BEKAERT

better together

Annual report

2005

Table of contents

This annual report is bound with Bekaert's newest bookbinding wire. Specific technologies were brought together by staff from several departments in the development of this unique gold-colored wire.

BEKAERT

Bekaert in essence

Suspension springs absorb the bumps and give a more comfortable ride. Bekaert works closely with suspension spring manufacturers to develop springs with an extended service life.

Company profile

In selected applications of its two core competences – advanced metal transformation and advanced materials and coatings – Bekaert develops an array of high-tech products, systems and services for customers in various sectors.

While Bekaert markets virtually no end-user products, it keeps its finger on the pulse at all times, so that it can anticipate its customers' needs. In its quest to offer them ever greater added value, it is steadily moving up the value chain in a whole range of products.

Advanced wire products

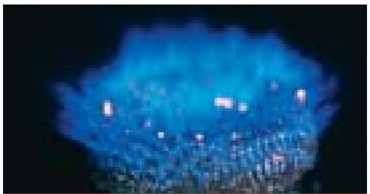
The advanced wire products range from wires for use in the manufacture of industrial springs and in the reinforcement of flexible pipes, through steel fibers for concrete reinforcement, profiled wires, textile machine wires, bookbinding wires and weaving wires, to champagne cork wires, silicon-sawing wire and various types of lacquered and coated wires.

High-tensile wires are woven into steel cord products like tire cord and bead wire, which are used in car and truck tires. Steel cord is also used as reinforcement in other polymer applications, such as high-pressure hoses, polyurethane drive belts and conveyor belts.

Advanced wire products:
€ 2 750 million combined sales (91%)
with 14 100 employees

Advanced materials

The advanced materials segment covers applications in fiber technologies, combustion technologies and composites.
In fiber technologies, Bekaert develops ultra-thin metal fibers, chiefly in stainless steel, for filter media, conductive plastics and textile applications.
In combustion technologies, Bekaert specializes in environment-friendly gas burners and combustion systems. In composites, Bekaert manufactures glass-fiber-reinforced membrane pressure vessels for desalination plants.



Advanced materials:
€ 141 million combined sales (5%)
with 890 employees

Advanced coatings

The advanced coatings segment comprises industrial coatings for various materials, applied by vacuum technologies or thermal spraying. Bekaert also supplies special equipment for the glass industry for applying coatings to large areas of flat glass. In specialized films, Bekaert concentrates on window films which keep out the heat of the sun. These films are used both in vehicles and in residential, office and government buildings etc.

Advanced coatings:
€ 133 million combined sales (4%)
with 730 employees

better together

Bekaert believes that *better together* is the key to success.

Bekaert is active worldwide in selected applications of its two core competences: advanced metal transformation and advanced materials and coatings. The combination of these competences makes Bekaert unique.

The power of combination is also reflected in the way Bekaert works.

The 17 000 employees around the world work together as one company, serving customers in over 120 countries. Their combined efforts enable the company to offer a wide array of high-tech products, systems and services, designed to give customers an edge in their markets. Together they create added value. They build win-win relationships, based on equal partnerships, in an atmosphere of mutual trust and respect.

In pursuit of its goal of sustainable profitable growth, Bekaert aims for market leadership and technological leadership and strives to be world number one or two.

Bekaert in 2005

Combined sales: € 3,1 billion
Consolidated sales: € 1,9 billion
Operating result: € 136 million
Consolidated net result: € 190 million
Employees: 17 000

euronext® Brussels: BEKB
www.bekaert.com

Geographical presence

Bekaert aims to have a presence in all major markets. In 2005, it strengthened its position in Central Europe, Latin America and Asia and took action in Western Europe and North America to bring its production capacity into line with market demand and enhance its position.

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

It is here – in close collaboration with local customers – that new products and services originate, before they are disseminated to other markets or deployed in other types of application.

The production plants are distributed geographically so that Bekaert can respond swiftly to customer demand. The plants are tailored to their markets' specific requirements, but the same high quality standards apply globally.

With its long international history, doing business on a global scale has become second nature to Bekaert. Over the years, Bekaert has developed the skills needed 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.


Europe:
€ 1 018 million combined sales
(33%) with 6 934 employees
33%
Asia:
€ 298 million combined sales
(10%) with 2 684 employees
10%
Rest of the world:
€ 54 million combined sales
(2%) with 95 employees
2%

Milestones of 2005

January Bekaert and Gilde sign an agreement for the sale of Bekaert Fencing NV, the European fencing division, at an enterprise value of € 281.5 million. The division is sold because its future is best safeguarded by its complete demerger from Bekaert, because fencing activities in Europe no longer fit with Bekaert's global strategy and because it requires a different approach to markets and customers in Europe from that adopted for Bekaert's other businesses.

April In line with the investment program approved by the Board of Directors in 2004, Bekaert systematically extends its capacity in China and opens its third steel cord plant in Weihai (Shandong province).

May Bekaert makes an offer for Carclo plc's ECC card clothing division. Agreement is reached in early June: Bekaert acquires ECC, a major international player in the production and marketing of card clothing (used in the construction of textile machinery), for € 13 million.

June Bekaert acquires Southwest Screens & Filters SA, a leading player in industrial process filters based on metal fibers, for an enterprise value of € 6 million.

August Euronext announces that it is refining the selection criteria for the BEL20 index: Bekaert's inclusion in the index for the foreseeable future is confirmed.

September Bekaert is obliged to bring its production capacity into line with the market conditions. In consequence, most of the production of fine galvanized wire is relocated from Zwevegem (Belgium) to Slovakia, two low-carbon wire production lines in Hemiksem (Belgium) will be closed and the plant at Lanklaar (Belgium) will concentrate on a selection of high-quality steel cord products.

November Bekaert opens a new plant for advanced materials and coatings in Suzhou (China), in which it is investing € 20 million.

In record time, the Belgo Bekaert Arames joint venture in Bahia (Brazil) sets up a new plant for industrial wire products, destined mainly for the automotive industry.

Bekaert purchases, for € 13.5 million, Shell's 25% stake in the Bekaert Combustion Technology NV joint venture, which specializes in the development of environment-friendly burners based on Bekaert metal fibers.

Bekaert announces plans to increase its production capacity for advanced wire products in China again, by at least 50%.

December Bekaert announces the phased shutdown of the advanced wire products plant in Muskegon (Michigan, USA). Part of the production is relocated to other plants.

Moravia Steel's Trinecke Zelezarny plant in the Czech Republic is awarded the Bekaert quality prize for the wire rod supplier making the most progress in raising its quality performance in the past year.

The Board of Directors announces its intention to propose to the General Meeting of Shareholders that Bert De Graeve, Chief Financial and Administration Officer, succeed Julien De Wilde, whose mandate as Chief Executive Officer will expire on 10 May 2006.

Board of Directors


Bernard van de Walle de Ghelcke


Baudouin Velge


Julien De Wilde
Chief Executive Officer

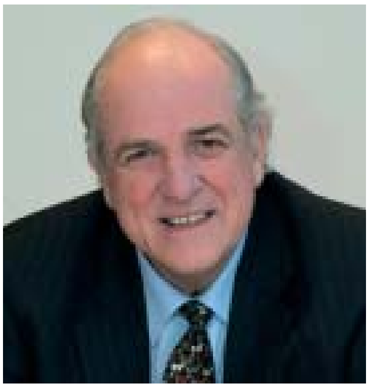

Maxime Jadot


Hubert Jacobs van Merlen


Baron Georges Jacobs CBE


Sir Anthony Galsworthy


Baron Buysse CBE, CMG
Chairman


Gary J. Allen CBE


Pol Bamelis


Baron Leon Bekaert


François de Visscher


Count Charles de Liedekerke


Roger Dalle

Message from the Chairman and the Chief Executive Officer

Baron Buysse CBE, CMG
Chairman

Julien De Wilde
Chief Executive Officer

Dear reader,

2005 was another excellent year for Bekaert. This is reflected in the figures with sales growth of 10%. Bekaert posted a consolidated operating result (EBIT) of € 136 million, representing an EBIT margin on sales of 7.1%. The consolidated net result amounted to € 190 million.

Although growth in the global economy overall was slightly lower than in 2004, Bekaert was able to advance its position around the world.

In Asia – and particularly in China – Bekaert focused on broadening the basis of its activities. In Latin America, we were able to sustain the momentum built up over the previous year, which attests to the strength of the partnerships. In Western Europe and North America, we took action to increase our effectiveness further, while in Central Europe we extended our production platform to meet the growing competition and reinforce our position in this growth market.

Our share price reflected the company's performance, rising to € 78.95 on 30 December 2005, its highest level since 7 March 1996.

In August, Euronext announced that it was refining the selection criteria for the BEL20 index. It was confirmed that the Bekaert share would continue to be included in this important index.

In the light of the company's strong performance in 2005 and its confidence in the future, the Board of Directors will propose that the General Meeting of Shareholders approve the distribution of a gross dividend of € 3.00 per share. This gross dividend is composed of a basic amount of € 2.00 (an increase by 6.7% from last year's basic amount) and an exceptional payment of € 1.00 on account of the gain on the sale of Bekaert Fencing NV.

In December 2005, the Board of Directors resolved to propose to the General Meeting of Shareholders that Bert De Graeve, Chief Financial and Administration Officer, succeed Julien De Wilde, whose mandate as Chief Executive Officer will expire on 10 May 2006. The Board of Directors wishes him every success in his new post.

Bekaert has always played a pioneering role in corporate governance, an issue to which we again gave due attention in 2005. The Board of Directors approved the Bekaert Corporate Governance Charter.

2005 was Bekaert's 125th anniversary year. The one feature which has remained remarkably constant during its history has been continuous change. In recent years, the pace of change has accelerated and is having an effect at more and more levels. Our global objective is to satisfy ever more effectively the diverse needs of our customers, by providing specific solutions, unique technology, consistent quality, efficient delivery and fair pricing.

In response to developments in the market, Bekaert aims to offer its customers added value in an appropriate form. Bekaert's distinctive features are its customer and market focus and its technological leadership.

Because our European fencing division no longer fitted with our corporate strategy, we sold Bekaert Fencing NV at the beginning of the year, thereby realizing a gain of € 54 million. The business was transferred smoothly and efficiently.

Much of the growth which Bekaert achieved last year – mainly in Latin American and Asia – was organic, but we also made a number of carefully chosen acquisitions, thereby advancing our position in various niche markets. With the acquisition of ECC Card Clothing, for example, we took a significant step forward in growing our operations in the textile sector. Similarly, the acquisition of the activities of Conflandey Inc. in the United States strengthened our position on North American wire markets. We also consolidated our position in fiber technologies with the acquisition of Southwest Screens & Filters SA, which has production plants in Belgium and Indonesia. Lastly, having purchased the remaining shares in Bekaert Combustion Technology NV, we can raise the pace of growth in this activity platform and respond effectively to the increasingly rigorous environmental legislation in Europe and the United States.

In 2005, Bekaert's corporate identity was given expression in a future-oriented brand image. The Bekaert logo now includes the baseline *better together*. As well as highlighting our increasingly customer-focused business culture, this baseline also conveys our progress towards more open communication, better cooperation between our staff, wider share ownership and even greater concern for corporate governance.

In the area of innovation, putting the *better together* philosophy into practice has yielded benefits for Bekaert for many years. It underpins both the synergy between Bekaert's two core competences – advanced metal transformation and advanced materials and coatings – and the increasing cooperation between the business segments and the research and development, engineering and business development departments. It also underpins Bekaert's policy of open innovation, under which we form partnerships around the world with internationally renowned universities and organizations promoting cooperation in clearly defined areas of research.

Joining forces in this way enables Bekaert to innovate more quickly, more intensively and with greater market focus. Thanks to this internal and external joining of forces, Bekaert was again able to introduce a variety of innovative products in 2005.

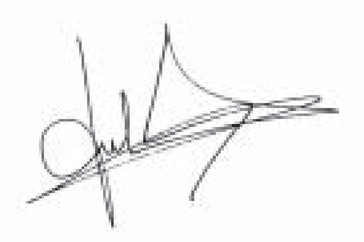
To ensure an optimum response both to our customers' needs and to significant market trends, Bekaert is continuously expanding its geographical presence and in consequence has a powerful international mix of disciplines in-house. It combines solid professionalism and extensive commercial and operational expertise. The corporate culture is a culture based on hard work. A fresh wind is blowing from the new production plants and new markets. Bekaert welcomes young talent for its readiness to grasp new opportunities as they arise. We can thank our sustained growth in 2005 to the dynamism of these many disciplines and to the commitment, wide-ranging competences and enthusiasm of all our people around the world.

Our task in the future will be to promote cross-fertilization between these disciplines. Sharing knowledge – across activities and continents – is a constant challenge for every single Bekaert employee. Openness and willingness to work together and learn from one another are key elements in our business culture. Our goal is to satisfy and anticipate our customers' needs even more effectively than we do at present. It is thanks to our customers and their confidence and openness that Bekaert has been able over the past 125 years to grow into the company it is today. We sincerely thank our customers for the confidence they have placed in us, for the good relationships we have been privileged to build with them, for their constructive criticism of our work and for the cooperation which has grown out of it.

Bekaert will continue to strive for sustainable profitable growth in 2006. We shall vigorously pursue our program in Asia – we are planning to increase our capacity in China by at least 50% – and are considering opportunities in Russia and India. Our goal is to consolidate and even advance our positions around the world.

How far we succeed in achieving that goal will depend crucially on our flexibility and our willingness to adapt to each new situation as it arises. One thing is certain: the next 125 years will also bring many changes.

We thank our shareholders for their confidence in our company's strength and resilience, which has enabled Bekaert to grow and change. Last but not least, we thank the thousands of employees, who together constitute Bekaert, for the professionalism and enthusiasm they have brought to serving our customers and thus helping to build the company's future.



Julien De Wilde
Chief Executive Officerr

Baron Buysse
Chairman

"The only profit center is the customer. If there's no order, there's no customer and until the customer has paid his bill, there are only costs."
Peter Drucker, management guru

Bekaert Group Executive

Julien De Wilde
Chief Executive Officer

Bert De Graeve
Group Executive Vice President

Georges Brys
Group Executive Vice President

Henri-Jean Velge
Group Executive Vice President

Marc Vandecasteele
Group Executive Vice President

Strategy

In pursuit of its long-term strategic goal 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.

Market leader

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

Bekaert aims to be world number one or two and has already achieved this position with many of its products, which together account for over half of sales.

The goal is continuing, sustainable growth, through which the company intends to pursue the global development of its operations. It seeks to strengthen its position with selected acquisitions which give faster access to new geographical markets, areas of activity, competences or technologies. Joint ventures are also seen as a useful route to growth as they enable the company to combine its strengths with those of selected partners.

Technological leader

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

Bekaert works closely with its customers, tailoring products or processes to their future needs.

For that reason, Bekaert gives very high priority to research and development (R&D). Our growing international team at the technology center in Belgium develops high-tech products with the aim of offering more added value to the customer.

With its technological leadership and wealth of expertise in terms of customer sectors, markets, products and processes, Bekaert aims to offer products and services with clear added value which help customers reduce their total cost of ownership.

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

Global presence

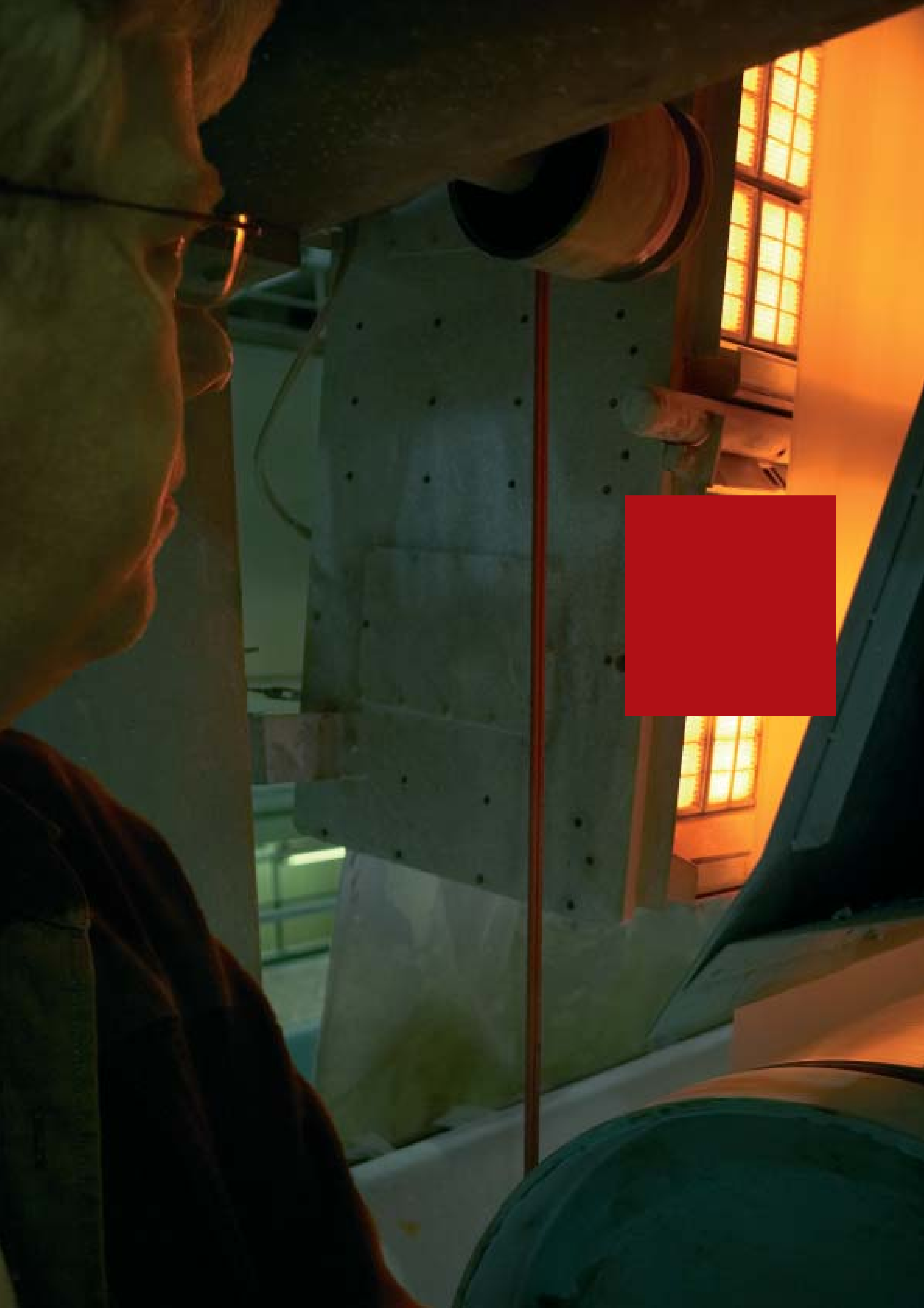
Bekaert endeavors to locate its production plants where they can provide the most effective possible response to all its customers' needs.

In new and growing markets such as Asia, Bekaert concentrates on building its position in the wire products it is universally famous for, including steel cord for tire reinforcement and steel fibers for concrete reinforcement. In Western Europe and North America, Bekaert is working to achieve leadership in more niche markets, such as champagne cork wire, bookbinding wire, rotating sputter targets (used in applying coatings to glass) and diamond-like coatings (for example on engine components of Formula One and NASCAR cars).

In pursuit of its goals of operational excellence and quality, Bekaert gave fresh impetus to its Total Quality Management program in 2005 by initiating new projects designed to increase customer focus, retain motivated and competent staff, minimize waste and expense and foster internal cooperation.

As well as internationalizing production and sales, Bekaert also adopts a global approach in other areas, such as purchasing. This enables the company to grasp opportunities which arise anywhere in the world and guarantee uniform quality everywhere, because the end-products are subject to the same quality standards worldwide. The focus on safety and prevention of accidents at work was also intensified around the world.

Bekaert has continued to evolve as a global player in every respect.



Bekaert in 2005

Large infrared heaters are used to dry coatings on high-quality paper. International Bekaert teams develop solutions tailored individually to each project which combine maximum performance and minimum operating cost for the customer.

Putting the customer first

Bekaert's focus in 2005 was again on the customer. The evolution of Bekaert's corporate culture – from production-driven to customer-driven – over the past few years is encapsulated in its new baseline: *better together*. Bekaert aims to work with its customers, all around the world and in all its activities, to create win-win situations.

better together

better together sums up what Bekaert stands for. It is an article of faith for all Bekaert staff, whatever their function and wherever in the world they are working.

better refers to the constant striving for excellence which informs all of Bekaert's activities.

together refers to Bekaert's presence, both international and local, because proximity to its customers means that relationships with them are built on trust. Bekaert's goal is to respond even faster and even more effectively to specific local conditions.

better together results in win-win situations which benefit both customers and Bekaert. That translates into satisfied customers and sustainable profitable growth, which in turn means satisfied employees and satisfied shareholders.

Coping with the after-shocks

The exceptional circumstances of 2004 affected 2005 as well. There was a dramatic increase in demand for steel, fueled by the economic growth in several regions, most notably China. The result was extreme price volatility, with prices rising to record levels. Despite these difficult market conditions, however, Bekaert still managed to satisfy its customers' requirements.

The steel industry made substantial investments in China, Brazil, Russia and India in 2005, but rising demand kept pace with the growth in production capacity and the hoped-for fall in raw material prices failed to materialize. Wire rod prices remained high, with no easing of coke, scrap and iron ore prices. Energy prices also stayed high in 2005, which fed through into production costs.

Accolade for Central-European supplier

The 2005 Bekaert Quality Prize for the supplier making the most progress in the past year in raising the quality of the supply of its wire rod, Bekaert's most important raw material, was awarded to Moravia Steel's Trinecke Zelezarny plant in the Czech Republic.

Moravia Steel produces over two million tons of liquid steel a year, which is used to manufacture long products such as wire rod, rails, engineering bars and seamless tubes.

Wire rod prices are expected to remain high in 2006. The impact of rising energy prices on economic growth will also be felt in Bekaert's operations.

Focused on the customers' needs

Bekaert continued in 2005 to respond to the geographical shift in its markets which started several years ago, as automobile makers and tire manufacturers – both high-volume users of advanced wire products – move to regions which have important growth potential, such as Central Europe, Latin America and Asia.

Bekaert is following its customers into these markets and has strengthened its position in the past year by substantially expanding its production capacity in Central Europe and Asia.

Production capacity in North America and Western Europe was optimized, enabling the plants to focus on products with higher added value.

Bekaert now has a global production platform which is fully equipped to meet customer demand for service, logistics and quality around the world.

To further optimize its services to customers, Bekaert launched a series of projects under its Total Quality Management program last year. The same parameters apply to these projects worldwide, to provide a basis of comparison between plants and allow them to share the learning experience.

Innovation, inventory reduction and delivery-time reduction projects have been undertaken in conjunction with certain customers. Visible progress was achieved by the North-American plants in three areas: delivery times, service level and number of complaints. The number of customer visits has been increased on a structural basis and procedures have been introduced to allow the voice of the customer to carry increasing weight within the organization.

Chile: customer focus brings an extra bonus

The shift from a production-driven to a customer-driven culture has achieved remarkable results at the Inchalam plant in Chile. Delivery times are shorter and punctuality is better, with the plant delivering on time to 98% of its customers. Flexibility has also improved, translating into greater customer satisfaction. Shorter delivery times, combined with lower inventory levels, mean lower costs and hence higher profits.

Bekaert plants around the world are adopting this best practice in their production processes. Every change they make is assessed in the light of two criteria: throughput time and on-time delivery.

"better together *marks a significant shift in our corporate mindset. For 125 years, our decisions have been guided by the question: Is this the way to maximum productivity? But* better together *means we all have to ask ourselves every day: Am I creating the most value for the customer?, because we're creating value for Bekaert at the same time."* Henri-Jean Velge, Group Executive Vice President.

Higher priority for customer-driven innovation

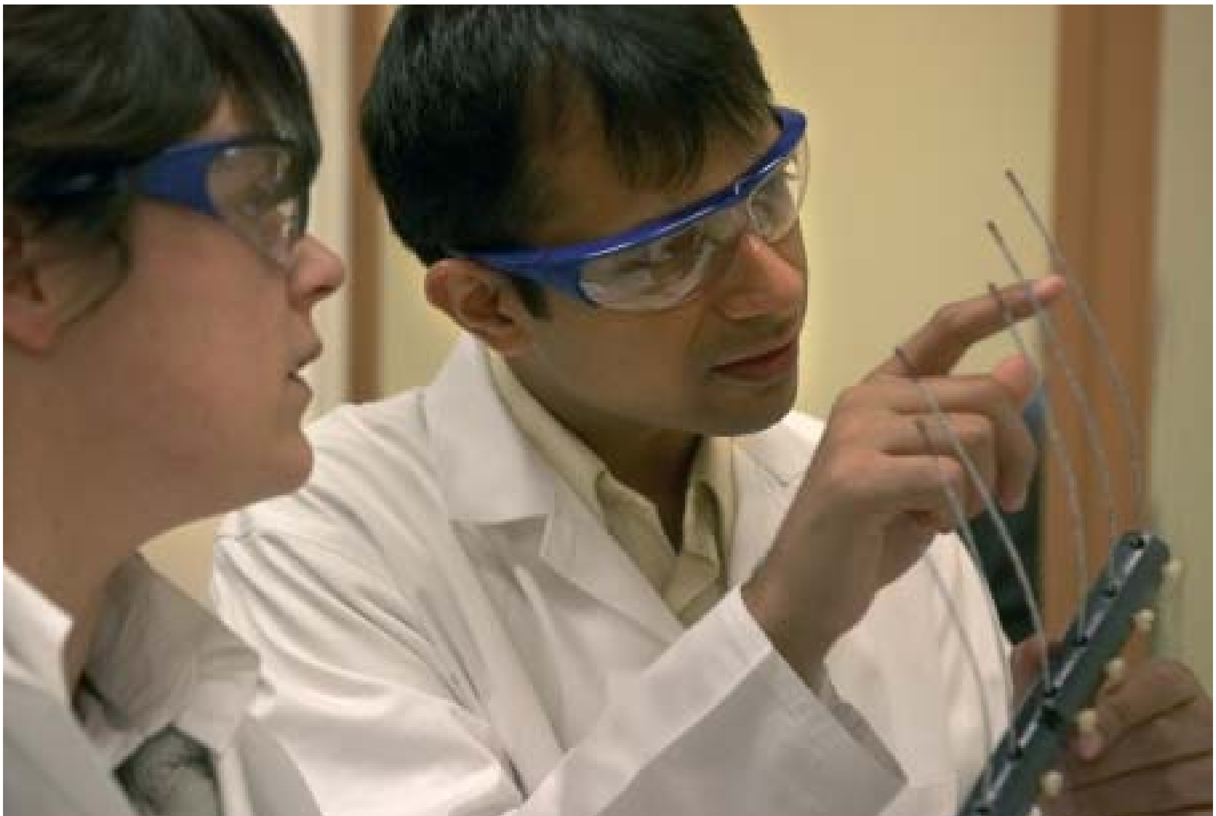
To further reinforce its market and technological leadership and expand into niche markets where it can offer high added value, Bekaert intensified its efforts in the area of innovation last year. A growing international team is working on high-tech product development at the technology center in Belgium.

Bekaert seeks to extract maximum advantage from the synergy between its two core competences. Innovative coatings, for example, can be used to impart specific properties to advanced wire products, to improve their corrosion and/or abrasion resistance or extend their service life. This strategy enables Bekaert to offer its customers unique advantages.

The emphasis was on ten key projects, all designed in response to customer needs, from which Bekaert is already reaping the rewards in a number of areas.

For example, Bekaert launched a new type of window film, the patented Panorama® Hilite® Mega Performance Window Film, which keeps out the sun's heat and ultraviolet radiation, but lets light through.

Bekaert also works with customers on developing lighter vehicle tires, which have significant environmental benefits. The development of Mega Tensile, a steel cord which achieves an extremely high tensile



Improving the corrosion resistance of wire products is the subject of continuous research at Bekaert.

"In this rapidly changing world, better together is the only way to create, with our committed and talented staff, value for our customers, our employees and our shareholders." Bert De Graeve, Group Executive Vice President

strength, has been a breakthrough. Bekaert leads the field in the development of high-performance products of this kind.

A number of new wire products were also successfully launched, including a special spring wire for clutch systems in trucks fitted with diesel engines.

The Bekaert sawing wire activity has attained cruising speed. This high-tech wire is used in the electronics industry for slicing silicon ingots into wafers, a growing market in which Bekaert is striving for global leadership.
With the homologation of a new steel cord product with special coatings for use in elevators, Bekaert has broadened its portfolio by entering into partnerships with several major elevator manufacturers.

In North America, Bekaert successfully launched a black fencing product for horse farms on which the horses cannot injure themselves.

Bitufor® was chosen by the Ministry of Public Works in Chile as the most innovative road repair product. Incorporating structural reinforcement with an asphalt topping, Bitufor® provides a fast and efficient method of renovating existing roads.

Open innovation

Bekaert used to be rather inward-looking when it came to innovation, but that has changed in recent years. Its research and development function bears witness to this evolution. To step up the pace of innovation, Bekaert has identified eight strategic R&D partners around the world, including the Massachusetts Institute of Technology in the United States, the universities of Leuven and Gent in Belgium and the Fraunhofer Institute in Germany. It has also signed contracts with around 40 high-tech companies internationally, with the aim of developing technological intelligence to give it a competitive edge.

To support the growing effort devoted to innovation, research and development at Bekaert is increasingly having recourse to external funding. The Institute for the Promotion of Innovation by Science and Technology in Flanders (IWT) is an especially important partner for Bekaert in that regard.

Exploration through corporate venturing

Bekaert is keen to continue investing in businesses operating in markets which tie in with its core competences. Bekaert is seeking to strengthen its position in attractive related markets such as clean energy, water purification, health care and mobility, as well as its traditional activities.

To that end, Bekaert manages a portfolio of investments in venture capital funds. In 2005, it also took direct minority holdings in three start-ups with high potential. Going beyond just taking a seat on the boards of directors, Bekaert has entered into technological cooperation agreements with these young enterprises, under which it provides engineering and production support for their managements in order to maximize their chances of success.

Serving customers around the world

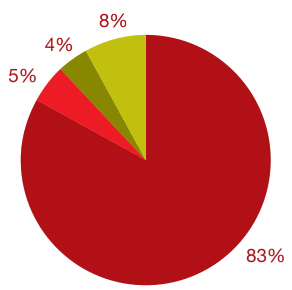
Bekaert's 17 000 personnel around the world offer customers a wide range of high-tech products, systems and services.

Bekaert can thank its employees for its position as market leader and the technological leadership it has achieved in many sectors and with many products. Thousands of expert and dedicated people, all over the world, are contributing to Bekaert's success.

They work with customers, on the basis of mutual respect and trust, to devise specific solutions and build win-win relationships. Focusing on their customers' needs helps them to broaden their expertise and technological know-how.

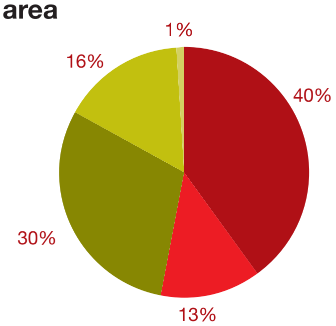
At the end of 2005, Bekaert employed 17 000 people worldwide, of which 11 000 in the consolidated companies. After the decrease associated with the sale of the European fencing division in early 2005, the number of employees followed a rising trend – above all in consequence of the expansion of activities in Asia and the recent acquisitions.

Personnel by segment



- Advanced wire products: 83%
- Advanced materials: 5%
- Advanced coatings: 4%
- Other: 8%

Personnel by geographical area



- Europe: 40%
- North-America: 13%
- Latin-America: 30%
- Asia: 16%
- Rest of the world: 1%

BEKAERT

From local to global

Bekaert's approach – building a competent local management team and a strong local workforce at each site – testifies to the company's respect for and faith in the capabilities of its employees worldwide. It is an approach which is greatly appreciated by the company's partners, its customers and the public authorities and eases Bekaert's integration into the local economy. Bekaert accordingly invests heavily in local recruitment in all regions and seeks to profile itself as an attractive employer in those markets.

In 2005, Bekaert also reviewed and extended its international mobility policy, which facilitates the dozens of international transfers that take place each year. A global policy on performance-related pay was developed, based on individual and team results in terms of certain defined critical competences: customer focus, self-management, innovation, result orientation to succeed and talent focus.

High priority was also given last year to motivating the staff in a time of change in the mature markets and maintaining good industrial relations.

Engineering, the company's internal machinery and process equipment supplier, seeks to gain a competitive advantage for Bekaert worldwide. With its global network of contacts, Engineering plays a key role in the major investment programs which are currently in progress. Engineering also designs advanced production lines which lower the total cost of ownership.

The human-resources policy is built on five pillars: international diversity; fair, performance-related remuneration systems; professional teamwork in the service of the customer; personal willingness to learn; leadership and concern for the individual employee. These values are reinforced by focused recruitment and effective training and retraining programs.

The full curriculum of training courses and personal development support was reviewed in 2005 and brought into line with the needs of the markets around the world in which Bekaert is active. The object is to ensure that Bekaert is able to acquire and exchange knowledge faster in the future.

Bekaert conducted trials with the central management of spares inventories and equipment maintenance at several plants in Central Europe and China last year. The project was a success and the system will be extended in 2006 to a number of plants in North and Latin America.

"better together *is about creating value by working continuously with customers, partners, suppliers, shareholders and – last but not least – other Bekaert people around the world."* Mark Goyens, Chief HR Officer.

A contract was signed in January 2005 for the sale of Fencing Systems Europe to investment company Gilde NV. The conditions were ideal for the demerger of this entity. In 2004, Bekaert had embarked upon a comprehensive review of its European fencing division, as part of its continuous assessment of its operations in the light of constantly changing market conditions. This review had indicated that the division's future would be best safeguarded as a fully independent entity.

Advanced wire products

All in all, 2005 was a good year for advanced wire products.

Despite the unstable raw material prices, demand for most advanced wire products remained high in the first half of the year. Several wire rod manufacturers invested in extra capacity, which increased supply.

Bekaert noted a slackening of demand on some markets in the second half of the year. Faced with falling orders, customers in the automotive sector in particular – including several tire manufacturers and car producers – decided to structurally reduce their inventory levels, which adversely affected demand for most advanced wire products on the mature markets of Western Europe and North America. In response to a number of structural market trends, Bekaert had to make certain changes to its production facilities.

In growth markets, Bekaert not only followed its customers, but also anticipated their future moves. Bekaert's growth in Turkey, Indonesia, India and China was in line with market demand. As well as expanding its production capacity, Bekaert also extended its range of services in various regions.

To further improve its competitive position, Bekaert is constantly looking for opportunities to expand its activities in advanced wire products in promising markets, either alone or with local partners.

Bekaert Murfor® masonry reinforcement makes for stronger buildings.

Bekaert recorded strong growth in the construction sector in 2005, thanks not only to the quality of its products, but also to the unique global sales structure it has developed. Engineers and technology managers work closely with customers on solutions which meet the specific needs of the local markets.

Bekaert also benefited last year from the efforts it has made in recent years to position its products for the construction sector more distinctly as top-quality products. This helped Bekaert to strengthen its position in the steel fiber market, where the enhanced structural performance of its Dramix® product and the greater ease of use on site, combined with the higher level of service, deliver significant added value in certain markets and applications.

Demand is also growing for Bekaert Murfor®, the masonry reinforcement solution, which increases the earthquake-resistance of buildings in zones of high seismic activity.

The international spread of its customer base and the wide variety of its products for diverse market segments enable Bekaert to absorb economic fluctuations to which the construction sector is subject.

