# F I N A N C I A L R E V I E W

## T A B L E O F C O N T E N T S

# Executive summary

## IFRS

In 2003 Bekaert decided to move to full compliance with IFRS as a "first-time adopter". This implied the full application of segment reporting and a restatement of employee benefit obligations. The unrecognised actuarial losses of defined benefit post-employment plans as at end 2001 of €95.0 million were booked against reserves and deferred tax assets and liabilities. The net effect was a drop in equity of €82.0 million at 1 January 2002. There was a favourable effect on the 2002 income statement of €3.2 million.

## Income statement

In 2003, the **consolidated sales** decreased by 3.6% to €1 797 million due to the strong depreciation of the US dollar and the Chinese renminbi. At constant currencies, Bekaert would have increased its consolidated sales by 4.1%.
The strong performance of advanced wire products was mainly due to the acquisition of Drôtovña Drôty a.s. and Drôtovña Kordy a.s. in the Slovak Republic (since merged into Bekaert Hlohovec, a.s.) and of the remaining 50% share in Contours Ltd in the US and to the high demand for the steel cord products in China. 2003 was a difficult year for wire products in both Western Europe and North America. Sales of the fencing activities decreased due to a shift of the portfolio to products with a higher added value and the discontinuation of certain product lines. Advanced materials' consolidated sales rose by 8% driven by combustion technologies sales growth. At constant currencies, sales of advanced coatings increased by 7% as weak market demand for film coatings in the United States was more than compensated by increased activity in Europe and Asia.

The total **sales of the joint ventures and associates** decreased by 13%. At constant currencies, sales would have shown a slight increase. Brazil and Chile both showed a good activity level in 2003, but the economic climate in the Andina region was poor.

The **result from operations** reached €111.8 million (2002: €64.2 million), an increase of nearly 75%. At constant currencies, it would have increased to €138.1 million (115%). Non-recurring elements amounted to €9.9 million (2002: €59.6 million). Before non-recurring elements and at constant currencies result from operations would have increased from €123.8 million to €148 million (+19.5%). The main reasons for this increase were the strong growth of sales in China already mentioned, the favourable effect of the restructuring programme of the fencing activities and the strong activity in combustion technologies.
The non-recurring costs of 2003 were related to restructuring programmes in advanced wire products (mainly in Belgium and due to the withdrawal from some unprofitable products and the relocation of others), in fencing systems Europe (the continuation of the programme started in 2002) and in advanced coatings (the restructuring of a small plant in the United States). Some additional provisions were also made for environmental clean-up programmes.

The **EBIT margin** as a percentage of sales rose from 3.4% to 6.2%, while **EBITDA on sales** was 13.3% compared to 12.1% in 2002.

**Non-operating income and expenses** included an impairment charge of €5.8 million for the joint venture Bekaert Handling Group A/S and a gain on the sale of the renewable energy business of €5.3 million.

The **share in the result of joint ventures and associates** increased from €23.1 million to €35.5 million. At constant currencies, the Bekaert share would have been €41.7 million. The main reasons for the increase were the improved results in the Brazilian and Chilean companies together with the termination of the losses of the Unisolar business (which was sold during 2003).

The **consolidated net result of the Group** for 2003 amounted to €85.2 million (2002: loss of €46.3 million). At constant currencies, the net profit would have been €113.9 million.

## Cash flow statement

In 2003, **new investments and capital increases** were made of €33.9 million. The major new acquisitions were in the advanced wire products segment, including a stake of 100% in Drôtovña Drôty a.s. and Drôtovña Kordy a.s. (now called Bekaert Hlohovec, a.s.), Slovak Republic and the remaining 50% of the shares in Contours Ltd, United States. Bekaert increased also its share in Sorevi S.A. (advanced coatings) and acquired two distribution companies for the window film business in the Scandinavian region. **Capital expenditure** on property, plant and equipment was €108.6 million (2002: €77.6 million), including almost €44 million on the expansion programme in China.

The net debt position of the Bekaert Group (€364 million) remained at the level of 2002 (€366 million). The higher investment effort in 2003 was financed by the strong cash flow from operating activities which amounted to €150 million.

## Equity

The consolidated equity of the Group at the end of 2002 was restated from €831.9 million to €758.4 million due to the already mentioned application of IFRS 1. In 2003 this equity increased with €20.5 million to €779 million, mainly due to the consolidated net result (€85.2 million), partially compensated by the dividend pay-out (€38.6 million) and negative foreign exchange translation differences (€29.2 million).

# Consolidated income statement

| YEARS ENDED 31 DECEMBER | Notes | 2003 | 2002 IFRS | Restatement IFRS | 2002 reported |
|---|---|---|---|---|---|
| Sales | 3 | 1 796 987 | 1 863 467 | | 1 863 467 |
| Cost of sales | 5 | (1 424 481) | (1 489 779) | | (1 489 779) |
| **GROSS PROFIT** | **4** | **372 506** | **373 688** | | **373 688** |
| Distribution & selling expenses | 5 | (111 496) | (109 958) | | (109 958) |
| General & administrative expenses | 5 | (100 632) | (108 891) | | (108 891) |
| Research & development expenses | 5 | (35 928) | (36 068) | | (36 068) |
| Other revenues | 4 | 20 135 | 19 629 | | 19 629 |
| Other expenses | 4 / 5 | (32 784) | (74 158) | | (74 158) |
| **RESULT FROM OPERATIONS** | **4** | **111 801** | **64 242** | | **64 242** |
| Interest income & expenses | 6 | (32 305) | (29 522) | 3 405 | (32 927) |
| Non-operating income & expenses | 7 | (10 660) | (100 595) | | (100 595) |
| **RESULT FROM ORDINARY ACTIVITIES BEFORE TAXES** | | **68 836** | **(65 875)** | **3 405** | **(69 280)** |
| Income taxes | 8 | (8 158) | 7 246 | (160) | 7 406 |
| **RESULT FROM ORDINARY ACTIVITIES AFTER TAXES** | | **60 678** | **(58 629)** | **3 245** | **(61 874)** |
| Share in the result of companies accounted for under the equity method | 13 | 35 450 | 23 096 | | 23 096 |
| Amortisation goodwill on companies accounted for under the equity method | 13 | (3 429) | (4 043) | | (4 043) |
| Minority interests | | (7 486) | (6 690) | | (6 690) |
| **CONSOLIDATED NET RESULT OF THE GROUP** | | **85 213** | **(46 266)** | **3 245** | **(49 511)** |
| | | | | | |
| **EARNINGS / (LOSS) PER SHARE** | **31** | | | | |
| RESULT FROM ORDINARY ACTIVITIES BEFORE TAXES (euros per share) | | | | | |
| Basic | | 3.113 | (2.974) | 0.154 | (3.128) |
| Diluted | | 3.113 | (2.972) | 0.154 | (3.126) |
| CONSOLIDATED NET RESULT OF THE GROUP (euros per share) | | | | | |
| Basic | | 3.854 | (2.089) | 0.146 | (2.235) |
| Diluted | | 3.854 | (2.087) | 0.147 | (2.234) |
| **RESULTS BEFORE NON-RECURRING EVENTS** | **9 / 31** | | | | |
| RESULT FROM OPERATIONS | | 121 703 | 123 831 | | 123 831 |
| RESULT FROM ORDINARY ACTIVITIES BEFORE TAXES | | 79 268 | 79 917 | 3 405 | 76 512 |
| EARNINGS PER SHARE | | | | | |
| RESULT FROM ORDINARY ACTIVITIES BEFORE TAXES (euros per share) | | | | | |
| Basic | | 3.585 | 3.608 | 0.154 | 3.454 |
| Diluted | | 3.585 | 3.606 | 0.154 | 3.452 |

*The accompanying notes are an integral part of this income statement.*

All financial amounts expressed in thousands of euros

# Consolidated balance sheet

| ASSETS 31 DECEMBER | Notes | 2003 | 2002 IFRS | Restatement IFRS | 2002 reported |
|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | **1 153 760** | **1 163 904** | | **1 163 904** |
| Intangible assets | 10 | 48 542 | 54 950 | | 54 950 |
| Goodwill and negative goodwill | 11 | 70 917 | 72 178 | | 72 178 |
| Property, plant & equipment | 12 | 757 564 | 777 586 | | 777 586 |
| *- Land and buildings* | | *211 542* | *223 220* | | *223 220* |
| *- Plant, machinery and equipment* | | *475 266* | *496 361* | | *496 361* |
| *- Furniture and vehicles* | | *9 557* | *10 797* | | *10 797* |
| *- Other* | | *3 425* | *3 041* | | *3 041* |
| *- Under construction and advance payments* | | *57 774* | *44 167* | | *44 167* |
| Investments accounted for under the equity method | 13 | 189 122 | 204 637 | | 204 637 |
| Loans and receivables | 15 | 860 | 1 018 | | 1 018 |
| Financial assets | | 86 755 | 53 535 | | 53 535 |
| *- Available-for-sale financial assets* | *14* | *13 126* | *10 279* | | *10 279* |
| *- Derivatives* | *26* | *73 629* | *43 256* | | *43 256* |
| **CURRENT ASSETS** | | **756 936** | **747 525** | **(37 332)** | **784 857** |
| Inventories | 16 | 322 642 | 311 826 | | 311 826 |
| *- Raw materials & consumables* | | *102 284* | *102 944* | | *102 944* |
| *- Work in progress & finished goods* | | *200 971* | *184 373* | | *184 373* |
| *- Goods purchased for resale & advance payments* | | *19 387* | *24 509* | | *24 509* |
| Amounts receivable | | 338 588 | 353 189 | (37 332) | 390 521 |
| *- Trade receivables* | *16* | *307 740* | *311 413* | | *311 413* |
| *- Loans* | *17* | *5 766* | *8 124* | | *8 124* |
| *- Other receivables* | *18* | *25 082* | *33 652* | *(37 332)* | *70 984* |
| Financial assets | | 32 571 | 21 379 | | 21 379 |
| *- Available-for-sale financial assets* | | *48* | *134* | | *134* |
| *- Derivatives* | *26* | *1 916* | *1 391* | | *1 391* |
| *- Short term deposits* | | *30 607* | *19 854* | | *19 854* |
| Cash & cash equivalents | | 50 468 | 52 381 | | 52 381 |
| Deferred charges and accrued income | 18 | 12 667 | 8 750 | | 8 750 |
| **DEFERRED TAX ASSETS** | **19** | **15 064** | **10 665** | **6 246** | **4 419** |
| **TOTAL** | | **1 925 760** | **1 922 094** | **(31 086)** | **1 953 180** |

*The accompanying notes are an integral part of the balance sheet.*

All financial amounts expressed in thousands of euros

| EQUITY AND LIABILITIES 31 DECEMBER | Notes | 2003 | 2002 IFRS | Restatement IFRS | 2002 reported |
|---|---|---|---|---|---|
| **EQUITY** | | **778 950** | **758 403** | **(73 500)** | **831 903** |
| Share capital | 20 | 170 000 | 170 000 | | 170 000 |
| *- Issued capital* | | *170 000* | *170 000* | | *170 000* |
| Reserves and retained earnings | | 747 042 | 707 262 | (78 767) | 786 029 |
| Hedging reserve | 21 | (3 018) | (13 015) | | (13 015) |
| Cumulative translation adjustment | | (135 074) | (105 844) | 5 267 | (111 111) |
| **MINORITY INTERESTS** | **22** | **43 344** | **44 343** | | **44 343** |
| **NON-CURRENT LIABILITIES** | | **539 270** | **596 603** | **46 867** | **549 736** |
| Employee benefit obligations | 23 | 171 435 | 176 389 | 46 867 | 129 522 |
| Provisions | 24 | 43 804 | 53 860 | | 53 860 |
| Financial liabilities | | 322 169 | 342 912 | | 342 912 |
| *- Leasing and other similar obligations* | *25* | *1 034* | *555* | | *555* |
| *- Credit institutions* | *25* | *204 317* | *216 744* | | *216 744* |
| *- Bonds* | *25* | *106 998* | *106 991* | | *106 991* |
| *- Derivatives* | *26* | *9 820* | *18 622* | | *18 622* |
| Other amounts payable | 25 | 1 862 | 23 442 | | 23 442 |
| **CURRENT LIABILITIES** | | **499 516** | **456 683** | | **456 683** |
| Financial liabilities | | 177 343 | 152 020 | | 152 020 |
| *- Current portion of non-current financial liabilities* | *25* | *8 480* | *8 358* | | *8 358* |
| *- Credit institutions* | *25* | *168 103* | *138 376* | | *138 376* |
| *- Derivatives* | *26* | *760* | *5 286* | | *5 286* |
| Trade payables | 16 | 191 417 | 184 921 | | 184 921 |
| Advances received on contracts in progress | 16 | 6 245 | 2 444 | | 2 444 |
| Employee benefit obligations | 16 | 69 922 | 75 552 | | 75 552 |
| Taxes | | 24 937 | 21 591 | | 21 591 |
| *- Income taxes* | | *7 289* | *5 138* | | *5 138* |
| *- Other taxes* | | *17 648* | *16 453* | | *16 453* |
| Other amounts payable | 27 | 22 005 | 12 493 | | 12 493 |
| Accrued charges and deferred income | 27 | 7 647 | 7 662 | | 7 662 |
| **DEFERRED TAX LIABILITIES** | **19** | **64 680** | **66 062** | **(4 453)** | **70 515** |
| **TOTAL** | | **1 925 760** | **1 922 094** | **(31 086)** | **1 953 180** |

*The accompanying notes are an integral part of the balance sheet.*

All financial amounts expressed in thousands of euros

# Consolidated statement of changes in shareholders' equity

| | Share capital | Treasury shares | Hedging reserve | Retained earnings | Deferred tax booked in equity | Cumulative translation adjustment | Total |
|---|---|---|---|---|---|---|---|
| **BALANCE AT 1 JANUARY 2003** | **170 000** | **-** | **(13 015)** | **684 534** | **22 728** | **(105 844)** | **758 403** |
| Result of the Group | - | - | - | 85 213 | - | - | 85 213 |
| Reclass to deferred tax | - | - | - | - | - | - | - |
| Result recognised directly in equity: | | | | | | | |
| - Foreign exchange translation differences | - | - | - | - | - | (29 230) | (29 230) |
| - Cash flow hedges (1) | - | - | 9 997 | - | - | - | 9 997 |
| - Timing difference dividends (2) | - | - | - | - | - | - | - |
| - Other | - | - | - | (3 287) | (1 382) | - | (4 669) |
| Own shares acquired | - | (2 185) | - | - | - | - | (2 185) |
| Cancellation own shares | - | 2 185 | - | (2 185) | - | - | - |
| Dividends to shareholders | - | - | - | (38 579) | - | - | (38 579) |
| **BALANCE AT 31 DECEMBER 2003** | **170 000** | **-** | **(3 018)** | **725 696** | **21 346** | **(135 074)** | **778 950** |
| | | | | | | | |
| **BALANCE AT 1 JANUARY 2002** | **170 000** | **-** | **(15 091)** | **871 866** | **-** | **(5 365)** | **1 021 410** |
| **RESTATEMENT IFRS (3)** | **-** | **-** | **-** | **(95 029)** | **13 018** | **-** | **(82 011)** |
| **BALANCE AT 1 JANUARY 2002 AFTER RESTATEMENT IFRS** | **170 000** | **-** | **(15 091)** | **776 837** | **13 018** | **(5 365)** | **939 399** |
| Result of the Group as reported | - | - | - | (49 511) | - | - | (49 511) |
| Restatement IFRS 2002 (4) | - | - | - | 3 245 | - | 5 267 | 8 512 |
| Reclass to deferred tax | - | - | - | (1 873) | 1 873 | - | - |
| Result recognised directly in equity: | | | | | | | |
| - Foreign exchange translation differences | - | - | - | - | - | (105 746) | (105 746) |
| - Cash flow hedges (1) | - | - | 2 076 | - | - | - | 2 076 |
| - Timing difference dividends (2) | - | - | - | (2 379) | - | - | (2 379) |
| - Other | - | - | - | (3 090) | 7 837 | - | 4 747 |
| Own shares acquired | - | (1 471) | - | - | - | - | (1 471) |
| Cancellation own shares | - | 1 471 | - | (1 471) | - | - | - |
| Dividends to shareholders | - | - | - | (37 224) | - | - | (37 224) |
| **BALANCE AT 31 DECEMBER 2002** | **170 000** | **-** | **(13 015)** | **684 534** | **22 728** | **(105 844)** | **758 403** |

*The accompanying notes are an integral part of this statement.*

*(1) See note 21 "Hedging reserve".*
*(2) "Timing difference dividends" relates to a Latin-American holding not taking part in the consolidation and to an entity having 30 September as annual closing date, as a result of which there may be a timing difference between dividends being declared by an entity and dividends being recognised by the parent company (N.V. Bekaert S.A.).*
*(3) Relates to the IFRS restatement impact on the **opening** equity; see "Impact of first-time adoption of IFRS" under Note 1.*
*(4) Relates to the IFRS restatement impact on the result and on the translation of the **closing** equity as of 31 December 2002.*

All financial amounts expressed in thousands of euros

# Consolidated cash flow statement

*See also Note 28*

| YEARS ENDED 31 DECEMBER | 2003 | | 2002 | |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Result from operations | | 111 801 | | 64 242 |
| Non-cash items included in result from operations | | 96 096 | | 166 809 |
| *- Depreciation and amortisation* | *127 307* | | *149 442* | |
| *- Impairment losses on assets* | *-* | | *12 095* | |
| *- (Gains) / losses on disposals of assets* | *(2 602)* | | *3 603* | |
| *- Provision for liabilities and charges* | *(28 609)* | | *1 669* | |
| Income taxes | | (18 490) | | (13 063) |
| **GROSS CASH PROVIDED BY OPERATING ACTIVITIES** | | **189 407** | | **217 988** |
| Change in operational working capital | | (18 570) | | 39 487 |
| Change in other working capital | | (18 503) | | (1 555) |
| Extraordinary & other non-operating cash flows | | (2 201) | | (7 104) |
| **CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES** | | **150 133** | | **248 816** |
| **INVESTING ACTIVITIES** | | | | |
| New investments acquired and capital increases | | (33 947) | | (5 505) |
| Proceeds from sales and disposals of investments | | 5 701 | | 3 101 |
| Gross (increase) / decrease non-current loans and receivables | | (243) | | (629) |
| Dividends received from companies accounted for under the equity method | | 18 902 | | 14 289 |
| **CASH GENERATED BY / (USED IN) PORTFOLIO RELATED ACTIVITIES** | | **(9 587)** | | **11 256** |
| Purchase of intangible assets | | (9 519) | | (7 333) |
| Purchase of property, plant & equipment | | (108 630) | | (77 595) |
| Proceeds from sales of intangible assets | | - | | 46 |
| Proceeds from sales of property, plant & equipment | | 11 738 | | 13 683 |
| Proceeds from government grants | | (11) | | (348) |
| **CASH GENERATED BY / (USED IN) INDUSTRIAL RELATED ACTIVITIES** | | **(106 422)** | | **(71 547)** |
| **CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES** | | **(116 009)** | | **(60 291)** |
| **FINANCING ACTIVITIES** | | | | |
| Interest received | | 3 329 | | 3 344 |
| Interest paid | | (21 574) | | (30 025) |
| Gross dividend paid | | (44 860) | | (43 137) |
| Capital paid in by minority interests | | 249 | | 1 089 |
| (Increase) / decrease treasury shares at cost | | (2 185) | | - |
| Cash flows from non-current financial liabilities | | 82 153 | | 5 334 |
| Cash flows from current financial liabilities | | (40 025) | | (120 124) |
| (Increase) / decrease current loans and receivables | | 1 652 | | (3 019) |
| (Increase) / decrease current financial assets (1) | | (11 542) | | (4 199) |
| **CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES** | | **(32 803)** | | **(190 737)** |
| **NET INCREASE IN CASH & CASH EQUIVALENTS** | | **1 321** | | **(2 212)** |
| **CASH & CASH EQUIVALENTS AT 1 JANUARY** | | **52 381** | | **58 324** |
| Effect of exchange rate changes on cash & cash equivalents | | (3 234) | | (3 731) |
| **CASH & CASH EQUIVALENTS AT 31 DECEMBER** | | **50 468** | | **52 381** |

*(1) excluding derivatives*

*The accompanying notes are an integral part of this income statement.*

All financial amounts expressed in thousands of euros

BEKAERT

# Notes to the consolidated financial statements

## 1. Summary of significant accounting policies

### Statement of compliance

N.V. Bekaert S.A. ("the Company") is a company domiciled in Belgium. The consolidated annual accounts of the Company include those of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in companies accounted for under the equity accounting method. The consolidated annual accounts were authorised for issue by the Board of Directors on 17 March 2004.

