

better together

delivering results

better together, the baseline we use to sum up Bekaert's approach to cooperation with its stakeholders, was introduced in 2005. This concept has been instrumental in driving us toward a more customer-focused business culture.

better together came alive all around the world in 2006. Something that started as an ideal vision of the driving force behind our business has come more and more to reflect the way we work together with our customers, our partners, local authorities and our colleagues within Bekaert. That is precisely what Bekaert meant by *better together*. More than just a fashionable slogan, it is a substantive concept that enables us to raise quality and cooperation to an even higher level.

The concept works.

As to why it works, we prefer to leave it to Bekaert people around the world to explain. You read about our plans for *better together* in our 2005 annual report. This year, we tell how that concept adds value: for our customers, for our partners, for our colleagues within Bekaert and for Bekaert itself.

Take the time to read the stories told by He Xiaohong, Alfred Sasko, Kirit Naik, Manuel Gallofre, Ann-Marie Dewaele and Zhang Zhaojing and you will understand what makes Bekaert unique in a business environment where uniformity is becoming the rule rather than the exception.

It's *better together*.



Bekaert in essence

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Often invisible but always present, Bekaert is part of the products we use every day. Worldwide, one radial tire in every four is reinforced with Bekaert steel cord.

Profile

Bekaert's business is built on two core competences: advanced metal transformation and advanced materials and coatings. The combination of these competences makes Bekaert unique.

Customers in more than 120 countries and in the most diverse sectors choose to work with Bekaert for the wide range of high-tech advanced products, systems and services it provides. Bekaert's workforce of over 18 500 is committed to meeting their needs, day in and day out.

The main raw material for most of Bekaert's products is wire rod. This is steel wire of about the thickness of a finger, made in a wide range of compositions and grades. Various wire products are made by drawing wire rod through dies of diminishing size, subjecting it to heat treatments of various kinds and, depending on the application, possibly applying a specific coating. These processes impart a range of properties in such areas as tensile strength, hardness, frictional resistance, corrosion resistance and adhesion. Bekaert is able to apply its many coating technologies to various materials.

Although its main focus is on intermediate products, Bekaert keeps in close touch with end-users so that it can anticipate their needs and offer its industrial customers the solutions that give them a competitive edge in their markets. Bekaert builds win-win relationships with its customers, based on equal partnerships characterized by mutual trust and understanding. Bekaert adds value for customers and end-users all over the world.

In pursuit of its strategic objective of sustainable profitable growth, Bekaert aims for market and technological leadership and is a major player in its markets worldwide.

Bekaert in 2006

Combined sales:

€ 3.2 billion

Consolidated sales:

€ 2.0 billion

Operating result (EBIT):

€ 145.9 million

Result for the period

attributable to the Group:

€ 142.3 million

Employees:

18 500 worldwide

Euronext® Brussels: BEKB

www.bekaert.com

Sectors



Steel cord for radial tire reinforcement

Customers in many sectors – from the automotive, construction, offshore and telecom industries to the textile industry and environment-friendly burner manufacturers – choose to work with Bekaert.

The automotive sector is the most important, accounting for a third of combined sales. The vast majority of Bekaert's products are destined for the replacement market and only a minority for the original equipment manufacturer (OEM) market. Bekaert supplies steel cord products for radial tire reinforcement to virtually all the world's major tire manufacturers. The company also supplies customers in the automotive sector with many specialized wire products which meet the highest quality requirements and standards. These include spring wires, fine cable wires, welding wires, cables for side-window systems and wire for windshield wiper arms and blades.



Diamond-like coatings
on engine components

Bekaert diamond-like coatings on engine components reduce friction, increase service life and improve performance, while solar-control window film enhances driver and passenger comfort by improving temperature control, reducing glare and providing protection against harmful UV rays. An average car may contain up to 30 kg of Bekaert products.

The company is active in practically all the other economic sectors. Some Bekaert products are clearly visible, but most are hidden.



Window film for buildings and
vehicles

The company is a major global player in the construction sector, for example, with Dramix® steel fibers for concrete reinforcement, strands for prestressed concrete elements, plastering mesh, corner beads and fine steel cord for reinforcing elevator lifting belts. Bekaert also supplies cables and cable wire for construction equipment and the company is a leading player in window film for buildings and sputter products for the glass industry. In the latter industry, Bekaert supplies customers with sputter hardware on a project basis and rotatable targets for their production processes.



