BEKAERT

better together

Annual Report 2007

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Profile

Bekaert is an international player with its headquarters in Belgium. Our business is built on two core competences: advanced metal transformation and advanced materials and coatings. This unique combination of competences is Bekaert's strength.

Our basic raw material is wire rod, steel wire about the thickness of a finger, which we convert by mechanical deformation and heat treatment into wires that can be as fine as 1/50th the thickness of a human hair.
These wires are then turned into cable and cord, woven or knitted into cloth or processed into ultra-fine filters and fibers, for a wide range of industrial applications in virtually all sectors of the economy.

We also develop coating technologies for our steel wires and fibers, adding even more value for the customer.
As a business-to-business supplier, we take account both of our industrial customers' technological requirements and of their end-users' wishes.

Bekaert invests heavily in growth regions, such as China, India, Russia and Latin America, while working to strengthen its position in its traditional markets of Western Europe and North America. Bekaert aspires to both market and technological leadership.
These are the forces driving our pursuit of Bekaert's strategic objective: sustainable profitable growth.

Cover picture: The story of Nexans, a global player in the cable industry, is told on page 51 of this annual report. To support this client's explosive growth, we have invested in expansion of our production capacity. Over the next three years we shall be supplying 11 000 tonnes of high-quality armoring wire, enabling Nexans to take on several large-scale projects simultaneously.

Key figures

Combined figures

in millions of €	2006 restated*	2007	Trend
Sales	3 195	3 419	+7.0%
Capital expenditure	193	239	+23.8%
Personnel as at 31 December	18 516	20 380	+10.1%

Consolidated financial statements

in millions of €	2006	2007	Trend
Income statement			
Sales	2 010	2 174	+8.2%
Operating result (EBIT)	146	175	+19.6%
EBIT before non-recurring items	163	186	+14.5%
Result from continuing operations	148	162	+9.5%
Result from discontinued operations	-	-	-
Result for the period	148	162	+9.5%
attributable to the Group	143	153	+7.1%
attributable to minority interests	5	9	+83.1%
Cash flow	262	277	+5.6%
EBITDA	262	299	+13.9%
Depreciation	116	124	+6.7%
Balance sheet			
Equity	1 109	1 147	+3.4%
Non-current assets	1 306	1 336	+2.3%
Capital expenditure (PP&E)	153	192	+25.9%
Balance sheet total	2 220	2 313	+4.2%
Net debt	375	448	+19.6%
Capital employed	1 410	1 534	+8.8%
Working capital	452	494	+9.4%
Personnel as at 31 December	12 728	15 242	+19.8%
Ratios			
EBITDA on sales	13.0%	13.7%	
EBIT on sales	7.3%	8.0%	
EBIT interest coverage	6.3	5.8	
ROCE	10.5%	11.9%	
ROE	13.3%	14.3%	
Capital ratio	50.0%	49.6%	
Gearing (Net debt on equity)	33.8%	39.1%	
Net debt on EBITDA	1.4	1.5	

Joint ventures and associates

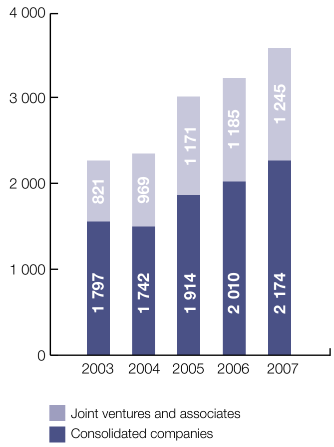
in millions of €	2006	2007	Trend
Sales	1 185	1 245	+5.1%
Operating result	151	139	-7.6%
Net result	118	102	-13.4%
Share in result	51	47	-7.6%
Capital expenditure	41	47	+14.9%
Depreciation	40	40	-1.5%
Equity	232	210	-9.7%
Personnel as at 31 December	5 788	5 138	-11.2%

Key figures per share

NV Bekaert SA	2006	2007	Trend
Number of shares as at 31 December	20 946 779	19 831 000	-5.3%
Market capitalization as at 31 December (millions of €)	1 984	1 824	-8.1%
Per share (in €)			
EPS	6.64	7.63	+14.9%
Gross dividend	2.500	2.760	+10.4%
Net dividend	1.875	2.070	+10.4%
Net dividend with VVPR strip	2.125	2.346	+10.4%
Valorization (in €)			
Price as at 31 December	94.70	92.00	
Price (average)	81.99	98.19	+19.8%

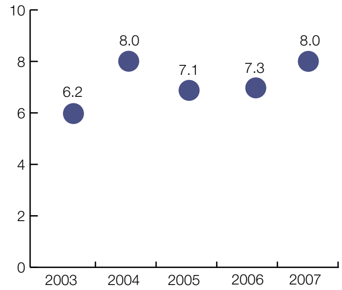
Sales

in millions of €



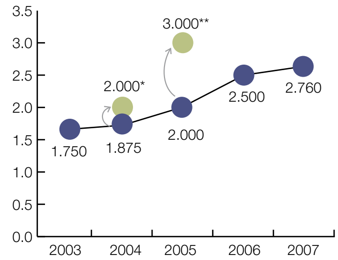
Operating result (EBIT)

as % of sales



Gross dividend

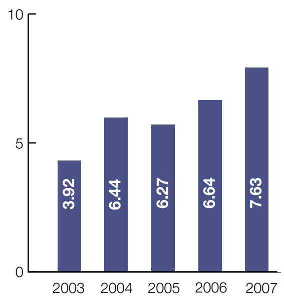
in €



* Exceptional payment for 125th anniversary
** Exceptional payment (sale Bekaert Fencing NV)

EPS

in €



*The restatement relates to the election for the IAS 19 option to recognize actuarial gains and losses on defined-benefit plans directly in equity.