Bekaert expands its carding activities worldwide

Bekaert entered the carding market years ago, when it started producing carding wire. Carding, a process which involves separating, cleaning, combing and recombining the fibers, is a preparatory step in textile manufacture. The cylinders of the carding machines are covered with card clothing, a consumable which incorporates carding wire.

At the end of 2002, in order to extend its activities in this market, Bekaert acquired Sobelcard in Zwevegem (Belgium), whose products consist mainly of semi-manufactures for card clothing producers.

In China, the largest and fastest-growing market in the world for short-staple products such as cotton, Bekaert entered into a joint venture (75%-25%) with Wuxi Owl Textile Accessories Co. Ltd., a leading card clothing producer, in early 2005 and started setting up a production plant in Wuxi (Jiangsu province).

In June 2005, Bekaert acquired Carclo plc's ECC Card Clothing division, a major producer and distributor of card clothing with branches in the United Kingdom, France, Turkey, the United States, Canada, China and India. The company generates annual sales of € 24 million.

The textile machinery manufacturing industry worldwide is undergoing a wave of consolidation, leading to profound changes and challenging market conditions. Bekaert is determined to secure a substantial position in this market, in both carding products for non-woven applications, which are used predominantly in Europe and North America, and card clothing for spinning mills, for which Asia is an important growth market.

The focused expansion of Bekaert's global card clothing business is consistent with its strategy of sustainable profitable growth because Bekaert aims to be a leading supplier to textile machinery manufacturers and is moving to a higher level in the value chain. Bekaert's objective is to offer its customers unique carding solutions based on well-judged combinations of advanced wire products and advanced coatings.

Europe and North America

The slowing of demand in Western Europe and North America was above all a feature of the second half of the year.

Industrial demand in the United States slowed towards the end of the year. The automotive sector is going through hard times and its inventory levels have been structurally reduced. The tire market contracted and competition from cheap imports increased. In the fencing products market, the traditional seasonal peak failed to materialize and there was a marked fall in demand.

Demand for some wire products also declined, causing problems for a number of local competitors, but Bekaert's market share held firm.

Rita and Katrina, the two hurricanes which struck late in the year, temporarily depressed demand for steel cord products in the affected regions. Unable to obtain sufficient raw materials, the tire manufacturers were unable to maintain their production schedules. At the same time, there was a sharp rise in demand for specific wire products needed in the reconstruction programs, for power transmission and telecommunications as well as for infrastructure tasks. Bekaert was able to meet customers' urgent orders at extremely short notice.

In Europe, low-carbon wire product prices were under pressure, with growing competition in the bookbinding wire and thin annealed tie wire segments, for example. Imports from low-pay countries accounted for a growing proportion of sales of finished products based on low-carbon wire. This effect was exacerbated by the strong euro, which severely hampered exports of certain products to regions outside the eurozone.

With the Hemiksem plant in Belgium losing competitiveness, Bekaert decided to close two of the plant's low-carbon wire production lines, affecting 85 jobs.

Some of the activities of the wire plant in Zwevegem (Belgium), which was also finding it difficult to compete, were transferred to Slovakia. The 37 employees affected were offered new positions within Bekaert.

Thanks to the quality of its products and the considerable added value it offers the customer, Bekaert was able to maintain its position in other wire products.

Bekaert succeeded in advancing its position in high-carbon wire products in Europe, where demand for these high-added-value items is relatively stable.

Bekaert was the customer's supplier of choice for a number of interesting projects. One of these was the Falcon project, for which Bekaert supplied a large proportion of the armoring wire for the 10 000 km data communication cable laid from Egypt to Asia. Another was the Alvheim project, involving the mooring of oil platforms using a single heavy cable woven from a new generation of high-tensile wires.

In December, Bekaert decided to embark on the phased closure in the United States of the wire plant in Muskegon (Michigan), where a workforce of 65 produce specialized high-carbon wires, used mainly in the automotive industry. The performance of the plant had been falling short of expectations for some time, partly due to intense competition from imports. Consistent with Bekaert's strategy of focusing primarily on products with higher added value, some of the Muskegon plant's activities will be closed down and some will be transferred to other sites.

To advance the position of the wire activities in North America, Bekaert purchased several machines and other equipment from Conflandey Inc. early in 2006. Conflandey Inc. is the largest supplier of stitching wire to most of the printers and bookbinders in North America. Bekaert plans to move the machinery and equipment to its plant in Shelbyville (Kentucky, United States), which produces preformed staple wire and fine speciality wires for all kinds of applications. Bekaert strives for maximum efficiency in both inventory manage-

Each truck tire contains over 10 kg of ultrahigh-tensile steel cord. As well supporting the weight of the vehicle, steel cord reinforcement also helps to transmit steering, driving and braking forces to the road.

"better together *isn't just about putting yourself in the customer's place. It's about thinking in terms of the customer's operations. I'm in no doubt that both the customer and Bekaert will benefit."*
Marc Vandecasteele, Group Executive Vice President.

ment and services, two of the keys to successful servicing of existing and new customers.

The trend on the tire market in Western Europe contrasted sharply with the market in Central Europe. The latter region has enjoyed rapid economic growth in recent years, which is expected to continue for the foreseeable future. Tire production is expanding dramatically and all the major tire producers are increasing their capacity in the region. The pace of radialization, the increase in the proportion of vehicles running on radial tires, which are reinforced with steel cord, is rising steadily.

Bekaert has occupied a strong position in the region for several years, with its two steel cord plants in Slovakia providing a high-capacity production platform in close proximity to its customers.

Bekaert realigned its production capacity in anticipation of the move by the automobile makers and tire manufacturers into the growth markets. Capacity was increased in Central Europe, but it was decided to reorganize the production facilities in Belgium and the United States. With the Lanklaar plant in Belgium becoming steadily less profitable, Bekaert decided to commit the facility to the manufacture of a limited range of high-quality steel cord products. The reorganization and changes to working procedures at Lanklaar affected 125 jobs.

Production capacity was also reduced at the Dyersburg (Tennessee, United States) plant in response to structural changes in the market. The workforce was slightly reduced, through non-renewal of temporary contracts and voluntary redundancies.

China: a world apart

In late 2005 Bekaert organized the *Bekaert 2005 China Tire Enterprises CEO Forum* in Shanghai. It was attended by the CEO's of major Chinese tire manufacturers and several guest speakers.

Bekaert built its first steel cord plant in China in the early 90s. In May 2003, Bekaert decided to increase its annual output of steel cord products for tire reinforcement to 120 000 tons, taking Bekaert's total consolidated capital expenditures to around € 160 million a year. Bekaert currently has advanced wire products plants in the provinces of Jiangsu, Liaoning and Shandong.

The Chinese economy has experienced massive growth in recent years, and it has become apparent in the past three years that China is well on the way to becoming the largest steel cord market in the world within the foreseeable future. The tire market grew significantly in 2005, accompanied by commensurate growth in demand for steel cord products.

These growth figures reflect, on the one hand, the evolving local market, with rising consumer demand for cars. On the other, they are indicative of the increasing need for efficient transport, as evidenced by the growing number of trucks on the roads and the ongoing investment in freeways. The proportion of trucks running on radial tires is also rising: around 60% of truck tires are now reinforced with steel cord, and this percentage is expected to rise significantly in the next few years. China is also a growing exporter of tires to the rest of the world.

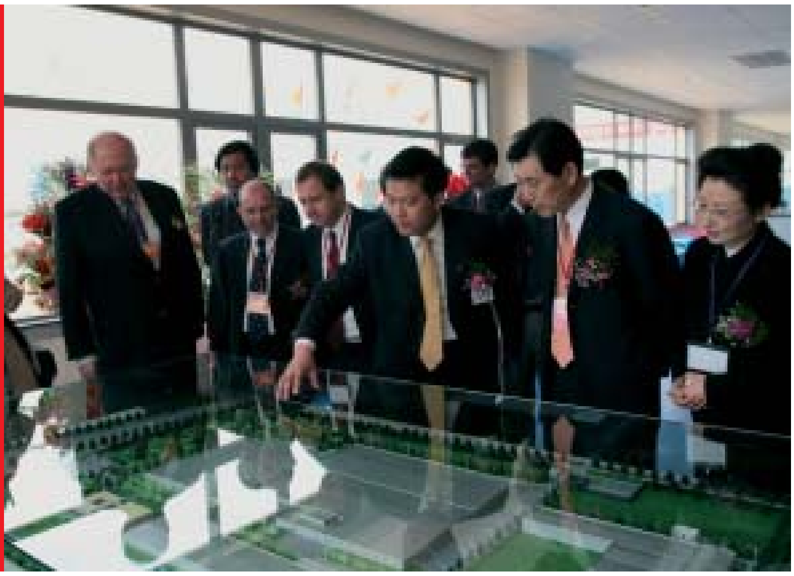
In China, too, Bekaert's strategy is to form partnerships with its many customers, deploying its highly trained representatives to provide them with personal guidance on technical issues.

At the same time, Bekaert works closely with customers on product development through its technology center in Jiangyin (Jiangsu province), where a substantial portfolio of steel cord products has been developed in recent years. Bekaert is planning to expand the capabilities of the technology center still further, so that it can provide the best possible support for its customers. To strengthen the links with customers and suppliers, Bekaert opened a new training and conference center adjacent to the technology center in Jiangyin. Bekaert also donated advanced laboratory equipment to the Chinese rubber industry association's Materials Research and Testing Center in Beijing, which plays an important role in the standardization of testing and comparison of materials used for rubber reinforcement.

To meet the rapidly rising demand for steel cord and to support its sustained drive for market leadership, Bekaert decided in 2005 to increase its production capacity again by at least a further 50%. This new investment program will also mean more work for the engineering department in Jiangyin, which will supply machinery. The total capital cost will be comparable to that of previous investment programs in China.

Bekaert is also active in other advanced wire products in China, where sales of these products are growing vigorously.

Bekaert also increased its advanced wire products capacity in China in 2005. A third steel cord plant was officially opened in Weihai (Shandong province) and production of steel cord reinforcement for *off-road* tires started in Shenyang (Liaoning province).



"better together means that we all must excell in real active listening and in a speedy response to the specific needs and expectations of each individual external and internal customer. This will lead to a more satisfied customer and to sustained leadership for Bekaert." Herman Vandaele, President Bekaert Asia

Latin America: sustaining the momentum

Bekaert turned in a strong performance in Latin America in 2005. With a population of 500 million, the region has attractive growth potential and presents numerous opportunities for Bekaert. Per capita steel consumption is around one-fifth of that in Western Europe.

One key factor in Bekaert's success in Latin America is its excellent relations with its partners.

Bekaert has the advantage of being able to combine locally based businesses with the strength of an international organization.

Bekaert provides its customers with a one-stop shop for wire products: the joint ventures can supply both conventional and highly innovative items. Significant growth is expected in the future in some product segments, such as cable wire for the mining industry.

The Latin American market for steel cord products did not grow as rapidly in 2005 as had been hoped. Exports from Brazil to the United States were also held back by the strength of the real.

In November, the Belgo Bekaert Arames joint venture in Bahia (Brazil) opened a new plant for industrial wire products which it had built in record time. The plant will manufacture products intended primarily for the automotive industry. Bekaert wants to help major customers to expand in the region by providing a just-in-time delivery service to their new facilities in the north-east of Brazil.

"better together *actually describes a way of doing business. We must strive constantly to create win-win situations at all levels".* Rick McWhirt, President Bekaert North America and General Manager steel cord products North and Latin America

Advanced materials and coatings

In the advanced materials and coatings segment, Bekaert concentrates on products with high added value for specific niche markets. The company made breakthroughs in a number of sectors last year, including film coatings and diamond-like coatings, but demand for some products weakened.

At work in Asia

Bekaert's activities in advanced materials and coatings are not confined to the mature markets. Bekaert is also working in these segments in Asia.

A milestone was reached in 2005 with the opening of a new plant in Suzhou (Jiangsu province, China), which was attended by Ms. Tan Ying, Vice-Mayor of Suzhou, and Mr. Yves Leterme and Mrs. Fientje Moerman, Minister-President and Vice-Minister-President, respectively, of the Flemish Government.

The plant, which represents an investment of € 20 million, took less than six months to build and will employ 70 people in the start-up phase. Bekaert will use the plant to develop its businesses in fiber technologies, combustion technologies, industrial coatings and specialized film coatings.

Long-life filter media

Bekaert is world leader in the production of filter media based on ultrafine stainless-steel fibers. Because they are reusable, Bekaert filter media offer a greatly extended service life. Substantial growth was achieved in this business in 2005.

One of the applications in which Bekaert filter media based on metal fibers are used is gas filtration in the chemical industry. Following a breakthrough in 2005 in the filtration of the hot gas produced in the aluminum smelting process, Bekaert won a valuable order at the end of the year from Alcan Gove, the Australian subsidiary of Alcan, which owns a bauxite mine and an aluminum smelter on the island of Gove. The Bekaert solution was chosen on the grounds of low emissions, filter reliability and compact dimensions.

Consistent with its strategy of moving upward in the value chain, Bekaert stepped up the pace of growth in fiber technologies in 2005 with the acquisition of Southwest Screens & Filters SA, one of the leading global players in industrial metal-fiber process filters. The main application for the company's products is in the plastics industry, where they are used to remove impurities from the molten raw material to enhance the quality of the finished fiber or film. In addition to its production plant in Sprimont (Belgium), Southwest Screens & Filters SA also has a production facility near Jakarta (Indonesia). The company generates annual sales of € 10 million.

In China, Bekaert has the exclusive distribution rights to the filter systems produced by Beijing Melalin S&T Co. Ltd., which cooperates closely with Tsinghua University. These systems provide the solution for the problems encountered in the gas phase of the melamine production process.

Environment-friendly burners and gas combustion systems

Bekaert manufactures environment-friendly gas burners and combustion systems for practically all the major players. This business recorded significant growth in 2005 and Bekaert made further progress in widening the geographical scope of its operations in this field.

Following the agreement reached at the end of 2005 with Shell on the sale of its 25% interest in the Bekaert Combustion Technology NV joint venture, Bekaert is now the sole shareholder in this company. In recent years, Bekaert has secured a leading position in the market for environment-friendly gas burners for domestic condensing boilers, including central heating boilers, by responding effectively to the increasingly rigorous environmental regulations in various countries, especially in Europe.

2005 saw the delivery to central heating boiler manufacturers of the first models of the promising Bekaert Furinit® burner, which reconciles the demand for more compact boilers with the increasingly stringent environmental requirements (high efficiency and low CO and NO_x emissions). As well as lending themselves readily to standardization, Bekaert Furinit® burners are extremely compact, making them the ideal solution for today's smaller homes, and can be used with various types of gas.

Composites

Bekaert produces glass-fiber-reinforced membrane pressure vessels for reverse-osmosis desalination plants which significantly reduce the customer's total cost of ownership.

Sputter hardware and targets

In industrial coatings, Bekaert has attained worldwide leadership in sputter hardware and targets, used by glass manufacturers to apply coatings to large areas of flat glass in their production processes. Bekaert can boast unique combined expertise in rotating sputter hardware and rotatable sputter targets. Because rotatable sputter targets contain more usable metal than planar targets, they have a longer life – which means less frequent coating line shutdowns and hence lower production costs for the customer.

In early 2005, Bekaert won its largest order for sputter technology so far from a major glass manufacturer, even though the strongly project-driven activity in sputter products had a difficult year.

"better together *is about efficient alliances and partnerships, successful integration of acquisitions and an efficient internal organization based on cross-functional cooperation."* Georges Brys, Group Executive Vice President

Diamond-like coatings

Global sales of Bekaert diamond-like coatings, which offer a unique combination of extremely low frictional resistance and extreme hardness, showed steady growth in 2005.

Diamond-like coatings are used in several niche markets. They are applied, for example, to CD and DVD molds (a market which is presently stagnant) and to molds used to produce plastic bottles (a growing market). In the world of Formula One and NASCAR, Bekaert has long led the field in coatings for engine components, which reduce wear and friction and hence increase power.

In March 2005 Bekaert acquired the remaining shares in Sorevi SA, which specializes in applying diamond-like coatings to industrial equipment in order to extend service life.

Window films

Bekaert window films are used in buildings and vehicles to keep out heat and ultraviolet radiation and to hold the glass together in the event of breakage. This latter function is particularly important in government buildings and embassies, where security is paramount.

A promising new product for architectural applications, Panorama® Hilite® Mega Performance Window Film, was successfully launched in 2005. This transparent window film, consisting of a polyester film with a high-tech coating only a few nanometers thick, sets new performance standards in solar control. It also filters out harmful ultraviolet radiation and prevents fading of furniture and decorations. The range of applications is immense, from homes to stores to art galleries.

There are already over a hundred qualified Bekaert dealers in China selling Quantum window film. Around 90% of Chinese new-car buyers have window film installed, and Bekaert wants a share of this growing market. Window films greatly enhance the in-car environment and, because they reflect the sun's heat, reduce the need for air-conditioning.

Specialized installers applying window film to keep out the sun's heat and ultraviolet radiation and provide protection in the event of breakage.

Segment reporting

Toothed belts – reinforced with fine steel cord – are used to carry laminate to the packing machines. Bekaert fine steel cord offers high strength and high precision.

Advanced wire products

Combined sales of advanced wire products were 14% higher
(wire Europe –7%, wire North America –4%, wire Latin America +26%, wire Asia +24%,
building products +12%, steel cord China +39%, steel cord others +15% and other advanced wire products +19%).

After an extraordinary year in 2004, which saw unprecedented price rises for wire rod (the raw material for advanced wire products), Bekaert continued to experience in 2005 the significant impact of the volatility of the raw materials markets worldwide. In contrast to 2004, when customers built up their inventories, because of difficulties in obtaining supplies, the company experienced just the opposite in 2005, with customers running down their stocks, which translated into a slow-down in customer demand in some markets. Both raw materials prices and selling prices were higher on average than in 2004. The application of the inventory valuation rules had a limited impact on the operating result in 2005 unlike 2004 when this change had a positive effect of € 35 million, in the context of significant raw materials price increases.

In the mature markets in Western Europe and North America, Bekaert saw demand for its advanced wire products weaken noticeably, especially in the automotive industry.

Bekaert continued to drop some of the less profitable products from its portfolio and concentrate on applications with a higher added value. Its production platforms were realigned in response to the shifts in market demand and the cost structure was modified at several plants, for which Bekaert recognized € 16 million non-recurring expenses.

With the acquisition of Conflandey Inc.'s activities and various items of machinery and equipment in early 2006, Bekaert aims to strengthen its position in industrial stapling wire and fine specialized wires on the North-American market. Bekaert also worked hard to improve its customer service. In the wake of the major natural disasters in North America, it was able to respond at very short notice to the demand created by the rebuilding programs, especially for energy supplies, telecommunications, construction and infrastructure work.

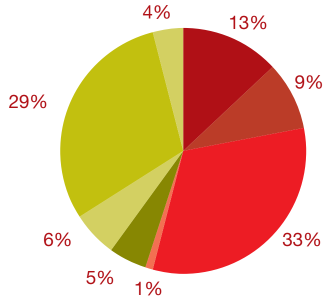
Bekaert will also continue to reinforce its position in Central and Eastern Europe, including in Russia. The company performed strongly in Latin America. Bekaert experienced significant growth in all its activities in Asia, particularly in China. Demand for steel cord products was strong. Bekaert developed new products and announced an important new investment program in advanced wire products.

By taking over ECC Card Clothing in June 2005 and setting up the Wuxi Owl Textile Accessories Co. Ltd. joint venture in China, Bekaert embarked on worldwide expansion of its advanced wire products for the textile sector.

in millions of €

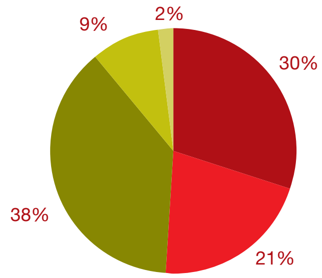
Advanced wire products	2003	2004[1]	2005
Consolidated			
Sales	1 241	1 501	1 640
Operating result (EBIT)	121	181	171
EBIT on sales (%)	9,8%	12,0%	10,4%
Capital expenditures	88	145	122
Personnel	7 400	8 220	8 590
Joint ventures and associates			
Sales	747	912	1 110
Capital expenditures	27	28	53
Personnel	5 340	5 470	5 510
Total			
Combined sales	1 988	2 413	2 750
Capital expenditures	115	173	175
Personnel	12 740	13 690	14 100

Share in combined sales by activity platform



- Wire Europe: 13%
- Wire North America: 9%
- Wire Latin America: 33%
- Wire Asia: 1%
- Building products: 5%
- Steel cord China: 6%
- Steel cord others: 29%
- Other advanced wire products: 4%

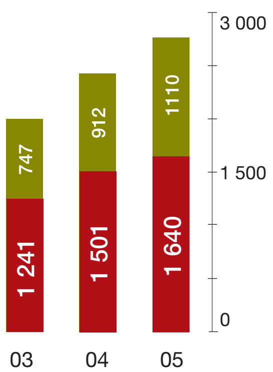
Share in combined sales by geographical area



- Europe: 30%
- North America: 21%
- Latin America: 38%
- Asia: 9%
- Rest of the world: 2%

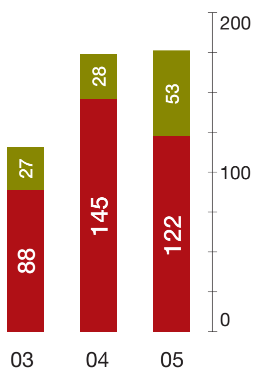
Sales [1]

in millions of €

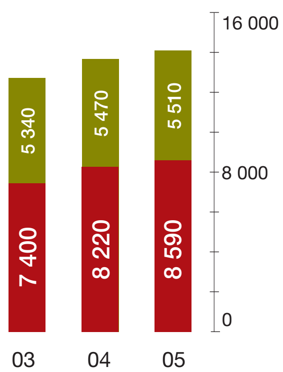


Capital expenditures [1]

in millions of €



Personnel



[1] Consolidated income statement figures of 2004 are restated following the divestment of Bekaert Fencing NV, while balance sheet figures are not. Some ratios, relating consolidated income statement items to balance sheet items, or ratios based on an average in comparison with 2004, are indicative.

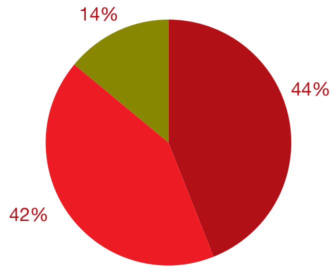
Advanced materials

Combined sales of advanced materials recorded growth of 21%
(fiber technologies +23%, combustion technologies +26%, composites +2%).
Bekaert experienced a strong increase in sales in advanced materials, but operating result was negatively influenced by € 8 million due to impairment losses. In fiber technologies, Bekaert registered an important breakthrough in the field of environment-friendly gas filtration. In mid-2005, it also acquired Southwest Screens & Filters, a world player in industrial process filtration based on Bekaert metal fibers. In combustion technologies, environment-friendly heating equipment for the residential sector performed strongly. The same was true for the industrial applications, partly due to the acquisition of Solaronics for which only nine months' figures were included in 2004. By the end of 2005, with the acquisition of Shell's interest, Bekaert owned 100% of the combustion technologies activity platform. The company now intends to implement its growth strategy for environment-friendly gas burners alone, capitalizing on the increasingly strict environmental regulations in Europe and the United States.

in millions of €

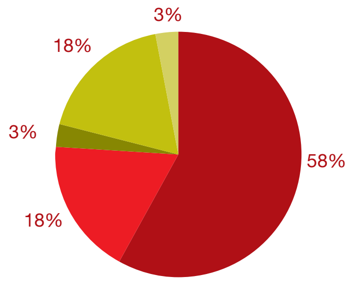
Advanced materials	2003	2004	2005
Consolidated [1]			
Sales	103	117	141
Operating result (EBIT)	8	8	5
EBIT on sales (%)	7,5%	6,5%	3,7%
Capital expenditures	4	4	8
Personnel	590	710	890

Share in consolidated sales [1] by activity platform



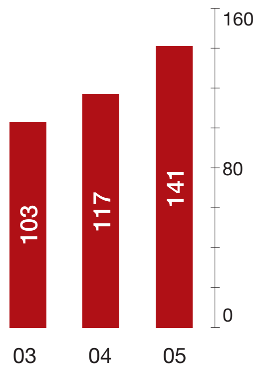
- Fiber technologies: 44%
- Combustion technologies: 42%
- Composites: 14%

Share in consolidated sales by geographical area

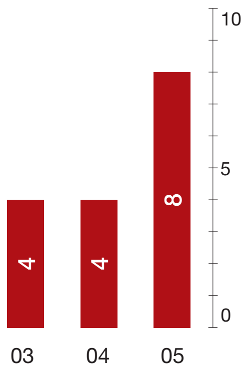


- Europe: 58%
- North America: 18%
- Latin America: 3%
- Asia: 18%
- Rest of the world: 3%

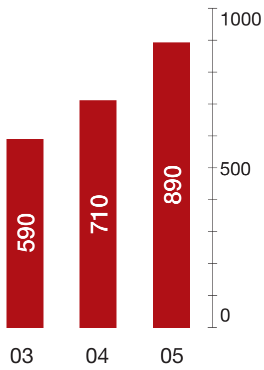
Sales [1]
in millions of €



Capital expenditures
in millions of €



Personnel



[1] Combined sales equal consolidated sales as there are no joint ventures and associates in the advanced materials segment.

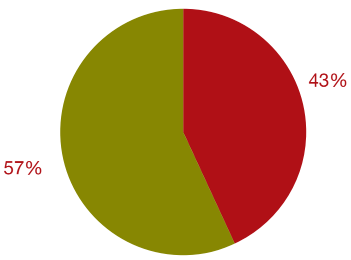
Advanced coatings

Combined sales of advanced coatings were up by 4% (industrial coatings –4%, specialized films +11%).
Bekaert recorded modest growth in advanced coatings. In industrial coatings, there was growth in diamond-like coatings, which are used for example on engine components for racing cars, but sputter products, where demand is largely project-driven, had a difficult year. The reallocation of the worldwide production capacity in sputtered films necessitated € 7 million non-recurring expenses.
Specialized films performed strongly in 2005, mainly thanks to substantial growth in Asia.
In November 2005, Bekaert officially opened its new plant for advanced materials and coatings in Suzhou (China), which will considerably strengthen its position in the growing Asian markets.

in millions of €

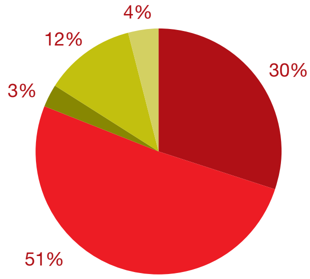
Advanced coatings	2003	2004	2005
Consolidated [1]			
Sales	113	127	133
Operating result (EBIT)	-2	-8	-4
EBIT on sales (%)	-1,9%	-6,1%	-3,2%
Capital expenditures	6	7	9
Personnel	610	680	730

Share in consolidated sales [1] by activity platform



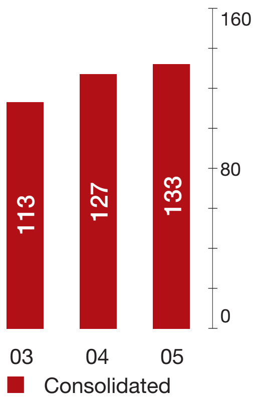
- Industrial coatings: 43%
- Specialized films: 57%

Share in consolidated sales [1] by geographical area

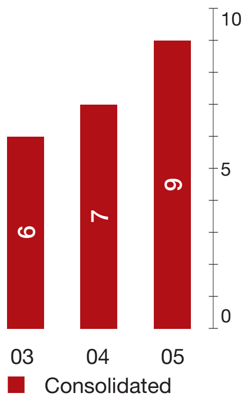


- Europe: 30%
- North America: 51%
- Latin America: 3%
- Asia: 12%
- Rest of the world: 4%

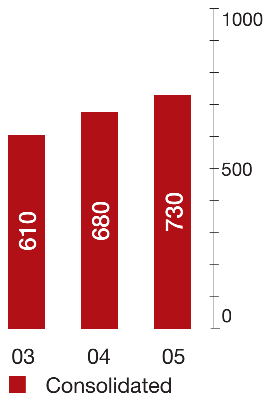
Sales [1]
in millions of €



Capital expenditures
in millions of €



Personnel



[1] Combined sales equal consolidated sales as there are no joint ventures and associates in the advanced coatings segment.

Corporate Governance

Bekaert works with tire manufacturers to select the steel cord product which provides the reinforcement needed and is best suited to the production process.

Bekaert attaches great importance to good corporate governance and complies with internationally accepted standards and rules.

At its meeting of 16 December 2005, the Board of Directors approved the Bekaert Corporate Governance Charter in accordance with the Belgian Corporate Governance Code. The Charter is available at www.bekaert.com.

In accordance with the Corporate Governance Code, the relevant events of the 2005 financial year are discussed below.

Board of Directors

Composition

The Board of Directors consists of fourteen members, eight of whom represent the principal shareholders. Only the Chief Executive Officer has an executive function. All other members are non-executive directors.

Four of the directors are independent within the meaning of Article 524 of the Companies Code and provision 2.3 of the Corporate Governance Code. Messrs. Gary J. Allen and Pol Bamelis, and Baron Georges Jacobs have been members of the Board of Directors since 1987, 1995 and 1996, respectively. The experience of the business they have gained since their appointment is not liable to affect their independent judgment, and Bekaert accordingly considers them to be independent directors.

Name	First appointed	Expiry of current term	Principal occupation [1]	Number of ordinary meetings attended	Number of extraordinary meetings attended
Chairman					
Baron Buysse	2000	2006	NV Bekaert SA	7	1
Executive Director					
Julien De Wilde	2002	2006	NV Bekaert SA	7	1
Members representing principal shareholders					
Baron Leon Bekaert	1994	2006	Director of companies	7	2
Roger Dalle	1998	2007		7	2
Count Charles de Liedekerke	1997	2006	Director of companies	7	1
François de Visscher	1992	2007	President, de Visscher & Co. (United States)	6	1
Hubert Jacobs van Merlen	2003	2006	President and Chairman, IEE SA, Luxembourg	7	1
Maxime Jadot	1994	2006	Head of Investment Banking, Fortis Bank (Belgium)	7	1
Bernard van de Walle de Ghelcke	2004	2007	Partner, Linklaters (Belgium)	7	1
Baudouin Velge	1998	2007	Chief Executive Officer, FEDIS (Belgium)	7	1
Independent directors					
Gary J. Allen	1987	2008		7	0
Pol Bamelis	1995	2007	Director of companies	7	0
Sir Anthony	2004	2007	Director of companies	7	1
Galsworthy				6	0
Baron Georges Jacobs	1996	2007	Chairman of the Board of Directors, UCB (Belgium)		

[1] The detailed resumes of all Board members are available at www.bekaert.com.

Activity report

The Board met on nine occasions in 2005. Seven were regular meetings, with virtually full attendance (cf. table above). Two extraordinary meetings were held. The first was to decide the sale to Gilde of the European fencing division Bekaert Fencing NV. The second, held in the presence of a notary public, was to extend the exercise period of the subscription rights issued within the framework of the authorized capital under the stock option plan 1999–2004.

In addition to its statutory powers and powers under the Articles of Association, the Board of Directors also considered the following matters, among others:
- the 2005 budget;
- major investments and acquisitions;
- the remuneration of the Chairman of the Board of Directors;
- the succession of the Chief Executive Officer;
- the introduction of a new stock option plan 2005–2009 (cf. below);
- the purchase of own shares (cf. below);
- the Corporate Governance Code and the drafting of the Bekaert Corporate Governance Charter;
- Euronext's classification of Bekaert and Bekaert's position in the BEL-20 stock exchange index;
- the proposal for restructuring of the Lanklaar plant;
- the implementation of the strategy and the three-year plans.

On 22 December 2005, the Board of Directors announced that it intended to propose Bert De Graeve, currently the Chief Financial and Administration Officer, for appointment as Chief Executive Officer by the General Meeting of Shareholders on 10 May 2006 to succeed Julien De Wilde.

The Board of Directors announced, on 22 December 2005, that it intended to propose Bert De Graeve, currently the Chief Financial and Administration Officer, for appointment as Chief Executive Officer by the General Meeting of Shareholders on 10 May 2006 to succeed Julien De Wilde.

Remuneration

Information on the remuneration of the members of the Board of Directors is given in the Financial Review (Note 6.3) of this annual report.

Committees of the Board of Directors

Audit and Finance Committee

The Audit and Finance Committee has five members. Contrary to the Corporate Governance Code, it is chaired by the Chairman of the Board. Bekaert wishes the Chairman to preside over all committees, to enable him to discharge as effectively as possible his specific duties with regard to the protection of the interests of all shareholders. The Committee further consists of the Chief Executive Officer, three directors, one of whom is independent and two of whom represent the principal shareholders, and the Chief Financial and Administration Officer. Contrary to the Corporate Governance Code, Bekaert takes the view that the Audit and Finance Committee should reflect the balanced composition of the full Board.

As from 2006, the Chief Executive Officer and the Chief Financial and Administration Officer will no longer be members of the Committee, but will be invited to attend its meetings. This arrangement will safeguard the essential dialogue between the Board of Directors and executive management.

The Committee met three times in 2005. The main items on the agenda included:
- the tax deduction for risk capital as an alternative to the coordination centre;
- the transfer pricing policy;
- the restructuring of the long-term debt;
- the purchase of own shares;
- the composition of the Internal Audit Department.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2006	3
Julien De Wilde	2006	3
François de Visscher	2007	2
Baudouin Velge	2007	3
Gary J. Allen	2008	3

Nomination and Remuneration Committee

The Nomination and Remuneration Committee has four members, is chaired by the Chairman of the Board and further consists of three directors, one of whom is independent and two of whom represent the principal shareholders. Contrary to the Corporate Governance Code, Bekaert takes the view that the Nomination and Remuneration Committee should reflect the balanced composition of the full Board.

The Committee met four times in 2005. The main items on the agenda included:
- the composition of the Board of Directors and the committees;
- the remuneration of the Chairman of the Board of Directors;
- the succession of the Chief Executive Officer, and the nomination of a new Chief Executive Officer;
- the human resources strategy.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2006	4
Roger Dalle	2007	4
Maxime Jadot	2006	4
Gary J. Allen	2008	4

Strategic Committee

The Strategic Committee has six members, is chaired by the Chairman of the Board and further consists of the Chief Executive Officer and four directors, one of whom is independent and three of whom represent the principal shareholders.

The Committee met five times in 2005. The main item on the agenda was the company's long-term strategy.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2006	5
Julien De Wilde	2006	5
Baron Leon Bekaert	2006	5
Count Charles de Liedekerke	2006	5
Maxime Jadot	2006	5
Pol Bamelis	2007	5

Executive Management

Composition

The Bekaert Group Executive, which has five members, is the executive management. It is chaired by the Chief Executive Officer and further consists of four members, who bear the title of Group Executive Vice President and who are responsible for the various activity platforms and for finance and administration.

Name	Position	Appointed
Julien De Wilde	Chief Executive Officer	2002
Henri-Jean Velge	Advanced wire products	1998
Marc Vandecasteele	Advanced wire products	1998
Georges Brys	Advanced materials and coatings	2001
Bert De Graeve	Chief Financial and Administration Officer	2002

Remuneration

Information on the remuneration of the members of the Bekaert Group Executive and of senior management is given in the Financial Review (Note 6.3) of this annual report.

Contractual arrangements

The hiring and termination arrangements made with the members of the Bekaert Group Executive contain no provisions which can be characterized as unusual in the light of current Belgian legislation or practice.

Conduct Policies

Statutory conflicts of interests within the Board of Directors

In accordance with Article 523 of the Companies Code, a member of the Board of Directors should give the other members prior notice of any agenda items in respect of which he has a direct or indirect conflict of interests of a financial nature with the company, and should refrain from participating in the discussion of and voting on those items. Three such conflicts of interests arose in 2005.