Umbilical for the offshore sector

In the textile sector, Bekaert produces cards, carding wires and temperature-resistant textiles. Customers in the engineering sector rely on Bekaert products in the manufacture of high-pressure hoses, polyurethane transmission belts and conveyor belts. Customers in the agricultural sector come to Bekaert for fencing and the wine industry buys vineyard wire on which to train vines and metal-fiber burners to scorch excess foliage and thus maximize the harvest. Bekaert is market leader in champagne cork wire. The chemical industry works closely with Bekaert on the development of filter media and filter systems based on metal fibers. The company is a major supplier to the offshore sector of anchor cables for drilling platforms and profiled wire for reinforcing flexible pipes. The printing industry uses colored Bekaert bookbinding wire and the telecommunication sector is a large user of communication cables. Bekaert wire is also used to reinforce power transmission cables.

Bekaert's global presence in practically all sectors is a significant advantage, because diversity makes it less dependent on the trend in any particular market. With its extensive network of contacts, Bekaert is able to take a broad view, respond swiftly to opportunities and – utilizing its core competences – develop innovative solutions in close partnership with its customers.

Close cooperation creates win-win situations

'For me, every meeting with satisfied customers is a *better together* moment.'

Our objective is to help our customers, the Chinese tire manufacturers buying Bekaert steel cord for tire reinforcement, gain a competitive edge in their markets, and I think *better together* gives us an important advantage. The Chinese market is growing explosively and, in contrast to the rest of the world, there are many tire manufacturers here. To help them to stand out, we work closely with our customers at the personal level. We listen to them and, together, we tailor our products, services and production processes to suit their needs.

better together also works internally. Our products and solutions are tested by our colleagues at the technology center in Jiangyin (Jiangsu province). Quality of service is definitely what gives us the edge.

As Product Development Manager, from the early start, I've seen the benefits of close cooperation with the customer and within Bekaert. Not just because customers are satisfied with the effort we invest and the way we work, but because it brings a win-win solution. When customers arrive at that conclusion – that's always a *better together* moment for me.'

He Xiaohong (Annie), Sales, Shanghai (China)

Segments

Bekaert reports its activities and results in accordance with the International Financial Reporting Standards (IFRS). Consistent with Bekaert's strategic vision, primary segmentation is based on three business segments: advanced wire products, advanced materials and advanced coatings. Secondary segmentation of sales is by geographical region.

Advanced wire products

15 910 employees
€ 2 890 million combined sales (91%)

91%

Bekaert produces a highly diverse range of **advanced wire products** which find application in many sectors. Steel wires of various grades and in various forms are used in a variety of applications meeting many different product specifications. The product range runs from very high-tensile wires to ultra-thin metal fibers of 1 micron. The development of wires with higher tensile strength allows thinner wires to be used without compromising flexibility. High-tensile wires are bunched into steel cord.

Advanced materials

950 employees
€ 156 million combined sales (5%)

5%

The **advanced materials** segment covers applications of fiber technologies, combustion technologies and composites. On the basis of its expertise, the company uses ultra-thin Bekaert metal fibers to produce environment-friendly filters, gas burners and combustion systems for both residential and industrial applications. It also develops products for other applications in textiles and in conductive plastics.

Advanced coatings

750 employees
€ 136 million combined sales (4%)

4%

The **advanced coatings** segment covers industrial coatings and specialized films. Within the industrial coatings activity platform, Bekaert deploys its expertise in the application of coatings to various materials, mainly glass and metal. The company manufactures a range of window films for vehicles and buildings to keep out the sun's heat, filter out ultraviolet radiation and hold glass together in the event of breakage.

Geographical presence

Bekaert aims to have a presence in all the important markets. The company, which was founded in 1880 in Zwevegem (Belgium), has today grown into a global player which is active on virtually every continent.

The company greatly strengthened its position in Asia in 2006. Bekaert further realigned its production capacity in Europe and North America in response to changes in market demand. The company increased its presence in certain niche markets and also laid the foundations for advancing its position in Russia.

The global sales network is evolving constantly to suit the changing markets and the specific requirements of customers. Through its network of highly qualified and performance-driven staff, Bekaert seeks constantly to create value for its customers.

