Jerome Lee
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FINANCIAL REVIEW

Cycle wheel

Bekaert spoke wire for cycle wheels with Bezalplast coating are offered in high strength, superior corrosion resistance and are offered in a wide range of colours.

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Executive summary

Bekaert had a record year in 2004, a year of exceptional market conditions. Despite continuing volatility on the raw material markets, which translated into higher selling prices, Bekaert was able, through efficient internal organisation, to maintain uninterrupted supplies to its customers. Bekaert achieved substantial volume growth in most of its activities and strengthened its position in most of its markets.
Bekaert further streamlined its product portfolio to meet the changing demands of markets and customers more effectively but also invested in expanding its production capacity, chiefly in Europe and Asia. While continuing to give high priority to quality and cost control, Bekaert intensified its research and development (R&D) effort significantly in 2004.

Sales

In 2004, Bekaert generated consolidated and combined sales[1] of € 2.2 billion (+21%) and € 3.1 billion (+20%), respectively[2].
The consolidated sales increase was 22% from organic growth and 3% from the net movement in acquisitions and divestments, while adverse currency movements amounted to 4%.
Bekaert achieved strong organic sales growth in all business segments and all regions in 2004.

Advanced wire products

Combined sales of advanced wire products were 21% higher (wire Europe +17%, wire North America +22%, wire Latin America +32%, wire Asia +49%, building products +20%, steel cord China +1%, steel cord others +21% and other advanced wire products +2%).
Despite the difficulties on the raw material markets, advanced wire products had a very good year. With the economy picking up in Europe and North America, Bekaert made significant progress in consolidating the market positions of the majority of its advanced wire products. Wire Asia achieved substantial growth and a strong performance was delivered in most Latin American countries, in a very good economic climate, mainly as a result of substantial volume growth. Worldwide demand for steel cord products for tire reinforcement was especially strong. Growth slowed temporarily in China, due to government measures, but the market improved a little by the end of the year. Bekaert expanded its sales organisation in China, thereby focusing on the needs of the various customer groups. Because the new Chinese production capacity is fully integrated into Bekaert's global production platform for steel cord products, exports from China helped meet the high level of demand in other parts of the world, which also contributed to the vigorous growth of the activity platform steel cord others.
Consolidated sales of advanced wire products benefited from external growth with the acquisition of Bekaert Hlohovec, a.s. (Slovakia) and the purchase of the outstanding shares in Contours Ltd (USA), which were included in the 2003 consolidated figures for nine months and six months, respectively.
The result from operations reflected the strong growth in advanced wire products' volume. In addition, the effect of applying the inventory valuation rules in the context of significant price increases for raw materials amounted to € 35 million.

Fencing systems Europe[3]

Combined sales for fencing systems Europe were 19% higher.
Fencing systems Europe's strong performance reflected a good season and substantial volume growth in industrial fences, as well as further expansion of the project business.
The impact of inventory valuation amounted to € 11 million.

Advanced materials

Combined sales of advanced materials recorded growth of 13% (fibre technologies +7%, combustion technologies +53%, composites -24%).
Bekaert achieved sustained organic growth in fibre technologies and combustion technologies. Significant additional growth in combustion technologies was gained from the acquisition of Solaronics, which was successfully integrated in the ensuing months and will make its full contribution to the result from 2005 onwards. Bekaert withdrew from its composite profiles activities at the end of 2003.

[1] *Combined sales are sales generated by consolidated companies, joint ventures and associates.*
[2] *All comparisons are made relative to 2003.*
[3] *The business segment fencing systems Europe consists of the companies involved in the sales transaction completed on 1 March 2005, i.e. Bekaert Fencing NV and its subsidiaries. The handling activity, formerly reported in this segment, is now reported in 'intersegment sales and others'. The comparisons are based on the restated 2003 figures.*

Advanced coatings

Combined sales of advanced coatings were up by 7% (industrial coatings +15%, specialised films +2%). Demand grew for industrial coatings generally and for diamond-like coatings in particular. In the autumn of 2004, an additional production facility was set up in Suzhou (China) which will specialise in applying those high-quality coatings to moulds used in various industrial applications. In the coming years, Bekaert is planning to add several more facilities worldwide. This will also enable the company to provide an even faster service to its customers.

In specialised films, the level of activity in the United States was stable. Thanks to the expansion of Bekaert's sales organisations, important growth was achieved in Europe and Asia.

The growth in consolidated sales of advanced coatings was also due in part to the increase in Bekaert's interest in Sorevi S.A. (France) and Precision Surface Technology Pte Ltd (Singapore).

The intensification of the R&D effort and the further development of the sales organisations significantly impacted on the operating result. An impairment was applied to one of the niche applications of specialised films.

Profitability

Bekaert achieved a consolidated operating result (EBIT) of € 185.1 million compared with € 111.8 million (+66%), representing an EBIT margin on sales of 8.5% (6.2%). Non-recurring items, including various impairments, had a negative impact of € 14.3 million. The result was also adversely affected by additional provisions for employee benefit obligations.

The consolidated net result amounted to € 167.6 million compared with € 86.7 million, an increase of 93%. Non-operating income and expenses included an impairment of € 4.6 million on the handling activity and a positive result of € 3.6 million on financial instruments.

The companies accounted for under the equity method contributed € 56.8 million (€ 36.9 million[1]) to the result.

Balance sheet

As at 31 December 2004, total equity represented 44% of total assets.

Cash flow

Operational cash flow (EBITDA) increased to € 316.7 million. Cash flow amounted to € 307.1 million, or € 14.04 per share. Cash provided by operating activities amounted to € 159.7 million and depreciation, amortisation and impairments totalled € 131.6 million. Working capital amounted to € 452.6 million (€ 354.0 million), reflecting the higher sales and the corresponding level of inventories. Cash used in investing activities by the consolidated companies totalled € 159.7 million. Acquisitions of interests in other companies amounted to € 16.7 million. Investments in tangible assets totalled € 166.2 million, mainly in connection with expansion projects in Europe and Asia. Reflecting the ambitious expansion programme and the increase in working capital, net debt increased to € 409.3 million and the gearing ratio (net debt / total equity) was 43%.

NV Bekaert SA (statutory accounts)

The parent company's sales amounted to € 620.0 million and its profit to € 57.7 million.

Dividend

In the light of Bekaert's very strong performance in 2004 and its confidence in the future, the Board of Directors will invite the General Meeting of Shareholders to approve an increase in the gross dividend of 7%, to € 1.875 per share. To celebrate Bekaert's 125th anniversary in 2005, the Board of Directors will also propose an exceptional increase in the dividend of € 0.125 per share. If both proposals are accepted, a gross dividend of € 2 per share will be distributed, equivalent to a net dividend per share of € 1.5. The net dividend on shares with VVPR strip, giving entitlement to reduced withholding tax of 15%, will be € 1.7 per share in that case. The dividend will be payable as from 18 May 2005.

Events after balance sheet date

In early 2005, Bekaert sold the shares in Bekaert Fencing NV to Gilde, an investment company, for an enterprise value of € 281.5 million. In 2004, this business segment generated combined sales of € 454.0 million and an operating result of € 51.7 million. The capital gain on this transaction, which was completed on 1 March 2005 with effect as of 1 January 2005, is expected to amount to € 56 million.

[1] *As most of the Latin American joint ventures have adopted IFRS, the figures for 2003 have been restated.*

Definitions

Capital employed (CE)	Working capital + net intangible assets + net goodwill + net property, plant & equipment. The average CE is computed as capital employed at previous year-end plus capital employed at balance sheet date divided by two.
Cash flow	Consolidated net result of the Group + depreciation, amortisation and impairment on assets.
Equity (total)	For ratio calculation purposes, total equity includes equity attributable to equity holders of the parent and minority interests.
Equity method	A method of accounting whereby the investment (an interest in a joint venture or associate) is initially recorded at cost and subsequently adjusted for any changes in the investor's share of net assets (ie equity) of the investee (the joint venture or associate). The income statement reflects the investor's share in the net result of the investee.
Financial autonomy	Total equity relative to total assets.
Gearing	Net debt relative to total equity.
Net debt	Financial liabilities net of current loans, current financial assets and cash & cash equivalents. Derivatives are not included; neither are any value adjustments as a result of hedge accounting.
Operating cash flow (EBITDA)	Result from operations (EBIT) + depreciation, amortisation and impairment on assets.
ROCE	Result from operations (EBIT) relative to average capital employed.
Sales (combined)	Sales of consolidated companies + 100% of sales of joint ventures and associates.
Working capital	Inventories + trade receivables – trade payables – advances received – remuneration and social security charges – withholding taxes on remuneration.

Financial statements

Consolidated income statement

in thousands of €

YEARS ENDED 31 DECEMBER	Notes	2004	2003
Sales	4.1	2 173 167	1 796 987
Cost of sales	4.2	(1 682 369)	(1 424 481)
GROSS PROFIT	4.2	**490 798**	**372 506**
Distribution & selling expenses	4.2	(111 666)	(111 496)
General & administrative expenses	4.2	(108 933)	(100 632)
Research & development expenses	4.2	(53 867)	(35 928)
Other revenues	4.1	19 559	20 135
Other expenses	4.2	(50 810)	(32 784)
RESULT FROM OPERATIONS	4.3	**185 081**	**111 801**
Interest income & expenses	4.4	(26 595)	(32 305)
Non-operating income & expenses	4.5	(3 971)	(10 660)
RESULT FROM ORDINARY ACTIVITIES BEFORE TAXES		**154 515**	**68 836**
Income taxes	4.6	(28 113)	(8 158)
RESULT FROM ORDINARY ACTIVITIES AFTER TAXES		**126 402**	**60 678**
Share in the result of joint ventures and associates	4.7	56 772	36 911[1]
Amortisation goodwill on joint ventures and associates	4.7/5.4	(3 220)	(3 429)
Minority interests	5.13	(12 350)	(7 486)
CONSOLIDATED NET RESULT OF THE GROUP		**167 604**	**86 674**[2]
EARNINGS PER SHARE	4.9/2		
RESULT FROM ORDINARY ACTIVITIES BEFORE TAXES (euros per share)			
including discontinuing operations			
Basic		7.049	3.113
Diluted		7.038	3.113
excluding discontinuing operations			
Basic		5.087	2.412
Diluted		5.079	2.412
CONSOLIDATED NET RESULT OF THE GROUP (euros per share)			
including discontinuing operations			
Basic		7.646	3.920[3]
Diluted		7.634	3.920
excluding discontinuing operations			
Basic		5.685	3.230
Diluted		5.676	3.230
RESULTS BEFORE NON-RECURRING EVENTS	4.8/4.9		
excluding discontinuing operations	2		
RESULT FROM ORDINARY ACTIVITIES BEFORE TAXES		130 366	64 019
EARNINGS PER SHARE	4.9		
RESULT FROM ORDINARY ACTIVITIES BEFORE TAXES (euros per share)			
Basic		5.947	2.895
Diluted		5.938	2.895

The accompanying notes are an integral part of this income statement.
The impact of discontinuing operations is set out in note 2.

[1] *Impact of restatement to IFRS by joint ventures is + € 1 461 (reported last year € 35 450). See note 4.7.*
[2] *Impact of restatement to IFRS by joint ventures is + € 1 461 (reported last year € 85 213). See note 4.7.*
[3] *Impact of restatement to IFRS by joint ventures is + 0.066 euros per share (reported last year € 3.854). See note 4.9.*

All financial amounts are expressed in thousands of €

Consolidated balance sheet

in thousands of €

ASSETS 31 DECEMBER	Notes	2004	2003
NON-CURRENT ASSETS		**1 222 943**	**1 165 644**
Intangible assets	5.1	42 438	48 542
Goodwill and negative goodwill	5.2	75 982	70 917
Property, plant & equipment	5.3	791 620	757 564
– Land and buildings		*207 091*	*211 542*
– Plant, machinery and equipment		*482 582*	*475 266*
– Furniture and vehicles		*10 846*	*9 557*
– Other		*4 025*	*3 425*
– Under construction and advance payments		*87 076*	*57 774*
Investments accounted for under the equity method	5.4	219 707	201 006[1]
Loans and receivables	5.6	356	860
Financial assets		92 840	86 755
– Available-for-sale financial assets	*5.5*	*6 351*	*13 126*
– Derivatives	*5.17*	*86 489*	*73 629*
CURRENT ASSETS		**948 251**	**756 936**
Inventories	5.7	419 300	322 642
– Raw materials & consumables		*145 982*	*102 284*
– Work in progress & finished goods		*252 767*	*200 971*
– Goods purchased for resale & advance payments		*20 551*	*19 387*
Amounts receivable		421 707	338 588
– Trade receivables	*5.7*	*385 176*	*307 740*
– Loans	*5.8*	*763*	*5 766*
– Other receivables	*5.9*	*35 768*	*25 082*
Financial assets		45 457	32 571
– Available-for-sale financial assets		*32*	*48*
– Derivatives	*5.17*	*3 621*	*1 916*
– Short-term deposits		*41 804*	*30 607*
Cash & cash equivalents		57 059	50 468
Deferred charges and accrued income	5.9	4 728	12 667
DEFERRED TAX ASSETS	5.10	**18 153**	**15 064**
TOTAL		**2 189 347**	**1 937 644**

The accompanying notes are an integral part of this balance sheet.
The impact of discontinuing operations is set out in note 2.

[1] *Impact of restatement to IFRS by joint ventures is +€ 11 884 (reported last year € 189 122). See note 5.4.*

All financial amounts are expressed in thousands of €

in thousands of €

EQUITY AND LIABILITIES 31 DECEMBER	Notes	2004	2003
EQUITY		**909 708**	**790 834**
Share capital	5.11	171 000	170 000
– Issued capital		*171 000*	*170 000*
Reserves and retained earnings		883 119	759 659[1]
Hedging reserve	5.12	(1 061)	(3 018)
Cumulative translation adjustment		(143 350)	(135 807)[2]
MINORITY INTERESTS	5.13	**48 831**	**43 344**
NON-CURRENT LIABILITIES		**463 172**	**539 270**
Employee benefit obligations	5.14	172 004	171 435
Provisions	5.15	44 436	43 804
Financial liabilities		246 477	322 169
– Finance leases	*5.16*	*1 581*	*1 034*
– Credit institutions	*5.16*	*131 946*	*204 317*
– Bonds	*5.16*	*108 760*	*106 998*
– Derivatives	*5.17*	*4 190*	*9 820*
Other amounts payable	5.16	255	1 862
CURRENT LIABILITIES		**704 212**	**499 516**
Financial liabilities		314 370	177 343
– Current portion of non-current financial liabilities	*5.16*	*75 394*	*8 480*
– Credit institutions	*5.16*	*236 583*	*168 103*
– Derivatives	*5.17*	*2 393*	*760*
Trade payables	5.7	250 798	191 417
Advances received on contracts in progress	5.7	2 446	6 245
Employee benefit obligations	5.7	88 734	69 922
Taxes		31 643	24 937
– Income taxes		*12 637*	*7 289*
– Other taxes		*19 006*	*17 648*
Other amounts payable	5.18	9 067	22 005
Accrued charges and deferred income	5.18	7 154	7 647
DEFERRED TAX LIABILITIES	5.10	**63 424**	**64 680**
TOTAL		**2 189 347**	**1 937 644**

The accompanying notes are an integral part of this balance sheet.
The impact of discontinuing operations is set out in note 2.