Excerpt from the minutes of the meeting of 16 September 2005.

Chairman's compensation package.
Re-arrangement of the Chairman's compensation for the period 2005-May 2006.
By a letter to the Board dated 14 March 2005, the Chairman has reported a conflict of interests in connection with the Board's discussion and decision relative to changes in his remuneration package. The conflict arises from the fact that the Chairman's remuneration will be the subject of the decision. The Chairman also informed the company's independent auditors in writing on 14 March 2005.

The Chairman explains that he is of the opinion that the proposed decision with respect to the realignment of his remuneration package serves the best interest of the Company for the following reasons:
- *the proposed realignment is consistent with the Company's efforts to comply with the Belgian Code on Corporate Governance;*
- *the proposed decision relates to a mere realignment of the Chairman's existing remuneration package as currently in place in accordance with his contract, dated 12 December 2002 and effective as from 1 January 2003, with the Company (the "Contract"), and will not result in additional obligations being imposed on the Company;*

The Chairman then invites Mr Gary Allen to take over the Chair. Before giving the floor to Mr Gary Allen, the Chairman asks if there are any other remarks on Board proceedings. There are no remarks and no questions.

The Chairman thanks the Board Members for their presence and thereupon leaves the Board room.
The Board:
- *Having requested the Nomination, Compensation and Pensions Committee (the "NCPC") to provide a proposal to realign the Chairman's remuneration package under the Contract, respecting all obligations from the Company towards the Chairman, complying with the Belgian Code on Corporate Governance, and taking into account that the Chairman has to consider his office as his principal occupation;*
- *Having been fully informed of:*
  - the existing obligations towards the Chairman under duly approved agreements;
  - the proposal submitted by the NCPC, supported by outside expert advice, and essentially including the following:
    - *the Chairman resigns from boards of Company subsidiaries*
    - *the variable component (bonus linked to Company performance) is realigned: it is recalculated as a fixed amount and valued based on past averages, and will be granted as deferred compensation (pension arrangement);*
    - *the equity related remuneration (stock options) is realigned: it is recalculated as a fixed amount and valued based on past averages, and will be granted as deferred compensation (pension arrangement);*
  - *all financial implications of the proposal, reviewed in even more detail by the NCPC;*
  - *the requirements of Article 523 of the Companies Code; and*
  - *the above statement of the Chairman and the reasons justifying the proposed realignment as set out above;*
- *Resolves that, subject to the agreement of the Chairman, the Contract is confirmed by the Board and will be revised so as to read substantially as follows:*

"Article 1.
1.1. (revised)"
The Chairman will receive from the Company a remuneration equal to:
- in 2005:
  - a cash remuneration of € 400 000 payable in equal monthly instalments; the amounts paid prior to this revision in 2005 as Board fees from subsidiary companies (€ 72 011) will be deducted from this amount;
  - a deferred income in the form of a pension arrangement of € 560 000;
  - a cash bonus of € 25 000 and a deferred income in the form of a pension arrangement of € 225 000 due over the results of 2004 under the previous reading of Article 1.1.
- In 2006 (until the Annual General Meeting of 10 May 2006):
  - a cash remuneration of € 142 466 payable in equal monthly instalments;
  - a deferred income in the form of a pension arrangement of € 199 452.
  - The gross amount of the deferred income will be paid on the first day of the month following the month in which the Chairman retires from his office as director of the Company. The Company will make adequate provision for the amounts due under the deferred compensation scheme.
  The deferred compensation scheme is described in a separate agreement dated 25 July 2002.
  The premiums paid in 2005 under presently applicable and duly approved insurance policies with Fortis (live, death, invalidity) are included in the remuneration for 2005.
  There are no other contractual remuneration elements.
  The representation and travel costs, subject to justification and reasonableness, related to the day-to-day functioning of the Chairman are reimbursed. They are part of a total budget of the Board functioning monitored by the Audit and Finance Committee.
  The Company puts a car and driver at the Chairman's disposal for professional use in the performance of his duties, and provides for a hospitalisation insurance.
1.2. (unchanged)
1.3. (deleted)"
- All other provisions of the Contract remain unchanged and continue in effect;
- Acknowledges and confirms that the deferred compensation agreement of 25 July 2002 continues in effect but will be revised to reflect the above-mentioned precise amounts;
- Acknowledges that the annual accounts for 2005 and 2006 will disclose the respective above-mentioned amounts;
- Requests the NCPC to arrange the formalization of all of the above-referenced contractual amendments;
- Acknowledges that the present resolutions will be disclosed in full in the annual report for 2005 in accordance with Article 523 of the Companies Code.

Excerpt from the minutes of the meeting of 10 November 2005

Report of the Nomination, Compensation and Pensions Committee meeting regarding the (renewal of the) Chairman's mandate

The Chairman reports a conflict of interests in connection with the Board's discussion and decision relative to the Chairman's mandate and the renewal thereof. The conflict arises from the fact that the Chairman's mandate will be the subject of the decision. He refers to his letters of 14 March 2005 to the Board and to the company's independent auditors on the subject.

The Chairman invites Mr Gary Allen to take over the Chair, and leaves the Board room. Mr. Allen, who was acting Chairman at the Nomination, Compensation and Pensions Committee meeting of 9 November 2005 for this topic, reports. The minutes are included hereafter.

Were present: *G. Allen (acting Chairman)*
R. Dalle
M. Jadot

Specific topic: (renewal) Chairman's mandate.
The NCPC, after open discussion on the possible renewal of the mandate of the present Chairman, makes following recommendation to the Board, and will ask the Group Secretary to have a draft contract prepared according to the recommendation.

Recommendation by the NCPC:
- *Whereas the Company (NV Bekaert SA) asked Mr. Paul Buysse in 2000 to take up the position of Chairman of the Board of Directors of the Company;*
- *Whereas Mr. Paul Buysse successfully executed the position during two consecutive mandates of which the present one terminates at the Annual General Meeting on 10 May 2006;*
- *Recommends to the Board of Directors to nominate Mr. Paul Buysse for a third mandate of three years as Chairman of the Board of Directors of the Company;*
- *Recommends to the Board of Directors to submit such proposal (including a remuneration package) to the Annual General Meeting on 10 May 2006;*
- *Whereas Mr. Paul Buysse himself has stated that the position no longer requires the same availability as in the past two mandates;*
- *Recommends to define the position of Chairman of the Board extensively in the Bekaert Corporate Governance Charter;*
- *Recommends to include the following in the contract:*
  - *Remuneration:*
    - *For the first year (June 2006 until May 2007: € 600 000);*
    - *For the second year (June 2007 until May 2008: € 500 000);*
    - *For the third year (June 2008 until May 2009: € 500 000).*
      These amounts are fixed and all taxes, contributions or levies are due by the receiving party.
      The remuneration is paid in twelve equal instalments to the Chairman's bank account.
      This is the only remuneration due and it includes any compensation for the position as Chairman of the Board, or any mandate exercised within the company or any of its associated or consolidated group companies (including the remuneration as director of the company).
    - *Support:*
      The Company will provide the infrastructure and telecommunication equipment necessary for an adequate execution of the position.
      The position related travel and entertainment expenses will be reimbursed upon reasonable justification. The expenses will on a yearly basis be reviewed and approved by the Audit and Finance Committee.
    - *Duration:*
      The new contract starts at the Annual General Meeting of 10 May 2006. In case of an early termination of the mandate, the remuneration will be due pro rata temporis in that year.
    - *Other activities:*
      Mr. Paul Buysse is supposed to spend 50% of normal working time on the execution of the chairmanship of the Board. He will not accept another mandate as chairman of a stock-exchange quoted company in or outside Belgium without the prior written approval by the Board of Directors upon reasoned advice of the Nomination, Compensation and Pensions Committee.

Resolution
The Board agrees with the recommendations formulated by the NCPC and the preparation of a contract subject to approval by the next Annual General Meeting of 10 May 2006.

Excerpt from the minutes of the meeting of 16 December 2005

Stock Option Plan
The Nomination, Compensation and Pensions Committee reviewed the proposed 2005 grants as per Plan design for Belgian managers. The international roll out is planned to take place in 2006. The NCPC supported the CEO recommendation to grant each other Bekaert Group Executive member 6 500 stock options. The CEO also made a recommendation to the NCPC to further increase the size of the grants to senior management next year in order to promote the focus on shareholder value creation. While the CEO left the meeting, the Chairman discussed with the other NCPC members the proposal to grant the CEO 15 000 stock options in 2005.

The NCPC recommends the Board to endorse this proposal.

Resolution
The Board of Directors agrees to make an offer of stock options on 22 December 2005 in accordance with the list attached to the minutes of the NCPC meeting of 15 December 2005, and in particular to offer:

- 6 500 stock options to each Bekaert Group Executive member other than the CEO and
- 15 000 stock options to the CEO, and to further increase the size of the grants to senior management next year.

All options of the 22 December 2005 offer are for new shares pursuant to the 2005-2009 Stock Option Plan, except that those for the self-employed Bekaert Group Executive members are for existing shares pursuant to the existing SOP2 Stock Option Plan.

Other transactions with Directors and Executive Management

A detailed questionnaire was circulated to the members of the Board of Directors and of the Bekaert Group Executive in early 2006 on the subject of transactions with companies of the Group. The findings of that survey are discussed in the Financial Review (Note 6.3) of this annual report.

Market abuse

As soon as the expected new legislation is published, the Board of Directors will promulgate the Bekaert Code on Insider Dealing.

Shares and shareholders

Capital and shares

A total of 233 040 subscription rights were exercised in 2005 under the SOP1 1999-2004 employee stock option plan, resulting in the issue of 233 040 new NV Bekaert SA shares and VVPR strips, and an increase of the issued capital by € 1 900 000 and of the share premium by € 9 021 660.

Bekaert purchased a total of 585 000 own shares in 2005, of which 576 550 were cancelled. The remaining 8 450 shares were delivered to the individuals who had exercised their options under the SOP2 stock option plan.

As a result of those movements, the number of issued shares decreased by 343 510 and the number of VVPR strips increased by 233 040.

NV Bekaert SA's issued share capital now amounts to € 172 900 000, represented by 21 530 195 shares without par value.

On 16 September 2005, the Board of Directors approved a new SOP 2005-2009 stock option plan, under which a maximum of 850 000 subscription rights may be issued during the period to the members of the Bekaert Group Executive, senior management and senior executive personnel. An initial offer of 98 100 subscription rights was made on 22 December 2005. The grant of the accepted subscription rights took place on 20 February 2006. Each subscription right is convertible into one newly issued NV Bekaert SA share with VVPR strip at an exercise price of € 71.39.

An offer of 28 000 options was made on 22 December 2005 under SOP2. The grant of the accepted options took place on 20 February 2006. Each option is convertible into one existing NV Bekaert SA share with VVPR strip at an exercise price of € 71.39. A total of 52 920 options had been granted as of 31 December 2005. Detailed information is given in the Financial Review (Note 5.12) of this annual report.

The SOP 2005-2009 and SOP2 plans comply with the Act of 26 March 1999.

Principal shareholders

No declarations pursuant to the Act of 2 March 1989 of interests in the securities representing the capital of NV Bekaert SA were received since the publication of the 2004 annual report. An overview of the most recent declarations can be found in the Financial Review (Statement of capital) of this annual report.

General Meeting of Shareholders

A total of 118 shareholders were present in person or by proxy at the Ordinary General Meeting on 11 May 2005, representing a total of 7 030 125 shares or 32.14% of the total number of issued shares. Also present were five holders of subscription rights, representing a total of 3 125 subscription rights or 0.62% of the total number of issued subscription rights.

The meeting approved the financial statements and profit appropriation for 2004 and discharged the Directors and the Statutory Auditor of responsibility. Mr Gary J. Allen and Baron Georges Jacobs were reappointed as independent directors for terms expiring at the close of the Ordinary General Meetings in 2008 and 2007, respectively. The annual remuneration of the members of the Board of Directors for 2005 was maintained at € 52 058 per person, of which € 37 184 was fixed and € 14 874 was variable based on attendance at six meetings. The remuneration of the Statutory Auditor for 2005 was set at € 78 000. Finally, the meeting discussed the position of the Board of Directors on the various provisions of the Corporate Governance Code.

An Extraordinary General Meeting, also held on 11 May 2005, renewed the Board's authority to repurchase the company's own shares for a period of eighteen months, and approved the merger through absorption by NV Bekaert SA of the public limited companies Immobiliën Munkendoorn and Imaware.

Dividend

The Ordinary General Meeting of Shareholders of 11 May 2005 resolved to distribute a gross dividend of € 2.00 per share for the 2004 financial year (i.e. an amount of € 1.875, exceptionally increased by € 0.125 on the occasion of the company's 125th anniversary). The net dividend therefore amounted to € 1.50 per share and € 1.70 per share with VVPR strip.

Financial review

Jacquard looms can create patterns of the most extreme complexity. Bekaert produces steel wire for the heddles and springs which raise the warp threads to allow the gripper carrying the weft to pass smoothly across.

Table of contents

Executive summary

Sales

Bekaert achieved consolidated sales of € 1.9 billion and combined sales of € 3.1 billion in 2005, an increase of 10% and 14% respectively.[1 2]

The consolidated sales' increase was 8% from organic growth, 1% from the net movement in acquisitions and divestments and 1% from currency movements.

Advanced wire products

Combined sales of advanced wire products were 14% higher (wire Europe –7%, wire North America –4%, wire Latin America +26%, wire Asia +24%, building products +12%, steel cord China +39%, steel cord others +15% and other advanced wire products +19%).

After an extraordinary year in 2004, which saw unprecedented price rises for wire rod (the raw material for advanced wire products), Bekaert continued to experience in 2005 the significant impact of the volatility of the raw materials markets worldwide. In contrast to 2004, when customers built up their inventories, because of difficulties in obtaining supplies, the company experienced just the opposite in 2005, with customers running down their stocks, which translated into a slow-down in customer demand in some markets. Both raw materials prices and selling prices were higher on average than in 2004. The application of the inventory valuation rules had a limited impact on the operating result in 2005 unlike 2004 when this change had a positive effect of € 35 million, in the context of significant raw materials price increases.

In the mature markets in Western Europe and North America, Bekaert saw demand for its advanced wire products weaken noticeably, especially in the automotive industry.

Bekaert continued to drop some of the less profitable products from its portfolio and concentrate on applications with a higher added value. Its production platforms were realigned in response to the shifts in market demand and the cost structure was modified at several plants, for which Bekaert recognized € 16 million non-recurring expenses.

With the acquisition of Conflandey Inc.'s activities and various items of machinery and equipment in early 2006, Bekaert aims to strengthen its position in industrial stapling wire and fine specialized wires on the North-American market. Bekaert also worked hard to improve its customer service. In the wake of the major natural disasters in North America, it was able to respond at very short notice to the demand created by the rebuilding programs, especially for energy supplies, telecommunications, construction and infrastructure work.

Bekaert will also continue to reinforce its position in Central and Eastern Europe, including in Russia. The company performed strongly in Latin America. Bekaert experienced significant growth in all its activities in Asia, particularly in China. Demand for steel cord products was strong. Bekaert developed new products and announced an important new investment program in advanced wire products.

By taking over ECC Card Clothing in June 2005 and setting up the Wuxi Owl Textile Accessories Co. Ltd. joint venture in China, Bekaert embarked on worldwide expansion of its advanced wire products for the textile sector.

Advanced materials

Combined sales of advanced materials recorded growth of 21% (fiber technologies +23%, combustion technologies +26%, composites +2%).

Bekaert experienced a strong increase in sales in advanced materials, but operating result was negatively influenced by € 8 million due to impairment losses.

In fiber technologies, Bekaert registered an important breakthrough in the field of environment-friendly gas filtration. In mid– 2005, it also acquired Southwest Screens & Filters, a world player in industrial process filtration based on Bekaert metal fibers.

In combustion technologies, environment-friendly heating equipment for the residential sector performed strongly. The same was true for the industrial applications, partly due to the acquisition of Solaronics for which only nine months' figures were included in 2004. By the end of 2005, with the acquisition of Shell's interest, Bekaert owned 100% of the combustion technologies activity platform. The company now intends to implement its growth strategy for environment-friendly gas burners alone, capitalizing on the increasingly strict environmental regulations in Europe and the United States.

[1] Combined sales are sales generated by consolidated companies, joint ventures and associates.
[2] All comparisons are made relative to 2004 figures. Consolidated income statement figures of 2004 are restated following the divestment of Bekaert Fencing NV, while balance sheet figures are not. Some ratios, relating consolidated income statement to balance sheet items, or ratios based on an average in comparison with 2004, are indicative.

Advanced coatings

Combined sales of advanced coatings were up by 4% (industrial coatings –4%, specialized films +11%).

Bekaert recorded modest growth in advanced coatings. In industrial coatings, there was growth in diamond-like coatings, which are used for example on engine components for racing cars, but sputter products, where demand is largely project-driven, had a difficult year. The reallocation of the worldwide production capacity in sputtered films necessitated impairments of € 7 million for non-recurring items.

Specialized films performed strongly in 2005, mainly thanks to substantial growth in Asia.

In November 2005, Bekaert officially opened its new plant for advanced materials and coatings in Suzhou (China), which will considerably strengthen its position in the growing Asian markets.

Profitability

In continuing operations, Bekaert achieved a consolidated operating result (EBIT) before non-recurring items of € 168 million, compared with € 148 million in 2004. Including the significant increase in non-recurring items (€ 32 million, as against € 9 million), mainly due to provisions for restructuring programs and various impairments, the consolidated operating result (EBIT) amounted to € 136 million, compared with € 139 million in 2004, representing an EBIT margin on sales of 7.1%.

As in 2004, the companies accounted for using the equity method contributed € 57 million to the result in 2005.

The consolidated net profit from continuing operations amounted to € 136 million compared with € 141 million. The consolidated net profit from discontinued operations was € 54 million, mostly in the form of the gain on the sale of Bekaert Fencing NV. The consolidated net result of the Group amounted to € 190 million, compared with € 168 million.

Balance sheet

As at 31 December 2005, equity represented 51% of total assets. Net debt amounted to € 272 million, compared with € 369 million and the gearing ratio (net debt to equity) was 24%, compared with 38% as at year-end 2004.

Cash flow

EBITDA increased to € 257 million. Cash flow amounted to € 257 million.

Cash provided by operating activities amounted to € 179 million and depreciation, amortization and impairments totaled € 121 million. Operating working capital amounted to € 431 million, compared with € 453 million. The sale of the fencing systems Europe business segment reduced working capital by € 93 million, while the higher activity level and currency movements increased the working capital by € 72 million.

Cash used in investing activities of the consolidated companies totaled € 36 million. Cash proceeds from the sale of Bekaert Fencing NV amounted to € 86 million. Investments in property, plant and equipment totaled € 142 million, mainly due to the expansion of the production capacity in various growth markets, including those in Asia.

Under the authority vested by the General Meeting of Shareholders in the Board of Directors, 585 000 Bekaert shares were purchased in 2005 at an average price of € 61.04, of which 576 550 were canceled.

NV Bekaert SA (statutory accounts)

The parent company's sales amounted to € 601 million. The profit was € 131 million, compared with € 58 million, mostly due to the extraordinary result on the sale of Bekaert Fencing NV.

Dividend

In the light of the company's strong performance in 2005 and its confidence in the future, the Board of Directors will propose that the General Meeting of Shareholders approve the distribution of a gross dividend of € 3.00 per share. This gross dividend is composed of a basic amount of € 2.00 (an increase of 6.7% from last year's basic amount) and an exceptional payment of € 1.00 on account of the gain on the sale of Bekaert Fencing NV. If this proposal is accepted, it will result in a net dividend per share of € 2.25. In that case, the net dividend on shares with VVPR strip, giving entitlement to reduced withholding tax of 15%, will be € 2.55 per share. The dividend will be payable as from 17 May 2006.

Definitions

Added value Operating result (EBIT) + remuneration, social security and pension charges + depreciation, amortization and impairment of assets.

Associates Companies in which Bekaert has a significant influence, generally reflected by an interest of at least 20%. Associates are accounted for using the equity method.

Capital employed (CE) Working capital + net intangible assets + net goodwill + net property, plant and equipment. The average CE is computed as capital employed at previous year-end plus capital employed at balance sheet date divided by two.

Capital ratio Equity relative to total assets.

Cash flow Consolidated net result of the Group + depreciation, amortization and impairment of assets. This definition differs from that applied in the consolidated cash flow statement.

Dividend yield Gross dividend as a percentage of the share price on 31 December.

EBIT Operating result (earnings before interest and taxation).

EBIT interest coverage Operating result divided by net interest expense.

EBITDA Operating result (EBIT) + depreciation, amortization and impairment of assets.

Equity method Method of accounting whereby an investment (in a joint venture or an associate) is initially recognized at cost and subsequently adjusted for any changes in the investor's share of the joint venture's or associate's net assets (i.e. equity). The income statement reflects the investor's share in the net result of the investee.

Gearing Net debt relative to equity.

Joint ventures Companies under joint control in which Bekaert generally has an interest of approximately 50%. Joint ventures are accounted for using the equity method.

Net capitalization Net debt + equity.

Net debt Financial liabilities net of current loans, current financial assets and cash and cash equivalents. For the purpose of debt calculation only, financial liabilities are remeasured to reflect the effect of any cross-currency interest-rate swaps (or similar instruments), which convert these liabilities to the entity's functional currency.

Pay-out ratio Gross dividend as a percentage of consolidated net result of the Group.

Price-earnings ratio Share price divided by consolidated net result of the Group per share.

Return on capital employed (ROCE) Operating result (EBIT) relative to average capital employed.

Return on equity (ROE) Net result of the Group + result attributable to minority interests relative to average equity.

Sales (combined) Sales of consolidated companies + 100% of sales of joint ventures and associates.

Subsidiaries Companies in which Bekaert exercises control and generally has an interest of more than 50%.

Velocity Number of shares traded relative to the rolling average number of shares in issue for the past twelve months.

Velocity (adjusted) Velocity adjusted for the free-float band.

Working capital (operating) Inventories + trade receivables – trade payables – advances received – remuneration and social security charges – withholding taxes on remuneration.

Consolidated financial statements

Consolidated income statement

in thousands of €

Year ended 31 December	Notes	2005	2004
CONTINUING OPERATIONS			
Sales	4.1	1 914 259	1 741 909
Cost of sales	4.2	–1 522 156	–1 343 225
Gross profit	**4.2**	**392 103**	**398 684**
Distribution and selling expenses	4.2	–92 445	–85 989
General and administrative expenses	4.2	–100 407	–94 906
Research and development expenses	4.2	–44 975	–53 599
Other revenues	4.1	29 443	23 985
Other expenses	4.2	–47 453	–49 169
Operating result (EBIT)	**4.3**	**136 266**	**139 006**
Interest income and expenses	4.4	–26 932	–15 643
Non-operating income and expenses	4.5	11 661	–4 901
Result from ordinary activities before taxes		**120 995**	**118 462**
Income taxes	4.6	–30 269	–18 392
Result from ordinary activities after taxes		**90 726**	**100 070**
Share in the results of joint ventures and associates	4.7	56 939	56 682
Amortization goodwill on joint ventures and associates	4.7/5.4	–	–3 213
Minority interests	5.14	–11 977	–12 275
Result from continuing operations of the Group		**135 688**	**141 264**
DISCONTINUED OPERATIONS			
Total result from discontinued operations	2	54 187	26 415
Minority interests	2	–	–75
Result from discontinued operations of the Group	**2**	**54 187**	**26 340**
CONSOLIDATED NET RESULT OF THE GROUP		**189 875**	**167 604**

in € per share

Earnings per share	4.9	2005	2004
Consolidated net result of the Group for:			
Continuing and discontinued operations			
Basic		8.777	7.646
Diluted		8.747	7.634
Continuing operations only			
Basic		6.272	6.444
Diluted		6.251	6.434

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

Consolidated balance sheet

in thousands of €

Assets as at 31 December	Notes	2005	2004
Non-current assets		**1 239 214**	**1 241 096**
Intangible assets	5.1	45 524	42 438
Goodwill and negative goodwill [1]	5.2	79 879	75 982
Property, plant and equipment	5.3	799 762	791 620
– Land and buildings		*215 179*	*207 091*
– Plant, machinery and equipment		*512 332*	*482 582*
– Furniture and vehicles		*12 803*	*10 846*
– Other		*1 490*	*4 025*
– Under construction and advance payments		*57 958*	*87 076*
Investments accounted for using the equity method	5.4	238 366	219 707
Loans and receivables	5.5	186	356
Financial assets		67 734	92 840
– Available-for-sale financial assets	*5.6*	*6 575*	*6 351*
– Derivatives	*5.18*	*61 159*	*86 489*
Deferred tax assets	5.7	7 763	18 153
Current assets		**992 458**	**948 251**
Inventories	5.8	348 330	419 300
– Raw materials and consumables		*139 937*	*145 982*
– Work in progress and finished goods		*197 232*	*252 767*
– Goods purchased for resale and advance payments		*11 161*	*20 551*
Amounts receivable		408 769	421 707
– Trade receivables	*5.8*	*354 225*	*385 176*
– Loans	*5.9*	*143*	*763*
– Other receivables	*5.10*	*54 401*	*35 768*
Financial assets		90 788	45 457
– Available-for-sale financial assets		*–*	*32*
– Derivatives	*5.18*	*335*	*3 621*
– Short term deposits		*90 453*	*41 804*
Cash and cash equivalents		132 248	57 059
Deferred charges and accrued revenues	5.10	8 521	4 728
Assets classified as held for sale	5.11	3 802	–
Total		**2 231 672**	**2 189 347**

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

[1] Balance as at 31 December 2005 only contains goodwill, since the negative goodwill was transferred to retained earnings as at 1 January 2005.

in thousands of €

Equity and liabilities as at 31 December	Notes	2005	2004
Equity		**1 130 278**	**958 539**
Share capital	5.12	172 900	171 000
– *Issued capital*		*172 900*	*171 000*
Share premium		9 271	249
Hedging and revaluation reserves	5.13	1 582	– 1 061
Retained earnings		976 141	882 870
Cumulative translation adjustments		– 80 679	– 143 350
Attributable to equity holders of the parent		**1 079 215**	**909 708**
Minority interests	**5.14**	**51 063**	**48 831**
Non-current liabilities		**542 972**	**526 596**
Employee benefit obligations	5.15	139 848	172 004
Provisions	5.16	44 568	44 436
Financial liabilities		297 692	246 477
– *Finance leases*	*5.17*	*929*	*1 581*
– *Credit institutions*	*5.17*	*80 251*	*131 946*
– *Bonds*	*5.17*	*207 113*	*108 760*
– *Derivatives*	*5.18*	*9 399*	*4 190*
Other amounts payable	5.17	3 013	255
Deferred tax liabilities	5.7	57 851	63 424
Current liabilities		**558 422**	**704 212**
Financial liabilities		246 670	314 370
– *Current portion of non-current financial liabilities*	*5.17*	*9 259*	*75 394*
– *Credit institutions*	*5.17*	*236 329*	*236 583*
– *Derivatives*	*5.18*	*1 082*	*2 393*
Trade payables	5.8	187 369	250 798
Advances received on contracts	5.8	2 601	2 446
Employee benefit obligations	5.8	73 475	88 734
Taxes		30 388	31 643
– *Income taxes*		*10 182*	*12 637*
– *Other taxes*		*20 206*	*19 006*
Other amounts payable	5.19	5 079	9 067
Accrued charges and deferred revenues	5.19	12 840	7 154
Liabilities associated with assets classified as held for sale	5.11	–	–
Total		**2 231 672**	**2 189 347**

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

Consolidated statement of changes in equity

in thousands of €

	Share capital	Share premium	Hedging and revaluation reserves	Retained earnings	Cumulative translation adjustments	Attributable to equity holders of the parent	Minority interests	Total
Balance as at 1 January 2004	**170 000**	**–**	**– 3 018**	**759 659**	**– 135 807**	**790 834**	**43 344**	**834 178**
Result of the Group as reported	–	–	–	167 604	–	167 604	12 350	179 954
Results recognized directly in equity:	–	–	1 957	4 110	– 7 543	– 1 476	– 671	– 2 147
– *Exchange differences*	–	–	–	–	*– 7 543*	*– 7 543*	*– 671*	*– 8 214*
– *Cash flow hedges* [1]	–	–	*1 957*	–	–	*1 957*	–	*1 957*
– *Deferred taxes*	–	–	–	*– 806*	–	*– 806*	–	*– 806*
– *Other*	–	–	–	*4 916*	–	*4 916*	–	*4 916*
Subtotal results	–	–	1 957	171 714	– 7 543	166 128	11 679	177 807
Gross increase/decrease in minority interests	–	–	–	–	–	–	521	521
Creation of new shares	1 000	249	–	–	–	1 249	–	1 249
Acquisition of own shares	–	–	–	– 9 924	–	– 9 924	–	– 9 924
Dividends	–	–	–	– 38 579	–	– 38 579	– 6 713	– 45 292
Balance as at 31 December 2004	**171 000**	**249**	**– 1 061**	**882 870**	**– 143 350**	**909 708**	**48 831**	**958 539**
Balance as at 1 January 2005	**171 000**	**249**	**– 1 061**	**882 870**	**– 143 350**	**909 708**	**48 831**	**958 539**
Effect of changes in accounting policies [2]	–	–	–	– 848	–	– 848	–	– 848
As restated	171 000	249	– 1 061	882 022	– 143 350	908 860	48 831	957 691
Result of the Group as reported	–	–	–	189 875	–	189 875	11 977	201 852
Results recognized directly in equity:	–	–	2 643	– 6 664	62 671	58 650	3 069	61 719
– *Exchange differences*	–	–	*– 164*	–	*62 671*	*62 507*	*3 069*	*65 576*
– *Cash flow hedges* [1]	–	–	*2 807*	–	–	*2 807*	–	*2 807*
– *Deferred taxes*	–	–	–	*– 2 688*	–	*– 2 688*	–	*– 2 688*
– *Other*	–	–	–	*– 3 976*	–	*– 3 976*	–	*– 3 976*
Subtotal results	–	–	2 643	183 211	62 671	248 525	15 046	263 571
Gross increase/decrease in minority interests	–	–	–	– 10 155	–	– 10 155	– 4 256	– 14 411
Creation of new shares	1 900	9 022	–	–	–	10 922	–	10 922
Acquisition of own shares	–	–	–	– 35 190	–	– 35 190	–	– 35 190
Dividends	–	–	–	– 43 747	–	– 43 747	– 8 558	– 52 305
Balance as at 31 December 2005	**172 900**	**9 271**	**1 582**	**976 141**	**– 80 679**	**1 079 215**	**51 063**	**1 130 278**

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

[1] See note 5.13 'Hedging and revaluation reserves'.
[2] See note 1 'Goodwill - changes in accounting policy'.

Consolidated cash flow statement

in thousands of €

Year ended 31 December	2005	2004
Operating activities		
Operating result (EBIT)	136 266	185 081
Non-cash and investing items included in operating result	105 815	131 042
– Depreciation and amortization	*107 433*	*122 629*
– Impairment losses on assets	*13 735*	*9 005*
– (Gains) / losses on disposals of assets	*– 60*	*3 303*
– Provisions for liabilities and charges	*– 15 293*	*– 7 521*
– Venture capital funds transferred to R&D	*–*	*3 626*
Income taxes	– 25 516	– 32 865
Gross cash provided by operating activities	**216 565**	**283 258**
Change in operating working capital	– 32 283	– 112 585
Change in other working capital	– 17 768	– 12 780
Other cash flows	12 289	1 843
Cash provided by / (used in) operating activities	**178 803**	**159 736**
Investing activities		
New investments and capital increases (cf. note 6.1)	– 21 190	– 16 686
Proceeds from disposals of investments (cf. note 2)	86 456	63
Gross (increase) / decrease in non-current loans and receivables	23	503
Dividends received from companies accounted for using the equity method	43 590	22 772
Cash generated by / (used in) portfolio-related activities	**108 879**	**6 652**
Purchase of intangible assets	– 9 730	– 6 629
Purchase of property, plant and equipment	– 141 886	– 166 236
Proceeds from sales of intangible assets	–	22
Proceeds from sales of property, plant and equipment	6 436	6 623
Proceeds from government grants	36	– 88
Cash generated by / (used in) non-portfolio-related activities	**– 145 144**	**– 166 308**
Cash provided by / (used in) investing activities	**– 36 265**	**– 159 656**
Financing activities		
Interest received	5 859	3 229
Interest paid	– 20 626	– 19 232
Gross dividend paid	– 52 196	– 45 314
New shares issued following exercise of subscription rights	10 922	1 249
Capital paid in by minority interests	176	422
(Increase) / decrease in treasury shares at cost	– 35 190	– 10 041
Cash flows from non-current financial liabilities	96 720	6 337
Cash flows from current financial liabilities	– 211 274	76 875
(Increase) / decrease in current loans and receivables	184 678	5 021
(Increase) / decrease in current financial assets	– 49 749	– 11 231
Cash provided by / (used in) financing activities	**– 70 680**	**7 315**
Net increase in cash and cash equivalents	**71 858**	**7 395**
Cash and cash equivalents as at 1 January	**57 059**	**50 468**
Effect of exchange differences on cash and cash equivalents	3 331	– 804
Cash and cash equivalents as at 31 December	**132 248**	**57 059**

The accompanying notes are an integral part of this statement.
The comparative figures for 2004 have not been restated.
The impact of discontinued operations is set out in note 2.

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 using the equity method. The consolidated financial statements were approved for issue by the Board of Directors on 15 March 2006. The consolidated financial statements have been prepared in accordance with IFRSs adopted by the European Union. The Group has adopted all of the new and revised standards and interpretations issued by the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The adoption of these new and revised standards and interpretations has resulted in changes to the Group's accounting policies which have affected the amounts reported for the current or prior years in the following areas:

- Non-current assets held for sale and discontinued operations (IFRS 5);
- Goodwill (IFRS 3);
- Negative goodwill (IFRS 3);
- Share-based payments (IFRS 2).

In the absence of any IASB standard or interpretation regulating the accounting treatment of CO_2 emission rights, the Group has applied the 'net approach' according to which:

- The allowances are recognized as intangible assets and measured at cost. The cost of allowances issued free of charge is thus nil.
- Any short position of the Group is recognized as a liability at fair value of the allowances required to cover the shortfall at the balance sheet date.

The effect of these changes in accounting policies is discussed in detail later in this summary.
The Group did not elect for early application of the following new standards and interpretations which were issued at the date of approval of these financial statements but were not yet effective on the balance sheet date:

- IFRS 6 Exploration for and Evaluation of Mineral Assets;
- IFRS 7 Financial Instruments: Disclosures;
- IFRIC 4 Determining Whether an Arrangement Contains a Lease;
- IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Rehabilitation Funds;
- IFRIC 6 Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment;
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies;
- IFRIC 8 Scope of IFRS 2.

At this stage, the Group does not expect first adoption of these standards and interpretations to have any material impact.

1.2. General principles

Basis of preparation

The consolidated financial statements are presented in thousands of euros, under the historical cost convention, except for investments held for trading and available for sale, which are stated at their fair value. Financial assets which do not have a quoted price in an active market and whose fair value cannot be reliably measured are carried at cost. Unless explicitly mentioned, the accounting policies are applied consistently with the previous year.