The accompanying consolidated accounts have been compiled for the first time in full conformity with the International Financial Reporting Standards ("IFRS"), formerly named International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the Standing Interpretation Committee of the IASB, both of which have been approved by the European Commission. The Group also applied IAS/IFRS standards which are not yet officially approved by the European Commission, namely IAS 32 "Financial Instruments: Disclosure and Presentation", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 1 "First-Time Adoption of International Financial Reporting Standards". A derogation allowing the Group to apply IFRS 1 was granted by the Belgian Banking, Finance and Insurance Commission ("CBFA") on 23 February 2004 in accordance with article 10, §3, 2° of the law of 2 August 2002 concerning the supervision of the financial sector and financial services.

The applied accounting policies substantially comply with the regulations of the 7th EU directive.

### Basis of preparation

The consolidated financial statements are presented in thousands of euros, using the historical cost basis, except that investments held for trading and available-for-sale are stated at their fair value. If a reliable price quotation in an active market is not available or if the fair value of the investment cannot be reliably measured, the available-for-sale investments are measured at cost.

The accounting policies have been applied consistently in 2003 and in the previous year (as restated). Because the data necessary for the proper reclassification of periods earlier than 2000, as presented in the "Historical Review", have not been collected, these periods have not been restated.

### Principles of consolidation

***Subsidiaries***

Subsidiaries are those enterprises controlled by N.V. Bekaert S.A. This control is normally evidenced when N.V. Bekaert S.A. owns, directly or indirectly, more than 50% of the voting rights of an enterprise's share capital and is able to govern its financial and operating policies so as to obtain benefits from its activities. The purchase method of accounting is used for acquired businesses. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is acquired by the Group until the date control ceases. All intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. The equity and net result attributable to minority shareholders' interests are shown separately in the balance sheets and income statements, respectively.

***Joint ventures and associates***

A joint venture is a contractual arrangement whereby N.V. Bekaert S.A. and other parties undertake, directly or indirectly, an economic activity that is subject to joint control. Associates are those companies in which N.V. Bekaert S.A. has, directly or indirectly, a significant influence, and which are neither subsidiaries nor joint ventures. This is presumed if the Group holds at least 20% of the voting rights associated with the shares. Financial statements of these companies are only restated to the accounting policies applied by the Group when the appropriate information is available. In most cases, the financial statements of these companies are prepared under other accounting policies than those of the Group and the information for restating these to Group policies is generally not available. In accordance with IFRS 1 (First-time Adoption of International Financial Reporting Standards), the accounting policies applied to the financial statements of 2003 are consistent with those applied to 2002. The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures and associates on an equity accounted basis, from the date that joint control or significant influence commences until the date that joint control or significant influence ceases. When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition of losses is discontinued except to the extent of the Group's commitment. Material unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the enterprise, against the investment in the joint venture or the associate. An assessment of investments in joint ventures and associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

### Foreign currency translation

Based on the economic substance of the underlying events and circumstances relevant to the Company, the measurement currency of the Company has been determined to be the euro. To consolidate the Company (measured in euros), and each of its subsidiaries (each measured in its own measurement currency), financial statements of foreign consolidated subsidiaries 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.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, joint ventures and associated entities at the year-end exchange rates are recorded as part of shareholders' equity under "cumulative translation adjustment". On disposal of a foreign entity, accumulated exchange differences are recorded in the income statement as part of the gain or loss on the sale. The financial statements of the subsidiary Beksa Celik Kord Sanayi ve Ticaret A.S. (Turkey), which operates in an economy with a history of high inflation, are expressed in its functional currency, the euro, as this reflects the economic substance of the transactions relevant to that enterprise.

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

## Intangible assets

Intangible assets are initially measured at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. The amortisation period and the amortisation method are reviewed at each financial year-end.

### *Licences, patents and similar rights*

Expenditure on acquired licences, patents, trademarks and similar rights is capitalised and amortised using the straight-line method over the contractual period, if any, or the estimated useful life, which is normally considered to be not longer than 10 years.

### *Computer software*

Generally, costs associated with the acquisition, development or maintenance of computer software programmes are recognised as an expense as incurred. However, external costs directly associated with the acquisition and implementation of acquired ERP software, are recognised as intangible assets. Computer software costs recognised as assets are amortised over 5 years using the straight-line method.

### *Rights to use land*

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

### *Research and development*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technological knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes prior to commercial production or use, is capitalised if, and only if, all of the recognition criteria set forward below are met:

- the product or process is clearly defined and costs are separately identified and reliably measured;
- the technical feasibility of the product is demonstrated;
- the product or process will be sold or used in-house;
- the assets will generate future economic benefits (e.g. a potential market exists for the product or its usefulness in case of internal use is demonstrated); and
- adequate technical, financial and other resources required for completion of the project are available.

In most cases, these recognition criteria are not met. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product using the straight-line method over the period expected to benefit. The period of amortisation does not normally exceed 10 years.

## Goodwill and negative goodwill

Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the net assets acquired at the date of acquisition. Goodwill is amortised using the straight-line method over its estimated useful life, not exceeding 20 years.

Negative goodwill represents the excess of the fair value of the Group's share in the net assets acquired over the cost of acquisition. Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that it relates to expected future losses and expenses that are identified in the Group's plan for the acquisition and can be reliably measured, but which do not represent identifiable liabilities, negative goodwill is amortised as those losses and expenses are incurred. Any remaining negative goodwill, not exceeding the fair value of non-monetary assets acquired, is recognised in the income statement over the remaining useful life of those assets; negative goodwill in excess of the fair value of those assets is recognised in the income statement immediately.
Goodwill and negative goodwill is accounted for in consolidation and not in the books of the acquired entity.
The "investments accounted for under the equity method" presented in the balance sheet includes the carrying amount of any related goodwill.

## Property, plant & equipment

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

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

Depreciation is provided over the estimated useful lives of the various classes of property, plant & equipment using the straight-line method.

Annual depreciation rates are:

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

Improvements to leased buildings are capitalised and depreciated over the remaining term of the lease or their expected useful life if shorter.
Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.
Gains and losses on disposals are included in result from operations.

## Leases

### *Finance leases*

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

### *Operating leases*

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

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

## Government grants

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

## Financial assets

Financial assets, except derivatives, are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs.
Available-for-sale and trading assets are subsequently carried at fair value without any deduction for transaction costs. Equity securities classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by alternative valuation methods are measured at cost.
Gains or losses on measurement to fair value of available-for-sale financial assets and assets held for trading are recognised directly in the income statement.
Held-to-maturity financial assets are carried at amortised cost using the effective interest rate method, except short term deposits, which are carried at cost.
Non-current available-for-sale assets include investments in other shares, amounts receivable in more than one year and cash guarantees. Current available-for-sale financial assets mainly include corporate bonds, government bonds, commercial paper, preferred and common stocks and rights to acquire or sell securities, all of which are saleable at the option of the holder and for which there is a ready market.

## Inventories

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

## Receivables

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

## Cash & cash equivalents

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

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

## Share capital

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

## Minority interests

Minority interests represent the part of the equity of subsidiaries which are not fully owned. It includes the minority shareholder's proportion of the fair values of identifiable assets and liabilities recognised upon acquisition of a subsidiary together with the appropriate proportion of subsequent profits and losses.

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

## Provisions

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

The amount recognised as a provision is the best estimate of the expenditure required to settle the present value of the obligation at the balance sheet date, discounted when appropriate.

### *Restructuring*

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

### *Site restoration*

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

## Employee benefits

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

### *Defined benefit plans*

Most pension plans are defined benefit plans with benefits based on years of service and on the level of remuneration. For defined benefit plans, the amount recognised in the balance sheet is the present value of the defined benefit obligation adjusted for the unrecognised actuarial gains and losses, less the fair value of any plan assets and any past service costs not yet recognised.

The "present value of the defined benefit obligation" is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.
The present value of the defined benefit obligation and the related current and past service costs are calculated by a qualified actuary using the projected unit credit method. The discount rate is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating to the terms of the Group's obligations.

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

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

The "corridor" is determined separately for each defined benefit plan and has an upper and a lower boundary equal to 110% and 90% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets. "Past service cost" is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested following the introduction of, or changes to, a defined benefit plan, past service costs are recognised as an expense immediately.

Where the calculated amount to be recognised in the balance sheet is negative, the recognised asset does not exceed the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan (the “asset ceiling” principle). However, in this case actuarial gains or losses are immediately recognised, if their deferred recognition would result under the “asset ceiling” principle in a gain being recognised solely as a result of an actuarial loss in the current period or in a loss being recognised solely as a result of an actuarial gain in the current period. Past service costs are also immediately recognised if their deferred recognition would result under the “asset ceiling” principle in a gain being recognised solely as a result of a past service cost in the current period.

In accordance with IFRS 1 “First-Time Adoption of International Financial Reporting Standards” (§ 20), the Group has opted to recognise all cumulative actuarial gains and losses at the date of transition to IFRS (being 1 January 2002) as an adjustment to equity.

The amount charged to the income statement consists of current service cost, any recognised past service cost, interest cost, the expected return on any plan assets and recognised actuarial gains and losses.
In the income statement, current and past service costs are included in “Result from operations” while all other elements are included in “Interest and similar expense”.

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

### *Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred. Death 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 income statement.

### *Equity and equity-related compensation benefits*

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

## Financial debt

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

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

## Trade and other payables

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

## Income taxes

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

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

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

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

## Derivative financial instruments, hedging and hedging reserve

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

### *Foreign exchange risk*

In order to reduce the impact of fluctuations in foreign exchange rates, forecast cash inflows and outflows are covered by forward contracts for the next 6 months. Significant exposures maturing beyond that time frame can also be covered.

### *Interest risk*

General guidelines are applied in order to cover interest risk:

- the target average life time of long term debt is 4 years, and
- the repartition of the long term debt between floating and fixed interest rates must remain within the defined boundaries.

### *Commodity price risk*

Risk management strategy has been focussed on hedging a proportion of forecast zinc purchases for not longer than the forthcoming 36 months. During 2003, the Group withdrew from all zinc hedges, mainly because of its limited exposure and the lack of any significant benefits.

On inception, Group treasury identifies certain derivatives as either

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

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

### *1. Fair value hedges*

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

### *2. Cash flow hedge*

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

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

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

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

### *3. Derivative financial instruments that are not designated as hedging instruments*

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

## Impairment of assets

Assets other than inventories, deferred tax assets, employee benefits and derivative financial instruments are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount (being the higher of its net selling price and its value in use), an impairment loss is recognised in income. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.
Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash generating unit to which the assets belong.
Reversal of impairment losses recognised in prior years is recorded in income when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. As an exception, an impairment loss recognised for goodwill is not reversed in a subsequent period unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

## Revenue recognition

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

Revenue from sales of goods is recognised when delivery has taken place and the transfer of risks and rewards has been completed.
Revenue from rendering services is recognised by reference to the stage of completion when this can be measured reliably. The stage of completion is measured by reference to labour hours incurred prior to the year end as a percentage of total estimated labour hours for the contract. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. In the period in which it is determined that a loss will result from the performance of a contract, the entire amount of the estimated ultimate loss is charged against income.
No revenue is recognised on barter transactions involving the exchange of similar goods or services.
Interest is recognised on a time proportion basis that reflects the effective yield on the asset.
Royalties are recognised on an accrual basis in accordance with the terms of agreements.
Dividends are recognised when the shareholder's right to receive payment is established.

## Contingencies

Contingent assets are not recognised in the financial statements but are disclosed when the inflow of economic benefits is probable.
Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

## Subsequent events

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

## Impact of first-time adoption of IFRS

The Group has opted to be treated as a "first-time adopter" of IFRS. This is permitted by IFRS 1 ("First-time Adoption of IFRS"), as the Group's consolidated financial statements have never previously contained an explicit statement of full compliance.
The Group has elected to recognise the net cumulative actuarial losses related to employee benefits at the date of transition as an adjustment to equity, as permitted by IFRS 1 §20. The impact of this has been partly offset by a related deferred tax asset.

As the Group has been making a gradual transition towards IFRS since 2001, the other adjustments (which relate mainly to segment reporting) had no impact on equity.

| | | |
|---|---|---|
| **EQUITY AS REPORTED AT 31.12.2001** | | **1 021 410** |
| Restatement employee benefits (defined benefit plans) | (1) | (95 029) |
| Restatement deferred tax assets (net) | (2) | 7 737 |
| Restatement deferred tax liabilities | (3) | 5 281 |
| **RESTATED EQUITY AT 1.1.2002** | | **939 399** |

(1) Consisting of a reversal of "other receivables" (€46 403) for defined benefit plans having recognised negative liabilities before the restatement, and an increase of "employee benefit obligations" (€48 626).
(2) Gross deferred tax assets increased by €23 519, which was partially compensated by an allowance thereon of €15 782.
(3) Deferred tax liabilities were reversed for defined benefit plans having recognised negative liabilities before the restatement.

All financial amounts expressed in thousands of euros

## 2. Segment reporting

Segment reporting helps the reader of financial statements better to understand past performance and better assess risks and returns, and so make a more informed judgement on the company as a whole.

Two segmentations are set out below: the primary segmentation presents the business segments, whilst the secondary presents the Group's geographical markets.

The business segmentation is based on an in-depth analysis of various factors defining the distinguishing components of each segment (including the risk profile, the nature of products, services and production processes, and the potential for similar long term financial performance), and on the Group's internal financial reporting.

Bekaert's risks and returns are mainly linked to two core competences: advanced metal transformation (which drives the business segments "advanced wire products" and "fencing systems Europe") and advanced materials and coatings (which drives the segments "advanced materials" and "advanced coatings").

"Other" mainly consists of the functional unit group technology, and non-allocated expenses for group management and services. For group technology, EBIT before non-recurring events improved from €(12 525) in 2002 to €(9 444), mainly due to the increased activity in engineering. For group management and services, EBIT before non-recurring events improved from €(31 718) in 2002 to €(28 742), mainly because of a reclass of financial pension expenses to non-operating expenses under IFRS. Non-recurring events under "Other" related to environmental programmes (2003: €2 305, 2002: €2 500) and to the restructuring of Bekaert-CMTM GmbH (2002: €6 160).

More information on the segments is provided in the profile of the company and in the section on shareholder information. The segment data related to 2002 have been restated to ensure comparability with 2003.

