BEKAERT

better together

2006

Annual report

Table of contents

Key figures

in millions of €

Combined figures	2004	2005	2006
Sales	2 711	3 085	3 195
Capital expenditure	196	195	194
Personnel as at 31 December	16 402	17 096	18 516

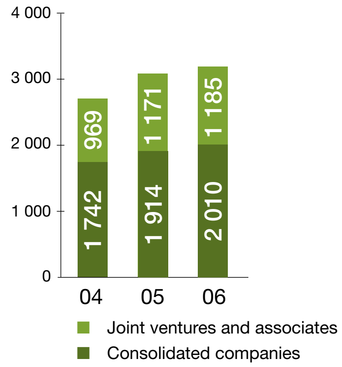
in millions of €

Consolidated statements	2004	2005	2006
Income statement			
Sales	1 742	1 914	2 010
Operating result (EBIT)	139	136	146
EBIT before non-recurring items	148	168	163
Result from continuing operations	153	148	147
Result from discontinued operations	27	54	-
Result for the period	180	202	147
attributable to the Group	168	190	142
attributable to minority interests	12	12	5
Cash flow	266	257	262
EBITDA	256	257	262
Depreciation	117	121	116
Balance sheet			
Equity	959	1 130	1 121
Non-current assets	1 241	1 239	1 303
Capital expenditure (PP&E)	166	142	153
Balance sheet total	2 189	2 232	2 217
Net debt	369	272	375
Capital employed	1 363	1 360	1 412
Working capital	453	431	452
Personnel as at 31 December	10 380	11 022	12 728
Ratios			
EBITDA on sales	14.7%	13.4%	13.0%
EBIT on sales	8.0%	7.1%	7.3%
EBIT interest coverage	13.9	6.9	6.3
ROCE	14.3%	10.7%	10.5%
ROE	20.1%	19.3%	13.1%
Capital ratio	43.8%	50.6%	50.6%
Gearing (Net debt on equity)	38.5%	24.0%	33.4%
Net debt on EBITDA	1.4	1.1	1.4

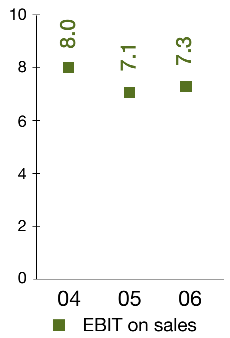
in millions of €

Joint ventures and associates	2004	2005	2006
Sales	969	1 171	1 185
Operating result	171	165	151
Net result	126	128	118
Share in result	53	57	51
Capital expenditure	30	53	41
Depreciation	37	39	40
Equity	213	233	232
Personnel as at 31 December	6 022	6 074	5 788

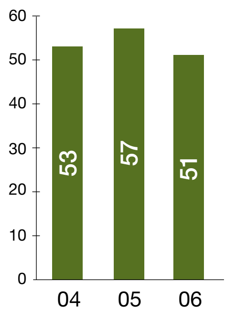
Sales
in millions of €



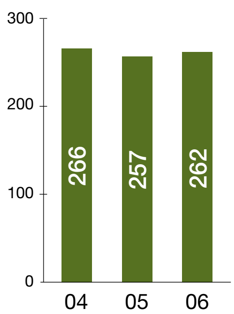
Operating result (EBIT)
as % of sales



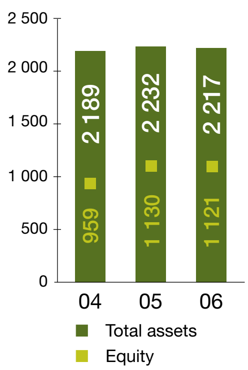
Share in result of joint ventures and associates
in millions of €



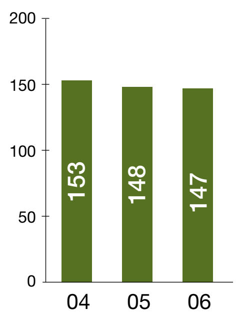
Cash flow
in millions of €



Equity and total assets
in millions of €



Result from continuing operations
in millions of €



Key figures per share

NV Bekaert SA	2004	2005	2006
Number of shares as at 31 December	21 873 705	21 530 195	20 946 779
Average number of shares	21 920 662	21 633 346	21 491 565
Number of VVPR strips	3 574 745	3 807 785	3 852 135
Average daily traded volume	33 439	39 176	58 414

in millions of €

NV Bekaert SA	2004	2005	2006
Annual turnover	435	656	1 228
Average daily turnover	1.7	2.6	4.5
Free float	57.9%	57.2%	56.1%
Velocity (band adjusted)	65%	77%	115%
Market capitalization as at 31 December	1 285	1 700	1 984

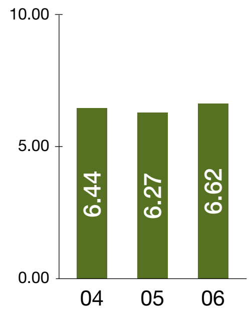
in €

Per share	2004	2005	2006
EBITDA	11.66	11.90	12.20
EBIT	6.34	6.30	6.79
EPS	6.44	6.27	6.62
EPS (diluted)	6.43	6.25	6.59
Cash flow	12.12	11.87	12.18
Sales	79.46	88.49	93.51
Book value	43.82	52.50	53.53
Gross dividend	2.000	3.000	2.500
Net dividend	1.500	2.250	1.875
Net dividend with VVPR strip	1.700	2.550	2.125

Valorization	2004	2005	2006
Price as at 31 December	58.75	78.95	94.70
Price (average)	50.06	65.13	81.99
Price-earnings as at 31 December	9.1	12.6	14.3
Price on cash flow	4.8	6.6	7.8
Price on book value	1.3	1.5	1.8
VVPR strip price	0.51	0.62	0.56
Dividend yield	3.4%	3.8%	2.6%
Dividend yield (average)	4.0%	4.6%	3.0%
Dividend pay-out	26%	34%	36%

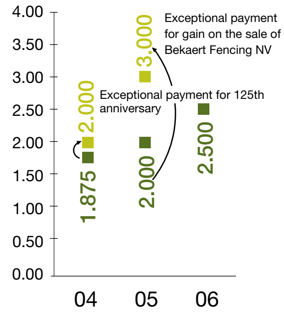
EPS

in €



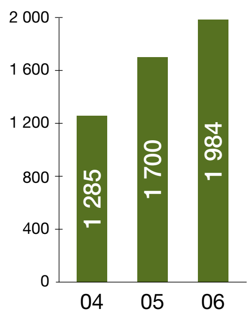
Gross dividend

in €

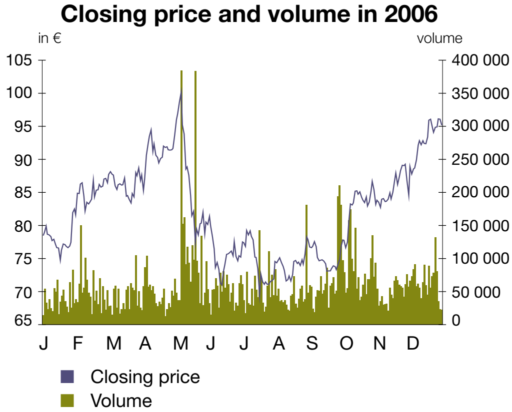


Market capitalization

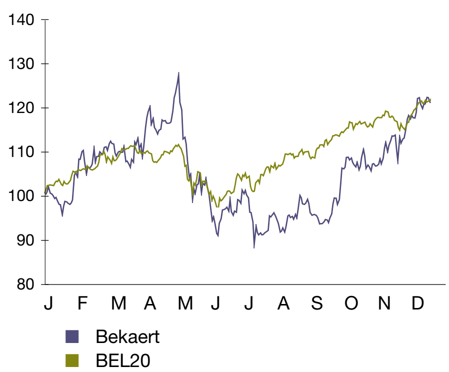
in millions of €



Closing price and volume in 2006



Relative position on Euronext® BEL20 in 2006



better together

delivering results

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

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

The concept works.

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

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

It's *better together*.

BEKAERT

Bekaert in essence

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

Profile

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

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

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

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

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

Bekaert in 2006

Combined sales:
€ 3.2 billion
Consolidated sales:
€ 2.0 billion
Operating result (EBIT):
€ 145.9 million
Result for the period attributable to the Group:
€ 142.3 million
Employees:
18 500 worldwide

Euronext® Brussels: BEKB
www.bekaert.com

Sectors

Steel cord for radial tire reinforcement

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

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

Diamond-like coatings
on engine components

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

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

Window film for buildings and vehicles

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

Umbilical for the offshore sector

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

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

Close cooperation creates win-win situations

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

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

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

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

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

Segments

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

Advanced wire products

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

91%

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

Advanced materials

950 employees
€ 156 million combined sales (5%)

5%

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

Advanced coatings

750 employees
€ 136 million combined sales (4%)

4%

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

Geographical presence

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

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

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

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

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

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

North America

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

20%

Latin America

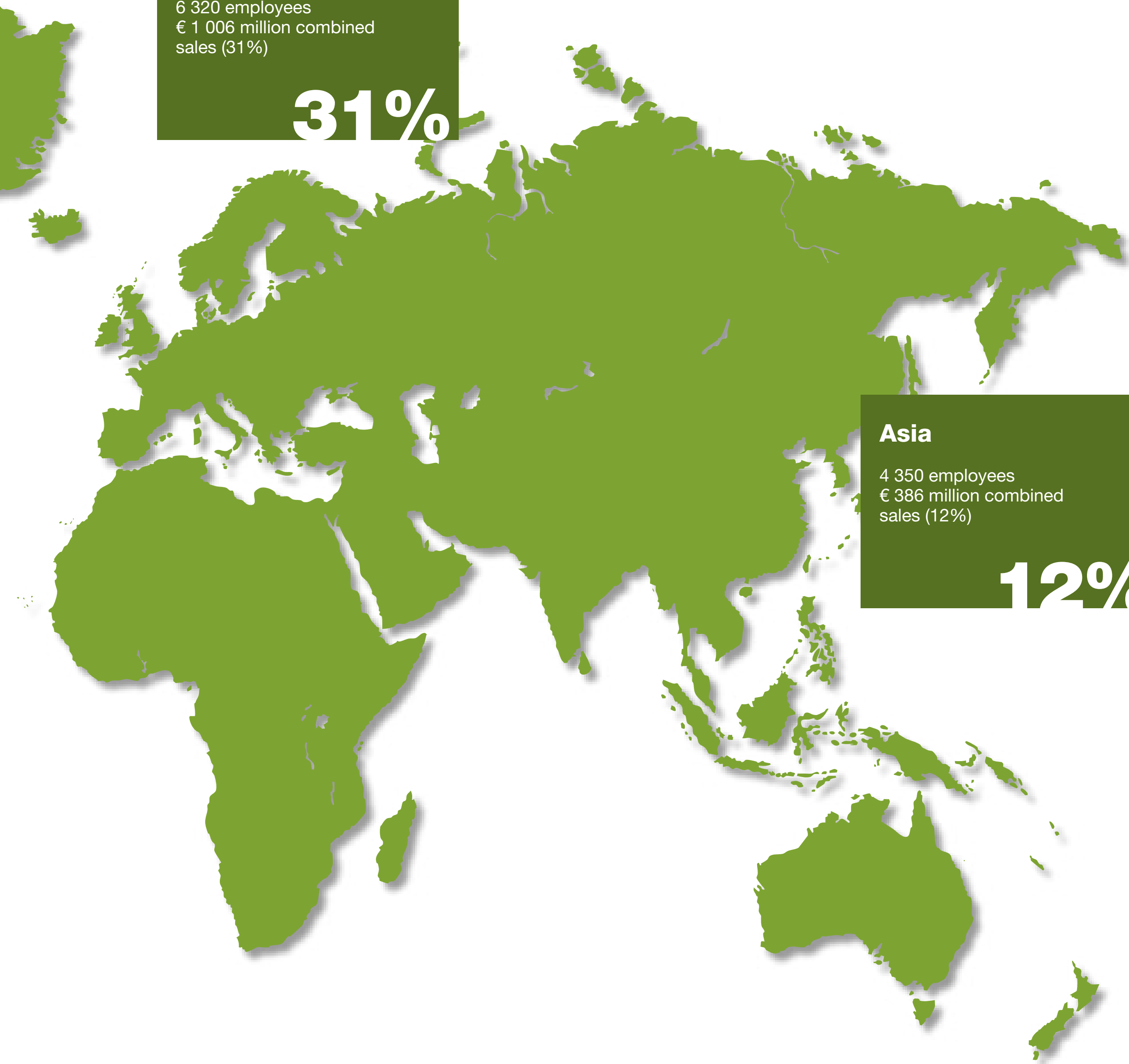
5 490 employees
€ 1 113 million combined sales (35%)

35%

Europe

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

31%



Asia

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

12%

Other regions

90 employees
€ 53 million combined sales (2%)

2%

Board of Directors

1 Baron Buysse CMG CBE Chairman	**2** Bert De Graeve Chief Executive Officer
6 Roger Dalle	**7** Count Charles de Liedekerke
11 Baron Georges Jacobs CBE	**12** Hubert Jacobs van Merlen

3 Gary J. Allen CBE

4 Dr. Pol Bamelis

5 Baron Leon Bekaert

8 François de Visscher

9 Julien De Wilde

10 Sir Anthony Galsworthy KCMG

13 Maxime Jadot

14 Bernard van de Walle de Ghelcke

15 Baudouin Velge

Message from the Chairman and the Chief Executive Officer

Dear reader,

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

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

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

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

Baron Buysse CMG CBE
Chairman

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

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

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

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

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

Bert De Graeve
Chief Executive Officer

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Bert De Graeve
Chief Executive Officer

Baron Buysse
Chairman

Bekaert Group Executive

Bert De Graeve
Chief Executive Officer

Bruno Humblet
Group Executive Vice President

Dominique Neerinck
Group Executive Vice President

Marc Vandecasteele
Group Executive Vice President

Henri-Jean Velge
Group Executive Vice President

Strategy

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

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

Market leadership enhances effectiveness

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

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

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

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

Technological leadership adds value

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

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

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

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

Global presence, close at hand

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

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

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

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

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

Milestones of 2006

January

In the United States, Bekaert acquires Delta Wire Corporation, a major supplier of bead wire for tire reinforcement to the North American market, at an enterprise value of € 8.3 million.

February

Bekaert confirms its intention to strengthen its position in Russia and enters into exclusive talks with Uralkord, on possible cooperation. Uralkord manufactures steel cord products for tire reinforcement and supplies around a quarter of the Russian market.

Bekaert announces plans to reorganize the production facility in Huddersfield (United Kingdom), which supplied mainly short-staple carding products for textile machines in growth markets, notably in Asia. Production was transferred to other carding-product facilities.

April

Bekaert reaches agreement on the acquisition of Cold Drawn Products Limited for an enterprise value of € 17.4 million. Cold Drawn Products Limited, which has two production plants in the United Kingdom, is a major supplier of specialized profiled wires in Western Europe, mainly for offshore applications.

May

Bekaert signs the contract for the acquisition of Aluheat B.V. for an enterprise value of € 4 million. Aluheat B.V., which is based near Venlo (Netherlands), specializes in advanced technologies for condensing boilers used in heating systems.

Bekaert sells its interests in the handling joint ventures in Europe, which are no longer part of the company's core activities.

Bert De Graeve, former Chief Financial and Administration Officer, succeeds Julien De Wilde as Bekaert's Chief Executive Officer.

Bekaert is the first industrial company to become affiliated to the Holst Centre in Eindhoven (Netherlands), which develops technologies and technology platforms to help industry bring new products to market faster and more efficiently. The Holst Centre is a joint initiative by TNO (Netherlands) and IMEC (Belgium).

September

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

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

October

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

November

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

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

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

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

December

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

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

Bekaert in 2006

Bekaert develops ingenious solutions to practical problems. Dramix® Booster, a proportioning device that automatically adds the right quantity of Dramix® steel fibers to the concrete mix, is a remarkable example of how the *better together* philosophy makes day-to-day operations more efficient.

Close to the customer

Steel industry changing fast

Bekaert was again confronted with extremely complex market conditions in 2006. One reason was that customers faced severe challenges and this translated into constant changes, with new customers coming onto the scene in different regions and different market segments and some existing customers leaving the market or merging to form larger groups. Others, meanwhile, relocated production to growth markets, with the BRIC countries – Brazil, Russia, India and China – in particular gaining in importance.

The steel industry had a turbulent year in 2006. In a market served by so many suppliers, a global wave of consolidations is ongoing. The steel market has been redrawn by a succession of transactions, including Mittal's takeover of Arcelor and Tata's takeover of Corus. This trend is expected to continue at an even faster rate in the next few years.

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

Wire rod is Bekaert's most important raw material. Bekaert buys wire rod in many different qualities and compositions to meet the most diverse production specifications.

Reinforcing Bekaert's global presence

Because it needs to be close to its customers to respond effectively to their needs and wishes and provide fast and efficient delivery, Bekaert follows them into countries with strong growth potential.

Bekaert also seeks to anticipate new opportunities and emerging markets through the strategic geographical distribution of its activities, which is why the company has been active for some time in most of the BRIC countries. The company has production plants in Brazil, India and China.

In Russia, where Bekaert's customer base has grown in recent years, the company signed a declaration of intent at the end of 2006 relating to the acquisition of Uralkord, which will give it a substantial steel cord production platform in that country. It will also give Bekaert the opportunity to work closely with the steel industry and thus anticipate the growing demand in Russia for top-quality products.

The company has also increased its production capacity in China, to strengthen its technological and logistics support for its customers. The technology center in Jiangyin (Jiangsu province) was developed into an efficient, customer-focused research department.

On the mature markets in North America and Europe, Bekaert invested selectively in niche markets with high added value, such as wires for offshore applications.

Maximum competitive advantage was derived last year from the company's unique global footprint. Bekaert strives not only to employ the most cost-effective production methods, but also to provide customers with the highest possible standard of operational service. In the context of focused *customer relationship management*, the company enters into dialog with customers on their product quality and production methods and processes. On the basis of open discussion, Bekaert then works with customers on improvements in planning and budgeting, logistics and vendor inventory management. Bekaert's approach is thus moving away from *product-out* and toward *market-in*.

Bekaert started intensive *voice of the customer* exercises with several of its customers last year with a view to defining mutual improvement programs. These exercises, in which small teams of people from the customer's organization and from Bekaert worked together on formulating action plans, resulted in practical improvements in cooperation between Bekaert and the customer in the space of only six to ten weeks. These exercises, which are part of Bekaert's total quality management program, are greatly appreciated by the customers. Bekaert will take this approach further in 2007.

Bekaert invested last year in in-depth studies of the markets of several major customers. It then entered into dialog with those customers, on the basis of market information and projections, with a view to jointly anticipating future trends.

Bekaert's long tradition of operational excellence still sets it apart from the competition. It now wants to gain that kind of competitive edge at the commercial level, and has made preparations for regular commercial benchmarking of its plants, so that it can adapt its sales organization to the customer's future requirements.

Through this close cooperation with its customers, Bekaert is better able to understand their needs, both declared and latent. To take maximum advantage of this competitive edge, the company made a study last year of ways of shortening the time needed to turn ideas into saleable solutions and appointed innovation managers for certain product groups in each region. As well as working to shorten the time to market, the innovation teams also promote more intensive internal cross-fertilization

Customer visit translates into even closer cooperation

'My *better together* moment in 2006? That was without doubt the visit we paid, together with our colleagues from the sales, production and support departments, to one of our important customers.

The purpose of our visit was to get to know one another better so that we could work with the customer more effectively. It wasn't a courtesy visit by any means. Because we took colleagues from several other departments with us, we were able to get acquainted with the customer's world very quickly. Concepts such as *voice of the customer* and *market-in* approach proved their worth in practice and together we worked out an action plan.

The visit had a significant effect on the motivation and involvement of everyone. They in turn are inspiring their own working environments with that sense of commitment and everyone is working enthusiastically on implementing the plan. And our contacts with the customer are much closer now. The customer gets in touch with the right person at Bekaert straight away and communication is much more open and direct.

What did we learn from our visit? First, that it's essential to listen to what customers really need and what keeps them busy. Only by listening closely to what customers have to say can we really understand them. And only by really understanding our customers can we find solutions that fully meet their needs.

I'm sure the customer we visited also appreciated our approach, because they included our *better together* baseline in their presentation…'

Alfred Sasko, Production, Sládkovičovo (Slovakia)

Small changes, big differences

Through close cooperation with customers, Bekaert is able to optimize its products and extend its technological lead. Some examples:

- Improvements in the ductility and elasticity of crane cable wire significantly boosted demand for this product last year.

- The company achieved a breakthrough with its Bekaert Bezinal® nail wire in 2006. Nails are traditionally produced by drawing them from wire and then galvanizing them. Working with the world's largest nail manufacturer, the company developed a technique for drawing finished nails from galvanized Bekaert Bezinal® wire. A study was conducted at the same time to verify that these nails were unaffected by the wood preservatives currently in use. This new technique can significantly reduce the customer's production costs.

Innovation: intensively customer-driven

In 2006, Bekaert again invested heavily in research and development. The company aims to derive maximum benefit from the synergy between its two core competences. Innovative coatings, for example, can often impart specific properties to advanced wire products, and existing wire products can find new applications in other market segments.

better together also means working closely with our customers in research and development. Mixed teams of specialists work together to develop a portfolio of advanced solutions. Their objective? To deliver the best results for our customers.

Bekaert's technology center focuses on a small number of key projects. Two-thirds of these are customer-specific innovation projects which will produce results in the relatively short term. The more long-term projects are aimed at making production processes more efficient and developing new product applications. Many of these projects are executed in close cooperation with other knowledge centers, mainly universities and research institutes but also companies in which Bekaert – by way of *corporate venturing* – has acquired holdings.

Bekaert expanded its technology-related activities in 2006 by establishing a technology center in China. Several laboratories were set up in Jiangyin (Jiangsu province) and the first tests were successfully performed on behalf of Chinese customers. The technology center in China will work closely with Chinese universities, including Tsinghua University in Beijing, with which the company has entered into cooperation agreements. Bekaert's intellectual property rights will be properly protected.

The company also has the necessary facilities to conduct research for its customers at various other Bekaert plants, such as those in San Diego (California, United States), Assen (Netherlands) and Jiangyin (Jiangsu province, China).

In-house process improvements reduce costs

In-house process optimization was one of Bekaert's success stories last year. Significant savings were generated by the *Plant 2006* project, in which staff from the technology center and the engineering department worked with their production colleagues on identifying precise process modifications that would reduce the capital expenditure required for new production plant.

Examples of innovation

The pace of the *Bekaert Innovation Process*, the object of which is to develop ideas and devise solutions quickly and in a structured manner using *Design for Six Sigma* tools, was stepped up throughout the organization.

These efforts produced results, in the form of projects with all the major tire manufacturers to further improve specific product qualities: better adhesion between rubber and steel cord, extended tire life and reduced steel cord fatigue.

Bekaert was again granted around 40 new patents last year, sustaining the growth in its patent portfolio over the past decade. Bekaert now holds a total of almost 2 200 patents which, as well as protecting its intellectual property, are also an acknowledgement of the leading role played by Bekaert at the technological level.

Closer focus on the environment

Concern for the environment is a key element of Bekaert's sustainability policy. The company's engagement is not confined to ensuring compliance with current statutory provisions and guidelines: it also proactively adapts products and processes to the requirements of future environmental legislation. Environmental considerations are taken fully into account in the development of new products, processes and equipment. Bekaert seeks to minimize the environmental impact of its activities, makes rational use of raw materials and energy. In the interests of good community relations, stakeholders are regularly informed of the company's efforts on behalf of the environment.

Bekaert develops a number of products, such as particulate filters and burners, which offer environment-friendly alternatives to the current solutions. In 2006, working closely with customers, the company also introduced the new Bekaert heating cord. This plastic-coated stainless steel cable with electrical resistance is used to armor a hose carrying a urea solution which is injected into the diesel engine exhaust to reduce emissions of particulates and oxides of nitrogen.

Market-driven innovation delivers results

'My *better together* moment in 2006 was the market launch of Solar Gard Supreme automotive window film.

A product launch is always a special moment, because it's really then we find out whether our combined efforts have been successful. Things have really changed in recent years, however. Demonstrating once again that our research and development is becoming increasingly customer-driven, this new product is the result of market research showing that what car owners really want is a non-fading, optically clear window film. To meet their needs, we put together a team of people from research and development, marketing, production and process improvement. Financial people and representatives from suppliers and customers were also closely involved in the project. The team went to work, adopting the Bekaert innovation process and the marketing roadmap methodologies.

The new Solar Gard Supreme window film was developed largely at our local research laboratory in San Diego (California, United States), but on several issues we joined forces with our colleagues at the technology center in Deerlijk (Belgium). We work more and more in an international framework.

We're proud of the result. The new window film fully meets our customers' expectations. Car owners like it because it's clear and retains its color. Dealers like it because it's good for business. And we like it because it gives us an edge over the competition.'

Kirit Naik, Research and Development, San Diego (California, United States)

Bekaert works constantly to develop more environment-friendly production processes. Preparations were made in 2006 for the *Green 2007* project to further reduce energy consumption through process optimization. The potential savings were identified and the project will be launched in 2007.

Record year for research support

To support the growing effort devoted to innovation, Bekaert has increasingly had recourse to external funding in recent years.

The company continued to receive active government support for research and development in 2006. Bekaert is especially grateful for the close cooperation with and valuable support given by the *Institute for the Promotion of Innovation by Science and Technology* in Flanders (IWT). Bekaert also benefits from tax incentives in Belgium in the form of reduced wage tax for researchers.