Principles of consolidation

Subsidiaries

Subsidiaries are entities 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 entity'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 using the purchase method, in accordance with IFRS 3 'Business Combinations' for acquisitions agreed on or after 31 March 2004. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', which are recognized at fair value less costs to sell. 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 unrealized gains on transactions between Group companies are eliminated; unrealized losses are also eliminated unless the impairment 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, i.e. where the strategic financial and operating policy decisions require the unanimous consent of the parties sharing 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. The financial statements of these companies are prepared using the accounting policies of the Group. The consolidated financial statements include the Group's share of the results of joint ventures and associates accounted for using the equity method, 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. Unrealized gains arising from transactions with joint ventures and associates are set against the investment in the joint venture or the associate concerned to the extent of the Group's interest. Investments in joint ventures and associates are reassessed if there are indications that the asset has been impaired or that impairment losses recognized in prior years have ceased to apply. The investments accounted for using the equity method in the balance sheet include the carrying amount of any related goodwill.

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 closing rate of the European Central Bank;
- income, expenses and cash flows are translated at the weighted average exchange rate for the year;
- shareholders' equity is translated at historical exchange rates.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, joint ventures and associates at the closing exchange rates are included in shareholders' equity under 'cumulative translation adjustments'. On disposal of foreign entities, cumulative translation adjustments are recognized 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 prepared in its functional currency, the euro, consistent with the economic substance of the transactions relevant to that entity. 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. Unrealized and realized foreign-exchange gains and losses are recognized in the income statement. Goodwill is treated as an asset of the acquiree and is accordingly accounted for in the acquiree's currency and translated at the closing rate.

1.3. Balance sheet items

Intangible assets

Intangible assets are initially measured at cost. Intangible assets are recognized if it is probable that the future economic benefits which are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and 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 can have indefinite useful lives. If the useful life of an intangible asset is deemed indefinite, no amortization is recognized, but the asset is reviewed at least annually for impairment. At the balance sheet date, no intangible assets have been identified as having an indefinite useful life.

Licenses, patents and similar rights

Expenditure on acquired licenses, patents, trademarks and similar rights is capitalized and is amortized on a straight-line basis 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 are recognized as an expense when they are incurred, but external costs directly associated with the acquisition and implementation of acquired ERP software are recognized as intangible assets and are amortized over five years on a straight-line basis.

Rights to use land

Rights to use land are recognized as intangible assets and are amortized over the contractual period on a straight-line basis.

Research and development
Expenditure on research activities undertaken with the prospect of gaining new scientific or technological knowledge and understanding is recognized in the income statement as an expense when it is incurred.
Expenditure on development activities where 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 capitalized 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. Capitalized development costs are amortized from the commencement of commercial production of the product on a straight-line basis over the period during which benefits are expected to accrue. The period of amortization does not normally exceed ten years.
An in-process R&D project acquired in a business combination agreed on or after 31 March 2004 is recognized as an asset separately from goodwill if its fair value can be measured reliably.

Goodwill
Goodwill represents the excess of acquisition cost over the Group's interest in the net fair value at the date of acquisition of the acquiree's identifiable assets, liabilities and contingent liabilities.

Changes in accounting policy
After initial recognition, IFRS 3 requires goodwill to be carried at cost less any accumulated impairment losses. Previously, under IAS 22, the Group carried goodwill in its balance sheet at cost less accumulated amortization and accumulated impairment losses. Amortization was charged over the estimated useful life of the goodwill, not exceeding twenty years. Now goodwill is no longer amortized, but is reviewed for impairment at least annually. In accordance with IFRS 3, the purchase of a minority interest after control is obtained cannot be accounted for as a business combination, but no final standard or interpretation is currently available stipulating how it should be accounted for. In the absence of any such standard or interpretation, Bekaert decided to apply the accounting principles set out in the Exposure Draft of Proposed Amendments to IAS 27 Consolidated and Separate Financial Statements (June 2005). Consequently, a purchase of a minority interest after control is obtained is accounted for as a transaction between equity holders in that capacity. As such, the purchase of a minority interest cannot give rise to goodwill or to a gain or loss recognized in the income statement. Previously, the Group accounted for any positive difference between the purchase consideration and the fair value of the acquired minority interest as goodwill, and for any negative difference as negative goodwill. Any difference between the fair value of the acquired minority interest and the purchase consideration is now recognized directly in equity.

Effect of changes in accounting policy
In accordance with the transitional provisions of IFRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 January 2005. No amortization has been charged in 2005. The charge in 2004 was € 6.9 million relating to subsidiaries and € 3.2 million relating to joint ventures and associates. If this change in accounting policy had not been applied in 2005, the amortization of goodwill on subsidiaries (included in 'other operating expenses') and amortization of goodwill on joint ventures and associates would have been € 6.7 million and € 2.5 million higher, respectively. The impact on earnings per share is disclosed in note 4.9. 'Earnings per share'.
On 1 January 2005, the accumulated amortization of goodwill was applied to reduce the gross carrying amount of goodwill.
On 31 December 2004, the accumulated amortization amounted to € 55.5 million relating to subsidiaries and € 21.8 million relating to joint ventures. In 2005, minority interests were purchased in Bekaert Combustion Technology NV and in Sorevi S.A.S. which under the previous accounting policy would have resulted in the recognition of goodwill amounting to € 9.9 million and € 0.2 million respectively.

Impairment of goodwill
For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit's value may be impaired. If the recoverable amount of the cash-generating unit

is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Negative goodwill

The excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost was formerly known as negative goodwill.

Changes in accounting policy

IFRS 3 requires that, after reassessment, any such excess (or negative goodwill) should be recognized immediately as a profit. Previously, negative goodwill was presented in the same balance sheet classification as goodwill and released to income over a number of accounting periods, based on an analysis of the circumstances from which its balance resulted.

Effect of changes in accounting policy

In accordance with the transitional provisions of IFRS 3, the carrying amount of negative goodwill has been derecognized at 1 January 2005 with a corresponding increase in retained earnings. The adjustment amounted to € 0.7 million. No business combinations were entered into after the effective date (31 March 2004) for which the cost was less than the acquired interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Under the previous accounting policy, an amount of € 0.1 million would have been released to income in 2005.

Property, plant and equipment

An item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the Group and its cost can be measured reliably. This recognition principle is applied to the costs incurred initially to acquire an item of property, plant and equipment but also to costs incurred subsequently to add to, replace part of, or service it. Property, plant and equipment is 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 capitalized. Depreciation is provided over the estimated useful lives of the various classes of property, plant and equipment on a straight-line basis. 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%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. 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 disposal are included in the operating result.

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 a 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 recognized as an expense on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognized as a reduction of rental expense over the lease term on a straight-line basis. Improvements to buildings held under operating leases are depreciated over their expected useful lives, or, where shorter, the term of the relevant lease.

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 recognized as income in proportion to the depreciation of the underlying 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 price in an active market and whose fair value cannot be reliably measured by alternative valuation methods are stated at cost. Gains or losses on stating assets held for trading at fair value are recognized directly in the income statement, while such gains or losses on available-for-sale financial assets are recognized in equity. Held-to-maturity financial assets are carried at amortized 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 entities that are neither consolidated nor accounted for using the equity method, amounts receivable in more than one year and cash guarantees. Current available-for-sale assets mainly include corporate bonds, government bonds, commercial paper, preference shares and ordinary shares 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 realizable 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 realizable 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 amortized 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 demand deposits. 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 face value.

Share capital

When share capital is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized 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 subscription rights granted under the first stock option plan, this results in a reduction in retained earnings. When subscription rights granted 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 recognized in retained earnings.

Minority interests

Minority interests represent the shares of minority shareholders in the equity of subsidiaries which are not fully owned by the Group. The item includes the minority shareholders' proportion of the fair values of net assets recognized on acquisition of a subsidiary (business combination) 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 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 recognized 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 recognized 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 recognized 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 incurred on the restructuring and is not associated with the ongoing activities of the entity.

Site restoration

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

Employee benefit obligations

The parent company and its Belgian, United States and German subsidiaries have pension, death benefit and health care benefit plans covering a substantial part of their workforce.

Defined-benefit plans

Most pension plans are defined-benefit plans with benefits based on years of service and level of remuneration. For defined-benefit plans, the amount recognized in the balance sheet is the present value of the defined-benefit obligation adjusted for the unrecognized actuarial gains and losses, less the fair value of any plan assets and any past service costs not yet recognized. 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 used is the yield at balance sheet date on high-quality corporate bonds with remaining terms to maturity 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 recognized immediately but deferred and, to the extent that their cumulative amount exceeds the boundaries of a defined 'corridor', recognized 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 recognized 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 expensed immediately. Where the calculated amount to be recognized in the balance sheet is negative, an asset is only recognized if it does not exceed the net total of any unrecognized 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). In this case, however, actuarial gains or losses are recognized immediately if their deferred recognition would result under the asset ceiling principle in a gain being recognized solely as a result of an actuarial loss in the current period or in a loss being recognized solely as a result of an actuarial gain in the current period. Past service costs are also recognized immediately if their deferred recognition would result under the asset ceiling principle in a gain being recognized 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 recognized past service cost, interest cost, the expected return on any plan assets and recognized 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 the operating result and all other elements are included in interest income and expenses. Pre-retirement pensions in Belgium and plans for medical care in the United States are also treated as defined-benefit plans.

Defined-contribution plans

Obligations in respect of contributions to defined-contribution pension plans are recognized as an expense in the income statement as they fall due. Death and disability benefits granted to employees of the parent company and its Belgian subsidiaries are covered by independent pension funds. Death and disability benefits granted to the staff 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 legally subject to a minimum guaranteed return, the Belgian supplementary pension plan for managers, which offers participants limited investment choice, is 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 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 recognized immediately.

Share-based payment plans
The Group issues equity-settled and cash-settled share-based payments to certain employees. Stock option plans in Belgium are of the equity-settled type, as they allow Group employees to acquire shares of NV Bekaert SA. Share appreciation rights plans and phantom stocks plans in the United States are of the cash-settled type, as they entitle management employees to receive payment of cash bonuses, the amount of which is based on the price of the Bekaert share on the Euronext stock exchange.

Changes in accounting policy
IFRS 2 'Share-based Payment' requires the recognition of equity-settled share-based payments at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed against equity on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Prior to the adoption of IFRS 2, the Group did not recognize the financial effect of equity-settled share-based payment plans until such payments were settled. For cash-settled share-based payments, IFRS 2 requires the recognition of liabilities at the fair value remeasured at each reporting date and at the date of settlement with changes in fair value recognized in the income statement. Prior to the adoption of IFRS 2, the liabilities for such plans were measured at intrinsic value at each balance sheet date. The Group uses a binomial model to estimate the fair value of the share-based payment plans.

Effect of changes in accounting policy
The effect of remeasuring the liabilities related to cash-settled plans in the United States amounts to less than € 0.1 million, which is deemed insufficiently material to restate the opening equity of the earliest period presented, so the amount was recognized as an expense in 2005. In accordance with the transitional provisions of IFRS 2, the stock option plans in Belgium have no effect on the present financial statements, since:
- subscription rights and options relating to the 2000–2004 option plans which were granted had already vested before the effective date of 1 January 2005; and
- no subscription rights relating to the new 2005–2009 option plan had been granted on the balance sheet date and vesting conditions imply that they should be recognized on a straight-line basis in future accounting periods.

Financial liabilities
Financial liabilities, except derivatives, are recognized initially at the fair value of the consideration received, net of transaction costs incurred. In subsequent periods, they are stated at amortized cost using the effective interest-rate method, any difference between the proceeds (net of transaction costs) and the redemption value being recognized in the income statement on a straight-line basis over the period of the liability. If financial liabilities are hedged using derivatives qualifying as a fair value hedge, then these liabilities are recognized at fair value (see valuation principles for derivatives and hedging).

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

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. 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 realized or settled, based on tax rates enacted

or substantively enacted by the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized; this criterion is reassessed at each balance sheet date. Deferred tax on temporary differences arising on investments in subsidiaries, associates and joint ventures is provided for, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Derivatives, hedging and hedging reserves

The Group uses derivatives to hedge its exposure to foreign-exchange, interest rate and commodity price risks arising from operating, financing and investing activities. The net exposure of all subsidiaries is managed on a centralized basis by Group Treasury 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.

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-rate risk

General guidelines are applied in order to cover interest-rate risk:
- the target average life 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 hedge of the fair value of an asset or liability (fair value hedge), or
- a hedge of the exposure to variability in cash flows attributable to an asset or liability or a forecast transaction (cash flow hedge), or
- a hedge of a net investment in a foreign entity, or
- a derivative not designated as a hedging instrument.

The Group’s criteria for classifying a derivative as a hedge include:
- the hedge transaction is expected to be highly effective in 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;
- the effectiveness of the hedge can be reliably measured;
- there is adequate documentation of the hedging relationships at the inception of the hedge;
- for a cash flow hedge, the forecast transaction which is the subject of the hedge must be highly probable;
- 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 recognized 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 recognized 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 recognized as income or expense and will be fully amortized by the maturity of the hedged item.

Cash flow hedges

Cash flow hedges are hedges of the exposure to variability in future cash flows related to recognized assets or liabilities, or highly probable forecast transactions or unrecognized firm commitments. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized directly in shareholders’ equity (hedging reserve). The ineffective portion is recognized immediately in the income statement. If the hedged cash flow results in the recognition of an asset or a liability, all gains and losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying amount of the asset or liability. For all other cash flow hedges, gains and losses initially recognized in equity are transferred from the hedging reserve to the income statement when the hedged firm commitment or forecast transaction results in the recognition of a profit or loss.
When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively and the accumulated gain or loss is retained in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is transferred to the income statement.

Derivatives 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 derivatives are recognized immediately in the income statement.

Impairment of assets
Goodwill and intangible assets with an indefinite useful life or not yet available for use are reviewed for impairment at least annually; other tangible and intangible fixed assets 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 fair value less costs to sell and its value in use), an impairment loss is recognized in the income statement. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs to sell while value in use is the present value of the future cash flows expected to be derived from an asset. 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 recognized in prior years is included as income when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. However, impairment losses on goodwill are never reversed.

1.4. Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the entity and the amount of the revenue can be measured reliably. Sales are recognized net of sales taxes and discounts. Revenue from sales of goods is recognized when delivery has taken place and the transfer of risks and rewards has been completed. Revenue from construction contracts is recognized 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 recognized only to the extent of the contract expenses recognized 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 recognized on barter transactions involving the exchange of similar goods or services. Interest is recognized on a time-proportional basis that reflects the effective yield on the asset. Royalties are recognized on an accrual basis in accordance with the terms of agreements. Dividends are recognized when the shareholder's right to receive payment is established.

1.5. Critical accounting judgments and key sources of estimation uncertainty

General business risks
Bekaert is exposed to all the risks affecting businesses which are expanding around the world both in mature markets and in rapidly developing growth markets. The growth of these economies, the potential political and financial risks they present, the emergence of new technologies and competitors, the shifting economic flows between continents, the growing environmental awareness, the volatile supply of and demand for raw materials and the probability of consolidation of all or part of industrial segments present as many risks for the Group as they create opportunities. The Executive Management, the Strategic Committee and the Board of Directors monitor these developments closely and take the action they consider necessary to safeguard the Group's future as effectively as possible.

Critical judgments in applying the entity's accounting policies

- Management considers that a constructive obligation exists to provide pre-retirement schemes for the employees as from the first day of service (cf. note 5.15 'Employee benefit obligations').
- Management considers that R&D expenditure does generally not meet the criteria for recognition as an asset (cf. note 5.1 'Intangible assets').

Key sources of estimation uncertainty

- Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. In its judgment management considers elements such as long-term business strategy and tax planning opportunities (cf. note 5.7 'Deferred tax assets and liabilities').
- Provisions for environmental issues: each time at year-end an estimation of future expenses regarding soil pollution is made based on the advice of an external expert (cf. note 5.16 'Provisions').
- Impairment of goodwill: the Group tests the goodwill for impairment annually, or more

frequently if there are indications that goodwill might be impaired (cf. note 5.2 'Goodwill and negative goodwill').

1.6. Miscellaneous

Non-current assets held for sale and discontinued operations

The Group now applies IFRS 5 'Non-current assets held for sale and discontinued operations', which supersedes IAS 35 'Discontinuing operations'. A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. A discontinued operation is a component of an entity which the entity has disposed of or is classified as held for sale, which represents a separate major line of business or geographical area of operations and which can be distinguished operationally and for financial reporting purposes.

Changes in accounting policy

In accordance with the former IAS 35 standard, a discontinued operation should be disclosed if the entity has entered into a binding sale agreement for substantially all of the assets attributable to the discontinued operation or if the entity's board of directors has both approved and announced a detailed formal plan for the discontinuance.
For a sale to be highly probable under IFRS 5, the entity should be committed to a plan to sell the asset (or disposal group), an active programme to locate a buyer and complete the plan should be initiated, and the asset (or disposal group) should be actively marketed at a reasonable price in view of its current fair value, and the sale should be expected to be completed within one year from the date of classification. As a consequence of IFRS 5 coming into effect on 1 January 2005 and superseding IAS 35, assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs necessary to make the sale. Any excess of the carrying amount over the fair value less costs to sell is included as an impairment loss. Assets classified as held for sale are no longer depreciated.
In accordance with its transitional provisions, IFRS 5 is applied prospectively to non-current assets (or disposal groups) and operations which meet the above criteria. Comparative balance sheet information for prior periods is not restated to reflect the classification in the balance sheet for the latest period presented. The net result from discontinued operations reported last year was presented before consolidation adjustments and minority interests, which have now been included. The difference with the 2004 net result from discontinued operations reported last year amounts to € –16.6 million.

Effect of changes in accounting policy

The main consequences of applying IFRS 5 to the sale of the fencing systems Europe business segment in January 2005 relate to differences in presentation. The income statement is analyzed between continuing and discontinued operations and is restated for 2004. The result from discontinued operations in 2004 represents the net profit generated by fencing systems Europe in the year before its disposal. The result from discontinued operations in 2005 represents the after-tax gain on the sale of fencing systems Europe as from 1 January 2005. The balance sheet as at 31 December 2004 has not been restated as a consequence of classifying the fencing systems Europe business segment as a discontinued operation in 2005.

Contingencies

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

2. Impact of discontinued operations

On 12 January 2005, the Group entered into a sale agreement to dispose of its fencing systems Europe business segment. The disposal was completed on 1 March 2005, but control of fencing systems Europe was passed to the acquirer on 1 January 2005. In accordance with IFRS 5, the 2004 income statement was restated to show continuing operations separately from discontinued operations. Both continuing and discontinued operations were restated to include elements relating to transactions between fencing and non-fencing entities which were previously eliminated in the consolidation as intra-group. The effect of including these elements is shown as consolidation adjustments.

in thousands of €

Income statement 2004	Continuing operations	Discontinued operations	Consolidation adjustments	As reported last year
Sales	1 741 909	453 837	– 22 579	2 173 167
Cost of sales	– 1 343 225	– 358 777	19 633	– 1 682 369
Gross profit	**398 684**	**95 060**	**– 2 946**	**490 798**
Distribution and selling expenses	– 85 989	– 28 465	2 788	– 111 666
General and administrative expenses	– 94 906	– 14 991	964	– 108 933
Research and development expenses	– 53 599	– 370	102	– 53 867
Other revenues	23 985	2 167	– 6 593	19 559
Other expenses	– 49 169	– 1 620	– 21	– 50 810
Operating result	**139 006**	**51 781**	**– 5 706**	**185 081**
Interest income and expenses	– 15 643	– 11 038	86	– 26 595
Non-operating income and expenses	– 4 901	– 4 690	5 620	– 3 971
Result from ordinary activities before taxes	**118 462**	**36 053**	**–**	**154 515**
Income taxes	– 18 392	– 9 721	–	– 28 113
Result from ordinary activities after taxes	**100 070**	**26 332**	**–**	**126 402**
Share in the results of joint ventures and associates	56 682	90	–	56 772
Amortization of goodwill on joint ventures and associates	– 3 213	– 7	–	– 3 220
Minority interests	– 12 275	– 75	–	– 12 350
Net result	**141 264**	**26 340**	**–**	**167 604**

Since the fencing systems Europe business segment was sold with effect from 1 January 2005, the result from discontinued operations (€ 54.2 million) for 2005 is equivalent to the gain on the sale transaction, including a tax effect of € 5 million. In accordance with IAS 7 Cash Flow Statements, the cash flow effect of the reported gain on disposal should be explained by a detailed analysis of the assets and liabilities given up.

The net assets disposed of were as follows:

in thousands of €

	2005
Intangible assets	3 068
Property, plant and equipment net of investment grants	89 549
Non-current financial assets	475
Deferred tax assets	16 624
Inventories	102 566
Current amounts receivable	115 635
Current financial assets	11 241
Cash and cash equivalents	12 956
Deferred charges and accrued income	744
Minority interests	– 244
Cumulative translation adjustments	– 1 507
Provisions	– 29 253
Leasing	– 427
Non-current financial liabilities	– 158 259
Deferred tax liabilities	– 9 536
Current financial liabilities	– 20 341
Trade payables	– 64 585
Current employee benefit obligations	– 14 785
Tax payables	– 3 315
Other amounts payable	– 1 636
Accrued charges and deferred income	– 4 453
Attributable goodwill	623
Consolidation entries	– 615
Total net assets	**44 525**
Gain on disposal	54 187
Total consideration	**98 712**
Represented by:	
Cash	99 412
Deferred consideration adjustment	– 700
Net cash inflow arising from disposal	
Cash consideration received	99 412
Cash and cash equivalents disposed of	– 12 956
Proceeds from disposals of investments	**86 456**

3. Segment reporting

Two segmentations are presented below: a primary segmentation by business segment and a secondary segmentation by geographical market. 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 business segment) and advanced materials and coatings (which drives the advanced materials and advanced coatings business segments). Detailed information on the segments is also available in the 'Segment reporting' section and in the shareholders' brochure.

Key data by primary reporting segment

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 operating working capital. All other assets and liabilities (excluding equity) are reported as unallocated corporate assets or liabilities.

'Other' mainly consists of the functional unit technology, unallocated 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.

in thousands of €

2005	Advanced wire products	Advanced materials	Advanced coatings	Other	Eliminations	Consolidated
Net sales to external customers	1 630 382	141 057	130 073	12 747		1 914 259
Net sales to other segments	9 483	30	2 332	108 686	– 120 531	–
Total net sales	**1 639 865**	**141 087**	**132 405**	**121 433**	**– 120 531**	**1 914 259**
Operating result before non-recurring events	*186 816*	*13 089*	*2 527*	*– 34 565*		*167 867*
Non-recurring events	*– 15 728*	*– 7 803*	*– 6 749*	*– 1 321*		*– 31 601*
Operating result (EBIT)	**171 088**	**5 286**	**– 4 222**	**– 35 886**		**136 266**
Depreciation and amortization	*84 657*	*6 777*	*11 519*	*4 480*		*107 433*
Impairment losses	*–*	*7 573*	*6 162*	*–*		*13 735*
EBITDA	**255 745**	**19 636**	**13 459**	**– 31 406**		**257 434**
Segment assets	*1 344 997*	*129 640*	*166 397*	*102 344*	*– 111 857*	*1 631 521*
Unallocated corporate assets						*600 151*
Total assets						**2 231 672**
Segment liabilities	*249 369*	*39 287*	*21 381*	*72 466*	*– 110 923*	*271 580*
Unallocated corporate liabilities						*829 814*
Total liabilities						**1 101 394**
Capital employed	1 095 628	90 353	145 016	29 878	– 934	1 359 941
Average capital employed	1 017 404	85 378	142 186	22 892	30	1 267 890
Return on average capital employed (ROCE)	16.8%	6.2%	– 3.0%			10.7%
Capital expenditure – PP&E	122 243	8 224	9 423	1 996		141 886
Capital expenditure – intangible assets	6 324	733	1 789	884		9 730
Share in the results of joint ventures and associates	56 868	71	–	–		56 939
Investments accounted for using the equity method (excl. goodwill)	232 776	111	–	–		232 887
Number of employees (year-end)	8 592	892	728	810		11 022

in thousands of €

2004	Advanced wire products	Advanced materials	Advanced coatings	Other	Elimina-tions	Consoli-dated
Net sales to external customers	1 491 383	116 290	124 738	9 498		1 741 909
Net sales to other segments	10 042	230	2 360	118 347	– 130 979	–
Total net sales	**1 501 425**	**116 520**	**127 098**	**127 845**	**– 130 979**	**1 741 909**
Operating result before non-recurring events	*184 664*	*9 273*	*– 1 490*	*– 44 864*		*147 583*
Non-recurring events	*– 4 107*	*– 1 750*	*– 6 257*	*3 537*		*– 8 577*
Operating result (EBIT)	**180 557**	**7 523**	**– 7 747**	**– 41 327**		**139 006**
Depreciation and amortization	*77 448*	*5 498*	*14 691*	*9 932*		*107 569*
Impairment losses	*1 039*	*1 757*	*6 209*	*–*		*9 005*
EBITDA	**259 044**	**14 778**	**13 153**	**– 31 395**		**255 580**
Segment assets	*1 180 061*	*111 458*	*160 008*	*399 389*	*– 136 401*	*1 714 515*
Unallocated corporate assets						*474 832*
Total assets						**2 189 347**
Segment liabilities	*240 881*	*31 055*	*20 652*	*196 658*	*– 137 395*	*351 851*
Unallocated corporate liabilities						*878 957*
Total liabilities						**1 230 808**
Capital employed	939 180	80 403	139 356	202 731	994	1 362 664
Average capital employed	884 822	72 130	143 956	190 203	5 709	1 296 820
Return on average capital employed (ROCE)	20.4%	10.4%	– 5.3%			14.3%
Capital expenditure – PP&E	144 510	4 006	6 815	10 905		166 236
Capital expenditure – intangible assets	3 247	414	1 355	1 613		6 629
Share in the results of joint ventures and associates	56 127	35	–	520		56 682
Investments accounted for using the equity method (excl. goodwill)	212 690	75	–	284		213 049
Number of employees (year-end)	8 217	712	676	775		10 380

Key data by secondary reporting segment

in thousands of €

2005	Europe	North America	Latin America	Asia	Rest of the World	Consoli-dated
Net sales	936 428	618 901	32 462	292 138	34 330	1 914 259
Total assets before consolidation	*2 075 901*	*498 157*	*160 771*	*537 242*	*193*	*3 272 264*
Intercompany eliminations	*– 1 023 962*	*– 9 166*	*– 235*	*– 22 700*	*–*	*– 1 056 063*
Consolidation adjustments						*15 471*
Total assets after consolidation						2 231 672
Capital expenditure						
PP&E	*61 458*	*13 648*	*393*	*66 372*	*15*	*141 886*
Intangible assets	*5 269*	*1 089*	*298*	*3 074*	*–*	*9 730*

2004	Europe	North America	Latin America	Asia	Rest of the World	Consoli-dated
Net sales	886 246	584 099	28 795	211 362	31 407	1 741 909
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*

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 analyzed by geographical location of the assets. The unallocated consolidation adjustments relate mainly to goodwill recognized in the consolidation.

4. Income statement items

4.1. Sales and other revenues

in thousands of €

Sales	2005	2004	%
	1 914 259	1 741 909	9.9

Sales increased as a result of a 7.6% organic growth and a 1.4% net effect of new acquisitions and disposals. There was a positive exchange effect (mainly in relation to the US dollar and the Chinese renminbi) of 0.9%. Sales by non-fencing entities to fencing entities in 2004, amounting to € 19.3 million, have now been recognized as relating to continuing operations. Sales are reported by business segment and geographical market in note 3 'Segment reporting' and in the 'Segment reporting' section.

in thousands of €

Other revenues	2005	2004
Royalties received	9 755	13 058
Gains on disposal of PP&E and intangible assets	2 860	928
Realized exchange results on sales and purchases	– 2 855	– 506
Tax rebates	65	310
Government grants	5 639	2 509
Miscellaneous	13 979	7 686
Total	**29 443**	**23 985**

Miscellaneous revenues in 2005 relate mainly to changes in employee benefit plans (€ 7.5 million), reimbursements (€ 1.4 million), insurance claims (€ 1.3 million), services to third parties (€ 1.0 million) and rental income (€ 0.7 million).

4.2. Operating expenses

The tables below provide additional information on how the major operating expenses, categorized by nature, were allocated to the line items of the income statement by function.

in thousands of €

2005	Cost of sales	Distribution & selling expenses	General & administrative expenses	R&D expenses	Other operating expenses	Total
Raw materials	784 182	–	–	–	–	784 182
Semi-finished products and goods for resale	60 983	–	–	–	–	60 983
Change in work-in-progress and finished goods	– 15 687	–	–	–	–	– 15 687
Staff costs	319 040	51 337	47 917	26 854	4 745	449 893
Depreciation of PP&E	89 999	559	1 781	1 370	3 239	96 948
Amortization of intangible assets	1 691	756	6 258	95	–	8 800
Amortization of investment grants	– 515	–	–	–	–	– 515
Write-down of inventories	2 782	–	–	–	–	2 782
Write-down of trade receivables	–	– 582	–	–	–	– 582
Depreciation and amortization	93 957	733	8 039	1 465	3 239	107 433
Impairment of goodwill	–	–	–	–	3 325	3 325
Impairment of PP&E	–	–	–	–	10 410	10 410
Impairment losses	–	–	–	–	13 735	13 735
Transport	59 168	–	–	–	–	59 168
Handling of finished goods	1 199	–	–	–	–	1 199
Consumables and spare parts	84 197	–	–	–	–	84 197
Own construction of PP&E	– 86 555	–	–	–	–	– 86 555
Miscellaneous expenses	221 672	40 375	44 451	16 656	25 734	348 888
Total	**1 522 156**	**92 445**	**100 407**	**44 975**	**47 453**	**1 807 436**

in thousands of €

2004	Cost of sales	Distribution & selling expenses	General & administrative expenses	R&D expenses	Other operating expenses	Total
Raw materials	700 688	–	–	–	–	700 688
Semi-finished products and goods for resale	69 327	–	–	–	–	69 327
Change in work-in-progress and finished goods	– 40 745	–	–	–	–	– 40 745
Staff costs	312 494	46 886	45 897	25 242	19 767	450 286
Depreciation of PP&E	81 422	648	1 747	2 123	287	86 227
Amortization of intangible assets	801	641	6 284	3 701	275	11 702
Amortization of investment grants	– 495	–	–	–	–	– 495
Amortization of goodwill on subsidiaries	–	–	–	–	5 622	5 622
Write-down of inventories	3 156	–	–	–	–	3 156
Write-down of trade receivables	–	1 357	–	–	–	1 357
Depreciation and amortization	84 884	2 646	8 031	5 824	6 184	107 569
Impairment of intangible assets	–	–	–	–	2 277	2 277
Impairment of goodwill	–	–	–	–	1 624	1 624
Impairment of PP&E	–	–	–	–	5 104	5 104
Impairment losses	–	–	–	–	9 005	9 005
Transport	58 071	–	–	–	–	58 071
Handling of finished goods	2 293	–	–	–	–	2 293
Consumables and spare parts	79 636	–	–	–	–	79 636
Own construction of PP&E	– 103 914	–	–	–	–	– 103 914
Miscellaneous expenses	180 491	36 457	40 978	22 533	14 213	294 672
Total	**1 343 225**	**85 989**	**94 906**	**53 599**	**49 169**	**1 626 888**

The 2004 section relates to continuing operations only.

4.3. Operating result (EBIT)

in thousands of €

Operating result (EBIT)	2005	2004	%
	136 266	139 006	– 2.0

Bekaert's consolidated operating result (EBIT) before non-recurring items in 2005 amounted to € 167.9 million, compared with € 147.6 million in 2004. Reflecting the substantial increase in non-recurring events (cf. note 4.8 'Non-recurring events'), mainly due to provisions for restructuring programs and various impairments, the consolidated operating result in 2005 amounted to € 136.3 million compared with € 139.0 million in 2004. In advanced wire products, Bekaert benefited from higher sales and increased activity in growth markets. The application of the inventory valuation rules had a limited impact on the operating result in 2005 in contrast with the positive effect of € 35.0 million recorded in 2004 in the context of significant raw material price increases. In advanced materials, the combustion technologies business reported sustained growth. In the advanced coatings business, good progress was made in both sales and manufacturing of specialized films.

4.4. Interest income and expenses

in thousands of €

	2005	2004
Interest and similar income	5 859	9 132
Interest and similar expense	– 25 593	– 19 133
Interest element of interest-bearing provisions	– 7 198	– 5 642
Total	**– 26 932**	**– 15 643**

The interest element of interest-bearing provisions mainly relates to the various components of the net benefit expense of defined-benefit plans, other than current and past service costs (see note 5.15. 'Employee benefit obligations').

4.5. Non-operating income and expenses

in thousands of €

	2005	2004
Value adjustments to derivatives	– 38 008	22 345
Value adjustments to hedged items	20 896	– 10 518
Unrealized exchange results	23 352	– 9 135
Realized exchange results	3 602	– 3 598
Exchange gains / (losses) – inflation accounting	–	343
Gains / (losses) on disposal of financial assets	1 584	– 2
Dividends from other shares	6	7
Impairment of investments	–	– 4 593
(Write-downs of loans and receivables) / write-down reversals	–	– 22
Other	229	272
Total	**11 661**	**– 4 901**

Value adjustments include changes to the fair value of all derivatives, other than those designated as cash flow hedges, and of all debt hedged by fair value hedges. Unrealized exchange results relate to the effect of valuing balance sheet items at closing rates and realized exchange results relate to transactions other than normal trading sales and purchases.

4.6. Income taxes

in thousands of €

	2005	2004
Current taxes for the year	– 29 151	– 27 233
Adjustment to current taxes in respect of prior periods	862	– 1 288
Deferred taxes for the year	– 422	6 975
Adjustment to deferred taxes in respect of prior periods	– 1 558	3 154
Total tax (expense) / income on continuing operations	**– 30 269**	**– 18 392**

Relationship between tax expense and accounting profit

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

in thousands of €

	2005	2004
Accounting profit from continuing operations	120 995	118 462
Tax (expense) / income at the theoretical domestic rates applicable to profits of taxable entities in the countries concerned	– 36 350	– 36 829
Theoretical tax rate	– 30.0%	– 31.1%
Tax effect of:		
Non-deductible items	– 2 851	– 4 027
Other tax rates and special tax regimes	25 498	15 300
Non-recognition of deferred tax assets	– 13 325	– 1 644
Utilization of deferred tax assets not previously recognized	3 052	11 121
Current tax adjustments relating to prior periods	862	– 1 288
Deferred tax adjustments relating to prior periods	– 1 558	3 154
Taxes on distributed and undistributed earnings	– 6 951	– 3 245
Other	1 354	– 934
Total tax (expense) / income on continuing operations	**– 30 269**	**– 18 392**

4.7. Share in the results of joint ventures and associates

The main Latin-American joint ventures continued to benefit from favorable economic conditions. Positive exchange differences (especially on the Brazilian real) had a substantial impact (€ 6.9 million) on the share in the result of joint ventures and associates.

in thousands of €

		2005	2004
Joint ventures			
Bekaert Australia Steel Cord Pty Ltd	Australia	519	425
Bekaert Faser Vertriebs GmbH	Germany	71	35
Bekaert Handling Group A/S and subsidiaries	Denmark	–	520
Belgo Bekaert Arames Ltda.	Brazil	34 879	32 489
BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda.	Brazil	4 640	6 917
Chilean entities [1]	Chile	12 321	11 114
Ideal Alambrec S.A. [2]	Ecuador	1 999	1 728
Spaleck-Bekaert GmbH & Co. KG	Germany	–	208
Vicson, S.A.	Venezuela	2 249	3 174
Subtotal - joint ventures		**56 678**	**56 610**
Associates			
Jiangyin Fasten-Bekaert Optical Cable Steel Products Co., Ltd	China	261	72
Pindurg S.L. [3]	Spain	–	–
Subtotal - associates		**261**	**72**
Total joint ventures and associates excluding amortization of related goodwill		**56 939**	**56 682**
Amortization of related goodwill		–	– 3 213
Total joint ventures and associates including amortization of related goodwill		**56 939**	**53 469**

4.8. Non-recurring events

in thousands of €

2005	Before non-recurring events	Non-recurring events	As reported in income statement
Operating income and expenses			
Restructuring programs		– 13 998	
Impairment losses		– 13 735	
Other		– 3 868	
Operating result	**167 867**	**– 31 601**	**136 266**
Interest income and expenses	– 26 932		– 26 932
Non-operating income and expenses	11 661	–	11 661
Impairment losses on investments in joint ventures and associates		–	
Other		–	
Result from ordinary activities before taxes	**152 596**	**– 31 601**	**120 995**

The main non-recurring events affecting the operating result were:
- restructuring programs in advanced wire products relating to the reconfiguration in Europe and North America of various production lines and the shutdown of the Muskegon plant in North America;
- impairment losses relating to industrial coatings at Bekaert Advanced Coatings and Bekaert Corporation (€ – 6.2 million), Bekaert CEB Technologies BV and Bekaert CEB Technologies Canada Ltd (€ – 3.3 million), composites at Bekaert Progressive Composites Corporation and Bekaert Progressive Composites, S.A. (€ – 3.1 million) and fiber technologies (€ – 1.1 million);
- other non-recurring events, including additional funding for pensions in the United Kingdom.