It is here – in close collaboration with customers in the various regions – that new products and services originate, before this experience is put to use in other markets or deployed in other types of application.

The production plants are distributed geographically to enable Bekaert to respond optimally to the needs of its industrial customers. While the company tailors its facilities to local needs, it employs uniform production processes, and guarantees the same high quality standards, around the world.

With its long international history, doing business on a global scale has become second nature to Bekaert. Over the years, the company has developed the skills it needs to adapt, integrate and organize in an international context. This helps Bekaert to establish bridgeheads quickly, for both sales and production, even in markets which are difficult to access. It also enables Bekaert swiftly and effectively to identify and respond to changes in the market at an early stage.

North America

2 270 employees
€ 637 million combined sales (20%)

20%



Latin America

5 490 employees
€ 1 113 million combined sales (35%)

35%



Europe

6 320 employees
€ 1 006 million combined
sales (31%)

31%

Asia

4 350 employees
€ 386 million combined
sales (12%)

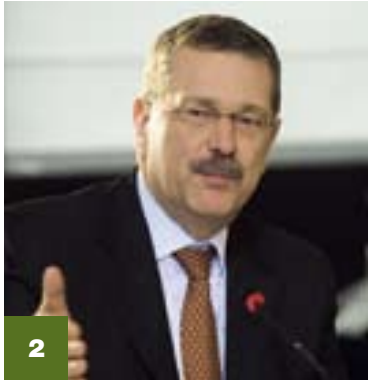
12%

Other regions

90 employees
€ 53 million combined
sales (2%)

2%

Board of Directors



<p>1 Baron Buysse CMG CBE Chairman</p> <p>6 Roger Dalle</p> <p>11 Baron Georges Jacobs CBE</p>	<p>2 Bert De Graeve Chief Executive Officer</p> <p>7 Count Charles de Liedekerke</p> <p>12 Hubert Jacobs van Merlen</p>
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3 Gary J. Allen CBE

4 Dr. Pol Bamelis

5 Baron Leon Bekaert

8 François de Visscher

9 Julien De Wilde

10 Sir Anthony Galsworthy KCMG

13 Maxime Jadot

14 Bernard van de Walle de Ghelcke

15 Baudouin Velge

Message from the Chairman and the Chief Executive Officer

Dear reader,

After two record years in 2004 and 2005, Bekaert again had a good year in 2006. These are some of the highlights.

Geographically, there are many changes under way. The BRIC countries – Brazil, Russia, India and China – are playing an increasingly important role in the growth of the world economy. With the global steel market experiencing a wave of consolidation which may well gain in scale and speed in the years ahead, market conditions are changing fast. Together with the Board of Directors, we follow these developments closely.

Bekaert is a major user of wire rod, its most important raw material. In 2004 and 2005, demand exceeded supply. Mainly Chinese players expanded their capacity in 2006, while some European suppliers restricted their production at certain points in time. The raw-material markets became slightly less volatile but wire rod prices generally remained high, mostly driven by increasing global demand for steel. Bekaert faced rising costs of other raw materials such as zinc, and higher energy costs around the world.

Bekaert has strengthened its market position in the various regions. The company is already strongly represented in the BRIC countries: in Brazil via joint ventures and in India and China with its own production plants. Supported by an investment program of around € 100 million, the company was able to advance its market position in China significantly despite the heightened competition. In the second half, Bekaert took a minority stake in Shougang Concord Century Holdings Ltd. A declaration of intent was signed for the acquisition of Uralkord, a manufacturer of steel cord for tire reinforcement supplying about 25% of the Russian market. This acquisition will provide Bekaert with a solid base in Russia.



Baron Buysse CMG CBE
Chairman

In 2007, we shall continue to investigate new opportunities around the world.

Our customers are also on the move. Many are relocating their activities or concentrating them in growth markets. Some are leaving the market and new customers are entering, many of which have new expectations and specific ways of doing business. By anticipating these trends and developments, our employees succeeded in meeting customer expectations in many different sectors in more than 120 countries, thereby advancing Bekaert's position in many markets.

In this highly challenging environment, Bekaert turned in a strong performance. We maintained our worldwide position and expanded our activities in several growth markets. Sales were 5% higher and our operating result (EBIT) was € 146 million, representing an EBIT margin on sales of 7.3%. The result for the period attributable to the Group amounted to € 142 million.