Open innovation speeds progress

To step up the pace of innovation and promote cross-fertilization with other knowledge centers, Bekaert works with eight strategic R&D partners around the world. These include the *Fraunhofer Gesellschaft* in Germany, the *Massachusetts Institute of Technology* in the United States and *TNO* in the Netherlands. The company has also signed contracts with around 40 high-tech companies internationally, in order to build technological expertise in clearly defined domains.

In 2006, the company organized several *Sparring Days* on specific technological issues with *Rijksuniversiteit Gent* in Belgium and *Ecole Polytechnique Fédérale de Lausanne* in Switzerland. Bekaert also continued to collaborate with *Tsinghua University* of Beijing in China.

Bekaert was the first industrial company to sign a cooperation agreement with the *Holst Centre*, a Dutch research institute which develops technologies and technology platforms to help industry bring new products to market faster and more efficiently. The *Holst Centre* is a joint initiative by *TNO* (Delft, Netherlands) and *IMEC* (Leuven, Belgium), which contribute technology and research support.

Bekaert is participating in two of the *Holst Centre's* strategic programs: wireless autonomous transducer systems and systems-in-foil products and production processes. As part of the wireless autonomous transducer systems program, Bekaert will work with the *Holst Centre* on systems capable of generating and storing power of up to a few ten's of microwatts which are the key to the miniaturization and autonomous operation of wireless transducer systems. As part of the systems-in-foil program, new production processes will be developed to create electro-optic applications on thin flexible plastic foils.

The *open innovation* concept means that both the knowledge gained from and the cost of the joint development program are shared.

Tailor-made production lines

In its engineering department, Bekaert designs and develops production lines for the various plants. Thanks to Bekaert's in-house expertise and specialized knowledge and understanding of its particular production needs, its production plants are equipped with the most advanced machines and process equipment which, as well as reducing the total cost of ownership, is consistent with the company's technological leadership.

The central international spares inventory project which Bekaert launched in 2005 at its plant in Ingelmunster (Belgium) was extended in 2006 to include the Czech Republic, Slovakia and China. This system allows the department to keep inventory levels low while still ensuring just-in-time delivery.

Enhanced customer service

Dramix® steel fibers for concrete reinforcement have been one of Bekaert's success stories for many years, and 2006 was an exceptionally good year for the product.

In the mature markets in particular, Dramix® steel fibers are gaining ground over more traditional solutions such as steel rod and mesh reinforcement. Dramix® steel fibers offer many advantages: they are easy to mix into the concrete, they improve its ductility and they are more convenient to use in complex construction projects such as tunnels.

In 2006, Bekaert introduced the Dramix® Booster, a proportioning device developed in close cooperation with a number of customers. Installed at the readymix depot, the machine automatically adds the right dose of Dramix® steel fibers to the concrete.

Operational structure built for growth

In November 2006, Bekaert decided to reposition the advanced materials and coatings activities within the company, in order to support its growth strategy by sharpening the focus on technology and innovation, especially in domains where its unique combination of metal transformation and coating technologies is conducive to the development of solutions offering high added value.

Among the changes, responsibility for the industrial coatings activity platform was transferred to Dominique Neerinck, the Chief Technology Officer. By streamlining research and development effort more effectively and bringing it more closely into line with the market's needs, the company will be able to deploy its resources more efficiently and create synergy more quickly.

In specialized films, a field which has great growth potential, Bekaert possesses the technology and production capacity to achieve sustainable organic growth. Given the specific nature of this market, this activity platform will retain its separate organization, which will report to Bruno Humblet, Chief Financial Officer.

To derive maximum benefit from Bekaert's expertise in the areas of operational excellence and quality and to manage the entire internal value chain more efficiently, responsibility for the fiber technologies, combustion technologies and composites activity platforms has been transferred to Henri-Jean Velge, Group Executive Vice President.

Advanced wire products

All in all, 2006 was a good year for advanced wire products. The mature markets displayed mixed trends. While the European market remained more or less stable, conditions on the North American market were difficult. In China, the company reaped the fruits of the substantial investments it had made in increasing production capacity. In Latin America the company recorded further growth in its activities. Bekaert made further progress towards reinforcing its position in Russia.

Europe

The European economy was strong in 2006. The recovery of the German market had a beneficial effect on the other Western European countries and the Central and Eastern European markets continued to grow. With the strong euro making imports more attractive, Bekaert worked constantly to improve its competitiveness and defend its position.

The European automotive sector had a good first half, but weakened as the year progressed.

The construction sector performed well, helped by the recovery of the German economy. Bekaert was extremely successful with Dramix® steel fibers for concrete reinforcement. The crane cable, bridge cable and elevator cable markets, in which substantial replacement investment is expected in the next few years, also recorded vigorous growth.

High-quality high-pressure hydraulic hoses reinforced with Bekaert steel wire are used in a wide range of machines such as excavators, cranes and bulldozers in the construction and mining industries.

Demand for Bekaert's specialized products was higher in the offshore and telecom cable sectors. This included a number of large-scale energy projects, such as the DC cable between the Netherlands and Norway. From 2009, Norway will use this cable to export hydroelectric power to the Netherlands and import electricity from the Netherlands in the winter when not enough hydroelectric power is generated. With the offshore market expected to continue growing in the years ahead, Bekaert decided to consolidate its position as a leading supplier to the offshore industry.

In April, the company signed the contract for the acquisition of Cold Drawn Products Limited, a major supplier of specialized profiled wires for offshore applications in Western Europe. The company has a workforce of 170 at two production plants near Bradford in the United Kingdom. Cold Drawn Products Limited was quickly integrated into the organization and performed well last year. Bekaert is planning to extend its strong position in the European offshore market into other regions over the next few years.

While consolidating its position in certain niche products in Western Europe, Bekaert continued to wind down its activities in products with lower added value. For example, it disposed of its interests in the various European joint ventures which manufacture materials-handling products for logistics applications. This activity was related to the European fencing business, which Bekaert sold in 2005.

The production facility for card clothing in Huddersfield (United Kingdom), which employed 52 people and supplied mainly short-staple carding wire, was run down. In the interests of cost-competitiveness, the activities were transferred to the carding product plant in Zwevegem (Belgium) and the new production facility in Wuxi (Jiangsu province, China).

Russia: a milestone

In recent years, Bekaert has succeeded in building a substantial customer base in Russia, for steel cord products for tires, for Dramix® steel fibers for concrete reinforcement and for other specialized wire products. Not having its own local production capacity, the company supplied its Russian customers mainly from its production plants in Central Europe.

Car and truck tire production in Russia has great growth potential, with demand rising for Bekaert's products among the Russian tire manufacturers.

In December 2006, Bekaert signed a declaration of intent to acquire Uralkord, which supplies around a quarter of the Russian market for steel cord products for tire reinforcement.

North America

Bekaert had to move swiftly to secure its position in North America in 2006. The peaks in the telecoms and energy sectors that had been experienced in previous years did not recur. The construction and housing sector slowed sharply, especially in the second half of the year, although demand in the agricultural sector remained fairly constant. Overall, industry in the United States had a difficult year.

Bekaert is acknowledged as setting the benchmark for steel cord for tire reinforcement and specialized wire products such as spring wire, fine cable wire, cables for side-window systems and wire for windshield wiper arms. Diamond-like coatings on engine components reduce friction, extend life and guarantee maximum performance.

The main impact was on Bekaert's activities in the automotive sector. The *big three* – Ford, Chrysler and General Motors – faced intense competition from Japan. Several spring manufacturers left the market.

Tire imports grew much faster than market demand and, in the summer of 2006, tire inventories in North America rose to a historically high level. The pressure on tire prices intensified and the tire industry underwent drastic restructuring. Practically all the major tire manufacturers announced plant closures, triggering protracted strikes. The strike at Goodyear in the fourth quarter had a significant impact on Bekaert. Already facing a steady decline in demand for steel cord products on the North American market, the company was forced to take rapid action. In November, the company announced plans for the phased shutdown of the steel cord production plant in Dyersburg (Tennessee), with the loss of 200 jobs.

Most industrial customers in the United States are now adopting a twin-track procurement policy, taking advantage of the flexibility which local players can provide, while at the same time engaging in global sourcing, buying a proportion of their raw materials wherever the price is most competitive. Bekaert adjusted its supply arrangements accordingly.

The company was able to advance its position in North America in some products. In January 2006, it acquired Delta Wire Corporation in Clarksdale (Mississippi), a major supplier of bead wire for tire reinforcement, with a workforce of 100. Bead wire is a thicker wire embedded in the tire where it contacts the rim. Unlike steel cord, bead wire is not easy to transport, so it cannot be imported so easily.

Environment-friendly progress

Bekaert achieved a breakthrough last year with steel wheel weights. These weights, which are attached to the rim to balance the wheel, have traditionally been made of lead or zinc. Lead is harmful to the environment and its use is avoided as far as possible in production processes, while zinc prices rose sharply in 2006. Bekaert's innovative weights, made from profiled steel wire, are just as easy to use but are more environment-friendly than lead and cheaper than zinc.

Asia

China is a good example of Bekaert's skill in identifying opportunities at an early stage. The company is currently active on the Chinese market on a large scale in virtually all of its business areas. In 2006 new plants in Shenyang (Liaoning province) and Jiangyin (Jiangsu province) were opened.

Bekaert had a presence in China long before that market embarked on its rapid growth trend, building its first steel cord plant there in the 1990s. In the intervening years, it has gained an understanding of the market and the culture and has forged increasingly close relationships with its Chinese customers and partners.

Bekaert now occupies a leading position in China in steel cord products for tire reinforcement. To meet market demand and resist the heightened competitive pressures, Bekaert increased its annual production capacity in China to 200 000 tonnes, which involved a substantial investment program. The production plant in Weihai (Shandong province) was extended and two new plants were built in very short order in Shenyang (Liaoning province) and Jiangyin (Jiangsu province). Jiangyin is home to the largest Bekaert steel cord plant in the world.

The Chinese plants have a total workforce of over 3 800. Bekaert invests heavily in recruiting and training talented people and works constructively with governments, authorities and partners.

Bekaert has consolidated its leadership of the Chinese market for steel cord for tire reinforcement. The opening of the new production plant in Shenyang (Liaoning province) helped to raise its annual output in China to 200 000 tons in 2006.

These efforts started to bear fruit in 2006. As expected, the Chinese steel cord market continued to grow with undiminished momentum. Bekaert succeeded in halting the growth of a number of competitors, regaining market share and significantly strengthening its position.

As well as meeting the heavy demand for capacity, Bekaert was able to adapt more effectively to the Chinese market. The Chinese management team is working hard to achieve *customer intimacy*. Customers are now serviced by technically experienced account managers, who can respond immediately to specific requirements and provide extensive customer support. As a result, Bekaert has been elevated to the status of preferred partner by major customers.

Customers in China also benefit from Bekaert's technological leadership. Bekaert works closely with Chinese wire rod suppliers and the technology centers in Deerlijk (Belgium) and Jiangyin (Jiangsu province) collaborate on developing wire products to meet the specific needs of the Chinese tire industry.

The market is expected to continue growing in the coming years. Given the pace of economic expansion which the country is experiencing, efficient transport is becoming increasingly important. Demand for trucks is rising and at present only 60% of truck tires in China are reinforced with steel cord. Chinese exports – of both steel cord and tires – are growing fast, and China is set to become the world's largest steel cord market in the foreseeable future.

In September, Bekaert signed a contract to acquire a minority 19.59% stake in Shougang Century Holdings Ltd. This company, which has been quoted on the Hong Kong Stock Exchange since 1992, numbers steel cord among its products. The two parties have defined the framework for closer cooperation in the provision of services and material supplies. This transaction represents a further step forward by Bekaert in building effective partnerships and consolidating its leading position on the Chinese market.

The company also strengthened its market position in other advanced wire products last year. Bekaert now has production plants for specialized wire products in Jiangyin (Jiangsu province) and building products in Shanghai and last year opened a new plant making *short-staple* carding products in Wuxi (Jiangsu province).

Latin America

Bekaert is active in Brazil, Chile, Peru, Ecuador, Colombia and Venezuela via joint ventures with local partners, the largest of which is based in Brazil.

Latin America has attractive growth potential, with per capita steel consumption of only about a fifth of that in Western Europe. Economically, the countries of Latin America had a good year in 2006, thanks to the rising demand for raw materials for the burgeoning Chinese market. The advanced wire products business profited from this growth and the production plant in Bahia (Brazil), which was built in 2005, benefited from investment in additional equipment.

Despite the higher level of activity, the company faced increasing competition from Asian imports and hence sustained pressure on prices. Sales benefited from currency movements, most notably in Brazil and Chile.

Bekaert has been active in Latin America for many years via joint ventures with local partners, with whom it works constantly to create win-win situations with its customers.

Good internal and external relations generate record growth

‘The Peruvian economy grew strongly in 2006, and that translated into spectacular growth in demand for wire. My *better together* moment in 2006 was in March, when our plant achieved record production growth. March was a turning-point: we broke that record three times in the following months.

better together has certainly yielded results here. We have been joining forces through joint ventures in Latin America for many years to combine the market knowledge of our local partners and Bekaert’s technological expertise. It has been a very successful formula, but we are now working even more closely with customers, so that we can respond as effectively as possible to their needs and build the strongest possible relationship with them.

better together also applies to our employees. For example, vacancies are always advertised internally first, and many of those in key positions are people who have worked their way up through the organization and have shop floor experience. They know the processes from top to bottom and are ideally equipped to work on improving quality still further, in constant dialog with colleagues, customers, suppliers and all other partners.

Cooperation, based on respect, with our colleagues, our local partners and our customers: that’s the key to our success.’

Manuel Gallofre, Production, Callao (Peru)

Advanced materials

Exploiting its core competence in metal transformation, the company develops products based on ultra-thin metal fibers, around a fiftieth of the thickness of a human hair.

These are used by specialist manufacturers in innovative end-products, such as antistatic protective clothing for the chemical and electronics industries, textiles with built-in heating, heat-resistant textiles and conductive plastics.

The fibers are also used for filter media and in environment-friendly gas burners and burner systems. In these specific niche markets, Bekaert works closely with its customers and in many cases is moving higher in the value chain.

Working with the customer

Bekaert transforms ultra-thin metal fibers into metal-fiber media for filtration which, unlike most of the alternatives, can be reused and therefore have a far longer service life. Bekaert has grown to the position of world leader in this market and achieved good results in 2006. Bekaert products include gas filtration solutions for the chemical industry. Working in partnership with its customers, the company is developing filter media which will enable trucks to meet the EURO V particulate emission standards which come into force in October 2008.

Bekaert knits ultra-thin metal fibers, around a fiftieth of the thickness of a human hair, into filter media for gases, polymers and liquids.

Bekaert filter media are also used in the plastics industry for removing impurities from the molten material during the production process, to maintain the quality of the finished plastic fiber or film.

To consolidate its market leadership and tighten the focus on products with higher added value, Bekaert has announced an investment of € 18 million in Zwevegem (Belgium) to expand its production capacity for supplying the fast-growing markets for products based on stainless steel wire.

Helping the environment

Building on its expertise in fiber technologies, Bekaert has gained a leading position in the development of environment-friendly gas burners. These incorporate a textile knitted from metal fiber bundles with a special structure which promotes optimum combustion of the gas/air mixture. They operate at high efficiency with lower emissions of harmful gases such as CO and NO_x.

The development of these environment-friendly burners is the product of close partnerships which Bekaert has built up with its customers in the heating market. The company posted excellent results on this activity and broadened its market within Europe and outside. Bekaert Furinit® burners for residential applications are a great success.

In May 2006, Bekaert announced the acquisition of Aluheat B.V., a Dutch company located near Venlo (Netherlands) with a workforce of 25, which specializes in the newest environment-friendly technologies for condensing boilers in heating systems.

Acquiring supplementary technological expertise in environment-friendly heating systems enables Bekaert to identify its customers' needs more clearly and raise the pace of development of new niche products with high added value, and thus to respond more effectively to the increasingly rigorous environmental legislation in Europe and the United States.

For the paper industry, for example, Bekaert develops customer-specific systems for infrared drying of coatings on quality papers. The company faced a difficult 2006 in this market, which is largely project-based and relies on the industry undertaking major investment programs.

Internal cross-fertilization key to product quality

'Setting up the new quality control laboratory was my *better together* moment in 2006. My colleague and I were responsible for the project. As lab staff, we're involved in all steps in the production process because we carry out quality checks everywhere. When the lab was upgraded last year, our experience was useful because we knew how best to match the facilities to the various process steps.

In the course of the project, I was struck once again by how well everything interacts here. Everyone can give his or her views, which are listened to and given full consideration, and cooperation with the management and colleagues in other departments is excellent.

Putting your ideas into practice and working closely in a team is stimulating. We also get involved in other projects, because my colleagues and I know the production process from A to Z. For example, if we detect a flaw in a semi-manufacture, we contact our production colleagues immediately. They investigate and keep us informed of their findings and the action they take. Intensive cross-fertilization is the key to optimizing production processes and quality.'

Ann-Marie Dewaele, Production, Wetteren (Belgium)

Advanced coatings

Advanced coatings are used to impart specific properties – such as anti-stick properties, low wear, resistance to radiant heat and hardness – to many materials, enabling customers to add unique value in numerous applications.

Unique expertise

In industrial coatings, Bekaert is world leader in sputter hardware and in rotatable sputter targets. Sputtering is a high-tech process used for the application, under vacuum, of coatings to substrates such as film or glass. Bekaert possesses expertise in sputtering various materials, mainly onto plastic film.

For the glass industry, Bekaert produces sputter hardware and rotatable sputter targets. This technology has become the standard process worldwide for applying specialized coatings to all kinds of glass.

Bekaert supplies special equipment which its customers use to apply complex coatings during their manufacturing processes to impart specific properties to the end-products. As well as project-specific hardware, Bekaert also supplies rotatable sputter targets: cylindrical tubes to which high-grade coatings are applied by a thermal spraying process. This process involves spraying very small particles of material, in a molten or semi-molten state, under pressure onto a carefully prepared surface.

Rotatable targets enable glass manufacturers to apply coatings to large areas of flat glass. Because rotatable sputter targets contain more usable material than flat targets, they have a longer life, which means less frequent coating line shutdowns and hence lower production costs for the customer.

The combination of expertise in sputter hardware and rotatable sputter targets makes Bekaert unique. This technology has set the global benchmark for applying thin inorganic coatings to glass. Bekaert continued to grow this business in 2006 and made an initial venture into the flat-screen market.

Diamond-like coatings offer exceptional benefits

With their unique combination of extremely low frictional resistance and extreme hardness, Bekaert diamond-like coatings find application in several niche markets. The company continued to advance its leadership in the Formula 1 and NASCAR world, where its coatings are used to reduce wear on engine components, reduce friction and hence increase power output.

In 2006, Bekaert developed customized diamond-like coatings for application to engine components in several series of high-performance motorcycles.

Good progress was also made last year in extending the use of diamond-like coatings to other new applications, such as components in computer chip production equipment. They are also applied to molds used in plastic bottle production and to reed dents for looms.

Saving energy

Bekaert also applies its coating technologies to polyester film, producing a range of window films for vehicles and buildings to keep out the sun's heat, filter out ultraviolet radiation and hold glass together in the event of breakage.

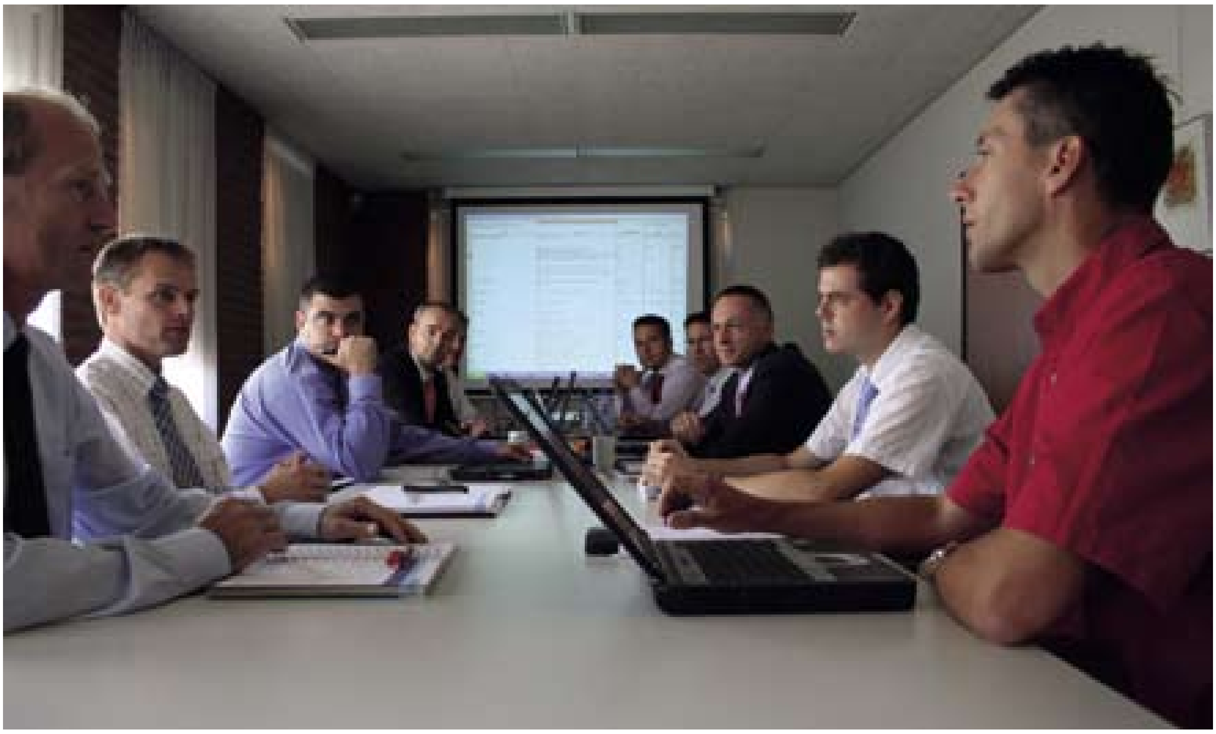
Fitting Bekaert window film raises comfort levels appreciably, while making useful energy savings by reducing the need for air-conditioning. The success of these films is also due in part to the other benefits they offer, in terms of reducing the risk of injury from glass shards if a window is broken and increasing break-in times.

To meet the growing consumer demand for energy-saving products, Bekaert has developed window films for buildings that drastically cut energy costs by reducing the need for air-conditioning, keeping heat out but letting light in.

A unique coating of various metals is applied to polyester film by an advanced sputtering process. This coating reflects certain undesirable wavelengths of sunlight while allowing the maximum amount of visible light to pass through: in other words, the film is spectrally selective. By keeping heat out and letting light in, the film enables the user to maintain a pleasant room temperature and higher comfort levels throughout the building. The Panorama® window films were developed at the research center in Deerlijk (Belgium) and are manufactured at the production plant in San Diego (California, United States).

In 2006, Bekaert recorded sustained growth in this activity, mostly in North America and Asia.

Strength through teamwork



Bekaert has respect for and faith in the capabilities of its 18 500 employees around the world, who are committed to the company's success.

Bekaert's 18 500-strong global workforce is committed to the company's success, working together and with customers in multifunctional and multicultural teams, on the basis of mutual respect and trust, seeking specific solutions and creating win-win situations. Through focusing on their customers' needs, they accumulate in-depth knowledge of markets, develop their professional skills and acquire advanced technological expertise.

HR policy based on the company's strategic objective

Since its HR policy is guided by its strategic objective of sustainable profitable growth, the company has to be very specific in the strategic choices it makes about how to manage its human capital.

Customers choose Bekaert because of its leadership status so Bekaert in turn expects leadership from its managers. It is essential, therefore, that the entire organization is fully acquainted with the company's objectives. Each employee needs to understand how his or her job contributes to achieving the business plan. Coherence of focus has a direct effect on performance. Results are the criteria on which teams and individuals are rewarded.

The specific composition of the workforce also affects how Bekaert perceives leadership. Around 7% of the company's global workforce are managers. They head international teams of highly qualified technical and professional people and invest a great deal of time in motivating them in line with the company's overall objectives and vision.

Bekaert believes that its performance is directly related to having well qualified and highly motivated individuals working for it. In pursuit of its strategic objective of sustainable profitable growth, the company seeks to establish a strong management and an effective team at every plant. The company has respect for and faith in the capabilities of its workforce all over the world. This approach is greatly valued, not only by Bekaert's employees, but also by partners, customers and local authorities.

The four pillars of HR policy

Bekaert's global HR policy is built on four pillars.

First is international diversity, because Bekaert can only achieve worldwide leadership by having competent and talented people in the various countries in which it operates. Bekaert aims to be an employer that can attract the best professionals in any specific market. Customers expect service from a strong local team, so the company relies on people who are familiar with local market conditions.

Second is a fair, performance-related and transparent remuneration system, with clear targets for employees at all levels against which results can be measured. Rewards for the individual or team can differ substantially, depending on actual results. Performance-related pay is therefore a key element in Bekaert's remuneration policy.

Third is professional teamwork. By working effectively in teams, Bekaert can make the most of all opportunities which arise, and one definition of success is how well people work together. A lot of management time is spent in assembling the best professional teams, but it is the personal attitude of each individual team player that eventually makes the difference to the result, so individual responsibility is and will remain crucially important. Because an organization's performance is directly related to having well qualified and highly motivated staff, Bekaert sees professional development as the individual's responsibility in the first instance. The training and development programs are therefore increasingly tailored to specific needs.

Fourth and last is leadership and commitment to people. Human resources management is not just a matter of specific HR programs. The real value comes from how the company makes its genuine belief – that each employee makes a difference to the customers – part of its day-to-day practice.

Growth and recruitment

Bekaert's rapid growth in countries such as China and Slovakia necessitated extra recruitment effort in 2006. The latest recruitment techniques were employed and full account was taken of the specific requirements of the various labor markets.