[1] Includes the Prodalam group and the Inchalam group.
[2] Relates to the Ideal Alambrec group.
[3] Discontinued operations included in the disposal of fencing systems Europe.

in thousands of €

2004	Before non-recurring events	Non-recurring events	As reported in income statement
Operating income and expenses			
Restructuring programs		– 1 675	
Impairment losses		– 9 005	
Other		2 103	
Operating result	**147 583**	**– 8 577**	**139 006**
Interest income and expenses	– 15 643		– 15 643
Non-operating income and expenses	5 374	– 10 275	– 4 901
Impairment losses on investments in joint ventures and associates		– 4 593	
Other		– 5 682	
Result from ordinary activities before taxes	**137 314**	**– 18 852**	**118 462**

The main non-recurring events affecting the operating result were:
– restructuring programs in advanced wire products relating to the reconfiguration in Europe of various production lines, commenced in 2003;
– impairment losses relating to Bekaert Carding Solutions NV (€ – 1.0 million), the display business at Bekaert Specialty Films, LLC (€ – 6.2 million) and composites at Bekaert Progressive Composites Corporation (€ – 1.8 million);
– other non-recurring events relating to additional provisions for environmental clean-up programs in Belgium and Slovakia (€ – 3.6 million) and royalties from the discontinued operations (€ 5.7 million).

The non-recurring events included in non-operating income and expenses were an impairment loss in respect of the Bekaert Handling Group A/S joint venture (€ – 4.6 million) and the reversal of the royalties from discontinued operations (€ – 5.7 million).

4.9. Earnings per share

in thousands of €

As at 31 December 2005	Basic	Diluted
Weighted average number of ordinary shares	21 633 346	21 633 346
Dilution effect of stock options (note 5.12)	–	74 529
Weighted average number of ordinary shares (diluted)	–	21 707 875

Including discontinued operations	Basic	Diluted
Net income attributable to ordinary shareholders	189 875	189 875
Earnings per share (in €)	**8.777**	**8.747**

Continuing operations only	Basic	Diluted
Net income attributable to ordinary shareholders	135 688	135 688
Earnings per share (in €)	**6.272**	**6.251**

If the former accounting policies had been applied in 2005, earnings per share would have been impacted as follows:

in thousands of €

	Basic	Diluted
Impact of changes in accounting policies	– 9 168	– 9 168
Earnings per share (in €)	**-0.426**	**-0.424**

in thousands of €

As at 31 December 2004	Basic	Diluted
Weighted average number of ordinary shares	21 920 662	21 920 662
Dilution effect of stock options (note 5.12)	–	34 179
Weighted average number of ordinary shares (diluted)	–	21 954 841

Including discontinued operations	Basic	Diluted
Net income attributable to ordinary shareholders	167 604	167 604
Earnings per share (in €)	**7.646**	**7.634**

Continuing operations only	Basic	Diluted
Net income attributable to ordinary shareholders	141 264	141 264
Earnings per share (in €)	**6.444**	**6.434**

The weighted average closing price during 2005 was € 64.81 per share (2004: € 50.06 per share). The impact of discontinued operations is disclosed in note 2.

5. Balance sheet items

5.1. Intangible assets

in thousands of €

Cost	Licenses, patents & similar rights	Computer software	Rights to use land	Develop-ment costs	Other	Total 2005	Total 2004
As at 1 January	37 391	50 256	6 869	4 917	2 363	101 796	92 223
Expenditure	78	5 417	3 075	–	1 160	9 730	6 629
Disposals and retirements	–	– 804	–	–	–	– 804	– 340
Transfers	3	–	–	– 3	–	–	3 626
New consolidations	–	188	–	–	3 131	3 319	700
Deconsolidations	–	– 16 024	–	–	– 858	– 16 882	–
Exchange gains / (losses)	13	1 351	1 459	196	573	3 592	– 1 042
As at 31 December	**37 485**	**40 384**	**11 403**	**5 110**	**6 369**	**100 751**	**101 796**
Amortization / impairment losses							
As at 1 January	18 427	33 308	1 465	4 724	1 434	59 358	43 681
Charge for the year	3 339	4 526	274	106	555	8 800	13 834
Impairment losses	–	–	–	–	–	–	2 277
Disposals and retirements	–	– 804	–	–	–	– 804	– 309
New consolidations	–	183	–	–	10	193	336
Deconsolidations	–	– 12 959	–	–	– 856	– 13 815	–
Exchange (gains) / losses	12	745	288	183	267	1 495	– 461
As at 31 December	**21 778**	**24 999**	**2 027**	**5 013**	**1 410**	**55 227**	**59 358**
Net book value as at 31 December 2005	**15 707**	**15 385**	**9 376**	**97**	**4 959**	**45 524**	
Net book value as at 31 December 2004	**18 964**	**16 948**	**5 404**	**193**	**929**		**42 438**

The implementation of ERP software (SAP) accounted for € 5.4 million (2004: € 5.8 million) of the expenditure. The new rights to use land acquired for the Weihai plant in China cost € 2.9 million. The positive exchange effect on the 2005 net book value amounted to € 2.1 million, mainly on assets recorded in US dollars and Chinese renminbis. The other intangible assets include the recognition of business knowledge and market share with the acquisition of the advanced filtration entities (formerly Southwest Screens & Filters SA) with a fair value of € 3.0 million (cf. note 6.1 'Effect of acquisitions'). Licenses, patents and similar rights consist mainly of intellectual property of the specialized films activity, acquired in 2001, with a net book value of € 14.5 million (2004: € 17.1 million).

5.2. Goodwill and negative goodwill

a. Goodwill

in thousands of €

Cost	2005	2004
As at 1 January	78 494	125 443
Expenditure	1 961	13 692
Disposals and retirements	–	– 686
New consolidations	–	642
Deconsolidations	– 582	– 430
Exchange gains / (losses)	6 977	– 4 684
Elimination of goodwill on minority purchases	– 1 508	–
As at 31 December	**85 342**	**133 977**
Netting of amortization accumulated prior to the adoption of IFRS 3		– 55 483
As at 1 January 2005 after adoption of IFRS 3		**78 494**

Amortization / impairment losses	2005	2004
As at 1 January	1 852	50 530
Amortization charge for the year	–	6 857
Impairment losses	3 325	2 032
Disposals and retirements	–	– 685
Transfers	–	–
New consolidations	–	244
Deconsolidations	–	– 259
Exchange (gains) / losses	286	– 1 384
As at 31 December	**5 463**	**57 335**
Netting of amortization accumulated prior to the adoption of IFRS 3		– 55 483
As at 1 January 2005 after adoption of IFRS 3		**1 852**
Net book value as at 31 December	**79 879**	**76 642**

b. Negative goodwill

in thousands of €

Cost	2004
As at 1 January	4 384
Expenditure	226
Disposals and retirements	– 1 898
As at 31 December	**2 712**
Derecognition through retained earnings (IFRS 3)	– 2 712
As at 1 January 2005 after adoption of IFRS 3	–

Amortization	2004
As at 1 January	388
Amortization charge for the year	1 252
Impairment	408
Exchange (gains) / losses	4
As at 31 December	**2 052**
Derecognition through retained earnings (IFRS 3)	– 2 052
As at 1 January 2005 after adoption of IFRS 3	–
Net book value as at 31 December	**660**
Derecognition through retained earnings (IFRS 3)	– 660
As at 1 January 2005 after adoption of IFRS 3	–
Total net book value as at 31 December (a–b)	**75 982**

This note relates only to goodwill and negative goodwill on consolidation of subsidiaries. In accordance with IFRS 3, accumulated amortization on goodwill and negative goodwill have been restated through retained earnings. Goodwill in respect of companies accounted for using the equity method is disclosed in note 5.4 'Investments accounted for using the equity method'. Expenditure on goodwill in 2005 relates to the acquisitions of the advanced filtration entities (formerly Southwest Screens & Filters) for € 0.9 million and the carding solutions entities (formerly ECC Card Clothing) for € 1.0 million.

Goodwill by cash-generating unit (CGU)

Goodwill acquired in a business combination is allocated on acquisition to the cash-generating units (CGU) that are expected to benefit from that business combination. The carrying amount of goodwill and related impairment have been allocated as follows:

in thousands of €

Segment	Cash-generating unit	Net book value after impairment 31/12/2005	Impairment 2005	Net book value after impairment 31/12/2004	Impairment 2004
Subsidiaries					
Advanced wire products	Bekaert Bohumín s.r.o.	–	–	337	–
Advanced wire products	Van Buren plant	3 201	–	2 772	–
Advanced wire products	Titan Steel & Wire Co. Ltd	5 530	–	5 530	–
Advanced wire products	Orrville plant	9 944	–	8 612	–
Advanced wire products	Building products	–	–	287	–
Advanced wire products	Carding solutions	1 005	–	–	–
Advanced wire products	Steel cord	–	–	400	–
Advanced materials	Advanced filtration	902	–	–	–
Advanced materials	Combustion technologies	1 493	–	1 493	–
Advanced materials	Solaronics	13 616	–	13 450	–
Advanced materials	CEB Technologies	–	3 325	3 325	–
Advanced materials	Progressive composites	–	–	–	1 757
Advanced coatings	Industrial coatings	4 285	–	4 370	–
Advanced coatings	BACT United States plant	247	–	214	–
Advanced coatings	Sorevi S.A.S.	1 496	–	1 496	–
Advanced coatings	Precision Surface Technology	184	–	184	–
Advanced coatings	Bekaert Dymonics GmbH	–	–	400	–
Advanced coatings	Specialized films	37 976	–	33 191	275
Fencing systems Europe	Fencing systems Europe	–	–	581	–
Subtotal		**79 879**	**3 325**	**76 642**	**2 032**
Joint ventures and associates					
Advanced wire products	Belgo Bekaert Arames Ltda.	5 479	–	4 480	–
Advanced wire products	Ropes	–	–	2 138	–
Fencing systems Europe	Fencing systems Europe	–	–	40	–
Subtotal		**5 479**	**–**	**6 658**	**–**
Total		**85 358**	**3 325**	**83 300**	**2 032**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value-in-use calculations. A pre-tax discount rate of 9.5% was applied for all impairment exercises (as in 2004). In the cash flow projections, growth rates and future margins were derived from 2005 actuals or from the 2006 budget. Management believes these key assumptions to be reasonable, based on the evolution of the markets and Bekaert's position in those markets.

The tests resulted in an impairment of the goodwill for the CEB business on the grounds that the results were not in line with the original business plan and short-term improvements are uncertain.

5.3. Property, plant and equipment

in thousands of €

Cost	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Leases and similar rights	Other PP&E	Assets under construction and advance payments	Total 2005	Total 2004
As at 1 January	508 375	1 554 010	63 560	5 265	11 141	87 076	2 229 427	2 191 518
Expenditure	19 462	20 912	3 205	82	488	97 737	141 886	166 236
Disposals and retirements	–12 314	–53 937	–4 684	–119	–6	–195	–71 255	–79 320
Transfers	16 008	114 976	5 414	231	–6 998	–129 631	–	–
New consolidations	4 144	9 584	1 160	–	137	161	15 186	2 080
Deconsolidations	–58 680	–217 893	–7 174	–2 655	–216	–4 438	–291 056	–
Reclassification as assets held for sale	–16 738	–2 489	–191	–	–	–	–19 418	–
Exchange gains / (losses)	34 113	92 055	2 950	224	739	7 248	137 329	–51 087
As at 31 December	**494 370**	**1 517 218**	**64 240**	**3 028**	**5 285**	**57 958**	**2 142 099**	**2 229 427**
Depreciation / impairment losses								
As at 1 January	300 567	1 069 345	53 303	3 049	7 116	–	1 433 380	1 428 594
Charge for the year	18 159	72 882	4 669	387	851	–	96 948	98 690
Impairment losses	–	10 410	–	–	–	–	10 410	5 103
Disposals and retirements	–10 276	–50 069	–4 427	–102	–5	–	–64 879	–69 402
Transfers	–6	2 895	1 570	–8	–4 451	–	–	–
New consolidations	1 138	6 210	663	–	27	–	8 038	1 273
Deconsolidations	–34 588	–156 147	–5 865	–2 119	–210	–	–198 929	–
Reclassification as assets held for sale	–13 190	–2 237	–189	–	–	–	–15 616	–
Exchange (gains) / losses	17 210	51 217	2 200	93	467	–	71 187	–30 878
As at 31 December	**279 014**	**1 004 506**	**51 924**	**1 300**	**3 795**	**–**	**1 340 539**	**1 433 380**
Net book value before investment grants and reclassification of leases	**215 356**	**512 712**	**12 316**	**1 728**	**1 490**	**57 958**	**801 560**	**796 047**
Net investment grants	–785	–1 013	–	–	–	–	–1 798	–4 427
Reclassification of leases	608	633	487	–1 728	–	–	–	–
Net book value as at 31 December 2005	**215 179**	**512 332**	**12 803**	**–**	**1 490**	**57 958**	**799 762**	
Net book value as at 31 December 2004	**207 091**	**482 582**	**10 846**	**–**	**4 025**	**87 076**		**791 620**

As in previous years, the investment programs in China, Belgium, Turkey, the Czech Republic and Slovakia accounted for most of the expenditure. The net exchange gain for the year (€ 66.2 million) relates mainly to assets recorded in US dollar and Chinese renminbi. New consolidations in 2005 relate to the acquisition of the advanced filtration entities (formerly Southwest Screens & Filters SA) and the carding solutions entities (formerly ECC Card Clothing). Impairment losses were recognized mainly on assets related to Bekaert Advanced Coatings and the progressive composites entities.

5.4. Investments accounted for using the equity method

Investments excluding related goodwill

in thousands of €

Net book value	2005	2004
As at 1 January	213 049	191 128
Capital increases / (decreases)	–143	–
Result for the year	56 939	56 772
Dividends	–74 599	–25 524
Disposals and closures	–	–446
(Impairments) / impairment reversals	–	–4 593
Exchange gains / (losses)	39 017	–3 214
Deconsolidations	–284	–
Other restatements	–	–460
Transfers	–1 092	–614
As at 31 December	**232 887**	**213 049**

Impairments in 2004 relate to the Bekaert Handling Group A/S joint venture. Transfers in 2005 relate to Spaleck-Bekaert GmbH & Co. KG, which became a subsidiary when Bekaert purchased the remaining 50% of the shares in December 2005. Transfers in 2004 relate to the increase in the interests in Precision Surface Technology Pte Ltd, which consequently became a subsidiary.

Related goodwill

in thousands of €

Cost	2005	2004
As at 1 January	6 658	28 507
Disposals and closures	– 39	–
Other restatements	– 2 467	–
Exchange gains / (losses)	1 327	–
As at 31 December	**5 479**	**28 507**
Netting of amortization accumulated prior to the adoption of IFRS 3	–	– 21 849
As at 1 January 2005 after adoption of IFRS 3	**–**	**6 658**
Amortization		
As at 1 January	–	18 629
Charge for the year	–	3 220
As at 31 December	**–**	**21 849**
Netting of amortization accumulated prior to the adoption of IFRS 3	–	– 21 849
As at 1 January 2005 after adoption of IFRS 3	**–**	**–**
Net book value as at 31 December	**5 479**	**6 658**
Total net book value of investments accounted for using the equity method	**238 366**	**219 707**

Other restatements of goodwill relate to the introduction of a subconsolidation level for the Brazilian joint ventures at Bekaert do Brasil.

Combined items

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

in thousands of €

	2005	2004
Property, plant and equipment	153 442	121 276
Other non-current assets	40 631	25 801
Current assets	173 807	202 479
Non-current liabilities	– 31 725	– 30 357
Current liabilities	– 103 268	– 106 150
Total net assets	**232 887**	**213 049**
Sales	555 697	462 160
Operating result	76 161	78 665
Net profit	56 939	56 682

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

in thousands of €

		2005	2004
Joint ventures			
Bekaert Australia Steel Cord Pty Ltd	Australia	4 787	4 076
Bekaert Faser Vertriebs GmbH	Germany	111	75
Bekaert Handling Group A/S and subsidiaries	Denmark	–	–
Belgo Bekaert Arames Ltda.	Brazil	102 937	101 517
BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda.	Brazil	28 269	27 134
Chilean entities [1]	Chile	58 307	46 542
Ideal Alambrec S.A. [2]	Ecuador	13 240	10 572
Spaleck-Bekaert GmbH & Co. KG	Germany	–	1 092
Vicson, S.A. [3]	Venezuela	23 588	20 600
Subtotal for joint ventures		**231 239**	**211 608**
Associates			
Jiangyin Fasten-Bekaert Optical Cable Steel Products Co., Ltd	China	1 648	1 157
Pindurg S.L. [4]	Spain	–	284
Subtotal for associates		**1 648**	**1 441**
Total for joint ventures and associates excluding related goodwill		**232 887**	**213 049**
Net book value of related goodwill		**5 479**	**6 658**
Total for joint ventures and associates including related goodwill		**238 366**	**219 707**

5.5. Loans and receivables – non-current

in thousands of €

	2005	2004
A. Investments accounted for using the equity method		
Net book value as at 1 January	319	829
Increase / (decrease)	14	– 509
Deconsolidations	– 147	–
Exchange gains / (losses)	–	– 1
Net book value as at 31 December	**186**	**319**
B. Other investments		
Net book value as at 1 January	37	31
Increase / (decrease)	– 37	6
Net book value as at 31 December	**–**	**37**
Net book value as at 31 December (A+B)	**186**	**356**

5.6. Available-for-sale financial assets – non-current

in thousands of €

Net book value	2005	2004
As at 1 January	6 351	13 126
Expenditure	1 057	–
Disposals and closures	– 168	– 975
(Write-downs) / reversal write-downs	–	173
Transfers	– 641	– 6 272
New consolidations	20	288
Deconsolidations	– 101	–
Exchange gains / (losses)	57	11
As at 31 December	**6 575**	**6 351**

The main available-for-sale investment as at year-end was Enerjisa (€ 3.3 million), an investment held by Beksa Kord Sanayi ve Ticaret A.S. in the independent energy division of the Sabanci Group in Turkey.

[1] Includes the Prodalam group and the Inchalam group.
[2] Relates to the Ideal Alambrec group.
[3] Based on financial statements as at 30 September 2005 and 30 September 2004.
[4] Discontinued operations included in the disposal of fencing systems Europe.

The transfers in 2004 relate to the investments in venture capital funds (€ 3.6 million), which have been reclassified as intangible assets and fully amortized in R&D expenses, and a reclassification from non-current receivables (€ 2.6 million) to other current receivables.

5.7. Deferred tax assets and liabilities

in thousands of €

Net book value	Assets		Liabilities		Net position	
	2005	2004	2005	2004	2005	2004
At 1 January	18 153	15 064	−63 424	−64 680	−45 271	−49 616
Increase / (decrease) via income	−1 845	231	4 902	5 418	3 057	5 649
Increase / (decrease) via equity	2 808	−2 071	−5 496	1 209	−2 688	−862
New consolidations	458	216	−388	−297	70	−81
Deconsolidations	−16 796	–	10 821	–	−5 975	–
Exchange gains / (losses)	4 985	4 713	−4 266	−5 074	719	−361
As at 31 December	**7 763**	**18 153**	**−57 851**	**−63 424**	**−50 088**	**−45 271**

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

in thousands of €

	Assets		Liabilities		Net position	
	2005	2004	2005	2004	2005	2004
Intangible assets	1 366	1 279	−4 651	−3 746	−3 285	−2 467
Property, plant and equipment	4 910	3 880	−46 601	−62 588	−41 691	−58 708
Financial assets	1 462	1 536	−22 300	−17 282	−20 838	−15 746
Inventories	7 042	4 630	−3 871	−5 701	3 171	−1 071
Receivables	1 242	1 718	−270	−38	972	1 680
Other current assets	16	17	−13	−1 398	3	−1 381
Employee benefit obligations	7 051	17 450	−62	−82	6 989	17 368
Other provisions	1 467	2 299	−3	−187	1 464	2 112
Other liabilities	2 773	1 092	−6 314	−1 940	−3 541	−848
Tax losses carried forward, tax credits and recoverable income taxes	6 668	13 790			6 668	13 790
Tax assets / liabilities	**33 997**	**47 691**	**−84 085**	**−92 962**	**−50 088**	**−45 271**
Set-off of assets and liabilities	−26 234	−29 538	26 234	29 538		
Net tax assets / liabilities	**7 763**	**18 153**	**−57 851**	**−63 424**	**−50 088**	**−45 271**

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

Unrecognized deferred tax assets

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

in thousands of €

	2005	2004 as reported	2004 continuing operations	Variance 2005 vs 2004 continuing operations
Deductible temporary differences	123 090	93 531	89 933	
Capital losses	79 513	74 364	74 364	
Trade losses	56 537	96 205	71 483	
Total	**259 140**	**264 100**	**235 780**	**23 360**

Of the capital losses in 2005, 58% will expire before 2009.

5.8. Operating working capital

in thousands of €

	2005	2004 as reported	2004 continuing operations	Variance 2005 vs 2004 continuing operations
Inventories	348 330	419 300	316 828	9.9%
Trade receivables	354 225	385 176	322 498	9.8%
Trade payables	– 187 369	– 250 798	– 193 773	– 3.3%
Advances received on contracts	– 2 601	– 2 446	– 2 446	6.3%
Current employee benefit obligations	– 73 475	– 88 734	– 75 360	– 2.5%
Employment-related taxes	– 8 135	– 9 874	– 8 462	– 3.9%
Operating working capital	**430 975**	**452 624**	**359 285**	**20.0%**

Average operating working capital represented 20.6% of sales (2004: 18.6%). In comparison with the 2004 closing balance for continuing operations, the net increase in the operating working capital amounted to € 71.7 million, which is mainly explained by:
– positive exchange differences of € 35.0 million (2004: € –13.3 million);
– an increase of € 8.2 million from new acquisitions;
– an increase of € 37.2 million due to organic growth.

Additional information on:
– Inventories:
The write-down of inventories recognized in the income statement amounted to € 2.8 million (2004: € 3.9 million). No inventories were pledged as security for liabilities (2004: also none).
– Trade receivables:
Reversal of allowances for bad and doubtful debts exceeded the recognized allowances by € 0.6 million. Net allowances in 2004 amounted to € 1.3 million.

5.9. Loans and receivables – current

in thousands of €

Net book value	2005	2004
As at 1 January	763	5 766
Increase / (decrease)	– 626	– 5 021
New consolidations	6	–
Exchange gains / (losses)	–	18
As at 31 December	**143**	**763**

5.10. Other receivables, deferred charges and accrued revenues

Other receivables

in thousands of €

Net book value	2005	2004
As at 1 January	35 768	25 082
Increase / (decrease)	20 332	7 346
Transfers	–	2 646
New consolidations	915	953
Deconsolidations	– 5 261	–
Exchange gains / (losses)	2 647	– 259
As at 31 December	**54 401**	**35 768**

Other receivables relate mainly to € 26.2 million (2004: € 23.7 million) in respect of taxes, € 3.4 million (2004: € 2.7 million) in respect of royalties and € 14.3 million in respect of interest on equity receivable from Belgo Bekaert Arames Ltda.

Deferred charges and accrued revenues

in thousands of €

Net book value	2005	2004
As at 1 January	4 728	12 667
Increase / (decrease)	3 858	– 7 913
New consolidations	280	111
Deconsolidations	– 744	–
Exchange gains / (losses)	399	– 137
As at 31 December	**8 521**	**4 728**

The increase in deferred charges mainly relates to the Eurobond issue premium.

5.11. Assets classified as held for sale

in thousands of €

Net book value	2005	2004
As at 1 January	–	–
Increase	3 802	–
As at 31 December	**3 802**	**–**

Redundant assets have been classified as held for sale according to IFRS 5.

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

in thousand of €

Issued capital		Value	Number of shares
1	As at 1 January 2005	171 000	21 873 705
	Movements in the year		
	- Issue of new shares	1 900	233 040
	- Cancellation of shares	–	– 576 550
	As at 31 December 2005	172 900	21 530 195
2	Structure		
2.1	Classes of ordinary shares		
	- Ordinary shares without par value	172 900	21 530 195
2.2	Registered shares	–	572 245
	Bearer shares	–	20 957 950
Authorized capital not issued		**167 100**	

A total of 233 040 subscription rights were exercised under the Company's SOP1 stock option plan in 2005, requiring the issue of a total of 233 040 new shares in the Company. The Company purchased a total of 585 000 of its own shares in 2005, of which 576 550 were cancelled, resulting in a reduction in the reserves of € 35.0 million. The remainder (8 450 shares) was transferred to the individuals who had exercised options under the Company's SOP2 stock option plan. Details of the stock option plans outstanding during the year are as follows:

Overview of SOP1 Stock Option Plan

Date offered	Date granted	Date of issue of subscription rights	Exercise price (in €)	Number of subscription rights: Granted	Exercised	Forfeited	Outstanding	First exercise period	Last exercise period
17.12.1999	15.02.2000	04.04.2000	52.60	35 790	29 800	445	5 545	01.06 - 15.06.2003	15.11 - 30.11.2012
17.12.1999	15.02.2000	04.04.2000	52.60	2 830	180	2 530	120	01.06 - 15.06.2003	15.11 - 30.11.2009
17.12.1999	15.02.2000	04.04.2000	52.60	1 000	1 000	–	–	01.06 - 15.06.2003	15.11 - 30.11.2004
14.07.2000	12.09.2000	26.09.2000	54.00	106 647	85 345	720	20 582	01.06 - 15.06.2004	22.05 - 15.06.2013
14.07.2000	12.09.2000	26.09.2000	54.00	5 415	480	4 355	580	01.06 - 15.06.2004	22.05 - 15.06.2010
14.07.2000	12.09.2000	26.09.2000	49.85	4 750	4 750	–	–	01.06 - 15.06.2004	22.05 - 15.06.2005
13.07.2001	11.09.2001	26.09.2001	41.94	139 639	131 495	556	7 588	22.05 - 30.06.2005	22.05 - 15.06.2014
13.07.2001	11.09.2001	26.09.2001	41.94	3 875	3 695	120	60	22.05 - 30.06.2005	22.05 - 15.06.2011
12.07.2002	10.09.2002	25.09.2002	47.48	35 384	–	–	35 384	22.05 - 30.06.2006	22.05 - 15.06.2015
12.07.2002	10.09.2002	25.09.2002	47.48	360	–	–	360	22.05 - 30.06.2006	22.05 - 15.06.2012
11.07.2003	09.09.2003	06.10.2003	40.89	33 580	–	–	33 580	22.05 - 30.06.2007	22.05 - 15.06.2013
09.07.2004	07.09.2004	30.09.2004	47.29	167 394	–	–	167 394	22.05 - 30.06.2008	22.05 - 15.06.2014
				536 664	**256 745**	**8 726**	**271 193**		

Overview of SOP2 Stock Option Plan

Date offered	Date granted	Exercise price (in €)	Number of options Granted	Exercised	Forfeited	Outstanding	First exercise period	Last exercise period
26.07.2000	24.09.2000	49.85	2 850	–	–	2 850	01.06 - 15.06.2004	22.05 - 15.06.2013
13.07.2001	11.09.2001	41.94	11 450	8 450	–	3 000	22.05 - 30.06.2005	22.05 - 15.06.2014
12.07.2002	10.09.2002	47.48	3 040	–	–	3 040	22.05 - 30.06.2006	22.05 - 15.06.2015
11.07.2003	09.09.2003	40.89	2 780	–	–	2 780	22.05 - 30.06.2007	22.05 - 15.06.2013
09.07.2004	07.09.2004	47.29	32 800	–	–	32 800	22.05 - 30.06.2008	22.05 - 15.06.2014
			52 920	**8 450**	**–**	**44 470**		

SOP1 Stock Option Plan

	2005		2004	
	Number of subscription rights	Weighted average exercise price (in €)	Number of subscription rights	Weighted average exercise price (in €)
Outstanding as at 1 January	504 909	46.93	369 270	47.29
Granted during the year	–	–	167 394	47.29
Forfeited during the year	–676	41.94	–8 050	53.48
Exercised during the year	–233 040	46.87	–23 705	52.69
Outstanding as at 31 December	**271 193**	**47.01**	**504 909**	**46.93**

SOP2 Stock Option Plan

	2005		2004	
	Number of options	Weighted average exercise price (in €)	Number of options	Weighted average exercise price (in €)
Outstanding as at 1 January	52 920	45.95	20 120	43.75
Granted during the year	–	–	32 800	47.29
Exercised during the year	–8 450	41.94	–	–
Outstanding as at 31 December	**44 470**	**46.71**	**52 920**	**45.95**

The weighted average remaining contractual life was 8.4 years (2004: 9.2 years) for the SOP1 stock option plan and 8.4 years (2004: 9.4 years) for the SOP2 stock option plan. No subscription rights or options under either plan were exercisable at year-end (2004: also none). The exercise price of the subscription rights and options is equal to the lower of (i) the average closing price of the parent company shares during the thirty days preceding the date of the offer, and (ii) the last closing price preceding the date of the offer. When subscription rights are exercised under the SOP1 plan, equity is increased by the amount of the proceeds received. Under the terms of SOP1 and SOP2 plans (cf. 'Corporate Governance' section), any subscription rights or options granted are vested immediately. A new 2005–2009 stock option plan was approved by the Board of Directors on 16 September 2005, under the terms of which up to 850 000 subscription rights will be offered to the members of the Bekaert Group Executive, senior management and senior executive personnel during the period 2005–2009. The dates of grant of each offer are scheduled in the period 2006–2010, and the vesting conditions are such that the subscription rights will be fully vested on 1 January of the fourth year after the date of the offer.

5.13. Hedging and revaluation reserves

in thousands of €

Net book value	2005	2004
As at 1 January	–1 061	–3 018
New instruments added	–5 100	–
Existing instruments settled	1 061	–
Recycled to income statement	6 846	–
Fair value changes of existing instruments	–	1 737
Exchange gains / (losses)	–164	220
As at 31 December	**1 582**	**–1 061**
Of which		
Cross-currency interest-rate swaps (on Eurobonds)	2 946	–
Interest rate swaps (related to Eurobond)	–1 364	–
Interest rate swaps (on US dollar loans)	–	–1 061

Changes in the fair value of hedging instruments designated as effective cash flow hedges are recognized directly in equity. In accordance with IFRS hedge accounting policies for cash flow hedges, exchange gains or losses arising from the translating of the underlying debt at the closing rate are offset by recycling the equivalent amounts to the income statement.

5.14. Minority interests

in thousands of €

Net book value	2005	2004
As at 1 January	48 831	43 344
Decrease / (increase) in ownership	– 4 432	– 501
Share of net profit of subsidiaries	11 977	12 350
Dividend pay-out	– 8 558	– 6 713
Capital increases	176	422
Transfer from companies accounted for using the equity method	–	600
Exchange gains / (losses)	3 069	– 671
As at 31 December	**51 063**	**48 831**

The net increase in ownership mainly relates to the purchase of 25% of the shares of Bekaert Combustion Technology NV from Shell at year-end, the purchase of 13% of the shares of Sorevi S.A.S. and the disposal of Bekaert Bastion (Pty) Ltd. Exchange differences mainly arose due to the appreciation of the Chinese renminbi and the Canadian dollar.

5.15. 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 are invested in mixed portfolios of shares and bonds, mainly denominated in local currency. Plan assets in the United States 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, independent pension funds or a combination of both. The total net liabilities for employee benefit obligations, which amounted to € 139.8 million as at 31 December 2005 (€ 172.0 million as at year-end 2004), are analyzed as follows:

in thousands of €

	2005	2004
Liabilities for:		
Defined-benefit pension plans	33 929	54 824
Other post-employment benefit plans	74 426	87 900
Other long-term employee benefits	1 361	1 525
Other employee benefit obligations	30 132	27 755
Total net (assets) / liabilities	**139 848**	**172 004**

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	2005	2004	2005	2004
Present value as at 1 January	427 483	417 127	93 790	94 181
Current service cost	10 530	13 974	2 259	2 349
Interest cost	11 379	22 002	3 984	4 439
Plan participants' contributions	–	691	–	–
Plan amendments	660	4 754	43	392
New consolidations / (deconsolidations)	– 204 860	–	– 6 897	–
Curtailments and settlements	–	–	– 7 320	–
Actuarial (gains) / losses	9 372	8 502	382	2 740
Benefits paid	– 24 552	– 32 821	– 9 155	– 9 140
Exchange (gains) / losses	12 462	– 6 746	2 061	– 1 171
Present value of defined-benefit obligation as at 31 December	**242 474**	**427 483**	**79 147**	**93 790**

Other post-employment benefit plans relate to pre-retirement pensions in Belgium (defined-benefit obligation € 67.9 million in 2005, compared with € 78.6 million in 2004) and other post-employment benefits for medical care in the United States (defined-benefit obligation € 11.3 million in 2005, compared with € 15.2 million in 2004), which are not externally funded. Of the defined-benefit obligation in Belgium, an amount of € 30.9 million (2004: € 37.9 million) 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	**2005**	**2004**	**2005**	**2004**
Fair value as at 1 January	303 668	279 057	–	–
Actual return on plan assets	19 313	26 199	–	–
Company contributions	20 845	35 315	–	–
Plan participants' contributions	–	691	–	–
New consolidations / (deconsolidations)	–144 084	–	–	–
Settlements	–	–	–	–
Benefits paid	–24 552	–32 819	–	–
Exchange gains / (losses)	8 691	–4 775	–	–
Fair value of plan assets as at 31 December	**183 881**	**303 668**	**–**	**–**

in thousands of €

	Defined-benefit pension plans		Other post-employment benefit plans	
Funding status	**2005**	**2004**	**2005**	**2004**
Present value of unfunded obligations	19 067	24 788	79 147	93 790
Present value of funded obligations	223 407	402 695	–	–
Fair value of plan assets	–183 881	–303 668	–	–
Present value of net obligations	**58 593**	**123 815**	**79 147**	**93 790**
Unrecognized actuarial gains / (losses)	–24 664	–68 990	–4 721	–6 067
Unrecognized past service cost	–	–1	–	177
Net (assets) / liabilities	**33 929**	**54 824**	**74 426**	**87 900**
Amounts in the balance sheet:				
Assets	–	–	–	–
Liabilities	**33 929**	**54 824**	**74 426**	**87 900**

in thousands of €

	Defined-benefit pension plans		Other post-employment benefit plans	
Movement in liability	**2005**	**2004**	**2005**	**2004**
Net (assets) / liabilities as at 1 January	54 824	66 664	87 900	90 989
Contributions paid and direct benefit payments	–20 845	–35 355	–9 155	–9 140
Expense recognized in the income statement	12 213	24 521	–632	7 283
New consolidations	–	–	–	–
Deconsolidations	–13 860	–74	–5 698	–30
Exchange (gains) / losses	1 597	–932	2 011	–1 202
Net (assets) / liabilities as at 31 December	**33 929**	**54 824**	**74 426**	**87 900**
Amounts in the balance sheet:				
Assets	–	–	–	–
Liabilities	**33 929**	**54 824**	**74 426**	**87 900**

The amounts recognized in the income statement are as follows:

in thousands of €

Net benefit expense	Defined-benefit pension plans 2005	Defined-benefit pension plans 2004	Other post-employment benefit plans 2005	Other post-employment benefit plans 2004
Current service cost	10 530	13 974	2 259	2 349
Interest cost	11 379	22 002	3 984	4 439
Expected return on plan assets	– 10 699	– 18 975	–	–
Net actuarial (gains) / losses recognized in the year	342	2 706	110	51
Past service cost	661	4 813	41	444
Curtailments and settlements	–	–	– 7 026	–
Total	**12 213**	**24 520**	**– 632**	**7 283**
Total included in the result from				
continuing operations	12 213	16 280	– 632	6 704
discontinued operations	–	8 240	–	579

Estimated contributions (including direct benefit payments) for 2006 are as follows:

in thousands of €

	Estimated contributions 2006
Defined-benefit pension plans	13 942
Other post-employment benefit plans	9 286
Total	**23 228**

In terms of their fair value as at 31 December, plan assets in Belgium and the United States consisted of:

in thousands of €

Fair value of plan assets by type	2005		2004	
Equity instruments	107 548	59%	158 064	52%
Debt instruments	71 924	39%	142 812	47%
Insurance contracts	4 409	2%	2 792	1%
Total plan assets reported as at 31 December	**183 881**	**100%**	**303 668**	**100%**

Financial market-related parameters are derived from recent market information and determined in agreement with the contracted actuaries. The discount rate is based on the yields for AA corporate bonds taking into account the terms of the benefit obligations. The expected rate of return on plan assets is a weighted return based on the target asset allocation by plan. The expected rate of return on equity instruments is based on the aggregate of the risk-free rate and an average risk premium of 3%, weighted by the different types of equity instrument. The risk premium may vary between parts of the world and for different types of equity instrument. The target mix is dependent on the investment strategy of each fund and may vary from 0% to 70% equity instruments. The principal actuarial assumptions on the balance sheet date (weighted averages) were:

Actuarial assumptions	Defined-benefit pension plans 2005	Defined-benefit pension plans 2004	Other post-employment benefit plans 2005	Other post-employment benefit plans 2004
Discount rate	4.6%	5.2%	4.2%	4.9%
Expected return on plan assets	6.2%	6.5%	–	–
Future salary increases	4.1%	3.9%	3.2%	3.2%
Health care cost increases (initial)	–	–	10.0%	11.0%
Health care cost increases (ultimate)	–	–	5.0%	5.0%
Health care (years to ultimate rate)	–	–	5	6

Weighted averages for other post-employment benefit plans are slightly different from those for pension plans because the former include only the Belgian and United States plans; the actuarial assumptions for each country were, however, identical. A sensitivity analysis of assumptions concerning the increase of health care costs shows the following effects on the aggregate of service cost and interest expense in 2005:

– one percentage point increase: € 0.1 million;

– one percentage point decrease: € – 0.1 million.