## Key data by primary reporting segment

| 2003 | Advanced wire products | Fencing systems Europe | Advanced materials | Advanced coatings | Other | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Net Sales to external customers | 1 196 156 | 382 936 | 102 730 | 111 552 | 3 613 | | 1 796 987 |
| Net Sales to other segments | 44 843 | 5 110 | 403 | 1 046 | 54 184 | (105 586) | 0 |
| *Result from operations* | | | | | | | |
| *before non-recurring events* | *124 359* | *27 063* | *8 650* | *(183)* | *(38 186)* | | *121 703* |
| *Non-recurring events* | *(3 146)* | *(1 618)* | *(912)* | *(1 921)* | *(2 305)* | | *(9 902)* |
| Result from operations (EBIT) | 121 213 | 25 445 | 7 738 | (2 104) | (40 491) | | 111 801 |
| *Depreciation & amortisation* | *85 247* | *18 256* | *6 008* | *13 931* | *3 865* | | *127 307* |
| *Impairment losses* | - | - | - | - | - | | - |
| EBITDA | 206 460 | 43 701 | 13 746 | 11 827 | (36 626) | | 239 108 |
| *Segment assets* | *1 009 024* | *246 672* | *87 935* | *171 441* | *61 417* | *(69 084)* | *1 507 405* |
| *Unallocated corporate assets* | | | | | | | *418 355* |
| Total assets | | | | | | | 1 925 760 |
| *Segment liabilities* | *178 561* | *73 788* | *24 079* | *22 884* | *56 627* | *(79 507)* | *276 432* |
| *Unallocated corporate liabilities* | | | | | | | *827 034* |
| Total liabilities | | | | | | | 1 103 466 |
| Capital expenditure PP&E | 87 577 | 7 868 | 3 665 | 5 601 | 3 919 | | 108 630 |
| Capital expenditure intangible assets | 6 177 | 651 | 1 459 | 89 | 1 143 | | 9 519 |
| Share in the result of | | | | | | | |
| joint ventures and associates | 33 701 | 1 237 | 40 | 472 | - | | 35 450 |
| Investments in companies accounted | | | | | | | |
| for under the equity method | 174 223 | 4 326 | 81 | 614 | - | | 179 244 |
| Number of employees (year-end) | | | | | | | |
| *Blue collars* | *5 649* | *1 357* | *388* | *295* | *264* | | *7 953* |
| *White collars* | *1 246* | *406* | *124* | *216* | *295* | | *2 287* |
| *Managers* | *505* | *99* | *80* | *95* | *185* | | *964* |
| Total | 7 400 | 1 862 | 592 | 606 | 744 | | 11 204 |

All financial amounts expressed in thousands of euros

BEKAERT

## Key data by primary reporting segment

| 2002 | Advanced wire products | Fencing systems Europe | Advanced materials | Advanced coatings | Other | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Net Sales to external customers | 1 206 027 | 418 411 | 97 334 | 119 271 | 22 424 | | 1 863 467 |
| Net Sales to other segments | 40 010 | 5 058 | 1 890 | 1 038 | 35 492 | (83 488) | 0 |
| *Result from operations before non-recurring events* | *132 313* | *19 435* | *10 444* | *5 882* | *(44 243)* | | *123 831* |
| *Non-recurring events* | *(11 442)* | *(28 273)* | *(8 343)* | *(2 871)* | *(8 660)* | | *(59 589)* |
| Result from operations (EBIT) | 120 871 | (8 838) | 2 101 | 3 011 | (52 903) | | 64 242 |
| *Depreciation & amortisation* | *96 252* | *18 939* | *5 226* | *14 519* | *14 506* | | *149 442* |
| *Impairment losses* | *609* | *-* | *-* | *5 326* | *6 160* | | *12 095* |
| EBITDA | 217 732 | 10 101 | 7 327 | 22 856 | (32 237) | | 225 779 |
| *Segment assets* | *1 008 673* | *259 521* | *84 410* | *188 828* | *52 022* | *(65 501)* | *1 527 953* |
| *Unallocated corporate assets* | | | | | | | *394 141* |
| Total assets | | | | | | | 1 922 094 |
| *Segment liabilities* | *178 644* | *75 741* | *23 874* | *22 382* | *56 952* | *(85 614)* | *271 979* |
| *Unallocated corporate liabilities* | | | | | | | *847 369* |
| Total liabilities | | | | | | | 1 119 348 |
| Capital expenditure PP&E | 53 833 | 10 380 | 4 135 | 7 565 | 1 682 | | 77 595 |
| Capital expenditure intangible assets | 2 974 | 1 216 | 1 173 | 984 | 986 | | 7 333 |
| Share in the result of joint ventures and associates | 33 091 | (2 352) | 23 | 445 | (8 111) | | 23 096 |
| Investments in companies accounted for under the equity method | 174 354 | 9 077 | 68 | 1 675 | - | | 185 174 |
| Number of employees (year-end) | | | | | | | |
| *Blue collars* | *4 609* | *1 509* | *367* | *248* | *256* | | *6 989* |
| *White collars* | *1 038* | *442* | *116* | *180* | *292* | | *2 068* |
| *Managers* | *491* | *118* | *86* | *108* | *211* | | *1 014* |
| Total | 6 138 | 2 069 | 569 | 536 | 759 | | 10 071 |

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

All financial amounts expressed in thousands of euros

# Key data by secondary reporting segment

| 2003 | European Union | Rest of Europe | North America | Latin America | Asia | Rest of the World | Consolidated |
|---|---|---|---|---|---|---|---|
| Net sales | 851 636 | 200 152 | 483 570 | 22 394 | 210 951 | 28 284 | 1 796 987 |
| *Total assets before consolidation* | *1 947 197* | *205 750* | *481 011* | *39 057* | *230 452* | *2 203* | *2 905 670* |
| *Intercompany eliminations* | *(1 032 425)* | *(20 614)* | *(5 649)* | *-* | *(5 509)* | *(103)* | *(1 064 300)* |
| *Consolidation adjustments* | | | | | | | *84 390* |
| Total assets after consolidation | | | | | | | 1 925 760 |
| Capital expenditure | | | | | | | |
| *PP&E* | *38 681* | *10 375* | *14 208* | *8* | *45 321* | *37* | *108 630* |
| *Intangible assets* | *4 342* | *97* | *5 080* | *-* | *-* | *-* | *9 519* |

| 2002 | European Union | Rest of Europe | North America | Latin America | Asia | Rest of the World | Consolidated |
|---|---|---|---|---|---|---|---|
| Net sales | 906 617 | 144 151 | 552 834 | 29 672 | 206 259 | 23 934 | 1 863 467 |
| *Total assets before consolidation* | *2 569 501* | *153 438* | *509 859* | *39 838* | *193 629* | *2 165* | *3 468 430* |
| *Intercompany eliminations* | *(1 644 649)* | *(5 387)* | *(4 961)* | *-* | *(4 437)* | *(169)* | *(1 659 603)* |
| *Consolidation adjustments* | | | | | | | *113 267* |
| Total assets after consolidation | | | | | | | 1 922 094 |
| Capital expenditure | | | | | | | |
| *PP&E* | *41 772* | *5 041* | *15 375* | *1* | *15 325* | *81* | *77 595* |
| *Intangible assets* | *5 253* | *215* | *1 695* | *-* | *169* | *1* | *7 333* |

The split of net sales shows the revenue from external customers by geographical area based on the geographical location of the customers.

Total assets and capital expenditure are detailed by geographical location of the assets. Investments in subsidiaries are excluded from assets by area, while other assets related to subsidiaries are included, but then eliminated (under “intercompany eliminations”) in order to reconcile to the total assets. The unallocated “consolidation adjustments” mainly relate to goodwill recognised and amortised in consolidation.

All financial amounts expressed in thousands of euros

## 3. Sales

| 2003 | 2002 | % |
|---|---|---|
| 1 796 987 | 1 863 467 | -3.6 |

Sales were favourably affected by organic growth (2.4%) and new acquisitions, net of divestments (1.7%). There was a negative currency impact (especially of the US dollar and Chinese renminbi) of 7.7%.
Sales by business segment and by geographical market are disclosed in the section on "segment reporting" (note 2) and in the Company Profile.

## 4. Result from operations

| 2003 | 2002 | Change | % |
|---|---|---|---|
| 111 801 | 64 242 | +47 559 | +74.0 |

Gross profit on sales increased from 20.1% in 2002 to 20.7% in 2003. The total selling, general and administrative expenses decreased by 3.1%, mainly due to currency fluctuations. Expenditure on research and development remained at the same level as 2002. At constant currencies, the result from operations would have increased to €138.1 million. The result from operations included non-recurring elements (see note 9 "non-recurring events") of €9.9 million (2002: €59.6 million). Before non-recurring elements and at constant currencies, the result from operations would have increased from €123.8 million to €148 million (+19.5%). The main reasons for this increase were the strong growth of sales in China, the favourable effect of the restructuring programme of the fencing activities and the strong activity in combustion technologies.

The non-recurring costs of 2003 were related to restructuring programmes in advanced wire products (mainly in Belgium and due to the withdrawal from some unprofitable products and the relocation of others), in fencing systems Europe (the continuation of the programme started in 2002) and in advanced coatings (the restructuring of a small plant in the United States). Some additional provisions were also made for environmental clean-up programmes.

## Other revenues & expenses from operations

| | 2003 | 2002 |
|---|---|---|
| **Other revenues** | **20 135** | **19 629** |
| Royalties received | 3 801 | 7 259 |
| Gain on disposal of PP&E and intangible assets | 6 508 | 2 363 |
| Realised exchange results on sales & purchases | (330) | 984 |
| Tax rebates | 421 | 534 |
| Government grants | 2 834 | 3 085 |
| Other | 6 901 | 5 404 |
| **Other expenses** | **(32 784)** | **(74 158)** |
| Royalties paid | (105) | (48) |
| Amortisation goodwill on subsidiaries | (6 984) | (11 109) |
| Impairment losses on assets | - | (12 095) |
| Losses on disposal of PP&E and intangible assets | (3 906) | (5 966) |
| Bank charges | (1 681) | (1 606) |
| Restructuring expenses | (1 459) | (30 363) |
| Trading expenses | (7 995) | (2 143) |
| Environment provisions | (3 123) | (834) |
| Other | (7 531) | (9 994) |
| **TOTAL** | **(12 649)** | **(54 529)** |

"Other" revenues in 2003 relate mainly to personnel related revenue (€2 044), trading revenue (€1 042), recharged expenses (€768), rental income (€532), decrease in provisions (€521). "Other" expenses in 2003 include Group captive insurance company expenses (€2 846), fixed assets related expenses and depreciation (€1 403), pension provisions and related costs (€591), other provisions and related costs (€656).

All financial amounts expressed in thousands of euros

## 5. Operating expenses by nature

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

| 2003 | Cost of sales | Distribution & selling | General & admin | Research & development | Other expenses from operations | TOTAL |
|---|---|---|---|---|---|---|
| Raw materials | 569 904 | - | - | - | - | 569 904 |
| Half-products & goods for resale | 102 462 | - | - | - | - | 102 462 |
| Change in work-in-process and finished goods | 7 099 | - | - | - | - | 7 099 |
| Personnel cost | 370 483 | 58 368 | 45 912 | 22 490 | 9 620 | 506 873 |
| Depreciation PP&E | 98 367 | 778 | 1 649 | 1 261 | 458 | 102 513 |
| Amortisation intangible assets | 791 | 3 405 | 8 358 | 8 | 284 | 12 846 |
| Amortisation investment grants | (930) | - | - | - | - | (930) |
| Amortisation goodwill on subsidiaries | - | - | - | - | 6 984 | 6 984 |
| Write-offs on inventories | 4 304 | - | - | - | - | 4 304 |
| Write-offs on trade receivables | - | 1 590 | - | - | - | 1 590 |
| Depreciation & amortisation | 102 532 | 5 773 | 10 007 | 1 269 | 7 726 | 127 307 |
| Impairment losses | - | - | - | - | - | - |
| Freight | 70 263 | - | - | - | - | 70 263 |
| Handling of finished goods | 6 501 | - | - | - | - | 6 501 |
| Consumables & spare parts | 76 378 | - | - | - | - | 76 378 |
| Energy | 58 450 | 312 | 82 | 125 | - | 58 969 |
| Maintenance | 40 150 | 1 036 | 2 434 | 335 | - | 43 955 |
| Travel | 2 340 | 7 620 | 11 320 | 959 | - | 22 239 |
| Advertising | - | 8 557 | 850 | - | - | 9 407 |
| ICT | 7 230 | 3 788 | 16 034 | 1 294 | - | 28 346 |
| Commissions | - | 5 091 | - | - | - | 5 091 |
| Consulting & other fees | - | 3 828 | 11 315 | 4 551 | - | 19 694 |
| Losses on disposal of PP&E | - | - | - | - | 3 731 | 3 731 |
| Other expenses | 10 689 | 17 123 | 2 678 | 4 905 | 11 707 | 47 102 |
| **TOTAL** | **1 424 481** | **111 496** | **100 632** | **35 928** | **32 784** | **1 705 321** |

| 2002 | Cost of sales | Distribution & selling | General & admin | Research & development | Other expenses from operations | TOTAL |
|---|---|---|---|---|---|---|
| Raw materials | 520 118 | - | - | - | - | 520 118 |
| Half-products & goods for resale | 141 949 | - | - | - | - | 141 949 |
| Change in work-in-process and finished goods | (12 780) | - | - | - | - | (12 780) |
| Personnel cost | 404 485 | 58 901 | 40 895 | 23 980 | 20 401 | 548 662 |
| Depreciation PP&E | 115 332 | 794 | 2 228 | 1 730 | 4 949 | 125 033 |
| Amortisation intangible assets | 1 068 | 1 272 | 7 739 | 38 | 550 | 10 667 |
| Amortisation investment grants | (634) | - | - | - | (808) | (1 442) |
| Amortisation goodwill on subsidiaries | - | - | - | - | 11 109 | 11 109 |
| Write-offs on inventories | 3 817 | - | - | - | - | 3 817 |
| Write-offs on trade receivables | - | 258 | - | - | - | 258 |
| Depreciation & amortisation | 119 583 | 2 324 | 9 967 | 1 768 | 15 800 | 149 442 |
| Impairment losses | - | - | - | - | 12 095 | 12 095 |
| Freight | 70 244 | - | - | - | - | 70 244 |
| Handling of finished goods | 7 053 | - | - | - | - | 7 053 |
| Consumables & spare parts | 91 296 | - | - | - | - | 91 296 |
| Energy | 53 501 | 75 | 97 | 41 | - | 53 714 |
| Maintenance | 30 637 | 427 | 1 180 | 379 | - | 32 623 |
| Travel | 1 236 | 8 082 | 10 062 | 821 | - | 20 201 |
| Advertising | - | 8 313 | 807 | 48 | - | 9 168 |
| ICT | 7 284 | 3 464 | 14 374 | 1 214 | - | 26 336 |
| Commissions | - | 5 158 | - | - | - | 5 158 |
| Consulting & other fees | - | 952 | 7 996 | 1 080 | - | 10 028 |
| Losses on disposal of PP&E | - | - | - | - | 5 966 | 5 966 |
| Other expenses | 55 173 | 22 262 | 23 513 | 6 737 | 19 896 | 127 581 |
| **TOTAL** | **1 489 779** | **109 958** | **108 891** | **36 068** | **74 158** | **1 818 854** |

All financial amounts expressed in thousands of euros

## 6. Interest income & expenses

| | 2003 | 2002 after IFRS | Restatement IFRS | 2002 before IFRS |
|---|---|---|---|---|
| Interest & similar income | 3 329 | 3 344 | | 3 344 |
| Interest & similar expense | (21 457) | (27 651) | | (27 651) |
| Interest subsidies | - | - | | - |
| Interest portion on interest bearing provisions | (14 177) | (5 215) | 3 405 | (8 620) |
| **TOTAL** | **(32 305)** | **(29 522)** | **3 405** | **(32 927)** |

The interest portion on interest bearing provision is mainly related to the defined benefit plans (see note 23), and includes recognised actuarial gains and losses.

## 7. Non-operating income & expenses

| | 2003 | 2002 |
|---|---|---|
| Value adjustments to financial instruments | 23 968 | 9 500 |
| Unrealised exchange results | (23 075) | (15 344) |
| Realised exchange results | (7 146) | (3 376) |
| Translation gains / (losses) inflation accounting | 341 | (886) |
| Gain / (loss) on disposal financial assets | (55 930) | (630) |
| Dividends from other shares | 7 | 390 |
| Reversals / (write-downs) on investments | 62 421 | (1 609) |
| Impairments of investments | (5 800) | (73 294) |
| Reversals / (write-downs) on loans & receivables | (424) | (12 865) |
| Other | (5 022) | (2 481) |
| **TOTAL** | **(10 660)** | **(100 595)** |

“Value adjustments to financial instruments” includes changes to the fair value of all derivatives, other than those designated as “cash flow hedges” (see table below), and of all debt being hedged by a “fair value hedge”. “Unrealised exchange results” relate to the impact of valuing balance sheet items at closing rates, while “Realised exchange results” relate to transactions other than normal trading sales and purchases. Due to the disposal of Bekaert ECD Solar Systems LLC and United Solar Systems Corp., a loss of €55 572 and a reversal of a write-down of €60 842 have been accounted for. The impairment of €5 800 relates to the joint venture Bekaert Handling Group A/S.

### Impact of financial instruments on non-operating income and expenses

| | 2003 | 2002 |
|---|---|---|
| **Value adjustments** | | |
| Zinc option contracts | 86 | 202 |
| Foreign exchange contracts | 51 | 1 555 |
| Interest rate swaps | 2 126 | (8 149) |
| Cross-currency interest rate swaps | 41 854 | 30 781 |
| Consolidation adjustments | - | (819) |
| **Total value adjustments to derivatives** | **44 117** | **23 570** |
| Value adjustments to hedged items | (20 149) | (14 070) |
| **Total value adjustments financial instruments** | **23 968** | **9 500** |
| Unrealised exchange results on hedged items | (22 024) | (19 638) |
| **TOTAL** | **1 944** | **(10 138)** |

The “Unrealised exchange results on hedged items “reported here is only the part that relates to the euro loans of Bekaert Corporation, which are hedged by means of Cross Currency Interest Rate Swaps not qualifying as “fair value hedges”. Consequently, these loans are not carried at fair value, but their restatement to closing rate is recorded as an unrealised exchange result rather than as part of “Value adjustments to financial instruments”.