[1] *Impact of restatement to IFRS by joint ventures is + € 12 617 (reported last year € 747 042).*
[2] *Impact of restatement to IFRS by joint ventures is € (733) (reported last year € (135 074)).*

All financial amounts are expressed in thousands of €

Consolidated statement of changes in shareholders' equity

in thousands of €

	Share capital	Share premium	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**
RESTATEMENT [1]	**-**	**-**	**-**	**-**	**665**	**-**	**-**	**665**
BALANCE AT 1 JANUARY 2003 AFTER RESTATEMENT	**170 000**	**-**	**-**	**(13 015)**	**685 199**	**22 728**	**(105 844)**	**759 068**
Result of the Group as reported last year	-	-	-	-	85 213	-	-	85 213
Restatement [2]	-	-	-	-	11 952	-	(733)	11 219
Result recognised directly in equity:								
- Foreign exchange translation differences	-	-	-	-	-	-	(29 230)	(29 230)
- Cash flow hedges [3]	-	-	-	9 997	-	-	-	9 997
- Other	-	-	-	-	(4 702)	(1 382)	-	(6 084)
Own shares acquired	-	-	(2 185)	-	-	-	-	(2 185)
Cancellation own shares	-	-	2 185	-	(2 185)	-	-	-
Dividends to shareholders	-	-	-	-	(37 164)	-	-	(37 164)
BALANCE AT 31 DECEMBER 2003	**170 000**	**-**	**-**	**(3 018)**	**738 313**	**21 346**	**(135 807)**	**790 834**
BALANCE AT 1 JANUARY 2004	**170 000**	**-**	**-**	**(3 018)**	**738 313**	**21 346**	**(135 807)**	**790 834**
Result of the Group as reported	-	-	-	-	167 604	-	-	167 604
Result recognised directly in equity:								
- Foreign exchange translation differences	-	-	-	-	-	-	(7 543)	(7 543)
- Cash flow hedges [3]	-	-	-	1 957	-	-	-	1 957
- Other	-	-	-	-	4 916	(806)	-	4 110
Creation of new shares	1 000	249	-	-	-	-	-	1 249
Own shares acquired	-	-	(9 924)	-	-	-	-	(9 924)
Cancellation own shares	-	-	9 924	-	(9 924)	-	-	-
Dividends to shareholders	-	-	-	-	(38 579)	-	-	(38 579)
BALANCE AT 31 DECEMBER 2004	**171 000**	**249**	**-**	**(1 061)**	**862 330**	**20 540**	**(143 350)**	**909 708**

The accompanying notes are an integral part of this statement.
The impact of discontinuing operations is set out in note 2.

[1] *Relates to the restatement impact on the opening equity; see 'Impact of first application of IFRS by joint ventures' under note 1.*
[2] *Relates to the restatement impact on the result (+ € 1 461) and on other elements (mainly timing differences on dividend recognition and translation effects) of the closing equity as of 31 December 2003; see note 5.4. 'Investments accounted for under the equity method'.*
[3] *See note 5.12 'Hedging reserve'.*

All financial amounts are expressed in thousands of €

Consolidated cash flow statement

in thousands of €

YEARS ENDED 31 DECEMBER	2004	2003
OPERATING ACTIVITIES		
Result from operations	185 081	111 801
Non-cash items included in result from operations	131 042	96 096
- Depreciation and amortisation	*122 629*	*127 307*
- Impairment losses on assets	*9 005*	*-*
- (Gains) / losses on disposals of assets	*3 303*	*(2 602)*
- Provision for liabilities and charges	*(7 521)*	*(28 609)*
- Venture capital funds transfer to R&D	*3 626*	*-*
Income taxes	(32 865)	(18 490)
Gross cash provided by operating activities	**283 258**	**189 407**
Change in operational working capital	(112 585)	(18 570)
Change in other working capital	(12 780)	(18 503)
Other non-operating cash flows	1 843	(2 201)
CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	**159 736**	**150 133**
INVESTING ACTIVITIES		
New investments acquired and capital increases	(16 686)	(33 947)
Proceeds from sales and disposals of investments	63	5 701
Gross (increase) / decrease non-current loans and receivables	503	(243)
Dividends received from companies accounted for under the equity method	22 772	18 902
Cash provided by / (used in) portfolio related activities	**6 652**	**(9 587)**
Purchase of intangible assets	(6 629)	(9 519)
Purchase of property, plant & equipment	(166 236)	(108 630)
Proceeds from sales of intangible assets	22	-
Proceeds from sales of property, plant & equipment	6 623	11 738
Proceeds from government grants	(88)	(11)
Cash provided by / (used in) industrial related activities	**(166 308)**	**(106 422)**
CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	**(159 656)**	**(116 009)**
FINANCING ACTIVITIES		
Interest received	3 229	3 329
Interest paid	(19 232)	(21 574)
Gross dividend paid	(45 314)	(44 860)
New shares issued from exercised subscription rights	1 249	-
Capital paid in by minority interests	422	249
(Increase) / decrease treasury shares at cost	(10 041)	(2 185)
Cash flows from non-current financial liabilities	6 337	82 153
Cash flows from current financial liabilities	76 875	(40 025)
(Increase) / decrease current loans and receivables	5 021	1 652
(Increase) / decrease current financial assets [1]	(11 231)	(11 542)
CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES	**7 315**	**(32 803)**
NET INCREASE IN CASH & CASH EQUIVALENTS	**7 395**	**1 321**
CASH & CASH EQUIVALENTS AT 1 JANUARY	**50 468**	**52 381**
Effect of exchange rate changes on cash & cash equivalents	(804)	(3 234)
CASH & CASH EQUIVALENTS AT 31 DECEMBER	**57 059**	**50 468**

The accompanying notes are an integral part of this statement.
The impact of discontinuing operations is set out in note 2.

[1] *excluding derivatives*

All financial amounts are expressed in thousands of €

Notes to the consolidated financial statements

1. Summary of principal accounting policies

1.1. Statement of compliance

NV Bekaert SA (the 'Company') is a company domiciled in Belgium. The Company's consolidated financial statements 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 method. The consolidated financial statements were authorised for issue by the Board of Directors on 16 March 2005.
The accompanying consolidated accounts have been prepared in full conformity with the International Financial Reporting Standards ('IFRSs'), including International Accounting Standards ('IASs'), IFRIC and SIC interpretations issued by the International Accounting Standards Board ('IASB'), all of which have been approved by the European Union. The Company has opted not to elect early application of any new or improved standards.

1.2. General principles

Basis of preparation

The consolidated financial statements are presented in thousands of euros, under the historical cost convention, except that investments held for trading and available for sale are stated at their fair value. Financial assets which do not have a quoted market price in an active market and with market value that cannot be reliably measured, are carried at cost.
The accounting policies were applied consistently with the previous year. Because the data necessary for the accurate restatement of periods before 2000, as presented in the 'Historical Review', are not available, these periods have not been restated.

Principles of consolidation

Subsidiaries

Subsidiaries are enterprises over which NV Bekaert SA exercises control, which generally means that NV Bekaert SA, directly or indirectly, holds more than 50% of the voting rights attaching to the enterprise's share capital and is able to govern its financial and operating policies so as to obtain benefits from its activities. Acquisitions are accounted for by the purchase method, in accordance with IAS 22 'Business Combinations' for business combinations agreed before 31 March 2004 and in accordance with IFRS 3 'Business Combinations' for business combinations agreed on or after that date. The financial statements of subsidiaries are included in the consolidated financial statements from the date when the Group acquires control until the date when control is relinquished. All intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the diminution in value is permanent. The equity and net result attributable to minority shareholders are shown separately in the balance sheet and income statement, respectively.

Joint ventures and associates

A joint venture is a contractual arrangement whereby NV Bekaert SA and other parties undertake, directly or indirectly, an economic activity that is subject to joint control. Associates are companies in which NV Bekaert SA, directly or indirectly, has 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 attaching to 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 2004, the major Latin American joint ventures restated their financial statements to IFRS. The financial statements of other entities are prepared under other accounting policies than those of the Group.

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 when joint control or significant influence commences until the date when joint control or significant influence ceases. If the Group's share of the losses of a joint venture or associate exceeds the carrying amount of the investment, the investment is carried at nil value and recognition of additional losses is limited to the extent of the Group's commitment. 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. Investments in joint ventures and associates are reassessed if there are indications that the asset has been impaired or that impairment losses recognised in prior years have ceased to apply.

Foreign currency translation

Given the economic substance of the transactions relevant to the Group, the euro is used as presentation currency. Financial statements of foreign entities are translated as follows:

- assets and liabilities are translated at the year-end rate of the European Central Bank;
- income and expenses are translated at the weighted average exchange rate for the year;
- shareholders' equity accounts are translated at historical exchange rates.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, joint ventures and associates at the year-end exchange rates are included in shareholders' equity under 'cumulative translation adjustment'. On disposal of foreign entities, accumulated exchange differences are recognised 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) are presented in its functional currency, the euro, consistent with the economic substance of the transactions relevant to that enterprise.

All assets and liabilities denominated in foreign currency are translated at the exchange rate at the balance sheet date in the financial statements of the parent company and its subsidiaries. Unrealised and realised exchange gains and losses are recognised in the income statement.

1.3 Balance sheet items

Intangible assets

Intangible assets are initially measured at cost. Intangible assets are recognised if it is probable that the future economic benefits which 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. A change in the useful life of an intangible asset is accounted for prospectively as a change in estimate. Under the new provisions of IAS 38, intangible assets acquired in a business combination agreed on or after 31 March 2004 can have indefinite useful lives. If the useful life of an intangible asset is deemed indefinite, no amortisation is recognised, but the asset is reviewed at least annually for impairment.

Licences, patents and similar rights

Expenditure on acquired licences, patents, trademarks and similar rights is capitalised and is 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 ten years.

Computer software

Generally, costs associated with the acquisition, development or maintenance of computer software programs are recognised as an expense as incurred, but 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 five years using the straight-line method.

Rights to use land

Rights to use land are recognised as intangible assets and 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 out 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, if for internal use, its usefulness 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. Capitalised development costs are amortised from the commencement of commercial production of the product using the straight-line method over the period during which benefits are expected to accrue. The period of amortisation does not normally exceed ten years.

Goodwill and negative goodwill

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

Negative goodwill represents the excess of the fair value over the acquisition cost of the Group's share in the net assets acquired. Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that it relates to expected future losses and expenses which 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 recognised as income 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 are currently accounted for as an asset of the parent entity and not 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.
As a consequence of the new IFRS 3 'Business Combinations', goodwill relating to business combinations agreed on or after 31 March 2004 is no longer amortised, but is reviewed for impairment at least annually. Negative goodwill relating to business combinations agreed on or after that date is recognised in the income statement. In accordance with the transitional provisions of IFRS 3, amortisation on previously recognised goodwill will be discontinued from 2005 onwards, and the carrying amount of any negative goodwill will be derecognised against equity as at 1 January 2005. As a further consequence of IFRS 3, goodwill will be accounted for as an asset of, and in the currency of the acquiree.

Property, plant and equipment

Property, plant and 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 and equipment is usually charged to income when incurred. Such expenditure is only capitalised when it can be clearly demonstrated that it has resulted in an increase in the expected future economic benefits expected to be obtained from the use of an item of property, plant and 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 and equipment using the straight-line method. The useful life and depreciation method is reviewed at least at each financial year-end.
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 (see section on 'impairment of assets' below). Gains and losses on disposals are included in the 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 and 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 which 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 and 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, and 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.

Financial assets available for sale and held for trading are subsequently carried at fair value without any deduction for transaction costs. Equity securities classified as available for sale which do not have a quoted market price in an active market and for which fair value cannot be reliably measured by alternative valuation methods are measured at cost. Gains or losses on measurement to fair value of assets held for trading are recognised directly in the income statement, while gains or losses on measurement to fair value of available-for-sale financial assets are recognised in equity.

Held-to-maturity financial assets are carried at amortised cost using the effective interest-rate method, except for 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 stated 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 and 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 is the case 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 in 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 shareholders' proportion of the fair value of net assets recognised on 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 is expected to result in an outflow of resources embodying economic benefits which can be reliably estimated.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. When appropriate, provisions are measured on a discounted basis.

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 benefit obligations

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 which 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% respectively 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.

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, plus any impact of the change in asset ceiling.

In the income statement, current and past service costs are included in ‘Result from operations’ and 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 and disability 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 insurance premium to be paid in the Belgian market for one year’s risk cover by an external insurance company. Death and disability 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.

As defined contribution plans in Belgium are now legally subject to a minimum guaranteed return, the Belgian supplementary pension plan for managers, which offers participants limited investment choice, is now accounted for as a defined benefit plan. The other Belgian defined contribution plans for blue collars and white collars are still accounted for as defined contribution plans, as the legally required return is basically guaranteed by the insurance company.

Other long-term employee benefits

Other long-term employee benefits, such as service anniversary bonuses, are accounted for using the projected unit credit method. However, the accounting method differs from the method applied for post-employment benefits, as actuarial gains and losses and past service cost are recognised immediately.

Equity and equity-related compensation benefits

The stock option plans allow Group employees to acquire shares of NV Bekaert SA. 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 liabilities

Financial liabilities, except derivatives (see below), are recognised initially at the fair value of the consideration 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 classified as either current or deferred taxes. Current income taxes include expected tax charges based on the accounting profit for 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 and equipment, provisions for pensions, pre-pensions 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 each 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 exchange rates, forecast cash inflows and outflows are covered by forward contracts for the next six 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 four years, and
- the distribution of the long-term debt as between floating and fixed interest rates must remain within the defined limits.

Commodity price risk

The Group withdrew from all zinc hedges in 2003, 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 liability (fair value hedge),
b. a hedge of the exposure to variability in cash flows attributable to an asset or liability or a forecast transaction (cash flow hedge),
c. a hedge of a net investment in a foreign entity,
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 which 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.