Thanks to its good contacts with the Chinese academic world, the company was able to recruit 40 engineers in 2006. Helped by its image as a good employer, the company was also able to recruit more than 1 300 operators in the past twelve months.

The Chinese market is clearly receptive to Bekaert's way of doing business. In 2006, Bekaert again invested heavily in training for its talented and motivated employees in China. Bekaert's workforce of over 3 800 is committed to enabling the company to play its full part in the Chinese economy.

In Slovakia's very tight and highly competitive labor market, Bekaert succeeded in recruiting employees for its plants in Hlohovech and Sládkovičovo by cooperating closely with the local authority.

To support Bekaert's efforts to recruit both local and international talent, an updated jobs website was launched in 2006 which candidates can use to apply online.

Job information days were organized at several plants in Belgium to give candidates an opportunity to get acquainted with the company. Extra efforts were made to attract recruits for the Zwevegem plant in Belgium from neighboring regions of northern France.

Emphasis on quality and safety helps new personnel to grow

‘Sharing my expertise with my colleagues makes every day a *better together* moment.

As a trainer, both *better* and *together* are especially important to me. *better* is key, because it places the focus on safety, quality, efficiency and organization, all elements which are essential if we are to meet the high quality standards that customers demand of us. *together* is equally important, because it means I can share my knowledge with many, many people. In 2006, for example, I trained several hundreds of new employees in Shenyang.

The heavy investment we make in training doesn’t just benefit our customers. It also helps new employees get acclimatized more quickly and they greatly value the training we provide. I see that every day: new trainees feel a sense of pride when they go back to work after completing their courses. They are pleased that they have learned so much and are proud to work for Bekaert.

As for me? I’m still developing, at both the personal and professional level, so I’m doing my bit for the growth of the business, the Chinese economy and the country itself. It gives me a good feeling, which I try to convey in the training courses I give. Incidentally, did you know that we provide around 70 000 hours’ training in China every year?’

Zhang Zhaojing (Logan), Training, Shenyang (Liaoning province, China)

Training and communication lay foundations for shared culture and growth

The company's growth is dependent on the talent of the employees and their ability to deal not only with present challenges but also with future ones. Recruitment involves more than just finding the right skills for a particular job. It is a matter of finding the kind of talent that has an innate ability to learn and copes well with change.

Because it is important for new recruits that they start to feel at home in the organization as soon as possible, the training which the company provides to familiarize them with their new working environment is greatly appreciated. At all plants, and in China in particular, major efforts are made to acquaint new recruits with the Bekaert culture as quickly as possible. The training courses provided by the company cover not only the job requirements, but also aspects which are necessary for the maintenance of a good working environment, such as safety and total quality management.

To facilitate international knowledge transfer, Bekaert actively promotes the international mobility of its personnel. Each year, over 60 Bekaert personnel are sent on international assignments which involve relocation to other countries. The pace of Bekaert's international growth is reflected in growing demand for short-term foreign assignments of between three and nine months to assist with new start-ups or expansion projects.

Learning should not end with the induction program. Various *Total Quality Management* and *Six Sigma* courses constitute the core of the training offered. Employees from all over the world have taken comprehensive courses in these areas. To promote cooperation between the members of international teams and help them to cope effectively with the challenges presented by new markets, a number of cross-cultural workshops were organized to study the differences commonly encountered when doing business in particular countries.

Learning at Bekaert combines the efforts of employees, their supervisors and the business organization as a whole. For the employee, the personal drive to learn is one of the critical skills. For the manager, the role of coach is becoming increasingly important. Good managers create the space and trust which are needed for individuals to learn or delegate responsibility as a means of motivating their team members. The effort invested in talent development is now assessed by management teams within Bekaert as part of their regular business reviews. Management teams around the globe see the development of their talent pools as a way to grow the business.

The various training courses are supported by more intensive communication between management and employees. For example, the members of the Bekaert Group Executive visited several plants in each of the different regions last year in order to engage in direct dialog with the employees. At the end of the year, the experience gained from courses at various plants was shared with all management employees worldwide at the *International Management Conference*. To keep them up to date with current strategy, regular meetings are held on this subject in the various regions. They then disseminate this information to their staff and it passes via a cascade system down to the shop floor.

Five critical management skills

Bekaert has identified five skills which are essential to the company and its success in the future. The company expects all its managers to practice these skills, which are assessed as part of the annual evaluation process. They form the basis for Bekaert's way of working.

The five skills are:
Customer focus: a skill that should be a part of everyone's approach, whether or not they are in daily contact with external customers.
Self-management: a desire for learning, the hallmark of every professional.
Innovation: an attitude that generates new ideas and challenges the status quo.
Performance-driven: delivering good results and achieving ambitious targets from year to year.
Focus on talent development: requires every supervisor to translate his or her team's skills into practice. As a coach, the supervisor must develop people and share the best of their talents with all divisions of the company.

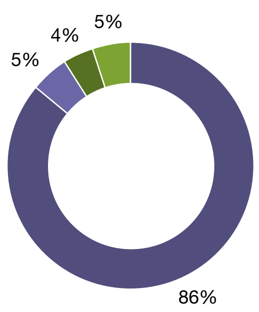
Safety is a top priority

Safety at work is key in Bekaert's operational excellence, and safety was again high on the agenda in 2006, above all at the plants where many new employees were starting work. The twin-track approach of raising employees' safety-awareness and intensifying the management focus yielded a significant improvement in safety performance. While many plants around the world achieved an excellent safety record, the champion in 2006 was the Itaúna plant in Brazil, where the employees celebrated no fewer than 2 000 accident-free days.

Key figures employees

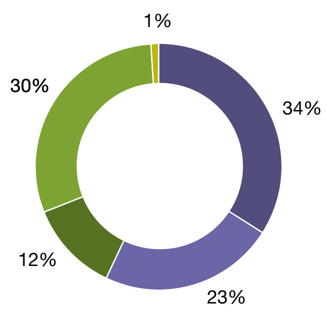
	2004[1]	2005	2006
Total number of employees	16 402	17 096	18 516
By segment			
Advanced wire products	13 684	14 099	15 910
Consolidated	*8 217*	*8 592*	*10 123*
Joint ventures and associates	*5 467*	*5 507*	*5 787*
Advanced materials	714	893	950
Advanced coatings	676	728	745
Other activities	1 328	1 376	911
By region			
Europe	6 947	6 934	6 322
Asia	1 984	2 684	4 350
North America	2 305	2 212	2 264
Latin America	5 075	5 171	5 487
Other regions	91	95	93
By category			
Blue collars	11 902	12 388	13 595
White collars	3 345	3 530	3 677
Management	1 155	1 178	1 244

Employees by segment



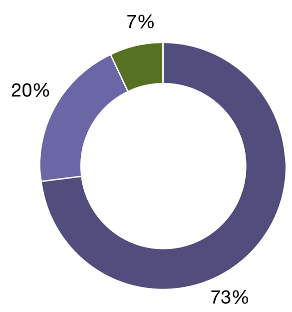
- Advanced wire products: 86%
- Advanced materials: 5%
- Advanced coatings: 4%
- Other activities: 5%

Employees by region



- Europe: 34%
- Asia: 23%
- North America: 12%
- Latin America: 30%
- Other regions: 1%

Employees by category



- Blue collars: 73%
- White collars: 20%
- Management: 7%

[1] The personnel figures for 2004 were restated and include only continuing operations. The discontinued operations represented 1 973 persons.

In partnership with customers, Bekaert produces environment-friendly gas burners for boilers. Optimum combustion of the gas/air mixture is assured by the structure of the burner surface, which consists of a knitted textile of ultra-thin metal fibers.

Segment reporting

Advanced wire products

Combined sales of advanced wire products were 5% higher in 2006 (wire Europe +8%, wire North America -6%, wire Latin America +7%, wire Asia +7%, building products +11%, steel cord China +54%, steel cord others -6% and other advanced wire products +7%).

Despite the heightened competition, Bekaert was able to advance its position in China significantly and posted a 54% sales growth in steel cord products, mainly for truck tire reinforcement. With an investment program of close to € 100 million Bekaert increased its production capacity in China, by extending the production plant in Weihai (Shandong province) and by building two new plants in very short order, in Jiangyin (Jiangsu province) and in Shenyang (Liaoning province). In 2007, Bekaert will maintain this level of investment as the Chinese market shows strong and sustained growth.

In the fall, Bekaert acquired a minority interest in Shougang Concord Century Holdings Ltd, a company which is listed on the Hong Kong Stock Exchange and whose activities include steel cord production. A framework was defined for closer cooperation in the provision of services and material supplies, which will further consolidate Bekaert's position in China and speed up the joint introduction of top-quality products on this growing market.

In Europe, Bekaert recorded a lower demand for steel cord products. In North America, the company acquired Delta Wire Corporation, a major supplier of bead wire for tire reinforcement based in Clarksdale (Mississippi). The strike at Goodyear in the fourth quarter had a severe impact on the level of activity at the steel cord plants in the United States. In anticipation of a sustained downturn trend in demand on the North American market, Bekaert decided to close the plant in Dyersburg (Tennessee).

Demand for other wire products for the automotive sector weakened in the mature markets. Bekaert strengthened its position in wires for offshore applications with the acquisition of Cold Drawn Products Limited, a supplier of specialized profile wires in Western Europe. Bekaert also expanded its operations in Central Europe to consolidate its competitive position. In North America, there were clear signs of weakening of several economic sectors in which the company is active.

Helped by the mild winter, Bekaert was able to maintain a high level of activity in building products in Europe and Asia. In the other advanced wire products, the company expanded its carding business with the acquisition of ECC Card Clothing in 2005. The plant in Huddersfield (United Kingdom) was closed and manufacture of the short-staple products for textile machinery was integrated into the new plant in Wuxi (Jiangsu province, China).

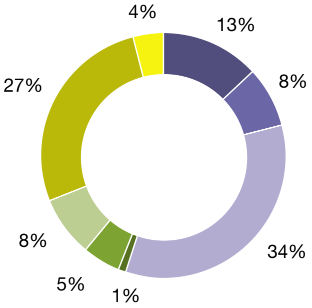
Although volatility on raw material markets decreased in 2006, wire rod prices generally remained high, driven by the increasing global demand for steel. Prices of other raw materials, such as zinc, rose sharply. Higher energy costs also added to the pressure on margins.

The company recorded a higher level of activity in Latin America, but faced increasing competition from Asian imports and hence sustained pressure on prices. The performance benefited from a positive impact of currency movements, most notably in Brazil and Chile.

in millions of €

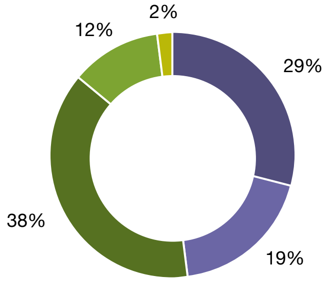
Advanced wire products	2004	2005[1]	2006
Consolidated			
Sales	1 501	1 640	1 724
Operating result (EBIT)	181	182	180
EBIT on sales (%)	12.0%	11.1%	10.4%
Capital expenditures	145	140	155
Personnel	8 217	8 592	10 123
Joint ventures and associates			
Sales	912	1 110	1 166
Capital expenditures	28	53	41
Personnel	5 467	5 507	5 787
Total			
Combined sales	2 413	2 750	2 890
Capital expenditures	173	193	196
Personnel	13 684	14 099	15 910

Share in combined sales by activity platform



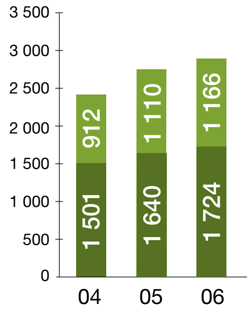
- Wire Europe: 13%
- Wire North America: 8%
- Wire Latin America: 34%
- Wire Asia: 1%
- Building products: 5%
- Steel cord China: 8%
- Steel cord others: 27%
- Other advanced wire products: 4%

Share in combined sales by geographical area



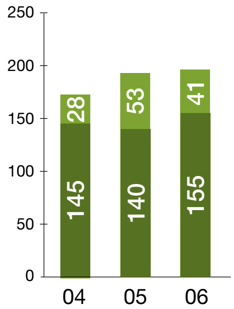
- Europe: 29%
- North America: 19%
- Latin America: 38%
- Asia: 12%
- Other regions: 2%

Sales
in millions of €



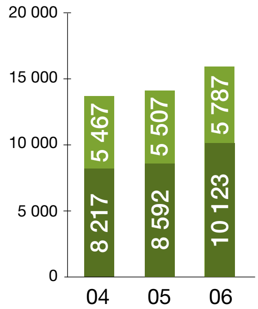
- Joint ventures and Associates
- Consolidated

Capital expenditures
in millions of €



- Joint ventures and Associates
- Consolidated

Personnel



- Joint ventures and Associates
- Consolidated

[1] The key figures for the business segments were restated following the introduction of a more refined method of allocating results to the various business segments. This did not affect the Group's consolidated figures.

Advanced materials

Sales of advanced materials recorded growth of 11% (fiber technologies +15%, combustion technologies +9%, composites +4%).

Bekaert achieved strong organic growth in fiber technologies. Performance also benefited from the acquisition in June 2005 of Southwest Screens & Filters SA (Belgium), which serves the industrial process filtration market.

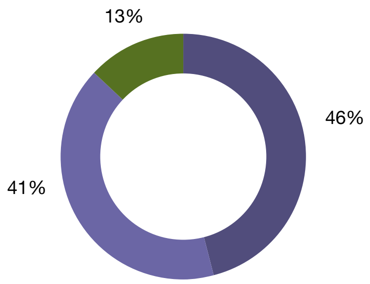
In combustion technologies, Bekaert continued to advance its position in the market for environment-friendly burners for residential heating systems. The recent acquisition of the Dutch Aluheat B.V., which specializes in the latest technologies for condensing boilers, also contributed to growth, but 2006 was a difficult year for the project-based industrial burner system activities.

In composites, the company maintained its position in an extremely competitive environment.

in millions of €

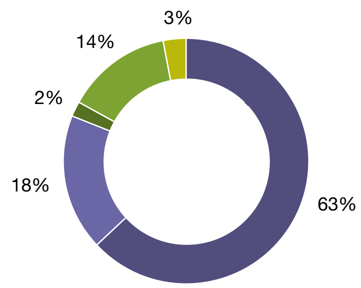
Advanced materials	2004	2005[1]	2006
Consolidated companies			
Sales[2]	117	141	156
Operating result (EBIT)	8	6	12
EBIT on sales (%)	6.5%	3.9%	7.7%
Capital expenditures	4	8	6
Personnel	712	892	949

Share in consolidated sales by activity platform



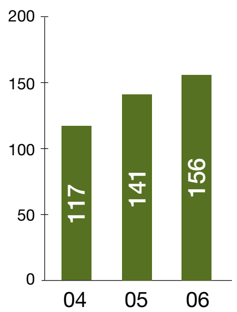
- Fiber technologies: 46%
- Combustion technologies: 41%
- Composites: 13%

Share in consolidated sales by geographical area

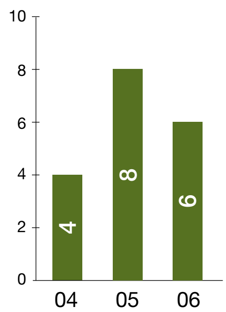


- Europe: 63%
- North America: 18%
- Latin America: 2%
- Asia: 14%
- Other regions: 3%

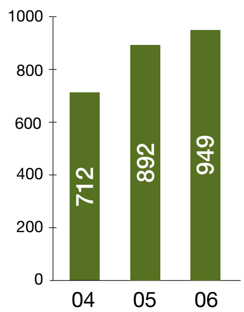
Sales
in millions of €



Capital expenditures
in millions of €



Personnel



[1] The key figures for the business segments were restated following the introduction of a more refined method of allocating results to the various business segments. This did not affect the Group's consolidated figures.
[2] Combined sales equal consolidated sales as there are no joint ventures and associates in the advanced materials segment.

BEKAERT

Advanced coatings

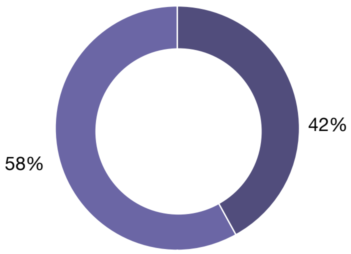
Sales of advanced coatings were up by 3% in 2006 (industrial coatings +1%, specialized films +4%).

After a difficult first half, the industrial coatings business picked up in the second half of the year. In specialized films, Bekaert's performance was adversely affected by currency movements. By increasing its sales effort, however, the company recorded sustained growth, most notably in North America and Asia.

in millions of €

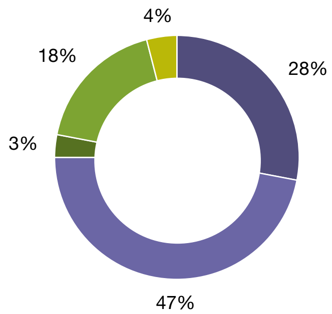
Advanced coatings	2004	2005[1]	2006
Consolidated companies			
Sales[2]	127	133	136
Operating result (EBIT)	-8	-4	1
EBIT on sales (%)	-6.1%	-3.2%	0.6%
Capital expenditures	7	9	4
Personnel	676	728	745

Share in consolidated sales by activity platform



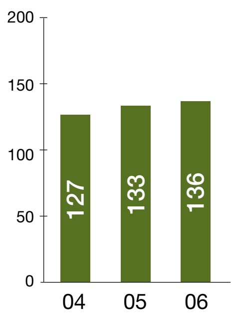
- Industrial coatings: 42%
- Specialized films: 58%

Share in consolidated sales by geographical area

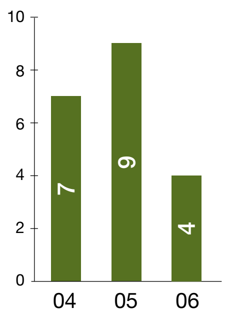


- Europe: 28%
- North America: 47%
- Latin America: 3%
- Asia: 18%
- Other regions: 4%

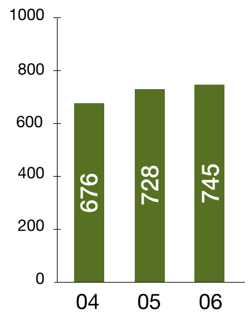
Sales
in millions of €



Capital expenditures
in millions of €



Personnel



[1] The key figures for the business segments were restated following the introduction of a more refined method of allocating results to the various business segments. This did not affect the Group's consolidated figures.
[2] Combined sales equal consolidated sales as there are no joint ventures and associates in the advanced coatings segment.

Bekaert is also indispensable in the kitchen, applying its technology not just to wire for safety guards, but also for shelving, storage, fryer baskets, bottle brushes and many other essential items.

Corporate governance

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

The Bekaert Corporate Governance Charter is available at www.bekaert.com. The company added the Bekaert Insider Dealing Code to the Charter in November 2006.

In accordance with the Belgian Corporate Governance Code, the relevant events of the 2006 financial year are discussed below.

Board of Directors

Composition

The Board of Directors consists of fifteen members, eight of whom are nominated by 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. Mr. Gary J. Allen, Dr. Pol Bamelis and Baron Georges Jacobs have been members of the Board of Directors since 1987, 1995 and 1996, respectively. The experience of the company's 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	2009	NV Bekaert SA	7	1
Executive Director					
Bert De Graeve	2006	2009	NV Bekaert SA	4	1
Members nominated by the principal shareholders					
Baron Leon Bekaert	1994	2009	Director of companies	7	1
Roger Dalle	1998	2007	Director of companies	7	2
Count Charles de Liedekerke	1997	2009	Director of companies	7	1
François de Visscher	1992	2007	President, de Visscher & Co. LLC (United States)	6	1
Hubert Jacobs van Merlen	2003	2009	President & CEO, IEE SA (Luxembourg)	7	1
Maxime Jadot	1994	2009	President of the Directoire, Fortis Banque France	7	1
Bernard van de Walle de Ghelcke	2004	2007	Partner, Linklaters (Belgium)	7	1
Baudouin Velge	1998	2007	CEO, FEDIS (Belgium)	7	1
Independent Directors					
Gary J. Allen	1987	2008	Director of The London Stock Exchange plc (United Kingdom)	5	0
Dr. Pol Bamelis	1995	2007	Director of companies	7	1
Sir Anthony Galsworthy	2004	2007	Advisor to Standard Chartered Bank	7	1
Baron Georges Jacobs	1996	2007	Chairman of the Board, UCB and Delhaize Group (Belgium)	7	1
Other Members					
Julien De Wilde	2002	2009	Director of companies	7	1

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

Activity report

The Board met on nine occasions in 2006. Seven were regular meetings, with virtually full attendance (cf. table above). Two extraordinary meetings were held. The first, held in the presence of a notary public, was to issue subscription rights under the SOP 2005-2009 stock option plan. The second was dedicated to long term strategy. One of the regular meetings took place in Arkansas, United States, where Bekaert operates two production plants.

In addition to its statutory powers and powers under the Articles of Association, the Board of Directors also considered the following matters, among others, in 2006:
- the 2006 budget;
- major investments and acquisitions;
- the repositioning of the advanced materials and advanced coatings activities;
- the buy-back of shares;
- the drafting of the Bekaert Insider Dealing Code;
- the long term strategy;
- the three-year plans;
- the human resources strategy.

Remuneration

Information on the remuneration of the members of the Board of Directors is given in the Financial Review (Note 6.6) in this annual report.

Committees of the Board of Directors

Audit and Finance Committee

The Audit and Finance Committee has four 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 three directors, one of whom is independent. 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.

The Chief Executive Officer and the Chief Financial Officer are no members of the Committee, but are invited to attend its meetings. This arrangement safeguards the essential dialog between the Board of Directors and executive management.

The Committee met three times in 2006. The main items on the agenda included:
- the restructuring of the debt position;
- the activities of the Internal Audit Department;
- the procedure for the appointment of the Statutory Auditor for the period 2007-2009.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2009	3
François de Visscher	2007	3
Baudouin Velge	2007	2
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. 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 three times in 2006. The main items on the agenda included:
- the appointment of a new Chief Financial Officer;
- the review of the bonus system for executive management;
- the extension of the SOP 2005-2009 stock option plan to employees abroad.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2009	3
Roger Dalle	2007	3
Maxime Jadot	2009	3
Gary J. Allen	2008	3

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.

The Committee met five times in 2006. The main items on the agenda were the long-term strategy, including the implications of the company's changing industrial environment, and the repositioning of the advanced materials and advanced coatings activities.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2009	5
Bert De Graeve	2009	4
Baron Leon Bekaert	2009	5
Count Charles de Liedekerke	2009	5
Maxime Jadot	2009	5
Dr. Pol Bamelis	2007	5
Sir Anthony Galsworthy	2007	- [1]

[1] Appointed on 9 November 2006 to succeed Dr. Pol Bamelis who retires at the General Meeting of Shareholders of 9 May 2007.

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, for finance and administration, and for technology.

Name	Position	Appointed
Bert De Graeve	Chief Executive Officer	2006
Bruno Humblet	Chief Financial Officer Specialized films	2006
Dominique Neerinck	Chief Technology Officer Industrial coatings	2006
Marc Vandecasteele	Advanced wire products / Steel cord	1998
Henri-Jean Velge	Advanced wire products / Wire Advanced materials	1998

Remuneration

Information on the remuneration of the members of the Bekaert Group Executive and of senior management is given in the Financial Review (Note 6.6) 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. Two such conflicts of interests arose in 2006:

Excerpt from the minutes of the meeting of 15 March 2006
Report of the Nomination and Remuneration Committee meeting of 14 March 2006
As the agenda calls for the discussion on the remuneration of the CEO, the Chairman requests Mr Julien De Wilde to leave the room.

- *Bonus CEO 2005 – evaluation of 2005 KPIs*
  On the recommendation of the Nomination and Remuneration Committee, the Board approves the proposed evaluation of the 2005 KPIs for the CEO and agrees with the proposed 2005 bonus, in accordance with the level of achievement of the objectives.
- *Remuneration 2006 - CEO*
  The Board approves the proposed remuneration within the existing contractual framework taking into account the fact that the CEO is being succeeded at the upcoming General Meeting of Shareholders.
  The remuneration consists of:
  - *the payment of an amount of € 400 000 in a deferred payment scheme;*
  - *the payment of € 498 985 as fixed remuneration by the company for his 2006 service as CEO; he will receive pro rata temporis Board fees from affiliates where he had remunerated mandates;*
  - *the grant of 2 000 additional options under the SOP2 stock option plan;*
  - *as from 10 May 2006 on and subject to the renewal of his term of office as Director by the Annual General Meeting of Shareholders, he will receive normal Director fees.*

Excerpt from the minutes of the meeting of 15 December 2006
Report of the Nomination and Remuneration Committee meeting of 14 December 2006
Grants of stock options
As the Board has to consider the Committee's recommendation regarding the grant of stock options to the CEO, the Chairman requests Mr De Graeve to leave the meeting room.
The Board of Directors agrees to make an offer of options on 21 December 2006 in accordance with the list submitted to the Nomination and Remuneration Committee meeting of 14 December 2006, and to offer 7 500 options to the CEO.
All options of the 21 December 2006 offer are for new shares pursuant to the SOP 2005-2009 stock option plan, except that those for the self-employed Bekaert Group Executive members are for existing shares pursuant to the SOP2 stock option plan.

Other transactions with Directors and Executive Management

A questionnaire was circulated to the members of the Board of Directors, the Bekaert Group Executive and senior management in late 2006 on the subject of transactions with companies of the Group. The findings of that survey are discussed in the Financial Review (Note 6.6) of this annual report.