All financial amounts expressed in thousands of euros

## 8. Income taxes

| | 2003 | 2002 after IFRS | Restatement IFRS | 2002 before IFRS |
|---|---|---|---|---|
| Current taxes for the year | (17 909) | (17 100) | | (17 100) |
| Adjustment to current taxes and write-back of tax provisions | (1 116) | 3 477 | | 3 477 |
| Deferred taxes | 10 867 | 20 869 | (160) | 21 029 |
| **TOTAL INCOME TAXES** | **(8 158)** | **7 246** | **(160)** | **7 406** |

### Relationship between tax expense and accounting profit

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

| 2003 | Basis for tax computation | Tax (expense) / income | Tax rate |
|---|---|---|---|
| **Accounting profit and tax expense as reported by the Group companies** | **341 350** | **(7 825)** | **2.29%** |
| Elimination of intercompany dividends, gains / losses | | | |
| on the sale of investments and write-downs on investments | (188 840) | | |
| **Accounting profit and tax expense after intercompany eliminations** | **152 510** | **(7 825)** | **5.13%** |
| Consolidation adjustments not affecting tax | | | |
| Amortisation goodwill in consolidation | (3 376) | | |
| Realised exchange results on dividend pay-out | (7 904) | | |
| Provisions / (reversals) in consolidation | (24 482) | | |
| Elimination reversals of write-downs on subsidiaries | (45 961) | | |
| Realised result on disposal of subsidiaries | (236) | | |
| Other | (58) | | |
| Consolidation adjustments affecting tax | | | |
| Elimination of intercompany profit in inventories, | | | |
| PP&E and intangible assets | (1 657) | (555) | |
| **Accounting profit and tax expense after consolidation adjustments** | **68 836** | **(8 380)** | **12.17%** |
| Taxes recognised in consolidation, not related to accounting profit | | | |
| Potential tax on undistributed earnings | | 570 | |
| Withholding tax impact intercompany dividends | | (885) | |
| Consolidated tax assessments | | 537 | |
| **Consolidated accounting profit and tax expense** | **68 836** | **(8 158)** | **11.85%** |

All financial amounts expressed in thousands of euros

| 2002 | Basis for tax computation | Tax (expense) / income | Tax rate |
|---|---|---|---|
| **Accounting loss and tax income as reported by the Group companies (before IFRS)** | **(145 134)** | **7 285** | **5.02%** |
| Restatement IFRS | 3 405 | (160) | |
| **Accounting loss and tax income as reported by the Group companies (after IFRS)** | **(141 729)** | **7 125** | **5.03%** |
| Elimination of intercompany dividends, gains / losses on the sale of investments and write-downs on investments | 54 929 | | |
| **Accounting loss and tax income after intercompany eliminations** | **(86 800)** | **7 125** | **8.21%** |
| Consolidation adjustments not affecting tax | | | |
| Amortisation goodwill in consolidation | (9 497) | | |
| Realised exchange results on dividend pay-out | (1 519) | | |
| Provisions / (reversals) in consolidation | 28 176 | | |
| Elimination reversals of write-downs on subsidiaries | (4 785) | | |
| Realised result on disposal of subsidiaries | 2 144 | | |
| Other | 4 564 | | |
| Consolidation adjustments affecting tax | | | |
| Elimination of intercompany profit in inventories, PP&E and intangible assets | 1 842 | (740) | |
| **Accounting loss and tax income after consolidation adjustments** | **(65 875)** | **6 385** | **9.69%** |
| Taxes recognised in consolidation, not related to accounting profit | | | |
| Potential tax on undistributed earnings | | 1 664 | |
| Withholding tax impact intercompany dividends | | (577) | |
| Consolidated tax assessments | | (226) | |
| **Consolidated accounting loss and tax income** | **(65 875)** | **7 246** | **11.00%** |

## Reconciliation of effective tax rate

| | 2003 | 2002 after IFRS |
|---|---|---|
| Accounting profit / (loss) on ordinary activities after consolidation adjustments | 68 836 | (65 875) |
| Tax (expense) / income at the theoretical domestic rates applicable to profits of taxable entities in the countries concerned | (16 975) | 52 596 |
| Theoretical tax rate | 24.7% | 79.8% |
| Tax impact of: | | |
| Non-deductible items | (5 336) | (9 855) |
| Tax on share of joint venture results | (200) | 2 680 |
| Deferred tax impact on translation differences | 287 | 1 477 |
| Impact of lower Belgian tax rate on deferred taxes | - | 6 094 |
| Other tax rate effects | 3 782 | 4 549 |
| Impact special tax status (co-ordination centre) | 3 431 | 3 458 |
| Excess exempted dividends over result from ordinary activities, not generating tax losses carry-forward | (2 183) | (5 320) |
| Change in deferred tax asset allowances recognised in income | 13 484 | (50 753) |
| Adjustment to deferred tax assets to offset deferred tax liabilities | (3 554) | (2 018) |
| Tax adjustment relating to prior periods | (1 116) | 3 477 |
| Tax impact on undistributed earnings | 570 | 1 664 |
| Withholding tax impact intercompany dividends | (885) | (577) |
| Consolidated tax assessment | 537 | (226) |
| **Total tax (expense) / income in income statement** | **(8 158)** | **7 246** |

All financial amounts expressed in thousands of euros

## 9. Non-recurring events

| 2003 | As reported in income statement | Non-recurring events | Before non-recurring events |
|---|---|---|---|
| Non-recurring operating revenues / (expenses) | | | |
| Restructuring programmes | | (7 280) | |
| Impairment losses | | 0 | |
| Other | | (2 622) | |
| **Result from operations** | **111 801** | **(9 902)** | **121 703** |
| Interest income / (expenses) | (32 305) | | (32 305) |
| Non-operating income / (expenses) | (10 660) | (530) | (10 130) |
| Impairment losses on investments in joint ventures & associates | | (5 800) | |
| Other | | 5 270 | |
| **Result from ordinary activities before taxes** | **68 836** | **(10 432)** | **79 268** |

The main non-recurring events affecting the result from operations are restructuring programmes in:
- advanced wire products: N.V. Bekaert S.A. (Belgium), Bekaert Hemiksem (Belgium), Rome (US) and Industrias del Ubierna, S.A. (Spain);
- fencing systems Europe: completion of last year's programme and close-down of Bekaert Indoor Safety B.V. (Netherlands);
- advanced coatings: restructuring Santa Rosa plant (a part of Bekaert Specialty Films, LLC (US)).

Other non-recurring events relate mainly to additional provisions for environmental clean-up programmes in Belgium and the US. Non-recurring events included in non-operating income and expenses are an impairment charge in respect of a joint venture, Bekaert Handling Group A/S (€5 800), and a gain arising from the sale of Bekaert ECD Solar Systems LLC and United Solar Systems Corp. (€5 270).

| 2002 | As reported in income statement (IFRS) | Non-recurring events | Before non-recurring events |
|---|---|---|---|
| Non-recurring operating revenues / (expenses) | | | |
| Restructuring programmes | | (41 935) | |
| Impairment losses | | (12 095) | |
| Other | | (5 559) | |
| **Result from operations** | **64 242** | **(59 589)** | **123 831** |
| Interest income / (expenses) | (29 522) | | (29 522) |
| Non-operating income / (expenses) | (100 595) | (86 203) | (14 392) |
| Impairment losses on investments in joint ventures & associates | | (73 294) | |
| Other | | (12 909) | |
| **Result from ordinary activities before taxes** | **(65 875)** | **(145 792)** | **79 917** |

In 2002, the main non-recurring events affecting the result from operations were related to:
- restructuring programmes in:
  - advanced wire products (Joseph Sykes Brothers Limited (UK), Rome (US) and Industrias del Ubierna, S.A. (Spain));
  - fencing systems Europe: closure of two production units (Charleville (France) and Dublin (Ireland)), sale of the Ancerville plant (France) and downsizing of the plants in Germany and the UK;
  - advanced materials: the fibres plant in the US, Furigas UK Limited;
- impairments in:
  - advanced wire products (preformed staple wire);
  - advanced materials (fibres US);
  - advanced coatings (Bekaert Flexible Circuit Venture);
  - Bekaert-CMTM GmbH;
- environmental clean-up programmes in Belgium.

Non-recurring events included in non-operating income and expenses were related to the investments in Bekaert ECD Solar Systems LLC and United Solar Systems Corp.

All financial amounts expressed in thousands of euros

## 10. Intangible assets

| AT COST | Licences patents & similar rights | Computer software | Rights to use land | Development costs | Other | TOTAL 2003 | TOTAL 2002 |
|---|---|---|---|---|---|---|---|
| At 1 January | 37 071 | 39 749 | 8 139 | 1 229 | 1 599 | 87 787 | 84 518 |
| Expenditure | 607 | 5 942 | - | 76 | 2 894 | 9 519 | 7 333 |
| Sales and disposals | (1 536) | (477) | - | - | (486) | (2 499) | (1 495) |
| Transfers to / (from) | - | - | - | - | - | - | - |
| First consolidation | - | 83 | - | - | 18 | 101 | - |
| Left out of consolidation | - | - | - | - | - | - | - |
| Translation (losses) / gains | - | (984) | (1 389) | (216) | (96) | (2 685) | (2 569) |
| At 31 December | 36 142 | 44 313 | 6 750 | 1 089 | 3 929 | 92 223 | 87 787 |
| **AMORTISATION** | | | | | | | |
| At 1 January | 6 838 | 21 888 | 1 473 | 1 229 | 1 409 | 32 837 | 23 782 |
| Charge for the year | 5 550 | 6 324 | 195 | 7 | 770 | 12 846 | 10 667 |
| Impairment losses | - | - | - | - | - | - | 553 |
| Sales and disposals | (194) | (325) | - | - | (555) | (1 074) | (1 315) |
| Transfers to / (from) | - | - | - | - | - | - | - |
| First consolidation | - | 37 | - | - | 11 | 48 | - |
| Left out of consolidation | - | - | - | - | - | - | - |
| Translation (gains) / losses | - | (484) | (271) | (209) | (12) | (976) | (850) |
| At 31 December | 12 194 | 27 440 | 1 397 | 1 027 | 1 623 | 43 681 | 32 837 |
| **NET BOOK VALUE AT 31 DECEMBER 2003** | **23 948** | **16 873** | **5 353** | **62** | **2 306** | **48 542** | **54 950** |
| **NET BOOK VALUE AT 31 DECEMBER 2002** | **30 233** | **17 861** | **6 666** | **-** | **190** | | **54 950** |

The decrease of net book value during 2003 (€6 408), is mainly due to higher amortisation (€12 846) than expenditure (€9 519). An amount of €5 942 of the expenditure relates to the implementation of ERP software (SAP). The currency translation has a negative impact on the 2003 net book value of €1 709, mainly on assets recorded in US dollar and Chinese renminbi. The intellectual property is being amortised on a straight-line basis over 10 years, and ERP software over 5 years.
“Licences, patents and similar rights“ mainly consists of intellectual property of the specialised films activity platform, acquired in 2001, and having a net book value of €22 989 (2002: €26 031).

All financial amounts expressed in thousands of euros

## 11. Goodwill and negative goodwill

### a. Goodwill

| AT COST | 2003 | 2002 |
|---|---|---|
| At 1 January | 113 671 | 125 498 |
| Expenditure | 13 742 | 5 380 |
| Sales and disposals | (884) | (6 036) |
| Transfers to / (from) | 9 758 | - |
| First consolidation | 105 | - |
| Translation (losses) / gains | (10 949) | (11 171) |
| At 31 December | 125 443 | 113 671 |
| **AMORTISATION** | | |
| At 1 January | 40 813 | 32 156 |
| Charge for the year | 7 372 | 11 109 |
| Impairment losses | - | 4 151 |
| Sales and disposals | (884) | (5 805) |
| Transfers to / (from) | 4 481 | - |
| First consolidation | 72 | - |
| Translation (gains) / losses | (1 324) | (798) |
| At 31 December | 50 530 | 40 813 |
| **NET BOOK VALUE AT 31 DECEMBER** | **74 913** | **72 858** |

### b. Negative goodwill

| AT COST | 2003 | 2002 |
|---|---|---|
| At 1 January | 680 | - |
| Expenditure | 3 704 | 680 |
| Sales and disposals | - | - |
| Transfers to / (from) | - | - |
| First consolidation | - | - |
| Translation (losses) / gains | - | - |
| At 31 December | 4 384 | 680 |
| **AMORTISATION** | | |
| At 1 January | - | - |
| Charge for the year | 388 | - |
| Impairment losses | - | - |
| Sales and disposals | - | - |
| Transfers to / (from) | - | - |
| First consolidation | - | - |
| Translation (gains) / losses | - | - |
| At 31 December | 388 | - |
| **NET BOOK VALUE AT 31 DECEMBER** | **3 996** | **680** |

| | | |
|---|---|---|
| **TOTAL NET BOOK VALUE AT 31 DECEMBER (a-b)** | **70 917** | **72 178** |

This note includes only goodwill on consolidation of subsidiaries. Goodwill arising on companies accounted for under the equity method is included in “Investments accounted for under the equity method” (Note 13).

The main expenditure on goodwill in 2003 relates to the increased share in Contours Ltd (€8 283), the acquisition of Bekaert CEB Technologies B.V. (€3 438), Bekaert Specialty Films Nordic AB (€1 391), and Bekaert CEB Technologies Canada Ltd (€206).

Due to participation increases in Contours Ltd (previously a joint venture) and Sorevi S.A. / Sorevi Savoie S.A. (previously associates), a net goodwill amount of €5 277 (cost €9 758 minus amortisation €4 481) was transferred from goodwill on investments accounted for under the equity method.

The increase in negative goodwill relates to the acquisition of Bekaert Hlohovec, a.s. In 2002 negative goodwill was recognised on the acquisition of Sobelcard (€680).

The weighted average useful life of goodwill is 13.9 years and 9.3 years for negative goodwill.

All financial amounts expressed in thousands of euros

## 12. Property, plant & equipment

| AT COST | Land and buildings | Plant, machinery & equipment | Furniture and vehicles | Leasing and other similar rights | Other PP&E | Assets under construction and advance payments | TOTAL 2003 | TOTAL 2002 |
|---|---|---|---|---|---|---|---|---|
| At 1 January | 523 244 | 1 606 419 | 64 003 | 6 305 | 8 896 | 44 167 | 2 253 034 | 2 409 374 |
| Capital expenditure | 6 666 | 14 114 | 2 400 | 6 | 1 037 | 84 407 | 108 630 | 77 595 |
| Sales and disposals | (9 581) | (57 735) | (3 592) | (706) | (68) | (423) | (72 105) | (81 162) |
| Transfers | 11 543 | 54 893 | 2 513 | (1 624) | 23 | (67 348) | - | - |
| First consolidation | 14 031 | 31 050 | 572 | 700 | 1 256 | 1 728 | 49 337 | 5 215 |
| Left out of consolidation | - | - | (735) | - | (342) | - | (1 077) | (1 148) |
| Translation losses | (39 723) | (97 264) | (3 151) | (389) | (1 017) | (4 757) | (146 301) | (156 840) |
| At 31 December | 506 180 | 1 551 477 | 62 010 | 4 292 | 9 785 | 57 774 | 2 191 518 | 2 253 034 |

| DEPRECIATION AND IMPAIRMENT LOSSES | Land and buildings | Plant, machinery & equipment | Furniture and vehicles | Leasing and other similar rights | Other PP&E | Assets under construction and advance payments | TOTAL 2003 | TOTAL 2002 |
|---|---|---|---|---|---|---|---|---|
| At 1 January | 299 140 | 1 106 643 | 53 978 | 3 676 | 5 855 | - | 1 469 292 | 1 491 438 |
| Charge for the year | 19 767 | 77 335 | 4 152 | 226 | 1 033 | - | 102 513 | 125 033 |
| Impairment losses | - | - | - | - | - | - | - | 7 391 |
| Write-back of depreciation | - | - | - | - | - | - | - | - |
| Sales and disposals | (7 373) | (51 792) | (3 222) | (586) | (57) | - | (63 030) | (63 875) |
| Transfers | 1 352 | (1 840) | 881 | (475) | 82 | - | - | - |
| First consolidation | 1 707 | 3 948 | 267 | - | 258 | - | 6 180 | 397 |
| Left out of consolidation | - | - | (573) | - | (112) | - | (685) | (994) |
| Translation gains | (20 917) | (61 289) | (2 537) | (234) | (699) | - | (85 676) | (90 098) |
| At 31 December | 293 676 | 1 073 005 | 52 946 | 2 607 | 6 360 | - | 1 428 594 | 1 469 292 |
| **Net book value before investment grants and reclassification of leases** | **212 504** | **478 472** | **9 064** | **1 685** | **3 425** | **57 774** | **762 924** | **783 742** |
| Net investment grants | (2 130) | (3 219) | (11) | - | - | - | (5 360) | (6 156) |
| Reclassification of leases | 1 168 | 13 | 504 | (1 685) | - | - | - | - |
| **Net book value at 31 December 2003** | **211 542** | **475 266** | **9 557** | **-** | **3 425** | **57 774** | **757 564** | **777 586** |
| **Net book value at 31 December 2002** | **223 220** | **496 361** | **10 797** | **-** | **3 041** | **44 167** | | **777 586** |

The increase in expenditure between 2002 and 2003 is mainly explained by the investment programme in China. The negative net currency translation impact for the year (€60 625) is mainly related to assets recorded in US dollar, pound sterling and Chinese renminbi. The first consolidation during 2003 arises from the acquisition of Bekaert CEB Technologies B.V. (Netherlands), Bekaert CEB Technologies Canada Ltd, Bekaert Fencing España, S.L., Bekaert Hlohovec, a.s. (Slovak Republic), Bekaert (Shandong) Tire Cord Co., Ltd (China), Bekaert Specialty Films Nordic AB (Sweden) and Bekaert Specialty Films North Europe AB (Sweden) and the increase of ownership in Sorevi S.A. and Sorevi Savoie S.A. (both in France) and Contours Ltd (US).

All financial amounts expressed in thousands of euros

## 13. Investments accounted for under the equity method

In most cases, the financial statements of these companies are prepared under other accounting policies than those of the Group and the information for restating them to Group policies is generally not available. In accordance with IFRS 1 ("First-time Adoption of International Financial Reporting Standards"), the accounting policies applied to the financial statements of 2003 are consistent with those applied to 2002. The next annual report will include a restatement of the major joint ventures and associates to IFRS.