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.

Cash flow hedges

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. If the committed or forecast transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is transferred to the income statement.

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 'Financial Instruments: Recognition and Measurement'. 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 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. However, impairment losses on goodwill are reversed only in exceptional situations.

1.4. 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 construction contracts is recognised by reference to the stage of completion when this can be measured reliably. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of the contract expenses recognised as probably 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-proportional 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.

1.5. Miscellaneous

Discontinuing operations (IAS 35)

IAS 35 'Discontinuing Operations' defines a discontinuing operation as a component of the enterprise which the enterprise has divested or is about to divest, which represents a separate major line of business or geographical area of operations, and which can be distinguished operationally and for financial reporting purposes. A discontinuing operation is disclosed if either the enterprise has entered into a binding sale agreement for substantially all of the assets attributable to the discontinuing operation, or the enterprise's board of directors has both approved a detailed formal plan for the discontinuance and made an announcement of the plan. If the initial disclosure event occurs after the balance sheet date, some information is provided in the financial statements. The carrying amount of a discontinuing operation, including any goodwill attributable to it, is reviewed for impairment and any excess of the carrying amount over the recoverable amount is recorded as an impairment loss.

As a consequence of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' coming into effect on 1 January 2005 and superseding IAS 35, assets classified as held for sale will be measured at the lower of their carrying amount and fair value less costs to sell. Any excess of the carrying amount over the fair value less costs to sell will be recorded as an impairment loss.

Contingencies

Contingent assets are not recognised in the financial statements but are disclosed if the inflow of economic benefits is probable.

Contingent liabilities are not recognised in the financial statements, except if they arise from a business combination accounted for in accordance with IFRS 3 'Business Combinations'. They are disclosed unless the possibility of a loss is remote.

Events after the balance sheet date

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

Impact of first application of IFRS by joint ventures

Financial statements of the major Latin American joint ventures were restated to comply with IFRS. This had a minor impact on the opening equity of 2003:

	in thousands of €
EQUITY AS REPORTED AT 31.12.2002	758 403
IFRS restatement of joint ventures	665
RESTATED EQUITY AT 1.1.2003	759 068

As a consequence, IFRS compliant joint ventures now represent 88% of the total value of investments accounted for under the equity method.

2. Impact of discontinuing operations

On 12 January 2005, the Group entered into a sale agreement to dispose of its business segment 'fencing systems Europe'. The enterprises involved are Bekaert Fencing NV (Belgium), Bekaert Fencing Limited (UK), Bekaert Fencing S.A. (France), Bekaert France S.A. (France), Société de Participations Financières Bekaert (France), Bekaert Fencing S.p.A. (Italy), Bekaert Fencing Sp.z o.o. (Poland), Bekaert Deutschland GmbH (Germany), Werler Drahtwerke GmbH (Germany), Bekaert Fencing España, S.L. (Spain), Bekaert Portugal Lda (Portugal), Bekaert Bastion Fencing Systems (Pty) Limited (South-Africa) and the associates Pindurg S.L. (Spain). The disposal was completed on 1 March 2005, but control of fencing systems Europe was passed to the acquirer on 1 January 2005. The capital gain on this transaction is expected to amount to € 56 million.

The data in this disclosure are presented from the viewpoint of the Bekaert Group and should be viewed as parts of the Group by analogy to the segment reporting. The purpose is not to provide separate overviews of the Fencing activities or of the operations that are to remain in the Bekaert Group. The presentation thus follows the principles set out in IAS 35 for reporting discontinuing operations.

in thousands of €

INCOME STATEMENT	2004	2003
Sales	450 624	377 311
Cost of sales	(355 397)	(308 467)
Gross profit	**95 227**	**68 844**
Distribution & selling expenses	(28 465)	(27 630)
General & administrative expenses	(14 991)	(16 487)
Research & development expenses	(370)	(243)
Other revenues	2 010	3 599
Other expenses	(1 669)	(723)
RESULT FROM OPERATIONS	**51 742**	**27 360**
Interest income & expenses	(11 038)	(9 477)
Non-operating income & expenses	2 296	(2 389)
RESULT FROM ORDINARY ACTIVITIES BEFORE TAXES	**43 000**	**15 494**
Income taxes	(89)	(383)
RESULT FROM ORDINARY ACTIVITIES AFTER TAXES	**42 911**	**15 111**
Share in the result of joint ventures and associates	90	157
Amortisation goodwill on joint ventures and associates	(7)	(7)
NET RESULT	**42 994**	**15 261**

in thousands of €

BALANCE SHEET	2004	2003
NON-CURRENT ASSETS	**93 771**	**95 975**
Intangible assets	3 068	4 273
Goodwill and negative goodwill	622	784
Property, plant & equipment	89 549	90 489
Investments accounted for under the equity method	341	253
Loans and receivables	191	176
CURRENT ASSETS	**241 060**	**206 745**
Inventories	102 566	72 801
Amounts receivable	73 379	62 139
Financial assets	41 659	26 139
Cash & cash equivalents	22 712	45 356
Deferred charges & accrued income	744	310
DEFERRED TAX ASSETS	**10 662**	**10 294**
ASSETS	**345 493**	**313 014**
NON-CURRENT LIABILITIES	**(194 668)**	**(205 072)**
Employee benefit obligations and provisions	(29 253)	(34 358)
Financial liabilities	(165 415)	(170 714)
CURRENT LIABILITIES	**(104 114)**	**(82 166)**
Financial liabilities	(20 353)	(22 928)
Trade payables	(57 865)	(37 533)
Employee benefit obligations	(14 875)	(11 796)
Taxes	(3 315)	(1 707)
Other amounts payable	(3 153)	(3 458)
Accrued charges and deferred income	(4 553)	(4 744)
DEFERRED TAX LIABILITIES	**(9 536)**	**(14 185)**
LIABILITIES	**(308 318)**	**(301 423)**

3. Segment reporting

Two segmentations are presented below: the primary segmentation by business segments and the secondary by 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 the 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 advanced wire products and fencing systems Europe business segments) and advanced materials and coatings (which drives the advanced materials and advanced coatings segments). The fencing systems Europe business segment has been slightly reconfigured to comprise all entities sold with effect from 1 January 2005; the 2003 figures have been restated accordingly (see note 2 'Impact from discontinuing operations').
Detailed information on the segments is also available in the report of the Board of Directors and in the Shareholders' brochure.

Key data by primary reporting segment

in thousands of €

2004	Advanced wire products	Fencing systems Europe	Advanced materials	Advanced coatings	Other	Eliminations	Consolidated
Net sales to external customers	1 472 297	450 624	116 290	124 702	9 254		2 173 167
Net sales to other segments	27 815	2 066	230	2 269	111 136	(143 516)	-
Total net sales	1 500 112	452 690	116 520	126 971	120 390	(143 516)	2 173 167
Result from operations before non-recurring events	*184 664*	*51 742*	*9 273*	*(1 490)*	*(44 849)*		*199 340*
Non-recurring events	*(4 107)*	*-*	*(1 750)*	*(6 257)*	*(2 145)*		*(14 259)*
Result from operations (EBIT)	180 557	51 742	7 523	(7 747)	(46 994)		185 081
Depreciation & amortisation	*77 448*	*14 985*	*5 498*	*14 691*	*10 007*		*122 629*
Impairment losses	*1 039*	*-*	*1 757*	*6 209*	*-*		*9 005*
EBITDA	259 044	66 727	14 778	13 153	(36 987)		316 715
Segment assets	*1 180 061*	*292 264*	*111 458*	*160 008*	*107 125*	*(136 401)*	*1 714 515*
Unallocated corporate assets							*474 832*
Total assets							2 189 347
Segment liabilities	*240 881*	*105 583*	*31 055*	*20 652*	*91 075*	*(137 395)*	*351 851*
Unallocated corporate liabilities							*878 957*
Total liabilities							1 230 808
Capital employed	939 180	186 681	80 403	139 356	16 050	994	1 362 664
Average capital employed	884 822	178 495	72 130	143 956	11 708	5 709	1 296 820
Return on average capital employed (ROCE)	20.4%	29.0%	10.4%	(5.4%)			14.3%
Capital expenditure – PP&E	144 510	8 834	4 006	6 815	2 071		166 236
Capital expenditure – intangible assets	3 247	411	414	1 355	1 202		6 629
Share in the result of joint ventures and associates	56 127	90	35	-	520		56 772
Investments in companies accounted for under the equity method (excl. goodwill)	212 690	284	75	-	-		213 049
Number of employees (year-end)	8 217	1 911	712	676	775		12 291

All financial amounts are expressed in thousands of €

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

Key data by primary reporting segment

in thousands of €

2003	Advanced wire products	Fencing systems Europe	Advanced materials	Advanced coatings	Other	Eliminations	Consolidated
Net sales to external customers	1 196 156	377 311	102 730	111 552	9 238		1 796 987
Net sales to other segments	44 843	5 110	403	1 046	54 184	(105 586)	-
Total net sales	1 240 999	382 421	103 133	112 598	63 422	(105 586)	1 796 987
Result from operations before non-recurring events	*124 359*	*27 116*	*8 650*	*(183)*	*(38 239)*		*121 703*
Non-recurring events	*(3 146)*	*244*	*(912)*	*(1 921)*	*(4 167)*		*(9 902)*
Result from operations (EBIT)	121 213	27 360	7 738	(2 104)	(42 406)		111 801
Depreciation & amortisation	*85 247*	*17 522*	*6 008*	*13 931*	*4 599*		*127 307*
Impairment losses	-	-	-	-	-		-
EBITDA	206 460	44 882	13 746	11 827	(37 807)		239 108
Segment assets	*1 009 024*	*247 560*	*87 935*	*171 441*	*60 529*	*(69 084)*	*1 507 405*
Unallocated corporate assets							*418 355*
Total assets							1 925 760
Segment liabilities	*178 561*	*77 252*	*24 079*	*22 884*	*53 163*	*(79 507)*	*276 432*
Unallocated corporate liabilities							*827 034*
Total liabilities							1 103 466
Capital employed	830 463	170 308	63 856	148 557	7 366	10 423	1 230 973
Average capital employed	830 246	175 783	62 196	157 502	2 479	15 268	1 243 474
Return on average capital employed (ROCE)	14.6%	15.6%	12.4%	(1.3%)	-	-	9.0%
Capital expenditure – PP&E	87 577	7 843	3 665	5 601	3 944		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	35 162	157	40	472	1 080		36 911
Investments in companies accounted for under the equity method (excl. goodwill)	186 107	253	81	614	4 073		191 128
Number of employees (year-end)	7 400	1 864	592	606	742		11 204

'Other' mainly consists of the group technology functional unit, non-allocated expenses for group management and services, and the part of fencing systems Europe which has not been sold but is too small to qualify as a separate business segment. EBIT before non-recurring events decreased from € (38 239) in 2003 to € (44 849). Higher activity in engineering was offset by increased efforts in internal and external R&D, and by higher consultancy expenditure.

Non-recurring events under 'Other' related to environmental programmes (2004: € 1 340, 2003: € 2 305), accelerated depreciation of R&D equipment (2004: € 805) and the restructuring of Bekaert Indoor Safety B.V. (2003: € 1 862), which was wound up in 2004 and eliminated from fencing systems Europe.

All financial amounts are expressed in thousands of €

Key data by secondary reporting segment

As a consequence of the enlargement of the European Union in May 2004, the previous geographical segments 'European Union' and 'Rest of Europe' have been merged.

in thousands of €

2004	Europe	North America	Latin America	Asia	Rest of the World	Consolidated
Net sales	1 272 663	587 010	31 223	242 493	39 778	2 173 167
Total assets before consolidation	*2 357 635*	*484 373*	*39 314*	*347 563*	*3 507*	*3 232 392*
Intercompany eliminations	*(1 125 602)*	*(7 417)*	*-*	*(18 628)*	*(678)*	*(1 152 325)*
Consolidation adjustments						*109 280*
Total assets after consolidation						2 189 347
Capital expenditure						
PP&E	*75 132*	*12 820*	*-*	*78 133*	*151*	*166 236*
Intangible assets	*4 210*	*1 755*	*-*	*664*	*-*	*6 629*
2003						
Net sales	1 051 788	483 570	22 394	210 951	28 284	1 796 987
Total assets before consolidation	*2 152 947*	*481 011*	*39 057*	*230 452*	*2 203*	*2 905 670*
Intercompany eliminations	*(1 053 039)*	*(5 649)*	*-*	*(5 509)*	*(103)*	*(1 064 300)*
Consolidation adjustments						*84 390*
Total assets after consolidation						1 925 760
Capital expenditure						
PP&E	*49 056*	*14 208*	*8*	*45 321*	*37*	*108 630*
Intangible assets	*4 439*	*5 080*	*-*	*-*	*-*	*9 519*

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 analysed by geographical location of the assets. The unallocated 'consolidation adjustments' relate mainly to goodwill recognised and amortised in the consolidation.

4. Income statement items

4.1. Sales and other revenues

in thousands of €

	2004	2003	%
Sales	**2 173 167**	**1 796 987**	**+20.9**

Sales were favourably affected by organic growth (22.4%) and new acquisitions net of divestments (2.6%). There was a negative currency impact (especially of the US dollar and Chinese renminbi) of 4.1%.

Sales by business segment and by region are disclosed in note 3 'Segment reporting' and in the report of the Board of Directors.

in thousands of €

	2004	2003
Other revenues	**19 559**	**20 135**
Royalties received	7 424	3 801
Gain on disposal of PP&E and intangible assets	1 562	6 508
Realised exchange results on sales and purchases	(845)	(330)
Tax rebates	459	421
Government grants	2 867	2 834
Miscellaneous	8 092	6 901

Miscellaneous revenues in 2004 relate mainly to insurance revenue (€ 4 100), recharged expenses (€ 461), rental income (€ 439) and decrease in provisions (€ 267).