Market abuse

In accordance with provision 3.7 of the Belgian Corporate Governance Code, the Board of Directors has promulgated the Bekaert Code on Insider Dealing, which is included in its entirety in the Bekaert Corporate Governance Charter as Appendix 4.

Shares and shareholders

Capital and shares

A total of 44 350 subscription rights were exercised in 2006 under the SOP1 1999-2004 employee stock option plan, resulting in the issue of 44 350 new NV Bekaert SA shares and VVPR strips, and an increase of the issued capital by € 400 000 and of the share premium by € 1 761 745.

Bekaert purchased a total of 636 656 own shares in 2006:
- 8 890 shares were delivered to the individuals who had exercised their options under the SOP2 stock option plan;
- 70 766 shares were cancelled to compensate the potential dilution that may result from the future exercise of 70 766 subscription rights (cf. below); and
- 557 000 shares were cancelled in the framework of a share buy-back program: this reduction of the number of shares is aimed at further optimizing the debt structure of Bekaert.

As a result of those movements, the number of issued shares decreased by 583 416 and the number of VVPR strips increased by 44 350.

NV Bekaert SA's issued share capital amounts to € 173 300 000, represented by 20 946 779 shares without par value. The number of VVPR strips is 3 852 135.

The total number of issued subscription rights under the SOP1 and SOP 2005-2009 stock option plans is 296 839.

In 2006 the authorized capital was used for the first time to issue subscription rights under the SOP 2005-2009 stock option plan: 70 766 subscription rights were issued to members of the Bekaert Group Executive, senior management and senior executive personnel. Each subscription right is convertible into one newly issued NV Bekaert SA share with VVPR strip at an exercise price of € 71.39. A second offer of 95 100 subscription rights was made on 21 December 2006. Each subscription right of the second series is convertible into one newly issued NV Bekaert SA share with VVPR strip at an exercise price of € 90.52.

A total of 36 500 options were granted under the SOP2 stock option plan in 2006: 28 000 of those are convertible into existing NV Bekaert SA shares with VVPR strip at an exercise price of € 71.39 per share, 2 000 at an exercise price of € 85.85, and the remaining 6 500 at an exercise price of € 74.10. A new offer of 12 500 options was made on 21 December 2006. Each option of this series is convertible into one existing NV Bekaert SA share with VVPR strip at an exercise price of € 90.52. A total of 89 420 options had been granted under the SOP2 stock option plan as of 31 December 2006.

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

Detailed information about capital, shares and stock option plans is given in the Financial Review (Note 5.11) of this annual report.

Principal shareholders

Nine declarations of interests in the securities representing the capital of NV Bekaert SA have been received pursuant to the Act of 2 March 1989 since the publication of the 2005 annual report. An overview of the most recent declarations can be found in the Financial Review (Statement of capital) in this annual report.

General Meeting of Shareholders

A total of 87 shareholders were present in person or by proxy at the Ordinary General Meeting on 10 May 2006, representing a total of 7 048 533 shares or 32.74% of the total number of issued shares. Also present were four holders of subscription rights, representing a total of 5 710 subscription rights or 1.67% of the total number of issued subscription rights.

The meeting approved the financial statements and profit appropriation for 2005 and discharged the Directors and the Statutory Auditor of responsibility. The number of Directors was increased from fourteen to fifteen. Baron Leon Bekaert, Baron Buysse, Count Charles de Liedekerke, and Messrs Julien De Wilde, Hubert Jacobs van Merlen and Maxime Jadot were reappointed as Directors for a term expiring at the close of the Ordinary General Meeting in 2009. Mr Bert De Graeve was appointed as Director for a term expiring at the close of the Ordinary General Meeting in 2009. The remuneration of the members of the Board of Directors for 2006 was determined, as well as the remuneration of the Statutory Auditor for the control of the annual accounts and of the consolidated annual accounts for the financial year 2005. Finally, the meeting ratified the SOP 2005-2009 stock option plan.

An Extraordinary General Meeting, also held on 10 May 2006, renewed the Board's authority to repurchase the company's own shares for a period of eighteen months, and for a period of three years to prevent a threatened serious harm to the company (e.g. a public take-over bid). Also, the authority of the Board of Directors to use the authorized capital in the case of a public take-over bid was extended for three years. An approval clause was included in the Articles of Association in the case of a transfer of securities leading to a change of control. Finally, the statutory requirements to notify and disclose large shareholdings were declared by the Articles of Association to apply to thresholds of three per cent and of each multiple thereof.

A Special General Meeting held on 13 April 2006 granted rights to third parties in accordance with Article 556 of the Companies Code.

Dividend

The Ordinary General Meeting of Shareholders of 10 May 2006 resolved to distribute a gross dividend of € 3.00 per share for the 2005 financial year (i.e. a basic amount of € 2.00, exceptionally increased by an amount of € 1.00 on account of the capital gain realized on the sale of Bekaert Fencing). The net dividend therefore amounted to € 2.25 per share and € 2.55 per share with VVPR strip.

Financial review

Enhanced comfort, substantial energy savings and security: these advantages make Bekaert window film the perfect answer to new challenges in the building and glass industry.

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Executive summary

Sales

Bekaert achieved consolidated sales of € 2.0 billion and combined sales of € 3.2 billion in 2006, an increase of 5% and 4%, respectively.[1 2]

The consolidated sales' increase was 1% from organic growth and 4% from the net movement in acquisitions and divestments.

Advanced wire products

Combined sales of advanced wire products were 5% higher in 2006 (wire Europe +8%, wire North America -6%, wire Latin America +7%, wire Asia +7%, building products +11%, steel cord China +54%, steel cord others -6% and other advanced wire products +7%).

Despite the heightened competition, Bekaert was able to advance its position in China significantly and posted a 54% sales growth in steel cord products, mainly for truck tire reinforcement. With an investment program of close to € 100 million Bekaert increased its production capacity in China, by extending the production plant in Weihai (Shandong province) and by building two new plants in very short order, in Jiangyin (Jiangsu province) and in Shenyang (Liaoning province). In 2007, Bekaert will maintain this level of investment as the Chinese market shows strong and sustained growth.

In the fall, Bekaert acquired a minority interest in Shougang Concord Century Holdings Ltd, a company which is listed on the Hong Kong Stock Exchange and whose activities include steel cord production. A framework was defined for closer cooperation in the provision of services and material supplies, which will further consolidate Bekaert's position in China and speed up the joint introduction of top-quality products on this growing market.

In Europe, Bekaert recorded a lower demand for steel cord products. In North America, the company acquired Delta Wire Corporation, a major supplier of bead wire for tire reinforcement based in Clarksdale (Mississippi). The strike at Goodyear in the fourth quarter had a severe impact on the level of activity at the steel cord plants in the United States. In anticipation of a sustained downturn trend in demand on the North American market, Bekaert decided to close the plant in Dyersburg (Tennessee).

Demand for other wire products for the automotive sector weakened in the mature markets. Bekaert strengthened its position in wires for offshore applications with the acquisition of Cold Drawn Products Limited, a supplier of specialized profile wires in Western Europe. Bekaert also expanded its operations in Central Europe to consolidate its competitive position. In North America, there were clear signs of weakening of several economic sectors in which the company is active.

Helped by the mild winter, Bekaert was able to maintain a high level of activity in building products in Europe and Asia. In the other advanced wire products, the company expanded its carding business with the acquisition of ECC Card Clothing in 2005. The plant in Huddersfield (United Kingdom) was closed and manufacture of the short-staple products for textile machinery was integrated into the new plant in Wuxi (Jiangsu province, China).

Although volatility on raw material markets decreased in 2006, wire rod prices generally remained high, driven by the increasing global demand for steel. Prices of other raw materials, such as zinc, rose sharply. Higher energy costs also added to the pressure on margins.

The company recorded a higher level of activity in Latin America, but faced increasing competition from Asian imports and hence sustained pressure on prices. The performance benefited from a positive impact of currency movements, most notably in Brazil and Chile.

Advanced materials

Sales of advanced materials recorded growth of 11% (fiber technologies +15%, combustion technologies +9%, composites +4%).

Bekaert achieved strong organic growth in fiber technologies. Performance also benefited from the acquisition in June 2005 of Southwest Screens & Filters SA (Belgium), which serves the industrial process filtration market.

In combustion technologies, Bekaert continued to advance its position in the market for environment-friendly burners for residential heating systems. The recent acquisition of the Dutch Aluheat B.V., which specializes in the latest technologies for condensing boilers, also contributed to growth, but 2006 was a difficult year for the project-based industrial burner system activities.

In composites, the company maintained its position in an extremely competitive environment.

Advanced coatings

Sales of advanced coatings were up by 3% in 2006

[1] Combined sales are sales generated by consolidated companies plus 100% of sales of joint ventures and associates after intercompany elimination.
[2] All comparisons are made relative to the figures of the financial year 2005.

(industrial coatings +1%, specialized films +4%).

After a difficult first half, the industrial coatings business picked up in the second half of the year. In specialized films, Bekaert's performance was adversely affected by currency movements. By increasing its sales effort, however, the company recorded sustained growth, most notably in North America and Asia.

Other activities

As well as expanding its sales organizations, Bekaert also continued to invest heavily in research and development. In order to be able to offer its customers appropriate technological support as its business in Asia grows, Bekaert is further developing its technology center in Jiangyin (Jiangsu province, China) into an efficient, customer-focused research facility.

The engineering department, which is a major supplier of machinery for the company's investment programs, maintained a high level of activity.

Bekaert sold its 50% share in the handling business, which had its origin in the Fencing Europe business segment and was no longer considered part of its core business.

Profitability

Bekaert posted an operating result (EBIT) before non-recurring items of € 163 million, compared with € 168 million. EBIT margin on sales before non-recurring items was 8.1%. Including non-recurring items (€ 17 million, against € 32 million), the operating result (EBIT) amounted to € 146 million, compared with € 136 million. EBIT margin on sales was 7.3%.

Income taxes amounted to € 18 million, compared with € 30 million.

The companies accounted for using the equity method contributed € 51 million to the result for the period, compared with € 57 million.

The result for the period amounted to € 147 million, compared with € 202 million, which included the contribution of the divestment of Bekaert Fencing NV of € 54 million. The result for the period attributable to the Group amounted to € 142 million, compared with € 190 million.

Balance sheet

As at 31 December 2006, equity represented 51% of total assets. Net debt amounted to € 375 million and the gearing ratio (net debt to equity) was 33%.

Cash flow

EBITDA increased to € 262 million, compared with € 257 million. Cash flow attributable to the Group (continuing operations) amounted to € 262 million, compared with € 257 million.

Cash from operating activities amounted to € 193 million. Depreciation and amortization was € 116 million. Operating working capital amounted to € 452 million. Investments in respect of the consolidated companies represented a cash outflow of € 157 million. Purchase of property, plant and equipment totaled € 153 million, mainly due to the expansion of production capacity in China.

Under the authority vested by the General Meeting of Shareholders in the Board of Directors, a total of 636 656 Bekaert shares were repurchased in 2006 at an average price of € 88.72 per share. Of these, 8 890 were transferred to the individuals who had exercised options under the SOP2 stock option plan and the remainder were cancelled, both to compensate for potential dilution due to the future exercise of 70 766 subscription rights granted under the current SOP 2005-2009 stock option plan and to further optimize the company's debt structure. Bekaert purchased, at an average price of € 94.20 per share, and subsequently cancelled 546 779 shares in early 2007, as a consequence of which the company's share capital of € 173 300 000 is represented as at 26 February 2007 by 20 400 000 shares.

NV Bekaert SA (statutory accounts)

Sales amounted to € 574 million. The result for the period was € 60 million, compared with € 131 million. The decrease mainly reflects the extraordinary profit generated in 2005 by the sale of Bekaert Fencing NV.

Dividend

In the light of the company's strong performance in 2006 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 € 2.50 per share, which represents an increase of the basic amount by 25%. If this proposal is accepted, the net dividend per share will amount to € 1.875 and the net dividend on shares with VVPR strip, giving entitlement to reduced withholding tax of 15%, will be € 2.125 per share. The dividend will be payable as of 16 May 2007.

Consolidated financial statements

Consolidated income statement

in thousands of €

Year ended 31 December	Notes	2006	2005 restated
CONTINUING OPERATIONS			
Sales	4.1	2 009 587	1 914 259
Cost of sales		-1 614 703	-1 521 969
Gross profit		**394 884**	**392 290**
Selling expenses		-96 697	-92 445
Administrative expenses		-95 314	-99 593
Research and development expenses		-49 562	-44 975
Other operating revenues	4.1	23 279	28 080
Other operating expenses		-13 862	-15 490
Operating result (EBIT) before non-recurring items	**4.2**	**162 728**	**167 867**
Non-recurring items	4.3	-16 794	-31 601
Operating result (EBIT)	**4.4**	**145 934**	**136 266**
Interest income	4.5	3 735	5 859
Interest expense	4.5	-28 867	-32 791
Other financial income and expenses	4.6	-6 557	11 661
Result from continuing operations before taxes		**114 245**	**120 995**
Income taxes	4.7	-18 125	-30 269
Result from continuing operations (consolidated companies)		**96 120**	**90 726**
Share in the results of joint ventures and associates	4.8	50 991	56 939
Result from continuing operations		**147 111**	**147 665**
DISCONTINUED OPERATIONS			
Result from discontinued operations	**2**	**-**	**54 187**
RESULT FOR THE PERIOD		147 111	201 852
Attributable to			
the Group		*142 340*	*189 875*
minority interests	*5.13*	*4 771*	*11 977*

in € per share

Earnings per share	4.9	2006	2005
Result for the period attributable to the Group from			
Continuing and discontinued operations			
Basic		*6.623*	*8.777*
Diluted		*6.591*	*8.747*
Continuing operations only			
Basic		*6.623*	*6.272*
Diluted		*6.591*	*6.251*

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

The presentation of the income statement has been restated as explained in detail in note 4.3 ‘Non-recurring items’.

Consolidated balance sheet

in thousands of €

Assets as at 31 December	Notes	2006	2005
Non-current assets		**1 302 581**	**1 239 214**
Intangible assets	5.1	57 510	45 524
Goodwill	5.2	76 965	79 879
Property, plant and equipment	5.3	824 158	799 762
Investments accounted for using the equity method	5.4	237 747	238 366
Other non-current assets	5.5	90 591	67 920
Deferred tax assets	5.6	15 610	7 763
Current assets		**914 269**	**992 458**
Inventories	5.7	368 764	348 330
Trade receivables	5.7	398 928	354 225
Other receivables	5.8	53 814	54 401
Short-term deposits		29 019	90 453
Cash and cash equivalents		52 139	132 248
Other current assets	5.9	9 918	8 999
Assets classified as held for sale	5.10	1 687	3 802
Total		**2 216 850**	**2 231 672**

in thousands of €

Equity and liabilities as at 31 December	Notes	2006	2005
Equity		**1 121 347**	**1 130 278**
Share capital	5.11	173 300	172 900
Share premium		11 032	9 271
Hedging and revaluation reserves	5.12	-1 553	1 582
Retained earnings		1 000 473	976 141
Cumulative translation adjustments		-110 755	-80 679
Equity attributable to the Group		**1 072 497**	**1 079 215**
Minority interests	**5.13**	**48 850**	**51 063**
Non-current liabilities		**501 006**	**533 558**
Employee benefit obligations	5.14	135 589	139 848
Provisions	5.15	26 664	35 154
Interest-bearing debt	5.16	274 373	288 293
Other non-current liabilities	5.17	3 845	12 412
Deferred tax liabilities	5.6	60 535	57 851
Current liabilities		**594 497**	**567 836**
Interest-bearing debt	5.16	217 952	245 588
Trade payables	5.7	227 827	187 369
Employee benefit obligations	5.7	76 042	73 475
Provisions	5.15	13 379	9 414
Income taxes payable		16 270	10 182
Other current liabilities	5.18	43 027	41 808
Liabilities associated with assets classified as held for sale	5.10	-	-
Total		**2 216 850**	**2 231 672**

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

Consolidated statement of changes in equity

in thousands of €

	Share capital	Share premium	Hedging and revaluation reserves	Retained earnings	Cumulative translation adjust-ments	Equity attributable to the Group	Minority interests	Total
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[1]	-	-	-	-848	-	-848	-	-848
As restated	171 000	249	-1 061	882 022	-143 350	908 860	48 831	957 691
Result for the period 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[2]	-	-	*2 807*	-	-	*2 807*	-	*2 807*
Deferred taxes	-	-	-	*-2 688*	-	*-2 688*	-	*-2 688*
Other	-	-	-	*-3 976*	-	*-3 976*	-	*-3 976*
Total recognized income and expense	**-**	**-**	**2 643**	**183 211**	**62 671**	**248 525**	**15 046**	**263 571**
Gross increase or 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**
Balance as at 1 January 2006	**172 900**	**9 271**	**1 582**	**976 141**	**-80 679**	**1 079 215**	**51 063**	**1 130 278**
Result for the period as reported	-	-	-	142 340	-	142 340	4 771	147 111
Results recognized directly in equity:	-	-	-3 135	2 661	-30 076	-30 550	-1 773	-32 323
Exchange differences	-	-	*-48*	-	*-30 183*	*-30 231*	*-1 710*	*-31 941*
Cash flow hedges[2]	-	-	*-2 625*	-	-	*-2 625*	-	*-2 625*
Deferred taxes	-	-	-	*1 535*	*107*	*1 642*	-	*1 642*
Share-based payment plans	-	-	-	*1 115*	-	*1 115*	-	*1 115*
Available-for-sale investments	-	-	*-462*	-	-	*-462*	-	*-462*
Other	-	-	-	*11*	-	*11*	*-63*	*-52*
Total recognized income and expense	**-**	**-**	**-3 135**	**145 001**	**-30 076**	**111 790**	**2 998**	**114 788**
Gross increase or decrease in minority interests	-	-	-	-	-	-	2 402	2 402
Creation of new shares	400	1 761	-	-	-	2 161	-	2 161
Acquisition of own shares	-	-	-	-56 078	-	-56 078	-	-56 078
Dividends	-	-	-	-64 591	-	-64 591	-7 613	-72 204
Balance as at 31 December 2006	**173 300**	**11 032**	**-1 553**	**1 000 473**	**-110 755**	**1 072 497**	**48 850**	**1 121 347**

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

[1] Elimination of negative goodwill in accordance with IFRS 3 (€ 0.7 million) and elimination of previously recognized goodwill on the purchase of minority interests (€ -1.5 million – cf. note 1 'Summary of principal accounting policies', Goodwill).
[2] See note 5.12 'Hedging and revaluation reserves'.

Consolidated cash flow statement

in thousands of €

Year ended 31 December	2006	2005
Operating activities		
Operating result (EBIT)	145 934	136 266
Non-cash and investing items included in operating result	103 934	105 815
Income taxes paid	-16 822	-25 516
Gross cash from operating activities	**233 046**	**216 565**
Change in operating working capital	-31 947	-32 283
Other operating cash flows	-8 429	-5 479
Cash from operating activities	**192 670**	**178 803**
Investing activities		
New portfolio investments (cf. note 6.2)	-42 725	-21 190
Proceeds from disposals of investments (cf. note 2)	-	86 456
Dividends received from joint ventures and associates	35 171	43 590
Purchase of intangible assets	-8 555	-9 730
Purchase of property, plant and equipment	-152 781	-141 886
Other investing cash flows	11 429	6 495
Cash from investing activities	**-157 461**	**-36 265**
Financing activities		
Interest received	3 735	5 859
Interest paid	-25 773	-20 626
Gross dividend paid	-74 140	-52 196
Other financing cash flows	-16 992	-3 717
Cash from financing activities	**-113 170**	**-70 680**
Net increase or decrease (-) in cash and cash equivalents	**-77 961**	**71 858**
Cash and cash equivalents at the beginning of the period	**132 248**	**57 059**
Effect of exchange rate fluctuations	-2 148	3 331
Cash and cash equivalents at the end of the period	**52 139**	**132 248**

Cf. note 6.1 'Notes to the cash flow statement'.

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

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 2007. The consolidated financial statements have been prepared in accordance with the IFRSs which have been adopted by the European Union. The adoption of 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:
- IAS 19 Employee benefits - revised 16 December 2004. Only amounts reported in the disclosures were affected by this revised standard.

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:
- IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies;
- IFRIC 8 Scope of IFRS 2;
- IFRIC 9 Reassessment of Embedded Derivatives;
- IFRIC 10 Interim Financial Reporting and Impairment;
- IFRIC 11 IFRS 2 - Group and Treasury Share Transactions;
- IFRIC 12 Service Concession Arrangements;
- IFRS 7 Financial Instruments: Disclosures;
- IFRS 8 Operating Segments.

At this stage, the Group does not expect first adoption of these standards and interpretations to have any material impact. The impact of IFRS 7 Financial Instruments: Disclosures will be limited because Bekaert has already included some additional information in its notes in anticipation of this standard coming into effect as from next financial year. The presentation of the segment information might be influenced by IFRS 8 Operating Segments, which will become effective in 2009.

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'. 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. 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. 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 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.

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 research and development project acquired in a business combination is recognized as an asset separately from goodwill if its fair value can be measured reliably.

Emission rights

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.

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. After initial recognition, goodwill is carried at cost less any accumulated impairment losses. Goodwill is not amortized, but is reviewed for impairment at least annually. 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 is recognized immediately as a profit. 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. Any difference between the fair value of the acquired minority interest and the purchase consideration is recognized directly in equity.

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.

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. Useful life and depreciation method are 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. Items of 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 shares are 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, this results in a reduction in retained earnings. When treasury shares are purchased and subsequently sold, 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 reimburse 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 remediation

A provision for site remediation 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 several of its 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 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. The Group has not elected to recognize all actuarial gains and losses through equity.

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 expense.
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 awards, 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 which allow Group employees to acquire shares of NV Bekaert SA are of the equity-settled type.

Share appreciation rights plans and phantom stocks plans are of the cash-settled type, as they entitle Group 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.

Equity-settled share-based payments are recognized 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 stock options that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Cash-settled share-based payments are recognized as liabilities at fair value, which is remeasured at each reporting date and at the date of settlement. Changes in fair value are recognized in the income statement. The Group uses a binomial model to estimate the fair value of the share-based payment plans.

Interest-bearing debt

Interest-bearing debt includes loans and borrowings which are initially recognized 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, they are recognized at fair value (see accounting policies for derivatives and hedging).

Trade payables and other current liabilities

Trade payables and other current liabilities, except derivatives, 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 at 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 and interest rate 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.

Derivatives are initially and subsequently measured and carried at fair value. The fair value of traded derivatives is equal to their market value. If no market value is available, the fair value is calculated using standard financial valuation models, based upon the relevant market rates at the reporting date. In the case of interest-bearing derivatives, the fair values carried correspond to the clean price, excluding interest accrued.

The Group applies hedge accounting in accordance with IAS 39 to reduce income statement volatility. Depending on the nature of the hedged item, a distinction is made between fair value hedges, cash flow hedges and hedges of a net investment in a foreign entity.

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. The corresponding changes in fair value are 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 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 a non-financial asset or 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.

If a net investment in a foreign entity is hedged, all gains or losses on the effective portion of the hedging instrument, together with any gains or losses on the foreign currency translation of the hedged investment, are taken directly to equity. Any gains or losses on the ineffective portion are recognized immediately in the income statement. The cumulative remeasurement gains and losses on the hedging instrument that had previously been recognized directly in equity and the gains and losses on the currency translation of the hedged item are recognized in the income statement only on disposal of the investment.

In order to comply with the requirements of IAS 39 on the use of hedge accounting, the strategy and purpose of the hedge, the relationship between the financial instrument used as the hedging instrument and the hedged item and the estimated (prospective) effectiveness are documented by the Group at inception of the hedge. The effectiveness of existing hedges is monitored on a quarterly basis. Ineffective hedges are discontinued immediately.

The Group also uses derivatives that do not satisfy the hedge accounting criteria of IAS 39 but provide effective economic hedges under the Group's risk management policies. 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. Income statement items

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 costs incurred that will probably be 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.

Non-recurring items

Operating income and expenses that are related to restructuring programs, impairment losses, environmental provisions or other events and transactions that are clearly distinct from the normal activities of the Group are presented on the face of the income statement as non-recurring items. Bekaert believes that the separate presentation of non-recurring items is essential for the readers of its financial statements to understand fully the sustainable performance of the Group.

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 Bekaert Group Executive, the Strategic Committee and the Board of Directors monitor these developments closely and take the actions 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 employees as from the first day of service (cf. note 5.14 'Employee benefit obligations') and therefore these pre-retirement schemes are treated as defined-benefit plans using the projected unit credit method.
- Management considers that research and development expenditure generally does not meet the criteria for recognition as an asset (cf. note 5.1 'Intangible assets').
- Management considers that the functional currency of Beksa Celik Kord Sanayi ve Ticaret A.S. (Turkey) is the euro, consistent with the economic substance of the transactions relevant to that entity. The financial statements of this subsidiary have been prepared in its functional currency.
- Management considers that Bekaert has no significant influence in Shougang Concord Century Holdings Ltd and therefore the investment is treated as a financial asset available for sale.

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 5.6 'Deferred tax assets and liabilities').

- Provisions for environmental issues: at each year-end an estimate is made of future expenses in respect of soil pollution, based on the advice of an external expert (cf. note 5.15 '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').
- An application was made in 2006 for renewal of the recognition of Bekaert Coördinatiecentrum as a coordination centre, which could result in lower tax charges. Since the Belgian Finance Ministry is still awaiting the European Commission's decision on the Belgian interpretation of the ruling of the European Court of Justice of 22 June 2006, the applicable tax provisions are not yet clear. Given that uncertainty, the competent authorities have not yet reached a final decision on this application. Management has accordingly decided not to recognize the potential tax advantages in the Group's financial statements (cf. note 4.7 'Income taxes').
- Tax receivable (ICMS) in Brazil: recovery of the tax receivable of Belgo Bekaert Arames Ltda in Brazil, amounting to € 32.1 million (100% of the receivable), depends on whether relevant tax planning opportunities become available to the Group in the foreseeable future. Management's expectation is that they will.