### Investments excluding related goodwill

| NET BOOK VALUE | 2003 | 2002 |
|---|---|---|
| At 1 January | 185 174 | 276 192 |
| Expenditure | - | 559 |
| Result for the year | 35 450 | 23 096 |
| Dividends | (24 172) | (20 271) |
| Sales and disposals | - | (2 597) |
| (Write-downs) / reversals (1) | (5 800) | (26 629) |
| Translation (losses) / gains | (6 782) | (64 592) |
| Retroactive restatements | (83) | - |
| Transfers (2) | (4 543) | (584) |
| **NET BOOK VALUE AT 31 DECEMBER** | **179 244** | **185 174** |

### Related goodwill

| AT COST | 2003 | 2002 |
|---|---|---|
| At 1 January | 39 987 | 42 460 |
| Expenditure | - | - |
| Sales and disposals | - | (546) |
| Transfers to / (from) | (9 758) | - |
| Translation (losses) / gains | (1 722) | (1 927) |
| At 31 December | 28 507 | 39 987 |
| **AMORTISATION** | | |
| At 1 January | 20 524 | 17 753 |
| Charge for the year | 3 429 | 4 043 |
| Sales and disposals | - | (471) |
| Transfers to / (from) | (4 481) | - |
| Translation (gains) / losses | (843) | (801) |
| At 31 December | 18 629 | 20 524 |
| **NET BOOK VALUE AT 31 DECEMBER** | **9 878** | **19 463** |
| **TOTAL NET BOOK VALUE OF INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD** | **189 122** | **204 637** |

*(1) (Write-downs) / reversals relate to the impairment loss in the joint venture Bekaert Handling Group A/S (€5 800).*

*(2) Transfers mainly relate to the increase in shareholding in Contours Ltd (€4 319) and Sorevi S.A. and Sorevi Savoie S.A (€1 386); these companies moved from joint ventures and associates to subsidiaries.*

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

### Combined items

| | 2003 | 2002 |
|---|---|---|
| Property, plant & equipment | 145 829 | 202 256 |
| Other non-current assets | 15 944 | 13 194 |
| Current assets | 150 640 | 180 918 |
| Non-current liabilities | (29 723) | (90 140) |
| Current liabilities | (86 926) | (95 049) |
| **Total net assets / (liabilities)** | **195 764** | **211 179** |
| Sales | 384 240 | 447 764 |
| Profit from operations | 50 845 | 47 380 |
| Net profit | 35 450 | 23 096 |

All financial amounts expressed in thousands of euros

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) | |
|---|---|---|---|---|---|
| | | 2003 | 2002 | 2003 | 2002 |
| **JOINT VENTURES** | | | | | |
| Bekaert Australia Steel Cord Pty Ltd | Australia | 4 254 | 3 656 | 210 | 417 |
| Bekaert ECD Solar Systems LLC (1) | USA | - | - | - | (8 111) |
| Bekaert Faser Vertriebs GmbH | Germany | 81 | 68 | 41 | 19 |
| Bekaert Handling Group A/S and subsidiaries | Denmark | 4 073 | 8 793 | 1 080 | (2 527) |
| Bekaert Timeda B.V. | Netherlands | - | - | - | 4 |
| Belgo Bekaert Arames S.A. | Brazil | 69 732 | 59 345 | 18 739 | 18 918 |
| BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda. | Brazil | 21 785 | 28 525 | 5 635 | 4 348 |
| Chilean entities (2) | Chile | 44 892 | 40 009 | 5 256 | 3 645 |
| Contours Ltd (4) | USA | - | 4 761 | 1 047 | 2 536 |
| Ideal Alambrec S.A. (3) | Ecuador | 10 047 | 12 377 | 662 | 1 960 |
| Netlon Sentinel Limited | UK | - | 115 | 72 | 119 |
| Spaleck-Bekaert GmbH & Co. KG | Germany | 1 091 | 1 090 | 484 | 201 |
| Vicson, S.A. | Venezuela | 21 245 | 23 149 | 1 691 | 1 097 |
| **SUBTOTAL JOINT VENTURES** | | **177 200** | **181 888** | **34 917** | **22 626** |
| **ASSOCIATES** | | | | | |
| Jiangyin Fasten-Bekaert Optical Cable Steel Products Co., Ltd | China | 1 177 | 1 443 | (23) | (31) |
| Pindurg S.L. | Spain | 253 | 169 | 84 | 56 |
| Precision Surface Technology Pte Ltd | Singapore | 614 | 418 | 280 | 172 |
| Sorevi S.A. and subsidiary (4) | France | - | 1 256 | 192 | 273 |
| **SUBTOTAL ASSOCIATES** | | **2 044** | **3 286** | **533** | **470** |
| **TOTAL JOINT VENTURES and ASSOCIATES excl. Related goodwill** | | **179 244** | **185 174** | **35 450** | **23 096** |
| **Related goodwill** | | **9 878** | **19 463** | **(3 429)** | **(4 043)** |
| **TOTAL JOINT VENTURES and ASSOCIATES incl. Related goodwill** | | **189 122** | **204 637** | **32 021** | **19 053** |

(1) Including Bekaert ECD Solar Systems Europe and United Solar Systems de Mexico (disposed in the beginning of 2003).
(2) Including Prodalam Group and Inchalam Group.
(3) Relates to the Ideal Alambrec Group.
(4) Became subsidiaries in the course of 2003.

All financial amounts expressed in thousands of euros

## 14. Available-for-sale investments

### Non-current available-for-sale financial assets

| NET BOOK VALUE | 2003 | 2002 |
|---|---|---|
| At 1 January | 10 279 | 46 336 |
| Expenditure | 3 587 | 540 |
| Sales and disposals | (27 158) | (96) |
| Reversal / (write-down) | 28 361 | (1 622) |
| Impairment loss | - | (32 388) |
| Transfers | (2 050) | (64) |
| First consolidation | 214 | - |
| Left-out of consolidation | (12) | - |
| Translation gains / (losses) | (95) | (2 427) |
| **NET BOOK VALUE AT 31 DECEMBER** | **13 126** | **10 279** |

The “Sales and disposals” and “Reversal / (write-down)” relate mainly to the disposal of United Solar Systems Corp. (€26 885). The main “Available-for-sale investments” at the year end were Millenium Materials Management (€3 396), a Venture Capital Fund for high-tech investments, and Enerjisa (€3 292), an investment held by Beksa in the self-supporting energy division of the Turkish Sabanci Group.

## 15. Non-current loans and receivables originated by the enterprise

| A. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD | 2003 | 2002 |
|---|---|---|
| **NET BOOK VALUE** | | |
| At 1 January | 832 | 4 576 |
| Increases / (decreases) | 311 | 658 |
| Transfers | - | (4 118) |
| Translation gains / (losses) | (314) | (284) |
| At 31 December | 829 | 832 |

| B. OTHER INVESTMENTS | 2003 | 2002 |
|---|---|---|
| **NET BOOK VALUE** | | |
| At 1 January | 186 | 215 |
| Increases / (decreases) | (155) | (29) |
| At 31 December | 31 | 186 |
| **NET BOOK VALUE AT 31 DECEMBER (A+B)** | **860** | **1 018** |

## 16. Operational working capital

| | 2003 | 2002 | % |
|---|---|---|---|
| Inventories | 322 642 | 311 826 | 3.5 |
| Trade receivables | 307 740 | 311 413 | -1.2 |
| Trade payables | (191 417) | (184 921) | 3.5 |
| Advances received on contracts | (6 245) | (2 444) | 155.5 |
| Current employee benefit obligations | (69 922) | (75 552) | -7.5 |
| Personnel related taxes | (8 849) | (9 062) | -2.4 |
| **OPERATIONAL WORKING CAPITAL** | **353 949** | **351 260** | **0.8** |

The following factors explain the increase of the operational working capital:

- an increase of €12 677, mainly in inventories;
- a negative currency impact (€25 685);
- an increase of €15 697 from acquisitions less disposals.

Additional information on:

- **Inventories**
  Write-down of inventories recognised in the Income Statement: €4 304 (2002: €3 819).
  No inventories were pledged as security for liabilities (2002: also none).

- **Trade receivables**
  Allowance for bad and doubtful debt recognised in the Income Statement: €1 590 (2002: €258).

## 17. Current loans and receivables

| NET BOOK VALUE | 2003 | 2002 |
|---|---|---|
| At 1 January | 8 124 | 5 642 |
| Increase / (decrease) | (1 867) | 3 019 |
| First consolidation | 29 | - |
| Translation (losses) / gains | (520) | (537) |
| **NET BOOK VALUE AT 31 DECEMBER** | **5 766** | **8 124** |

Financial receivables are mainly loans to joint ventures and to associates and are denominated in US dollars (2003: 23.1%, 2002: 79.7%) and euros (2003: 76.9%, 2002: 20.3%).

All financial amounts expressed in thousands of euros

## 18. Other receivables, deferred charges and accrued income

### Other receivables

| NET BOOK VALUE | 2003 | 2002 after IFRS | Restatement IFRS | 2002 before IFRS |
|---|---|---|---|---|
| At 1 January | 33 652 | 42 483 | (46 403) | 88 886 |
| (Decrease) / increase | (6 726) | (5 659) | 9 071 | (14 730) |
| First consolidation | 608 | 353 | | 353 |
| Left out of consolidation | (100) | (548) | | (548) |
| Translation (losses) / gains | (2 352) | (2 977) | | (2 977) |
| **NET BOOK VALUE AT 31 DECEMBER** | **25 082** | **33 652** | **(37 332)** | **70 984** |

"Other receivables" mainly consists of an amount of €16 859 (2002: €19 857) related to taxes, and an amount of €1 810 (2002: €5 804) related to royalties. The IFRS restatement relates to some defined employee benefit pension plans (see Note 23).

### Deferred charges and accrued income

| NET BOOK VALUE | 2003 | 2002 |
|---|---|---|
| At 1 January | 8 750 | 15 775 |
| Increase / (decrease) | 4 315 | (4 640) |
| First consolidation | 353 | 74 |
| Left out of consolidation | (31) | (120) |
| Translation (losses) / gains | (720) | (2 339) |
| **NET BOOK VALUE AT 31 DECEMBER** | **12 667** | **8 750** |

## 19. Deferred tax assets and liabilities

### Recognised deferred assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | ASSETS | | LIABILITIES | | NET (1) | |
|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Intangible assets | 487 | 543 | (3 204) | (2 737) | (2 717) | (2 194) |
| Property, plant & equipment | 3 325 | 3 128 | (79 585) | (85 123) | (76 260) | (81 995) |
| Investments | - | 628 | (15 412) | (17 084) | (15 412) | (16 456) |
| Inventories | 2 223 | 2 859 | (1 386) | (1 270) | 837 | 1 589 |
| Receivables | 437 | 850 | (32) | - | 405 | 850 |
| Other current assets | 36 | - | (898) | (449) | (862) | (449) |
| Employee benefits (2) | 7 167 | 7 519 | (6 528) | (5 436) | 639 | 2 083 |
| Other provisions | 7 756 | 10 064 | (379) | (197) | 7 377 | 9 867 |
| Other liabilities | 843 | 750 | (2 841) | (4 405) | (1 998) | (3 655) |
| Tax losses carried forward, tax credits and recoverable income taxes | 29 257 | 25 826 | - | - | 29 257 | 25 826 |
| Intercompany profit elimination | - | - | 9 118 | 9 137 | 9 118 | 9 137 |
| **Tax assets / (liabilities)** | **51 531** | **52 167** | **(101 147)** | **(107 564)** | **(49 616)** | **(55 397)** |
| **Off-set of assets and liabilities** | **(36 467)** | **(41 502)** | **36 467** | **41 502** | | |
| **NET TAX ASSETS / (LIABILITIES)** | **15 064** | **10 665** | **(64 680)** | **(66 062)** | **(49 616)** | **(55 397)** |

(1) The "Net" position is given solely for information purposes.
(2) The impact of the IFRS restatement on the 2002 net position amounted to €10 699 consisting of a reversal of the deferred tax liabilities (€4 453) and an increase of the deferred tax assets (€6 246).

The deferred tax liabilities on investments relate mainly to temporary differences arising from undistributed profits from subsidiaries, joint ventures and associates. Of the total net movement of €5 781 in the balance sheet position, an amount of €10 867 was recognised in income.

All financial amounts expressed in thousands of euros

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

| | 2003 | 2002 | change |
|---|---|---|---|
| Deductible temporary differences | 56 518 | 50 089 | |
| Tax losses | 43 252 | 64 771 | |
| **TOTAL** | **99 770** | **114 860** | **(15 090)** |

Previously unrecognised tax assets which have now been recognised as offsetting the deferred tax liabilities amount to €3 554 (2002: €2 018).

## 20. Ordinary shares, treasury shares, subscription rights and share options

| ISSUED CAPITAL | | Value | Number of shares |
|---|---|---|---|
| 1. | At 1 January 2003 | 170 000 | 22 121 630 |
| | Movements in the year | | |
| | Cancellation of shares | - | 51 330 |
| | At 31 December 2003 | 170 000 | 22 070 300 |
| 2. | Structure | | |
| 2.1 | Classes of share capital | | |
| | Ordinary shares without par value | 170 000 | 22 070 300 |
| 2.2 | Registered shares | - | 13 475 |
| | Bearer shares | - | 22 056 825 |
| **AUTHORISED, NOT ISSUED CAPITAL** | | **170 000** | **-** |

During 2003, 51 330 of the Company's own shares have been purchased and cancelled, resulting in a reduction of €2 185 in reserves.

The Extraordinary General Assembly of Shareholders of 14 October 1999 authorised the Board to issue up to 1 300 000 subscription rights to its management and executive employees in the period 2000-2004 in connection with a stock option plan based on the Act of 26 March 1999. If all of the 1 300 000 subscription rights were to be granted in the relevant period and subsequently converted into shares, the maximum dilution would amount to 5.8% of the total number of shares outstanding at the end of 1999. In order to avoid the potential dilution of the existing shares, the company has hitherto repurchased and cancelled a total of 387 020 existing shares. The 2003 offering was 40 050 subscription rights, of which 33 580 were granted on 9 September 2003 and issued on 6 October 2003.

Overview:

| Date offering | Number of subscription rights offered | Date granted | Number of subscription rights granted | Date of issue of subscription rights | Exercise price in € | First exercise period | Last exercise period |
|---|---|---|---|---|---|---|---|
| 17.12.1999 | 39 330 | 15.02.2000 | 35 730 | 04.04.2000 | 52.60 | 01-15.06.2003 | 16-30.11.2012 |
| 17.12.1999 | | 15.02.2000 | 2 890 | 04.04.2000 | 52.60 | 01-15.06.2003 | 16-30.11.2009 |
| 17.12.1999 | 1 000 | 15.02.2000 | 1 000 | 04.04.2000 | 52.60 | 01-15.06.2003 | 16-30.11.2004 |
| 14.07.2000 | 118 357 | 12.09.2000 | 106 547 | 26.09.2000 | 54.00 | 01-15.06.2004 | 01-15.06.2013 |
| 14.07.2000 | | 12.09.2000 | 5 515 | 26.09.2000 | 54.00 | 01-15.06.2004 | 01-15.06.2010 |
| 14.07.2000 | 4 750 | 12.09.2000 | 4 750 | 26.09.2000 | 49.85 | 01-15.06.2004 | 01-15.06.2005 |
| 13.07.2001 | 158 384 | 11.09.2001 | 139 389 | 26.09.2001 | 41.94 | 01-15.06.2005 | 01-15.06.2014 |
| 13.07.2001 | | 11.09.2001 | 4 125 | 26.09.2001 | 41.94 | 01-15.06.2005 | 01-15.06.2011 |
| 12.07.2002 | 42 128 | 10.09.2002 | 35 364 | 25.09.2002 | 47.48 | 01-15.06.2006 | 01-15.06.2015 |
| 12.07.2002 | | 10.09.2002 | 380 | 25.09.2002 | 47.48 | 01-15.06.2006 | 01-15.06.2012 |
| 11.07.2003 | 40 050 | 09.09.2003 | 33 580 | 06.10.2003 | 40.89 | 01-15.06.2007 | 01-15.06.2013 |
| **TOTAL** | **403 999** | | **369 270** | | | | |

All financial amounts expressed in thousands of euros

Out of the 35 730 and 2 890 subscriptions rights granted in 1999, respectively 385 and 2 530 expired during 2003. As a result, there is presently an aggregate of 366 355 subscription rights outstanding.

In 2003, a further 2 780 options on existing shares were offered and granted under the second stock option plan.

| Date offering | Number of options offered | Date granted | Number of options granted | Exercise price in € | First exercise period | Last exercise period |
|---|---|---|---|---|---|---|
| 26.07.2000 | 2 850 | 24.09.2000 | 2 850 | 49.85 | 01-15.06.2004 | 01-15.06.2013 |
| 13.07.2001 | 11 450 | 11.09.2001 | 11 450 | 41.94 | 01-15.06.2005 | 01-15.06.2014 |
| 12.07.2002 | 3 040 | 10.09.2002 | 3 040 | 47.48 | 01-15.06.2006 | 01-15.06.2015 |
| 11.07.2003 | 2 780 | 09.09.2003 | 2 780 | 40.89 | 01-15.06.2007 | 01-15.06.2013 |
| **TOTAL** | **20 120** | | **20 120** | | | |

## 21. Hedging reserve

| BALANCE | 2003 | 2002 |
|---|---|---|
| At 1 January | (13 015) | (15 091) |
| New instruments added | - | (164) |
| Existing instruments settled | 7 123 | 6 176 |
| Value changes existing instruments | 1 922 | (5 383) |
| First / (left out of) consolidation | - | - |
| Translation gains / (losses) | 952 | 1 447 |
| **NET BOOK VALUE AT 31 DECEMBER** | **(3 018)** | **(13 015)** |
| Of which | | |
| Zinc forward contracts | - | (7 943) |
| Interest rate swaps (US dollar loans) | (3 018) | (5 072) |

Changes in the fair value of hedging instruments designated as effective “cash flow hedges” are recognised directly in equity. All zinc forward contracts were settled prior to the end of 2003.

## 22. Minority interests

| BALANCE | 2003 | 2002 |
|---|---|---|
| At 1 January | 44 343 | 42 548 |
| Decrease / (increase) in ownership | - | (233) |
| Share of net profit of subsidiaries | 7 486 | 6 690 |
| Dividend pay-out | (7 756) | (4 334) |
| Capital increases | 249 | 1 089 |
| Transfer from equity method | 502 | 1 302 |
| Translation (losses) / gains | (1 480) | (2 719) |
| **NET BOOK VALUE AT 31 DECEMBER** | **43 344** | **44 343** |

Capital increases in 2003 mainly relate to Bekaert Shenyang Steel Cord Co., Ltd (€238). The transfer from equity method relates to the increase in shareholding in Sorevi S.A. and Sorevi Savoie S.A. from 49% to 87% in 2003.