4.2. Operating expenses

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

in thousands of €

2004	Cost of sales	Distribution & selling	General & administrative	Research & development	Other expenses from operations	TOTAL
Raw materials	836 797	-	-	-	-	836 797
Half-products & goods for resale	141 722	-	-	-	-	141 722
Change in work-in-progress and finished goods	(62 137)	-	-	-	-	(62 137)
Personnel cost	389 563	59 008	51 800	25 242	19 788	545 401
Depreciation PP&E	93 646	820	1 814	2 123	287	98 690
Amortisation of intangible assets	843	719	8 296	3 701	275	13 834
Amortisation of investment grants	(846)	-	-	-	-	(846)
Amortisation of goodwill – subsidiaries	-	-	-	-	5 777	5 777
Writedown of inventories	3 918	-	-	-	-	3 918
Writedown of trade receivables	-	1 256	-	-	-	1 256
Depreciation & amortisation	97 561	2 795	10 110	5 824	6 339	122 629
Impairment losses	-	-	-	-	9 005	9 005
Freight	82 734	-	-	-	-	82 734
Handling of finished goods	6 172	-	-	-	-	6 172
Miscellaneous expenses	189 957	49 863	47 023	22 801	15 678	325 322
TOTAL	**1 682 369**	**111 666**	**108 933**	**53 867**	**50 810**	**2 007 645**

in thousands of €

2003	Cost of sales	Distribution & selling	General & administrative	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-progress 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 of intangible assets	791	3 405	8 358	8	284	12 846
Amortisation of investment grants	(930)	-	-	-	-	(930)
Amortisation of goodwill – subsidiaries	-	-	-	-	6 984	6 984
Writedown of inventories	4 304	-	-	-	-	4 304
Writedown of 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
Miscellaneous expenses	195 237	47 355	44 713	12 169	15 438	314 912
TOTAL	**1 424 481**	**111 496**	**100 632**	**35 928**	**32 784**	**1 705 321**

The increase in cost of sales was mainly driven by higher volumes and substantial increases in raw material prices. General and administrative expenses were mainly affected by higher consultancy costs. Both internal and external R&D efforts were stepped up. Other expenses were adversely affected by impairment losses (see note 4.8. 'Non-recurring events') and higher provisions for employee benefit obligations.

4.3. Result from operations

in thousands of €

	2004	2003	%
Result from operations	185 081	111 801	+65.5

The result from operations was 65.5% higher in 2004. The advanced wire products and fencing systems Europe segments accounted for most of the increase, which originated from higher volumes (and sales) and the effect (approximately € 46 million) of applying FIFO in the context of significant price increases for raw materials. The results from operations in the advanced materials and advanced coatings segments were mainly affected by higher expenses in R&D. External research expenditure through venture capital funds amounted to approximately € 10 million. Results were also adversely affected by higher provisions for employee benefit obligations. The cost of non-recurring events amounted to € 14 million (2003: € 10 million), consisting mainly of impairment losses in the special films display business, the carding business and composites for glass-fibre-reinforced pressure vessels and of additional provisions for environmental programmes.

4.4. Interest income & expenses

in thousands of €

	2004	2003
Interest & similar income	3 229	3 329
Interest & similar expense	(19 580)	(21 457)
Interest portion on interest-bearing provisions	(10 244)	(14 177)
TOTAL	**(26 595)**	**(32 305)**

The interest portion on interest-bearing provisions mainly relates to all components of the net benefit expense of defined benefit plans, other than current and past service cost (see note 5.14. 'Employee benefit obligations').

4.5. Non-operating income & expenses

in thousands of €

	2004	2003
Value adjustments to financial instruments	12 971	23 968
Unrealised exchange results	(8 649)	(23 075)
Realised exchange results	(2 384)	(7 146)
Translation gains / (losses) – inflation accounting	343	341
Gain / (loss) on disposal of financial assets	(2)	(55 930)
Dividends from other shares	7	7
Reversals / (write-downs) of investments	-	62 421
Impairment of investments	(4 593)	(5 800)
Reversals / (write-downs) on loans and receivables	(22)	(424)
Other	(1 642)	(5 022)
TOTAL	**(3 971)**	**(10 660)**

Value adjustments to financial instruments include changes to the fair value of all derivatives, other than those designated as 'cash flow hedges' (see table below), and of all debt hedged by a 'fair value hedge'. Unrealised exchange results relate to the effect of valuing balance sheet items at closing rates, while realised exchange results relate to transactions other than normal trading sales and purchases. The impairment of € 4 593 relates to Bekaert Handling Group A/S.

Effect of financial instruments on non-operating income and expenses

in thousands of €

	2004	2003
Value adjustments		
Zinc option contracts	-	86
Foreign exchange contracts	1 671	51
Interest-rate swaps	2 470	2 126
Cross-currency interest-rate swaps	19 348	41 854
Total value adjustments to derivatives	**23 489**	**44 117**
Value adjustments to hedged items	(10 518)	(20 149)
Total value adjustments to financial instruments	**12 971**	**23 968**
Unrealised exchange results on hedged items	(9 340)	(22 024)
TOTAL	**3 631**	**1 944**

The 'unrealised exchange results on hedged items' reported here covers only the portion relating 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 at closing rate is recorded as an unrealised exchange result rather than as part of 'value adjustments to financial instruments'.

4.6. Income taxes

in thousands of €

	2004	2003
Current taxes for the year	(32 744)	(17 909)
Adjustment to current taxes in respect of prior periods	(1 018)	(1 116)
Deferred taxes	5 649	10 867
TOTAL INCOME TAXES	**(28 113)**	**(8 158)**

Relationship between tax expense and accounting profit

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

in thousands of €

	2004	2003
Accounting profit	154 515	68 836
Tax income / (expense) at the theoretical domestic rates applicable to profits of taxable entities in the countries concerned	(49 059)	(16 975)
Theoretical tax rate	31.8%	24.7%
Tax effect of:		
Non-deductible items	(4 795)	(5 336)
Other tax rates and special tax regimes	16 306	7 213
Non-recognition of deferred tax assets	(2 382)	(6 229)
Utilisation of deferred tax assets not previously recognised	13 868	16 159
Current tax adjustments relating to prior periods	(1 018)	(1 116)
Deferred tax adjustments relating to prior periods	3 147	-
Taxes on (un)distributed earnings	(3 245)	(2 498)
Other	(935)	624
Total tax income / (expense) in income statement	**(28 113)**	**(8 158)**

4.7. Share in the result of joint ventures and associates

The major Latin American joint ventures[1] restated their financial statements in accordance with IFRS as from 2003 (starting with the opening balance as at 1 January 2003). The effect on the share in their 2003 result amounted to € 1 461, which mainly related to differences in the depreciation of PP&E. Most of the Group's Latin American companies benefited from the very favourable economic climate and achieved substantial increases in sales volumes.

in thousands of €

		2004	2003 restated	Restatement	2003 reported
JOINT VENTURES					
Bekaert Australia Steel Cord Pty Ltd	Australia	425	210	-	210
Bekaert Faser Vertriebs GmbH	Germany	35	41	-	41
Bekaert Handling Group A/S	Denmark	520	1 080	-	1 080
Belgo Bekaert Arames Ltda.	Brazil	32 489	18 739		18 739
BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda.	Brazil	6 917	6 857	1 222	5 635
Chilean entities[2]	Chile	11 114	5 540	284	5 256
Contours Ltd[3]	USA	-	1 047	-	1 047
Ideal Alambrec S.A.[4]	Ecuador	1 728	662	-	662
Netlon Sentinel Limited	UK	59	72	-	72
Spaleck-Bekaert GmbH & Co. KG	Germany	208	484	-	484
Vicson, S.A.	Venezuela	3 174	1 646	(45)	1 691
SUBTOTAL – JOINT VENTURES		**56 669**	**36 378**	**1 461**	**34 917**
ASSOCIATES					
Jiangyin Fasten-Bekaert Optical Cable Steel Products Co., Ltd	China	72	(23)	-	(23)
Pindurg S.L.	Spain	31	84	-	84
Precision Surface Technology Pte Ltd[5]	Singapore	-	280	-	280
Sorevi S.A.[6]	France	-	192	-	192
SUBTOTAL – ASSOCIATES		**103**	**533**	**-**	**533**
TOTAL – JOINT VENTURES and ASSOCIATES excluding amortisation of related goodwill		**56 772**	**36 911**	**1 461**	**35 450**
Amortisation of related goodwill		**(3 220)**	**(3 429)**	**-**	**(3 429)**
TOTAL – JOINT VENTURES and ASSOCIATES including amortisation of related goodwill		**53 552**	**33 482**	**1 461**	**32 021**

[1] Belgo Bekaert Arames Ltda., BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda., the Chilean entities and Vicson, S.A.
[2] Includes Prodalam Group and Inchalam Group.
[3] Became a subsidiary in 2003.
[4] Relates to the Ideal Alambrec Group.
[5] Became a subsidiary in 2004.
[6] Became a subsidiary in 2003.

4.8. Non-recurring events

in thousands of €

2004	As reported in income statement	Non-recurring events	Before non-recurring events
Operating revenues / (expenses)			
Restructuring programmes		(1 675)	
Impairment losses		(9 005)	
Other		(3 579)	
Result from operations	**185 081**	**(14 259)**	**199 340**
Interest income & (expenses)	(26 595)		(26 595)
Non-operating income / (expenses)	(3 971)	(4 593)	622
Impairment losses on investments in joint ventures & associates		(4 593)	
Other		-	
Result from ordinary activities before taxes	**154 515**	**(18 852)**	**173 367**

The main non-recurring events affecting the result from operations were :

- restructuring programmes in advanced wire products relating to the reconfiguration in Europe of various production lines, commenced in 2003;
- impairment losses relating to Sobelcard (€ 1 040), the display business at Bekaert Specialty Films, LLC (€ 6 208) and composites at Bekaert Progressive Composites Corporation (€ 1 757);
- other non-recurring events relating mainly to additional provisions for environmental clean-up programmes in Belgium and Slovakia.

The non-recurring event included in non-operating income and expenses was an impairment charge in respect of Bekaert Handling Group A/S (€ 4 593).

in thousands of €

2003	As reported in income statement	Non-recurring events	Before non-recurring events
Operating revenues / (expenses)			
Restructuring programmes		(7 280)	
Impairment losses		-	
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 were restructuring programmes in:

- advanced wire products: NV Bekaert SA (Belgium), Bekaert Hemiksem (Belgium), Rome (US) and Industrias del Ubierna, S.A. (Spain);
- fencing systems Europe: completion of last year's programme and winding up 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 were an impairment charge in respect of 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).

4.9. Earnings per share

in thousands of €, unless explicitly stated in €

At 31 December 2004	Basic	Diluted
Weighted average number of ordinary shares	21 920 662	21 920 662
Effect of stock options on issue (note 5.11)	-	34 179
Weighted average number of ordinary shares (diluted)	-	21 954 841
Including discontinuing operations	**Basic**	**Diluted**
Net income attributable to ordinary shareholders	167 604	167 604
Earnings per share (in euros)	**7.646**	**7.634**
Result from ordinary activities before taxes	154 515	154 515
Result from ordinary activities before taxes per share (in euros)	**7.049**	**7.038**
Result from ordinary activities before taxes and non-recurring events	173 367	173 367
Result from ordinary activities before taxes and non-recurring events per share (in euros)	**7.909**	**7.897**
Excluding discontinuing operations	**Basic**	**Diluted**
Net income attributable to ordinary shareholders	124 610	124 610
Earnings per share (in euros)	**5.685**	**5.676**
Result from ordinary activities before taxes	111 514	111 514
Result from ordinary activities before taxes per share (in euros)	**5.087**	**5.079**
Result from ordinary activities before taxes and non-recurring events	130 366	130 366
Result from ordinary activities before taxes and non-recurring events per share (in euros)	**5.947**	**5.938**
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 5.11)	-	83
Weighted average number of ordinary shares (diluted)	-	22 111 890

Earnings per share were recalculated after the restatement of the joint ventures in accordance with IFRS.

in thousands of €, unless explicitly stated in €

	After restatement	Before restatement
Including discontinuing operations	**basic = diluted**	**basic = diluted**
Net income attributable to ordinary shareholders	86 674	85 213
Earnings per share (in euros)	**3.920**	**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**
Excluding discontinuing operations		
Net income attributable to ordinary shareholders	71 413	69 952
Earnings per share (in euros)	**3.230**	**3.164**
Result from ordinary activities before taxes	53 343	53 343
Result from ordinary activities before taxes per share (in euros)	**2.412**	**2.412**
Result from ordinary activities before taxes and non-recurring events	64 019	64 019
Result from ordinary activities before taxes and non-recurring events per share (in euros)	**2.895**	**2.895**

The weighted average closing price during 2004 was € 50.06 per share (2003: € 41.22 per share). The impact of discontinuing operations is disclosed in note 2.

5. Balance sheet items

5.1. Intangible assets

in thousands of €

COST	Licences, patents & similar rights	Computer software	Right to use land	Development costs	Other	Total 2004	Total 2003
At 1 January	36 142	44 313	6 750	1 089	3 929	92 223	87 787
Expenditure	20	5 771	664	50	124	6 629	9 519
Sales and disposals	(3)	(32)	-	-	(305)	(340)	(2 499)
Transfers to / (from)	787	555	-	3 626	(1 342)	3 626	-
First consolidation	445	-	-	255	-	700	101
Left out of consolidation	-	-	-	-	-	-	-
Translation gains / (losses)	-	(351)	(545)	(103)	(43)	(1 042)	(2 685)
At 31 December	37 391	50 256	6 869	4 917	2 363	101 796	92 223
AMORTISATION							
At 1 January	12 194	27 440	1 397	1 027	1 623	43 681	32 837
Charge for the year	3 463	6 072	184	3 710	405	13 834	12 846
Impairment losses	2 277	-	-	-	-	2 277	-
Sales and disposals	-	(4)	-	-	(305)	(309)	(1 074)
Transfers to / (from)	240	29	-	-	(269)	-	-
First consolidation	253	-	-	83	-	336	48
Left out of consolidation	-	-	-	-	-	-	-
Translation (gains) / losses	-	(229)	(116)	(96)	(20)	(461)	(976)
At 31 December	18 427	33 308	1 465	4 724	1 434	59 358	43 681
NET BOOK VALUE AT 31 DECEMBER 2004	**18 964**	**16 948**	**5 404**	**193**	**929**	**42 438**	
NET BOOK VALUE AT 31 DECEMBER 2003	**23 948**	**16 873**	**5 353**	**62**	**2 306**		**48 542**

An amount of € 5 771 of the expenditure relates to the implementation of ERP software (SAP). The negative exchange effect on the 2004 net book value amounts to € 581, mainly on assets recorded in US dollars and Chinese renminbi.

'Licences, patents and similar rights' consists mainly of intellectual property of the specialised films activity platform, acquired in 2001, and having a net book value of € 17 080 (2003: € 22 989) after normal annual amortisation and an impairment loss of € 2 277 on the display business.