Key figures per segment

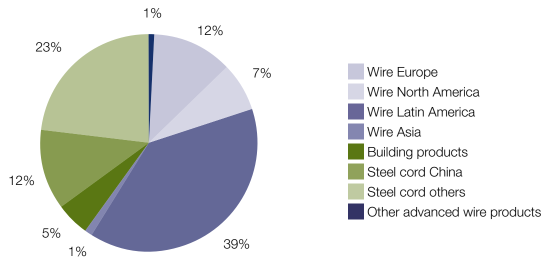
Advanced wire products

17 411 employees
€ 3095 million
combined sales

90%

Advanced wire products	2006	2007	Trend
in millions of €			
Sales	1 689	1 844	+9.2%
Operating result (EBIT)	177	208	+17.8%
EBIT on sales (%)	10.5%	11.3%	-
Combined sales[1]	2 854	3 095	+8.4%

Share in combined sales by activity platform



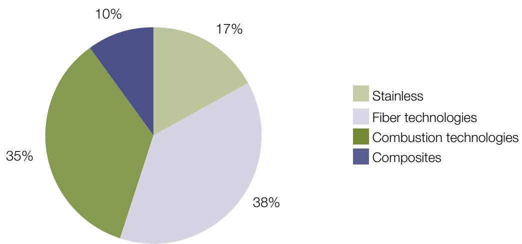
Advanced materials

1180 employees
€ 204 million
combined sales

6%

Advanced materials	2006	2007	Trend
in millions of €			
Sales	184	204	+10.4%
Operating result (EBIT)	15	17	+13.8%
EBIT on sales (%)	8.2%	8.5%	-

Share in consolidated sales by activity platform



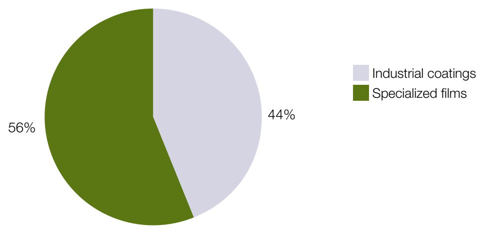
Advanced coatings

663 employees
€ 124 million
combined sales

4%

Advanced coatings	2006	2007	Trend
in millions of €			
Sales	136	124	-8.9%
Operating result (EBIT)	1	-1	-
EBIT on sales (%)	0.6%	-0.6%	-

Share in consolidated sales by activity platform



[1] Combined sales are sales generated by consolidated companies plus 100% of sales of joint ventures and associates after intercompany elimination.

Record sales
of € 2 174 million
+8.2%

Record EBITDA of
€ 299 million
+13.9%

8.6%
REBIT margin on sales (before non-recurring items compared with 8.1%)

8.0%
EBIT margin on sales
compared with 7.3%

Earnings per share:
€ 7.63 compared with € 6.64
+14.9%

Gross dividend
of € 2.76 per share compared with € 2.50
+10.4%


20


50


56


78

Read further in our annual report on how we made things possible with our customers in 2007.

Making things possible

Bekaert is a benchmark in many different sectors, not only for the high added value our company delivers at the technological level, but also for the way we manage our customer relations – driven by results, with an eye to the future, working flexibly with a variety of partners to arrive at solutions.

This cooperation with customers, local authorities and colleagues from various business units in all parts of the world is a source of inspiration and dynamism. Thinking and planning together, exchanging ideas and working together to make them a reality – that is how we translate our *better together* philosophy into practice.

This philosophy is inspired by our 127 years of materials expertise, our tradition of operational excellence, our willingness to play a global role and our constant alertness to trends and developments – factors that deservedly make Bekaert the acknowledged market leader.

Bert De Graeve
Chief Executive Officer

Baron Buysse CMG CBE
Chairman of the Board of Directors

Message from the Chairman and the Chief Executive Officer

Dear reader,

The figures confirm it: Bekaert had another good year in 2007. Our consolidated sales were 8.2% higher, the result for the period amounted to € 161.6 million, an increase with 9.5%, and earnings per share amounted to € 7.63. These strong results, achieved in highly competitive and rapidly changing markets, can be attributed first and foremost to our winning combination of customer service, excellent product quality, technological leadership, experience and local presence – indisputable strengths that distinguish Bekaert from many other companies. Nor have we hesitated to create and optimize growth opportunities, both in specific product segments and in growth markets such as China. Moreover we have enhanced shareholder value through a substantial, € 111 million share buy back program and a dividend of € 2.76 per share, an increase with 10.4%.

Our baseline, *better together*, is more topical than ever. We regard the challenges facing our customers and partners as our challenges too. Our results indicate that our customers value our approach.

Strengthening our position in traditional markets with targeted investments

Bekaert achieved good growth in Europe in 2007. We are now building for the future with targeted research, development of innovative products, additional investment in Hlohovec (Slovakia) and an expansion of fiber production capacity in Zwevegem (Belgium). In the course of 2008 we intend to increase production capacity – in Zwevegem – for windshield wiper components and profiled wire for reinforcing flexible pipes.

North America did not have an easy year, with the slowdown in economic growth further exacerbated by the sub-prime mortgage crisis. The impact of these market conditions was felt mainly in sales of our products for the construction and automotive industries. Although we had to close our plant in Dyersburg (Tennessee, United States) to bring our production capacity more closely into line with the market, Bekaert will continue to support its market position in this strategically important region.

Making best use of growth opportunities in emerging countries

In Latin America, we succeeded in developing and securing our production platform close to the customers. The acquisition of 100% of Vicson, S.A. (Valencia, Venezuela), which indirectly also increased our interest in Productora de Alambres Colombianos Proalco S.A. in Colombia, also greatly strengthened our position in this region.

The takeover talks with steel cord manufacturer Uralkord in Russia did not achieve the result we had hoped for, but Bekaert, believing in this region's potential, decided in January 2008 to build a new steel cord plant in the Lipetsk region south of Moscow.

In India, we signed a strategic cooperation agreement with steel producer Mukand. This creates an opportunity for further expansion of our activities on the subcontinent, which is becoming increasingly important as an economic force. Cooperation with Mukand also offers Bekaert the prospect of growing to become a world player in stainless steel wire as well. In Indonesia, we expanded our capacity for steel cord and other wire products.

Our activities in China continue their steep growth curve: sales of steel cord products were up 48% in 2007. To support this growth, about € 100 million has been invested to this region in the past year. In 2007, we again increased production capacity at our plants in Shenyang (Liaoning province) and Jiangyin (Jiangsu province) and significantly expanded our workforce in China, which has passed the 5 000 mark. We also strengthened our relationship, based on mutual trust, with our Chinese partners.

We repositioned our advanced materials activities in 2007, integrating our stainless steel wire activities in order to strengthen the value chain. We also took

"The challenges facing our customers and partners are our challenges too."

action to raise the profitability of our advanced coatings and window film activities.