All financial amounts expressed in thousands of euros

## 23. Employee benefit obligations

Several Bekaert companies maintain retirement benefit and other post-employment benefit plans. These plans generally cover all employees and provide benefits that are related to remuneration and length of service. Most assets in Belgium and the UK are invested in mixed portfolios of shares and bonds, mainly denominated in local currency. Plan assets in the US are invested in Group annuity contracts providing a guaranteed rate of return, in fixed income funds and in equity investments. The pension funds hold no direct positions in Bekaert shares, nor do they own any property used by a Bekaert entity. It is general Group policy to fund pension benefits on an actuarially acceptable basis with contributions paid to insurance companies and/or independent pension funds.

As a "first-time adopter" of IFRS, the Group opted to recognise all cumulative actuarial gains and losses at the date of transition to IFRS. To illustrate the impact of this, 2002 figures are reported before and after IFRS restatement.

At 31 December 2003 the Group's total net liabilities for employee benefit obligations amounted to €171 435 (€176 389 at 31 December 2002), comprised as follows:

| | 2003 | 2002 after IFRS | Restatement IFRS | 2002 before IFRS |
|---|---|---|---|---|
| (Assets) for: | | | | |
| Pension plans | - | - | 37 332 | (37 332) |
| Liabilities for: | | | | |
| Pension plans | 66 664 | 73 985 | 45 860 | 28 125 |
| Other post-employment defined benefit plans | 90 989 | 95 056 | 1 007 | 94 049 |
| Other employee benefit obligations | 13 782 | 7 348 | - | 7 348 |
| Total employee benefit obligations | 171 435 | 176 389 | 46 867 | 129 522 |
| **Total net (assets) / liabilities** | **171 435** | **176 389** | **84 199** | **92 190** |

### Pension defined benefit plans

| CHANGE IN BENEFIT OBLIGATION | 2003 | 2002 after IFRS | Restatement IFRS | 2002 before IFRS |
|---|---|---|---|---|
| Present value at 1 January | 398 092 | 401 493 | | 401 493 |
| Service cost | 10 151 | 10 611 | | 10 611 |
| Interest cost | 20 990 | 22 103 | | 22 103 |
| Participants' contributions | 577 | 664 | | 664 |
| Plan amendments | - | 294 | | 294 |
| First consolidation / (left out of consolidation) | 106 | - | | - |
| Actuarial losses / (gains) | 39 893 | 11 345 | | 11 345 |
| Benefits paid | (25 877) | (24 230) | | (24 230) |
| Translation (gains) / losses | (26 805) | (24 188) | | (24 188) |
| **Present value of defined benefit obligation at 31 December** | **417 127** | **398 092** | | **398 092** |

| CHANGE IN PLAN ASSETS | 2003 | 2002 after IFRS | Restatement IFRS | 2002 before IFRS |
|---|---|---|---|---|
| Fair value at 1 January | 247 627 | 322 468 | | 322 468 |
| Actual return on plan assets | 51 578 | (49 235) | | (49 235) |
| Company contributions | 22 173 | 14 154 | | 14 154 |
| Plan participants contributions | 577 | 665 | | 665 |
| First consolidation / (left out of consolidation) | (567) | - | | - |
| Settlements | - | - | | - |
| Benefits paid | (24 439) | (22 905) | | (22 905) |
| Translation (losses) / gains | (17 892) | (17 520) | | (17 520) |
| **Fair value of plan assets at 31 December** | **279 057** | **247 627** | | **247 627** |

All financial amounts expressed in thousands of euros

| FUNDED STATUS | 2003 | 2002 after IFRS | Restatement IFRS | 2002 before IFRS |
|---|---|---|---|---|
| Present value of unfunded obligations | 22 290 | 20 754 | | 20 754 |
| Present value of funded obligations | 394 837 | 377 338 | | 377 338 |
| Fair value of plan assets | (279 057) | (247 627) | | (247 627) |
| **Present value of net obligations** | **138 070** | **150 465** | | **150 465** |
| Unrecognised actuarial gains / (losses) | (71 405) | (76 374) | 83 192 | (159 566) |
| Unrecognised past service cost | (1) | (106) | | (106) |
| **Net liability / (asset)** | **66 664** | **73 985** | **83 192** | **(9 207)** |
| **Amounts in the balance sheet:** | | | | |
| **Assets** | **-** | **0** | **(37 332)** | **37 332** |
| **Liabilities** | **66 664** | **73 985** | **45 860** | **28 125** |

Asset amounts in the balance sheet were shown as “Other receivables” before implementation of IFRS.

| CHANGE IN LIABILITY | 2003 | 2002 after IFRS | Restatement IFRS | 2002 before IFRS |
|---|---|---|---|---|
| Net liability / (asset) at 1 January | 73 985 | 79 183 | 93 297 | (14 114) |
| Contributions paid | (23 435) | (15 519) | | (15 519) |
| Expense recognised in the income statement | 19 665 | 13 869 | (3 320) | 17 189 |
| First consolidation | 195 | - | | - |
| Left out of consolidation of pension asset | (222) | - | | - |
| Translation (gains) / losses | (3 524) | (3 548) | (6 785) | 3 237 |
| **Net liability / (asset) at 31 December** | **66 664** | **73 985** | **83 192** | **(9 207)** |
| **Amounts in the balance sheet:** | | | | |
| **Assets** | **-** | **0** | **(37 332)** | **37 332** |
| **Liabilities** | **66 664** | **73 985** | **45 860** | **28 125** |

The amounts recognised in the income statement are as follows:

| NET BENEFIT EXPENSE | 2003 | 2002 after IFRS | Restatement IFRS | 2002 before IFRS |
|---|---|---|---|---|
| Current service cost | 10 151 | 10 611 | | 10 611 |
| Interest cost | 20 990 | 22 103 | | 22 103 |
| Expected return on plan assets | (14 426) | (21 238) | | (21 238) |
| Net actuarial losses / (gains) recognised in the year | 2 856 | - | (3 320) | 3 320 |
| Past service cost | 94 | 2 393 | | 2 393 |
| **TOTAL** | **19 665** | **13 869** | **(3 320)** | **17 189** |

All financial amounts expressed in thousands of euros

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

| ACTUARIAL ASSUMPTIONS | 2003 | 2002 |
|---|---|---|
| Discount rate | 5.3% | 5.6% |
| Expected return on plan assets | 6.9% | 6.7% |
| Future salary increases | 3.7% | 3.7% |

## Other post-employment benefit plans

This relates to pre-retirement pensions in Belgium (defined benefit obligation in 2003: €76 474, 2002: €77 489) and other post-employment benefits for medical care in the US (defined benefit obligation in 2003: €17 707, 2002: €19 464), which are not externally funded. Of the defined benefit obligation in Belgium, an amount of €38 255 (2002: €39 775) relates to employees being in active service and not yet having concluded any pre-retirement agreement.

| CHANGE IN BENEFIT OBLIGATION | 2003 | 2002 after IFRS | Restatement IFRS | 2002 before IFRS |
|---|---|---|---|---|
| Present value at 1 January | 96 953 | 99 660 | | 99 660 |
| Service cost | 2 465 | 2 412 | | 2 412 |
| Interest cost | 4 900 | 5 121 | | 5 121 |
| Participants' contributions | - | - | | - |
| Plan amendments | - | - | | - |
| First consolidation / (left out of consolidation) | - | - | | - |
| Actuarial losses / (gains) | 1 884 | 2 226 | | 2 226 |
| Benefits paid | (8 549) | (9 051) | | (9 051) |
| Translation (gains) / losses | (3 472) | (3 415) | | (3 415) |
| **Present value of defined benefit obligation at 31 December** | **94 181** | **96 953** | | **96 953** |

| FUNDED STATUS | 2003 | 2002 after IFRS | Restatement IFRS | 2002 before IFRS |
|---|---|---|---|---|
| Present value of unfunded obligations | 94 181 | 96 953 | | 96 953 |
| Present value of funded obligations | - | - | | - |
| Fair value of plan assets | - | - | | - |
| **Present value of net obligations** | **94 181** | **96 953** | | **96 953** |
| Unrecognised actuarial gains / (losses) | (3 332) | (1 959) | 1 007 | (2 966) |
| Unrecognised past service cost | 140 | 62 | | 62 |
| **Net liability** | **90 989** | **95 056** | **1 007** | **94 049** |

| CHANGE IN LIABILITY | 2003 | 2002 after IFRS | Restatement IFRS | 2002 before IFRS |
|---|---|---|---|---|
| Net liability at 1 January | 95 056 | 99 608 | 1 732 | 97 876 |
| Contributions paid | (8 549) | (9 091) | | (9 091) |
| Expense recognised in the income statement | 7 505 | 7 651 | (84) | 7 735 |
| Translation (gains) / losses | (3 023) | (3 112) | (641) | (2 471) |
| **Net liability at 31 December** | **90 989** | **95 056** | **1 007** | **94 049** |

All financial amounts expressed in thousands of euros

The amounts recognised in the income statement are as follows:

| NET BENEFIT EXPENSE | 2003 | 2002 after IFRS | Restatement IFRS | 2002 before IFRS |
|---|---|---|---|---|
| Current service cost | 2 465 | 2 412 | | 2 412 |
| Interest cost | 4 900 | 5 121 | | 5 121 |
| Net actuarial losses / (gains) recognised in the year | 42 | 0 | (84) | 84 |
| Past service cost | 98 | 118 | | 118 |
| **TOTAL** | **7 505** | **7 651** | **(84)** | **7 735** |

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

| ACTUARIAL ASSUMPTIONS | 2003 | 2002 |
|---|---|---|
| Discount rate | 5.1% | 5.4% |
| Future salary increases | 3.3% | 3.8% |
| Health care cost increases (US) | 12.0% | 13.0% |

Weighted averages are slightly different from the pension plans because they include only the Belgian and US plans; actuarial assumptions per country were, however, identical.

### Other employee benefit obligations

This relates mainly to legal retirement benefits in countries including France, Italy and Turkey.

### Equity compensation plans

Details are provided in Note 20.

## 24. Provisions

| | Restructuring | Legal claims | Other | Total |
|---|---|---|---|---|
| **AT 31 DECEMBER 2002** | **20 582** | **3 407** | **29 871** | **53 860** |
| Additional provisions made | 3 870 | 1 905 | 5 445 | 11 220 |
| Unused amounts released | - | (67) | (729) | (796) |
| Increase in discounted amount | - | 13 | 474 | 487 |
| **Charged to the income statement** | **3 870** | **1 851** | **5 190** | **10 911** |
| First consolidation | - | - | 1 586 | 1 586 |
| Amounts used during the year | (17 494) | (1 933) | (2 466) | (21 893) |
| Translation (gains) / losses | (372) | (254) | (34) | (660) |
| **AT 31 DECEMBER 2003** | **6 586** | **3 071** | **34 147** | **43 804** |

The "Additional provisions made" relate to the restructuring of specialised films in the US and advanced wire products in Spain, and the creation of a provision for product warranties in Bekaert Specialty Films, LLC. The amounts used for restructuring relate mainly to the restructuring programme in fencing systems Europe reported last year. The other provisions relate mainly to environmental programmes and disputes with government bodies. The expected timing of the settlement of these provisions is uncertain.

All financial amounts expressed in thousands of euros

## 25. Financial liabilities and non-current other amounts payable

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

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

| 2002 | Due within one year | Due between one and five years | Due after five years | TOTAL |
|---|---|---|---|---|
| Non-current financial liabilities | | | | |
| – leasing | - | 555 | - | 555 |
| – credit institutions | - | 209 744 | 7 000 | 216 744 |
| – bonds | - | - | 106 991 | 106 991 |
| Other non-current amounts payable | - | 6 175 | 17 267 | 23 442 |
| Current financial liabilities | | | | |
| – current portion of non-current financial liabilities-credit institutions | 8 179 | - | - | 8 179 |
| – current portion of non-current leasing | 179 | - | - | 179 |
| – credit institutions | 138 376 | - | - | 138 376 |
| **TOTAL** | **146 734** | **216 474** | **131 258** | **494 466** |

Total financial debt was mainly denominated in US dollar (66.9%, 2002: 74.5%), euro (20.4%, 2002: 16.0%) and Chinese renminbi (8.4%, 2002: 6.1%). The general principle is that loans are entered into by entities in their local currency, so as to avoid currency risk.

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

- fixed interest rate loans: 5.65% on US dollar loans (2002: 5.65%); not applicable to any euro or Chinese renminbi loans in 2003 (2002: not applicable);
- floating interest rate loans: 1.94% on US dollar loans (2002: 2.35%) and 2.33% on euro loans (2002: 3.26%).

The weighted average lifetime at the year-end of long-term financial debt was 3.5 years (2002: 4.4 years).
Short-term financial debt was mainly denominated in US dollar (52.1%, 2002: 65.1%), Chinese renminbi (20.7%, 2002: 19.0%) and euro (20.3%, 2002: 8.0%).
Of the short-term financial debt, the weighted average interest rates for the main currencies at year-end were: 1.60% on US dollar loans (2002: 2.11%), 1.57% on Chinese renminbi loans (2002: 5.49%) and 2.31% on euro (2002: not applicable).
Several committed and uncommitted short-term credit lines in euros and other currencies are available to the Group in amounts considered adequate for current and near-future financial needs. These facilities are generally of the "mixed type" and may be utilised for advances, overdrafts, acceptances, etc.
The Group also has credit facilities at its disposal up to a maximum equivalent of €185 million (2002: €153 million) under "Multi-currency Credit Facilities" at floating interest rates with fixed margins. These credit facilities will mature in 2004, 2006 and 2007. At the year-end, €101.0 million was drawn under the Multi-currency Credit Facilities (2002: €66.2 million).
In addition, the Group has a Commercial Paper and Medium Term Notes Programme available for a maximum of €123.9 million (same amount as in 2002). At 31 December 2003, €24.5 million of commercial paper notes were outstanding (2002: nil).

All financial amounts expressed in thousands of euros

## 26. Derivative financial instruments

The Bekaert Group uses derivative financial instruments to hedge exchange rate exposure, interest rate exposure and commodity price exposure arising from its industrial and commercial operations. Some only of these financial instruments qualify for “hedge accounting” under the stringent criteria defined in IAS 39, other derivatives are treated as “free-standing instruments held for trading” in accordance with IAS 39.

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

### A. Fair value

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

The Group’s principal financial instruments not carried at fair value are cash and cash equivalents, receivables and other current assets, non current assets, trade and other payables and long-term borrowings.
The carrying amount of cash equivalents approximates to their value due to the short-term maturity of these financial instruments. Similarly, the historical cost carrying amount of receivables and payables, which are all subject to normal trade credit terms, approximate to their fair values.
The fair value of long-term fixed rate borrowings is based on the quoted market price for the same or similar issues, or on the current rates available for debt with the same maturity and credit-rating risk profile. The fair value of long-term floating rate borrowings only takes into account the currency impact.

### B. Foreign exchange exposure

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

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

At 31 December 2003, the total fair value of the forward exchange contracts was €1 179 (2002: €1 100), while the notional amounts were:

| FORWARD EXCHANGE CONTRACTS | 2003 | 2002 |
|---|---|---|
| Currencies purchased forward, maturing: | | |
| up to 6 month | 717 | - |
| after 6 months | 2 786 | 2 043 |
| | **3 503** | **2 043** |
| Currencies sold forward, maturing: | | |
| up to 6 months | 58 555 | 35 600 |
| after 6 months | 640 | 727 |
| | **59 195** | **36 327** |

The Group has entered into cross currency interest rate swaps (“CCIRS”) for a notional amount of €260 542 (2002: €250 150) resulting in the obligation to sell currencies and interest thereon against euro, US dollar and British pound on pre-set terms.
With the adoption of IAS 39, the Group has designated the CCIRS related to its Eurobond as a “fair value hedge”. As a consequence, changes in the fair value of the hedging instrument and of the hedged item offset each other in the Income Statement. The other CCIRSs do not qualify for hedge accounting under IAS 39 and consequently are not treated as hedging instruments, even though they provide economic hedging. At 31 December 2003, the total fair value of CCIRS instruments amounted to €73 163 (2002: €43 046).

### C. Interest rate exposure

To manage its interest rate exposure, the Group has entered into interest rate swaps. Any interest rate differential is recognised as an adjustment to other financial charges or revenues over the term of the related underlying debt. Of the total outstanding debt at 31 December 2003, the interest rate exposure relating to the equivalent of €119 083 (2002: €143 797) was hedged through these interest rate agreements.

The maturities of the interest rate swaps are as follows:

- maturing within one year: €319 (2002: €380);
- maturing between one and five years: €98 970 (2002: €119 578);
- maturing after more than five years: €19 794 (2002: €23 839).

At 31 December 2003, the total fair value of the interest rate swaps amounted to €(9 378), compared to €(15 372) the previous year.
With the adoption of IAS 39, the Group has designated only part of its interest rate swaps as “cash flow hedges”. Although the Group entered into interest rate swaps (IRS) relating to a combination of a loan and a cross currency interest rate swap (CCIRS) only for hedging not for trading reasons, these IRS’s are treated as “instruments held for trading” under IAS 39 rather than as hedging instruments.

All financial amounts expressed in thousands of euros

## D. Commodity risk exposure

To manage the zinc price exposure, the Group has entered into zinc hedging agreements (forward contracts).

At the time of adoption of IAS 39, the Group designated its zinc forward contracts as "cash flow hedges". Consequently, changes in the fair value of these contracts are booked initially in the hedging reserve.

Gains and losses on these hedging instruments become part of the cost of sales on a symmetrical basis with the underlying transaction, being the sale of zinc as part of finished goods. Realised gains or losses on these hedging instruments before the realisation of the underlying transaction are deferred.