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.

5.16. Provisions

in thousands of €

	Restructuring	Legal claims	Other	Total
As at 31 December 2004	**4 035**	**5 290**	**35 111**	**44 436**
Additional provisions made	6 635	1 688	944	9 267
Unutilized amounts released	–	– 193	– 488	– 681
Increase in present value	–	50	351	401
Charged to the income statement	**6 635**	**1 545**	**807**	**8 987**
New consolidations	–	85	385	470
Deconsolidations	– 856	– 268	– 3 262	– 4 386
Amounts utilized during the year	– 1 319	– 2 965	– 1 106	– 5 390
Exchange (gains) / losses	193	195	63	451
As at 31 December 2005	**8 688**	**3 882**	**31 998**	**44 568**

The additional provisions made relate mainly to the Lanklaar plant in Belgium and the Muskegon plant in the United States for which restructuring programs have been launched. The major part of the increase in the provisions for legal claims refers to an update of the warranty provision for the specialized films business in the United States. 'Other' includes provisions for environmental programs for various sites.

5.17. Financial liabilities and other non-current 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 €

2005	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Non-current financial liabilities				
– finance leases	–	759	170	929
– credit institutions	–	80 251	–	80 251 [1]
– bonds	–	106 808	100 305	207 113 [2]
Other non-current amounts payable	–	3 013	–	3 013 [3]
Current financial liabilities				
– current portion of non-current finance leases	426	–	–	426
– current portion of non-current financial liabilities to credit institutions	8 833	–	–	8 833
– credit institutions	236 329	–	–	236 329
Total	**245 588**	**190 831**	**100 475**	**536 894**

[1] Includes € 72.0 million which has been converted to US$ 65.5 million through cross-currency interest-rate swaps (impact on net debt € – 16.4 million)
[2] Includes € 22.9 million of value adjustments as a result of hedge accounting (impact on net debt € – 22.9 million)
[3] Mainly relates to deferred payments in respect of the acquisition in 2005 of ECC Card Clothing and Southwest Screens & Filters SA

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 [1]
– bonds	–	108 760	–	108 760 [2]
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 to credit institutions	74 895	–	–	74 895
– credit institutions	236 583	–	–	236 583
Total	**311 977**	**242 542**	**–**	**554 519**

As a general principle, loans are entered into by Group companies in their local currency to avoid currency risk. If funding is in another currency without an offsetting position on the balance sheet, the companies hedge the currency risk through derivatives (cross-currency interest-rate swaps). Consequently, in accordance with IFRS, the financial liabilities in respect of credit institutions and bonds include value adjustments which are offset by the fair value of the derivatives.

Net debt calculation

The debt calculation of the Group reflects the amount to be repaid as a result of the hedging via a derivative, rather than the amount presented as a financial liability in the balance sheet. The financial liabilities are therefore corrected for these value adjustments. The table below summarizes the calculation of the net debt.

in thousands of €

	2005	2004
Non-current financial liabilities excl. derivatives	288 293	242 287
Value adjustments	–39 345	–85 877
Current financial liabilities excl. derivatives	245 588	311 976
Total financial debt	**494 536**	**468 386**
Current loans	–143	–763
Short-term deposits	–90 453	–41 836
Cash and cash equivalents	–132 248	–57 059
Net debt	**271 692**	**368 728**

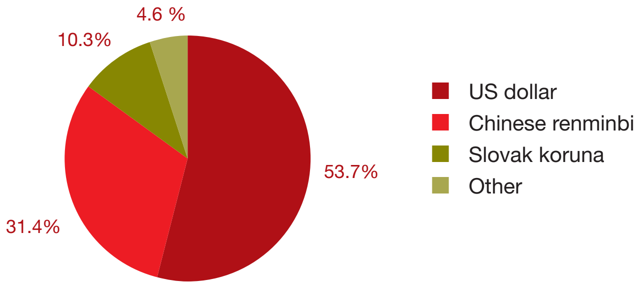
Whereas the debt calculation previously included value adjustments related only to derivatives qualifying for hedge accounting, from 2005 onwards they include all derivatives which effectively fix the amount to be repaid in the functional currency of the debtor and for which the Group has an underlying financial liability. Comparative figures for 2004 have been restated accordingly. The impact of the revised net debt calculation method is presented in the table below.

in thousands of €

	2005	2004
Value adjustments relating to		
derivatives qualifying for hedge accounting	–22 905	–45 277
derivatives not qualifying for hedge accounting	–16 440	–40 600
	–39 345	**–85 877**
Total financial debt using the previous method	510 976	508 986
Net debt using the previous method	288 132	409 328
Derivatives not qualifying for hedge accounting	–16 440	–40 600
Total financial debt using the new method	494 536	468 386
Net debt using the new method	271 692	368 728

[1] Includes € 117.0 million which has been converted to US$ 104.1 million through cross-currency interest-rate swaps (impact on net debt € – 40.6 million)
[2] Includes € 45.3 million of value adjustments as a result of hedge accounting (impact on net debt € –45.3 million)

The following graph illustrates the currency profile of the total debt of the Group. The figures also take into account the funds available within the Group, used to fund other Group companies through cross-currency swaps (€ 103.7 million).



Currency profile 2005	Long-term Fixed rate	Long-term Floating rate	Long-term Total	Short-term	Total
US dollar	27.3%	18.2%	45.5%	8.2%	53.7%
Chinese renminbi	0.7%	–	0.7%	30.7%	31.4%
Slovak koruna	–	–	–	10.3%	10.3%
Other	1.3%	0.5%	1.8%	2.8%	4.6%
Total	**29.3%**	**18.7%**	**48.0%**	**52.0%**	**100.0%**

Currency profile 2004	Long-term Fixed rate	Long-term Floating rate	Long-term Total	Short-term	Total
US dollar	20.1%	18.4%	38.5%	16.7%	55.2%
Chinese renminbi	0.9%	–	0.9%	21.9%	22.8%
Euro	–	9.1%	9.1%	10.5%	19.6%
Other	1.5%	0.2%	1.7%	0.8%	2.5%
Total	**22.5%**	**27.6%**	**50.1%**	**49.9%**	**100.0%**

The average interest rates are listed in following tables.

Average interest rate 2005	Long-term Fixed rate	Long-term Floating rate	Long-term Total	Short-term	Total
US dollar	5.56%	4.70%	5.22%	4.46%	5.14%
Chinese renminbi	0.00%	–	0.00%	4.75%	4.65%
Slovak koruna	–	–	–	3.27%	3.27%
Other	4.93%	1.58%	3.98%	5.74%	4.93%
Total	**5.40%**	**4.62%**	**5.09%**	**4.45%**	**4.77%**

Average interest rate 2004	Long-term Fixed rate	Long-term Floating rate	Long-term Total	Short-term	Total
US dollar	5.65%	2.97%	4.37%	2.88%	3.92%
Chinese renminbi	0.00%	-	0.00%	3.03%	2.91%
Euro	-	2.37%	2.37%	2.60%	2.49%
Other	4.93%	2.75%	4.67%	5.30%	4.87%
Total	**5.38%**	**2.77%**	**3.94%**	**2.93%**	**3.43%**

The weighted average maturity of the long-term financial liabilities at year-end was 5.1 years (2004: 2.6 years).

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 utilized for advances, overdrafts, acceptances, etc. The Group also has committed credit facilities at its disposal up to a maximum equivalent of € 122.0 million (2004: € 191.0 million) at floating interest rates with fixed margins. These credit facilities will mature in 2009 and 2011. At year-end, € 18.0 million was outstanding under these facilities (2004: € 73.9 million). In addition, the Group has a commercial paper and medium-term note program available for a maximum of € 123.9 million (2004: € 123.9 million). On 31 December 2005, no commercial paper notes were outstanding (2004: nil).

5.18. Derivatives

The Group uses derivatives to hedge exchange rate exposure and interest-rate exposure arising from its production 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' as endorsed by the European Union. 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 centralized basis by Group Treasury in accordance with the aims and principles laid down by the management, supported by timely control and reporting procedures. As a policy, the Group does not engage in speculative or leveraged transactions.

A. Fair value

Derivatives are carried at fair value, which is calculated as the present value of the future cash flows at balance sheet date. The calculation is based on forward exchange market rates for forward exchange contracts and on forward interest rates for interest-rate swaps. Hedged items, such as debt instruments, are carried at fair value only if the hedging relationship qualifies as a fair value hedge. 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 any currency effect. The carrying amount of cash equivalents approximates to their fair 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.

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 as endorsed by the European Union, the Group has not designated its forward exchange 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 derivatives under non-operating income and expenses. As at 31 December 2005, the total fair value of the forward exchange contracts was € –0.7 million (2004: € 1.9 million), while the notional amounts were:

in thousands of €

Forward exchange contracts	2005	2004
Currencies purchased forward, maturing:		
up to 6 months	8 550	6 670
after 6 months	1 128	1 404
Total	**9 678**	**8 074**
Currencies sold forward, maturing:		
up to 6 months	49 715	118 595
after 6 months	19 170	9 469
Total	**68 885**	**128 064**

The Group uses cross-currency interest-rate swaps (CCIRSs) to manage its exposure to both foreign-exchange and interest-rate risks (see section 'D. Foreign-exchange and interest-rate exposure' below).

C. Interest-rate exposure

To manage its interest-rate exposure, the Group has entered into interest-rate swaps. Any interest-rate differential is recognized as an adjustment to interest income and expenses over the term of the related underlying debt. Of the total outstanding debt as at 31 December 2005, the interest-rate exposure relating to the equivalent of € 106.0 million (2004: € 110.1 million) was hedged through these interest-rate agreements.

The maturities of the interest-rate swaps are as follows:
– maturing within one year: nil (2004: € 36.7 million);
– maturing between one and five years: € 84.8 million (2004: € 73.4 million);
– maturing after more than five years: € 21.2 million (2004: nil).

As at 31 December 2005, the total fair value of the interest-rate swaps amounted to € –1.0 million, compared with € – 4.7 million the year before. With the first-time adoption of IAS 39, the Group has designated its existing interest-rate swaps as economic hedges not qualifying for hedge accounting. These interest-rate swaps convert floating-rate intra-group loans into fixed-interest rate debt and have a nominal value of € 84.8 million. In 2005, the Group entered into a new interest-rate swap with a nominal value of € 21.2 million related to its new Eurobond (see section 'D. Foreign-exchange and interest-rate exposure' below). This interest-rate swap, in combination with the relevant portion of the related cross-currency interest-rate swap, is treated as a cash-flow hedge.

D. Foreign-exchange and interest-rate exposures

Cross-currency interest-rate swaps are principally used to manage both foreign-exchange and interest-rate exposure. The Group has entered into CCIRSs for a notional amount of € 386.6 million (2004: € 264.7 million) resulting in the obligation to sell currencies and interest thereon mainly against US dollars, Slovak korunas and UK pounds on pre-set terms. In accordance with IAS 39, some of these CCIRSs qualify for hedge accounting and are designated as either cash-flow hedges or fair-value hedges; those not qualifying for hedge accounting are accounted for as financial instruments held for trading. With the first-time adoption of IAS 39, the Group has designated the CCIRS related to its Eurobond of € 100 million, issued in 2001, 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.

In January 2005, the Group issued a new fixed-rate Eurobond with a nominal value of € 100 million which was converted to the issuing company's functional currency through one CCIRS converting half of the Eurobond to fixed-rate US dollar debt and another CCIRS converting the other half to floating-rate US dollar debt. The first CCIRS was designated as a cash-flow hedge and the second as a fair-value hedge. In September 2005, the Group entered into an additional interest-rate swap for a nominal value of US$ 25 million, whereby the floating-rate US dollar debt was partially converted to fixed-rate US dollar debt. Since then, the interest-rate swap and the related portion of the second CCIRS formerly designated as a fair-value hedge have been considered as one hedging instrument qualifying as a cash-flow hedge. The CCIRSs not qualifying for hedge accounting relate to long-term intra-group loans in euros and short-term intra-group loans in foreign currencies. As at 31 December 2005, the total fair value of CCIRS instruments amounted to € 52.7 million (2004: € 86.3 million).

E. Credit risk

To manage its credit risk, the Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all counterparties requiring significant credit limits. 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).

Analysis of net position by type of financial instrument

in thousands of €

Fair value of current and non-current derivatives	Assets		Liabilities		Net position	
	2005	2004	2005	2004	2005	2004
Financial instruments						
Foreign exchange contracts	245	3 621	– 999	– 1 735	– 754	1 886
Interest-rate swaps	–	–	– 2 350	– 4 706	– 2 350	– 4 706
Cross-currency interest-rate swaps	61 249	86 489	– 7 132	– 142	54 117	86 347
Net assets / (liabilities)	**61 494**	**90 110**	**– 10 481**	**– 6 583**	**51 013**	**83 527**

Movement in the net position recognized in the balance sheet

in thousands of €

Net book value	2005	2004
As at 1 January	83 527	64 965
Increase / (decrease) via income statement	– 38 008	23 489
Increase / (decrease) via hedging reserve	– 4 039	1 737
New consolidations	–	– 3
Deconsolidations	– 1 308	–
Exchange gains / (losses)	10 841	– 6 661
Transfers	–	–
As at 31 December	**51 013**	**83 527**

Movements for 2005 via the income statement are explained in note 4.5. 'Non-operating income and expenses'.

5.19. Other payables, accrued charges and deferred revenues

Other payables

in thousands of €

Net book value	2005	2004
As at 1 January	9 067	22 005
Increase / (decrease)	– 6 749	– 14 685
New consolidations	1 981	1 572
Deconsolidations	– 362	–
Exchange gains / (losses)	1 142	175
As at 31 December	**5 079**	**9 067**

Accrued charges and deferred revenues

in thousands of €

Net book value	2005	2004
As at 1 January	7 154	7 647
Increase / (decrease)	8 915	– 275
New consolidations	336	43
Deconsolidations	– 4 453	–
Exchange gains / (losses)	888	– 261
As at 31 December	**12 840**	**7 154**

The increase of accrued charges is mainly due to interests on new long term debts.

6. Miscellaneous items

6.1. Effect of acquisitions

New business combinations in 2005 relate to the acquisition of the ECC card clothing division from Carclo plc, Southwest Screens & Filters SA and the remaining 50% holding in Spaleck-Bekaert GmbH & Co. KG, which was formerly a joint venture. Other consideration paid relates to a deferred payment on last year's acquisition of Solaronics. Minority interests purchased relate to the acquisition of the 25% minority interest in Bekaert Combustion Technology NV from Shell and the 13% minority interest in Sorevi S.A.S. Except for the advanced filtration entities, the potential effect of any remeasurements of the acquired net assets at fair value was deemed immaterial.
With the acquisition of Southwest Screens & Filters SA, Bekaert acquired not only application knowledge in (polymer) filtration, engineering knowledge, production knowledge and a market for new filter systems and replacement filter elements, but also a worldwide distribution channel. A fair-value assessment of all the acquired benefits resulted in the recognition of an intangible asset of € 3.0 million.

in thousands of €

	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
Intangible assets	178	2 950	3 128
Property, plant and equipment	5 741	–	5 741
Loans and receivables	1 378	–	1 378
Financial assets	4	–	4
Inventories	8 058	–	8 058
Trade receivables	5 795	–	5 795
Other receivables	1 032	–	1 032
Cash and cash equivalents	5 293	–	5 293
Deferred charges and accrued revenues	213	–	213
Deferred tax assets	407	–	407
Minority interests	– 6	–	– 6
Provisions	– 880	–	– 880
Non-current financial liabilities	– 3 910	–	– 3 910
Current financial liabilities	– 5 576	–	– 5 576
Trade payables	– 4 260	–	– 4 260
Other payables	– 2 843	–	– 2 843
Accrued charges and deferred revenues	– 179	–	– 179
Deferred tax liabilities	– 344	–	– 344
Total net assets acquired in a business combination	**10 101**	**2 950**	**13 051**
Goodwill			1 961
Deferred payments			– 2 255
Reclassification of investments previously accounted for using the equity method			– 691
Other non-current financial assets acquired			43
Minority interests purchase consideration			14 374
Consideration paid			**26 483**
Cash acquired			– 5 293
New investments and capital increases			**21 190**

The initial accounting for the above business combinations was determined provisionally.

in thousands of €

Acquisitions in 2005	Month of acquisition	Contribution to Group net results
Carding solutions business	June 2005	153
Advanced filtration business	June 2005	– 86
Sorevi S.A.S. (minority)	April 2005	113
Bekaert Combustion Technology NV (minority)	December 2005	–
Spaleck-Bekaert GmbH & Co. KG	December 2005	–

6.2. Off-balance-sheet commitments

As at 31 December, important commitments were:

in thousands of €

	2005	2004
Guarantees given to third parties	1 032	4 301
Commitments to purchase fixed assets	234	479

The Group has also entered into several rental contracts classified as operating leases mainly with respect to vehicles and buildings and predominantly in Belgium and the United States. A large portion of the contracts contain a renewal clause, except those relating to vehicles. The assets are not further subleased to a third party.

in thousands of €

Future payments	2005	2004
Within one year	9 505	9 917
Between one and five years	30 409	17 138
More than five years	3 689	4 968
Total	**43 603**	**32 023**

in thousands of €

Expenses	2005	2004
Vehicles	6 155	4 972
Industrial buildings	3 595	3 416
Equipment	1 643	1 405
Offices	1 428	1 165
Other	108	219
Total	**12 929**	**11 177**

2005	Weighted average lease term (in years)	Weighted average fixing period of rental (in years)
Vehicles	4	4
Industrial buildings	8	5
Equipment	4	4
Offices	6	4
Other	6	6

No major contingent assets or liabilities have been identified.

6.3. Related parties

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

in thousands of €

	2005	2004
Transactions with joint ventures and associates		
Sales of goods	17 930	14 913
Purchases of goods	17 352	22 694
Royalties and management fees received	9 398	7 235
Interest and similar income	53	81
Interest and similar expense	–	–
Dividends received	43 588	22 767
Outstanding balances with joint ventures and associates		
Non-current receivables	186	319
Trade receivables	2 852	2 909
Other current receivables	3 346	2 594
Non-current payables	–	–
Trade payables	2 597	267
Other current payables	11	–
Off-balance sheet commitments with joint ventures and associates		
Guarantees given to third parties on behalf of joint ventures and associates	–	2 927
Transactions and outstanding balances with other related parties		
(a) Trans-Easy NV (Belgium)		
Sales of goods	4	3
Purchases of goods	–	–
Trade receivables	–	87
Trade payables	–	315
(b) Inpalco sro (Slovakia)		
Sales of goods	–	2
Purchases of goods	–	–
Trade receivables	–	–
Trade payables	–	–
(c) Bege sro (Slovakia)		
Sales of goods	191	332
Purchases of goods	–	–
Trade receivables	19	21
Trade payables	–	–

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), which were disclosed as related parties in 2004, since they acted as subcontractors in the production of gates and accessories for fencing systems Europe. Since the disposal of Bekaert Fencing NV, the main transactions to be considered as being between related parties are the sales of wire products by Bekaert Hlohovec, a.s. to Bege s.r.o. (both in Slovakia). 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. 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 €

Directors' remuneration 2005 (Board fees)	Fixed remuneration	Variable Board attendance	Variable committee attendance	Total
Chairman [1]				
Baron Buysse	922 324	19 832	17 844	960 000
Directors				
Julien De Wilde	37 184	19 832	11 896	68 912
Baron Leon Bekaert	37 184	19 832	7 417	64 433
Roger Dalle	37 184	19 832	5 912	62 928
Count Charles de Liedekerke	37 184	19 832	7 435	64 451
François de Visscher	37 184	17 353	2 974	57 511
Hubert Jacobs van Merlen	37 184	19 832	–	57 016
Maxime Jadot	37 184	19 832	13 383	70 399
Bernard van de Walle de Ghelcke	37 184	19 832	–	57 016
Baudouin Velge	37 184	19 832	4 461	61 477
Gary J. Allen	37 184	17 353	10 409	64 946
Pol Bamelis	37 184	17 353	7 435	61 972
Sir Anthony Galsworthy	37 184	19 832	–	57 016
Baron Georges Jacobs	37 184	14 874	–	52 058
Total gross remuneration	**1 405 716**	**265 253**	**89 166**	**1 760 135**

in €

CEO remuneration 2005	Fixed remuneration	Variable remuneration	Other contractual	Total
Julien De Wilde [2]	672 203	400 000	123 047	1 195 250

in thousands of €

Group Executive Vice Presidents and senior management remuneration	2005	2004
Number of persons	20	17
Short-term employee benefits		
Basic remuneration	3 845	3 019
Variable remuneration	2 254	1 712
Remuneration as directors of subsidiaries	578	761
Post-employment benefits		
Defined-benefit pension plans	228	205
Defined-contribution pension plans	515	399
Other long-term benefits	–	–
Termination benefits	–	–
Total gross remuneration	**7 420**	**6 096**
Average gross remuneration per person	371	359
Number of subscription rights / options granted (stock option plans)	–	50 420

[1] The total amount includes elements relating to 2005 only, among them a sum of € 560 000 under a deferred payment scheme. Additional information and information related to changes in remuneration schemes during 2005, is provided in the 'Corporate Governance' section.
[2] The total includes an amount of € 613 514 under a deferred payment scheme.

6.4. Events after the balance sheet date

On 6 January 2006, Bekaert purchased various machinery and equipment from Conflandey Inc., a US affiliate of Tréfileries de Conflandey S.A., the French group. The purchase price is US$ 4.5 million (€ 3.8 million). Bekaert will also act as Conflandey's exclusive agent in the United States and Canada. Conflandey Inc., located in Whiteville (North Carolina), is the largest supplier of stitching wire, supplying most of the printing companies and binderies in North America. The company is also a major supplier for wire for the industrial staple market.

On 31 January 2006, Bekaert acquired Delta Wire Corporation at an enterprise value of US$ 10 million (€ 8.3 million). With almost 100 employees, Delta Wire Corporation, located in Clarksdale (Mississippi), is a major supplier of bead wire for tire reinforcement, as well as a wide range of specialized wire products for the North-American market.

On 23 February 2006, Bekaert announced its intention to reorganize its carding business in Huddersfield (United Kingdom). In line with the various laws and regulations concerned, the company has entered into consultation with the representatives of the employees. The facility in Huddersfield employs 52 people.

6.5. Non-audit services provided by the statutory auditors and related persons

During 2005, the statutory auditor and persons professionnally related to him performed special tasks for an amount of € 1 351 000. These fees relate essentially to further assurance services (€ 330 000), consulting services for tax issues (€ 773 000) and other non-recurring non-audit services (€ 248 000). The special tasks have been approved by the Audit and Finance Committee.

6.6. Subsidiaries, joint ventures and associates

Companies part of the Group as at 31 December 2005

Subsidiaries

Industrial companies	Address	%
Europe		
Bekaert Advanced Coatings	Deinze, Belgium	100
Bekaert Advanced Filtration	Sprimont, Belgium	100
Bekaert Bohumín s.r.o.	Bohumín, Czech Republic	100
Bekaert Carding Solutions Limited	Huddersfield, United Kingdom	100
Bekaert Carding Solutions NV	Zwevegem, Belgium	100
Bekaert Carding Solutions S.A.S.	Roubaix, France	100
Bekaert CEB Technologies B.V.	Eindhoven, Netherlands	100
Bekaert Combustion Technology B.V.	Assen, Netherlands	100
Bekaert Combustion Technology NV	Zwevegem, Belgium	100
Bekaert Dymonics GmbH	Bad Homburg, Germany	100
Bekaert Fibre Processing Systems	Wevelgem, Belgium	100
Bekaert Hemiksem	Hemiksem, Belgium	100
Bekaert Hlohovec, a.s.	Hlohovec, Slovakia	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
Solarelec SAS	Champagne au Mont d'Or, France	100
Solaronics S.A.	Armentières, France	100
Sorevi S.A.S.	Limoges, France	100
Spaleck-Bekaert GmbH & Co. KG	Bocholt, Germany	100
North America		
Bekaert CEB Technologies Canada Ltd	Calgary, Canada	100
Bekaert Combustion Technology Corporation	Wilmington (Delaware), United States	100
Bekaert Corporation	Wilmington (Delaware), United States	100
Bekaert Progressive Composites Corporation	Atlanta (Georgia), United States	80
Bekaert Specialty Films, LLC	Wilmington (Delaware), United States	100
Titan Steel & Wire Co. Ltd	Surrey (BC), Canada	70
Latin America		
Bekaert Sistemas de Combustão e Tecnologia - BCT Ltda.	São Bernardo do Campo, Brazil	100

Asia		%
Bekaert Binjiang Steel Cord Co., Ltd	Jiangyin, China	90
Bekaert Carding Solutions (Changzhou) Co., Ltd	Changzhou, China	100
Bekaert Carding Solutions Pte Ltd	Pune, India	100
Bekaert Industries Pte Ltd	Taluka Shirur, District Pune, India	100
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 Advanced Products Co., Ltd	Shenyang, 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 KK	Miyashiro-Machi, Japan	60
Beksa Celik Kord Sanayi ve Ticaret A.S.	Istanbul, Turkey	50
China Bekaert Steel Cord Co., Ltd	Jiangyin, China	90
Precision Surface Technology Pte Ltd	Singapore	67
PT Bekaert Indonesia	Karawang, Indonesia	100
PT Southwest Screens Filters	Tangerang, Indonesia	100
Shanghai Bekaert-Ergang Co., Ltd	Shanghai, China	70
Wuxi Bekaert Textile Machinery and Accessories Co., Ltd	Wuxi, China	75

Sales offices, warehouses and others	Address	%
Europe		
Bekaert (Schweiz) AG	Baden, Switzerland	100
Bekaert A/S	Roskilde, Denmark	100
Bekaert Asia	Zwevegem, Belgium	100
Bekaert Carding Solutions S.r.l.	Bergamo, Italy	100
Bekaert-CMTM GmbH	Friedrichsdorf, Germany	100
Bekaert Combustion Technology Limited	Hinckley, United Kingdom	100
Bekaert France SAS	Antony, France	100
Bekaert Ges.m.b.H.	Vienna, Austria	100
Bekaert GmbH	Friedrichsdorf, Germany	100
Bekaert Limited	Sheffield, United Kingdom	100
Bekaert Norge A/S	Frogner, Norway	100
Bekaert Poland Sp. z o.o.	Warsaw, Poland	100
Bekaert Specialty Films Nordic AB	Rimbo, Sweden	100
Bekaert Specialty Films (UK) Ltd	Grimley, United Kingdom	100
Bekaert Svenska AB	Gothenburg, Sweden	100
Bekaert Wire o.o.o.	Moscow, Russian Federation	100
Filter Concept SPRL	Sprimont, Belgium	60
Joseph Sykes Brothers Limited	Sheffield, United Kingdom	100
Leon Bekaert S.p.A.	Trezzano Sul Naviglio, Italy	100
Solaronics AB	Vänusborg, Sweden	100
Solaronics GmbH	Achim, Germany	100
Solaronics Oy	Vantaa, Finland	100
Tinsley Wire (Ireland) Limited	Dublin, Ireland	100
North America		
Bekaert Carding Solutions Inc.	Fredericton, Canada	100
Bekaert Carding Solutions, Inc.	Wilmington (Delaware), United States	100
Bekaert NCD, Inc.	Marietta (Georgia), United States	100
Bekaert Specialty Films (Canada), Inc.	Oakville, Canada	100
Latin America		
Bekaert Specialty Films de Mexico, SA de CV	Monterrey, Mexico	100
Bekaert Trade Latin America N.V.	Curaçao, Netherlands Antilles	100
Bekaert Trade Mexico, S. de R.L. de 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 Middle East LLC	Dubai, United Arab Emirates	49
Bekaert Singapore Pte Ltd	Singapore	100
Bekaert Specialty Films (SEA) Pte Ltd	Singapore	100
Bekaert Taiwan Co., Ltd. (company in formation)	Taiwan	100
Bekaert Tarak Aksesuarlari ve Markineleri Ticaret A.S.	Istanbul, Turkey	100
SAM Logistics (Shanghai) Co., Ltd	Shanghai, China	100
Australia		
Bekaert Specialty Films Australia Pty Ltd	Seven Hills, Australia	100

Financial companies	Address	%
Becare Limited	Dublin, Ireland	100
Bekaert (Ireland) Limited	Dublin, Ireland	100
Bekaert Coördinatiecentrum	Zwevegem, Belgium	100
Bekaert do Brasil Ltda	Contagem, Brazil	100
Bekaert Engineering	Zwevegem, Belgium	100
Bekaert Holding B.V.	Assen, Netherlands	100
Bekaert Ibérica Holding, S.L.	Burgos, Spain	100
Bekaert North America Management Corporation	Wilmington (Delaware), United States	100
Bekpart B.V.	Assen, Netherlands	100
Sentinel Garden Products Limited	Sheffield, United Kingdom	100
Sowinvest SCRL	Sprimont, Belgium	100

Joint ventures

Industrial companies	Address	%
Europe		
Bekaert Handling A/S	Middelfart, Denmark	50
Bekaert Handling Limited	Spennymoor, United Kingdom	50
Bekaert Handling SNC	Saint Clément des Levées, France	50
North America		
Wire Rope Industries Ltd	Pointe-Claire, Canada	48
Latin America		
Acma S.A.	Santiago, Chile	50
Acmanet S.A.	Talcahuano, 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.	Osasco, 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.	Bogotá, Colombia	50
Productos de Acero Cassadó S.A.	Callao, Peru	42
Productos de Acero S.A. – Prodinsa	Maipu, Chile	48
Transportes Puelche Ltda	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	Address	%
Europe		
Bekaert Faser Vertriebs GmbH	Idstein, Germany	50
Netlon Sentinel Limited	Sheffield, United Kingdom	50
North America		
Wire Rope Industries Distribution Ltd	Pointe-Claire, Canada	48
Wire Rope Industries, Inc.	Pointe-Claire, Canada	48
Latin America		
Prodalam Argentina S.A.	Buenos Aires, Argentina	50
Prodalam S.A.	Santiago, Chile	50
Productos de Manejo de Fluidos Ltda	Maipu, Chile	50
Australia		
Bekaert Handling (Australia) Pty Ltd	Sydney, Australia	50

Financial companies	Address	%
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

Associates

Industrial companies	Address	%
Asia		
Jiangyin Fasten-Bekaert Optical Cable Steel Products Co., Ltd	Jiangyin, China	30

Changes in 2005

1. New investments

Subsidiaries	Address	%
Bekaert Advanced Filtration	Sprimont, Belgium	100
Bekaert Carding Solutions (Changzhou) Co., Ltd.	Changzhou, China	100
Bekaert Carding Solutions Inc.	Fredericton, Canada	100
Bekaert Carding Solutions, Inc.	Wilmington (Delaware), United States	100
Bekaert Carding Solutions Limited	Huddersfield, United Kingdom	100
Bekaert Carding Solutions Pte Ltd	Pune, India	100
Bekaert Carding Solutions S.A.S.	Roubaix, France	100
Bekaert Carding Solutions S.r.l.	Bergamo, Italy	100
Bekaert Middle East LLC	Dubai, United Arab Emirates	49
Bekaert Poland Sp. z o.o.	Warsaw, Poland	100
Bekaert Shenyang Advanced Products Co., Ltd	Shenyang, China	100
Bekaert Taiwan Co., Ltd. (company in formation)	Taiwan	100
Bekaert Tarak Aksesuarlari ve Markineleri Ticaret A.S.	Istanbul, Turkey	100
Filter Concept SPRL	Sprimont, Belgium	60
PT Southwest Screens Filters	Tangerang, Indonesia	100
Sowinvest SCRL	Sprimont, Belgium	100
Wuxi Bekaert Textile Machinery and Accessories Co., Ltd	Wuxi, China	75

2. Increases / decreases in ownership

Subsidiaries	Address	
Bekaert Combustion Technology B.V.	Assen, Netherlands	From 75 to 100%
Bekaert Combustion Technology Corporation	Wilmington (Delaware), United States	From 75 to 100%
Bekaert Combustion Technology Limited	Hinckley, United Kingdom	From 75 to 100%
Bekaert Combustion Technology NV	Zwevegem, Belgium	From 75 to 100%
Bekaert NCD, Inc.	Marietta, United States	From 75 to 100%
Solarelec SAS	Champagne au Mont d'Or, France	From 75 to 100%
Solaronics AB	Vänusborg, Sweden	From 75 to 100%
Solaronics GmbH	Achim, Germany	From 75 to 100%
Solaronics Oy	Vantaa, Finland	From 75 to 100%
Solaronics S.A.	Armentières, France	From 75 to 100%
Sorevi S.A.S.	Limoges, France	From 87 to 100%
Spaleck-Bekaert GmbH & Co. KG	Bocholt, Germany	From 50 to 100%

Joint ventures	Address	
Benitis Technologie Innovation Surfaces S.A.	Chelles, France	From 25 to 0%
Bruker Technik GmbH	Schramberg, Germany	From 50 to 0%

3. Mergers / conversions

Subsidiaries	Merged into
Imaware	NV Bekaert SA
Rotar, Inc.	Bekaert Corporation

Joint ventures	Merged into
SCI La Haie Briffault	Bekaert Handling France SAS and Bekaert Handling SNC

4. Name changes

New name	Former name
Bekaert Carding Solutions NV	Sobelcard
Bekaert NCD, Inc.	Bekaert Solaronics Inc.
Prodalam S.A.	Productos de Alambre Prodalam S.A.
Sorevi S.A.S.	Sorevi S.A.