1.6. Miscellaneous

Non-current assets held for sale and discontinued 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.

For a sale to be highly probable, the entity should be committed to a plan to sell the asset (or disposal group), an active program 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. 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. Depreciation on such assets is discontinued as from their classification as held for sale. Comparative balance sheet information for prior periods is not restated to reflect the classification in the balance sheet for the latest period presented.

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. 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

In 2006, no operations were discontinued within the Group, but discontinued operations are an important item in the comparative 2005 figures in this annual report.

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.

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.

The net assets disposed of were as follows:

in thousands of €

	2005
Intangible assets	3 068
Property, plant & 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
Accruals 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 in the Report of the Board of Directors.

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. Sales prices between segments are determined on an arm's length basis.

in thousands of €

2006	Advanced wire products	Advanced materials	Advanced coatings	Other	Eliminations	Consolidated
Net sales to external customers	1 710 495	156 143	134 453	8 496	-	2 009 587
Net sales to other segments	13 452	-	1 850	106 546	-121 848	-
Total net sales	**1 723 947**	**156 143**	**136 303**	**115 042**	**-121 848**	**2 009 587**
Operating result (EBIT) before non-recurring items	192 423	12 582	2 701	-33 379	-11 599	162 728
Non-recurring items	-12 484	-543	-1 841	-1 926	-	-16 794
Operating result (EBIT)	**179 939**	**12 039**	**860**	**-35 305**	**-11 599**	**145 934**
Depreciation and amortization	95 376	6 943	11 249	3 119	-5 961	110 726
Impairment losses	5 755	280	-539	-	-	5 496
EBITDA	**281 070**	**19 262**	**11 570**	**-32 186**	**-17 560**	**262 156**
Segment assets	1 527 143	135 932	146 107	124 066	-205 235	1 728 013
Unallocated corporate assets	-	-	-	-	-	488 837
Total assets	**-**	**-**	**-**	**-**	**-**	**2 216 850**
Segment liabilities	308 462	42 334	20 953	84 183	-139 887	316 045
Unallocated corporate liabilities	-	-	-	-	-	779 458
Total liabilities	**-**	**-**	**-**	**-**	**-**	**1 095 503**
Capital employed	1 218 681	93 598	125 154	39 883	-65 348	1 411 968
Average capital employed	1 184 494	91 403	135 114	34 742	-59 798	1 385 955
Return on average capital employed (ROCE)	15.2%	13.2%	0.6%	-	-	10.5%
Capital expenditure – PP&E	154 854	6 115	4 311	5 824	-18 323	152 781
Capital expenditure – intangible assets	4 587	417	760	2 791	-	8 555
Share in the results of joint ventures and associates	50 936	55	-	-	-	50 991
Investments accounted for using the equity method (excl. goodwill)	232 307	95	-	-	-	232 402
Number of employees (year-end)	10 123	949	745	911	-	12 728

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 (EBIT) before non-recurring items	197 785	13 362	2 571	-34 485	-11 366	167 867
Non-recurring items	-15 728	-7 803	-6 749	-1 321	-	-31 601
Operating result (EBIT)	**182 057**	**5 559**	**-4 178**	**-35 806**	**-11 366**	**136 266**
Depreciation and amortization	90 696	6 759	11 405	4 400	-5 827	107 433
Impairment losses	-	7 573	6 162	-	-	13 735
EBITDA	**272 753**	**19 891**	**13 389**	**-31 406**	**-17 193**	**257 434**
Segment assets	1 399 676	128 495	166 455	102 066	-165 171	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	1 150 307	89 208	145 074	29 600	-54 248	1 359 941
Average capital employed	1 065 250	84 019	142 335	24 453	-48 167	1 267 890
Return on average capital employed (ROCE)	17.1%	6.6%	-2.9%	-	-	10.7%
Capital expenditure – PP&E	140 360	8 224	9 423	1 996	-18 117	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

The key figures of 2005 for the business segments were restated following the introduction of a more refined method of allocating results to the various business segments. This did not affect the Group's consolidated figures in any way.

Key data by secondary reporting segment

in thousands of €

2006	Europe	North America	Latin America	Asia	Other regions	Consolidated
Net sales	977 295	597 481	31 634	369 386	33 791	2 009 587
Total assets before consolidation	*2 434 943*	*454 338*	*155 809*	*701 047*	-	*3 746 137*
Intercompany eliminations	*-1 432 989*	*-5 360*	*-51*	*-47 772*	-	*-1 486 172*
Consolidation adjustments	-	-	-	-	-	*-43 115*
Total assets after consolidation	-	-	-	-	-	2 216 850
Capital expenditure						
PP&E	*42 148*	*11 252*	*167*	*99 214*	-	*152 781*
Intangible assets	*4 774*	*294*	-	*3 487*	-	*8 555*
2005						
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*

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.

4. Income statement items

4.1. Sales and other operating revenues

in thousands of €

	2006	2005	%
Sales	2 009 587	1 914 259	5.0

Sales increased as a result of a 1.3% organic growth and a 3.7% net effect of new acquisitions and divestments. Sales are reported by business segment and geographical market in note 3 ‘Segment reporting’ and in the Executive summary.

in thousands of €

Other operating revenues	2006	2005
Royalties received	9 259	9 755
Gains on disposal of PP&E and intangible assets	1 231	1 691
Realized exchange results on sales and purchases	-1 408	-2 855
Tax rebates	769	65
Government grants	3 983	5 639
Miscellaneous	9 445	13 785
Total	**23 279**	**28 080**

Miscellaneous revenues in 2006 relate mainly to changes in employee benefit plans (€ 3.1 million), negative goodwill on the acquisition of Delta Wire Corporation (Mississippi, United States) (€ 1.3 million), insurance claims (€ 0.3 million), services to third parties (€ 0.7 million), reimbursements (€ 0.2 million) and other miscellaneous income (€ 2.7 million).

4.2. Operating result (EBIT) before non-recurring items

in thousands of €

	2006	2005	%
Operating result (EBIT) before non-recurring items	162 728	167 867	-3.1

Bekaert’s consolidated operating result (EBIT) before non-recurring items amounted to € 162.7 million, compared with € 167.9 million in 2005.

In advanced wire products, Bekaert faced increased competition in most of the regions. Although the company succeeded in raising sales, it experienced sustained pressure on prices while facing substantial price increases in energy and raw materials such as zinc. Higher depreciation costs also impacted margins.

In advanced materials, Bekaert achieved vigorous growth in fiber technologies. While the project business for industrial burner systems had a difficult year, environment-friendly burners for residential applications gained ground.

In advanced coatings, industrial coatings experienced low demand in the first half. Specialized films achieved sustained sales growth, but recorded higher marketing expenses and faced the negative impact of currency movements.

Bekaert further increased its efforts in research and development.

4.3. Non-recurring items

in thousands of €

	2006	2005
Operating result (EBIT) before non-recurring items	162 728	167 867
Restructuring: impairment losses	*-3 825*	*-6 162*
Restructuring: other	*-10 251*	*-13 998*
Other impairment losses	*-1 671*	*-7 573*
Other	*-1 047*	*-3 868*
Non-recurring items	-16 794	-31 601
Operating result (EBIT)	**145 934**	**136 266**

The main non-recurring events affecting the operating result were mostly related to the closure of the plants in Dyersburg (Tennessee, United States) (€ 9.3 million) and in Huddersfield (United Kingdom) (€ 1.5 million) and the subsequent cost of previously announced restructuring programs in Belgium and the United States (€ 1.5 million). Bekaert also stopped its business in flexible circuits in Durham (North Carolina, United States) (€ 1.1 million). Environmental provisions were increased by € 2.4 million.

The presentation of the income statement has been revised compared with the financial statements of 2005.

in thousands of €

Year ended 31 December	2005 as reported	Non-recurring items	2005 restated
CONTINUING OPERATIONS			
Sales	1 914 259	-	1 914 259
Cost of sales	-1 522 156	187	-1 521 969
Gross profit	**392 103**	**187**	**392 290**
Selling expenses	-92 445	-	-92 445
Administrative expenses	-100 407	814	-99 593
Research and development expenses	-44 975	-	-44 975
Other operating revenues	29 443	-1 363	28 080
Other operating expenses	-47 453	31 963	-15 490
Operating result (EBIT) before non-recurring items	**-**	**31 601**	**167 867**
Non-recurring items	-	-31 601	-31 601
Operating result (EBIT)	**136 266**	**-**	**136 266**

4.4. Operating result (EBIT) by nature

The table below provides information on the major items composing the operating result (EBIT), categorized by nature.

in thousands of €

	2006		2005	
Sales	2 009 587	100%	1 914 259	100%
Other operating revenues	23 279	-	28 080	-
Total operating revenues	**2 032 866**	**-**	**1 942 339**	**-**
Own construction of PP&E	88 901	-	86 555	-
Raw materials	-803 755	40%	-784 182	41%
Semi-finished products and goods for resale	-87 225	4%	-60 983	3%
Change in work-in-progress and finished goods	17 555	1%	15 687	1%
Staff costs	-462 011	23%	-449 893	24%
Depreciation and amortization	-110 726	6%	-107 433	6%
Impairment losses	-5 496	0%	-13 735	1%
Transport and handling of finished goods	-78 316	4%	-60 367	3%
Consumables and spare parts	-102 485	5%	-84 197	4%
Utilities	-111 786	6%	-98 959	5%
Maintenance and repairs	-51 052	3%	-41 131	2%
Miscellaneous operating expenses	-180 536	9%	-207 435	11%
Total operating expenses	**-1 886 932**	**94%**	**-1 806 073**	**94%**
Operating result (EBIT)	**145 934**	**7%**	**136 266**	**7%**

4.5. Interest income and expense

in thousands of €

	2006	2005
Interest income	3 735	5 859
Interest and similar expense	*-26 938*	*-25 593*
Interest element of interest-bearing provisions	*-1 929*	*-7 198*
Interest expense	-28 867	-32 791
Total	**-25 132**	**-26 932**

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 5.14 'Employee benefit obligations') and to a reversal of unused other provisions.

4.6. Other financial income and expenses

in thousands of €

	2006	2005
Value adjustments to derivatives	-9 270	-38 008
Value adjustments to hedged items	19 287	20 896
Unrealized exchange results	-12 373	23 352
Realized exchange results	86	3 602
Gains and losses on disposal of financial assets	-120	1 584
Dividends from other shares	1	6
Write-down of other shares	-3 292	-
Write-downs and write-down reversals of loans and receivables	-34	-
Other	-842	229
Total	**-6 557**	**11 661**

Value adjustments include changes in the fair value of all derivatives, other than those designated as cash flow hedges, and of all debt hedged by fair value hedges (cf. note 6.3 'Financial risk management and financial derivatives'). Unrealized exchange results relate to the effect of translating balance sheet items at closing rates and realized exchange results relate to transactions other than normal trading sales and purchases.

4.7. Income taxes

in thousands of €

	2006	2005
Current taxes for the year	-28 162	-29 151
Adjustment to current taxes in respect of prior periods	507	862
Deferred taxes for the year	10 305	-422
Adjustment to deferred taxes in respect of prior periods	-775	-1 558
Total tax expense	**-18 125**	**-30 269**

Relationship between tax expense and accounting profit

In the table below, accounting profit is defined as the result from continuing operations before taxes.

in thousands of €

	2006	2005
Accounting profit	114 245	120 995
Tax expense at the theoretical domestic rates applicable to profits of taxable entities in the countries concerned	-25 474	-36 350
Theoretical tax rate	-22.3%	-30.0%
Tax effect of:		
Non-deductible items	*-3 196*	*-2 851*
Other tax rates and special tax regimes	*18 321*	*25 498*
Non-recognition of deferred tax assets	*-3 516*	*-13 325*
Utilization of deferred tax assets not previously recognized	*7 752*	*3 052*
Current tax adjustments relating to prior periods	*507*	*862*
Deferred tax adjustments relating to prior periods	*-775*	*-1 558*
Taxes on distributed and undistributed earnings	*-4 242*	*-6 951*
Other	*-7 502*	*1 354*
Total tax expense	**-18 125**	**-30 269**

The theoretical tax rate has decreased significantly due to the increasing activities in lower-tax countries. Changes in tax rates between 2006 and 2005 had the effect of reducing theoretical tax expenses by € 0.8 million, mainly in Turkey where the tax rate was lowered from 30% to 20%.

An application was made in 2006 for renewal of the recognition of Bekaert Coördinatiecentrum as a coordination centre, which could result in lower tax charges. Since the Belgian Finance Ministry is still awaiting the European Commission's decision on the Belgian interpretation of the ruling of the European Court of Justice of 22 June 2006, the applicable tax provisions are not yet clear. Given that uncertainty, the competent authorities have not yet reached a final decision on this application. Management has accordingly decided not to recognize the potential tax advantages in the Group's financial statements. The potential tax advantage is estimated at € 1.2 million.

4.8. Share in the results of joint ventures and associates

The main Latin-American joint ventures were faced with increasing imports from Asia and hence sustained pressure on prices. Currency movements (especially on the Brazilian real) had a positive impact of € 3.6 million on the share in the result of joint ventures and associates.

in thousands of €

		2006	2005
Joint ventures			
Bekaert Australia Steel Cord Pty Ltd	Australia	377	519
Bekaert Faser Vertriebs GmbH	Germany	55	71
Bekaert Handling Group A/S[1]	Denmark	-	-
Belgo Bekaert Arames Ltda. and subsidiaries	Brazil	31 844	34 879
BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda.	Brazil	3 703	4 640
Inchalam and Prodalam group	Chile	8 822	12 321
Ideal Alambrec group	Ecuador	2 133	1 999
Vicson, S.A. and subsidiaries[2]	Venezuela	3 844	2 249
Subtotal - joint ventures		**50 778**	**56 678**
Associates			
Jiangyin Fasten-Bekaert Optical Cable Steel Products Co., Ltd	China	213	261
Subtotal - associates		**213**	**261**
Total - joint ventures and associates		**50 991**	**56 939**

Refer to note 6.9 'Subsidiaries, joint ventures and associates' for the list of legal entities related to this note.

4.9. Earnings per share

in thousands of €

As at 31 December 2006	Basic	Diluted
Weighted average number of ordinary shares	21 491 565	21 491 565
Dilution effect of stock options (cf. note 5.11)	-	105 278
Weighted average number of ordinary shares (diluted)	-	21 596 843

Including discontinued operations	Basic	Diluted
Result for the period attributable to the Group and to ordinary shareholders	142 340	142 340
Earnings per share (in €)	**6.623**	**6.591**

Continuing operations only	Basic	Diluted
Result for the period attributable to the Group and to ordinary shareholders	142 340	142 340
Earnings per share (in €)	**6.623**	**6.591**

As at 31 December 2005	Basic	Diluted
Weighted average number of ordinary shares	21 633 346	21 633 346
Dilution effect of stock options (cf. note 5.11)	-	74 529
Weighted average number of ordinary shares (diluted)	-	21 707 875

Including discontinued operations	Basic	Diluted
Result for the period attributable to the Group and to ordinary shareholders	189 875	189 875
Earnings per share (in €)	**8.777**	**8.747**

Continuing operations only	Basic	Diluted
Result for the period attributable to the Group and to ordinary shareholders	135 688	135 688
Earnings per share (in €)	**6.272**	**6.251**

The weighted average closing price during 2006 was € 81.99 per share (2005: € 65.13 per share). The impact of discontinued operations is disclosed in note 2 'Impact of discontinued operations'.

[1] Included subsidiaries in 2005.
[2] Based on financial statements as at 30 September 2006 and 30 September 2005.

5. Balance sheet items

5.1. Intangible assets

in thousands of €

Cost	Licenses, patents & similar rights	Computer software	Rights to use land	Development costs	Other	Total 2006	Total 2005
As at 1 January	37 485	40 384	11 403	5 110	6 369	100 751	101 796
Expenditure	134	4 946	3 341	-	134	8 555	9 730
Disposals and retirements	-3 332	-960	-	-	-6	-4 298	-804
Transfers	-	-	-	-	3 001	3 001	-
New consolidations	500	-	-	982	12 400	13 882	3 319
Deconsolidations	-	-	-	-	-	-	-16 882
Exchange gains and losses (-)	-5	-785	-904	-153	-447	-2 294	3 592
As at 31 December	**34 782**	**43 585**	**13 840**	**5 939**	**21 451**	**119 597**	**100 751**
Amortization /impairment losses							
As at 1 January	21 778	24 999	2 027	5 013	1 410	55 227	59 358
Charge for the year	3 019	4 440	249	116	2 531	10 355	8 800
Impairment losses	-	-	-	71	1 391	1 462	-
Disposals and retirements	-3 313	-759	-	-	-6	-4 078	-804
New consolidations	-	-	-	190	-	190	193
Deconsolidations	-	-	-	-	-	-	-13 815
Exchange gains (-) and losses	-5	-471	-154	-147	-292	-1 069	1 495
As at 31 December	**21 479**	**28 209**	**2 122**	**5 243**	**5 034**	**62 087**	**55 227**
Carrying amount as at 31 December 2006	**13 303**	**15 376**	**11 718**	**696**	**16 417**	**57 510**	**-**
Carrying amount as at 31 December 2005	**15 707**	**15 385**	**9 376**	**97**	**4 959**	**-**	**45 524**

The implementation of ERP software (SAP) accounted for € 4.9 million (2005: € 5.4 million) of the expenditure. The rights to use land, acquired for new plants in Shenyang (Liaoning province, China), Jiangyin and Wuxi (Jiangsu province, China) cost € 3.3 million. The negative impact of currency movements on the 2006 carrying amount amounted to € 1.2 million, mainly on assets recorded in US dollars and Chinese renminbis. The other intangible assets include the recognition of market share with the acquisition of Cold Drawn Products Limited with a fair value of € 11.0 million and the staple wire business of Conflandey Inc. with a fair value of € 1.4 million (cf. note 6.2 ‘Effect of acquisitions’). Licenses, patents and similar rights consist mainly of intellectual property of the specialized films activity, acquired in 2001, with a carrying amount of € 12.3 million (2005: € 14.5 million). No intangible assets have been identified as having an indefinite useful life at the balance sheet date.

5.2. Goodwill

in thousands of €

Cost	2006	2005
As at 1 January	85 342	78 494
Expenditure	5 123	1 961
Deconsolidations	-	-582
Exchange gains and losses (-)	-5 258	6 977
Transfers	-3 001	-
Elimination of goodwill on minority purchases	-	-1 508
As at 31 December	**82 206**	**85 342**
Impairment losses	2006	2005
As at 1 January	5 463	1 852
Impairment losses	-	3 325
Exchange gains (-) and losses	-222	286
As at 31 December	**5 241**	**5 463**
Carrying amount as at 31 December	**76 965**	**79 879**

This note relates only to goodwill on consolidation of subsidiaries. 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 2006 relates to the acquisitions of Cold Drawn Products Limited (€ 3.3 million) and Aluheat B.V. (€ 1.5 million). The goodwill recognized on investments in previous periods changed slightly due to adjustments to the acquisition price caused by changing performance indicators.

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 31/12/2006	Impairment 2006	Net book value after impairment 31/12/2005	Impairment 2005
Subsidiaries					
Advanced wire products	Van Buren plant	-	-	3 201	-
Advanced wire products	Titan Steel & Wire Co. Ltd	5 530	-	5 530	-
Advanced wire products	Orrville plant	8 907	-	9 944	-
Advanced wire products	Carding solutions	1 190	-	1 005	-
Advanced wire products	Cold Drawn Products	3 333	-	-	-
Advanced materials	Advanced filtration	995	-	902	-
Advanced materials	Combustion technologies	3 027	-	1 493	-
Advanced materials	Solaronics	13 633	-	13 616	-
Advanced materials	CEB Technologies	-	-	-	3 325
Advanced coatings	Industrial coatings	4 285	-	4 285	-
Advanced coatings	BACT United States plant	221	-	247	-
Advanced coatings	Sorevi S.A.S.	1 496	-	1 496	-
Advanced coatings	Precision Surface Technology	184	-	184	-
Advanced coatings	Specialized films	34 164	-	37 976	-
Subtotal		**76 965**	**-**	**79 879**	**3 325**
Joint ventures and associates					
Advanced wire products	Belgo Bekaert Arames Ltda.	5 345	-	5 479	-
Subtotal		**5 345**	**-**	**5 479**	**-**
Total		**82 310**	**-**	**85 358**	**3 325**

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 2005). In the cash flow projections, growth rates and future margins were derived from 2006 actuals or from the 2007 budget and extrapolated over a horizon of 10 years. Management believes these key assumptions to be reasonable, based on the evolution of the markets and Bekaert's position in those markets.

The tests did not reveal the need to recognize any impairment losses in 2006.

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 construc-tion and advance payments	Total 2006	Total 2005
As at 1 January	494 370	1 517 218	64 240	3 028	5 285	57 958	2 142 099	2 229 427
Expenditure	13 425	14 767	2 590	361	116	121 522	152 781	141 886
Disposals and retirements	-1 782	-63 703	-3 822	-305	-227	-495	-70 334	-71 255
Transfers	11 000	105 276	4 056	-370	348	-120 310	-	-
New consolidations	960	21 655	1 839	1 253	-	478	26 185	15 186
Deconsolidations	-	-	-	-	-	-	-	-291 056
Reclassification as assets held for sale	-8 420	-	-	-	-	-	-8 420	-19 418
Exchange gains and losses (-)	-20 747	-55 046	-1 997	-28	16	-1 146	-78 948	137 329
As at 31 December	**488 806**	**1 540 167**	**66 906**	**3 939**	**5 538**	**58 007**	**2 163 363**	**2 142 099**
Amortization /impairment losses								
As at 1 January	279 014	1 004 506	51 924	1 300	3 795	-	1 340 539	1 433 380
Charge for the year	19 115	78 130	5 508	470	107	-	103 330	96 948
Impairment losses	1 466	2 568	-	-	-	-	4 034	10 410
Disposals and retirements	-484	-62 438	-3 582	-303	-51	-	-66 858	-64 879
Transfers	1 624	-2 660	663	-108	481	-	-	-
New consolidations	71	11 455	1 284	677	-	-	13 487	8 038
Deconsolidations	-	-	-	-	-	-	-	-198 929
Reclassification as assets held for sale	-6 733	-	-	-	-	-	-6 733	-15 616
Exchange gains (-) and losses	-12 711	-35 687	-1 542	-2	24	-	-49 918	71 187
As at 31 December	**281 362**	**995 874**	**54 255**	**2 034**	**4 356**	**-**	**1 337 881**	**1 340 539**
Carrying amount before investment grants and reclassification of leases	**207 444**	**544 293**	**12 651**	**1 905**	**1 182**	**58 007**	**825 482**	**801 560**
Net investment grants	-596	-728	-	-	-	-	-1 324	-1 798
Reclassification of leases	539	1 004	362	-1 905	-	-	-	-
Carrying amount as at 31 December 2006	**207 387**	**544 569**	**13 013**	**-**	**1 182**	**58 007**	**824 158**	**-**
Carrying amount as at 31 December 2005	**215 179**	**512 332**	**12 803**	**-**	**1 490**	**57 958**	**-**	**799 762**

The investment programs in China, Belgium, Slovakia and the United States accounted for most of the expenditure. The negative impact of currency movements for the year (€ 29.0 million) relates mainly to assets recorded in US dollars and Chinese renminbis. New consolidations in 2006 relate to the acquisition of Cold Drawn Products Limited, Delta Wire Corporation and Aluheat B.V. Impairment losses were recognized mainly on assets related to the plant in Dyersburg (Tennessee, United States) and the fiber technologies activities in Belgium.

5.4. Investments accounted for using the equity method

Investments excluding related goodwill

in thousands of €

Carrying amount	2006	2005
As at 1 January	232 887	213 049
Capital increases and decreases	-	-143
Result for the year	50 991	56 939
Dividends	-32 063	-74 599
Exchange gains and losses	-19 413	39 017
Deconsolidations	-	-284
Transfers	-	-1 092
As at 31 December	**232 402**	**232 887**

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.

Related goodwill

in thousands of €

Cost	2006	2005
As at 1 January	5 479	6 658
Disposals and closures	-	-39
Other restatements	-	-2 467
Exchange gains and losses	-134	1 327
As at 31 December	**5 345**	**5 479**
Carrying amount of related goodwill as at 31 December	**5 345**	**5 479**
Total carrying amount of investments accounted for using the equity method	**237 747**	**238 366**

Other restatements of goodwill relate to the introduction of a subconsolidation level for the Brazilian joint ventures at Bekaert do Brasil in 2005.

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 €

	2006	2005
Property, plant and equipment	141 198	153 442
Other non-current assets	24 385	40 631
Current assets	208 632	173 807
Non-current liabilities and minority interests	-33 270	-31 725
Current liabilities	-108 543	-103 268
Total net assets	**232 402**	**232 887**
Sales	560 954	555 697
Operating result (EBIT)	68 671	76 161
Result for the period	50 991	56 939

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

in thousands of €

		2006	2005
Joint ventures			
Bekaert Australia Steel Cord Pty Ltd	Australia	4 997	4 787
Bekaert Faser Vertriebs GmbH	Germany	95	111
Bekaert Handling Group A/S[1]	Denmark	-	-
Belgo Bekaert Arames Ltda. and subsidiaries	Brazil	107 771	102 937
BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda.	Brazil	26 351	28 269
Inchalam and Prodalam group	Chile	59 365	58 307
Ideal Alambrec group	Ecuador	12 642	13 240
Vicson, S.A. and subsidiaries[2]	Venezuela	19 446	23 588
Subtotal for joint ventures		**230 667**	**231 239**
Associates			
Jiangyin Fasten-Bekaert Optical Cable Steel Products Co., Ltd	China	1 735	1 648
Subtotal for associates		**1 735**	**1 648**
Total for joint ventures and associates excluding related goodwill		**232 402**	**232 887**
Carrying amount of related goodwill		**5 345**	**5 479**
Total for joint ventures and associates including related goodwill		**237 747**	**238 366**

Refer to note 6.9 'Subsidiaries, joint ventures and associates' for the list of legal entities related to this note.