During 2003, the Group reassessed its exposure to commodity price risk and, mainly because of its limited exposure and the lack of any significant benefits, withdrew from all commodity hedges, so that the fair value of outstanding contracts at 31 December 2003 was nil (2002: €(8 044)); the notional amounts outstanding were:

| | 2003 | 2002 |
|---|---|---|
| Expiring in 2003 | - | 19 056 |
| Expiring in 2004 | - | 10 070 |
| Expiring in 2005 | - | 2 530 |

## E. Credit Risk

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

### Breakdown of net position by type of financial instrument

| FAIR VALUE OF CURRENT AND NON-CURRENT DERIVATIVES | ASSETS 2003 | ASSETS 2002 | LIABILITIES 2003 | LIABILITIES 2002 | NET POSITION 2003 | NET POSITION 2002 |
|---|---|---|---|---|---|---|
| **Financial instruments** | | | | | | |
| Zinc forward and option contracts | - | - | - | (8 044) | - | (8 044) |
| Foreign exchange contracts | 1 916 | 1 391 | (737) | (291) | 1 179 | 1 100 |
| Interest rate swaps | - | 1 | (9 378) | (15 373) | (9 378) | (15 372) |
| Cross-currency interest rate swaps | 73 629 | 43 255 | (465) | (199) | 73 164 | 43 056 |
| **NET ASSETS / (LIABILITIES)** | **75 545** | **44 647** | **(10 580)** | **(23 907)** | **64 965** | **20 740** |

### Movement in the net position recognised in the balance sheet

| | 2003 | 2002 |
|---|---|---|
| At 1 January | 20 740 | (3 176) |
| Increase / (decrease) via income statement | 44 117 | 23 570 |
| Increase / (decrease) via hedging reserve | 9 045 | 629 |
| First consolidation | - | - |
| Left out of consolidation | - | - |
| Translation (losses) / gains | (8 937) | (2 437) |
| Transfers | - | 2 154 |
| **NET BOOK VALUE AT 31 DECEMBER** | **64 965** | **20 740** |

Movements via income statement are explained in Note 7 (Non-operating income & expenses).

All financial amounts expressed in thousands of euros

## 27. Other payables, accrued charges and deferred income

### Other payables

| NET BOOK VALUE | 2003 | 2002 |
|---|---|---|
| At 1 January | 12 493 | 16 826 |
| Increase / (decrease) | 11 700 | (2 646) |
| First consolidation | 886 | 540 |
| Left out of consolidation | (16) | (185) |
| Translation (losses) / gains | (3 058) | (2 042) |
| **NET BOOK VALUE AT 31 DECEMBER** | **22 005** | **12 493** |

The increase in “Other payables” arises from a timing difference in payments.

### Accrued charges and deferred income

| NET BOOK VALUE | 2003 | 2002 |
|---|---|---|
| At 1 January | 7 662 | 10 349 |
| (Decrease) / increase | (790) | (1 680) |
| First consolidation | 1 674 | 83 |
| Left out of consolidation | (13) | - |
| Translation (losses) / gains | (886) | (1 090) |
| **NET BOOK VALUE AT 31 DECEMBER** | **7 647** | **7 662** |

## 28. Cash flow statement

Cash provided by operating activities was mainly used to finance the expansion programmes in property, plant and equipment, mainly in China and Eastern Europe.
The cash used in investing activities relates to the increase in shareholding in Contours Ltd, Sorevi S.A. and Sorevi Savoie S.A., the acquisition of Drôtovña Drôty a.s. and Drôtovña Kordy a.s. (now called Bekaert Hlohovec, a.s.), Bekaert Specialty Films Nordic AB and Bekaert Specialty Films North Europe AB.

## 29. Off balance sheet commitments

At 31 December, important commitments were:

| | 2003 | 2002 |
|---|---|---|
| Guarantees given to third parties | 4 433 | 33 697 |
| Commitments to purchase fixed assets | 1 730 | 514 |
| Other commitments | - | 1 643 |

## 30. Related parties

Remuneration and pensions of the parent Company’s non-executive directors for their services rendered to Group companies amounted to €2 220 (€3 903 in 2002) (for more information: see “Corporate Governance”).

## 31. Earnings / (loss) per share

| At 31 December 2003 | Basic | Diluted |
|---|---|---|
| Weighted average number of ordinary shares | 22 111 807 | 22 111 807 |
| Effect of stock options on issue (note 20) | - | 83 |
| Weighted average number of ordinary shares (diluted) | - | 22 111 890 |
| Net income attributable to ordinary shareholders | 85 213 | 85 213 |
| **Earnings / (loss) per share (in euros)** | **3.854** | **3.854** |
| Result from ordinary activities before taxes | 68 836 | 68 836 |
| **Result from ordinary activities before taxes per share (in euros)** | **3.113** | **3.113** |
| Result from ordinary activities before taxes and non-recurring events | 79 268 | 79 268 |
| **Result from ordinary activities before taxes and non-recurring events per share (in euros)** | **3.585** | **3.585** |

All financial amounts expressed in thousands of euros

| At 31 December 2002 | Basic | Diluted |
|---|---|---|
| Weighted average number of ordinary shares | 22 149 092 | 22 149 092 |
| Effect of stock options on issue (note 20) | - | 14 893 |
| Weighted average number of ordinary shares (diluted) | - | 22 163 985 |

| AFTER IFRS | | |
|---|---|---|
| Net income attributable to ordinary shareholders | (46 266) | (46 266) |
| **Earnings / (loss) per share (in euros)** | **(2.089)** | **(2.087)** |
| Result from ordinary activities before taxes | (65 875) | (65 875) |
| **Result from ordinary activities before taxes per share (in euros)** | **(2.974)** | **(2.972)** |
| Result from ordinary activities before taxes and non-recurring events | 79 917 | 79 917 |
| **Result from ordinary activities before taxes and non-recurring events per share (in euros)** | **3.608** | **3.606** |

| BEFORE IFRS | | |
|---|---|---|
| Net income attributable to ordinary shareholders | (49 511) | (49 511) |
| **Earnings / (loss) per share (in euros)** | **(2.235)** | **(2.234)** |
| Result from ordinary activities before taxes | (69 280) | (69 280) |
| **Result from ordinary activities before taxes per share (in euros)** | **(3.128)** | **(3.126)** |
| Result from ordinary activities before taxes and non-recurring events | 76 512 | 76 512 |
| **Result from ordinary activities before taxes and non-recurring events per share (in euros)** | **3.454** | **3.452** |

The average value of one ordinary share during 2003 was €41.22 per share (2002: €45.57 per share).

## 32. Consolidated statement on relationships with companies accounted for under the equity method

At 31 December, the subsidiaries had the following outstanding balances with these companies:

| | Joint ventures 2003 | Associates 2003 | Joint ventures 2002 | Associates 2002 |
|---|---|---|---|---|
| Non-current receivables | 2 829 | 108 | 384 | 4 111 |
| Trade receivables | 844 | 445 | 3 070 | 578 |
| Other current receivables | 2 911 | 739 | 2 401 | 709 |
| Non-current payables | - | - | - | - |
| Trade payables | 1 389 | 234 | 2 178 | 168 |
| Other current payables | 31 | - | 1 254 | - |

and realised the following transactions with them:

| | Joint ventures 2003 | Associates 2003 | Joint ventures 2002 | Associates 2002 |
|---|---|---|---|---|
| Net sales | 7 507 | 34 | 12 924 | 208 |
| Royalties receivable | 3 530 | 120 | 5 342 | 329 |
| Royalties payable | - | - | - | - |
| Financial revenues | 346 | 16 | 204 | 27 |
| Financial charges | 10 | - | 208 | - |
| Dividends receivable | 22 021 | 35 | 19 055 | 68 |
| Capital commitments | - | - | - | - |

All financial amounts expressed in thousands of euros

## 33. Annual report of the Board of Directors and annual accounts of N.V. Bekaert S.A.

### Statutory annual accounts

The statutory annual accounts of the parent company, N.V. Bekaert S.A., are reported below in a condensed format.
In conformity with Belgian Company Law, the Directors' report and Annual Accounts of the parent company, N.V. Bekaert S.A., together with the Statutory Auditor's report, are deposited at the National Bank of Belgium.
They are available on request from:

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

The statutory auditor issued an opinion without reservation on the annual accounts of N.V. Bekaert S.A.

### CONDENSED PROFIT AND LOSS STATEMENT

| YEARS ENDED 31 DECEMBER | 2003 | 2002 |
|---|---|---|
| Sales | 496 492 | 663 390 |
| OPERATING PROFIT (LOSS) | 10 693 | 8 031 |
| Financial result | 151 822 | 1 532 |
| Extraordinary result | (45 946) | (70 848) |
| Current and deferred income taxes | - | (1) |
| **PROFIT / (LOSS) FOR THE YEAR** | **116 569** | **(61 286)** |

### CONDENSED BALANCE SHEET AFTER PROFIT APPROPRIATION

| 31 DECEMBER | 2003 | 2002 |
|---|---|---|
| **FIXED ASSETS** | **1 358 168** | **1 413 604** |
| Formation expenses, intangible fixed assets | 31 688 | 40 513 |
| Tangible fixed assets | 78 383 | 76 030 |
| Financial fixed assets | 1 248 097 | 1 297 061 |
| **CURRENT ASSETS** | **220 856** | **206 348** |
| **TOTAL ASSETS** | **1 579 024** | **1 619 952** |
| **EQUITY** | **801 775** | **725 970** |
| Capital | 170 000 | 170 000 |
| Revaluation surplus | 1 995 | 1 995 |
| Legal reserve | 17 000 | 17 000 |
| Untaxed reserves | - | - |
| Reserves available for distribution, retained earnings | 612 780 | 536 975 |
| Investment grants | - | - |
| **PROVISIONS AND DEFERRED TAXES** | **68 292** | **71 233** |
| **CREDITORS** | **708 957** | **822 749** |
| Amounts payable after one year | 439 368 | 439 571 |
| Amounts payable within one year, accrued charges and deferred income | 269 589 | 383 178 |
| **EQUITY AND LIABILITIES** | **1 579 024** | **1 619 952** |

All financial amounts expressed in thousands of euros

## VALUATION PRINCIPLES

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

### Summary of the annual report of the Board of Directors

Sales amounting to €496 492 were 25% lower than in the previous year. This was mainly due to the carve-out of the fencing activity into the separate legal entity Bekaert Fencing NV. Advanced materials and the engineering department achieved higher sales. For the engineering department sales were about 70% higher than last year, mainly due to the delivery of equipment for the expansion in China and Central Europe. Sales of advanced wire products were slightly below 2002 figures.

The result from operations amounted to €10 693 (2002: €8 031). The impact of the carve-out of Bekaert Fencing NV was more than offset by lower depreciation and a lower charge relating to provisions for pension and similar rights.

The financial result was substantially higher than last year (2003: €151 822; 2002: €1 532), mainly due to higher revenue from financial fixed assets.

Due to a loss on disposal and write-downs on financial fixed assets of €14 010 and €29 173 respectively, there were negative extraordinary results of €45 946 (2002: €70 848).

The net profit for the year ending 31 December 2003 amounted to €116 569, compared with a loss of €61 286 in 2002.

### Statement on the activities of the Statutory Auditor and related persons

As a result of an existing agreement, a previously related company, with which the statutory auditor has terminated his professional relationship before 31 December 2003, has rendered EDP services to the company for an amount of €6 034. Other fees amounting to €415 were charged by the statutory auditor and persons professionally related to him. These fees relate essentially to audit related and tax services.

### Environmental programmes

The provision for environmental programmes amounts to €13 946 stemming from additional charges of €2 305 and expenditure of €1 192.

### Information on research and development

Information on the Research and Development activities of the Company can be found in the Company Profile.

### Conflict of interest

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

In 2003, Mr. Hubert Jacobs van Merlen refrained from participating in the discussion and voting on indemnification by the company of his civil liability as director. For more details, refer to the Corporate Governance chapter in this Annual Report.

## STATEMENT OF CAPITAL

Since the issue of the 2002 annual report, no new notifications of participation in the share capital of the company, in conformity with art. 4 of the Law of 2 March 1989, have been received.

| NOTIFIER | Date of notification | Number of shares | % of total number of shares |
|---|---|---|---|
| Stichting Administratiekantoor Bekaert Chasséveld 1, Breda (Netherlands) (*) | 09.03.01 | 4 265 940 | 19.33 |
| Common attorney, on behalf of individuals, Mr. X. Oberson, 20 rue de Candolle, Geneva (Switzerland) (*) | 31.10.96 | 2 223 140 | 10.07 |
| Beauval Enterprises Corp., 325 Waterfront Drive, Tortola (British Virgin Islands) | 29.11.99 | 1 100 000 | 4.98 |
| Tirhold Inc., Bank of America Building, 50th Street 5, Panama (Rep. of Panama) | 01.03.99 | 1 079 630 | 4.89 |
| HLF S.p.r.l., square Vergote 19, Brussels (*) | 31.10.96 | 76 820 | 0.35 |
| N.V. BSI, Schoonberg 15, Aalter (*) | 16.06.94 | 57 470 | 0.26 |
| N.V. Grisar & Velge, Keizerstraat 13, Antwerp (*) | 31.10.96 | 19 000 | 0.09 |
| N.V. De Sneppe, Kortrijkstraat 11, Zwevegem (*) | 02.09.94 | 17 460 | 0.08 |
| Millenium 3 S.A., av. N. Plissart 8, Brussels (*) | 01.03.99 | 16 000 | 0.07 |
| S.A. Berfin, Drève L. Chaudoir 16, Brussels | 01.03.99 | 15 000 | 0.07 |
| S.A. Subeco, rue Guimard 19, Brussels (*) | 01.03.99 | 12 600 | 0.06 |
| Brocsa S.A., av. De Fré 225, Brussels (*) | 01.03.99 | 6 770 | 0.03 |
| **TOTAL** | | **8 889 830** | **40.28** |

(*) These individuals and companies, linked by their joint control of the Stichting Administratiekantoor Bekaert, together with the Stichting Administratiekantoor Bekaert, have 6 695 200 shares (30.34%).

All financial amounts expressed in thousands of euros

## 34. Subsidiaries, joint ventures and associates

### A. SUBSIDIARIES

| INDUSTRIAL COMPANIES | | % |
|---|---|---|
| **EUROPE** | | |
| Bekaert Bohumín s.r.o. | Bohumín, Czech Republic | 100 |
| Bekaert CEB Technologies B.V. | Eindhoven, Netherlands | 100 |
| Bekaert Combustion Technology B.V. | Assen, Netherlands | 75 |
| Bekaert Combustion Technology NV | Zwevegem, Belgium | 75 |
| Bekaert Deutschland GmbH | Schwalmtal, Germany | 100 |
| Bekaert Dymonics | Zulte, Belgium | 100 |
| Bekaert Dymonics GmbH | Bad Homburg, Germany | 100 |
| Bekaert Fencing España, S.L. | Burgos, Spain | 100 |
| Bekaert Fencing Limited | Sheffield, United Kingdom | 100 |
| Bekaert Fencing NV | Zwevegem, Belgium | 100 |
| Bekaert Fencing S.A. | Bourbourg, France | 100 |
| Bekaert Fencing S.p.A. | Tortoreto, Italy | 100 |
| Bekaert Fencing Sp.z o.o. | Kotlarnia, Poland | 100 |
| Bekaert Fibre Processing Systems | Wevelgem, Belgium | 100 |
| Bekaert France S.A. | Charleville-Mézières, France | 100 |
| Bekaert Hemiksem | Hemiksem, Belgium | 100 |
| Bekaert Hlohovec, a.s. | Hlohovec, Slovak Republic | 100 |
| Bekaert Indoor Safety B.V. | Ede, Netherlands | 95 |
| Bekaert Petrovice s.r.o. | Petrovice, Czech Republic | 100 |
| Bekaert Progressive Composites, S.A. | Munguía, Spain | 100 |
| Bekaert Slovakia, s.r.o. | Sladkovicovo, Slovak Republic | 100 |
| Bekaert VDS | Deinze, Belgium | 100 |
| Bekintex | Wetteren, Belgium | 100 |
| Industrias del Ubierna, S.A. | Burgos, Spain | 100 |
| Sobelcard | Zwevegem, Belgium | 100 |
| Sorevi S.A. | Limoges, France | 87 |
| Sorevi Savoie S.A. | Bons en Chablais, France | 87 |
| Tinsley Wire (Ireland) Limited | Dublin, Ireland | 100 |
| Werler Drahtwerke GmbH | Werl, Germany | 100 |
| **NORTH AMERICA** | | |
| Bekaert CEB Technologies Canada Ltd | Calgary, Canada | 100 |
| Bekaert Combustion Technology Corporation | Wilmington (Delaware), USA | 75 |
| Bekaert Corporation | Wilmington (Delaware), USA | 100 |
| Bekaert Progressive Composites Corporation | Atlanta (Georgia), USA | 80 |
| Bekaert Specialty Films, LLC | Wilmington (Delaware), USA | 100 |
| Rotar, Inc. | Minneapolis (Minnesota), USA | 100 |
| Titan Steel & Wire Co. Ltd | Surrey (BC), Canada | 70 |
| **AFRICA** | | |
| Bekaert Bastion Fencing Systems (Pty) Ltd | Blackheath, South Africa | 60 |
| **ASIA** | | |
| Bekaert Industries Private Limited | Taluka Shirur, District Pune, India | 100 |
| Bekaert Jiangyin Steel Cord Company Limited | Jiangyin, China | 90 |
| Bekaert-Jiangyin Wire Products Co., Ltd | Jiangyin, China | 90 |
| Bekaert (Shandong) Tire Cord Co., Ltd | Weihai, China | 100 |
| Bekaert Shenyang Steel Cord Co., Ltd | Shenyang, China | 98 |
| Bekaert Technology and Engineering (Jiangyin) Co., Ltd | Jiangyin, China | 100 |
| Bekaert Toko Metal Fiber Co., Ltd | Tokyo, Japan | 70 |
| Bekinit Kabushiki Kaisha | Miyashiro-Machi, Japan | 60 |
| Beksa Celik Kord Sanayi ve Ticaret A.S. | Istanbul, Turkey | 50 |
| China Bekaert Steel Cord Company Limited | Jiangyin, China | 90 |
| PT. Bekaert Indonesia | Karawang, Indonesia | 100 |
| Shanghai Bekaert Ergang Company Limited | Shanghai, China | 70 |