The financial markets closely followed our performance. On 9 May 2006 the Bekaert share price reached an all-time high of € 102.60. On a rapidly softening stock market, reflecting the weaker dollar, rising interest rates and inflation fears, the price then fell more than 30% to reach its lowest level of € 69.20 on 18 July 2006. When positive recommendations were given by analysts on the basis of the strong half-year results and confirmation of the success of the joint ventures, the share price started to recover rapidly in October.

In the light of the company's strong performance in 2006 and our confidence in the future, the Board of Directors will propose that the General Meeting of Shareholders approve the distribution of a gross dividend of € 2.50 per share, an increase of the basic amount by 25%. In 2006, Bekaert has also further optimized its debt structure. Under the authority vested by the General Meeting of Shareholders in the Board of Directors, 557 000 shares were repurchased and subsequently cancelled end 2006. Bekaert will continue share buy back in 2007.



Bert De Graeve
Chief Executive Officer

On 10 May 2006, Bert De Graeve became the new Chief Executive Officer. The Board of Directors thanks Julien De Wilde for the four successful years of his leadership of the company as its Chief Executive Officer and is pleased that it can continue to rely on his extensive expertise and experience as a member of the Board of Directors. On 1 October 2006, Bruno Humblet joined the company as its new Chief Financial Officer. He was appointed to the Bekaert Group Executive, as was Dominique Neerinck, Chief Technology Officer. The Board of Directors wishes them every success.

Our priority in 2006 was again our customers. In our *better together* culture, our endeavor is to work closely with them to create win-win situations in an atmosphere of mutual trust and respect. Our goal is to meet ever more effectively the needs of our customers around the world. Our customers' interests are taken fully into account in all aspects of our cooperative relationship – delivery, timing, quality and inventory control – thus shortening delivery times and ensuring more cost-efficient vendor inventory management.

We work constantly to improve our performance. Bekaert's tradition of total quality management and operational excellence is what sets us apart from other players.

Our striving to create win-win situations is also expressed in our drive for innovation in the service of our customers. To utilize the synergy between our two core competences even more effectively, the Board of Directors decided to reorganize our advanced materials and advanced coatings activities, so that we can take full advantage of our technological leadership as a lever with which to consolidate our market leadership. This repositioning will also help us to manage our business processes more efficiently.

Bekaert forms partnerships with internationally renowned universities and research institutes around the world to work together on clearly defined areas of research. Joining forces in this way enables us to innovate faster, more intensively and with closer market focus. Bekaert again introduced various product innovations in 2006 to give our customers a competitive edge in their activities and markets. An example is a new method of reducing emissions of particulates and oxides of nitrogen from truck diesel engines, which led to the development of Bekaert heating cord.

We strengthened our position in Europe and North America through selective acquisitions. In Western Europe, we consolidated our position in offshore applications by taking over Cold Drawn Products Limited. In the burner market, we acquired Aluheat B.V. in the Netherlands, which specializes in advanced technologies used in condensing boilers. We also decided to invest heavily in additional production capacity for fiber technologies in Belgium. In the United States, we acquired Delta Wire Corporation, a major supplier of bead wire for tire reinforcement, located in Clarksdale (Mississippi).

We were, however, faced with difficult market conditions in North America, where the effects of the overcapacity on the world market were most keenly felt. With imports of both raw materials and finished products growing far faster than the market, we responded swiftly and decided to close our plant in Dyersburg (Tennessee).

We were able to hold our position in Europe, but we sold the handling business, which was an extension of the previous European fencing activities.

In the growth markets in Asia and Latin America, we turned in a strong performance. We achieved impressive growth in sales of our steel cord products in China, where our position was significantly strengthened by major investment programs. Bekaert opened two new plants in China, in Shenyang (Liaoning province) and Jiangyin (Jiangsu province). Jiangyin is now home to the largest Bekaert steel cord plant in the world. We also greatly expanded in Weihai (Shandong province). In order to supply the rapidly growing market, we now have an annual production capacity in China of 200 000 tonnes. Our operations are supported by large sales teams which respond effectively to specific customer needs, elevating Bekaert to the status of preferred supplier for virtually all tire manufacturers. We also continued last year to extend our network of contacts in the various regions in which we operate. Today Bekaert employs over 3 800 people in China.