[1] Included subsidiaries in 2005.
[2] Based on financial statements as at 30 September 2006 and 30 September 2005.

5.5. Other non-current assets

in thousands of €

	2006	2005
Loans and receivables - non-current	1	186
Derivatives (cf. note 6.3)	71 927	61 159
Available-for-sale financial assets	18 663	6 575
Carrying amount as at 31 December	**90 591**	**67 920**

Available-for-sale financial assets - non-current

in thousands of €

Carrying amount	**2006**	**2005**
As at 1 January	6 575	6 351
Expenditure	16 935	1 057
Disposals and closures	-14	-168
Fair value changes	-462	-
Write-downs and write-down reversals	-3 292	-
Transfers	-1 015	-641
New consolidations	-	20
Deconsolidations	-	-101
Exchange gains and losses	-64	57
As at 31 December	**18 663**	**6 575**

In December 2006, Bekaert acquired a minority shareholding (19.59%) for € 15.8 million in Shougang Concord Century Holdings Ltd, a Hong Kong Stock Exchange listed company which is active in the manufacturing of steel cord. The investment amount has been restated to the fair value at year-end.

5.6. Deferred tax assets and liabilities

in thousands of €

	Assets		Liabilities	
Carrying amount	2006	2005	2006	2005
As at 1 January	7 763	18 153	-57 851	-63 424
Increase or decrease via income	9 727	-1 845	-197	4 902
Increase or decrease via equity	1 006	2 808	529	-5 496
New consolidations	408	458	-4 949	-388
Deconsolidations	-	-16 796	-	10 821
Exchange gains and losses	-3 294	4 985	1 933	-4 266
As at 31 December	**15 610**	**7 763**	**-60 535**	**-57 851**

Recognized deferred tax assets and liabilities

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

in thousands of €

	Assets		Liabilities	
	2006	2005	2006	2005
Intangible assets	1 560	1 366	-7 759	-4 651
Property, plant and equipment	4 753	4 910	-38 391	-46 601
Financial assets	1 118	1 462	-26 184	-22 300
Inventories	4 786	7 042	-6 179	-3 871
Receivables	1 348	1 242	-300	-270
Other current assets	-	16	-4	-13
Employee benefit obligations	4 597	7 051	-521	-62
Other provisions	1 142	1 467	-	-3
Other liabilities	4 270	2 773	-8 555	-6 314
Tax losses carried forward, tax credits and recoverable income taxes	19 394	6 668	-	-
Tax assets / liabilities	**42 968**	**33 997**	**-87 893**	**-84 085**
Set-off of assets and liabilities	-27 358	-26 234	27 358	26 234
Net tax assets / liabilities	**15 610**	**7 763**	**-60 535**	**-57 851**

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 €

	2006	2005	Variance 2006 vs 2005
Deductible temporary differences	102 726	123 090	-20 364
Capital losses	77 044	79 513	-2 469
Trade losses	67 176	56 537	10 639
Total	**246 946**	**259 140**	**-12 194**

Of the capital losses in 2006, 55% will expire before 2009.

5.7. Operating working capital

in thousands of €

	2006	2005	Variance 2006 vs 2005
Inventories	368 764	348 330	5.9%
Raw materials and consumables	*149 201*	*139 937*	*6.6%*
Work in progress and finished goods	*199 285*	*197 232*	*1.0%*
Goods purchased for resale and advance payments	*20 278*	*11 161*	*81.7%*
Trade receivables	398 928	354 225	12.6%
Trade payables	-227 827	-187 369	21.6%
Advances received on contracts	-4 679	-2 601	79.9%
Current employee benefit obligations	-76 042	-73 475	3.5%
Employment-related taxes	-7 497	-8 135	-7.8%
Operating working capital	**451 647**	**430 975**	**4.8%**

Average operating working capital represented 22.0% of sales (2005: 20.6%). In comparison with the 2005 closing balance, the net increase in the operating working capital amounted to € 20.7 million, which is mainly explained by:
- negative impact of currency movements of € 19.5 million (2005: positive impact of currency movements of € 35.0 million);
- an increase of € 7.8 million from new acquisitions;
- an increase of € 32.0 million related to organic growth.

Additional information on:
- Inventories
  Net reversal of write-downs in 2006 amounted to € 0.8 million (2005: net write-down of € 2.8 million). No inventories were pledged as security for liabilities (2005: also none).
- Trade receivables
  The allowances for bad and doubtful debts went down by € 0.3 million (2005: € 0.6 million).

5.8. Other receivables

in thousands of €

Carrying amount	2006	2005
As at 1 January	54 401	35 768
Increase or decrease	-530	20 332
New consolidations	665	915
Deconsolidations	-	-5 261
Exchange gains and losses	-722	2 647
As at 31 December	**53 814**	**54 401**

Other receivables relate mainly to € 28.1 million (2005: € 26.2 million) in respect of taxes, € 2.9 million (2005: € 3.4 million) in respect of royalties, € 7.5 million (2005: € 14.3 million) in respect of interest on equity receivable from Belgo Bekaert Arames Ltda. and € 3.7 million (2005: nil) in respect of dividends receivable from joint ventures.

5.9. Other current assets

in thousands of €

Carrying amount	2006	2005
Current loans and receivables	123	143
Derivatives (cf. note 6.3)	1 479	335
Deferred charges and accrued revenues	8 316	8 521
As at 31 December	**9 918**	**8 999**

5.10. Assets classified as held for sale

in thousands of €

Carrying amount	2006	2005
As at 1 January	3 802	-
Increase	1 687	3 802
Disposal	-3 802	-
As at 31 December	**1 687**	**3 802**

The plant in Muskegon (Michigan, United States) and a building in Durham (North Carolina, United States) are classified as held for sale. No impairment losses were recognized since the fair value less costs to sell of the assets is estimated to be higher than the carrying amount.

The disposal relates to the sale of idle land and buildings in Zwevegem (Belgium) to a third party.

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

in thousands of €

	Issued capital	Value	Number of shares[1]
1	As at 1 January 2006	172 900	21 530 195
	Movements in the year		
	Issue of new shares	*400*	*44 350*
	Cancellation of shares	-	*-627 766*
	As at 31 December 2006	173 300	20 946 779
2	Structure		
2.1	Classes of ordinary shares		
	Ordinary shares without par value	*173 300*	*20 946 779*
2.2	Registered shares	-	572 745
	Bearer shares	-	20 374 034
Authorized capital not issued		**166 700**	

A total of 44 350 subscription rights were exercised under the Company's SOP1 stock option plan in 2006, requiring the issue of a total of 44 350 new shares of the Company.

The Company purchased a total of 636 656 of its own shares in 2006, of which 627 766 were cancelled, resulting in a reduction in the reserves of € 55.8 million. The remainder (8 890 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	32 596	505	2 689	01.06 - 15.06.2003	15.11 - 30.11.2012
17.12.1999	15.02.2000	04.04.2000	52.60	2 830	180	2 590	60	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	94 837	820	10 990	01.06 - 15.06.2004	22.05 - 15.06.2013
14.07.2000	12.09.2000	26.09.2000	54.00	5 415	720	4 355	340	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	135 423	806	3 410	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	180	-	22.05 - 30.06.2005	22.05 - 15.06.2011
12.07.2002	10.09.2002	25.09.2002	47.48	35 384	27 594	240	7 550	22.05 - 30.06.2006	22.05 - 15.06.2015
12.07.2002	10.09.2002	25.09.2002	47.48	360	300	-	60	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	**301 095**	**9 496**	**226 073**		

[1] Own share transactions after balance sheet date are disclosed in note 6.7 'Events after balance sheet date'.

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	11 450	-	-	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
22.12.2005	20.02.2006	71.39	28 000	-	-	28 000	22.05 - 30.06.2009	15.11 - 15.12.2015
15.03.2006	14.05.2006	85.85	2 000	-	-	2 000	22.05 - 30.06.2010	15.11 - 15.12.2015
15.09.2006	14.11.2006	74.10	6 500	-	-	6 500	22.05 - 30.06.2010	15.08 - 14.09.2016
			89 420	**17 340**	-	**72 080**		

Overview of SOP 2005-2009 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
22.12.2005	20.02.2006	22.03.2006	71.39	70 766	-	-	70 766	22.05 - 30.06.2009	15.11 - 15.12.2015
				70 766	-	-	**70 766**		

SOP1 Stock Option Plan

	2006		2005	
	Number of subscription rights	Weighted average exercise price (in €)	Number of subscription rights	Weighted average exercise price (in €)
Outstanding as at 1 January	271 193	47.01	504 909	46.93
Forfeited during the year	-770	46.89	-676	41.94
Exercised during the year	-44 350	48.74	-233 040	46.87
Outstanding as at 31 December	**226 073**	**46.67**	**271 193**	**47.01**

SOP2 Stock Option Plan

	2006		2005	
	Number of options	Weighted average exercise price (in €)	Number of options	Weighted average exercise price (in €)
Outstanding as at 1 January	44 470	46.71	52 920	45.95
Granted during the year	36 500	72.66	-	-
Exercised during the year	-8 890	46.37	-8 450	41.94
Outstanding as at 31 December	**72 080**	**59.89**	**44 470**	**46.71**

SOP 2005-2009 Stock Option Plan

	2006		2005	
	Number of subscription rights	Weighted average exercise price (in €)	Number of subscription rights	Weighted average exercise price (in €)
Outstanding as at 1 January	-	-	-	-
Granted during the year	70 766	71.39	-	-
Outstanding as at 31 December	**70 766**	**71.39**	**-**	**-**

Weighted average remaining contractual life	2006	in years 2005
SOP1	7.3	8.4
SOP2	8.3	8.4
SOP 2005-2009	9.0	-

No subscription rights or options under either plan were exercisable at year-end (2005: also none). The weighted average share price at the date of exercise in 2006 was € 83.37 for the SOP1 subscription rights and € 78.96 for the SOP2 options. 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 the SOP1 and SOP2 plans (cf. 'Corporate Governance' section in the Report of the Board of Directors), any subscription rights or options granted are vested immediately.

A new SOP 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 offering 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.

The options granted under SOP2 and the subscription rights granted under SOP 2005-2009 are recognized at fair value in accordance with IFRS 2 (cf. note 6.4 'Share-based payment').

5.12. Hedging and revaluation reserves

Hedging reserve	2006	in thousands of € 2005
As at 1 January	1 582	-1 061
New instruments added	8	-5 100
Existing instruments settled	-	1 061
Recycled to income statement	-7 570	6 846
Fair value changes of existing instruments	4 937	-
Exchange gains and losses (-)	-48	-164
As at 31 December	**-1 091**	**1 582**
Of which		
Cross-currency interest-rate swaps (on Eurobonds)	*-1 099*	*1 582*
Interest rate swaps (on Chinese renminbi)	*8*	-

Revaluation reserve for available-for-sale investments	2006	in thousands of € 2005
As at 1 January	-	-
Fair value changes	-462	-
As at 31 December	**-462**	**-**
Of which		
Investment in Shougang Concord Century Holdings Ltd	*-462*	-

Changes in the fair value of hedging instruments designated as effective cash flow hedges are calculated and recognized directly in equity on a quarterly basis. In accordance with IFRS hedge accounting policies for cash flow hedges, exchange gains or losses arising from translating the underlying debt at the closing rate are offset by recycling the equivalent amounts to the income statement on a quarterly basis. The revaluation of the investment in Shougang Concord Century Holdings Ltd is based on the closing price of the share on the Hong Kong Stock Exchange.

5.13. Minority interests

in thousands of €

Carrying amount	2006	2005
As at 1 January	51 063	48 831
Increase (-) or decrease in ownership	-	-4 432
Share of net profit of subsidiaries	4 771	11 977
Dividend pay-out	-7 613	-8 558
Capital increases	2 402	176
Exchange gains and losses (-)	-1 773	3 069
As at 31 December	**48 850**	**51 063**

The impact of currency movements mainly relates to the Chinese renminbi and the Canadian dollar.

5.14. Employee benefit obligations

In accordance with IAS 19 Employee benefits post-employment benefit plans are classified as either defined-contribution plans or defined-benefit plans.

Defined-contribution plans

For defined-contribution plans, Bekaert pays contributions to publicly or privately administered pension funds or insurance contracts. Once the contributions have been paid, the Group has no further payment obligation. These contributions constitute an expense for the year in which they are due. The multi-employer defined-benefit plans in the Netherlands are treated as defined-contribution plans; contributions for these plans amounted to € 0.7 million (2005: € 0.7 million).

in thousands of €

Defined-contribution plans	2006	2005
Expenses recognized	11 065	10 658

Defined-benefit plans

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 € 135.6 million as at 31 December 2006 (€ 139.8 million as at year-end 2005), are analyzed as follows:

in thousands of €

	2006	2005
Liabilities for		
Defined-benefit pension plans	*42 715*	*33 929*
Other post-employment benefit plans	*72 316*	*74 426*
Other long-term employee benefits	*2 524*	*1 361*
Share-based payment employee benefits	*884*	*408*
Other employee benefit obligations	17 150	29 724
Total liabilities	**135 589**	**139 848**

Defined-benefit pension plans and other post-employment benefit plans

in thousands of €

Movement in defined-benefit obligation	Defined-benefit pension plans 2006	Defined-benefit pension plans 2005	Other post-employment benefit plans 2006	Other post-employment benefit plans 2005
Present value as at 1 January	242 474	427 483	79 147	93 790
Current service cost	10 414	10 530	1 882	2 259
Interest cost	10 944	11 379	3 079	3 984
Plan participants' contributions	4	-	146	-
Plan amendments	407	660	4 027	43
New consolidations and deconsolidations	221	-204 860	-	-6 897
Curtailments	-	-	-3 123	-7 320
Reclassifications from other employee benefit obligations	13 700	-	2 627	-
Actuarial gains (-) and losses	-2 006	9 372	-1 449	382
Benefits paid	-24 056	-24 552	-9 875	-9 155
Exchange gains (-) and losses	-10 272	12 462	-999	2 061
Present value of defined-benefit obligation as at 31 December	**241 830**	**242 474**	**75 462**	**79 147**

Other post-employment benefit plans relate to pre-retirement pensions in Belgium (defined-benefit obligation € 69.1 million in 2006, compared with € 67.9 million in 2005) and other post-employment benefits for medical care in the United States (defined-benefit obligation € 6.3 million in 2006, compared with € 11.3 million in 2005), which are not externally funded. Of the defined-benefit obligation in Belgium, an amount of € 27.4 million (2005: € 30.9 million) relates to employees in active service who have not yet entered into any pre-retirement agreement.

in thousands of €

Movement in plan assets	Defined-benefit pension plans 2006	Defined-benefit pension plans 2005	Other post-employment benefit plans 2006	Other post-employment benefit plans 2005
Fair value as at 1 January	183 881	303 668	-	-
Expected return on plan assets	10 514	10 699	-	-
Actuarial gains and losses (-)	7 793	8 614	-	-
Company contributions	15 269	20 845	-	-
Plan participants' contributions	4	-	-	-
New consolidations and deconsolidations	169	-144 084	-	-
Benefits paid	-22 695	-24 552	-	-
Exchange gains and losses (-)	-8 122	8 691	-	-
Fair value of plan assets as at 31 December	**186 813**	**183 881**	**-**	**-**

in thousands of €

Funded status	Defined-benefit pension plans 2006	Defined-benefit pension plans 2005	Other post-employment benefit plans 2006	Other post-employment benefit plans 2005
Present value of unfunded obligations	31 189	19 067	75 462	79 147
Present value of funded obligations	210 641	223 407	-	-
Fair value of plan assets	-186 813	-183 881	-	-
Present value of net obligations	**55 017**	**58 593**	**75 462**	**79 147**
Unrecognized actuarial gains (-) and losses	-12 307	-24 664	-3 146	-4 721
Unrecognized past service cost	5	-	-	-
Net assets (-) and liabilities	**42 715**	**33 929**	**72 316**	**74 426**
Amounts in the balance sheet				
Assets	-	-	-	-
Liabilities	*42 715*	*33 929*	*72 316*	*74 426*

The amounts recognized in the income statement are as follows:

in thousands of €

Net benefit expense	Defined-benefit pension plans 2006	2005	Other post-employment benefit plans 2006	2005
Current service cost	10 414	10 530	1 882	2 259
Interest cost	10 944	11 379	3 079	3 984
Expected return on plan assets	-10 514	-10 699	-	-
Net actuarial gains (-) and losses recognized in the year	1 134	342	155	110
Past service cost	413	661	4 027	41
Curtailments and settlements	-	-	-3 202	-7 026
Total	**12 391**	**12 213**	**5 941**	**-632**

Estimated contributions (including direct benefit payments) for 2007 are as follows:

in thousands of €

Estimated contributions	2007
Defined-benefit pension plans	8 322
Other post-employment benefit plans	9 582
Total	**17 904**

In terms of their fair value as at 31 December, plan assets consisted of:

in thousands of €

Fair value of plan assets by type	2006		2005	
Equity instruments	107 272	57%	107 548	59%
Debt instruments	72 413	39%	71 924	39%
Insurance contracts	7 128	4%	4 409	2%
Total plan assets reported as at 31 December	**186 813**	**100%**	**183 881**	**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 2006	2005	Other post-employment benefit plans 2006	2005
Discount rate	4.7%	4.6%	4.1%	4.2%
Expected return on plan assets	6.5%	6.2%	-	-
Future salary increases	3.9%	4.1%	3.2%	3.2%
Health care cost increases (initial)	-	-	9.0%	10.0%
Health care cost increases (ultimate)	-	-	5.0%	5.0%
Health care (years to ultimate rate)	-	-	5	5
Life expectancy of a man aged 65 (years)	18.7	17.9	18.8	17.9

Weighted averages for other post-employment benefit plans are slightly different from those for pension plans because of regional differences; 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:

in thousands of €

Sensitivity analysis on health care cost assumptions	1% increase	1% decrease
Service cost and interest cost	85	-73
Defined-benefit obligation	529	-472

The following table presents a historical overview of the key figures of the last 5 years.

in thousands of €

Historical overview	2006	2005	2004	2003	2002
Defined-benefit pension plans					
Present value of defined-benefit obligation	241 830	242 474	427 483	417 032	398 092
Fair value of plan assets	186 813	183 881	303 668	279 056	247 627
Surplus (-) or deficit	55 017	58 593	123 815	137 976	150 465
Experience adjustments arising on					
plan liabilities	*258*	*320*	*n/a*	*n/a*	*n/a*
plan assets	*7 793*	*8 614*	*7 224*	*37 151*	*-70 473*
Other post-employment plans					
Present value of defined-benefit obligation	75 462	79 147	93 790	94 181	96 953
Fair value of plan assets	-	-	-	-	-
Surplus (-) or deficit	75 462	79 147	93 790	94 181	96 953
Experience adjustments arising on					
plan liabilities	*-1 449*	*382*	*n/a*	*n/a*	*n/a*
plan assets	-	-	-	-	-

Other long-term employee benefits

The other long-term employee benefits relate to service awards.

Share-based payment employee benefits

The Group issued stock appreciation rights (SARs) to certain employees, granting them the right to receive the intrinsic value of the SARs at the date of exercise. At 31 December 2006, the Group had recorded liabilities of € 0.7 million (2005: € 0.1 million). These liabilities were measured at fair value in accordance with IFRS 2 (cf. note 6.4 'Share-based payment'). In the past, the Group also issued phantom stocks to certain employees, granting them the right to receive the intrinsic value of the shares at the date of exercise. At 31 December 2006, the Group had recorded liabilities of € 0.2 million (2005: € 0.3 million), measured at intrinsic value. Since the amounts involved are immaterial and the plan is now closed, the effort of determining the fair value of these liabilities by means of a model was deemed unwarranted.

Other employee benefit obligations

As a result of the Global Benefits Audit which Bekaert is conducting among all legal entities, an amount of € 16.3 million was reclassified as of 1 January 2006 from other employee benefit obligations to defined-benefit pension plans and other post-employment benefit plans. The remaining other employee benefit obligations relate mainly to retirement benefits in Europe.

5.15. Provisions

in thousands of €

	Restructuring	Legal claims	Other	Total
As at 31 December 2005	**8 688**	**3 882**	**31 998**	**44 568**
Additional provisions made	7 108	3 333	4 898	15 339
Unutilized amounts released	-1 137	-608	-8 883	-10 628
Increase in present value	-	50	282	332
Charged to the income statement	**5 971**	**2 775**	**-3 703**	**5 043**
New consolidations	-	7	196	203
Amounts utilized during the year	-6 104	-2 004	-1 190	-9 298
Exchange gains (-) and losses	-482	-130	139	-473
As at 31 December 2006	**8 073**	**4 530**	**27 440**	**40 043**
Of which				
current	*6 784*	*1 970*	*4 625*	*13 379*
non-current	*1 289*	*2 560*	*22 815*	*26 664*

The additional provisions made relate mainly to the plants in Dyersburg (Tennessee, United States) and in Durham (North-Carolina, United States) for which restructuring programs have been launched or are on-going. 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' mainly includes provisions for environmental programs for various sites. Due to a favorable court decision, a provision of € 8.6 million for a dispute with a government body was reversed.

5.16. Interest-bearing debt

Information concerning the contractual terms of the Group's interest-bearing loans and borrowings (current and non-current) is given below:

in thousands of €

2006	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Non-current interest-bearing debt				
Finance leases	-	*669*	*199*	*868*
Credit institutions	-	*72 201*	-	*72 201*
Bonds	-	*102 566*	*98 738*	*201 304*[1]
Total non-current interest-bearing debt	**-**	**175 436**	**98 937**	**274 373**
Current interest-bearing debt				
Current portion of non-current finance leases	*435*	-	-	*435*
Current portion of non-current interest-bearing debt to credit institutions	*3 507*	-	-	*3 507*
Credit institutions	*214 010*	-	-	*214 010*
Total current interest-bearing debt	**217 952**	**-**	**-**	**217 952**
Total	**217 952**	**175 436**	**98 937**	**492 325**

in thousands of €

2005	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Non-current interest-bearing debt				
Finance leases	-	*759*	*170*	*929*
Credit institutions	-	*80 251*	-	*80 251*[2]
Bonds	-	*106 808*	*100 305*	*207 113*[3]
Total non-current interest-bearing debt	**-**	**187 818**	**100 475**	**288 293**
Current interest-bearing debt				
Current portion of non-current finance leases	*426*	-	-	*426*
Current portion of non-current interest-bearing debt to credit institutions	*8 833*	-	-	*8 833*
Credit institutions	*236 329*	-	-	*236 329*
Total current interest-bearing debt	**245 588**	**-**	**-**	**245 588**
Total	**245 588**	**187 818**	**100 475**	**533 881**

[1] Includes € 36.3 million in fair value adjustments as a result of hedge accounting (will reduce net debt by € 36.3 million).
[2] Includes € 72.0 million which has been converted to US$ 65.5 million through cross-currency interest-rate swaps (will reduce net debt by € 16.4 million).
[3] Includes € 22.9 million in fair value adjustments as a result of hedge accounting (will reduce net debt by € 22.9 million).

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.

For more information on financial risk management we refer to note 6.3 'Financial risk management and financial derivatives'.

Net debt calculation

The debt calculation of the Group reflects the amount to be repaid as a result of the hedging with a derivative, rather than the amount presented as a financial liability in the balance sheet. The financial liabilities are therefore corrected for either the impact of the spot revaluation, where they relate to a cash flow hedge or trading, or the full fair value adjustment, where they relate to fair value hedges. The table below summarizes the calculation of the net debt (the amounts eliminated as described above are presented as 'value adjustments').

in thousands of €

	2006	2005
Non-current interest-bearing debt	274 373	288 293
Value adjustments	-36 300	-39 345
Current interest-bearing debt	217 952	245 588
Total financial debt	**456 025**	**494 536**
Current loans	-123	-143
Short-term deposits	-29 019	-90 453
Cash and cash equivalents	-52 139	-132 248
Net debt	**374 744**	**271 692**

5.17. Other non-current liabilities

in thousands of €

Carrying amount	2006	2005
Other non-current amounts payable	2 619	3 013
Derivatives (cf. note 6.3)	1 226	9 399
Total	**3 845**	**12 412**

5.18. Other current liabilities

in thousands of €

Carrying amount	2006	2005
Other amounts payable	2 927	5 079
Derivatives (cf. note 6.3)	3 497	1 082
Advances received on contracts	4 679	2 601
Other taxes	20 208	20 206
Accruals and deferred income	11 716	12 840
As at 31 December	**43 027**	**41 808**

The other taxes relate mainly to VAT payable and payroll taxes withheld. The accrued interests on outstanding interest-bearing debt are the most significant item of the accruals.