5.2. Goodwill and negative goodwill

a. Goodwill

in thousands of €

COST	2004	2003
At 1 January	125 443	113 671
Expenditure	13 692	13 742
Sales and disposals	(686)	(884)
Transfers to / (from)	-	9 758
First consolidation	642	105
Left out of consolidation	(430)	-
Translation gains / (losses)	(4 684)	(10 949)
At 31 December	133 977	125 443
AMORTISATION		
At 1 January	50 530	40 813
Charge for the year	6 857	7 372
Impairment losses	2 032	-
Sales and disposals	(685)	(884)
Transfers to / (from)	-	4 481
First consolidation	244	72
Left out of consolidation	(259)	-
Translation (gains) / losses	(1 384)	(1 324)
At 31 December	57 335	50 530
NET BOOK VALUE AT 31 DECEMBER	**76 642**	**74 913**

b. Negative goodwill

in thousands of €

COST	2004	2003
At 1 January	4 384	680
Expenditure	226	3 704
Sales and disposals	(1 898)	-
At 31 December	2 712	4 384
AMORTISATION		
At 1 January	388	-
Charge for the year	1 252	388
Impairment	408	-
Translation gains / (losses)	4	-
At 31 December	2 052	388
NET BOOK VALUE AT 31 DECEMBER	**660**	**3 996**
TOTAL NET BOOK VALUE AT 31 DECEMBER (a-b)	**75 982**	**70 917**

This note relates only to goodwill and negative goodwill on consolidation of subsidiaries. Goodwill in respect of companies accounted for under the equity method is disclosed in note 5.4 ‘Investments accounted for under the equity method’.

Expenditure on goodwill in 2004 relates to the acquisition of Solaronics S.A. (€ 13 499) and the purchase of the minority interest in Precision Surface Technology Pte Ltd (€ 194). Impairment losses were recognised on goodwill relating to Bekaert Progressive Composites Corporation (€ 1 757) and on goodwill relating to Bekaert Specialty Films, LLC (€ 275).

The decrease in gross negative goodwill relates to changes in initial accounting for the acquisition (in 2003) of Bekaert Hlohovec, a.s., and arises mainly from a remeasurement of the fair value of the PP&E and the identification of liabilities related to environmental clean-up.

The purchase of the minority interest (25%) in Imaware resulted in an increase in negative goodwill of € 226.

The amortisation charge for the year includes an amount of € 1200 in respect of maintenance expenses which were identified in the acquisition plan of Bekaert Hlohovec, a.s. The impairment on negative goodwill relates to the carding business.

5.3. Property, plant and equipment

in thousands of €

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 2004	Total 2003
At 1 January	506 180	1 551 477	62 010	4 292	9 785	57 774	2 191 518	2 253 034
Capital expenditure	13 676	51 983	3 616	710	2 083	94 168	166 236	108 630
Sales and disposals	(3 140)	(63 947)	(3 418)	(135)	(263)	(8 417)	(79 320)	(72 105)
Transfers to / (from)	5 348	46 802	1 660	11	21	(53 842)	-	-
First consolidation	(1 686)	2 482	720	421	-	143	2 080	49 337
Left out of consolidation	-	-	-	-	-	-	-	(1 077)
Translation gains / (losses)	(12 003)	(34 787)	(1 028)	(34)	(485)	(2 750)	(51 087)	(146 301)
At 31 December	508 375	1 554 010	63 560	5 265	11 141	87 076	2 229 427	2 191 518
Depreciation and impairment losses								
At 1 January	293 676	1 073 005	52 946	2 607	6 360	-	1 428 594	1 469 292
Charge for the year	18 728	74 128	4 148	462	1 224	-	98 690	102 513
Impairment losses	-	5 103	-	-	-	-	5 103	-
Sales and disposals	(3 643)	(62 176)	(3 333)	(94)	(156)	-	(69 402)	(63 030)
Transfers to / (from)	(841)	985	(152)	26	(18)	-	-	-
First consolidation	32	730	460	51	-	-	1 273	6 180
Left out of consolidation	-	-	-	-	-	-	-	(685)
Translation (gains) / losses	(7 385)	(22 430)	(766)	(3)	(294)	-	(30 878)	(85 676)
At 31 December	300 567	1 069 345	53 303	3 049	7 116	-	1 433 380	1 428 594
Net book value before investment grants and reclassification of leases	**207 808**	**484 665**	**10 257**	**2 216**	**4 025**	**87 076**	**796 047**	**762 924**
Net investment grants	(1 820)	(2 602)	(5)	-	-	-	(4 427)	(5 360)
Reclassification of leases	1 103	519	594	(2 216)	-	-	-	-
Net book value at 31 December 2004	**207 091**	**482 582**	**10 846**	**-**	**4 025**	**87 076**	**791 620**	
Net book value at 31 December 2003	**211 542**	**475 266**	**9 557**	**-**	**3 425**	**57 774**		**757 564**

The increase in expenditure between 2003 and 2004 is mainly explained by the investment programme in Europe and Asia.
The negative net currency translation effect for the year (€ 20 209) relates mainly to assets recorded in US dollars and Chinese renminbi. First consolidation in 2004 relates to the acquisition of Solaronics S.A. (France) and Precision Surface Technology Pte Ltd (Singapore) and a downward correction of € (1 802) to the initial fair value measurement of land and buildings at Bekaert Hlohovec, a.s. (Slovakia). Impairment losses relate to Sobelcard (€ 1 447) and Bekaert Specialty Films, LLC (€ 3 656).

5.4. Investments accounted for under the equity method

Prior to this year's annual report, the financial statements of most of these companies were prepared under different accounting policies from those of the Group and the information for restating them in accordance with Group policies was generally unavailable. The financial statements of the major Latin American joint ventures have been restated to IFRS. As a consequence, IFRS compliant joint ventures now represent 88% of the value of investments accounted for under the equity method.

Investments excluding related goodwill

in thousands of €

NET BOOK VALUE	2004	2003 restated	restatement	2003 reported
At 1 January	191 128	185 839	665	185 174
Expenditure	-	-	-	-
Result for the year	56 772	36 911	1 461	35 450
Dividends	(25 524)	(14 149)	10 023	(24 172)
Sales and disposals	(446)	-	-	-
(Write-downs) / reversals [1]	(4 593)	(5 800)	-	(5 800)
Translation gains / (losses)	(3 214)	(7 515)	(733)	(6 782)
Other restatements	(460)	385	468	(83)
Transfers [2]	(614)	(4 543)	-	(4 543)
NET BOOK VALUE AT 31 DECEMBER	**213 049**	**191 128**	**11 884**	**179 244**

[1] *(Write-downs) / reversals relate to impairment losses in Bekaert Handling Group A/S.*
[2] *Transfers in 2003 relate mainly to the increase in shareholding in Contours Ltd (€ 4 319) and Sorevi S.A. and Sorevi Savoie S.A (€ 1 386); these companies have moved from joint ventures and associates to subsidiaries.*

Related goodwill

in thousands of €

COST	2004	2003
At 1 January	28 507	39 987
Expenditure	-	-
Sales and disposals	-	-
Transfers to / (from)	-	(9 758)
Translation gains / (losses)	-	(1 722)
At 31 December	28 507	28 507
AMORTISATION		
At 1 January	18 629	20 524
Charge for the year	3 220	3 429
Sales and disposals	-	-
Transfers to / (from)	-	(4 481)
Translation (gains) / losses	-	(843)
At 31 December	21 849	18 629
NET BOOK VALUE AT 31 DECEMBER	**6 658**	**9 878**
TOTAL NET BOOK VALUE OF INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD	**219 707**	**201 006**

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

Combined items

in thousands of €

	2004	2003 restated
Property, plant & equipment	121 276	137 007
Other non-current assets	25 801	14 916
Current assets	202 479	169 124
Non-current liabilities	(30 357)	(27 639)
Current liabilities	(106 150)	(102 280)
Total net assets / (liabilities)	**213 049**	**191 128**
Sales	462 660	384 240
Profit from operations	78 715	50 070
Net profit	56 772	36 911

For the major Latin American joint ventures, combined items were collected from restated financial statements of consolidated entities, whereas they were collected from single entity financial statements last year.

The Group's share in the equity of the companies accounted for under the equity method is analysed as follows:

in thousands of €

		2004	2003 after restatement	restatement	2003 as reported
JOINT VENTURES					
Bekaert Australia Steel Cord Pty Ltd	Australia	4 076	4 254		4 254
Bekaert Faser Vertriebs GmbH	Germany	75	81		81
Bekaert Handling Group A/S and subsidiaries	Denmark	-	4 073		4 073
Belgo Bekaert Arames Ltda.	Brazil	101 517	79 361	9 629	69 732
BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda.	Brazil	27 134	28 640	6 855	21 785
Chilean entities [1]	Chile	46 542	41 121	(3 771)	44 892
Ideal Alambrec S.A. [2]	Ecuador	10 572	10 273	226	10 047
Netlon Sentinel Limited	UK	-	-		-
Spaleck-Bekaert GmbH & Co. KG	Germany	1 092	1 091		1 091
Vicson, S.A.	Venezuela	20 600	20 190	(1 055)	21 245
SUBTOTAL JOINT VENTURES		**211 608**	**189 084**	**11 884**	**177 200**
ASSOCIATES					
Jiangyin Fasten-Bekaert Optical Cable Steel Products Co., Ltd	China	1 157	1 177		1 177
Pindurg S.L.	Spain	284	253		253
Precision Surface Technology Pte Ltd [3]	Singapore	-	614		614
SUBTOTAL ASSOCIATES		**1 441**	**2 044**	**-**	**2 044**
TOTAL JOINT VENTURES and ASSOCIATES excluding related goodwill		**213 049**	**191 128**	**11 884**	**179 244**
Net book value of related goodwill		**6 658**	**9 878**	**-**	**9 878**
TOTAL JOINT VENTURES and ASSOCIATES including related goodwill		**219 707**	**201 006**	**11 884**	**189 122**

[1] *Includes Prodalam Group and Inchalam Group.*
[2] *Relates to the Ideal Alambrec Group.*
[3] *Became a subsidiary in 2004.*

5.5. Non-current available-for-sale financial assets

in thousands of €

NET BOOK VALUE	2004	2003
At 1 January	13 126	10 279
Expenditure	-	3 587
Sales and disposals	(975)	(27 158)
Reversal / (write-down)	173	28 361
Transfers to / (from)	(6 272)	(2 050)
First consolidation	288	214
Left out of consolidation	-	(12)
Translation gains / (losses)	11	(95)
NET BOOK VALUE AT 31 DECEMBER	**6 351**	**13 126**

The transfers in 2004 relate to the investments in venture capital funds (€ 3 626) which have been reclassified to intangible assets and fully amortised within R&D expenses, and to a reclassification from non-current receivables (€ 2 646) to other current receivables. The sales and disposals and reversals in 2003 relate mainly to the disposal of United Solar Systems Corp. (€ 26 885).

The main remaining available-for-sale investment at the year-end is Enerjisa (€ 3 292), an investment held by Beksa in the independent energy division of the Sabanci Group in Turkey.

5.6. Non-current loans and receivables originated by the enterprise

in thousands of €

A. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD	2004	2003
NET BOOK VALUE		
At 1 January	829	832
Increases / (decreases)	(509)	311
Translation gains / (losses)	(1)	(314)
At 31 December	319	829

B. OTHER INVESTMENTS	2004	2003
NET BOOK VALUE		
At 1 January	31	186
Increases / (decreases)	6	(155)
At 31 December	37	31
NET BOOK VALUE AT 31 DECEMBER (A+B)	**356**	**860**

5.7. Operational working capital

in thousands of €

	2004	2003	%
Inventories	419 300	322 642	+30.0
Trade receivables	385 176	307 740	+25.2
Trade payables	(250 798)	(191 417)	+31.0
Advances received on contracts	(2 446)	(6 245)	-60.8
Current employee benefit obligations	(88 734)	(69 922)	+26.9
Personnel related taxes	(9 874)	(8 849)	+11.6
OPERATIONAL WORKING CAPITAL	**452 624**	**353 949**	**+27.9**

Average operational working capital represented 18.6% on sales (2003: 19.6%). The net increase in the operational working capital resulted from :

- an increase of € 112 585, mainly in inventories, trade receivables and trade payables largely in line with organic growth and increases in raw material prices;
- a negative currency impact of € 13 283;
- an increase of € 4 546 from new acquisitions.

Additional information on:

- Inventories
  Write-down of inventories recognised in the income statement: € 3 918 (2003: € 4 304).
  No inventories were pledged as security for liabilities (2003: also none).
- Trade receivables
  Allowance for bad and doubtful debt recognised in the income statement: € 1 256 (2003: € 1 590).

5.8. Current loans and receivables

in thousands of €

NET BOOK VALUE	2004	2003
At 1 January	5 766	8 124
Increase / (decrease)	(5 021)	(1 867)
First consolidation	-	29
Translation gains / (losses)	18	(520)
NET BOOK VALUE AT 31 DECEMBER	**763**	**5 766**

Financial receivables are mainly loans to joint ventures and associates.

5.9. Other receivables, deferred charges and accrued income

Other receivables

in thousands of €

NET BOOK VALUE	2004	2003
At 1 January	25 082	33 652
Increase / (decrease)	7 346	(6 726)
Transfer to / (from)	2 646	-
First consolidation	953	608
Left out of consolidation	-	(100)
Translation gains / (losses)	(259)	(2 352)
NET BOOK VALUE AT 31 DECEMBER	**35 768**	**25 082**

Other receivables consist mainly of an amount of € 23 722 (2003: € 16 859) related to taxes and an amount of € 2 665 (2003: € 1 810) related to royalties. The transfer concerns a reclassification from non-current available-for-sale financial assets. The increase in other receivables mainly relates to a reclassification from accrued income.

Deferred charges and accrued income

in thousands of €

NET BOOK VALUE	2004	2003
At 1 January	12 667	8 750
Increase / (decrease)	(7 913)	4 315
First consolidation	111	353
Left out of consolidation	-	(31)
Translation gains / (losses)	(137)	(720)
NET BOOK VALUE AT 31 DECEMBER	**4 728**	**12 667**

The decrease in accrued income mainly relates to a reclassification to other receivables.

