Another speciality is applying diamond-like coatings, which combine extreme hardness with very low frictional resistance, making them very hard-wearing. Bekaert made a major advance in this technology in 2003: drawing on its plants' pooled expertise in the different technologies, it achieved a significant improvement in the bond between the coating and the substrate. Bekaert also developed larger vacuum machines with greater capacity.

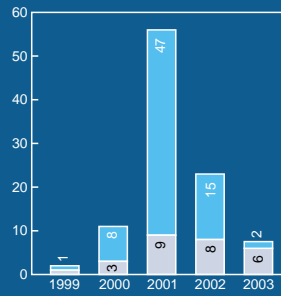
Bekaert strengthened its position in coatings for racing car components last year. Bekaert also applies diamond-like coatings to moulds used in DVD production, a market which is concentrated largely in Asia. Bekaert has increased its interests in Sorevi

Sales (in millions of euros)



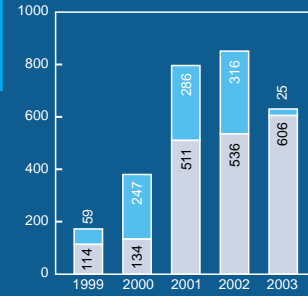
Consolidated
Joint ventures & associates

Capital expenditures (in millions of euros)



Consolidated
Joint ventures & associates

Personnel



Consolidated
Joint ventures & associates

in France and Precision Surface Technology Pte Ltd in Singapore to 86.7% and 66.67%, respectively, in order to consolidate its leading position in industrial coatings in market segments with high added value.

Specialised films

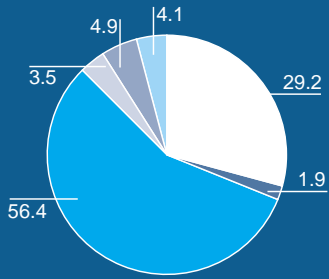
Specialised films, which are used primarily as solar control and safety and security window films, had a difficult year and performance overall fell short of expectations. The American market, which accounts for the bulk of film sales, in both the private and public sectors, faced exceptionally weak demand. This demand was a reflection of the low level of consumer spending in general, which affected sales of window films for applications in vehicles and buildings. At the same time, public-sector budget cuts translated into reduced orders for security and safety window films. The organisation was not adequately equipped to cope with extreme external factors, but Bekaert took the necessary action to turn the situation around and there are now signs that demand is picking up. A number of projects were also launched to raise operational efficiency. The methods and techniques, especially those relating to overall quality assurance and heightened operational efficiency, which have been applied successfully for many years elsewhere within Bekaert are being introduced at a faster rate.

Unisolar

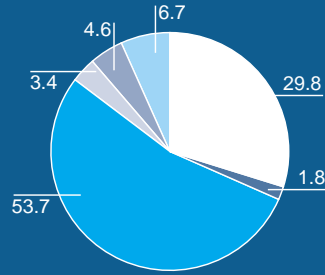
For the activities in solar panels, Bekaert reached in May 2003 agreement with Energy Conversion Devices Inc. (ECD), its partner in the Unisolar joint venture, on the acquisition by ECD of Bekaert's entire interest in Unisolar. ECD acquired a 19% interest in United Solar Systems Corporation and a 60% interest in Bekaert ECD Solar Systems LLC. ECD also assumed Bekaert's existing commitments. Bekaert acquired the technology rights except those relating to photovoltaic cells and rights to build sputtering machines other than those for producing triple-junction photovoltaic cells. Bekaert had decided on strategic grounds that it would commit no further financial resources to solar cell development.

In accordance with the IFRS accounting rules, Bekaert recognised a substantial impairment charge on this activity in 2002. The impairment charge was sufficient to offset the financial impact of termination of this activity in 2003.

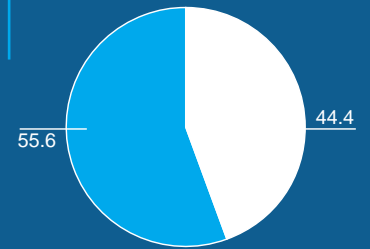
Sales by region: Consolidated



Sales by region: Combined



Sales by activity platform: Combined



European Union: 29.2%
 Latin America: 3.5%
 C. & E. Europe: 1.9%
 Asia: 4.9%
 North America: 56.4%
 Rest of the world: 4.1%

European Union: 29.8%
 Latin America: 3.4%
 C. & E. Europe: 1.8%
 Asia: 4.6%
 North America: 53.7%
 Rest of the world: 6.7%

Industrial coatings: 44.4%
 Specialised films: 55.6%



Personnel



Personnel policy in 2003 reflected Bekaert's wider corporate strategy for sustainable profitable growth. Bekaert's growth mainly depends on the competences and commitment of its personnel, whose goal is to give customers, internal as well as external, the best possible service throughout the world. Bekaert seeks to create a flexible, global community of employees, working together effectively across functional and departmental boundaries. Bekaert's main efforts are directed towards developing the competences which are critical to the success of a globally active organisation.