6. Miscellaneous items

6.1. Notes to the cash flow statement

in thousands of €

	2006	2005
Cash from operating activities	192 670	178 803
Cash from investing activities	-157 461	-36 265
Cash from financing activities	-113 170	-70 680
Net increase or decrease in cash and cash equivalents	**-77 961**	**71 858**

in thousands of €

	2006	2005
Non-cash and investing items included in operating result		
Depreciation and amortization	110 726	107 433
Impairment losses on assets	5 496	13 735
Gains (-) and losses on disposals of assets	-3 726	-60
Provisions for liabilities and charges	-8 562	-15 293
Total	**103 934**	**105 815**
Other operating cash flows		
Change in other working capital	-3 413	-17 768
Other cash flows	-5 016	12 289
Total	**-8 429**	**-5 479**
Other investing cash flows		
Gross increase (-) or decrease in non-current loans and receivables	186	23
Proceeds from sales of intangible assets	219	-
Proceeds from sales of property, plant and equipment	11 005	6 436
Proceeds from government grants	19	36
Total	**11 429**	**6 495**
Other financing cash flows		
New shares issued following exercise of subscription rights	2 162	10 922
Capital paid in by minority interests	2 402	176
Increase (-) or decrease in treasury shares at cost	-55 005	-35 190
Cash flows from non-current financial liabilities	55 322	96 720
Cash flows from current financial liabilities	-82 430	-211 274
Increase (-) or decrease in current loans and receivables	18	184 678
Increase (-) or decrease in current financial assets	60 539	-49 749
Total	**-16 992**	**-3 717**

6.2. Effect of acquisitions

New business combinations in 2006 relate to the acquisition of Delta Wire Corporation, Cold Drawn Products Limited, Aluheat B.V. and the business of Conflandey Inc. Other consideration paid relates to a deferred payment on last year's 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. The remeasurements of the acquired net assets at fair value have been applied for all acquisitions in accordance with IFRS 3.

With the acquisition of Cold Drawn Products Limited, Bekaert acquired an important market share which has been recognized as an intangible asset with a fair value of € 11.0 million. The intangible asset recognized on the acquisition of Aluheat B.V. relates to the intellectual property linked to R & D projects not capitalized by the acquiree, amounting to € 0.5 million. The intangible assets acquired in the asset deal with Conflandey Inc, amounting to € 1.4 million, represent the market share in the stitching wire business for printing companies and binderies in North America.

in thousands of €

	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
Intangible assets	792	12 899	13 691
Property, plant and equipment	10 686	2 012	12 698
Deferred tax assets	365	43	408
Inventories	4 562	296	4 858
Trade receivables	9 470	-18	9 452
Other receivables	665	-	665
Short-term deposits	1 754	-	1 754
Cash and cash equivalents	1 967	1	1 968
Other current assets	133	6	139
Non-current employee benefit obligations	-	-136	-136
Provisions	-297	-	-297
Non-current interest-bearing debt	-529	-	-529
Other non-current liabilities	-340	-	-340
Deferred tax liabilities	-1 616	-3 333	-4 949
Current interest-bearing debt	-2 974	-	-2 974
Trade payables	-6 166	-7	-6 173
Current employee benefit obligations	-632	-	-632
Other current liabilities	-3 840	-18	-3 858
Total net assets acquired in a business combination	**14 000**	**11 745**	**25 745**
Goodwill			5 123
Excess of net assets acquired over consideration paid			-1 329
Deferred payments			-688
Consideration paid			**28 851**
Cash acquired			-1 968
New business combinations			**26 883**
Other portfolio investments			15 842
New portfolio investments			**42 725**

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

in thousands of €

	Month of acquisition	Contribution to the result for the period
New business combinations in 2006		
Conflandey	*January 2006*	-
Delta Wire Corporation	*January 2006*	*2 395*
Cold Drawn Products Limited	*April 2006*	*1 011*
Aluheat B.V.	*May 2006*	*321*
Other portfolio investments in 2006		
Shougang Concord Century Holdings Ltd	*September 2006*	-

6.3. Financial risk management and financial derivatives

Principles of financial risk management

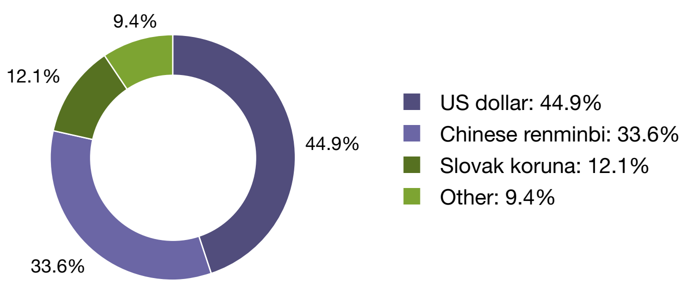
The Group is exposed to risks from movements in exchange rates, interest rates and market prices that affect its assets and liabilities. Financial risk management within the Group aims at reducing the impact of these market risks through ongoing operational and financing activities. Selected derivative hedging instruments are used depending on the risk assessment. The Group only hedges the risks that affect the Group's cash flow. Derivatives are exclusively used as hedging instruments, not for trading or other speculative purposes. To reduce the credit risk, hedging transactions are generally only concluded with financial institutions whose credit rating is at least A.

The guidelines and principles of the Bekaert financial risk policy are defined by the Audit and Finance Committee, and overseen by the Board of the Group. Group Treasury is responsible for implementing the financial risk policy. This encompasses defining appropriate policies and setting up effective control and reporting procedures. The Audit and Finance Committee is regularly informed about the currency and interest-rate exposure.

Currency risk

The Group is exposed to currency risk resulting from its investing, financing and operating activities. Risks from foreign currencies are hedged to the extent that they influence the Group's cash flows. Foreign currency risks that do not influence the Group's cash flows (the risks resulting from the translation of assets and liabilities of foreign operations into the Group's reporting currency) are not hedged. Foreign currency risk in the area of investment results from the acquisition and disposal of investments in foreign companies. At the reporting date, the Group was not exposed to any significant risk from foreign currency transactions in the field of investments. Foreign currency risk in the financing area is associated with financial liabilities in foreign currency. Group Treasury hedges these risks as far as possible. Cross-currency interest-rate swaps and forward exchange contracts are used to convert financial obligations denominated in foreign currencies into the entity's functional currency (euro, US dollar, British pound, Slovak koruna, Chinese renminbi). At the reporting date, the foreign currency liabilities for which currency risks were hedged consisted of Eurobonds and intercompany loans in foreign currencies. These were mainly hedged using cross-currency interest-rate swaps and, to a lesser extent, forward contracts. The Group was not exposed to any significant currency risk in the area of financing at the reporting date. Foreign currency risk in the area of operating activities arises from commercial activities with sales and purchases in foreign currencies, as well as payments and receipts of royalties and dividends. The Group uses forward exchange contracts to hedge the forecast cash inflows and outflows for the next six months. Significant exposures and firm commitments beyond that time frame can also be covered. The Group was not exposed to any significant currency risk in the area of its operating activities.

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 interest-rate swaps (€ 192.2 million).



	Long-term			Short-term	Total
Currency profile 2006	Fixed rate	Floating rate	Total		
US dollar	22.2%	14.4%	36.6%	8.3%	44.9%
Chinese renminbi	5.2%	5.5%	10.7%	22.9%	33.6%
Slovak koruna	-	-	-	12.1%	12.1%
Other	1.0%	-	1.0%	8.4%	9.4%
Total	**28.4%**	**19.9%**	**48.3%**	**51.7%**	**100.0%**

	Long-term			Short-term	Total
Currency profile 2005	Fixed rate	Floating rate	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%**

Interest-rate risk

The Group is exposed to interest-rate risk, mainly in the United States, China, Slovakia and United Kingdom. To minimize the effects of interest-rate fluctuations in these regions, the Group manages the interest-rate risk for net debt denominated in the respective currencies of these countries separately. General guidelines are applied to cover interest-rate risk:

- the target average life of long-term debt is four years, and
- the distribution of the long-term debt between floating and fixed interest rates must remain within the defined limits approved by the Audit and Finance Committee.

Group Treasury uses interest-rate swaps or cross-currency interest-rate swaps to ensure that the floating and fixed portion of the long-term debt remains within the defined limits. During 2006, the Group also purchased forward starting interest-rate options to convert fixed and floating-rate long-term debt to capped long-term debt. As such, the Group is protected against adverse fluctuations of interest rates while still having the ability to benefit from decreasing interest rates.

The following table summarizes the average interest rates.

	Long-term			Short-term	Total
Average interest rate 2006	Fixed rate	Floating rate	Total		
US dollar	5.49%	6.08%	5.72%	5.44%	5.69%
Chinese renminbi	4.93%	5.02%	4.98%	4.93%	4.95%
Slovak koruna	-	-	-	5.03%	5.03%
Other	4.70%	6.14%	4.80%	5.55%	5.45%
Total	**5.36%**	**5.79%**	**5.54%**	**5.09%**	**5.32%**

	Long-term			Short-term	Total
Average interest rate 2005	Fixed rate	Floating rate	Total		
US dollar	5.56%	4.70%	5.22%	4.46%	5.14%
Chinese renminbi	-	-	-	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%**

Credit risk

The Group is exposed to credit risk from its operating activities and certain financing activities. In respect of financing activities, transactions are normally concluded with counterparties that have at least an A credit rating, in connection with limits allocated to each counterparty as a function of their rating. In respect of its operating activities, 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 public or private credit insurers and by the systematic use of trade finance instruments (e.g. letters of credit).

Liquidity risk

To ensure liquidity and financial flexibility at all times, the Group has several uncommitted short-term credit lines in the major currencies available in amounts considered adequate for current and near-future financial needs. These facilities are generally of the mixed type and may be utilized, for example, for advances, overdrafts, acceptances and discounting. The Group also has committed credit facilities at its disposal up to a maximum equivalent of € 120.2 million (2005: € 122.0 million) at floating interest rates with fixed margins. These credit facilities will mature in 2009 and 2011. At year end, € 42.9 million was outstanding under these facilities (2005: € 18.0 million). In addition, the Group has a commercial paper and medium-term note program available for a maximum of € 123.9 million (2005: € 123.9 million). On 31 December 2006, no commercial paper notes were outstanding (2005: nil).

The following table shows the Group's contractually agreed (undiscounted) interest payments and principal repayments of the non-derivative financial liabilities and the derivatives with positive and negative fair values.

in thousands of €

Interest payments	2007	2008	2009-2011	2012 and thereafter
Interest-bearing debt				
Finance leases	*-54*	*-40*	*-61*	*-24*
Credit institutions	*-9 579*	*-4 301*	*-4 352*	*-*
Bonds	*-7 783*	*-7 783*	*-14 047*	*-12 528*
Derivative financial liabilities				
Currency derivatives without a hedging relationship	*-358*	*-*	*-*	*-*
Currency derivatives in connection with cash flow hedges	*-573*	*-552*	*-1 677*	*-2 243*
Currency derivatives in connection with fair value hedges	*-507*	*-538*	*-1 363*	*-2 119*
Interest rate derivatives without a hedging relationship	*-137*	*-*	*-*	*-*
Derivative financial assets				
Currency derivatives without a hedging relationship	*198*	*27*	*-*	*-*
Currency derivatives in connection with cash flow hedges	*-202*	*-198*	*-603*	*-800*
Currency derivatives in connection with fair value hedges	*1 796*	*2 095*	*2 230*	*-*
Interest rate derivatives without a hedging relationship	*104*	*11*	*-19*	*-*
Interest rate derivatives in connection with cash flow hedges	*193*	*227*	*277*	*-*
Total	**-16 902**	**-11 052**	**-19 615**	**-17 714**

in thousands of €

Principal repayments	Carrying amount	2007	2008	2009-2011	2012 and thereafter
Interest-bearing debt					
Finance leases	*-1 303*	*-435*	*-347*	*-322*	*-199*
Credit institutions	*-289 718*	*-217 517*	*-2 582*	*-69 619*	*-*
Bonds	*-201 304*	*-*	*-*	*-100 000*	*-100 000*
Derivative financial liabilities					
Currency derivatives in connection with cash flow hedges	*-69*	*-*	*-*	*-*	*-125*
Currency derivatives in connection with fair value hedges	*-1 037*	*-*	*-*	*-*	*-202*
Derivative financial assets					
Currency derivatives in connection with cash flow hedges	*71*	*-*	*-*	*-*	*326*
Currency derivatives in connection with fair value hedges	*36 942*	*-*	*-*	*34 343*	*-*
Total	**-456 418**	**-217 952**	**-2 929**	**-135 598**	**-100 200**

All instruments held at 31 December 2006 and for which payments were already contractually agreed upon are included. Planning data relating to future, new liabilities is not included. Amounts in foreign currencies were each translated at the closing rate at the reporting date. The variable interest payments arising from the financial instruments were calculated using the applicable forward interest rates.

Hedge accounting

Fair value hedges

To hedge the currency risk resulting from the issue of Eurobonds in 2001 and 2005 by an entity whose functional currency is the US dollar, the Group has used cross-currency interest-rate swaps to convert the fixed euro payments to floating US dollar payments. The Group has designated the related Eurobonds as hedged items. The changes in the fair values of the hedged items resulting from changes in the spot rate USD/EUR are offset against the changes in the value of the cross-currency interest-rate swaps. Credit risks are not part of the hedging. The effectiveness of the hedging relationship is prospectively tested using the critical terms match method set out in IAS 39.AG108.
An effectiveness test is carried out retrospectively at each reporting date using the cumulative dollar-offset method. All hedging relationships were effective within the range of the ratios between 80 and 125 percent as specified in IAS 39. The Group has designated cross-currency interest-rate swaps with an aggregate notional amount of € 130.9 million (2005: € 130.9 million) as fair value hedges at 31 December 2006, the fair value amounting to € 35.9 million (2005: € 30.5 million). The fair value change of the hedging instruments during 2006 resulted in a gain of € 8.9 million (2005: € 20.8 million loss) being recorded in other financial income and expenses. The remeasurement of the hedged items resulted in a loss of € 9.0 million (2005: € 20.8 million gain), also recorded in other financial income and expenses.

Cash flow hedges

- To hedge the currency risk and interest-rate risk resulting from the issue of a Eurobond in 2005 by an entity whose functional currency is the US dollar, the Group has used cross-currency interest-rate swaps and an interest-rate swap. The cross-currency interest-rate swap and combination of cross-currency interest-rate swap and interest-rate swap convert fixed euro payments to fixed US dollar payments. The Group has designated the related Eurobonds as hedged items. The objective of this hedging is to eliminate the risk from payment fluctuations as a result of changes in the exchange and interest rates. Credit risks are not part of the hedging. To test the effectiveness of the hedging relationship, a hypothetical derivative has been defined for each relationship. In the case where a portion of the issued Eurobond was converted to fixed US dollar payments on the issue date, the effectiveness of the hedging relationship is prospectively tested using the critical terms match method set out in IAS 39.AG108. An effectiveness test is carried out retrospectively at each reporting date using the cumulative dollar-offset method, whereby the change in the fair value of the actual derivative is compared with the change in the fair value of the hypothetical derivative. If the cumulative changes are identical (i.e. within the range of 80 and 125 percent) in both magnitude and direction, the hedge is effective. The hedging relationship tested using the cumulative dollar-offset method was effective during the reporting period. In the case where a portion of the issued Eurobond was converted to fixed US dollar payments using a combination of a cross-currency interest-rate swap and an interest-rate swap, both retrospective and prospective testing are done using a regression analysis. The hedge relationship is considered effective, when $R^2 > 0.80$ and the slope of the regression line is between 0.80 and 1.25. The hedging relationship with the effectiveness tested using regression analysis, was effective during the reporting period.

- To hedge the interest-rate risk resulting from floating-rate long-term loans in Chinese renminbi, the Group has used interest-rate swaps to convert the floating-rate payments to fixed-rate payments. The Group has designated the loans as hedged items. The objective of the hedge is to eliminate the risk from payment fluctuations as a result of changes in the interest rates. Credit risks are not part of the hedging. To test the effectiveness of the hedging relationship, a hypothetical derivative has been defined. The effectiveness of the hedging relationship is prospectively tested using the critical terms match method set out in IAS 39.AG108. An effectiveness test is carried out retrospectively at each reporting date using the cumulative dollar-offset method, whereby the change in the fair value of the actual derivative is compared with the change in the fair value of the hypothetical derivative. If the cumulative changes are identical (i.e. within the range of 80 and 125 percent) in both magnitude and direction, the hedge is effective. The hedging relationship tested using the cumulative dollar-offset method was effective during the reporting period.

The Group has designated cross-currency interest-rate swaps and interest-rate swaps with notional amounts totaling € 118.8 million (2005: € 90.3 million) as cash flow hedges at 31 December 2006, the fair value amounting to € 0.01 million (2005: € -5.3 million). During 2006, gains totaling € 4.9 million (2005: € 4.7 million loss) resulting from the change in fair values of cross-currency and interest-rate swaps were taken directly to equity (hedging reserve). These changes represent the effective portion of the hedge relationship. € 7.5 million (2005: € 6.2 million) was released from equity (hedging reserve) to other financial income and expenses to offset the exchange result reported on the revaluation of the Eurobond at closing rate.

Held for trading

The Group also uses financial instruments that represent an economic hedge but do not necessarily qualify for hedge accounting under the criteria defined in IAS 39 ‘Financial Instruments: Recognition and Measurement’. These derivatives are treated as free-standing instruments held for trading.

- The Group uses cross-currency interest-rate swaps and forward exchange contracts to hedge the currency risk on intercompany loans where two entities with different functional currencies are involved. Until now, the Group elected not to apply hedge accounting as defined in IAS 39 since all cross-currency interest-rate swaps are floating-to-floating and hence, the fair value gain or loss on the financial instruments is expected to offset the foreign-exchange result arising from the revaluation of the intercompany loans. The Group has entered into cross-currency interest-rate swaps with notional amounts totaling € 224.7 million (2005: € 186.6 million), the fair value amounting to € 31.9 million (2005: € 27.5 million). The major currencies involved are US dollars, Slovak korunas and British pounds. The foreign-exchange contracts represented a notional amount of € 11.4 million (2005: nil) with a fair value of € -0.2 million (2005: nil). During 2006, gains of € 7.6 million resulting from changes in the fair values were recorded under other financial income and expenses. These gains were offset by a loss of € 7.7 million, recorded under unrealized foreign-exchange results as a result of the revaluation to spot rate of the intercompany loans.

- To manage its interest-rate exposure, the Group uses interest-rate swaps and interest-rate options to convert its floating-rate debt to a fixed and/or capped rate debt. These interest-rate derivatives do not qualify for hedge accounting as defined in IAS 39 since they relate either to intercompany transactions or to the transactions whereby a fixed Eurobond was converted to a floating US dollar debt for a United States based entity (the latter type of transaction being treated as a fair value hedge). Of the total outstanding debt as at 31 December 2006, the interest-rate exposure relating to the equivalent of € 152.6 million of floating debt (2005: € 84.8 million) was hedged using interest-rate swaps. The Group also purchased interest-rate options with notional amounts totaling € 72.1 million (2005: nil). The interest-rate options only come into effect from 2007 onwards. The fair value at year end of the interest-rate swaps amounted to € -0.1 million (2005: € -1.0 million) and that of the interest-rate options to € 0.3 million (2005: nil). During 2006, gains of € 0.9 million resulting from the changes in fair values were recorded under other financial income and expenses.

- Finally, the Group uses forward exchange contracts to limit its commercial foreign-exchange risk. Since the Group has not designated its forward exchange contracts as cash flow hedges, the fair value change is recorded immediately under other financial income and expenses. As at 31 December 2006, the notional amount of the forward exchange contracts relating to commercial transactions was € 86.4 million (2005: € 77.8 million). The fair value at year-end amounted to € 0.8 million (2005: € -0.8 million) with a gain of € 1.5 million (2005: € 2.6 million loss) being partly offset by unrealized foreign-exchange losses on receivebles and payables of € 2.1 million (2005: € 3.7 million gain). However, the forward exchange contracts also relate to forecast commercial transactions, for which no offsetting position exists on the balance sheet.

The following table analyzes the notional amounts of the derivatives according to their treatment with respect to IAS 39 and their maturity date:

in thousands of €

2006	**Due within one year**	**Due between one and 5 years**	**Due after more than 5 years**
Interest-rate swaps			
Held for trading	*56 948*	*95 672*	-
In connection with cash flow hedges	-	*30 741*	-
Interest-rate options			
Held for trading	-	*72 134*	-
Forward exchange contracts			
Held for trading	*97 775*	*53*	-
Cross-currency interest-rate swaps			
Held for trading	*217 702*	*7 000*	-
In connection with fair value hedges	-	*100 000*	*30 893*
In connection with cash flow hedges	-	-	*88 090*
Total	**372 425**	**305 600**	**118 983**

in thousands of €

2005	**Due within one year**	**Due between one and 5 years**	**Due after more than 5 years**
Interest-rate swaps			
Held for trading	-	*84 767*	-
Forward exchange contracts			
Held for trading	*77 795*	*768*	-
Cross-currency interest-rate swaps			
Held for trading	*79 609*	*107 000*	-
In connection with fair value hedges	-	*100 000*	*30 893*
In connection with cash flow hedges	-	-	*90 299*
Total	**157 404**	**292 535**	**121 192**

The following table summarizes the fair values of the various derivatives carried. A distinction is made depending on whether these are part of a hedging relationship as set out in IAS 39 (fair value hedge or cash flow hedge).

in thousands of €

	Assets		Liabilities		Net position	
Fair value of current and non-current derivatives	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Financial instruments						
Forward exchange contracts						
Held for trading	*1 297*	*245*	*-727*	*-999*	*570*	*-754*
Interest-rate options						
Held for trading	*335*	*-*	*-*	*-*	*335*	*-*
Interest-rate swaps						
Held for trading	*43*	*-*	*-120*	*-986*	*-77*	*-986*
In connection with cash flow hedges	*8*	*-*	*-*	*-1 364*	*8*	*-1 364*
Cross-currency interest-rate swaps						
Held for trading	*34 710*	*27 687*	*-2 770*	*-213*	*31 940*	*27 474*
In connection with fair value hedges	*36 942*	*33 562*	*-1 037*	*-3 019*	*35 905*	*30 543*
In connection with cash flow hedges	*71*	*-*	*-69*	*-3 900*	*2*	*-3 900*
Net assets or liabilities (-)	**73 406**	**61 494**	**-4 723**	**-10 481**	**68 683**	**51 013**

The net impact in the income statement of the change in fair value of the derivatives and the hedged risk can be summarized as follows:

in thousands of €

2006	**Hedged item**	**Hedging instrument**	**Recognized in equity**	**Impact on income statement**
Fair value hedges	Fair value changes	Fair value changes		
Cross-currency interest-rate swaps	*-8 977*	*8 943*	*-*	*-34*
Cash flow hedges	Spot price changes	Fair value changes		
Cross-currency interest-rate swaps and interest-rate swaps	*-7 540*	*4 937*	*-2 603*	*-*
Ineffectiveness	*-*	*-*	*-30*	*30*
	Underlying risk	**Financial derivative**		
Held for trading	Spot price changes	Fair value changes		
Cross-currency interest-rate swaps	*-7 869*	*7 799*	*-*	*-70*
Interest-rate swaps	*-*	*873*	*-*	*873*
Interest-rate options	*-*	*28*	*-*	*28*
Forward exchange contracts				
relating to intercompany loans	*127*	*-175*	*-*	*-48*
relating to commercial transactions	*-2 143*	*1 496*	*-*	*-647*
Total	**-**	**-**	**-2 633**	**132**

in thousands of €

2005	**Hedged item**	**Hedging instrument**	**Recognized in equity**	**Impact on income statement**
Fair value hedges	Fair value changes	Fair value changes		
Cross-currency interest-rate swaps	*20 826*	*-20 774*	*-*	*52*
Discontinuation of hedging	*-*	*38*	*-*	*38*
Cash flow hedges	Spot price changes	Fair value changes		
Cross-currency interest-rate swaps and interest-rate swaps	*6 156*	*-4 678*	*1 478*	*-*
Discontinuation of hedging	*-*	*-1 168*	*1 168*	*-1 168*
Ineffectiveness	*-*	*-*	*31*	*-31*
	Underlying risk	**Financial derivative**		
Held for trading	Spot price changes	Fair value changes		
Cross-currency interest-rate swaps	*17 702*	*-17 575*	*-*	*127*
Interest-rate swaps	*-*	*3 056*	*-*	*3 056*
Forward exchange contracts				
relating to commercial transactions	*3 667*	*-2 614*	*-*	*1 053*
Total	**-**	**-**	**2 677**	**3 127**

6.4. Share-based payment

Equity-settled share-based payment

Options granted under the SOP2 stock option plan and subscription rights granted under the SOP 2005-2009 stock option plan (cf. note 5.11 'Ordinary shares, treasury shares, subscription rights and share options') are accounted for as equity-settled share-based payments in accordance with IFRS 2.

During 2006, 36 500 options and 70 766 subscription rights were granted at a weighted average fair value per unit of € 20.40 and € 19.27 respectively. The Group has recorded an expense against equity of € 1.1 million (2005: nil) based on straight-line amortization of the options and subscription rights fair value at grant date over the vesting period. The fair value of the subscription rights is determined using a binomial pricing model. The model inputs were the share price at grant date, exercise price, expected volatility of 25%, expected dividend yield of 2.5%, vesting period of 3 years, contractual life of 10 years, employee exit rate of 0% and a risk-free interest rate of 3.6%. To allow for the effects of early exercise, it was assumed that the employees would exercise the subscription rights after vesting date when the share price was 1.25 times the exercise price. Historical volatility was between 20% and 30%.

Cash-settled share-based payment

Stock Appreciation Rights (SARs) granted by the Group (cf. note 5.14 'Employee benefit obligations') are accounted for as cash-settled share-based payments in accordance with IFRS 2. The fair value of the SARs is determined using a binomial pricing model. The model inputs were the share price at balance sheet date, exercise price, expected volatility of 28%, expected dividend yield of 2.5%, vesting period of 3 years, average contractual life of 4 years, employee exit rate of 0% and a risk-free interest rate of 3.9%. To allow for the effects of early exercise, it was assumed that the employees would exercise the SARs after vesting date when the share price was 1.6 times the exercise price. Historical volatility was between 20% and 30%.