5.10. Deferred tax assets and liabilities

in thousands of €

	ASSETS		LIABILITIES		NET POSITION	
NET BOOK VALUE	2004	2003	2004	2003	2004	2003
At 1 January	15 064	10 665	(64 680)	(66 062)	(49 616)	(55 397)
Increase / (decrease) via income	231	11 158	5 418	(291)	5 649	10 867
Increase / (decrease) via equity	(2 071)	(97)	1 209	(1 285)	(862)	(1 382)
First consolidation	216	988	(297)	(2 633)	(81)	(1 645)
Left out of consolidation	-	-	-	-	-	-
Translation gains / (losses)	4 713	(7 650)	(5 074)	5 591	(361)	(2 059)
NET BOOK VALUE AT 31 DECEMBER	**18 153**	**15 064**	**(63 424)**	**(64 680)**	**(45 271)**	**(49 616)**

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

in thousands of €

	ASSETS		LIABILITIES		NET POSITION	
NET BOOK VALUE	2004	2003	2004	2003	2004	2003
Intangible assets	1 279	487	(3 746)	(2 775)	(2 467)	(2 288)
Property, plant & equipment	3 880	3 325	(62 588)	(72 282)	(58 708)	(68 957)
Investments	1 536	-	(17 282)	(15 412)	(15 746)	(15 412)
Inventories	4 630	2 223	(5 701)	-	(1 071)	2 223
Receivables	1 718	437	(38)	(32)	1 680	405
Other current assets	17	36	(1 398)	(898)	(1 381)	(862)
Employee benefits	17 450	7 167	(82)	(6 528)	17 368	639
Other provisions	2 299	7 756	(187)	(379)	2 112	7 377
Other liabilities	1 092	843	(1 940)	(2 841)	(848)	(1 998)
Tax losses carried forward, tax credits and recoverable income taxes	13 790	29 257	-	-	13 790	29 257
Tax assets / (liabilities)	**47 691**	**51 531**	**(92 962)**	**(101 147)**	**(45 271)**	**(49 616)**
Set-off of assets and liabilities	**(29 538)**	**(36 467)**	**29 538**	**36 467**		
NET TAX ASSETS / (LIABILITIES)	**18 153**	**15 064**	**(63 424)**	**(64 680)**	**(45 271)**	**(49 616)**

The deferred tax liabilities on investments relate mainly to temporary differences arising from undistributed profits from subsidiaries, joint ventures and associates.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following deductible items (gross amounts):

in thousands of €

	2004	2003	change
Deductible temporary differences	93 531	114 215	
Capital losses	74 364	70 155	
Trade losses	96 205	97 303	
TOTAL	**264 100**	**281 673**	**(17 573)**

Of the capital losses in 2004, 63% will expire before 2009.

5.11. Ordinary shares, treasury shares, subscription rights and share options

in thousands of €

ISSUED CAPITAL	Value	Number of shares
1. At 1 January 2004	170 000	22 070 300
Movements in the year		
Creation of new shares	1 000	23 705
Cancellation of shares	-	220 300
At 31 December 2004	171 000	21 873 705
2. Structure		
2.1 Classes of share capital		
Ordinary shares without par value	171 000	21 873 705
2.2 Registered shares	-	572 246
Bearer shares	-	21 301 459
AUTHORISED, NOT ISSUED CAPITAL	**170 000**	

The Company repurchased and cancelled 220 300 shares in 2004, reducing the reserves by € 9 924. During the exercise period from 16 to 30 November 2004, 23 705 subscription rights were exercised and 23 705 new shares of the company were created, increasing the capital by € 1 000 and the share premium by € 249.

The Extraordinary General Meeting 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. To avoid dilution of the existing shares, the company has hitherto repurchased and cancelled a total of 607 320 existing shares. The 2004 offering was 233 845 subscription rights, of which 167 394 were granted on 7 September 2004 and issued on 30 September 2004.

Overview

Date offering	Date of issue of subscription rights	Exercise price in €	Number of subscription rights Granted	Exercised	Expired	Out-standing	First exercise period	Last exercise period
17.12.1999	04.04.2000	52.60	35 730	6 985	385	28 360	01.06-15.06.2003	15.11-30.11.2012
17.12.1999	04.04.2000	52.60	2 890	60	2 590	240	01.06-15.06.2003	15.11-30.11.2009
17.12.1999	04.04.2000	52.60	1 000	1 000		-	01.06-15.06.2003	16.11-30.11.2004
14.07.2000	26.09.2000	54.00	106 547	10 670	720	95 157	01.06-15.06.2004	22.05-15.06.2013
14.07.2000	26.09.2000	54.00	5 515	240	4 355	920	01.06-15.06.2004	22.05-15.06.2010
14.07.2000	26.09.2000	49.85	4 750	4 750		-	01.06-15.06.2004	01.06-15.06.2005
13.07.2001	26.09.2001	41.94	139 389			139 389	22.05-30.06.2005	22.05-15.06.2014
13.07.2001	26.09.2001	41.94	4 125			4 125	22.05-30.06.2005	22.05-15.06.2011
12.07.2002	25.09.2002	47.48	35 364			35 364	22.05-30.06.2006	22.05-15.06.2015
12.07.2002	25.09.2002	47.48	380			380	22.05-30.06.2006	22.05-15.06.2012
11.07.2003	06.10.2003	40.89	33 580			33 580	22.05-30.06.2007	22.05-15.06.2013
09.07.2004	30.09.2004	47.29	167 394			167 394	22.05-30.06.2008	22.05-15.06.2014
TOTAL			**536 664**	**23 705**	**8 050**	**504 909**		

A further 32 800 options on existing shares were offered and granted in 2004 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	01.06-15.06.2004	22.05-15.06.2013
13.07.2001	11 450	11.09.2001	11 450	41.94	22.05-30.06.2005	22.05-15.06.2014
12.07.2002	3 040	10.09.2002	3 040	47.48	22.05-30.06.2006	22.05-15.06.2015
11.07.2003	2 780	09.09.2003	2 780	40.89	22.05-30.06.2007	22.05-15.06.2013
09.07.2004	32 800	07.09.2004	32 800	47.29	22.05-30.06.2008	22.05-15.06.2014
TOTAL	**52 920**		**52 920**			

5.12. Hedging reserve

in thousands of €

BALANCE	2004	2003
At 1 January	(3 018)	(13 015)
New instruments added	-	-
Existing instruments settled	-	7 123
Value changes of existing instruments	1 737	1 922
Translation gains / (losses)	220	952
NET BOOK VALUE AT 31 DECEMBER	**(1 061)**	**(3 018)**
Of which		
Interest-rate swaps (US dollar loans)	(1 061)	(3 018)

Changes in the fair value of hedging instruments designated as effective ‘cash flow hedges’ are recognised directly in equity.

5.13. Minority interests

in thousands of €

BALANCE	2004	2003
At 1 January	43 344	44 343
(Increase) / decrease in ownership	(501)	-
Share of net profit of subsidiaries	12 350	7 486
Dividend pay-out	(6 713)	(7 756)
Capital increases	422	249
Transfer from equity method	600	502
Translation gains / (losses)	(671)	(1 480)
NET BOOK VALUE AT 31 DECEMBER	**48 831**	**43 344**

The increase in ownership relates to the repurchase of 25% of the shares of Imaware.
Capital increases in 2004 relate to Bekaert Shenyang Steel Cord Co., Ltd (€ 242) and China Bekaert Steel Cord Company Limited (€ 180).
The transfer from equity method relates to the increase in the shareholding in Precision Surface Technology Pte Ltd from 33% to 67% in 2004.

5.14. Employee benefit obligations

Several Bekaert companies operate retirement benefit and other post-employment benefit plans. These plans generally cover all employees and provide benefits which are related to salary 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 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 actuarial basis with contributions paid to insurance companies and / or independent pension funds.
As defined contribution plans in Belgium are now legally subject to a minimum guaranteed return, the Belgian supplementary pension plan for managers, which offers participants limited investment choice, is now accounted for as a defined benefit plan. The other Belgian defined contribution plans for blue-collar and white-collar employees are still accounted for as defined contribution plans, as the legally required return is adequately guaranteed by the insurance company.

At 31 December 2004 the total net liabilities for employee benefit obligations amounted to € 172 004 (€ 171 435 at 31 December 2003), analysed as follows:

in thousands of €

	2004	2003
Liabilities for:		
Defined benefit pension plans	54 824	66 664
Other post-employment benefit plans	87 900	90 989
Other long-term employee benefits	1 525	-
Other employee benefit obligations	27 755	13 782
Total net (assets) / liabilities	**172 004**	**171 435**

Defined benefit pension plans and other post-employment benefit plans

in thousands of €

	Defined benefit pension plans		Other post-employment benefit plans	
MOVEMENT IN DEFINED BENEFIT OBLIGATION ('DBO')	**2004**	**2003**	**2004**	**2003**
Present value at 1 January	417 127	398 092	94 181	96 953
Service cost	13 974	10 151	2 349	2 465
Interest cost	22 002	20 990	4 439	4 900
Participants' contributions	691	577	-	-
Plan amendments	4 754	-	392	-
First consolidation / (left out of consolidation)	-	106	-	-
Actuarial (gains) / losses	8 502	39 893	2 740	1 884
Benefits paid	(32 821)	(25 877)	(9 140)	(8 549)
Translation (gains) / losses	(6 746)	(26 805)	(1 171)	(3 472)
Present value of defined benefit obligation at 31 December	**427 483**	**417 127**	**93 790**	**94 181**

Other post-employment benefit plans relate to pre-retirement pensions in Belgium (DBO in 2004: € 78 580, 2003: € 76 474) and other post-employment benefits for medical care in the US (DBO in 2004: € 15 210, 2003: € 17 707), which are not externally funded. Of the DBO in Belgium, an amount of € 37 882 (2003: € 38 255) relates to employees in active service who have not yet entered into any pre-retirement agreement.

in thousands of €

	Defined benefit pension plans		Other post-employment benefit plans	
MOVEMENT IN PLAN ASSETS	**2004**	**2003**	**2004**	**2003**
Fair value at 1 January	279 057	247 627	-	-
Actual return on plan assets	26 199	51 578	-	-
Company contributions	35 315	22 173	-	-
Plan participants' contributions	691	577	-	-
First consolidation / (left out of consolidation)	-	(567)	-	-
Settlements	-	-	-	-
Benefits paid	(32 819)	(24 439)	-	-
Translation gains / (losses)	(4 775)	(17 892)	-	-
Fair value of plan assets at 31 December	**303 668**	**279 057**	**-**	**-**

in thousands of €

	Defined benefit pension plans		Other post-employment benefit plans	
FUNDED STATUS	**2004**	**2003**	**2004**	**2003**
Present value of unfunded obligations	24 788	22 290	93 790	94 181
Present value of funded obligations	402 695	394 837	-	-
Fair value of plan assets	(303 668)	(279 057)	-	-
Present value of net obligations	**123 815**	**138 070**	**93 790**	**94 181**
Unrecognised actuarial gains / (losses)	(68 990)	(71 405)	(6 067)	(3 332)
Unrecognised past service cost	(1)	(1)	177	140
Net (asset) / liability	**54 824**	**66 664**	**87 900**	**90 989**
Amounts in the balance sheet:				
Assets	**-**	**-**	**-**	**-**
Liabilities	**54 824**	**66 664**	**87 900**	**90 989**

in thousands of €

MOVEMENT IN LIABILITY	Defined benefit pension plans 2004	2003	Other post-employment benefit plans 2004	2003
Net (asset) / liability at 1 January	66 664	73 985	90 989	95 056
Contributions paid	(35 355)	(23 435)	(9 140)	(8 549)
Expense recognised in the income statement	24 521	19 665	7 283	7 505
First consolidation	-	195	-	-
Left out of consolidation	(74)	(222)	(30)	-
Translation (gains) / losses	(932)	(3 524)	(1 202)	(3 023)
Net (asset) / liability at 31 December	**54 824**	**66 664**	**87 900**	**90 989**
Amounts in the balance sheet:				
Assets	**-**	**-**	**-**	**-**
Liabilities	**54 824**	**66 664**	**87 900**	**90 989**

The amounts recognised in the income statement are as follows:

in thousands of €

NET BENEFIT EXPENSE	Defined benefit pension plans 2004	2003	Other post-employment benefit plans 2004	2003
Current service cost	13 974	10 151	2 349	2 465
Interest cost	22 002	20 990	4 439	4 900
Expected return on plan assets	(18 975)	(14 426)	-	-
Net actuarial (gains) / losses recognised in the year	2 706	2 856	51	42
Past service cost	4 813	94	444	98
TOTAL	**24 520**	**19 665**	**7 283**	**7 505**

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

in thousands of €

ACTUARIAL ASSUMPTIONS	Defined benefit pension plans 2004	2003	Other post-employment benefit plans 2004	2003
Discount rate	5.2%	5.3%	4.9%	5.1%
Expected return on plan assets	6.5%	6.9%	-	-
Future salary increases	3.9%	3.7%	3.2%	3.3%
Health care cost increases	-	-	11.0%	12.0%

Weighted averages for other post-employment benefit plans are slightly different from those for pension plans because the former include only the Belgian and US plans; actuarial assumptions by country were, however, identical.

Other long-term employee benefits

The other long-term employee benefits relate to service anniversary bonuses.

Other employee benefit obligations

Other employee benefit obligations relate mainly to retirement benefits in Europe and Turkey and individual pension promises.

5.15. Provisions

in thousands of €

	Restructuring	Legal claims	Other	Total
AT 31 DECEMBER 2003	**6 586**	**3 071**	**34 147**	**43 804**
Additional provisions made	257	4 198	7 642	12 097
Unused amounts released	(37)	(297)	(2 845)	(3 179)
Increase in discounted amount	-	(14)	(97)	(111)
Charged to the income statement	**220**	**3 887**	**4 700**	**8 807**
First consolidation	-	(407)	2 083	1 676
Amounts used during the year	(2 791)	(1 173)	(6 030)	(9 994)
Translation (gains) / losses	20	(88)	211	143
AT 31 DECEMBER 2004	**4 035**	**5 290**	**35 111**	**44 436**

The additional provisions made relate to Bekaert Indoor Safety B.V. (Netherlands), environmental programmes and disputes with government bodies. It is not yet known when these provisions will be settled.