A more international organisation

Bekaert's primary focus in 2003 was on international and integrated cooperation.

In Central Europe, the advanced wire products segment successfully integrated the activities of the new Hlohovec plant (Slovak Republic) into the global network. A new and more efficient organisational structure was put in place by a core team consisting of managers from the new plant and other locations, and a detailed plan was drawn up to define the priorities for the early years, so that implementation could start without delay.

Strategic Regional Councils were set up in the various regions by Bekaert's steel cord plants around the world, consisting of key managers at regional level and managers who operate globally. These committees are responsible for the implementation of strategy in the various regions.

Joint international marketing teams were set up by a number of activity platforms in the advanced wire products segment, to carry out preparatory work for the formulation and implementation of a new long-term strategy for the new global markets and to consider successors to existing products.

The advanced materials and advanced coatings segments strengthened the regional organisations in Latin America and Asia to support their international expansion.

Advanced wire products plant in Van Buren (USA).



Advanced wire products plant in Jiangyin (China).



Knowledge management was a priority for Bekaert Engineering, which during 2003 designated experienced individuals as 'anchor points', consulted with expert groups in each discipline and defined specific competence requirements.

Important issues were addressed at an international workshop by the management teams from advanced materials and advanced coatings, Bekaert Technology Centre and Bekaert Engineering, supported by managers from other activities. The emphasis was on improving performance through constructive cooperation and development of team skills, applying concepts such as the 'value curve' and the 'virtual company' to practical situations. The aim was to enable Bekaert to respond more swiftly to market developments.

Fast integration and continuous training

Technology being one of its main drivers, Bekaert recruited 15 highly qualified people of various nationalities in 2003 to join its technology and engineering departments in Belgium. The training curriculum for young technologists was revised, in order to ensure a faster response to individual needs. Two key courses, 'Bekaert Manufacturing' and 'Bekaert Foundation Technologies', were updated and were taken by all new technologists joining the company.

Bekaert organised dedicated induction courses for new recruits and employees at new plants around the world.

Many product, market and sales managers from various units took a new course in selling skills.

Several seminars were held in the United States, China and Belgium at which large groups of managers discussed Bekaert's strategy and organisation and exchanged ideas with the Bekaert Group Executive team.



Louisville (USA)



Jiangyin (China)

Better succession planning and more coherent performance monitoring

On the basis of the regular Bekaert Development Reviews, all key posts around the world were analysed and the present incumbents and their potential successors were identified, in order to achieve better long-term planning of management potential.

The experience gained with the job classification system for managers and for non-managerial staff was exchanged on a formal basis between the various regions and business units, which put it to good use.

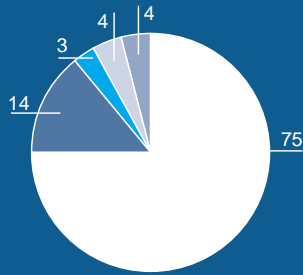
With Bekaert's growing internationalisation, the mobility of managers is a priority and the existing expatriate policy was extended. Compared with 2002, the number of non-European managers working as expatriates at Bekaert locations increased by one-third.

The performance evaluation system in use at Bekaert locations around the world measures the individual's ability to achieve results and maintain focus on the right priorities. The collective labour agreement negotiated with the trade unions in Belgium in 2003 introduces variable performance-related pay for non-management white-collar staff as from 2004. The current performance evaluation system for all managers around the world was considered a good system and forms the basis of Bekaert's performance-related personnel policy.

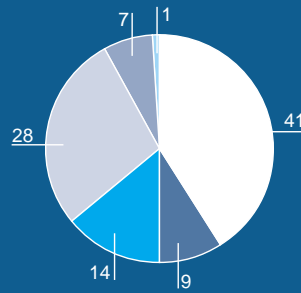
Review of benefit plan cost structure started

Bekaert launched an international review of pension and health insurance plans in 2003, to assess the long-term feasibility of the various benefit plans against the background of rising costs. The healthcare programme in the United States was modified and the existing pension plan in the United Kingdom was reviewed. Further changes to the UK plan are in preparation.

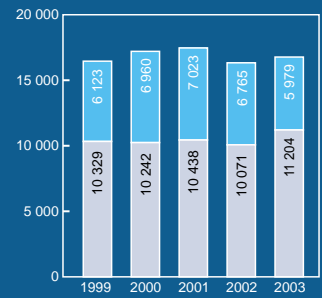
By segment



By region



Evolution of personnel



-
-
-

Evolution of personnel

The total number employed by the Group increased from 16 836 as at year-end 2002 to 17 183 as at year-end 2003. The number employed by the consolidated companies increased from 10 071 to 11 204, largely as a result of the Group's expansion in China and in the Slovak Republic. The number employed by the joint ventures and associated companies decreased from 6 765 to 5 979, mainly due to Bekaert's exit from Unisolar, the sale of part of Bekaert Handling in Denmark and the full consolidation of Contours in the United States.