5. Closed down

Companies	Address
Bekaert Indoor Safety B.V.	Ede, Netherlands
Bekaert Jiangyin Steel Cord Company Limited	Jiangyin, China
Bellmont Inc.	Atlanta (Georgia), United States
LB Systemer A/S	Copenhagen, Denmark

Discontinued operations (cf. note 2)

Subsidiaries

Industrial companies	Address
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 offices	Address
Europe	
Bekaert Portugal Lda	Lisbon, Portugal

Financial companies	Address
Europe	
Société de Participations Financières Bekaert	Antony, France

Associate

Industrial companies	Address
Europe	
Pindurg S.L.	Briviesca (Burgos), Spain

In accordance with Belgian legislation, the table below lists the registered numbers of the Belgian companies.

Companies	Company number
Bekaert Advanced Coatings	0423.237.031 RPR Gent
Bekaert Advanced Filtration	0430.104.631 RPR Liège
Bekaert Asia	0406.207.096 RPR Kortrijk
Bekaert Carding Solutions NV	0405.443.271 RPR Kortrijk
Bekaert Combustion Technology NV	0430.134.127 RPR Kortrijk
Bekaert Coördinatiecentrum	0426.824.150 RPR Kortrijk
Bekaert Engineering	0405.388.239 RPR Kortrijk
Bekaert Fencing NV	0478.276.316 RPR Kortrijk
Bekaert Fibre Processing Systems	0466.010.071 RPR Kortrijk
Bekaert Hemiksem	0403.676.188 RPR Antwerp
Bekintex	0452.746.609 RPR Dendermonde
Filter Concept SPRL	0871.984.369 RPR Liège
Imaware	0442.500.241 RPR Kortrijk
NV Bekaert SA	0405.388.536 RPR Kortrijk
Sowinvest SCRL	0478.543.956 RPR Liège

Parent company information

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

Parent company accounts

The annual accounts of the parent company, NV Bekaert SA, are presented below in a condensed form. In accordance with Belgian company law, the directors' report and annual accounts of the parent company, NV Bekaert SA, together with the auditors' report, have been deposited at the National Bank of Belgium. They are available on request from: NV Bekaert SA
President Kennedypark 18
BE–8500 Kortrijk
Belgium

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

Condensed income statement

in thousands of €

Year ended 31 December	2005	2004
Sales	600 542	619 965
Operating profit / (loss)	21 507	35 858
Financial result	56 674	50 593
Extraordinary result	54 581	– 26 047
Current and deferred income taxes	– 1 296	– 2 727
Profit / (loss) for the year	**131 466**	**57 677**

Condensed balance sheet after profit appropriation

in thousands of €

31 December	2005	2004
Fixed assets	**1 572 105**	**1 383 053**
Formation expenses, intangible fixed assets	22 179	25 247
Tangible fixed assets	73 783	73 524
Financial fixed assets	1 476 143	1 284 282
Current assets	**265 808**	**267 839**
Total assets	**1 837 913**	**1 650 892**
Shareholders' equity	**849 798**	**807 029**
Share capital	172 900	171 000
Share premium	9 271	249
Revaluation surplus	1 995	1 995
Statutory reserve	17 290	17 100
Untaxed reserves	6 124	3 606
Reserves available for distribution, retained earnings	642 218	613 079
Provisions and deferred taxes	**94 428**	**87 255**
Creditors	**893 687**	**756 608**
Amounts payable after one year	277 500	369 368
Amounts payable within one year, accrued charges and deferred revenues	616 187	387 240
Total equity and liabilities	**1 837 913**	**1 650 892**

Valuation principles

Valuation and foreign currency translation principles applied in the parent company's accounts are based on Belgian accounting legislation.

Summary of the annual report of the Board of Directors

Sales were 3% down on 2004, at € 600.5 million. In advanced wire products, both raw material prices and selling prices were higher on average compared with 2004. Demand was lower and pressure on prices was much higher for commodity products, but sales of higher added-value products were in line with the year before. Sales were also affected by the relocation of activities to other parts of the world. Sales of fiber technologies were down slightly on 2004, but the decrease in business volume in engineering was more significant.
The operating result turned out at € 21.5 million (2004: € 35.9 million). The application of the inventory valuation rules

had limited impact on the operating result in 2005, unlike 2004 when this change had a major positive effect in the context of substantial raw material price rises. The result was also adversely affected by slightly lower sales and a number of restructuring provisions.

The financial result increased to € 56.7 million (2004: € 50.6 million), reflecting higher dividend income, better foreign-exchange results and lower financial provisions, which were partly offset by additional expenses related to debt restructuring.

The disposal of financial assets accounted for most of the extraordinary result of € 54.6 million (2004: € – 26.0 million).

Net profit for the year ended 31 December 2005 amounted to € 131.5 million, compared with € 57.7 million in 2004, largely due to the extraordinary gain on the sale of Bekaert Fencing NV.

Statement on the activities of the statutory auditors and related persons

During 2005, the statutory auditor and persons professionnally related to him performed special tasks for an amount of € 842 000. These fees relate essentially to further assurance services (€ 99 000), consulting services for tax issues (€ 573 000) and other non-recurring non-audit services (€ 170 000). The special tasks have been approved by the Audit and Finance Committee.

Environmental programs

The provision for environmental programs decreased slightly to € 14.5 million (2004: € 14.8 million).

Information on research and development

Information on the company's research and development activities can be found in the 'Bekaert in 2005' section.

Conflict of interest

As provided by company law and prescribed by the Corporate Governance 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 2005, Baron Buysse refrained from participating in the discussion and voting on the remuneration and the renewal of the Chairman's mandate. For more details, refer to the 'Corporate Governance' section of this annual report.

Interests in share capital

Since the publication of the 2004 annual report, no new notifications of interests in the share capital of the company, in accordance with Article 4 of the Act of 2 March 1989, have been received.

Notifier	Date of notification	Number of shares	% of total number of shares	% of total number of shares + subscription rights
Stichting Administratiekantoor Bekaert, Chasséveld 1, Breda (Netherlands) [1]	14.01.2005	4 741 750	22.02	21.75
Common attorney, on behalf of individuals, Mr. X. Oberson, 20 rue de Candolle, Geneva (Switzerland) [1]	31.10.1996	2 223 140	10.33	10.20
Beauval Enterprises Corp., Arias, Fabrega & Fabrega, Trust Co. BVI Limited, Omar Hodge Building, 2nd floor, Wickham's Cay I, Road Town, Tortola (British Virgin Islands)	04.03.2005	1 000 985	4.65	4.59
Tirhold Inc., Arias, Fabrega & Fabrega, Plaza 2000 Building, 50th Street, Panama (Rep. of Panama)	04.03.2005	1 000 985	4.65	4.59
HLF S.p.r.l., square Vergote 19, Brussels [1]	13.01.2005	76 820	0.36	0.35
N.V. BSI, Schoonberg 15, Aalter [1]	18.01.2005	56 000	0.26	0.26
S.A. Berfin, square Vergote 19, Brussels	10.01.2005	30 640	0.14	0.14
Millenium 3 S.A., av. N. Plissart 8, Brussels [1]	02.03.2005	30 000	0.14	0.14
Velge & C°, in liquidation, Keizerstraat 13, bus 1, Antwerp [1]	07.01.2005	19 000	0.09	0.09
N.V. De Sneppe, Hoekstraat 25, Damme [1]	10.01.2005	17 460	0.08	0.08
S.A. Subeco, rue Guimard 19, Brussels [1]	01.03.1999	12 600	0.05	0.05
Total		**9 209 380**	**42.77**	**42.24**

[1] These individuals, foundations and companies, linked by their joint control of Stichting Administratiekantoor Bekaert, together with the Stichting Administratiekantoor Bekaert, hold 7 176 770 shares (33.33%).

Proposed appropriation of NV Bekaert SA 2005 result

The profit after tax for the year ended 31 December 2005 was € 131 465 688, compared with € 57 676 634 for the year ended 31 December 2004. An amount of € 2 517 533 has been transferred to untaxed reserves and the profit brought forward is € 32 810 557, giving a profit of € 161 758 712 available for appropriation.
At the General Meeting of Shareholders on 10 May 2006, the Board of Directors will propose that the above profit be appropriated as follows:

	€
Gross dividends	64 590 585
Transfer to the statutory reserve	190 000
Transfer to reserves	64 732 202
Carried forward	32 245 925
Total	**161 758 712**

In the light of the company's strong performance in 2005 and its confidence in the future, the Board of Directors will propose that the General Meeting of Shareholders approve the distribution of a gross dividend of € 3.00 per share. This gross dividend is composed of a basic amount of € 2.00 (an increase of 6.7% from last year's basic amount), and an exceptional payment of € 1.00 on account of the gain on the sale of Bekaert Fencing NV. If this proposal is accepted, it will result in a net dividend per share of € 2.25. In that case, the net dividend on shares with VVPR strip, giving entitlement to reduced withholding tax of 15%, will be € 2.55 per share.

The dividend will be payable in euros from 17 May 2006 onwards upon presentation of dividend coupon number 7 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

The term of office of the following Directors expires on the date of the Ordinary General Meeting of Shareholders: Baron Leon Bekaert, Baron Buysse, Count Charles de Liedekerke and Messrs. Julien De Wilde, Hubert Jacobs van Merlen and Maxime Jadot.

The Board of Directors proposes to the General Meeting of Shareholders:
- to re-appoint Baron Leon Bekaert, Baron Buysse, Count Charles de Liedekerke and Messrs. Julien De Wilde, Hubert Jacobs van Merlen and Maxime Jadot as Directors for a term of three years, expiring at the end of the General Meeting of Shareholders in 2009;
- to appoint Mr. Albrecht De Graeve as Director for a term of three years, expiring at the end of the General Meeting of Shareholders in 2009.

Auditors' report

Bedrijfsrevisoren/Reviseurs d'Entreprises
Berkenlaan 8b
B-1831 Diegem

Tel: +32 2 800 20 00
Fax: +32 2 800 20 01
http://www.deloitte.be

NV BEKAERT SA

STATUTORY AUDITOR'S REPORT TO THE SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

To the Shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us.

We have examined the accompanying consolidated financial statements of NV BEKAERT SA ('the company') and its subsidiaries (jointly 'the group'), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, which comprise the consolidated balance sheet as at 31 December 2005, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of EUR 2,231,672 (000) and a consolidated profit for the year then ended of EUR 189,875 (000). We have also performed those specific additional audit procedures required by the Companies Code.

The Board of Directors of the company is responsible for the preparation of the consolidated financial statements and the directors' report on the consolidated financial statements, for the assessment of the information that should be included in the directors' report on the consolidated financial statements, and for the company's compliance with the requirements of the Companies Code and the articles of association.

Our audit of the consolidated financial statements was conducted in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the 'Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren'.

The financial statements of several significant entities accounted for by use of the equity method, which represent total assets of EUR 174,580 (000) and a total profit of EUR 44,618 (000), have been audited by other auditors. Our opinion on the accompanying consolidated financial statements, insofar as it relates to the amounts contributed by those entities, is based solely upon the reports of those other auditors.

Unqualified audit opinion on the consolidated financial statements

The forementioned auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In accordance with these standards, we considered the group's administrative and accounting organization as well as its internal control processes. We have obtained the explanations and information required for our audit. We have examined, on a test basis, the evidence supporting the amounts in the consolidated financial statements. We have assessed the basis of the accounting methods used, the consolidation policies and significant estimates made by management as well as evaluating the presentation of the consolidated financial statements taken as a whole. We believe that our audit, together with the reports of other auditors on which we have relied, provides a reasonable basis for our opinion.

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises BV o.v.v.e. CVBA/SC s.f.d. SCRL
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /
Société civile sous forme d'une société coopérative à responsabilité limitée
Registered Office: Louizalaan 240 Avenue Louise, B-1050 Brussels
VAT BE 0429.053.863 - RPR Brussel/RPM Bruxelles - Fortis 230-0046561-21

In our opinion, and based, to the extent necessary upon the reports of other auditors, the consolidated financial statements as of 31 December 2005, give a true and fair view of the group's assets and liabilities, financial position, results and cash flows in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Additional attestation

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

- The annual report includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principle risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

15 March 2006

The Statutory Auditor

DELOITTE Reviseurs d'Entreprises
SC s.f.d. SCRL
Represented by

Guy Wygaerts **Geert Verstraeten**

A member firm of
Deloitte Touche Tohmatsu

Bekaert Group Executive

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

Senior Management

Jacques Anckaert	Investor Relations Officer
Daniël Chambaere	General Manager Building Products
Patrick De Keyzer	General Manager Technology and Manufacturing steel cord products
Marc de Sauvage	General Manager Engineering
Mark Goyens	Chief HR Officer
Louis Kuitenbrouwer	General Manager Marketing and Sales steel cord products
Lieven Larmuseau	General Manager Group Purchasing
Carlos Loncke	Business Controller wire products
Rick McWhirt	General Manager steel cord products North and Latin America – President Bekaert North America
Dominique Neerinck	Chief Technology Officer
Geert Roelens	General Manager Steel Cord China
Herman Vandaele	President Bekaert Asia
Frans Van Giel	General Manager Group Business Development
Geert Van Haver	General Manager Wire Europe
Geert Voet	General Manager Wire North and Latin America
Frank Vromant	Group Controller and Chief Information Officer

Corporate Secretary

Bert De Graeve

Auditors

Deloitte Bedrijfsrevisoren

Investor relations

Jacques Anckaert
T +32 56 23 05 72
F +32 56 22 85 57
investor.relations@bekaert.com

Corporate communication

Françoise Vanthemsche
T +32 56 23 05 71
F +32 56 23 05 48
press@bekaert.com

Documentation

www.bekaert.com

info@bekaert.com

The annual report for the 2005 financial year is available in English, Dutch and French on www.bekaert.com.

Editor: Françoise Vanthemsche, Corporate Communication Manager
Coordination: An Goedgezelschap
Design and printing: Lannoo drukkerij - Belgium (www.lannooprint.com)

BEKAERT

better together

Shareholders' brochure 2005

Definitions

Added value	Operating result (EBIT) + remuneration, social security and pension charges + depreciation, amortization and impairment of assets.
Associates	Companies in which Bekaert has a significant influence, generally reflected by an interest of at least 20%. Associates are accounted for using the equity method.
Capital employed (CE)	Working capital + net intangible assets + net goodwill + net property, plant and equipment. The average CE is computed as capital employed at previous year-end plus capital employed at balance sheet date divided by two.
Capital ratio	Equity relative to total assets.
Cash flow	Consolidated net result of the Group + depreciation, amortization and impairment of assets. This definition differs from that applied in the consolidated cash flow statement.
Dividend yield	Gross dividend as a percentage of the share price on 31 December.
EBIT	Operating result (earnings before interest and taxation).
EBIT interest coverage	Operating result divided by net interest expense.
EBITDA	Operating result (EBIT) + depreciation, amortization and impairment of assets.
Equity method	Method of accounting whereby an investment (in a joint venture or an associate) is initially recognized at cost and subsequently adjusted for any changes in the investor's share of the joint venture's or associate's net assets (i.e. equity). The income statement reflects the investor's share in the net result of the investee.
Gearing	Net debt relative to equity.
Joint ventures	Companies under joint control in which Bekaert generally has an interest of approximately 50%. Joint ventures are accounted for using the equity method.
Net capitalization	Net debt + equity.
Net debt	Financial liabilities net of current loans, current financial assets and cash and cash equivalents. For the purpose of debt calculation only, financial liabilities are remeasured to reflect the effect of any cross-currency interest-rate swaps (or similar instruments), which convert these liabilities to the entity's functional currency.
Pay-out ratio	Gross dividend as a percentage of consolidated net result of the Group.
Price-earnings ratio	Share price divided by consolidated net result of the Group per share.
Return on capital employed (ROCE)	Operating result (EBIT) relative to average capital employed.
Return on equity (ROE)	Net result of the Group + result attributable to minority interests relative to average equity.
Sales (combined)	Sales of consolidated companies + 100% of sales of joint ventures and associates.
Subsidiaries	Companies in which Bekaert exercises control and generally has an interest of more than 50%.
Velocity	Number of shares traded relative to the rolling average number of shares in issue for the past twelve months.
Velocity (adjusted)	Velocity adjusted for the free-float band.
Working capital (operating)	Inventories + trade receivables – trade payables – advances received – remuneration and social security charges – withholding taxes on remuneration.

Table of contents

BEKAERT

Company profile

In selected applications of its two core competences – advanced metal transformation and advanced materials and coatings – Bekaert develops an array of high-tech products, systems and services for customers in various sectors.

While Bekaert markets virtually no end-user products, it keeps its finger on the pulse at all times, so that it can anticipate its customers' needs. In its quest to offer them ever greater added value, it is steadily moving up the value chain in a whole range of products.

Advanced wire products

The advanced wire products range from wires for use in the manufacture of industrial springs and in the reinforcement of flexible pipes, through steel fibers for concrete reinforcement, profiled wires, textile machine wires, bookbinding wires and weaving wires, to champagne cork wires, silicon-sawing wire and various types of lacquered and coated wires.

High-tensile wires are woven into steel cord products like tire cord and bead wire, which are used in car and truck tires. Steel cord is also used as reinforcement in other polymer applications, such as high-pressure hoses, polyurethane drive belts and conveyor belts.

Advanced wire products:
€ 2 750 million combined sales (91%)
with 14 100 employees

Advanced materials

The advanced materials segment covers applications in fiber technologies, combustion technologies and composites.
In fiber technologies, Bekaert develops ultra-thin metal fibers, chiefly in stainless steel, for filter media, conductive plastics and textile applications.
In combustion technologies, Bekaert specializes in environment-friendly gas burners and combustion systems. In composites, Bekaert manufactures glass-fiber-reinforced membrane pressure vessels for desalination plants.

Advanced materials:
€ 141 million combined sales (5%)
with 890 employees

Advanced coatings

The advanced coatings segment comprises industrial coatings for various materials, applied by vacuum technologies or thermal spraying. Bekaert also supplies special equipment for the glass industry for applying coatings to large areas of flat glass. In specialized films, Bekaert concentrates on window films which keep out the heat of the sun. These films are used both in vehicles and in residential, office and government buildings etc.

Advanced coatings:
€ 133 million combined sales (4%)
with 730 employees

BEKAERT

better together

Bekaert believes that *better together* is the key to success.

Bekaert is active worldwide in selected applications of its two core competences: advanced metal transformation and advanced materials and coatings. The combination of these competences makes Bekaert unique.

The power of combination is also reflected in the way Bekaert works.

The 17 000 employees around the world work together as one company, serving customers in over 120 countries. Their combined efforts enable the company to offer a wide array of high-tech products, systems and services, designed to give customers an edge in their markets. Together they create added value. They build win-win relationships, based on equal partnerships, in an atmosphere of mutual trust and respect.

In pursuit of its goal of sustainable profitable growth, Bekaert aims for market leadership and technological leadership and strives to be world number one or two.

Bekaert in 2005

Combined sales: € 3.1 billion
Consolidated sales: € 1.9 billion
Operating result: € 136 million
Consolidated net result: € 190 million
Employees: 17 000

Euronext® Brussels: BEKB
www.bekaert.com

BEKAERT

Geographical presence

Bekaert aims to have a presence in all major markets. In 2005, it strengthened its position in Central Europe, Latin America and Asia and took action in Western Europe and North America to bring its production capacity into line with market demand and enhance its position.

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

It is here – in close collaboration with local customers – that new products and services originate, before they are disseminated to other markets or deployed in other types of application.

The production plants are distributed geographically so that Bekaert can respond swiftly to customer demand. The plants are tailored to their markets' specific requirements, but the same high quality standards apply globally.

With its long international history, doing business on a global scale has become second nature to Bekaert. Over the years, Bekaert has developed the skills needed 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.

Europe:

€ 1 018 million combined sales (33%) with 6 934 employees

33%

Asia:

€ 298 million combined sales (10%) with 2 684 employees

10%

Rest of the world:

€ 54 million combined sales (2%) with 95 employees

2%

Key figures

in millions of €

Combined figures	2003	2004[1]	2005[1]
Sales	2 618	2 711	3 085
Capital expenditure	140	196	195
Personnel as at 31 December	17 183	16 402	17 096

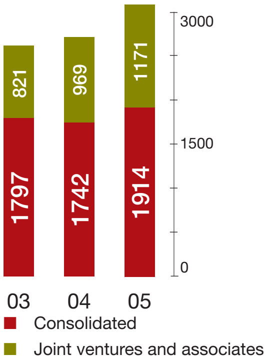
in millions of €

Consolidated statements	2003	2004	2005
Income statement			
Sales	1 797	1 742	1 914
Operating result (EBIT)	112	139	136
Result from continuing operations	87	141	136
Result from discontinued operations	0	26	54
Consolidated net result	87	168	190
Minority interest	8	12	12
Cash flow	224	266	257
EBITDA	239	256	257
Depreciation	127	117	121
Balance sheet			
Equity	834	959	1 130
Non-current assets	1 166	1 241	1 239
Capital expenditure (PP&E)	109	166	142
Balance sheet total	1 938	2 189	2 232
Net debt	329	369	272
Capital employed (CE)	1 231	1 363	1 360
Working capital	354	453	431
Personnel as at 31 December	11 204	10 380	11 022
Ratios			
EBITDA on sales	13.3%	14.7%	13.4%
EBIT on sales	6.2%	8.0%	7.1%
EBIT interest coverage	6.2	13.9	6.9
ROCE (EBIT on CE)	9.0%	14.3%	10.7%
ROE (Net result on equity)	11.5%	20.1%	19.3%
Equity on total assets	43.1%	43.8%	50.6%
Gearing (Net debt on equity)	39.4%	38.5%	24.0%
Net debt on EBITDA	1.4	1.4	1.1

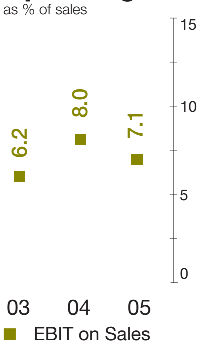
in millions of €

Joint ventures and associates	2003	2004	2005
Sales	821	969	1 171
Operating result	111	171	165
Net result	82	126	128
Share in result	33	53	57
Capital expenditure	31	30	53
Depreciation	39	37	39
Equity	191	213	233
Personnel as at 31 December	5 979	6 022	6 074

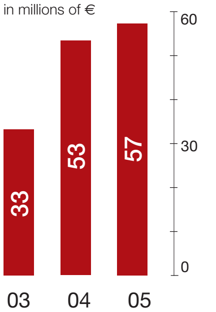
Sales
in millions of €



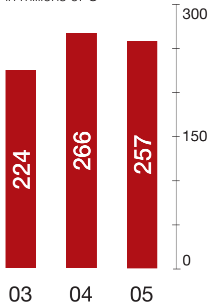
Operating result
as % of sales



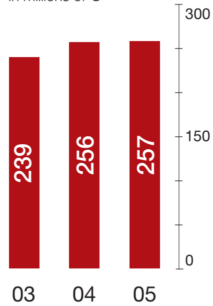
Share in result of joint ventures and associates
in millions of €



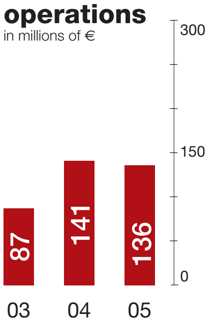
Cash flow
in millions of €



EBITDA
in millions of €

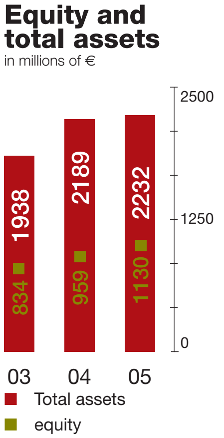


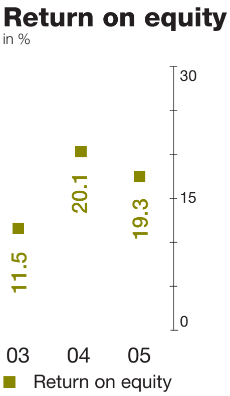
Result from continuing operations
in millions of €

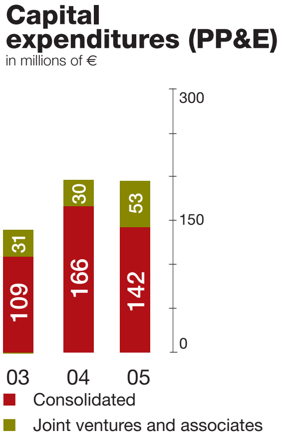


[1] Consolidated income statement figures of 2004 are restated following the divestment of Bekaert Fencing NV, while balance sheet figures are not. Some ratios, relating consolidated income statement items to balance sheet items, or ratios based on an average in comparison with 2004, are indicative.

BEKAERT







Key figures per share

NV Bekaert SA	2003	2004	2005
Number of shares as at 31 Dec.	22 070 300	21 873 705	**21 530 195**
Average number of shares	22 111 807	21 920 662	**21 633 346**
Number of VVPR strips	3 551 040	3 574 745	**3 807 785**
Average daily traded volume	28 950	33 439	**39 639**

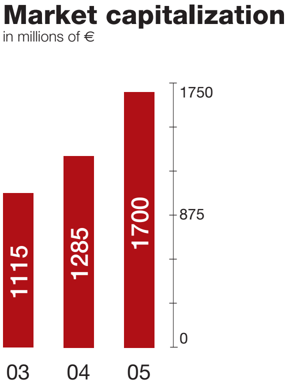
in millions of €

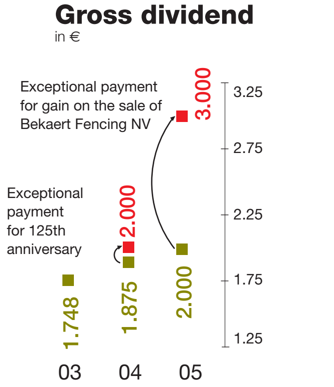
NV Bekaert SA	2003	2004	2005
Annual turnover	304.3	435.2	**652.6**
Average daily turnover	1.2	1.7	**2.6**
Market capitalization as at 31 Dec.	1 114.6	1 285.1	**1 699.8**
Free float	59.7%	57.9%	**57.2%**
Velocity (band adjusted)	44.0%	51.5%	**77.5%**

in €

Per share	2003	2004	2005
EBITDA	10.83	11.68	**11.96**
EBIT	5.07	6.35	**6.33**
EPS	3.92	6.44	**6.27**
EPS (diluted)	3.92	6.43	**6.25**
Cash flow	10.12	12.12	**11.87**
Gross dividend	1.748	2.000	**3.000**
Net dividend	1.311	1.500	**2.250**
Net dividend with VVPR strip	1.4858	1.700	**2.550**
Book value	37.80	43.82	**52.50**

Valorization	2003	2004	2005
Price as at 31 Dec.	50.50	58.75	**78.95**
Price (average)	41.22	50.06	**64.81**
Price-earnings as at 31 Dec.	12.9	9.1	**12.6**
Price on cash flow	5.0	4.8	**6.6**
Price on book value	1.34	1.34	**1.50**
VVPR strip price	0.79	0.51	**0.62**
Dividend yield	3.5%	3.4%	**3.8%**
Dividend yield (average)	4.2%	4.0%	**4.6%**
Dividend pay-out	45%	26%	**34%**





BEKAERT

Executive summary

Sales

Bekaert achieved consolidated sales of € 1.9 billion and combined sales of € 3.1 billion in 2005, an increase of 10% and 14% respectively[1,2].

The consolidated sales' increase was 8% from organic growth, 1% from the net movement in acquisitions and divestments and 1% from currency movements.

Advanced wire products

Combined sales of advanced wire products were 14% higher (wire Europe – 7%, wire North America –4%, wire Latin America +26%, wire Asia +24%, building products +12%, steel cord China +39%, steel cord others +15% and other advanced wire products +19%).

After an extraordinary year in 2004, which saw unprecedented price rises for wire rod (the raw material for advanced wire products), Bekaert continued to experience in 2005 the significant impact of the volatility of the raw materials markets worldwide. In contrast to 2004, when customers built up their inventories, because of difficulties in obtaining supplies, the company experienced just the opposite in 2005, with customers running down their stocks, which translated into a slow-down in customer demand in some markets. Both raw materials prices and selling prices were higher on average than in 2004. The application of the inventory valuation rules had a limited impact on the operating result in 2005 unlike 2004 when this change had a positive effect of € 35 million, in the context of significant raw materials price increases.

In the mature markets in Western Europe and North America, Bekaert saw demand for its advanced wire products weaken noticeably, especially in the automotive industry.

Bekaert continued to drop some of the less profitable products from its portfolio and concentrate on applications with a higher added value. Its production platforms were realigned in response to the shifts in market demand and the cost structure was modified at several plants, for which Bekaert recognised € 16 million non-recurring expenses.

With the acquisition of Conflandey Inc.'s activities and various items of machinery and equipment in early 2006, Bekaert aims to strengthen its position in industrial stapling wire and fine specialized wires on the North-American market. Bekaert also worked hard to improve its customer service. In the wake of the major natural disasters in North America, it was able to respond at very short notice to the demand created by the rebuilding programs, especially for energy supplies, telecommunications, construction and infrastructure work.

Bekaert will also continue to reinforce its position in Central and Eastern Europe, including in Russia. The company performed strongly in Latin America. Bekaert experienced significant growth in all its activities in Asia, particularly in China. Demand for steel cord products was strong. Bekaert developed new products and announced an important new investment program in advanced wire products.

By taking over ECC Card Clothing in June 2005 and setting up a joint venture with Wuxi Owl Textile Accessories Co. Ltd.in China, Bekaert embarked on worldwide expansion of its advanced wire products for the textile sector.

Advanced materials

Combined sales of advanced materials recorded growth of 21% (fiber technologies +23%, combustion technologies +26%, composites +2%).

Bekaert experienced a strong increase in sales in advanced materials, but operating result was negatively influenced by € 8 million due to impairment losses.

In fiber technologies, Bekaert registered an important breakthrough in the field of environment-friendly gas filtration. In mid–2005, it also acquired Southwest Screens & Filters SA, a world player in industrial process filtration based on Bekaert metal fibers.

In combustion technologies, environment-friendly heating equipment for the residential sector performed strongly. The same was true for the industrial applications, partly due to the acquisition of Solaronics for which only nine months' figures were included in 2004. By the end of 2005, with the acquisition of Shell's interest, Bekaert owned 100% of the combustion technologies activity platform. The company now intends to implement its growth strategy for environment-friendly gas burners alone, capitalizing on the increasingly strict environmental regulations in Europe and the United States.

Advanced coatings

Combined sales of advanced coatings were up by 4% (industrial coatings –4%, specialized films +11%).

Bekaert recorded modest growth in advanced coatings. In industrial coatings, there was growth in diamond-like coatings, which are used for example on engine components for racing cars, but sputter products, where demand is largely project-driven, had a difficult year. The reallocation of the worldwide production capacity in sputtered films necessitated € 7 million non-recurring expenses.

[1] Combined sales are sales generated by consolidated companies, joint ventures and associates.
[2] All comparisons are made relative to 2004 figures. Consolidated income statement figures of 2004 are restated following the divestment of Bekaert Fencing NV, while balance sheet figures are not. Some ratios, relating consolidated income statement to balance sheet items, or ratios based on an average in comparison with 2004, are indicative.

Specialized films performed strongly in 2005, mainly thanks to substantial growth in Asia.

In November 2005, Bekaert officially opened its new plant for advanced materials and coatings in Suzhou (China), which will considerably strengthen its position in the growing Asian markets.

Profitability

In continuing operations, Bekaert achieved a consolidated operating result before non-recurring items of € 168 million, compared with € 148 million in 2004. Including the significant increase in non-recurring items (€ 32 million, as against € 9 million), mainly due to provisions for restructuring programs and various impairments, the consolidated operating result (EBIT) amounted to € 136 million, compared with € 139 million in 2004, representing an EBIT margin on sales of 7.1%.

As in 2004, the companies accounted for using the equity method contributed € 57 million to the result in 2005.

The consolidated net profit from continuing operations amounted to € 136 million compared with € 141 million. The consolidated net profit from discontinued operations was € 54 million, mostly in the form of the gain on the sale of Bekaert Fencing NV. The consolidated net result of the Group amounted to € 190 million, compared with € 168 million.

Balance sheet

As at 31 December 2005, equity represented 51% of total assets. Net debt amounted to € 272 million, compared with € 369 million and the gearing ratio (net debt to equity) was 24%, compared with 38% as at year-end 2004.

Cash flow

EBITDA was € 257 million.
Cash flow amounted to € 257 million.

Cash provided by operating activities amounted to € 179 million and depreciation, amortization and impairments totaled € 121 million. Operating working capital amounted to € 431 million, compared with € 453 million. The sale of the fencing systems Europe business segment reduced working capital by € 93 million, while the higher activity level and currency movements increased the working capital by € 72 million.

Cash used in investing activities of the consolidated companies totaled € 36 million. Cash proceeds from the sale of Bekaert Fencing NV amounted to € 86 million. Investments in property, plant and equipment totaled € 142 million, mainly due to the expansion of the production capacity in various growth markets, including those in Asia.

Under the authority vested by the General Meeting of Shareholders in the Board of Directors, 585 000 Bekaert shares were purchased in 2005 at an average price of € 61.04, of which 576 550 were canceled.

NV Bekaert SA statutory accounts

The parent company's sales amounted to € 601 million. The profit was € 131 million, compared with € 58 million, mostly due to the extraordinary result on the sale of Bekaert Fencing NV.

Dividend

In the light of the company's strong performance in 2005 and its confidence in the future, the Board of Directors will propose that the General Meeting of Shareholders approve the distribution of a gross dividend of € 3.00 per share. This gross dividend is composed of a basic amount of € 2.00 (an increase of 6.7% from last year's basic amount) and an exceptional payment of € 1.00 on account of the gain on the sale of Bekaert Fencing NV. If this proposal is accepted, it will result in a net dividend per share of € 2.25. In that case, the net dividend on shares with VVPR strip, giving entitlement to reduced withholding tax of 15%, will be € 2.55 per share. The dividend will be payable as from 17 May 2006.