5.16. 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 given below:

in thousands of €

2004	Due within 1 year	Due between 1 and 5 years	Due after 5 years	TOTAL
Non-current financial liabilities				
– finance leases	-	1 581	-	1 581
– credit institutions	-	131 946	-	131 946
– bonds	-	108 760	-	108 760[1]
Other non-current amounts payable	-	255	-	255
Current financial liabilities				
– current portion of non-current finance leases	499	-	-	499
– current portion of non-current financial liabilities-credit institutions	74 895	-	-	74 895
– credit institutions	236 583	-	-	236 583
TOTAL	**311 977**	**242 542**	**-**	**554 519**

in thousands of €

2003	Due within 1 year	Due between 1 and 5 years	Due after 5 years	TOTAL
Non-current financial liabilities				
– finance leases	-	581	453	1 034
– credit institutions	-	203 307	1 010	204 317
– bonds	-	-	106 998	106 998[2]
Other non-current amounts payable	-	1 862	-	1 862
Current financial liabilities				
– current portion of non-current finance leases	179	-	-	179
– current portion of non-current financial liabilities-credit institutions	8 301	-	-	8 301
– credit institutions	168 103	-	-	168 103
TOTAL	**176 583**	**205 750**	**108 461**	**490 794**

[1] *Includes € 45 277 of value adjustments as a result of hedge accounting.*

[2] *Includes € 38 534 of value adjustments as a result of hedge accounting.*

Total financial debt was mainly denominated in US dollars (55.2%, 2003: 66.9%), euros (19.6%, 2003: 20.4%) and Chinese renminbi (22.8%, 2003: 8.4%). 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 44.9% of the long-term financial debt (2003: 47.4%). The weighted average interest rates at the year-end were:

- fixed interest rate loans: 5.65% on US dollar loans (2003: 5.65%); not applicable to any euro or Chinese renminbi loans in 2004 (2003: not applicable);
- floating interest rate loans: 2.97% on US dollar loans (2003: 1.94%) and 2.37% on euro loans (2003: 2.33%).

The weighted average lifetime at year-end of long-term financial debt was 2.6 years (2003: 3.5 years).

Short-term financial debt was mainly denominated in US dollars (33.6%, 2003: 52.1%), Chinese renminbi (43.7%, 2003: 20.7%) and euros (21.2%, 2003: 20.3%). Of the short-term financial debt, the weighted average interest rates for the main currencies at year-end were: 2.88% on US dollar loans (2003: 1.60%), 3.03% on Chinese renminbi loans (2003: 1.57%) and 2.60% on euro loans (2003: 2.31%).

Several 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 committed credit facilities at its disposal up to a maximum equivalent of € 191 million (2003: € 185 million) at floating interest rates with fixed margins. These credit facilities will mature in 2005, 2006 and 2007. At year-end, € 73.9 million had been drawn under these facilities (2003: € 101.0 million).

In addition, the Group has a commercial paper and medium-term notes programme available for a maximum of € 123.9 million (2003: € 123.9 million). On 31 December 2004, no commercial paper notes were outstanding (2003: € 24.5 million).

5.17. Derivative financial instruments

The Group uses derivative financial instruments to hedge exchange-rate exposure and interest-rate exposure arising from its industrial and commercial operations. Only some of these financial instruments qualify for 'hedge accounting' under the stringent criteria defined in IAS 39 'Financial Instruments: Recognition and Measurement'. 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, given the short-term maturity of these financial instruments. Similarly, the historical-cost carrying amounts 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 & expenses'.

As at 31 December 2004, the total fair value of the forward exchange contracts was € 1 886 (2003: € 1 179), while the notional amounts were:

in thousands of €

FORWARD EXCHANGE CONTRACTS	2004	2003
Currencies purchased forward, maturing:		
up to 6 months	6 670	717
after 6 months	1 404	2 786
	8 074	**3 503**
Currencies sold forward, maturing:		
up to 6 months	118 595	58 555
after 6 months	9 469	640
	128 064	**59 195**

The Group has entered into cross-currency interest-rate swaps (CCIRS) for a notional amount of € 264 740 (2003: € 260 542) resulting in the obligation to sell currencies and interest thereon against euros, US dollars and sterling 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. As at 31 December 2004, the total fair value of CCIRS instruments amounted to € 86 347 (2003: € 73 164).

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 interest income and expenses over the term of the related underlying debt.

Of the total outstanding debt on 31 December 2004, the interest-rate exposure relating to the equivalent of € 110 124 (2003: € 119 083) was hedged through these interest-rate agreements.

The maturities of the interest-rate swaps are as follows:

- maturing within one year: € 36 708 (2003: € 319);
- maturing between one and five years: € 73 416 (2003: € 98 970);
- maturing after more than five years: nil (2003: € 19 794).

As at 31 December 2004, the total fair value of the interest-rate swaps amounted to € (4 706), compared with € (9 378) 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 and not for trading reasons, these IRSs are treated as 'instruments held for trading' under IAS 39 rather than as hedging instruments.

D. 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 private credit insurer and by the systematic use of trade finance instruments (e.g. letters of credit).

Breakdown of net position by type of financial instrument

in thousands of €

FAIR VALUE OF CURRENT AND NON-CURRENT DERIVATIVES	ASSETS 2004	ASSETS 2003	LIABILITIES 2004	LIABILITIES 2003	NET POSITION 2004	NET POSITION 2003
Financial instruments						
Foreign-exchange contracts	3 621	1 916	(1 735)	(737)	1 886	1 179
Interest-rate swaps	-	-	(4 706)	(9 378)	(4 706)	(9 378)
Cross-currency interest-rate swaps	86 489	73 629	(142)	(465)	86 347	73 164
NET ASSETS / (LIABILITIES)	**90 110**	**75 545**	**(6 583)**	**(10 580)**	**83 527**	**64 965**

Movement in the net position recognised in the balance sheet

in thousands of €

	2004	2003
At 1 January	64 965	20 740
Increase / (decrease) via income statement	23 489	44 117
Increase / (decrease) via hedging reserve	1 737	9 045
First consolidation	(3)	-
Left out of consolidation	-	-
Translation gains / (losses)	(6 661)	(8 937)
Transfers	-	-
NET BOOK VALUE AT 31 DECEMBER	**83 527**	**64 965**

Movements via the income statement are explained in note 4.5. 'Non-operating income & expenses'.

5.18. Other payables, accrued charges and deferred income

Other payables

in thousands of €

NET BOOK VALUE	2004	2003
At 1 January	22 005	12 493
Increase / (decrease)	(14 685)	11 700
First consolidation	1 572	886
Left out of consolidation	-	(16)
Translation (gains) / losses	175	(3 058)
NET BOOK VALUE AT 31 DECEMBER	**9 067**	**22 005**

The movement in other payables arises from a timing difference in payments.

Accrued charges and deferred income

in thousands of €

NET BOOK VALUE	2004	2003
At 1 January	7 647	7 662
Increase / (decrease)	(275)	(790)
First consolidation	43	1 674
Left out of consolidation	-	(13)
Translation (gains) / losses	(261)	(886)
NET BOOK VALUE AT 31 DECEMBER	**7 154**	**7 647**

6. Miscellaneous items

6.1. Effect of acquisitions and disposals

The first consolidation in 2004 relates to the acquisition of Solaronics S.A. and the purchase of the minority in Precision Surface Technology Pte Ltd, which was formerly an associate.
In 2003, the first consolidation related 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, 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' in 2003.

in thousands of €

SUBSIDIARIES	2004 first consolidation	2003 first consolidation	2003 left out of consolidation	2003 total
Intangible assets (other than goodwill)	363	52	-	52
Goodwill acquired	499	34	-	34
Property, plant & equipment	2 603	43 005	(393)	42 612
Investments	288	214	(16)	198
Inventories	1 507	11 872	-	11 872
Trade receivables	9 602	16 274	(2 643)	13 631
Other receivables	1 359	766	(48)	718
Cash & cash equivalents	4 782	2 413	(7)	2 406
Deferred charges & accrued income	111	353	(31)	322
Deferred tax assets	216	988	-	988
Provisions	(802)	(1 767)	-	(1 767)
Non-current financial liabilities	(1 056)	(2 795)	-	(2 795)
Current financial liabilities	(1 067)	(5 887)	36	(5 851)
Trade payables	(3 958)	(10 512)	261	(10 251)
Other payables	(4 096)	(15 292)	2 575	(12 717)
Accrued charges & deferred revenues	(43)	(1 651)	13	(1 638)
Deferred tax liabilities	(296)	(2 633)	-	(2 633)
TOTAL NET ASSETS	**10 012**	**35 434**	**(253)**	**35 181**
Goodwill arising on related acquisitions	13 693	10 038	-	10 038
Timing difference in effective cash	(2 000)	(4 911)	(146)	(5 057)
Reclass of investments previously accounted for under the equity method	(614)	(5 705)	-	(5 705)
Minority contribution on related acquisitions	(659)	(503)	-	(503)
CONSIDERATION PAID	**20 432**	**34 353**	**(399)**	**33 954**
Cash acquired	(4 782)	(2 413)	7	(2 406)
NET CASH OUTFLOW	**15 650**	**31 940**	**(392)**	**31 548**

COMPANIES	Month of acquisition	Impact on the consolidated net result of the Group
Solaronics S.A.	March 2004	35
Precision Surface Technology Pte Ltd	January 2004	161

6.2. Off balance sheet commitments

As at 31 December, important commitments were:

in thousands of €

	2004	2003
Guarantees given to third parties	4 301	4 433
Commitments to purchase fixed assets	479	1 730
Operating lease obligations	32 023	36 391

The Group has entered into several contracts classified as operating leases mainly with respect to buildings, predominantly in Belgium and the United States. The maturities of these lease obligations were distributed as follows:

in thousands of €

	2004	2003
Within one year	9 917	9 974
Between one and five years	17 138	20 405
More than five years	4 968	6 012

6.3. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated in consolidation and are not disclosed in this note. Transactions with other related parties are disclosed below.

in thousands of €

	2004	2003
Transactions with joint ventures and associates		
Sales of goods	14 927	7 541
Purchases of goods	23 694	22 278
Royalties and management fees received	7 235	3 650
Interest and similar income	81	362
Interest and similar expense	-	10
Dividends received	22 767	22 056
Outstanding balances with joint ventures and associates		
Non-current receivables	319	2 937
Trade receivables	2 909	1 289
Other current receivables	2 594	3 650
Non-current payables	-	-
Trade payables	267	1 623
Other current payables	-	31
Off balance sheet commitments with joint ventures and associates		
Guarantees given to third parties on behalf of JVs and associates	2 927	2 692
Transactions and outstanding balances with other related parties		
(a) Trans-Easy NV (Belgium)		
Sales of goods	208	201
Purchases of goods	2 705	1 936
Trade receivables	87	64
Trade payables	315	51
(b) Inpalco sro (Slovakia)		
Sales of goods	2	29
Purchases of goods	125	-
Trade receivables	-	17
Trade payables	-	-
(c) Bege sro (Slovakia)		
Sales of goods	336	31
Purchases of goods	-	24
Trade receivables	21	31
Trade payables	-	-

All financial amounts are expressed in thousands of €

Baron Leon Bekaert, a member of the Board of Directors, has either control or joint control in each of the companies (a), (b) and (c) mentioned as related parties, which act as subcontractors in the production of gates and accessories for fencing systems Europe.
Sales of goods to related parties were made at the Group's usual list prices. Purchases were made at market prices discounted to reflect the quantity of the goods purchased and the relationships between the parties.
The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

in thousands of €

	2004	2003
Directors' remuneration		
Number of persons	14	13
Fixed remuneration	1 808	1 850
Variable remuneration	890	370
Total gross remuneration	**2 698**	**2 220**
Number of subscription rights / options granted (stock option plan)	22 000	1 600
Senior management personnel remuneration		
Number of persons	17	20
Short-term employee benefits		
Basic remuneration	3 019	3 310
Variable remuneration	1 712	952
Remuneration as directors of subsidiaries	761	732
Post-employment benefits		
Defined benefit pension plans	205	247
Defined contribution pension plans	399	468
Other long-term benefits	-	-
Termination benefits	-	-
Total gross remuneration	**6 469**	**5 710**
Number of subscription rights / options granted (stock options plan)	50 420	9 230

Senior management includes all Group Executive Vice Presidents and Group Vice Presidents.

6.4. Events after the balance sheet date

On 12 January 2005, Bekaert signed an agreement for the sale of fencing systems Europe to Gilde, a leading investment company in Europe for an enterprise value of € 281.5 million. The disposal was completed on 1 March 2005, but control of fencing systems Europe was passed to the acquirer on 1 January 2005.
As a result of this transaction, fencing systems Europe is treated as a 'discontinuing operation' in accordance with IAS 35 (see note 1 'Summary of significant accounting policies' and note 2 'Impact of discontinuing operations'). The capital gain on this transaction is expected to amount to € 56 million.

6.5. Non-audit services provided by Statutory Auditor and related persons

During 2004, the statutory auditor and persons professionally related to him performed special tasks for an amount of € 1 102. These fees relate essentially to further assurance services (€ 251), consulting services for tax issues (€ 643) and other non-recurring non-audit services (€ 208). The special tasks have been approved by the statutory audit committee.

6.6. Subsidiaries, joint ventures and associates

A. SUBSIDIARIES

INDUSTRIAL COMPANIES		%
EUROPE		
Bekaert Advanced Coatings	Deinze, Belgium	100
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 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, Slovakia	100
Bekaert Indoor Safety B.V.	Ede, Netherlands	100
Bekaert Petrovice s.r.o.	Petrovice, Czech Republic	100
Bekaert Progressive Composites, S.A.	Munguía, Spain	100
Bekaert Slovakia, s.r.o.	Sládkovičovo, Slovakia	100
Bekintex	Wetteren, Belgium	100
Industrias del Ubierna, S.A.	Burgos, Spain	100
Sobelcard	Zwevegem, Belgium	100
Solarelec SAS	Champagne au Mont d'Or, France	75
Solaronics S.A.	Armentières, France	75
Sorevi S.A.	Limoges, 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
LATIN AMERICA		
Bekaert Sistemas de Combustão e Tecnologia – BCT Ltda.	São Bernardo, Brazil	100
AFRICA		
Bekaert Bastion (Pty) Ltd	Blackheath, South Africa	60
ASIA		
Bekaert Binjiang Steel Cord Co., Ltd	Jiangyin, China	90
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 New Materials (Suzhou) Co., Ltd	Suzhou, China	100
Bekaert Precision Surface Technology (Suzhou) Co., Ltd	Suzhou, China	67
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
Precision Surface Technology Pte Ltd	Singapore	67
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-CMTM GmbH	Saalfeld, Germany	100
Bekaert Combustion Technology Limited	Hinckley, United Kingdom	75
Bekaert France SAS	Antony, France	100
Bekaert Ges.m.b.H.	Wien, Austria	100
Bekaert Limited	Sheffield, United Kingdom	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 (UK) Ltd	Worcestershire, United Kingdom	100
Bekaert Svenska AB	Göteborg, Sweden	100
Bekaert Wire o.o.o.	Moscow, Russian Federation	100
Imaware	Zwevegem, Belgium	100
Joseph Sykes Brothers Limited	Sheffield, United Kingdom	100
Leon Bekaert S.p.A.	Trezzano Sul Naviglio, Italy	100
Solaronics AB	Vänusborg, Sweden	75
Solaronics GmbH	Achim, Germany	75
Solaronics Oy	Vantaa, Finland	75
NORTH AMERICA		
Bekaert Specialty Films (Canada), Inc.	Oakville, Canada	100
Bekaert Solaronics Inc.	Marietta, USA	75
Bellmont Inc.	Atlanta, USA	75
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 C.V.	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 Management (Shanghai) Co., Ltd	Shanghai, China	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 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.	Dordrecht, Netherlands	100
Bekaert Ibérica Holding, S.L.	Burgos, Spain	100
Bekaert North America Management Corporation	Wilmington (Delaware), USA	100
Bekpart B.V.	Dordrecht, Netherlands	100
Société de Participations Financières Bekaert	Antony, France	100
Sentinel Garden Products Limited	Sheffield, United Kingdom	100