The work force consists of 72% operators, 21% non-managerial staff and 7% managers.



Health, safety and environment

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

Bekaert made strenuous efforts to improve its safety performance still further in 2003. A primary focus was on the exchange of best-practice information. Belgo Mineira Bekaert Artefatos de Arame Ltda. (Brazil) achieved a remarkable safety performance, thanks to clear targets, good communication, close teamwork and the implementation of an integrated safety and environmental management system. The Vespasiano plant ended the year with no accidents involving absence from work and, on 3 December 2003, the Itaúna plant passed the milestone of 1 000 accident-free days. At the plant in Izmit (Turkey), a safety workshop was organised which took account of the specific risks presented by earthquakes. Bekaert appointed a regional safety manager for North America, to support the safety coordinators at the local plants. With the aid of this professional support, Bekaert's proactive prevention policy further improved safety awareness and in consequence the company's safety profile.

Bekaert introduced a number of additional safety procedures worldwide, designed to manage risks to the company, its staff and the environment. Bekaert's plants sustained little harm last year, although the San Diego (USA) plant suffered limited tornado damage. Bekaert continued to work on reducing overall insurance costs in 2003 and was able, as a result of successful negotiations with its insurance brokers and a comprehensive re-evaluation of the property risks, to keep premiums under control. Despite the difficult economic conditions, better terms were negotiated for the overall credit insurance programme.

Bekaert closely monitors developments in international environmental legislation, both so that it can identify potential conflicts with existing processes and products and devise appropriate solutions and so that it can utilise this information as the basis for the development of new products and services.



A major effort was made last year in the context of the commitments which Bekaert has entered into with public authorities to take a proactive approach to dealing with existing soil contamination. Bekaert Fencing S.A. in Bourbourg (France) decontaminated a site used in the past for dumping filter cake (waste water treatment sludge), in agreement with the French Regional Directorate for Industry, Research and the Environment (DRIRE). In Belgium, a review of existing soil contamination at Bekaert's plants was carried out, on the basis of descriptive soil surveys. Bekaert started remedial work in 2003 at a site at Zwevegem (Belgium) where the ground water is contaminated with zinc.

Bekaert VDS invested in new containers at Deinze (Belgium) for temporary storage and additional precautions against leakage were taken in the forklift storage and refuelling areas at Contours Ltd (USA).

In all countries, Bekaert takes care to ensure that all processes comply fully with the operating permits.

Bekaert's main priorities are to reduce the volume of industrial waste water and solid waste and to recover raw materials. Actions in 2003 included:

- the commissioning of new waste-water treatment installations at two plants in Latin America: Proalco S.A. in Caldas (Colombia) and Inchalam S.A. in Talcahuano (Chile);
- the systematic modification of the processing equipment at Bekaert Bohumín s.r.o. (Czech Republic) to incorporate best practice, which has substantially reduced the volume of waste water;
- the installation of an additional sand filtration stage for waste water produced at the Muskegon (USA) plant;
- a 30% reduction in soap waste at the Dramix® plant operated by Shanghai Bekaert Ergang Company Limited (China);
- breakthroughs at the Shelbyville (USA) plant and several plants in Belgium in the recycling of waste materials (mainly filter cake).

On the basis of energy audits performed on the production processes at the Belgian plants, Bekaert signed a covenant with the Flemish government under which it committed itself to raising its energy-efficiency to match the best in the world, in exchange for the government's undertaking not to impose any additional permit conditions or CO₂ taxes. Bekaert companies in other countries also mounted energy-saving projects in 2003, including Belgo Bekaert Arames S.A. at Contagem (Brazil) which is now achieving a high level of heat recovery from its air compressors. Efficient use of water and acid yielded substantial savings at Belgo Bekaert Arames S.A. (Brazil), at the Muskegon and Van Buren plants in the United States and at Bekaert Fencing NV (Belgium).

The new Sensor database, which contains all relevant safety and environmental information and can be accessed by staff via the intranet, was introduced by Bekaert in 2003. This facilitates the benchmarking of the performance of plants engaged in similar activities and the efficient exchange of best-practice information. Effective cross-functional cooperation is enabling Bekaert to introduce more environment-friendly processes at its plants. Process innovations include:

- the replacement of cracked ammonia with a better alternative at Zwevegem (Belgium);
- switching from kerosene as a fuel for steam generation at Belgo Bekaert Arames S.A. (Contagem, Brazil);
- a new disposal procedure for lubricants at Dyersburg (USA);
- a new process for thermal oxidation of volatile organic compounds at Bekaert Specialty Films, LLC (San Diego, USA), resulting in a substantial reduction in emissions.

Bekaert seeks to establish good relationships with the authorities in the countries in which it operates.