Forward-looking strategy

Global presence and unlocking the potential in both the traditional and emerging markets is an absolute priority for Bekaert. The experience of the past year has confirmed once again that it is not enough to protect our position as market leader: we have to work constantly to reinforce that position, by tailoring our product portfolio to suit both traditional and growth markets.

On all our markets and in all our activities, we place the emphasis on sustainability. We optimize both our portfolio and our production processes in the interests of people, the environment and the community.

Research and development remain a strategic priority, and in 2007 we raised the Research & Development budget to € 57 million. This sum was shared between our technology centers in Belgium and China, which will be further extended in 2008. We aim to ensure that we achieve or retain the status of preferred supplier for our customers around the world. Several new products were successfully launched in 2007. Steel fibers for high-performance diesel particulate filters, Dramix® Green steel fibers for concrete reinforcement and Ultra Tensile steel cord were just a few of the products with which we demonstrated our technological leadership and secured our market leadership.

Operational excellence and notably cost awareness continue to add to the profitability of our company.

Bert De Graeve
Chief Executive Officer

better together is working

We are pursuing our strategy of sustainable profitable growth together with our customers and suppliers, our employees, shareholders and other stakeholders. We thank them all for their contributions to our company's success.

We sincerely thank our customers for their confidence in Bekaert. We are especially proud of being chosen by our customers as best supplier in 2007 and the recognition represented by *Eaton Corporation's Supplier Excellence Award* in the United States and the *Double Coin Award* in China. For our part, these awards justify our belief in the importance of placing the customer at the center of our production and innovation processes.

We also thank our suppliers for their confidence in Bekaert, their striving for excellent quality and their commitment to our partnership.

We thank our shareholders in particular for their support and their belief in Bekaert's strategy, growth and future potential.

And where would we be without the enthusiasm and expertise of our employees? We owe all 20 400 of them a special debt of gratitude. As proved by Bekaert's nomination for the *Top Employer* award in Belgium, talent attracts talent.

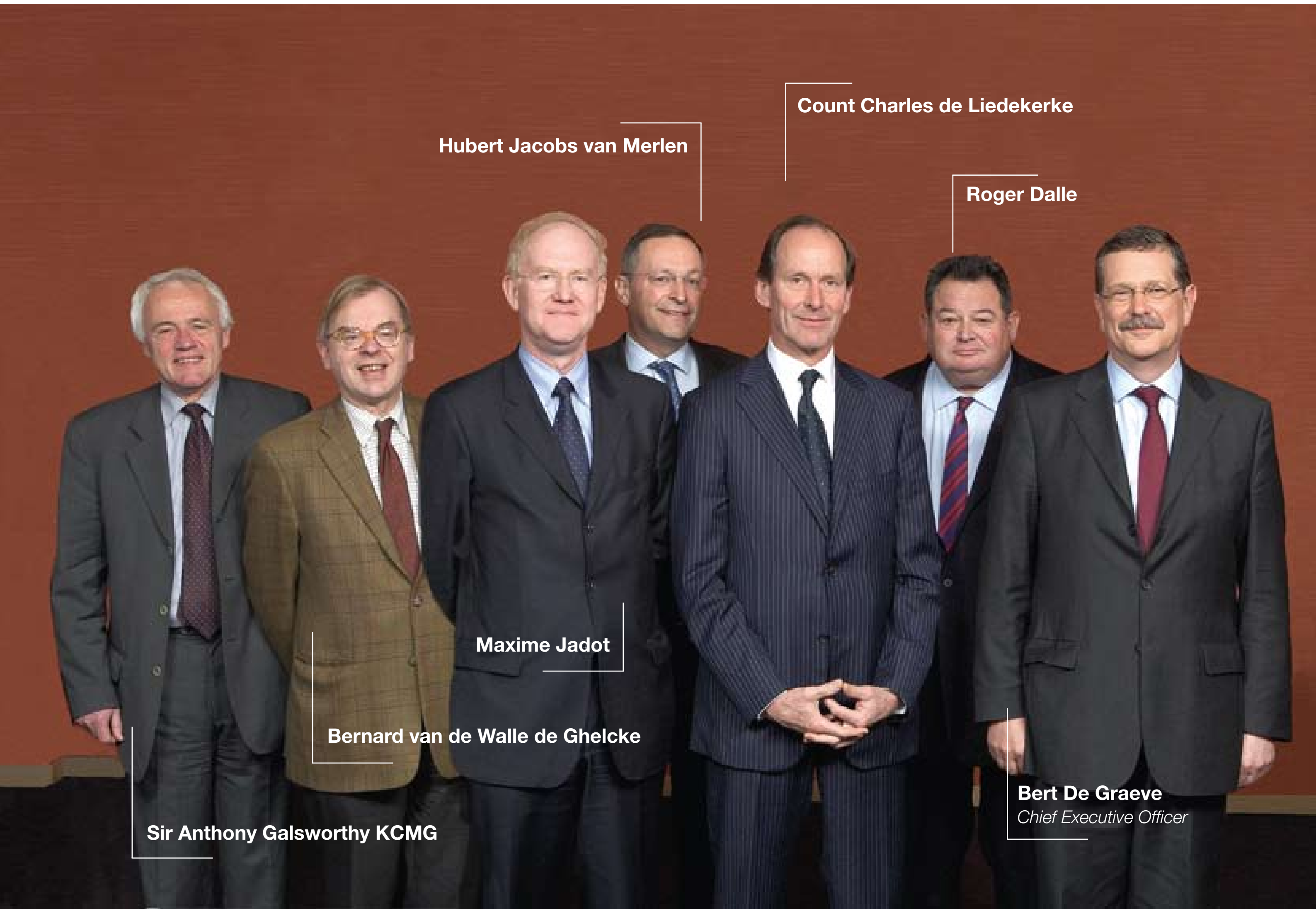
Respect for our employees also means that we, as a company, continue to work hard to achieve maximum safety. We did reduce the number of industrial accidents involving absence from work in 2007, but we can do even better. Safety will be a high priority for everyone in the coming year.