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
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 Ltda.	Contagem, Brazil	45
Belgo Bekaert Nordeste S.A.	Feira de Santana, 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
Procables S.A.	Callao, Peru	46
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
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
Productos de Manejo de Fluidos S.A.	Maipu, Chile	50
AUSTRALIA		
Bekaert Handling (Australia) Pty. Ltd.	Sydney, Australia	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
InverVicson, S.A.	Valencia, Venezuela	50
Numelino S.A.	Panama, Panama	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

CHANGES IN 2004

1. New investments

SUBSIDIARIES		%
Bekaert Binjiang Steel Cord Co., Ltd	Jiangyin, China	90
Bekaert Management (Shanghai) Co., Ltd	Shanghai, China	100
Bekaert New Materials (Suzhou) Co., Ltd	Suzhou, China	100
Bekaert Precision Surface Technology (Suzhou) Co., Ltd	Suzhou, China	67
Bekaert Sistemas de Combustão e Tecnologia – BCT Ltda.	São Bernardo, Brazil	100
Bekaert Solaronics Inc.	Marietta, USA	75
Bellmont Inc.	Atlanta, USA	75
Solarelec SAS	Champagne au Mont d'Or, France	75
Solaronics AB	Vänusborg, Sweden	75
Solaronics GmbH	Achim, Germany	75
Solaronics Oy	Vantaa, Finland	75
Solaronics S.A.	Armentières, France	75

JOINT VENTURES		%
Bekaert Handling (Australia) Pty. Ltd.	Sydney, Australia	50
InverVicson, S.A.	Valencia, Venezuela	50

2. Increased / decreased ownership

SUBSIDIARIES		
Bekaert Indoor Safety B.V.	Ede, Netherlands	From 95 to 100%
Imaware	Zwevegem, Belgium	From 75 to 100%
Precision Surface Technology Pte Ltd	Singapore	From 33 to 67%

JOINT VENTURES		
Bekaert Handling Systems AB	Stockholm, Sweden	From 50 to 0%
Bekaert Handling Systems Ltd	Droitwitch, United Kingdom	From 50 to 0%
Procables S.A.	Callao, Peru	From 45 to 46%

3. Mergers / conversion

SUBSIDIARIES	
Bekaert Beheer B.V.	Merged into Bekaert Holding B.V.
Bekaert Dymonics	Merged into Bekaert Advanced Coatings
Bekaert Nederland B.V.	Merged into Bekaert Holding B.V.
Bekaert Specialy Films Nordic AB	Merged into Bekaert Specialty Films North Europe AB
Sorevi Savoie S.A.	Merged into Sorevi S.A.

JOINT VENTURES	
VBS Wire Company	Merged into Numelino S.A.

4. Change of name

Bekaert Advanced Coatings	Formerly Bekaert VDS
Bekaert Bastion (Pty) Ltd	Formerly Bekaert Bastion Fencing (Pty) Ltd
Bekaert Specialty Films Nordic	Formerly Bekaert Specialty Films North Europe AB
Belgo Bekaert Arames Ltda.	Formerly Belgo Bekaert Arames S.A.
Belgo Bekaert Nordeste S.A.	Formerly Jossan S/A

5. Liquidated

Bekaert Building Products Pty Ltd	Sydney, Australia
Bekaert Timeda B.V.	Enschede, Netherlands
Imperial Eagle	Hinckley, United Kingdom
Innovative Sputtering Technology	Zulte, Belgium

DISCONTINUING OPERATIONS (see note 2.)

SUBSIDIARIES

INDUSTRIAL COMPANIES

EUROPE	
Bekaert Deutschland GmbH	Schwalmtal, Germany
Bekaert Fencing España, S.L.	Burgos, Spain
Bekaert Fencing Limited	Sheffield, United Kingdom
Bekaert Fencing NV	Zwevegem, Belgium
Bekaert Fencing S.A.	Bourbourg, France
Bekaert Fencing S.p.A.	Tortoreto, Italy
Bekaert Fencing Sp.z o.o.	Kotlarnia, Poland
Bekaert France S.A.	Charleville-Mézières, France
Werler Drahtwerke GmbH	Werl, Germany
AFRICA	
Bekaert Bastion (Pty) Ltd	Blackheath, South Africa

SALES OFFICE

EUROPE	
Bekaert Portugal Lda	Lisboa, Portugal

FINANCIAL COMPANY

Société de Participations Financières Bekaert	Antony, France

ASSOCIATE

INDUSTRIAL COMPANY

EUROPE	
Pindurg S.L.	Briviesca (Burgos), Spain

Parent company information

Annual report of the Board of Directors and annual accounts of NV Bekaert SA

Statutory annual accounts

The statutory annual accounts of the parent company, NV Bekaert SA, are reported below in an abridged format.

In conformity with Belgian Company Law, the directors' report and annual accounts of the parent company, NV Bekaert SA, together with the statutory auditor's report, are deposited at the National Bank of Belgium.

They are available on request from:

NV Bekaert SA
President Kennedypark 18
BE - 8500 KORTRIJK

The statutory auditor issued an unqualified report on the annual accounts of NV Bekaert SA.

ABRIDGED PROFIT AND LOSS STATEMENT

in thousands of €

YEARS ENDED 31 DECEMBER	2004	2003
Sales	619 965	496 492
Operating profit / (loss)	35 858	10 693
Financial result	50 593	151 822
Extraordinary result	(26 047)	(45 946)
Current and deferred income taxes	(2 727)	-
PROFIT / (LOSS) FOR THE YEAR	**57 677**	**116 569**

ABRIDGED BALANCE SHEET AFTER PROFIT APPROPRIATION

in thousands of €

31 DECEMBER	2004	2003
FIXED ASSETS	**1 383 053**	**1 358 168**
Formation expenses, intangible fixed assets	25 247	31 688
Tangible fixed assets	73 524	78 383
Financial fixed assets	1 284 282	1 248 097
CURRENT ASSETS	**267 839**	**220 856**
TOTAL ASSETS	**1 650 892**	**1 579 024**
EQUITY	**807 029**	**801 775**
Capital	171 000	170 000
Share premium	249	-
Revaluation surplus	1 995	1 995
Legal reserve	17 100	17 000
Untaxed reserves	3 606	-
Reserves available for distribution, retained earnings	613 079	612 780
PROVISIONS AND DEFERRED TAXES	**87 255**	**68 292**
CREDITORS	**756 608**	**708 957**
Amounts payable after one year	369 368	439 368
Amounts payable within one year, accrued charges and deferred income	387 240	269 589
EQUITY AND LIABILITIES	**1 650 892**	**1 579 024**

All financial amounts are expressed in thousands of €

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 € 619 965 were 25% higher than in the previous year. In advanced wire products, sales increased by 13% mainly due to higher sales prices (necessitated by higher raw material prices) and a sales volume increase of 3%. Sales in fibres technologies went up by 7%. Due to the expansion programme in Europe and Asia, sales of the engineering department were 144% higher than last year.
The result from operations amounted to € 35 858 (2003: € 10 693). The better result came not only from the aforementioned increase in sales volume and the high activity level in engineering, but also from the impact of FIFO in the context of significant price increases of raw material. Higher revenues from royalties were offset by higher provisions for employee benefits.
The financial results of € 50 593 were substantially lower than in 2003 (€ 151 822) because of lower revenues from financial fixed assets. No dividend payout was made from Bekaert Coördinatiecentrum, Tinsley Wire Limited and Bekaert Holding.
The extraordinary results were negative for € 26 047 (2003: € 45 946) mainly due to write-downs on financial fixed assets (Bekaert Handling Group A/S, Sobelcard, Bekaert Progressive Composites, S.A.) and a provision for identified exposures in respect of employee benefit obligations.
The net profit for the year ending 31 December 2004 amounted to € 57 677, compared with a profit of € 116 569 in 2003.

Statement on the activities of the Statutory Auditor and related persons

During 2004, the statutory auditor and persons professionally related to him performed special tasks for an amount of € 760. These fees relate essentially to further assurance services (€ 234), consulting services for tax issues (€ 362) and other non-recurring non-audit services (€ 164). The special tasks have been approved by the statutory audit committee.

Environmental programmes

The provision for environmental programmes increased slightly to € 14 786 (2003: € 13 945). Additonal charges were booked for € 1 340 while expenditures amounted to € 500.

Information on research and development

Information on the Research and Development activities of the Company can be found in the Report of the Board of Directors.

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 2004, Sir Anthony Galsworthy and Mr. Bernard van de Walle de Ghelcke refrained from participating in the discussion and voting on indemnification by the company of their 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 2003 annual report, ten 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) *	31.12.04	4 741 750	21.68
Common attorney, on behalf of individuals, Mr. X. Oberson, 20 rue de Candolle, Geneva (Switzerland) *	31.10.96	2 223 140	10.16
Beauval Enterprises Corp., 325 Waterfront Drive, Tortola (British Virgin Islands)	31.12.04	1 000 985	4.58
Tirhold Inc., Bank of America Building, 50th Street 5, Panama (Rep. of Panama)	31.12.04	1 000 985	4.58
HLF S.p.r.l., square Vergote 19, Brussels *	31.12.04	76 820	0.35
N.V. BSI, Schoonberg 15, Aalter *	31.12.04	56 000	0.25
S.A. Berfin, Drève L. Chaudoir 16, Brussels	31.12.04	30 640	0.14
Millenium 3 S.A., av. N. Plissart 8, Brussels *	31.12.04	30 000	0.14
Velge & C° N.V. in liquidation, Keizerstraat 13, Antwerpen *	31.12.04	19 000	0.09
N.V. De Sneppe, Kortrijkstraat 11, Zwevegem *	31.12.04	17 460	0.08
S.A. Subeco, rue Guimard 19, Brussels *	01.03.99	12 600	0.05
Brocsa S.A., av. De Fré 225, Brussels *	31.12.04	0	0.00
TOTAL		**9 209 380**	**42.10**

** These individuals and companies, linked by their joint control of Stichting Administratiekantoor Bekaert, together with the Stichting Administratiekantoor Bekaert, have 7 176 770 shares (32.81%).*

Proposed appropriation of NV Bekaert SA 2004 result

The profit after tax for the year ended 31 December 2004 was € 57 676 634, compared with € 116 568 856 for the year ended 31 December 2003. An amount of € 3 606 312 is transferred to untaxed reserves, the profit brought forward is € 24 964 327, giving a profit of € 79 034 649 available for appropriation.
At the General Meeting of Shareholders on 11 May 2005, the Board will propose that the above profit be appropriated as follows:

	in €
Gross dividends	43 747 410
Transfer to the legal reserve	100 000
Transfer to reserves	2 376 681
Carried forward to next year	32 810 558
	79 034 649

In the light of Bekaert's very strong performance in 2004 and its confidence in the future, the Board of Directors will invite the General Meeting of Shareholders to approve an increase in the gross dividend of 7%, to € 1.875 per share.
To celebrate Bekaert's 125th anniversary in 2005, the Board of Directors will also propose an exceptional increase in the dividend of € 0.125 per share. If both proposals are accepted, a gross dividend of € 2 per share will be distributed, equivalent to a net dividend per share of € 1.5. The net dividend on shares with VVPR strip, giving entitlement to reduced withholding tax of 15%, will be € 1.7 per share in that case.
The dividends will be payable in euros from 18 May 2005 onwards upon presentation of dividend coupon number 6 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 Meeting of Shareholders the following appointments as director expire:

Gary J. Allen
Baron Georges Jacobs

The Board of Directors proposes to re-elect the following persons as directors for a new term of three years ending immediately after the General Meeting of Shareholders in 2008:

Gary J. Allen
Baron Georges Jacobs

Statutory auditor's report

To the Shareholders

In accordance with the legal and statutory requirements, we are pleased to report to you on our audit assignment which you have entrusted to us.

We have audited the accompanying consolidated financial statements of NV BEKAERT SA and subsidiaries ('the Company') as of and for the year ended 31 December 2004, which have been prepared under the responsibility of the Board of Directors. These contain the consolidated balance sheet and the related consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in shareholders' equity. The consolidated financial statements show a balance sheet total of EUR 2 189 347 (000) and an income statement resulting in a profit for the year of EUR 167 604 (000).

We did not audit the financial statements of certain entities accounted for by use of the equity method. The Company's share in the net assets of these entities is EUR 166 507 (000). The share of these entities in the consolidated profit of the year is a profit of EUR 45 658 (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 financial statements, insofar as it relates to the amounts included for those entities, is based solely upon the reports of the other auditors.

Unqualified audit opinion on the accompanying consolidated financial statements

We conducted our audit in accordance with the standards of the Belgian Institute of Company Auditors. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement taking into account the legal and statutory requirements applicable to consolidated financial statements in Belgium.

In accordance with these standards, we considered the group's administrative and accounting organisation as well as its internal control procedures. We have obtained explanation and information required for our audit. An audit includes examining, on a test basis, evidence supporting the amounts in the consolidated financial statements. An audit also includes assessing the accounting policies used, the basis for consolidation and significant estimates made by management as well as evaluating the overall consolidated financial statements presentation. We believe that our audit, together with the reports of other auditors, provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of NV Bekaert SA and subsidiaries as of 31 December 2004, the consolidated results of their operations, the cash flows and the changes in shareholders' equity for the year then ended, in accordance with International Financial Reporting Standards as endorsed by the EU. The consolidated financial statements comply with the legal and regulatory requirements applicable in Belgium to consolidated financial statements and related notes.

Additional statements

We supplement our report with the following statements which do not modify our audit opinion on the consolidated financial statements:

The consolidated annual report for the year ended 31 December 2004 contains the information required by Law and is consistent with the consolidated financial statements.

16 March 2005
The Statutory Auditor
DELOITTE & PARTNERS Bedrijfsrevisoren
BV o.v.v.e. CVBA
Represented by

Guy Wygaerts

Geert Verstraeten