The Group recorded total expenses of € 0.7 million (2005: € 0.2 million) during the year in respect of SARs. At 31 December 2006, the total intrinsic value of the vested SARs was € 0.6 million (2005: € 0.4 million).

6.5. Off-balance-sheet commitments

As at 31 December, important commitments were:

in thousands of €

	2006	2005
Guarantees given to third parties	1 125	1 032
Commitments to purchase fixed assets	3 894	234
Commitments to invest in venture capital funds	3 129	-

Bekaert has signed a declaration of intent to acquire the Russian Uralkord for an enterprise value of 1.6 billion Russian roubles (€ 47 million). Uralkord, located in Magnitogorsk, manufactures steel cord products for tire reinforcement and supplies nearly a quarter of the Russian market.

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

in thousands of €

Future payments	2006	2005
Within one year	11 743	9 505
Between one and five years	22 531	30 409
More than five years	4 103	3 689
Total	**38 377**	**43 603**

in thousands of €

Expenses	2006	2005
Vehicles	7 249	6 155
Industrial buildings	4 862	3 595
Equipment	1 655	1 643
Offices	1 776	1 428
Other	336	108
Total	**15 878**	**12 929**

2006	Weighted average lease term (in years)	Weighted average fixed period of rental (in years)
Vehicles	4	4
Industrial buildings	7	5
Equipment	4	4
Offices	5	4
Other	3	3

2005	Weighted average lease term (in years)	Weighted average fixed 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.

6.6. 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 €

	2006	2005
Transactions with joint ventures and associates		
Sales of goods	17 841	17 930
Purchases of goods	24 104	17 352
Royalties and management fees received	8 966	9 398
Interest and similar income	80	53
Dividends received	43 236	43 588
Outstanding balances with joint ventures and associates		
Non-current receivables	-	186
Trade receivables	6 159	2 852
Other current receivables	14 004	3 346
Trade payables	3 904	2 597
Other current payables	-	11
Transactions and outstanding balances with other related parties		
Trans-Easy NV (Belgium)		
Sales of goods	*-*	*4*
Inpalco s.r.o. (Slovakia)		
Sales of goods	*3*	*-*
Trade receivables	*1*	*-*
Bege s.r.o. (Slovakia)		
Sales of goods	*174*	*191*
Trade receivables	*42*	*19*

Baron Leon Bekaert, a member of the Board of Directors, has either control or joint control in each of the above mentioned companies. 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. and Inpalco s.r.o. and the sales of Bekaert Bohumín s.r.o. to Inpalco s.r.o. Sales of goods to related parties were made at the Group's usual list prices. 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 (Board fees)	Fixed remuneration	Variable Board attendance	Variable Committee attendance	Total 2006
Chairman				
Baron Buysse	456 286	19 832	16 357	492 475
Directors				
Gary Allen	37 184	12 395	8 922	58 501
Dr. Pol Bamelis	37 184	19 832	7 435	64 451
Baron Leon Bekaert	37 184	19 832	7 435	64 451
Roger Dalle	37 184	19 832	4 461	61 477
Bert De Graeve	23 240	12 395	5 948	41 583
Count Charles de Liedekerke	37 184	19 832	7 435	64 451
François de Visscher	37 184	17 353	4 461	58 998
Julien De Wilde	37 184	19 832	1 487	58 503
Sir Anthony Galsworthy	37 184	19 832	-	57 016
Baron Georges Jacobs	37 184	19 832	-	57 016
Hubert Jacobs van Merlen	37 184	19 832	-	57 016
Maxime Jadot	37 184	19 832	11 896	68 912
Bernard van de Walle de Ghelcke	37 184	19 832	-	57 016
Baudouin Velge	37 184	19 832	2 974	59 990
Total gross remuneration	**962 918**	**280 127**	**78 811**	**1 321 856**

In 2006 Julien De Wilde, in his capacity of CEO, also received € 544 666 as fixed and variable remuneration and was granted 17 000 stock options.

in €

CEO remuneration	Fixed remuneration	Variable remuneration	Other contractual	Total 2006
Bert De Graeve	618 312	300 000	155 581	1 073 893
Number of stock options granted				6 500

CEO remuneration also includes fixed remuneration received by Bert De Graeve as CFAO and as Director of NV Bekaert SA in 2006.

in thousands of €

Group Executive Vice Presidents and senior management remuneration	2006	2005
Number of persons	20	20
Short-term employee benefits		
Basic remuneration	*3 946*	*3 845*
Variable remuneration	*2 010*	*2 254*
Remuneration as directors of subsidiaries	*463*	*578*
Post-employment benefits		
Defined-benefit pension plans	*248*	*228*
Defined-contribution pension plans	*386*	*515*
Share-based payment benefits	479	-
Total gross remuneration	**7 532**	**7 420**
Average gross remuneration per person	377	371
Number of subscription rights and options granted (stock option plans)	48 200	-

6.7. Events after the balance sheet date

- Under the terms of the SOP 2005-2009 stock option plan, an offer of 95 100 subscription rights was made on 21 December 2006. 60 670 of those subscription rights were accepted, and were granted on 19 February 2007. Their exercise price is € 90.52.
- Under the terms of the SOP2 stock option plan, an offer of 12 500 options was made on 21 December 2006. All 12 500 options were accepted, and were granted on 19 February 2007. Their exercise price is € 90.52.
- Under the authority vested by the General Meeting of Shareholders in the Board of Directors, Bekaert continued to buy back its own shares in 2007. 546 779 of the shares bought back after the balance sheet date were cancelled on 26 February 2007, bringing the total number of issued shares to 20 400 000. Bekaert intends to further optimize its debt structure in this way in 2007.

6.8. Services provided by the statutory auditor and related persons

During 2006, the statutory auditor and persons professionally related to him performed additional services for fees amounting to € 976 000. These fees relate essentially to further assurance services (€ 182 000), tax advisory services (€ 697 000) and other non-audit services (€ 97 000). The additional services were approved by the Audit and Finance Committee.

The audit fees for NV Bekaert SA amounted to € 302 000.

6.9. Subsidiaries, joint ventures and associates

Companies forming part of the Group as at 31 December 2006

Subsidiaries

Industrial companies	Address	%
Europe		
Aluheat B.V.	Bergeijk, Netherlands	100
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 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
Cold Drawn Products Limited	Cleckheaton, United Kingdom	100
Industrias del Ubierna, S.A.	Burgos, Spain	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 Corporation	Wilmington (Delaware), United States	100
Bekaert Progressive Composites Corporation	Atlanta (Georgia), United States	80
Bekaert Specialty Films, LLC	Wilmington (Delaware), United States	100
Delta Wire Corporation	Flowood (Mississippi), 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 (Jiangsu province), China	90
Bekaert Carding Solutions (Changzhou) Co., Ltd.	Changzhou (Jiangsu province), China	100
Bekaert Carding Solutions Pvt Ltd	Pune, India	100
Bekaert Industries Pvt Ltd	Taluka Shirur, District Pune, India	100
Bekaert Jiangyin Wire Products Co., Ltd	Jiangyin (Jiangsu province), China	90
Bekaert New Materials (Suzhou) Co., Ltd	Suzhou (Jiangsu province), China	100
Bekaert Precision Surface Technology (Suzhou) Co., Ltd	Suzhou (Jiangsu province), China	67
Bekaert (Shandong) Tire Cord Co., Ltd	Weihai (Shandong province), China	100
Bekaert Shenyang Advanced Products Co., Ltd	Shenyang (Liaoning province), China	100
Bekaert-Shenyang Steel Cord Co., Ltd	Shenyang (Liaoning province), China	98
Bekaert Technology and Engineering (Jiangyin) Co., Ltd	Jiangyin (Jiangsu province), 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 (Jiangsu province), China	90
Precision Surface Technology Pte Ltd	Singapore	67
PT Bekaert Advanced Filtration	Tangerang, Indonesia	100
PT Bekaert Indonesia	Karawang, Indonesia	100
Shanghai Bekaert-Ergang Co., Ltd	Shanghai, China	70
Wuxi Bekaert Textile Machinery and Accessories Co., Ltd	Wuxi (Jiangsu province), China	75

Sales offices, warehouses and others	Address	%
Europe		
Barnards Limited	Cleckheaton, United Kingdom	100
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
Lane Brothers Engineering Industries Limited	Cleckheaton, United Kingdom	100
Leon Bekaert S.p.A.	Trezzano Sul Naviglio, Italy	100
Rylands-Whitecross Limited	Sheffield, United Kingdom	100
Sentinel (Wire Products) Limited	Sheffield, United Kingdom	100
Sentinel Wire Fencing Limited	Sheffield, United Kingdom	100
Solaronics AB	Vänusborg, Sweden	100
Solaronics GmbH	Achim, Germany	100
Solaronics Oy	Vantaa, Finland	100
Tinsley Wire Limited	Sheffield, United Kingdom	100
Tinsley Wire (Ireland) Limited	Dublin, Ireland	100
Twil Company	Sheffield, United Kingdom	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 Advanced Products (Shanghai) Co., Ltd	Shanghai, China	100
Bekaert Hong Kong Limited	Hong Kong, China	100
Bekaert Japan Co., Ltd	Tokyo, Japan	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.	Taipei, Taiwan	100
Bekaert Tarak Aksesuarlari ve Makineleri Ticaret A.S.	Istanbul, Turkey	100
Australia		
Bekaert Specialty Films Australia Pty Ltd	Seven Hills, Australia	100

Financial companies	Address	%
Becare 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
Sentinel Garden Products Limited	Sheffield, United Kingdom	100
Sowinvest SCRL	Sprimont, Belgium	100

Joint ventures

Industrial companies	Address	%
North America		
Wire Rope Industries Ltd[1]	Pointe-Claire, Canada	50
Latin America		
Acma S.A.[1]	Santiago, Chile	50
Acmanet S.A.[1]	Talcahuano, Chile	50
Belgo Bekaert Arames Ltda.	Contagem, Brazil	45
Belgo Bekaert Nordeste S.A.[2]	Feira de Santana, Brazil	45
BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda.	Vespasiano, Brazil	45
Cimaf Cabos S.A.[2]	Osasco, Brazil	45
Ideal Alambrec S.A.[3]	Quito, Ecuador	50
Industrias Chilenas de Alambre - Inchalam S.A.[1]	Talcahuano, Chile	50
Procables S.A.[1]	Callao, Peru	48
Productora de Alambres Colombianos S.A. - Proalco S.A.[4]	Bogotá, Colombia	50
Productos de Acero Cassadó S.A.[5]	Callao, Peru	42
Productos de Acero S.A. - Prodinsa[1]	Maipu, Chile	50
Transportes Puelche Ltda[1]	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[1]	Pointe-Claire, Canada	50
Wire Rope Industries, Inc.[1]	Wilmington (Delaware), United States	50
Latin America		
Prodalam Argentina S.A.[1]	Buenos Aires, Argentina	50
Prodalam S.A.[1]	Santiago, Chile	50

Financial companies	Address	%
Acma Inversiones S.A.[1]	Talcahuano, Chile	50
Alambres Andinos S.A. (Alansa)[3]	Quito, Ecuador	50
Bekaert Handling Group A/S	Copenhagen, Denmark	50
Impala S.A.[1]	Panama, Panama	50
Industrias Acmanet Ltda[1]	Talcahuano, Chile	50
Instafer S.A.[1]	Santiago, Chile	50
Inversiones Invafer Ltda[1]	Santiago, Chile	50
InverVicson, S.A.[4]	Valencia, Venezuela	50
Numelino S.A.[4]	Panama, Panama	50

Associates

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

[1] Belongs to the Inchalam and Prodalam group (cf. notes 4.8 and 5.4).
[2] Is a subsidiary of Belgo Bekaert Arames Ltda. (cf. notes 4.8 and 5.4).
[3] Belongs to the Ideal Alambrec group (cf. notes 4.8 and 5.4).
[4] Is a subsidiary of Vicson, S.A. (cf. notes 4.8 and 5.4).
[5] Is a joint venture of the Ideal Alambrec group and the Inchalam and Prodalam group (cf. notes 4.8 and 5.4).

Changes in 2006

1. New investments

Subsidiaries	Address	%
Aluheat B.V.	Bergeijk, Netherlands	100
Bekaert Japan Co., Ltd	Tokyo, Japan	100
Cold Drawn Products Limited	Cleckheaton, United Kingdom	100
Delta Wire Corporation	Flowood (Mississippi), United States	100
Lane Brothers Engineering Industries Limited	Cleckheaton, United Kingdom	100

Joint ventures	Address	%
Inversiones Invafer Ltda	Santiago, Chile	50

2. Increases / decreases in ownership

Joint ventures	Address	
Bekaert Handling A/S	Middelfart, Denmark	From 50 to 0%
Bekaert Handling (Australia) Pty Ltd	Sydney, Australia	From 50 to 0%
Bekaert Handling France SAS	Saint Clément des Levées, France	From 50 to 0%
Bekaert Handling Limited	Spennymoor, United Kingdom	From 50 to 0%
Bekaert Handling SNC	Saint Clément des Levées, France	From 50 to 0%
Cimaf Cabos S.A.	Osasco, Brazil	From 48 to 45%
Procables S.A.	Callao, Peru	From 46 to 48%
Productos de Acero S.A. - Prodinsa	Maipu, Chile	From 48 to 50%
Wire Rope Industries Distribution Ltd	Pointe-Claire, Canada	From 48 to 50%
Wire Rope Industries, Inc.	Wilmington (Delaware), United States	From 48 to 50%
Wire Rope Industries Ltd	Pointe-Claire, Canada	From 48 to 50%

3. Mergers / conversions

Subsidiaries	Merged into
Bekaert Combustion Technology Corporation	Bekaert Corporation
Bekaert Fibre Processing Systems	Bekaert Advanced Filtration and Bekintex
Solarelec SAS	Solaronics S.A.

Joint ventures	Merged into
Productos de Manejo de Fluidos Ltda	Inversiones y Manufacturas del Metal - Manumetal Ltda

4. Name changes

New name	Former name
Bekaert Advanced Products (Shanghai) Co. Ltd	SAM Logistics (Shanghai) Co., Ltd
PT Bekaert Advanced Filtration	PT Southwest Screens Filters
Industrias Acmanet Ltda	Inversiones y Manufacturas del Metal - Manumetal Ltda

5. Closed down

Companies	Address
Bekaert (Ireland) Limited	Dublin, Ireland
Bekpart B.V.	Assen, Netherlands

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

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

Parent company information

Annual report of the Board of Directors and financial statements of NV Bekaert SA

Parent company accounts

The financial statements of the parent company, NV Bekaert SA, are presented below in a condensed form.
In accordance with Belgian company law, the directors' report and financial statements of the parent company, NV Bekaert SA, together with the auditor's 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
www.bekaert.com

The auditors issued an unqualified report on the financial statements of NV Bekaert SA.

Condensed income statement

in thousands of €

Year ended 31 December	2006	2005
Sales	574 078	600 542
Operating profit or loss	47 695	21 507
Financial result	63 429	56 674
Extraordinary result	-48 643	54 581
Current and deferred income taxes	-2 313	-1 296
Profit or loss for the year	**60 168**	**131 466**

Condensed balance sheet after profit appropriation

in thousands of €

31 December	2006	2005
Fixed assets	**1 491 692**	**1 572 105**
Formation expenses, intangible fixed assets	27 316	22 179
Tangible fixed assets	69 159	73 783
Financial fixed assets	1 395 217	1 476 143
Current assets	**401 281**	**265 808**
Total assets	**1 892 973**	**1 837 913**
Shareholders' equity	**805 319**	**849 798**
Share capital	173 300	172 900
Share premium	11 032	9 271
Revaluation surplus	1 995	1 995
Statutory reserve	17 330	17 290
Untaxed reserves	12 023	6 124
Reserves available for distribution, retained earnings	589 639	642 218
Provisions and deferred taxes	**88 039**	**94 428**
Creditors	**999 615**	**893 687**
Amounts payable after one year	420 450	277 500
Amounts payable within one year	579 165	616 187
Total equity and liabilities	**1 892 973**	**1 837 913**

Valuation principles

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

Summary of the annual report of the Board of Directors

Sales were 4.4% down on 2005, at € 574.1 million. In advanced wire products, sales of wire products were slightly higher compared with previous year. The negative impact of reallocating production to other parts of the world was offset by higher sales for stainless steel wires and building products. Sales of tire cord dropped drastically after the restructuring of the plant in Lanklaar compounded with a more difficult market position in Europe. Sales of fiber technologies increased significantly in 2006 which lead to the decision to invest € 18 million in Zwevegem (Belgium) in 2007. The engineering department recorded fewer sales for new machines, but increased the deliveries of components to the engineering department in China.

The operating result turned out at € 47.7 million (2005: € 21.5 million). The lower sales were compensated by a better product mix, higher other operating revenues and a positive variance on provisions.

The financial result increased to € 63.4 million (2005: € 56.7 million), reflecting higher dividend income and lower interest expense. Foreign-exchange results had a negative impact on the financial result.

The extraordinary result amounted to € -48.6 million (2005: € 54.6 million), mainly due to write-downs on financial assets.

Net profit for the year ended 31 December 2006 amounted to € 60.2 million, compared with € 131.5 million in 2005, largely due to the extraordinary gain on the sale of Bekaert Fencing NV in 2005.

Environmental programs
The provision for environmental programs increased to € 15.5 million (2005: € 14.5 million).

Information on research and development
Information on the company's research and development activities can be found in the 'Bekaert in 2006' section in the Report of the Board of Directors.

Conflicts of interests
Refer to the Corporate Governance section in the Report of the Board of Directors.

Interests in share capital

Nine declarations of interests in the securities representing the capital of the company were received in accordance with the Act of 2 March 1989 since the publication of the 2005 annual report. On 31 December 2006 the total number of shares was 20 946 779 and the total number of shares together with subscription rights was 21 243 618.

Declarant	Date of declaration	Number of shares	Percentage of total number of issued shares	Percentage of total number of issued shares and subscription rights
N.V. De Sneppe, Hoekestraat 25, 8340 Damme[1]	11.01.2007	17 460	0.08%	0.08%
N.V. BSI, Schoonberg 15, 9880 Aalter[1]	13.01.2007	56 000	0.27%	0.26%
Velge & Co, in liquidation, Keizerstraat 13, bus 1, 2000 Antwerp[1]	12.01.2007	19 000	0.09%	0.09%
S.A. Berfin, square Vergote 19, 1200 Brussels	19.01.2007	30 640	0.15%	0.14%
S.A. Subeco, rue Guimard 19, 1040 Brussels[1]	12.02.2007	102 600	0.49%	0.48%
Tirhold Inc., Calle 50, Panama (Rep. of Panama)	12.01.2007	1 000 985	4.78%	4.71%
Beauval Enterprises Corp., 325 Waterfront Drive, Road Town, Tortola (British Virgin Islands)	08.01.2007	1 000 985	4.78%	4.71%
HLF S.p.r.l., square Vergote 19, 1200 Brussels[1]	13.01.2005	76 820	0.37%	0.36%
Millenium 3 S.A., av. N. Plissart 8, 1040 Brussels[1]	09.01.2007	30 000	0.14%	0.14%
Stichting Administratiekantoor Bekaert, Chasséveld 1, 4811 DH Breda (Netherlands)[1]	10.01.2007	4 641 750	22.16%	21.85%
Common attorney, on behalf of individuals, Mr. X. Oberson, 20 rue de Candolle, Geneva (Switzerland)[1]	31.10.1996	2 223 140	10.61%	10.46%
Total		**9 199 380**	**43.92%**	**43.30%**

Proposed appropriation of NV Bekaert SA 2006 result

The profit after tax for the year ended 31 December 2006 was € 60 167 626, compared with € 131 465 688 for the year ended 31 December 2005. An amount of € 5 899 386 is transferred to untaxed reserves and the profit brought forward is € 32 245 925, resulting in a profit of € 86 514 165 available for appropriation.

At the General Meeting of Shareholders on 9 May 2007, the Board of Directors will propose that the above profit be appropriated as follows:

	in €
Transfer to the statutory reserve	40 000
Carried forward	35 474 165
Gross dividends	51 000 000
Total	**86 514 165**

In the light of the company's strong performance in 2006 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 € 2.50 per share, an increase of the basic amount by 25%. If this proposal is accepted, the net dividend per share will be € 1.875, and the net dividend on shares with VVPR strip, giving entitlement to reduced withholding tax of 15%, will be € 2.125 per share.

The dividend will be payable in euros from 16 May 2007 onwards upon presentation of dividend coupon no. 8 at the following banks:
- ING Belgium, Fortis Bank, KBC Bank, Bank Degroof and Dexia Bank in Belgium;
- Société Générale in France;
- ABN AMRO Bank in the Netherlands;
- UBS in Switzerland.

[1] These individuals, foundations and companies, linked by their joint control of Stichting Administratiekantoor Bekaert, together with Stichting Administratiekantoor Bekaert, hold 7 166 770 shares (34.21%).

Appointments pursuant to the Articles of Association

The term of office of the Directors Messrs Roger Dalle, François de Visscher, Bernard van de Walle de Ghelcke and Baudouin Velge, and of the independent Directors Dr. Pol Bamelis, Sir Anthony Galsworthy and Baron Georges Jacobs expires at the close of the Ordinary General Meeting of Shareholders of 9 May 2007.

The Board of Directors proposes that the General Meeting:
- re-appoint Messrs Roger Dalle, François de Visscher, Bernard van de Walle de Ghelcke and Baudouin Velge as Directors for a term of three years, up to and including the Ordinary General Meeting to be held in 2010;
- re-appoint Sir Anthony Galsworthy as independent Director for a term of three years, up to and including the Ordinary General Meeting to be held in 2010;
- appoint Lady Judge as independent Director for a term of three years, up to and including the Ordinary General Meeting to be held in 2010.

The Board of Directors proposes that the General Meeting re-appoint Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Mr Geert Verstraeten, as Statutory Auditor for a term of three years, up to and including the Ordinary General Meeting to be held in 2010.

Auditor's report

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

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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 2006

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. This report includes our opinion on the consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements

We have audited 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. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, 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 2 216 850 (000) EUR and a consolidated profit (group share) for the year then ended of 142 340 (000) EUR.

The financial statements of several significant entities included in the scope of consolidation which represent total assets of 173 037 (000) EUR and a total profit of 42 169 (000) EUR 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 upon the reports of those other auditors.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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 accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained, together with the reports of other auditors on which we have relied, provides a reasonable basis for our opinion.

In our opinion, and based upon the reports of other auditors, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2006, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Additional comment

The preparation and the assessment of the information that should be included in the annual report are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comment which does not change the scope of 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 principal 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.

Diegem, 16 March 2007

The statutory auditor

DELOITTE Bedrijfsrevisoren
BV o.v.v.e. CVBA
Represented by

Guy Wygaerts

Geert Verstraeten

Member of
Deloitte Touche Tohmatsu

Bekaert Group Executive

Bert De Graeve	Chief Executive Officer
Bruno Humblet	Chief Financial Officer
	Advanced Coatings/Specialized films
Dominique Neerinck	Chief Technology Officer
	Advanced Coatings/Industrial coatings
Marc Vandecasteele	Advanced wire products/Steelcord
Henri-Jean Velge	Advanced wire products/Wire
	Advanced materials

Senior Management

Jacques Anckaert	Investor Relations Officer
Daniël Chambaere	General Manager Building Products
Patrick De Keyzer	General Manager Technology and Manufacturing steel cord products
	General Manager steel cord products Europe
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
	General Manager Composites
Rick McWhirt	General Manager steel cord products North and Latin America – President Bekaert North America
Geert Roelens	General Manager steel cord products Asia
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

Company Secretary

Pierre Schaubroeck

Auditors

Deloitte Bedrijfsrevisoren

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The annual report for the 2006 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)

Even more driven by our commitment to excellence to deliver even better quality. Listening even more attentively so that we can develop even better solutions that take our customers to an even higher level. Working even more closely together as a team, while allowing ample scope for realizing personal ambitions.

better together is a continuing story of the pursuit of the objective shared by Bekaert and its 18 500 employees: sustainable profitable growth.

In this annual report, our employees have explained in their own words the part played by *better together* in their day-to-day work and the contribution it makes to the achievement of both their personal goals and Bekaert's objectives. Their views are echoed by customers and business partners, for whom *better together* also means added value.

Their confidence in Bekaert gives us confidence in the future.

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	Result from continuing operations 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	Interest-bearing debt net of current loans (included in other current assets), short term deposits and cash and cash equivalents. For the purpose of debt calculation only, interest bearing debt is remeasured to reflect the effect of any cross-currency interest-rate swaps (or similar instruments), which convert this debt to the entity's functional currency.
Non-recurring items	Operating income and expenses that are related to restructuring programs, impairment losses, environmental provisions or other events and transactions that are clearly distinct from the normal activities of the Group.
Pay-out ratio	Gross dividend as a percentage of result for the period attributable to the Group.
Price-earnings ratio	Share price divided by result for the period attributable to the Group per share.
Return on capital employed (ROCE)	Operating result (EBIT) relative to average capital employed.
Return on equity (ROE)	Result for the period relative to average equity.
Sales (combined)	Sales of consolidated companies + 100% of sales of joint ventures and associates after intercompany elimination.
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 - current employee benefit obligations - employment-related taxes.

Financial calendar

First quarter trading update 2007	9	May	2007
General meeting of shareholders	9	May	2007
Dividend payable (coupon nr. 8)	16	May	2007
2007 half year results	31	July	2007
Third quarter trading update 2007	9	November	2007
Fourth quarter trading update 2007	15	February	2008
2007 results	14	March	2008
2007 annual report available on the Internet	24	April	2008
First quarter trading update 2008	14	May	2008
General meeting of shareholders	14	May	2008
Dividend payable (coupon nr. 9)	21	May	2008

← Definitions
← Financial calendar

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