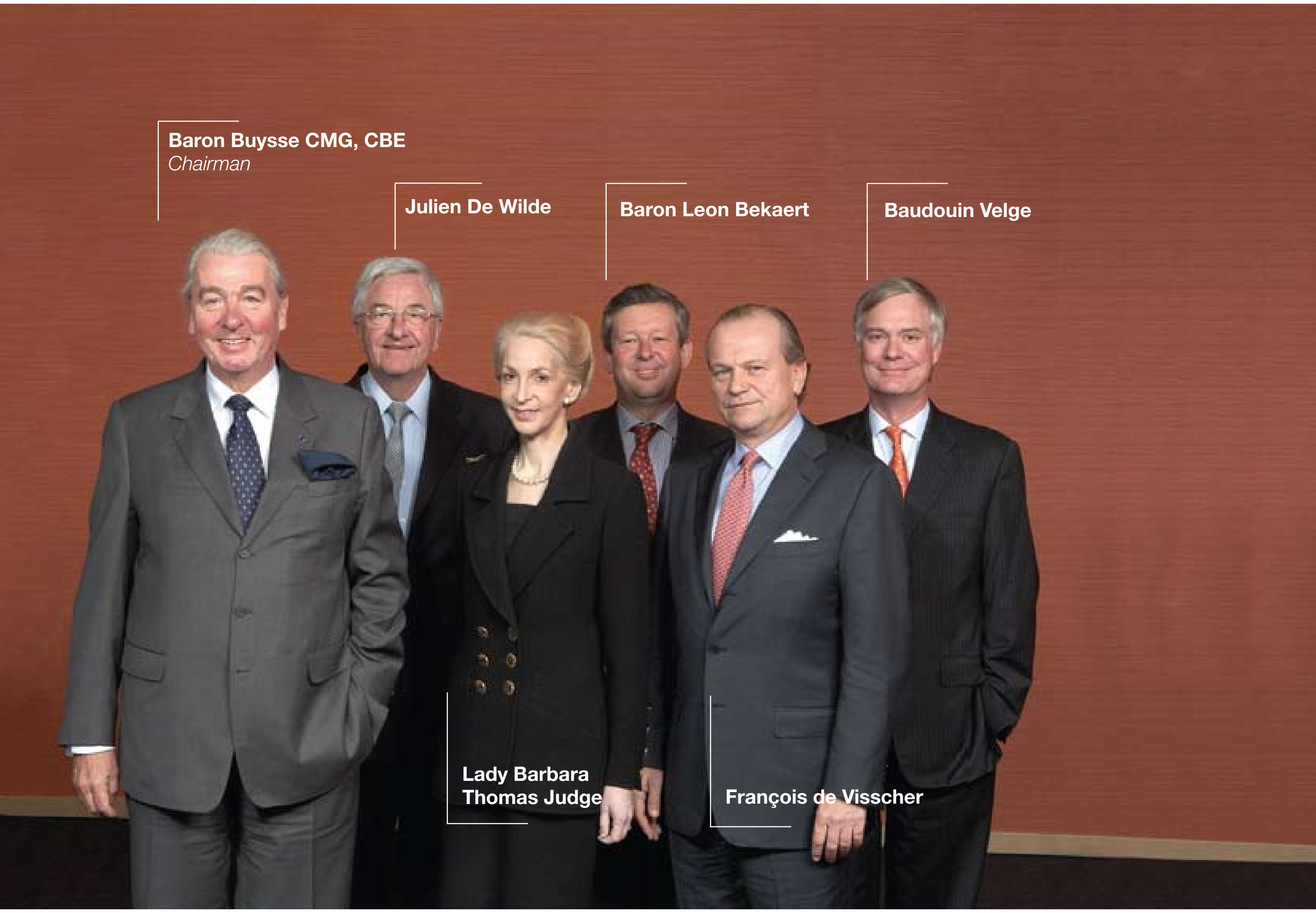
Bekaert holds all the aces. We believe firmly in the sustainable future of our company. And we are confident that we, working with you and keeping faith with our *better together* philosophy, can ensure that Bekaert continues to grow as a leading international player by responding to the opportunities which arise.

Baron Buysse
Chairman of the Board of Directors

Board of Directors

The Board of Directors is the company's supreme decision-making body in all matters other than those in respect of which decision-making powers are reserved to the General Meeting of Shareholders by law or the articles of association. The Board of Directors delegates its management and operational authority to the Bekaert Group Executive. The main task of the Board of Directors, under the leadership of the Chairman, is to determine the company's general policy and supervise its activities. The Board of Directors has 14 members.





Not pictured: Gary J. Allen.

Thanks, Gary

Gary J. Allen is to stand down from the Board of Directors at the Annual General Meeting on 14 May 2008, having worked for over 20 years building Bekaert's success.
During that time, he has also made an exceptionally valuable contribution to the work of the Nomination and Remuneration Committee and the Audit and Finance Committee.
We thank him most sincerely and wish him every success in the future.

Dominique Neerinck
Chief Technology Officer
Group Executive Vice President
Industrial coatings

Henri-Jean Velge
Group Executive Vice President
Advanced wire products/Wire
Advanced materials

Bert De Graeve
Chief Executive Officer

Bruno Humblet
Chief Financial Officer
Group Executive Vice President
Specialized films

Geert Roelens
Group Executive Vice President
Advanced wire products/Steelcord
Appointed to succeed Marc Vandecasteele
from 1 March 2008

Bekaert Group Executive

Operational responsibility for the company's activities is vested in the Bekaert Group Executive which is supervised by the Board of Directors.
The Bekaert Group Executive has five members and is chaired by the Chief Executive Officer.

Thanks, Marc

After a richly varied career with Bekaert spanning 37 years, the last ten of which as a member of the Bekaert Group Executive, Marc Vandecasteele is retiring. On behalf of the Bekaert Group Executive, we thank him for all he has done for the company. Under Marc's guidance, Bekaert's steel cord activities achieved remarkable growth. He played a leading role in advancing our position in the BRIC countries, especially China. Total quality management, in both production and sales processes, was one of Marc's top priorities and he was instrumental in the development of the *Quality House* model which has become the reference within Bekaert. At the personal level, we shall miss his human warmth, his infinite patience and his unfailing diplomacy.

From 1 March 2008, Marc will be succeeded by Geert Roelens as Group Executive Vice President and member of the Bekaert Group Executive.