We have been active in the Latin American market for many decades via extremely successful joint ventures, a form of cooperation which again proved its value in 2006. Thanks to a production platform located close to our customers and our strong local ties, we again recorded high sales.

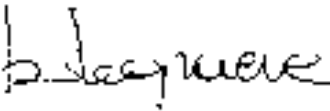
In 2006, we laid the foundations for further international expansion in the fast-growing markets while consolidating our position in niche markets in Europe and North America.

We shall continue in 2007 to pursue sustainable profitable growth, but conditions appear challenging. We can expect no relief from the unrelenting competitive pressures, and energy costs and prices of raw materials are likely to remain high.

We shall continue to focus on the needs and wishes of our customers, the level of service we provide and the quality of our products. We take this opportunity to thank our customers for their confidence, for the close relationships we have formed with them, for the feedback they give us and for the fruitful cooperation.

We also extend our sincere gratitude to our shareholders: thanks to their faith in the company's strength and resilience, Bekaert can continue to grow and adapt to changing market conditions.

Last but not least, we thank our 18 500 employees who, working with our customers around the world, address major challenges. The community they form possesses a wealth of market knowledge, expertise, innovative strength and entrepreneurship, and there is growing cross-fertilization between the different worlds in which Bekaert operates. These assets will ensure continued success in our pursuit of Bekaert's sustainable profitable growth.

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Bert De Graeve
Chief Executive Officer



Baron Buysse
Chairman

Bekaert Group Executive

Bert De Graeve
Chief Executive Officer



Bruno Humblet
Group Executive Vice President



Dominique Neerinck
Group Executive Vice President



Marc Vandecasteele
Group Executive Vice President



Henri-Jean Velge
Group Executive Vice President



Strategy

In pursuit of its long-term strategic objective of sustainable profitable growth, Bekaert is aiming for worldwide market and technological leadership in selected applications of its two core competences: advanced metal transformation and advanced materials and coatings. The combination of these competences makes Bekaert unique.

To secure its future, a company needs both top-line and bottom-line growth to fund investment in forward-looking developments. Bekaert's rich history, built on a stable shareholding, is proof of the company's commitment to safeguarding its long-term future by creating sustainable relationships with its customers, partners, suppliers and employees, all over the world.

Market leadership enhances effectiveness

Recognizing that a company can only achieve sustainable growth if it occupies a leading position in the markets in which it operates, Bekaert strives constantly to consolidate and advance its global market leadership.

Bekaert's strategic objective of sustainable profitable growth drives its long-term plans for the development and expansion of its operations. The company strives for organic growth, through optimum customer focus, innovation, operational excellence, cost control and efficiency. Quality is paramount, not only in Bekaert's products and production processes, but also in its relationships with customers, partners and employees.

Bekaert also seeks growth through selected acquisitions, to gain faster access to new geographical markets, business areas, competences or technologies. In some markets, joint ventures serve as a springboard for growth, enabling Bekaert to join forces with successful partners and create a win-win situation which also benefits the customers.

For Bekaert, growth means more than just a stronger market position. Growth means being able to offer customers an increasingly broad and balanced product portfolio. Bekaert has the skills needed to continue innovating and – working with its customers – to develop new applications and grasp new market opportunities.

Technological leadership adds value

Customer-focused innovation, working closely with lead customers, is one of Bekaert's key strengths, which is why research and development are so important. At the main technology center in Belgium and at the local development centers, international teams of highly qualified scientists and engineers work to ensure that Bekaert's product mix is appropriately balanced at all times. The focus is increasingly on high-tech niche products, systems and solutions with high added value. In certain specific fields, they often collaborate with internationally renowned external research centers and universities, such as the Massachusetts Institute of Technology in Boston in the United States and Tsinghua University of Beijing in China.

The company has long experience with total quality management programs and works tirelessly to raise the quality of its products and services all over the world, while sparing no effort to maximize workplace safety and minimize the environmental impact of its activities.

The engineering department, which supplies machines and process equipment, also plays an important role in Bekaert's drive for technological leadership, striving constantly to give the company a competitive edge in markets around the world.

