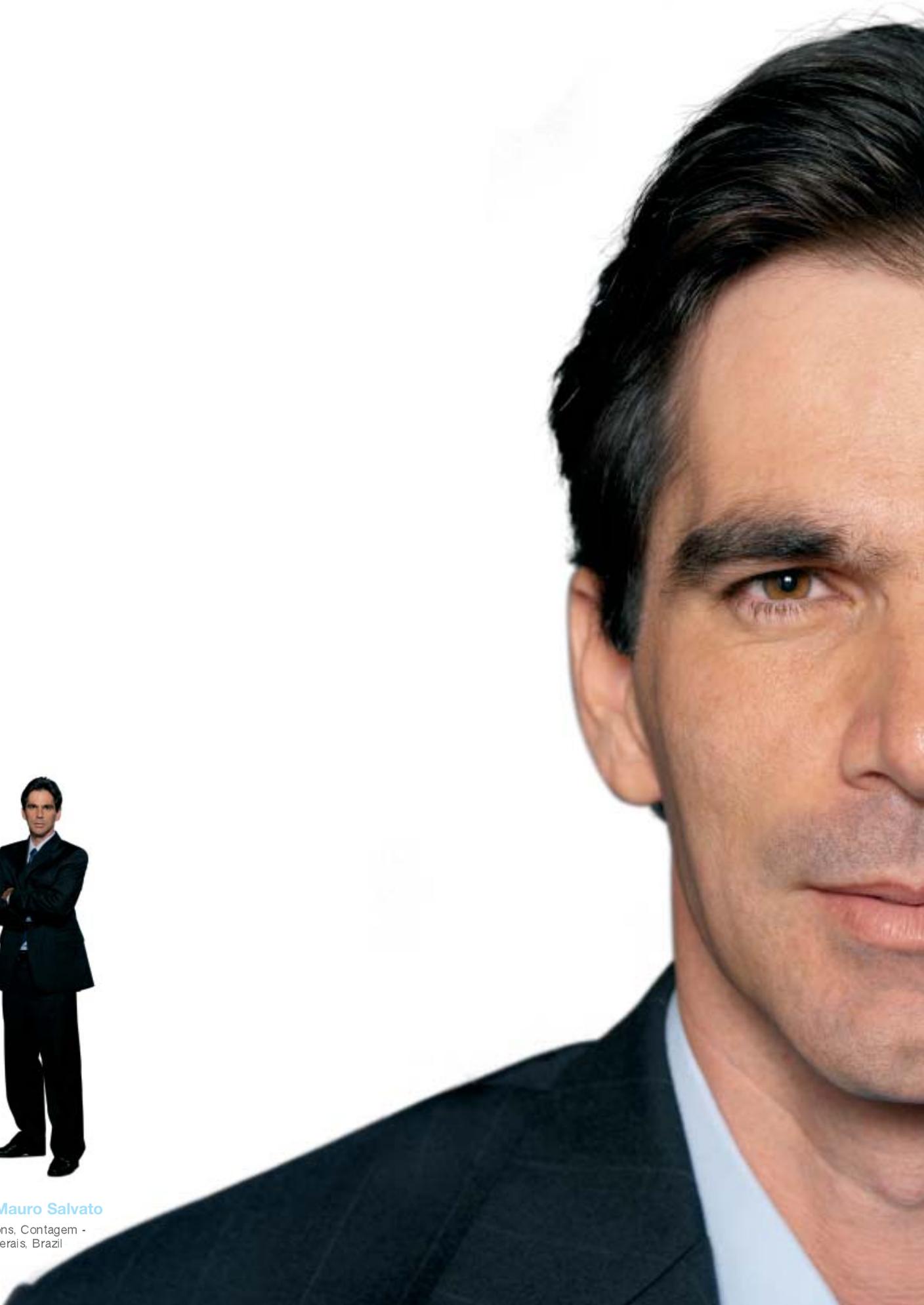




Jose Mauro Salvato

Operations, Contagem -
Minas Gerais, Brazil





STRATEGY

Market leadership	18
Technological leadership	20
Global presence	21

Spring wire

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

STRATEGY

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

Market leadership

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

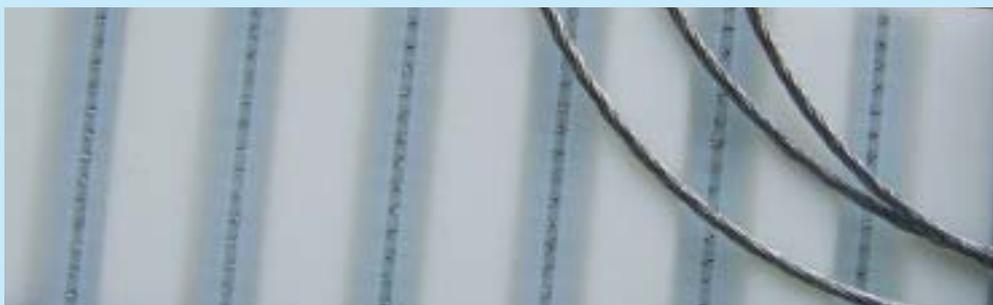
Bekaert's goal is to be world number one or two. It has already achieved this position in many of its products, which together account for over half of the company's sales.

Leading player

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



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



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

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



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



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

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

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

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

Strong in Latin America

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

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

Technological leadership

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

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

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

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

Customer value

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



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

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



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

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

Knowledge is power

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

Global presence

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

Worldwide player

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

Close to the action

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

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

Pioneer spirit

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

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

Twin effects of dollar movements

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

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

Transcending sector boundaries

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

Automotive

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

Bekaert on the road

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



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

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

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

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

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

Construction sector

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

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

***Dramix*[®]: strength guaranteed**

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



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

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

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

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



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

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

Other sectors

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

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

Product diversity

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

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

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



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

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

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

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

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

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

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



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