A global player with customer focus

Bekaert's long-term strategic objective is **sustainable profitable growth**.
In pursuit of that objective, the company aims for global market leadership and technological leadership in specific applications of its two core competences: advanced metal transformation and advanced materials and coatings.

The best way to achieve sustainable profitable growth is for a company to be a leader on the markets on which it operates.
This is why we aim for a global presence where there are markets for our products and systems. Our extensive sales network now covers over 120 countries.

The growth we achieve in this way enables us to invest in promising new developments which will be the foundations of sustainable profitable growth in the future.

The routes to the success of our strategy are global market leadership and technological leadership.

Strategy towards sustainable profitable growth

Global market leadership

Because, in today's rapidly changing market environment, the life-cycle of industrial products is becoming ever shorter, our product portfolio has to be continuously renewed if we are to secure the future of our company. Funding this investment requires market leadership and high volumes, which is why Bekaert constantly defends – and where possible extends – its position as global market leader in many applications.

Bekaert's market leadership is inextricably linked to the high standards of quality assurance we apply to all products and processes, an approach that is mirrored in our relations with all stakeholders, especially customers, partners and employees.

Through capital investments and carefully selected acquisitions and joint ventures, we gain faster access to new markets, activities and/or technologies. Examples in 2007 included our joint venture with Mukand (India), our investments in China and the consolidation exercise in Latin America (Venezuela and Colombia).
In our traditional markets, we invest in products with high added value. In the interests of our global manufacturing footprint, our position in these markets is strategic.

The stronger our company's market position becomes, the wider and more innovative the product portfolio we can offer our customers and prospects. Our market leadership thus benefits from and is reinforced by our technological leadership and vice-versa.

Technological leadership

We engage in research and development in close cooperation with our lead customers. At the Bekaert Technology Center in Belgium and the Bekaert Asia R&D Center in China, our teams of engineers and scientists work on the further development of our diverse but balanced product range.

Bekaert facilitates considerable research in the context of our open innovation program in association with internationally renowned research centers such as Tsinghua University (China), the Fraunhofer Institut (Germany), the University of Cincinnati (United States) and the Holst Open Innovation Center (founded by IMEC in Belgium and TNO in The Netherlands).

The shift of emphasis towards sophisticated products and solutions with high added value is a safeguard for the future.

A global player with customer focus

Operational excellence

Operational excellence is a prerequisite for global market leadership and technological leadership. We strive constantly to improve our production processes. Total quality management is part of Bekaert's DNA.

We work with our customers to find cost-efficient solutions. We also work constantly to ensure safe working conditions.

Reducing our ecological footprint is an essential policy objective. Best practices are shared with other Bekaert plants, thereby extending the learning process worldwide.

Global market leadership in:

- Dramix® fibers for concrete reinforcement
- champagne cork wire
- steel cord for radial tire reinforcement
- nylon coated wires, such as bookbinding wire
- sawing wire for cutting silicon
- profiled wire for reinforcement of flexible pipes
- steel fibers used in textile, filtration and conductive plastic applications

Technological leadership by:

- an in-house engineering department, which develops machinery and process equipment
- a € 57 million investment in research and development in 2007
- about € 4 million investment in corporate venturing in 2007
- an international research team employing 360 staff in Belgium and China
- a technological portfolio of 2 076 patents, of which 363 inventions