Utilizing its wealth of knowledge of markets, products and processes, Bekaert also aims to offer its customers products and services with a lower total cost of ownership, by improving the production process, extending the service life or devising a cheaper technological solution. Customers choose Bekaert for the real added value it provides.

Global presence, close at hand

Bekaert aims to have a presence wherever there is a market for its products. The company is now active in more than 120 countries worldwide, with an extensive sales network which is evolving constantly to suit the changing markets. Bekaert endeavors to locate its production plants where they can provide the most effective possible response to all its customers' needs.

In new and growing markets, mainly in Asia, Bekaert concentrates on building its production capacity in advanced wire products, including steel cord for tires and steel fibers for concrete reinforcement.

In Europe and North America, Bekaert is also working to achieve leadership in specific markets with products such as bookbinding wire, premix gas burners for condensing boilers and rotatable sputter targets used in applying coatings to glass.

As well as internationalizing production and sales, Bekaert also adopts a global approach in other areas, such as the purchasing of goods and services.

Bekaert's global presence means it can stay close to its customers and identify – and where possible anticipate – opportunities at an early stage.

Milestones of 2006

- January** In the United States, Bekaert acquires Delta Wire Corporation, a major supplier of bead wire for tire reinforcement to the North American market, at an enterprise value of € 8.3 million.
- February** Bekaert confirms its intention to strengthen its position in Russia and enters into exclusive talks with Uralkord, on possible cooperation. Uralkord manufactures steel cord products for tire reinforcement and supplies around a quarter of the Russian market.
- Bekaert announces plans to reorganize the production facility in Huddersfield (United Kingdom), which supplied mainly short-staple carding products for textile machines in growth markets, notably in Asia. Production was transferred to other carding-product facilities.
- April** Bekaert reaches agreement on the acquisition of Cold Drawn Products Limited for an enterprise value of € 17.4 million. Cold Drawn Products Limited, which has two production plants in the United Kingdom, is a major supplier of specialized profiled wires in Western Europe, mainly for offshore applications.
- May** Bekaert signs the contract for the acquisition of Aluheat B.V. for an enterprise value of € 4 million. Aluheat B.V., which is based near Venlo (Netherlands), specializes in advanced technologies for condensing boilers used in heating systems.
- Bekaert sells its interests in the handling joint ventures in Europe, which are no longer part of the company's core activities.
- Bert De Graeve, former Chief Financial and Administration Officer, succeeds Julien De Wilde as Bekaert's Chief Executive Officer.
- Bekaert is the first industrial company to become affiliated to the Holst Centre in Eindhoven (Netherlands), which develops technologies and technology platforms to help industry bring new products to market faster and more efficiently. The Holst Centre is a joint initiative by TNO (Netherlands) and IMEC (Belgium).

September

Bekaert acquires a minority 19.59% interest in Shougang Concord Century Holdings Ltd. This company, which is quoted on the Hong Kong Stock Exchange, numbers steel cord among its products. The subscription for 250 million newly issued shares represents an investment of € 16.5 million. The two parties define the framework for closer cooperation.

In China, Bekaert opens its new production plant in Shenyang (Liaoning province), taking the company's annual steel cord production capacity in that country to 200 000 tonnes.

October

Bruno Humblet joins Bekaert as Chief Financial Officer and is appointed member of the Bekaert Group Executive.

November

Bekaert decides to reposition its advanced materials and advanced coatings activities within the company, with a view to exploiting its technological leadership at a faster pace by focusing more closely on technology and innovation. Dominique Neerinck, Chief Technology Officer, is appointed to the Bekaert Group Executive.

In the United States, Bekaert announces the closure of the steel cord plant in Dyersburg (Tennessee) in response to the continuing decline in demand in North America.

In China, Bekaert officially opens its new production plant in Jiangyin (Jiangsu province), which is visited by financial analysts and fund managers.

Bekaert announces an investment of € 18 million in Zwevegem (Belgium). The company streamlines its fiber technology business and plans to further consolidate its worldwide market leadership by building additional production capacity.

December

Bekaert signs a declaration of intent to acquire Uralkord in Russia for an enterprise value of € 47 million.

To further optimize its debt structure, Bekaert cancels 557 000 shares which were repurchased under the authority vested in the General Meeting of Shareholders by the Board of Directors.