Historical review

in millions of €

Consolidated income statement	1996	1997	1998	1999	2000[1]	2001	2002	2003	2004[2]	2005[2]
Continuing operations										
Sales	1 532	1 739	1 767	1 765	1 756	1 796	1 863	1 797	1 742	1 914
Cost of sales	–1 279	–1 444	–1 486	–1 436	–1 411	–1 467	–1 490	–1 424	–1 343	–1 522
Gross profit	**253**	**295**	**281**	**329**	**345**	**329**	**373**	**373**	**399**	**392**
Selling expenses	–87	–95	–98	–96	–102	–116	–110	–111	–86	–92
General expenses	–79	–83	–75	–87	–95	–114	–109	–101	–95	–100
R&D expenses	–28	–28	–29	–32	–34	–33	–36	–36	–54	–45
Other revenues	13	24	14	20	22	22	20	20	24	29
Other expenses	–53	–25	–23	–33	–20	–28	–74	–33	–49	–48
Operating result (EBIT)	**19**	**88**	**70**	**101**	**116**	**60**	**64**	**112**	**139**	**136**
Interest income and expenses	–19	–23	–30	–24	–26	–30	–29	–32	–16	–27
Non-operating expenses	43	10	–6	8	10	5	–101	–11	–5	12
Result before taxes	**43**	**75**	**34**	**85**	**100**	**34**	**–66**	**69**	**118**	**121**
Income taxes	–3	–16	–14	–23	–23	5	7	–8	–18	–30
Result after taxes	**40**	**59**	**20**	**62**	**77**	**39**	**–59**	**61**	**100**	**91**
Share in the joint ventures	17	14	16	23	29	13	19	33	53	57
Minority interests	0	–4	–2	–5	–4	–4	–6	–7	–12	–12
Result continuing operations	**57**	**69**	**34**	**80**	**102**	**48**	**–46**	**87**	**141**	**136**
Discontinued operations										
Result discontinued operations	–	–	–	–	–	–	–	–	27	54
Consolidated net result of the group	**57**	**69**	**34**	**80**	**102**	**48**	**–46**	**87**	**168**	**190**

in millions of €

Consolidated balance sheet	1996	1997	1998	1999	2000[1]	2001	2002	2003	2004[2]	2005[2]
Non-current assets	**1 060**	**1 223**	**1 125**	**1 184**	**1 230**	**1 425**	**1 174**	**1 181**	**1 241**	**1 239**
Intangible assets	11	27	31	32	27	61	55	48	42	45
Goodwill	16	28	37	51	21	93	72	71	76	80
Property, plant and equipment	848	902	850	852	841	910	778	758	792	800
Investments joint ventures	116	197	198	239	288	301	205	201	220	238
Other investments	69	70	9	10	52	51	54	88	93	68
Deferred tax assets					1	9	10	15	18	8
Current assets	**682**	**704**	**730**	**832**	**864**	**821**	**748**	**757**	**948**	**992**
Inventories	280	301	300	321	351	343	312	323	419	348
Trade receivables	242	289	270	310	338	322	311	307	385	354
Other receivables	40	40	35	56	87	66	42	31	36	54
Financial assets	32	25	78	61	29	16	21	33	46	91
Cash and cash equivalents	74	28	30	58	47	58	53	50	57	132
Accruals	14	22	17	26	12	16	9	13	5	9
Assets held for sale	–	–	–	–	–	–	–	–	–	4
Total assets	**1 742**	**1 927**	**1 855**	**2 016**	**2 094**	**2 246**	**1 922**	**1 938**	**2 189**	**2 232**
Equity	**930**	**971**	**934**	**1 062**	**1 080**	**1 064**	**876**	**834**	**959**	**1 130**
Share capital	167	167	167	170	170	170	170	170	171	173
Reserves	690	768	726	843	861	851	662	621	739	906
Minority interests	73	36	41	49	49	43	44	43	49	51
Non-current liabilities	**406**	**424**	**398**	**412**	**516**	**772**	**663**	**604**	**526**	**543**
Employee benefit obligations	94	111	111	113	141	187	176	171	172	140
Provisions	75	43	31	39	40	39	54	44	44	44
Financial liabilities	221	248	238	246	217	450	343	322	246	298
Other amounts payable	16	22	18	14	8	6	24	2	–	3
Deferred tax liabilities	62	66	65	70	110	90	66	65	64	58
Current liabilities	**344**	**466**	**458**	**472**	**498**	**493**	**457**	**500**	**704**	**558**
Financial liabilities	70	146	166	119	202	209	152	177	314	247
Trade payables	133	170	147	187	171	156	185	192	251	187
Other amounts payable	141	150	145	166	117	118	112	123	132	111
Accruals	–	–	–	–	8	10	8	8	7	13
Liabilities with assets held for sale	–	–	–	–	–	–	–	–	–	–
Total liabilities	**1 742**	**1 927**	**1 855**	**2 016**	**2 094**	**2 246**	**1 922**	**1 938**	**2 189**	**2 232**

[1] From 2000 onwards, revised accounting principles have been applied; prior-year figures are for information only and have not been restated.
[2] Consolidated income statement figures of 2004 are restated following the divestment of Bekaert Fencing NV, while balance sheet figures are not. Some ratios, relating consolidated income statement items to balance sheet items, or ratios based on an average in comparison with 2004, are indicative.

in millions of €

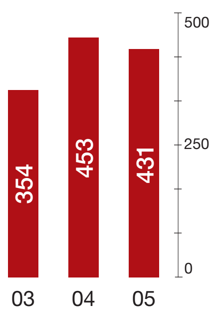
Consolidated cash flow statement	1996	1997	1998	1999	2000[1]	2001	2002	2003	2004[2]	2005[2]
Operating result (EBIT)	19	88	70	101	115	60	64	112	185	136
Non-cash items	107	120	129	135	131	132	167	96	131	106
Income taxes	−12	−12	−15	−13	−24	−11	−13	−19	−33	−25
Gross cash	**114**	**196**	**184**	**223**	**222**	**181**	**218**	**189**	**283**	**217**
Changes in working capital	−8	−12	−19	0	−70	56	39	−18	−112	−32
Others					5	−29	−8	−21	−11	−6
Cash from operating activities	**106**	**184**	**165**	**223**	**157**	**208**	**249**	**150**	**160**	**179**
New portfolio investments	82	−120	−15	−21	−69	−189	−5	−34	−17	−21
Dividends received	7	8	4	6	17	15	14	19	23	44
Others					−7	2	2	5	–	86
Cash from portfolio-related investing activities	**89**	**−112**	**−11**	**−15**	**−59**	**−172**	**11**	**−10**	**6**	**109**
Capital expenditure intangibles					−10	−45	−7	−9	−7	−10
Capital expenditure (PP&E)	−140	−126	−111	−63	−103	−122	−78	−109	−166	−142
Others					6	13	14	−12	7	7
Cash from other investing activities	**−140**	**−126**	**−111**	**−63**	**−107**	**−154**	**−71**	**−106**	**−166**	**−145**
Interests received / (paid)	−9	−15	−24	−12	−31	−28	−27	−18	−16	−15
Dividends	−35	−35	−34	−38	−40	−40	−43	−45	−45	−52
Others	41	50	70	−84	69	195	−121	30	68	−4
Cash from financing activities	**−3**	**0**	**12**	**−134**	**−2**	**127**	**−191**	**−33**	**7**	**−71**
Changes in cash	**52**	**−54**	**55**	**11**	**−11**	**9**	**−2**	**1**	**7**	**72**

[1] From 2000 onwards, revised accounting principles have been applied: prior-year figures are for information only and have not been restated.
[2] Consolidated income statement figures of 2004 are restated following the divestment of Bekaert Fencing NV, while balance sheet figures are not. Some ratios, relating consolidated income statement items to balance sheet items, or ratios based on an average in comparison with 2004, are indicative.

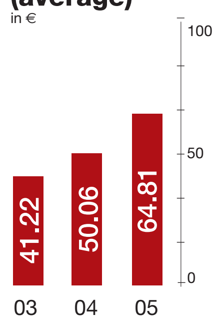
in millions of €

Additional key figures	1996	1997	1998	1999	2000[1]	2001	2002	2003	2004[2]	2005[2]
Combined										
Sales	1 915	2 406	2 520	2 488	2 726	2 815	2 810	2 618	2 711	3 085
Capital expenditure (PP&E)	191	161	145	137	151	222	119	140	196	195
Personnel as at 31 December	16 160	17 257	16 725	16 452	17 202	17 461	16 836	17 183	16 402	17 096
Consolidated										
Capital expenditure (PP&E)	141	125	104	99	103	122	78	109	166	142
Capital expenditure (intangibles)	4	20	17	11	10	45	7	10	7	10
Depreciation	117	123	135	136	132	145	149	127	117	121
EBITDA	135	211	202	235	247	207	225	239	256	257
Cash flow	173	192	168	220	238	200	205	224	266	257
Capital employed	1 189	1 293	1 262	1 295	1 335	1 493	1 256	1 231	1 363	1 360
Working capital	313	336	345	360	437	421	351	354	453	431
Net debt	185	342	296	246	336	545	348	329	369	272
Added value	653	735	722	742	712	714	774	749	707	704
Personnel charges	517	525	520	503	461	502	549	507	450	450
Personnel as at 31 December	11 706	11 351	10 926	10 329	10 242	10 438	10 071	11 204	10 380	11 022
Joint ventures and associates										
Sales	382	667	753	723	970	1 019	947	821	969	1 171
Operating result	39	63	64	82	112	96	106	111	171	165
Net result	43	32	36	51	72	40	55	82	126	128
Net result Group's share	17	14	16	23	29	13	19	33	53	57
Capital expenditure (PP&E)	49	36	41	38	48	100	41	31	30	53
Depreciation	23	31	37	45	52	47	49	39	37	39
Equity Group's share	116	197	198	239	261	276	185	191	213	233
Personnel as at 31 December	4 454	5 906	5 799	6 123	6 960	7 023	6 765	5 979	6 022	6 074

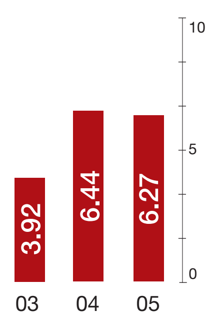
Working capital
in millions of €



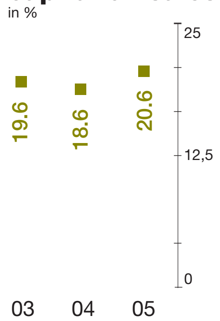
Share price (average)
in €



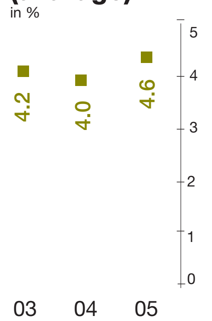
Earnings per share
in €



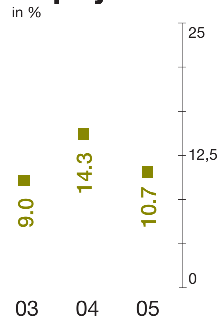
Average working capital on sales
in %



Dividend yield (avarage)
in %



Return on capital employed
in %



[1] From 2000 onwards, revised accounting principles have been applied: prior-year figures are for information only and have not been restated.
[2] Consolidated income statement figures of 2004 are restated following the divestment of Bekaert Fencing NV, while balance sheet figures are not. Some ratios, relating consolidated income statement items to balance sheet items, or ratios based on an average in comparison with 2004, are indicative.

in €

Per share	1996	1997	1998	1999	2000[1]	2001	2002	2003	2004[2]	2005[2]
EBITDA	6.02	9.38	9.02	10.48	11.09	9.36	10.18	10.83	11.68	11.96
EBIT	0.84	3.92	3.12	4.49	5.19	2.69	2.90	5.07	6.35	6.33
EPS	2.51	3.07	1.52	3.56	4.56	2.15	−2.09	3.92	6.44	6.27
EPS (diluted)	2.51	3.07	1.52	3.56	4.56	2.15	−2.09	3.92	6.43	6.25
Cash flow	7.69	8.53	7.46	9.79	10.62	8.98	9.28	10.12	12.12	11.87
Sales	68.24	77.43	78.66	78.58	78.43	80.71	84.13	81.27	79.46	88.49
Book value	41.42	43.25	41.61	45.76	48.44	44.32	36.29	37.80	43.82	52.50
Gross dividend	1.49	1.49	1.49	1.60	1.68	1.68	1.68	1.75	2.00	3.00
Net dividend	1.12	1.12	1.12	1.20	1.26	1.26	1.26	1.31	1.50	2.25
Net dividend with VVPR strip	1.26	1.26	1.26	1.36	1.43	1.43	1.43	1.49	1.70	2.55

Performance	1996	1997	1998	1999	2000[1]	2001	2002	2003	2004[2]	2005[2]
Consolidated										
EBITDA on sales (%)	8.8	12.1	11.5	13.3	14.1	11.6	12.1	13.3	14.7	13.4
EBIT on sales (%)	1.2	5.1	4.0	5.7	6.6	3.3	3.4	6.2	8.0	7.1
Sales on capital employed	1.3	1.4	1.4	1.4	1.3	1.3	1.4	1.4	1.7	1.5
ROCE (EBIT on CE) (%)	1.7	7.1	5.5	7.9	8.8	4.2	4.7	9.0	14.3	10.7
Result after taxes on sales (%)	3.7	4.0	1.9	4.5	5.8	2.7	−2.5	4.8	9.6	9.9
ROE (%)	6.2	7.6	3.7	8.6	10.2	5.0	−4.4	11.5	20.1	19.3
Capital ratio (%)	53.4	50.4	50.4	51.0	51.6	43.7	41.8	43.1	43.8	50.6
Gearing (net debt on equity) (%)	19.9	35.2	31.7	23.9	31.1	55.5	43.4	39.4	38.5	24.0
Net debt on net capitalization (%)	16.6	26.0	24.1	19.3	23.7	35.7	30.3	28.3	27.8	19.4
Net debt on EBITDA	1.5	1.6	1.5	1.0	1.4	2.6	1.5	1.4	1.4	1.1
EBIT interest coverage	1.3	4.3	2.5	4.9	4.7	2.2	2.6	6.2	13.9	6.9
EBITDA interest coverage	9.0	10.3	7.3	11.2	10.0	7.6	9.3	13.2	25.6	13.0
Working capital on sales (%)	19.7	18.7	19.3	20.0	22.7	23.9	20.7	19.6	18.6	20.6
Joint ventures and associates										
EBIT on sales (%)	10.2	9.5	8.5	11.3	11.5	9.4	11.2	13.5	17.6	14.1
ROE (Return on Equity) (%)	15.0	7.2	8.1	9.4	12.9	14.5	10.0	18.5	27.6	25.7
Average participation (%)	39.5	43.8	44.4	45.1	47.2	41.4	41.7	43.3	44.9	44.3

Valuation	1996	1997	1998	1999	2000[1]	2001	2002	2003	2004[2]	2005[2]
Price-earnings as at 31 December	20	18	28	15	11	20	NR	13	9	13
Price-earnings (average)	–	–	–	12	11	19	NR	10	8	10
Price on cash flow	6.5	6.4	5.7	5.6	4.7	4.8	4.6	5.0	4.8	6.6
Price on book value	1.21	1.26	1.02	1.20	1.03	0.98	1.19	1.34	1.34	1.50
Price on sales	0.73	0.71	0.54	0.70	0.63	0.53	0.51	0.62	0.74	0.89
Dividend yield (%)	3.0	2.7	3.5	2.9	3.4	3.9	3.9	3.5	3.4	3.8
Dividend yield (average) (%)	–	–	–	3.7	3.3	4.2	3.7	4.2	4.0	4.6
Dividend pay-out ratio (%)	59	48	98	45	37	78	NR	45	26	34

in €

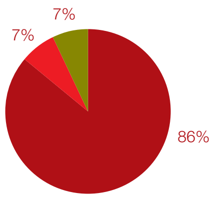
Share listing	1996	1997	1998	1999	2000[1]	2001	2002	2003	2004[2]	2005[2]
Daily volume	54 150	38 570	34 730	37 939	21 450	18 362	27 309	28 950	33 439	39 639
Price as at 31 December	49.95	54.66	42.27	55.10	49.85	43.27	43.15	50.50	58.75	78.95
Price high	81.00	68.67	77.47	57.50	58.50	51.00	50.95	50.75	59.95	78.95
Price low	44.81	45.92	41.89	34.80	42.50	28.00	35.50	31.00	43.37	55.30
Price average	–	–	–	43.17	50.46	40.51	45.57	41.22	50.06	64.81
Strips as at 31 December	–	–	–	0.05	0.06	0.15	0.55	0.79	0.51	0.62
Velocity (%, adjusted)	–	–	–	33.6	30.5	27.4	39.3	44.0	51.5	77.5
Capitalization (in millions of €)	1 122	1 228	949	1 237	1 112	959	955	1 115	1 285	1 700

[1] From 2000 onwards, revised accounting principles have been applied: prior-year figures are for information only and have not been restated.
[2] Consolidated income statement figures of 2004 are restated following the divestment of Bekaert Fencing NV, while balance sheet figures are not. Some ratios, relating consolidated income statement items to balance sheet items, or ratios based on an average in comparison with 2004, are indicative.

in millions of €

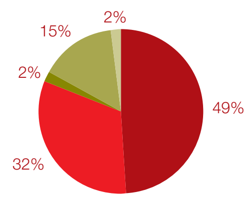
Advanced wire products	1996	1997	1998	1999	2000[1]	2001	2002	2003	2004	2005[2]
Consolidated										
Sales	1 120	1 318	1 208	1 211	1 229	1 220	1 246	1 241	1 501	1 640
Operating result (EBIT)							121	121	181	171
EBIT margin (%)							10.0	9.8	12.0	10.4
Depreciation							96	85	77	85
Impairment losses							1	0	1	0
EBITDA							218	206	259	256
EBITDA margin (%)							17.5	16.6	17.3	15.6
Segment assets							1 009	1 009	1 180	1 345
Segment liabilities							179	179	241	249
CE average								830	885	1 017
ROCE (%)								14.6	20.4	16.8
Capital expenditure (PP&E)	114	97	75	68	79	96	54	88	145	122
Capital expenditure (intangible)							3	6	3	6
Result joint ventures							33	35	56	57
Personnel as at 31 December	8 156	7 838	6 794	6 352	6 392	6 467	6 138	7 400	8 217	8 592
Joint ventures and associates										
Sales	372	653	725	692	853	890	845	747	912	1 110
Capital expenditure (PP&E)	49	35	39	38	38	50	23	27	28	53
Personnel as at 31 December	4 404	5 846	5 728	6 053	6 073	5 941	5 676	5 335	5 467	5 507
Equity share							174	186	213	233
Total										
Combined sales	1 492	1 971	1 933	1 903	2 082	2 110	2 091	1 988	2 413	2 750
Capital expenditure (PP&E)	163	132	114	106	117	146	77	115	173	175
Personnel as at 31 December	12 560	13 684	12 522	12 405	12 465	12 408	11 814	12 735	13 684	14 099

Consolidated sales by business segment in 2005



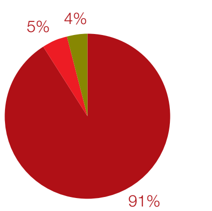
- Advanced wire products: 86%
- Advanced materials: 7%
- Advanced coatings: 7%

Consolidated sales by geographical area in 2005



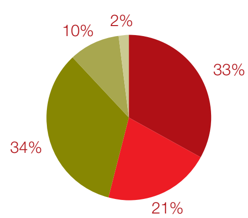
- Europe: 49%
- North America: 32%
- Latin America: 2%
- Asia: 15%
- Rest of the world: 2%

Combined sales by business segment in 2005



- Advanced wire products: 91%
- Advanced materials: 5%
- Advanced coatings: 4%

Combined sales by geographical area in 2005



- Europe: 33%
- North America: 21%
- Latin America: 34%
- Asia: 10%
- Rest of the world: 2%

[1] From 2000 onwards, revised accounting principles have been applied: prior-year figures are for information only and have not been restated.
[2] Consolidated income statement figures of 2004 are restated following the divestment of Bekaert Fencing NV, while balance sheet figures are not. Some ratios, relating consolidated income statement items to balance sheet items, or ratios based on an average in comparison with 2004, are indicative.

in millions of €

Advanced materials	1996	1997	1998	1999	2000[1]	2001	2002	2003	2004[2]	2005[2]
Consolidated										
Sales	5	6	8	20	86	89	97	103	117	141
Operating result (EBIT)							2	8	8	5
EBIT margin (%)							2.2	7.5	6.5	3.7
Depreciation							5	6	5	7
Impairment losses							–	–	2	8
EBITDA							7	14	15	20
EBITDA margin (%)							7.2	13.3	12.7	13.9
Segment assets							84	88	111	130
Segment liabilities							24	24	31	39
CE average								62	72	85
ROCE (%)								12.4	10.4	6.2
Capital expenditure (PP&E)	6	10	5	6	6	4	4	4	4	8
Capital expenditure (intangible)							1	1	0	1
Result joint ventures							0	0	0	0
Personnel as at 31 December	279	320	330	546	540	580	569	592	712	892
Joint ventures and associates										
Sales	3	4	5	5	5	5	0	0	0	0
Capital expenditure (PP & E)	0	0	0	0	0	0	0	0	0	0
Personnel as at 31 December	4	10	16	11	15	17	2	2	2	1
Total										
Combined sales	8	10	13	25	90	94	97	103	117	141
Capital expenditure	6	10	5	6	6	4	4	4	4	8
Personnel as at 31 December	283	330	346	557	555	597	571	594	714	893

in millions of €

Advanced coatings	1996	1997	1998	1999	2000[1]	2001	2002	2003	2004[2]	2005[2]
Consolidated										
Sales	48	56	54	67	31	71	119	113	127	133
Operating result (EBIT)							3	−2	−8	−4
EBIT margin (%)							2.5	−1.9	−6.1	−3.2
Depreciation							15	14	15	12
Impairment losses							5	0	6	6
EBITDA							23	12	13	13
EBITDA margin (%)							19.3	10.5	10.4	10.2
Segment assets							189	171	160	166
Segment liabilities							22	23	21	21
CE average								158	144	142
ROCE (%)								−1.3	−5.4	−3.0
Capital expenditure (PP&E)	3	4	3	1	3	8	8	6	7	9
Capital expenditure (intangible)							1	0	1	2
Result joint ventures							0	0	0	0
Personnel as at 31 December	39	73	82	114	134	511	536	606	676	728
Joint ventures and associates										
Sales	6	9	13	18	18	10	7	6	0	0
Capital expenditure (PP&E)	1	1	2	1	8	47	15	2	0	0
Personnel as at 31 December	46	50	55	59	247	286	316	25	0	0
Equity share							2	1	0	0
Total										
Combined sales	54	65	67	85	49	81	126	118	127	133
Capital expenditure	4	5	5	2	11	55	23	8	7	9
Personnel as at 31 December	85	123	137	173	381	797	852	631	676	728

[1] From 2000 onwards, revised accounting principles have been applied: prior-year figures are for information only and have not been restated.
[2] Consolidated income statement figures of 2004 are restated following the divestment of Bekaert Fencing NV, while balance sheet figures are not. Some ratios, relating consolidated income statement items to balance sheet items, or ratios based on an average in comparison with 2004, are indicative.

Share information

Bekaert shares have been listed on Euronext® Brussels (stock code BEKB) since 1972. The company's capital is represented by 21 530 195 ordinary shares and 3 807 785 VVPR strips. The shares are registered or made out to bearer in multiples of 1, 10, 50, 100 and 1 000. VVPR strips, when presented with the relevant dividend coupon, give entitlement to a reduced rate of withholding tax on the dividend distributed by the company. The strips are listed separately from Bekaert shares and may be freely traded. In addition to its principal shareholders, which own 42.77%, Bekaert counts many institutional investors around the world among its shareholders and its shares are included in several indices. Bekaert's market capitalization as at 31 December 2005 was € 1.7 billion.

Share listing

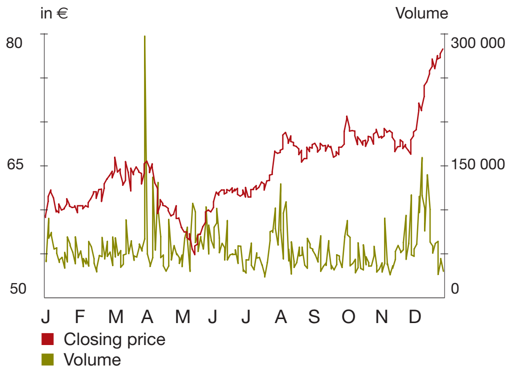
Early January 2005 saw a significant event in the company's history, with the sale to Gilde of the shareholding in Bekaert Fencing NV, the business on which Bekaert was built. The financial market's approval of Bekaert's revised growth profile was reflected in the strength of the share price in the first quarter of 2005, which gained added support from the fourth-quarter trading update, showing 20% growth in combined sales in 2004.

The share price held firm at this level until the beginning of April. It then started to slide, falling to a low for the year of € 55.30 on 20 May 2005, in response to the deteriorating economy, profit-taking and the uncertain outlook. In contrast to 2004, when customers were ordering early in anticipation of rising raw material prices, the opposite applied for some products in the second quarter of 2005. With divergent trends in both prices and supply on the raw material markets and signs of a weakening global economy, Bekaert was facing an uncertain future. At the same time, the euro's strength against the dollar was having a growing impact on Bekaert's competitive environment in Europe. However, demand for steel cord for tire reinforcement remained high, supporting Bekaert's worldwide growth and leading to a recovery in the share price in June.

Despite the challenges Bekaert is facing in the second half, the share price rose on the announcement of excellent half year results and the substantial share buyback program in the first half year, designed to create shareholder value and optimize the balance sheet structure. In August, Euronext announced that it was refining the selection criteria for the BEL20 index and confirmed that Bekaert would be included for the foreseeable future.

Achievement of the financial objective of a return on invested capital which exceeds the weighted average cost of capital across economic cycles was facilitated in 2005 by investment in the product mix, disposal of businesses not meeting Group targets, selective acquisition and focus on geographical expansion of the core businesses. In November, Bekaert announced the further expansion, by at least 50%, of its production capacity in China for steel cord products for tire reinforcement, in order to maintain its position as a leading global supplier of top-quality products. The market responded positively and the share price rose to a high for the year of € 78.95 on 30 December 2005, the highest since 7 March 1996. The weighted average closing price in 2005 was € 64.81 per share, outperforming the BEL20 index by 12.8%.

Closing price and volume in 2005



Relative position on Euronext® BEL20 in 2005

BEKAERT

Market

Share	Euronext® Brussels		Market	Continuous
	ISIN	BE0003780948	MEP	BRU
	Euronext® Brussels	BE0003780948	Mnemo	BEKB
	Sedol	5827431		
VVPR strip	Euronext® Brussels			
	ISIN	BE0005569406	MEP	BRU
	Euronext	BE0005569406	Mnemo	BEKS

Sector classification ICB Diversified Industrials 2727

Indices

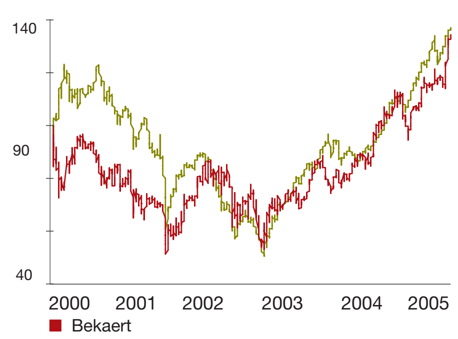
Euronext BEL20®	Euronext BEL20®Return Institutionals
Euronext Next150	Euronext BEL20®Return Private
Euronext Next Prime Index	Euronext BEL Mid
Euronext Diversified Industrials	Euronext BEL Mid Return
Euronext Belgian All shares (BAS Price)	Euronext Belgian Continuous Return
Euronext Belgian All shares (BAS Return)	Euronext Engineering Machinery
Vlam21	
IN.flanders©	
DJ Stoxx TMI Small	MSCI Belgium
DJ Stoxx TMI EURO Small	MSCI Industrials
DJ Stoxx TMI Ex UK	MSCI All Country World Index
DJ Stoxx Total Market Index	MSCI World
DJ Stoxx TMI Euro	MSCI EAFE
DJ Stoxx TMI Ex UK Small	MSCI Europe
FTSE Global All Cap Indices	
Ethibel Sustainability Indexes	
Kempen/SNS Smaller Europe Socially Responsible Investment	

Agencies

Reuters	BERTt.BR	IR Channel BEKB.BE
Bloomberg	BEK.BB	

Relative position on Euronext® Next150 in 2005

Relative position on Euronext® Next150 in 2000 - 2005



BEKAERT

Shares in issue

A total of 233 040 subscription rights were exercised under the SOP1 stock option plan in 2005, requiring the issue of a total of 233 040 new shares and VVPR strips NV Bekaert SA.

Bekaert purchased a total of 585 000 of its own shares in 2005 at an average price of € 61.04, of which 576 550 were cancelled, resulting in a reduction in the reserves of € 35.0 million. The remainder (8 450 shares) were transferred to the individuals who had exercised their options under the SOP2 stock option plan.

As a result of those movements, the number of shares decreased by 343 510, and the number of VVPR strips increased by 233 040.

The share capital of NV Bekaert SA now amounts to € 172 900 000, and is represented by 21 530 195 shares without par value.

Number of shares

Number of shares as at 31 December 2005	21 530 195
Number of VVPR strips as at 31 December 2005	3 807 785

Market capitalization

Capitalization as at 31 December 2005	€ 1 700 million
Average capitalization	€ 1 410 million
Capitalization – high	€ 1 700 million
Capitalization – low	€ 1 210 million

Turnover

Annual turnover	€ 653 million
Turnover per day	€ 2.6 million
Transactions per day	251

Registered and bearer shares

The shares are registered or made out to bearer in multiples of 1, 10, 50, 100 and 1 000. Shareholders wishing to convert from registered to bearer shares and vice-versa should contact the legal department by telephone(+32 56 230511) or send an e-mail to registered.shares@bekaert.com.

Velocity

Annual velocity Euronext® Brussels: 46.5%
'Band adjusted velocity' Euronext® Brussels: 77.5%.
In 2005, the number of shares traded increased by 18.5% and amounted to 39 639 per day.

Distribution of the shareholdings

Of the total number of shares, 572 245 were registered as at 31 December 2005. Bekaert has received notification under the Law of 2 March 1989 of holdings representing 42.77% of the share capital. The remainder is spread over institutional and individual investors.

Notifications received from the companies which act in concert:

Notifier	Number of shares	%
Stichting Administratiekantoor *	4 741 750	22.02
Common attorney, Mr. Oberson *	2 223 140	10.33
Beauval Enterprises Corp.	1 000 985	4.65
Tirhold Inc.	1 000 985	4.65
HLF S.p.r.l. *	76 820	0.36
N.V. BSI *	56 000	0.26
S.A. Berfin	30 640	0.14
Millenium 3 S.A. *	30 000	0.14
Velge & C° N.V. in liquidation *	19 000	0.09
N.V. De Sneppe *	17 460	0.08
S.A. Subeco *	12 600	0.05
Total	**9 209 380**	**42.77**

* These individuals, foundations and companies, linked by their joint control of Stichting Administratiekantoor Bekaert, together with the Stichting Administratiekantoor Bekaert, hold 7 176 770 shares (33.33%)

Evolution of share capital

Year	Number of shares 31 December	Weighted average	Diluted average	Capital	Transaction
in €					
2005	21 530 195	21 633 346	21 707 875	172 900 000	Conversion of 233 040 subscription rights 576 550 shares repurchased and cancelled
2004	21 873 705	21 920 662	21 954 841	171 000 000	Conversion of 23 705 subscription rights 220 300 shares repurchased and cancelled
2003	22 070 300	22 111 807	22 111 890	170 000 000	51 330 shares repurchased and cancelled
2002	22 121 630	22 149 092	22 163 985	170 000 000	35 744 shares repurchased a nd cancelled
2001	22 157 374	22 250 160	22 250 160	170 000 000	143 514 shares repurchased and cancelled
2000	22 300 888	22 394 049	22 394 049	170 000 000	156 432 shares repurchased and cancelled
1999	22 457 320			170 000 000	Capitalization of reserves and conversion into euros Conversion of VVPR shares into ordinary shares, issue of VVPR strips and a 10-for–1 share split
in BEF (BEF/€: 40.3399)					
1994					AFV shares redesignated VVPR shares
1988	2 245 732			6 750 000 000	Capitalization of reserves
1983	2 245 732			4 000 000 000	Issue of 355 104 new shares subject to reduced withholding tax (‘AFV shares’)
1982	1 890 628			3 279 255 580	Conversion of 129 656 convertible bonds
1980	1 760 972			3 054 302 420	Conversion of 2 659 convertible bonds
1979	1 758 313			3 049 689 055	Conversion of 117 608 convertible bonds
1978	1 640 705			2 845 639 175	Conversion of 25 795 convertible bonds
1976	1 614 910			2 800 884 850	Conversion of 245 convertible bonds
1975	1 614 665			2 800 459 775	Conversion of 265 convertible bonds
1972	1 614 400			2 800 000 000	11 December 1972: listing on Brussels stock exchange 2-for-1 share split
1970	807 200			2 800 000 000	Capital increase due to contribution in cash of BEF 70 000 000 under pre-emptive right and capitalization of reserves of BEF 1 106 400 000 without share issue
1969	787 200			1 623 600 000	Conversion to public limited company (N.V.) and 16-for-1 share split
1965	49 200			1 623 600 000	Capitalization of reserves and increase in nominal value of shares to BEF 33 000 Merger with N.V. Bekaert Steelcord
1952	48 000			480 000 000	Capitalization of reserves and increase in nominal value of shares to BEF 10 000
1941	48 000			48 000 000	Capital increase due to contribution in cash and in kind and capitalization of reserves
1935					Conversion to private limited company (P.V.B.A.)
1932	15 005			15 005 000	Merger with S.C. Espérance, Fontaine-L’Evêque
1929	15 000			15 000 000	Capital increase due to capitalization of reserves and contribution in cash
1924	300			3 000 000	Formation of public limited company (N.V.)
1880					Formation of family company

Policy on profit appropriation

It is the policy of the Board of Directors to propose a profit appropriation to the General Meeting of Shareholders which, insofar as the profit permits, provides a stable or growing dividend while maintaining an adequate level of cash flow in the company for investment and self-financing in order to support growth. In practice, this means that the company seeks to maintain a pay-out ratio of around 40% of the consolidated net result of the Group over the longer term.

In the light of the company's strong performance in 2005 and its confidence in the future, the Board of Directors will propose that the General Meeting of Shareholders approve the distribution of a gross dividend of € 3.00 per share. This gross dividend is composed of a basic amount of € 2.00 (an increase by 6.7 % from last year's basic amount) and an exceptional payment of € 1.00 on account of the gain on the sale of Bekaert Fencing NV. If this proposal is accepted, it will result in a net dividend per share of € 2.25. In that case, the net dividend on shares with VVPR strip, giving entitlement to reduced withholding tax of 15%, will be € 2.55 per share. The dividend will be payable as from 17 May 2006.

Subject to approval by the General Meeting of Shareholders, the net dividend will be payable in euros as from 17 May 2006 on presentation of coupon no. 7 at branches of ING Bank, Fortis Bank, KBC, Bank Degroof and Dexia Bank in Belgium, Société Générale in France, ABN-AMRO Bank in the Netherlands and UBS in Switzerland.

Financial calendar

First quarter trading update 2006	10	May	2006
General Meeting of Shareholders	10	May	2006
Dividend payable (coupon nr. 7)	17	May	2006
2006 half year results	28	July	2006
Third quarter trading update 2006	10	November	2006
Fourth quarter trading update 2006	16	February	2007
2006 results	16	March	2007
2006 annual report available on the Internet	24	April	2007
First quarter trading update 2007	9	May	2007
General Meeting of Shareholders	9	May	2007
Dividend payable (coupon nr. 8)	16	May	2007

Investor relations

Several group and individual meetings were held with financial analysts and investors. These meetings, held in Austria, Belgium, Canada, Finland, France, Germany, the Netherlands, Sweden, Switzerland, United Kingdom and the United States, provided information on financial results and corporate strategy. There was also an analysts' day, with management meetings and a visit to a production platform. Another analysts' day is scheduled on 20 November 2006.

The annual report for the 2005 financial year is available in English, Dutch and French on www.bekaert.com.

Investor relations: investor.relations@bekaert.com
Documentation: info@bekaert.com

NV Bekaert SA
President Kennedypark 18
BE-8500 Kortrijk
T +32 56 23 05 11
F +32 56 23 05 43
info@bekaert.com
www.bekaert.com

660210