An international group

North America

Latin America

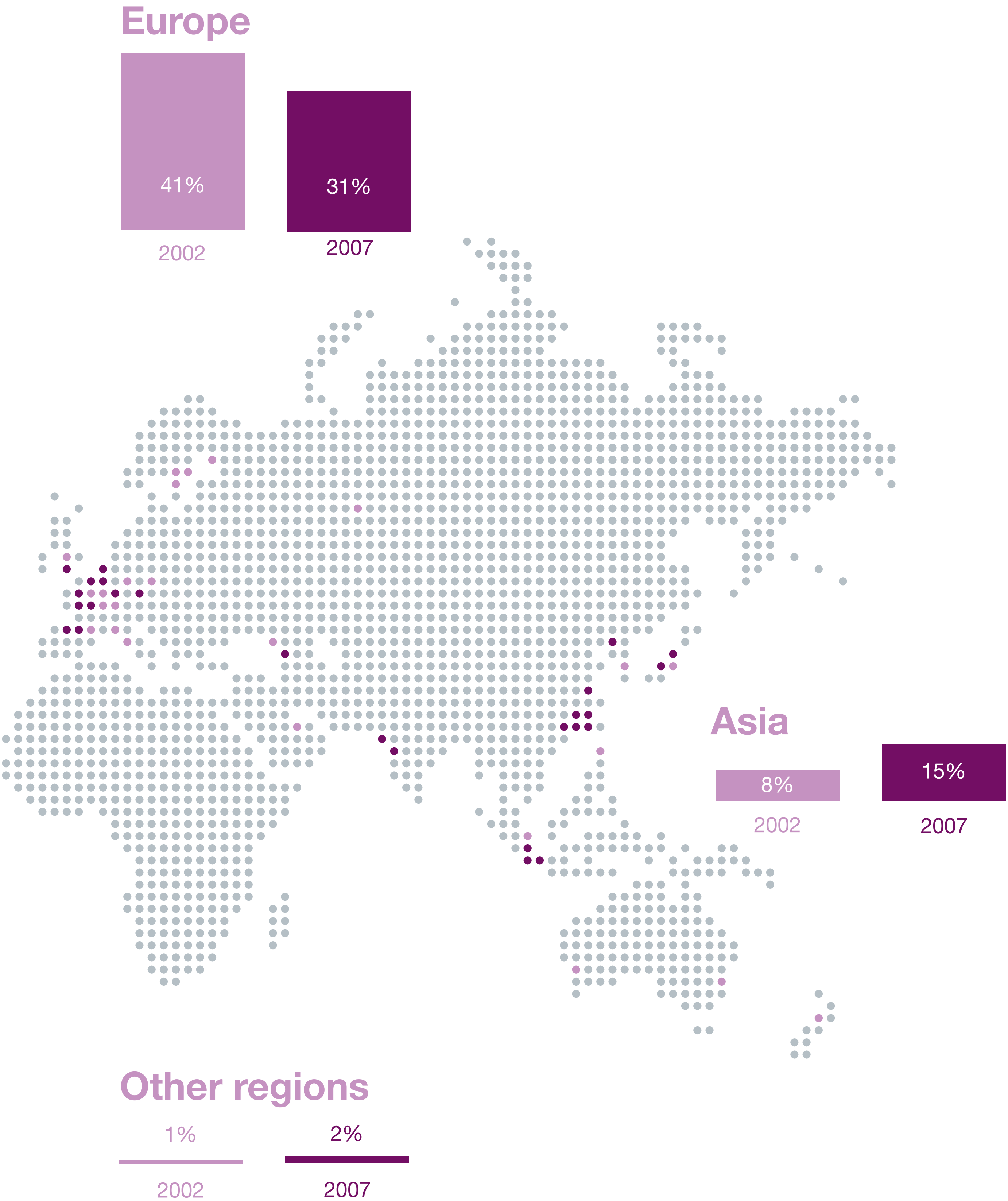
26% 36%

2002 2007

- Production plants
- Sales offices
- % Combined sales

Combined sales are sales generated by consolidated companies plus 100% of sales of joint ventures and associates after intercompany elimination.

A global player with customer focus



Global presence

Inauguration of phase 2 of the Jiangyin steel cord plant expansion project in China

A global presence in all our current and potential markets is an essential element of our business strategy. We have a presence in all regions in which our customers are active, so that we can respond as effectively as possible to their needs. Our wide geographical coverage enables us to identify and respond swiftly to new trends and opportunities.

Given our long international experience, doing business at a global level has become second nature to Bekaert. Wherever we are active, we seek to integrate our operations seamlessly with the local economy. Forming joint ventures, as we have done in Latin America, speeds up this process. In other regions such as China, we make it a priority to develop good relations with local partners and agencies. Our plants are run almost 100% by local personnel.

Market demand changes over time: some markets become saturated, new market segments emerge and other markets suddenly take off. Our customers also change: some relocate while others extend their international presence. Whatever their stage of development and wherever they are based, Bekaert aims to provide the best possible support for their growth. That is one reason why Bekaert's geographical coverage changes, as we constantly align our production platform in response to customer demand and market trends. Another reason is that it enables us to continuously strengthen our position.

Global dynamic

Over the past five years, the share of our traditional markets in our activities has declined in relative (not absolute) terms. In **Europe** we disposed of the fencing operations and a number of other activities which were not part of our core business. Carding products for the textile sector are declining, due to the market shifting to Asia.

Products with higher added value are gaining ever more significance. For example, the acquisition of Cold Drawn Products Limited in the United Kingdom in 2006 strengthened our competitive position in the market for flexible-pipe reinforcement products for the offshore industry.

In **North America**, we disposed of the wire activities in Muskegon (Michigan) in 2006 and closed the steel cord plant in Dyersburg (Tennessee) in 2007. On the other hand, we made several promising acquisitions, such as Delta Wire (bead wire for tires), and investments including Specialty Films (window film) and Titan Steel & Wire Co. (advanced wire products).

A global player with customer focus

Bekaert markets a wide range of products in Latin America

For the past five years, **Latin America** has been our largest market and a growth market, where we have achieved rapid organic growth with a wide range of wire products. Bekaert strengthened its position in 2007 by acquiring full ownership of Vicson, S.A. (Venezuela) and thereby an indirect majority interest in Proalco S.A. (Colombia).

We have made good progress in **Asia** in the past five years. As a leading supplier of steel cord to the burgeoning Chinese tire market, we are growing very fast.

North America

2 020
employees

544
million combined sales*

Latin America

5 882
employees

1 248
million combined sales*

Europe

6 510
employees

1 057
million combined sales*

Asia

5 933
employees

517
million combined sales*

Other regions

35
employees

53
million combined sales*

*Combined sales are sales generated by consolidated companies plus 100% of sales of joint ventures and associates after intercompany elimination.

Close to the customer

Bekaert strives constantly to strengthen its global manufacturing footprint. This strategically spread network means we can service our customers locally, whether local or global players. We are able to respond flexibly to the customer's wishes, speak to him in his own language and respect his culture.

But in our *better together* philosophy, 'close to the customer' means more than geographically close. We also seek to understand the customer's plans, priorities, way of working and end-user relationship. With the benefit of that understanding, we then work constantly to offer added value in a long-term cooperative relationship.

From *product-out* to *market-in*

As well as cost-effective production methods, Bekaert also guarantees its customers the best possible operational service. We talk to them about their requirements in terms of product quality and production methods and processes. We also discuss planning and budgeting, transport and inventory management and implement improvements where necessary. In essence, our approach has evolved from what might be described as *product-out* to *market-in*.

Voice of the customer

To provide a structured framework in which to apply this approach in practice, we developed *voice of the customer* (VOC) exercises, which involve analyzing in detail the processes by which the customer receives, processes and sells Bekaert products. This enables us to play a proactive role, showing how these processes can be made faster, more effective or more efficient.

In the course of these *voice of the customer* exercises, we identify not only the basic needs of the customer or potential customer, but also their latent needs. With the benefit of our accumulated expertise, we seek to offer our customers tangible added value and effectively strengthen their competitive position. At the same time, we want to safeguard for the future the status of preferred supplier we have secured among many of our customers.

Customer-focused innovation

The VOC exercises provide Bekaert with a fertile seedbed for successful innovation. Our aim is to offer our customers innovations that strengthen their processes or reduce the total cost of ownership, through improvements in the production process, products with a longer service life or cheaper technological solutions.

Bekaert greatly values co-development with customers, because it proceeds from highly specific issues,

A global player with customer focus

operational situations or objectives that are identified by the customer, enabling us to gain an edge in customer-focused innovation.

Total solutions made to measure

Consistent with our *market-in* approach, we are increasingly offering customers total solutions. More than supplying just the product, we analyze the customer's entire project, which also requires knowledge of the individual customer and the customer's specific market. In Chile, for example, we are currently investigating whether, in addition to supplying vineyard wire, we can also provide installation and maintenance services.

Global account managers, for a forward-looking approach

Bekaert provides a unique point of contact for customers which operate on a global scale. They have their own global account manager at Bekaert, who understands their global market and the challenges they face and can be contacted at any time.