| SALES OFFICES, WAREHOUSES AND OTHERS | | % |
|---|---|---|
| **EUROPE** | | |
| Bekaert (Schweiz) AG | Baden, Switzerland | 100 |
| Bekaert A/S | Roskilde, Denmark | 100 |
| Bekaert Asia | Zwevegem, Belgium | 100 |
| Bekaert Beheer B.V. | Nieuwegein, Netherlands | 100 |
| Bekaert-CMTM GmbH | Saalfeld, Germany | 100 |
| Bekaert Combustion Technology Limited | Hinckley, United Kingdom | 75 |
| Bekaert France SAS | Antony, France | 100 |
| Bekaert Ges.m.b.H. | Maria Enzersdorf-Südstadt, Austria | 100 |
| Bekaert Limited | Sheffield, United Kingdom | 100 |
| Bekaert Nederland B.V. | Dordrecht, Netherlands | 100 |
| Bekaert Norge A/S | Frogner, Norway | 100 |
| Bekaert Portugal Lda | Lisboa, Portugal | 100 |
| Bekaert Specialty Films Nordic AB | Rimbo, Sweden | 100 |
| Bekaert Specialty Films North Europe AB | Rimbo, Sweden | 100 |
| Bekaert Specialty Films (UK) Ltd | Worcestershire, United Kingdom | 100 |
| Bekaert Svenska AB | Göteborg, Sweden | 100 |
| Bekaert Wire o.o.o. | Moscow, Russian Federation | 100 |
| Imaware | Zwevegem, Belgium | 75 |
| Innovative Sputtering Technology | Zulte, Belgium | 100 |
| Joseph Sykes Brothers Limited | Sheffield, United Kingdom | 100 |
| Leon Bekaert S.p.A. | Trezzano Sul Naviglio, Italy | 100 |
| **NORTH AMERICA** | | |
| Bekaert Specialty Films (Canada), Inc. | Oakville, Canada | 100 |
| **LATIN AMERICA** | | |
| Bekaert Specialty Films de Mexico, SA de CV | Monterrey, Mexico | 100 |
| Bekaert Trade Latin America N.V. | Curaçao, Netherlands Antilles | 100 |
| Bekaert Trade Mexico, S. de R.L. de CV | Mexico City, Mexico | 100 |
| Specialty Films de Services Company, SA de CV | Monterrey, Mexico | 100 |
| **ASIA** | | |
| Bekaert Hong Kong Limited | Hong Kong, China | 100 |
| Bekaert Korea Ltd | Seoul, Korea | 100 |
| Bekaert Singapore Pte Ltd | Singapore | 100 |
| Bekaert Specialty Films (SEA) Pte Ltd | Singapore | 100 |
| SAM Logistics (Shanghai) Co., Ltd | Shanghai, China | 100 |
| **AUSTRALIA** | | |
| Bekaert Building Products Pty Ltd | Sydney, Australia | 100 |
| Bekaert Specialty Films Australia Pty Ltd | Seven Hills, Australia | 100 |

| FINANCIAL COMPANIES | | % |
|---|---|---|
| Becare Limited | Dublin, Ireland | 100 |
| Bekaert (Ireland) Limited | Dublin, Ireland | 100 |
| Bekaert Coördinatiecentrum | Zwevegem, Belgium | 100 |
| Bekaert do Brasil | Contagem, Brazil | 100 |
| Bekaert Engineering | Zwevegem, Belgium | 100 |
| Bekaert GmbH | Friedrichsdorf, Germany | 100 |
| Bekaert Holding B.V. | Assen, Netherlands | 100 |
| Bekaert Ibérica Holding, S.L. | Burgos, Spain | 100 |
| Bekaert North America Management Corporation | Wilmington (Delaware), USA | 100 |
| Bekpart B.V. | Assen, Netherlands | 100 |
| Imperial Eagle Limited | Hinckley, United Kingdom | 75 |
| Société de Participations Financières Bekaert | Antony, France | 100 |
| Sentinel Garden Products Limited (°) | Sheffield, United Kingdom | 100 |

(°) As a consequence of the recent restructuring of the UK companies, TWIL Limited (now called TWIL Company) is no longer the holding company.

## B. JOINT VENTURES

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

| SALES OFFICES, WAREHOUSES AND OTHERS | | % |
|---|---|---|
| **EUROPE** | | |
| Bekaert Faser Vertriebs GmbH | Idstein, Germany | 50 |
| LB Systemer A/S | Copenhagen, Denmark | 50 |
| Netlon Sentinel Limited | Sheffield, United Kingdom | 50 |
| SCI La Haie Briffault | Saint Clément des Levées, France | 50 |
| **LATIN AMERICA** | | |
| Prodalam Argentina S.A. | Buenos Aires, Argentina | 50 |
| Productos de Alambre Prodalam S.A. | Santiago, Chile | 50 |

| FINANCIAL COMPANIES | | % |
|---|---|---|
| Acma Inversiones S.A. | Talcahuano, Chile | 50 |
| Alambres Andinos S.A. (Alansa) | Quito, Ecuador | 50 |
| Bekaert Handling France SAS | Saint Clément des Levées, France | 50 |
| Bekaert Handling Group A/S | Copenhagen, Denmark | 50 |
| Impala S.A. | Panama, Panama | 50 |
| Instafer S.A. | Santiago, Chile | 50 |
| Inversiones Y Manufacturas del Metal – Manumetal Ltda | Talcahuano, Chile | 50 |
| Numelino S.A. | Panama, Panama | 50 |
| VBS Wire Company | Grand Cayman, Cayman Islands | 50 |

## C. ASSOCIATES

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

## CHANGES IN 2003

### 1. New investments

| SUBSIDIARIES | | % |
|---|---|---|
| Bekaert CEB Technologies B.V. | Eindhoven, Netherlands | 100 |
| Bekaert CEB Technologies Canada Ltd | Calgary, Canada | 100 |
| Bekaert Fencing España, S.L. | Burgos, Spain | 100 |
| Bekaert Hlohovec, a.s. | Hlohovec, Slovak Republic | 100 |
| Bekaert Limited | Sheffield, United Kingdom | 100 |
| Bekaert (Shandong) Tire Cord Co., Ltd | Weihai, China | 100 |
| Bekaert Specialty Films Nordic AB | Rimbo, Sweden | 100 |
| Bekaert Specialty Films North Europe AB | Rimbo, Sweden | 100 |

| JOINT VENTURES | | % |
|---|---|---|
| Benitis Technologie Innovation Surfaces S.A. | Chelles, France | 25 |

### 2. Increased / decreased ownership

| SUBSIDIARIES | | |
|---|---|---|
| Bekaert Consulting, S.L. | Bilbao, Spain | From 100 to 10 % |
| Bekaert ECD Solar Systems Europe | Zulte, Belgium | From 60 to 0 % |
| Bekaert ECD Solar Systems LLC | Auburn Hills (Michigan), USA | From 60 to 0 % |
| Bekaert-Stanwick | Merelbeke, Belgium | From 100 to 0 % |
| Contours Ltd | Orville (Ohio), USA | From 50 to 100 % |
| Sorevi S.A. | Limoges, France | From 49 to 87 % |
| Sorevi Savoie S.A. | Bons en Chablais, France | From 49 to 87 % |
| United Solar de Mexico | Tijuana, Mexico | From 60 to 0 % |

| JOINT VENTURES | | |
|---|---|---|
| Productora de Alambres Colombianos S.A. – Proalco S.A. | Bogota, Colombia | From 34 to 50 % |
| Middelfart Galvanisering A/S | Middelfart, Denmark | From 50 to 0 % |

### 3. Mergers / conversion

| SUBSIDIARIES | |
|---|---|
| Bossuyt Gebroeders, S.B.S. and Sobo | Merged into Sobelcard |
| Contours Ltd | Merged into Bekaert Corporation |

| JOINT VENTURES | |
|---|---|
| Bekaert Handling Systems GmbH | Merged into Bekaert Handling Systems Ltd |

### 4. Change of name

| | |
|---|---|
| Bekaert Technology and Engineering (Jiangyin) Co. Ltd | Formerly Bekaert Mechanical Engineering (Jiangyin) Co. Ltd |
| Bekaert Combustion Technology Limited | Formerly Furigas UK Limited |
| Bekaert GmbH | Formerly Bekaert Deutsche Holding GmbH |
| TWIL Company | Formerly TWIL Limited |

## 35. Cash flow statement: effect of acquisitions and disposals

The first consolidation in 2003 relates to the increase in shareholding in Contours Ltd, Sorevi S.A. and Sorevi Savoie S.A., the acquisitions of Bekaert Hlohovec, a.s., Bekaert Specialty Films Nordic AB, Bekaert Specialty Films North Europe AB and Bekaert CEB Technologies B.V. and Bekaert CEB Technologies Canada Ltd.

The impact of the disposal of Bekaert-Stanwick and Bekaert Consulting, S.L. is reflected in “left out of consolidation”.

| SUBSIDIARIES | 2003 first consolidation | 2003 left out of consolidation | 2003 total | 2002 total |
|---|---|---|---|---|
| Intangible assets (other than goodwill) | 52 | - | 52 | - |
| Goodwill acquired | 34 | - | 34 | - |
| Property, plant & equipment | 43 005 | (393) | 42 612 | 4 654 |
| Investments | 214 | (16) | 198 | - |
| Inventories | 11 872 | - | 11 872 | 342 |
| Trade receivables | 16 274 | (2 643) | 13 631 | 1 480 |
| Other receivables | 766 | (48) | 718 | 340 |
| Cash & cash equivalents | 2 413 | (7) | 2 406 | 1 733 |
| Deferred charges & accrued income | 353 | (31) | 322 | - |
| Deferred tax assets | 988 | - | 988 | - |
| Provisions | (1 767) | - | (1 767) | (1 026) |
| Non-current financial liabilities | (2 795) | - | (2 795) | - |
| Other non-current amounts payable | - | - | - | - |
| Current financial liabilities | (5 887) | 36 | (5 851) | (3 183) |
| Trade payables | (10 512) | 261 | (10 251) | (1 649) |
| Other payables | (15 292) | 2 575 | (12 717) | (486) |
| Accrued charges & deferred revenues | (1 651) | 13 | (1 638) | - |
| Deferred tax liabilities | (2 633) | - | (2 633) | - |
| **TOTAL NET ASSETS** | **35 434** | **(253)** | **35 181** | **2 205** |
| Goodwill arising on related acquisitions | 10 038 | - | 10 038 | 3 740 |
| Timing difference in effective cash | (4 911) | (146) | (5 057) | - |
| Reclass of investments previously accounted for under the equity method in 2002 | (5 705) | - | (5 705) | (584) |
| Minority contribution on related acquisitions | (503) | - | (503) | - |
| **CONSIDERATION PAID** | **34 353** | **(399)** | **33 954** | **5 361** |
| Cash acquired | (2 413) | 7 | (2 406) | (1 733) |
| **NET CASH OUTFLOW** | **31 940** | **(392)** | **31 548** | **3 628** |

| JOINT VENTURES AND ASSOCIATES | 2003 | 2002 |
|---|---|---|
| Net book value divestments | - | (2 596) |
| Cash proceeds from divestments | - | 930 |

| COMPANIES | Month of acquisition | Impact on the consolidated net result of the group |
|---|---|---|
| Bekaert CEB Technologies B.V. and subsidiary | February 2003 | (73) |
| Bekaert Hlohovec, a.s. | April 2003 | 1 410 |
| Bekaert Specialty Films North Europe A.B. and subsidiary | July 2003 | 63 |
| Sorevi S.A. and subsidiary | July 2003 | 126 |
| Contours Ltd | August 2003 | 791 |

All financial amounts expressed in thousands of euros

## 36. Events subsequent to the balance sheet date

Two events occurred after the balance sheet date, none of which entailed any adjustments to the present financial statements:

- on 15 January 2004, Bekaert signed an agreement for the acquisition of Solaronics Technologies and its subsidiaries Solaronics IRT and Solarelec. Solaronics, with sales of €20 million and employing one hundred people worldwide, is specialised in gas- and electrical solutions for the drying of coatings on paper, on metal (e.g. in the automotive industry) and on wood. The newly acquired company will become part of combustion technologies, an activity platform within the advanced materials segment.

- on 20 January 2004, Bekaert sold its composite profile activities to Exel Oyj, a Finnish company specialised in composite technology. Exel acquired the operations, working capital, equipment and industrial property of the composite profile activities located in Oudenaarde (Belgium) and in Munguía (Spain). The sold activities were part of composites, an activity platform within the advanced materials segment.

## PROPOSED APPROPRIATION OF N.V. BEKAERT S.A. 2003 RESULT (in euros)

The profit for the year ended 31 December 2003, after income taxes, was €116 568 856 compared to a loss of €61 285 764 for the year ended 31 December 2002.
At the General Assembly of Shareholders on 12 May 2004, the Board will propose to appropriate the above mentioned profit as follows:

| | EUR |
|---|---|
| Gross dividends | 38 578 885 |
| Transfer to reserves | 53 025 644 |
| Carried forward to the following year | 24 964 327 |
| | **116 568 856** |

If confirmed, the gross dividend of €1.748 per share will be paid giving a net dividend of €1.311 if presented without VVPR strip (reduced withholding tax strip) or €1.4858 if presented with VVPR strip.

The dividends will be payable in euros from 19 May 2004 onwards upon presentation of dividend coupon number 5 at the following banks:
- ING Bank, Fortis Bank, KBC Bank, Bank Degroof and Dexia Bank in Belgium;
- Société Générale in France;
- ABN-AMRO Bank in the Netherlands;
- UBS in Switzerland.

## APPOINTMENTS PURSUANT TO THE ARTICLES OF ASSOCIATION

As of the date of the General Shareholders' meeting the following appointments as director expire:
- Dr. Pol Bamelis
- Roger Dalle
- François de Visscher
- Baudouin Velge

We propose to re-elect the following persons as directors for a new term of three years ending immediately after the General Shareholders's meeting of the year 2007:
- Dr. Pol Bamelis
- Roger Dalle
- François de Visscher
- Baudouin Velge

Baron Jan Huyghebaert submitted his resignation as a director. The Board of Directors proposes to nominate Sir Anthony Galsworthy as an independent director for a term of three years ending immediately after the shareholders' meeting of 2007.

The Board also proposes to nominate Bernard van de Walle de Ghelcke for a term of three years ending immediately after the shareholders' meeting of 2007.

The appointment of the Statutory Auditor, Deloitte & Partners Bedrijfsrevisoren, (represented by Mr. Dirk Van Vlaenderen), expires at the General Shareholders' meeting approving the accounts of 2003. We propose to reappoint the audit firm Deloitte & Partners Bedrijfsrevisoren (represented by Mr. Geert Verstraeten and Mr. Guy Wygaerts) as Statutory Auditor for a period of three years ending immediately after the General Shareholders' meeting of the year 2007.

## STATUTORY AUDITOR'S REPORT to the shareholders of N.V. Bekaert S.A.

We have audited the accompanying consolidated annual accounts of N.V. BEKAERT S.A. and subsidiaries as of 31 December 2003. These contain the consolidated balance sheet and the related consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity and the notes for the year then ended. These consolidated annual accounts have been prepared under the responsibility of the Board of Directors. The balance sheet total as of 31 December, 2003 is €1 925 760 (000) and the profit for the year then ended is €85 213 (000).
We did not audit the financial statements of the companies accounted for by use of the equity method. The Company's share in the net assets of these companies is 9.8% of total consolidated assets as of 31 December 2003. The share of these entities in the consolidated profit of the year is a profit of €35 450 (000). The financial statements of these entities were audited by other auditors whose reports have been furnished to us. Our opinion on the accompanying consolidated 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 accompanying consolidated annual accounts

We conducted our audit in accordance with the auditing standards of the Belgian Institute of Company Auditors. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free of material misstatements, 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. An audit includes examining, on a test basis, evidence supporting the amounts in the consolidated annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall 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 our procedures, together with the reports of other auditors, provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the accompanying consolidated annual accounts for the year ended 31 December 2003, present fairly, in all material respects, the financial position of N.V. Bekaert S.A. and subsidiaries, the results of their operations, the cash flows, the changes in shareholder's equity and the notes to the consolidated annual accounts in accordance with International Financial Reporting Standards (previously IAS).

### Additional statements

We complete our report with the following additional statements which do not modify the above mentioned audit opinion on the accompanying consolidated annual accounts:

- As indicated and discussed in the "statement of compliance" in Note 1 "Summary of significant accounting policies" and in accordance with the applicable laws and regulations, the Company has established the accompanying consolidated annual accounts in accordance with IFRS, including IFRS 1, and has obtained from the Belgian Banking, Finance and Insurance Commission such departure from the applicable Belgian Law and Regulations.

- In accordance with applicable laws and regulations, we confirm that the Company's administrative organisation is adapted for applying IFRS.

- The Consolidated Board of Directors' Report for the year ended 31 December 2003 contains the information required by law and is in accordance with the consolidated annual accounts.

Diegem, March 18, 2004

The Statutory Auditor,

DELOITTE & PARTNERS
Bedrijfsrevisoren

Guy Wygaerts    Geert Verstraeten

## Bekaert Group Executive

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

## Group Vice Presidents

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

## Group Secretary

Bert De Graeve

## Statutory Auditor

Deloitte & Partners
Bedrijfsrevisoren

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## Documentation

www.bekaert.com
info@bekaert.com

## Financial calendar

| | |
|---|---|
| 2003 annual report available on www.bekaert.com | 19 April 2004 |
| First-quarter trading update | 12 May 2004 |
| Annual General Meeting of Shareholders | 12 May 2004 |
| Dividend payable (coupon no. 5) | 19 May 2004 |
| Second-quarter trading update and 2004 interim results | 2 August 2004 |
| Third-quarter trading update | 8 November 2004 |
| Fourth-quarter trading update | 21 February 2005 |
| 2004 results | 17 March 2005 |
| 2004 annual report available on www.bekaert.com | 22 April 2005 |
| First-quarter trading update | 11 May 2005 |
| Annual General Meeting of Shareholders | 11 May 2005 |
| Dividend payable (coupon no. 6) | 18 May 2005 |

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www.bekaert.com

Bekaert is the worldwide leader in advanced metal transformation and in advanced materials and coatings.



BEKAERT