The global account managers strive constantly to advance their customers' market position, working with them to define a vision of and future course for product development, supply chain management, improvement projects and access to new markets,… Bekaert is thus able, in cooperation with the customer, to anticipate developments and trends.

Voice of the customer: progress on several fronts

Industrial Paraiso, a mattress manufacturer, has been a customer of Vicson, a Bekaert company in Venezuela, for over 35 years. It is a major customer for three types of wire: for conical springs, for mattress edges and for tying the springs together.

Bekaert staff paid extended visits to Industrial Paraiso's plant in 2007, where they talked to management and staff from the quality, production and sales departments.

This resulted in many improvements: the wire diameter specifications for the conical springs were revised and various new wire types were proposed which reduced both packaging costs and waste. The thickness of the phosphate coating on some wires was reduced, which yielded a cost saving for the customer, and the wire was packed in batches, which improved traceability.
But the most significant improvement was in the relationship between the industrial players, with clearly defined quality requirements and a very strong spirit of mutual trust.

Carlos Alvarez Sabat
Technical Director
Hispano Italiana De Trenzados Especiales S.A. (HITE)

Andre Grob
Market/Segment Manager Bekaert

Optimizing champagne cork pressure

> The total quality management project strengthened cooperation between us and gave us a full understanding of each other's challenges. For that alone, it was worthwhile. But the results in terms of cost savings and efficiency gains were also substantial.
>
> Carlos Alvarez Sabat, HITE

Muselets made from Bekaert wire roll off the production line by the thousand.

Muselet product development: a multidisciplinary affair.

The cooperation between ICAS-HITE-Schneider group and Bekaert dates back three generations. ICAS-HITE, which has its roots in Italy in the 1950s, is now world market leader in the production of *muselets* (the wire nets over the corks on sparkling wines). It is run by three enterprising families, who have passed down their knowledge from father to son. Production machinery is built in-house. Quality has always been paramount in its strategy.

Bekaert worked with the group in its early years on development of the perfect champagne cork wire: strong but easy to bend, with a soft coating that does not flake off.

In recent years, however, the challenges have become tougher. In the early days, bottling lines operated at 2 000 - 3 000 bottles an hour, but that has now increased to around 30 000. As production speeds rose, so did customers' quality requirements. The strength of the wire became increasingly critical and corrosion was a burning issue. With rising raw material prices, avoiding waste became increasingly important and full use had to be made of each meter of wire.

In the course of this 40-year relationship, Bekaert has devoted considerable research to supporting ICAS-HITE's growth. For example, we developed Bekilacq®, a galvanized wire which we can lacquer in any color. In response to requests from champagne producers, we have also researched such issues as the effect that pasteurization of the bottles has on the wire.

More was needed, however, to maintain the rapid pace of growth. In March 2007, we launched a total quality management project at the HITE plant in Spain. Bekaert joined forces with HITE staff to perform an in-depth analysis of all processes and potential bottlenecks. Workshops were organized where they discussed possible improvements. The project was concluded in November.

The result was higher output from the machinery, a significant reduction in waste and remarkably high cost savings, at both Bekaert and ICAS-HITE-Schneider group. No wonder the customer decided right away to repeat the project in the coming year – for another type of wire – at the ICAS plant in Italy.

Our products: used in many sectors

Wire for windshield wiper arms

Steel cord for radial tire reinforcement

Bekaert is active in many sectors with its advanced wire products and advanced materials and coatings. The automotive, construction, offshore, telecom and textile sectors are its most important markets. The diversity of markets and sectors that Bekaert addresses also benefits our customers, because solutions we develop for customers in one sector often form the basis of innovations in others.

Because we supply intermediate products to our industrial customers, our products affect the finished products they supply to their end-consumers.
That is why Bekaert keeps its finger on the consumers' pulse: an appreciation of their views and wishes is vital to our company.

Automotive sector

The automotive sector is Bekaert's most important market, accounting for around one-third of combined sales. An average car may contain up to 30 kg of Bekaert products. Bekaert is known around the world – it numbers virtually all international tire manufacturers among its customers – for its **steel cord** for reinforcement of radial tires for cars and trucks. The replacement market accounts for the lion's share of steel cord sales and only a relatively small proportion is destined for tires for new cars and trucks. Benefiting from the expertise it has accumulated over the years, Bekaert is a pioneer in this segment, working with the customer to set ever-higher product requirements. As a result, the steel cord used in tires is becoming lighter, the tensile strength is increasing and the steel is adhering better to the rubber.
Bekaert also supplies customers in the automotive sector with many other **specialized wire products**, including spring wires, fine cable wires, welding wires, wires for windshield wiper arms, cables for side-window systems, wire for seat heating elements and many others. **Solar-control window film** enhances driver and passenger comfort by improving temperature control, reducing glare and providing protection against harmful UV rays. Bekaert holds pole position in the Formula 1 world with its **diamond-like coatings** on engine components which have unique performance-enhancing properties.

Spring wire

Dramix® steel fibers

Environment-friendly gas burner

Construction sector

Bekaert also has a strong presence in the construction sector, with products such as **Dramix® steel fibers** for concrete reinforcement, strands and wires for prestressed concrete elements, plastering mesh and corner beads. We also develop **cables and cable wires** for applications in elevators and other machinery. Other important products include **window films** which, as well as keeping out the sun's heat and filtering out harmful UV rays, hold the glass together in the event of breakage. Window film is applied to some 40 000 square meters of glass every day.

Glass industry

In the glass industry, Bekaert has built a strong reputation in the field of **sputter hardware** and **rotatable sputter targets**. This technology has become the standard process worldwide for applying ultra-thin coatings to impart special properties to glass. For the customer, the technology yields substantial cost savings.

Heating systems

Bekaert is the leading supplier of **environment-friendly gas burners** to manufacturers of domestic heating systems. The burner surface is made of a textile woven from metal fibers, with a structure that ensures optimum mixing of gas and air. As well as achieving very high efficiency, these burners are also extremely environment-friendly.

Metal-fiber textile

Fencing solutions

Total filtration solutions

Textile sector

Bekaert supplies **carding products** to customers in the textile industry. Carding is a preparatory step in the production of both woven and non-woven textiles. We also produce high-quality **steel wire for heddles and springs** in Jacquard looms, which raise the warp threads to allow the gripper carrying the weft to pass smoothly across. We also supply the textile industry with **metal fibers** with antistatic properties, which improve safety, and **nylon coated bra wire** for lingerie producers.

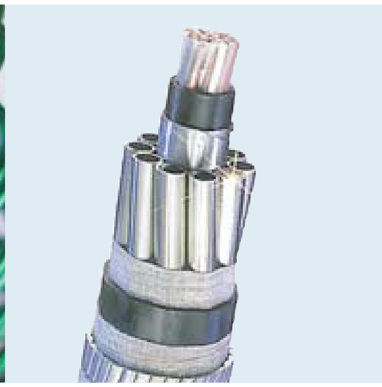
Chemical sector

The chemical sector benefits from our expertise in **filter media**. We knit metal fibers, around a fiftieth of the thickness of a human hair, into filter media for gases, polymers and liquids. Because they are reusable, these filter media have a far longer service life. Working with customers, we also develop **complete filtration solutions**.

Agricultural and horticultural sector

The agricultural and horticultural sector has always been a major user of Bekaert's **fencing** products. The wine industry buys our **vineyard wire** on which to train their vines and our **metal fiber burners** to burn off excess foliage and thus improve yields. And the consumer? No champagne cork pops until the *muselet* – made of Bekaert wire – is removed.

Bookbinding wire



Ship-to-platform supply line armored with steel wire

Other sectors

The **printing** industry uses 6 000 kilometers of Bekaert bookbinding wire a year, in all kinds of colors, to give their books a quality feel.

Bekaert is a major supplier for **telecommunication**, **submarine energy transmission**, **green energy**, **mining**, and **oil and gas production** segments to which it offers reinforcing wire for cables, flat and profiled wire for flexible pipes, sawing wire, and wire for hoisting.

Every year **500 million** bottles of champagnes are opened via the *muselet* made of Bekaert wires.

One out of four tires around the world is reinforced with Bekaert tire cord.

Every year, **5 million m³** concrete is being reinforced with Dramix® steel fibers invented by Bekaert.

Every day, more than **40 000 m²** of windows is being covered with Bekaert window film.

Bekaert's customers annually use **6 000** kilometer of bookbinding wire.

Over **8 million** households and industrial infrastructures in Europe are being heated by Bekaert gas burners.

2007: a year of achievement

Bekaert had another good year in 2007.

In our traditional European home market, we again invested in products with higher added value and undertook a major expansion of our production capacity in Belgium, while benefiting from the upturn in specific markets where we had built a stronger presence in recent years, such as offshore and energy. More difficult market conditions were encountered in North America, due largely to the credit crunch, the impact of which was felt mainly in sales of products for the automotive and construction sectors.

We were able to strengthen our position in several growth markets. Through acquisitions, joint ventures and investments we raised the pace of our growth in Asia and Latin America, benefiting from the rapidly expanding automotive industry in the former region and higher sales to the construction sector in the latter.

2007 saw the successful global launch of a number of innovative products. Encouraged by breakthroughs such as Dramix® Green concrete reinforcement, Bezinal® wire and Ultra Tensile steel cord, our Technology Center continued on the same customer-driven path. In that spirit, we established a research and development unit – managed from Belgium – closer to our Chinese customers and universities.

Milestones in 2007

January

❙ Stena Line, the Swedish ferry operator, chooses Bekaert's new heat-reflecting **window film to reduce energy consumption** by its ships' air-conditioning systems. The film is proving a great success in the construction and automotive sectors.

February

❙ Bekaert cancels 546 779 shares repurchased under a program whereby a total of 1 160 425 shares would be bought back in the course of 2007. Bekaert started using this form of **balance sheet optimization** in 2006.

March

❙ Bekaert acquires all the shares in steel wire manufacturer **Titan Steel & Wire Co. Ltd** in Surrey, British Columbia (Canada).
❙ Eaton Corporation (United States) chooses Bekaert to receive its ***Supplier Excellence Award***, for its role as supplier of reinforcing wire from its plants in Rome (United States) and Aalter (Belgium) and for the reliability of its deliveries, the quality of its products, its price management and its prompt service.

April

❙ To achieve its objectives in China, Bekaert recruits a large number of personnel. With the expansion of the steel cord plant in Jiangyin, **Bekaert's workforce in China passes the 5 000 mark**.

May

❙ Bekaert ceases production of **carding equipment** in the United Kingdom and closes the plant in Cleckheaton, which specialized in products for the short staple market. The products are used mainly by cotton mills in the growing Asian market and these customers will henceforth be serviced by the Bekaert plants in Pune (India) and Wuxi (Jiangsu province, China). The distribution center for the EMEA region (Europe, Middle East, Africa) will be in Zwevegem (Belgium).
❙ **Baron Georges Jacobs and Dr. Pol Bamelis stand down** from the Board of Directors on reaching the age limit stipulated by the Bekaert Corporate Governance Charter.
The General Meeting of Shareholders appoints **Lady Barbara Thomas Judge** as an independent director.

June

❙ In the course of a Belgian **trade mission to China and in the presence of H.R.H. Prince Filip** and various Chinese dignitaries, Bekaert's second factory


Lady Barbara Thomas Judge


Belgian trade mission to China

in Shenyang (Liaoning province) is officially opened. The additional production capacity will help the company meet the strong demand for fine cord and steel cord in the Chinese tire market.

July

❙ The **Bekaert Asia Research & Development Center** is officially opened. The new innovation center in Jiangyin will enable Bekaert to respond with maximum effectiveness to the innovation needs of local customers.

August

❙ Bekaert announces that European production of carding equipment for the non-woven market is to be centralized in Zwevegem (Belgium). The activities of the production plant in Roubaix (Northern France) are to be integrated with those of the carding equipment plant in Zwevegem (Belgium), to raise production efficiency and reinforce its market position with an extended product range.
❙ Following an in-depth analysis and in consultation with joint venture partner OneSteel, Bekaert decides to close the steel cord plant in Geelong (Australia), which supplies steel cord for reinforcing radial tires and hydraulic hoses in Oceania and South-East Asia. The Bekaert steel cord plants in East Asia will supply its customers in the future.

September

Ι Bekaert signs a **cooperation agreement with Indian steel maker Mukand** to set up a plant in Maharashtra (India) to produce stainless wires on a joint-venture basis.

Clinton Climate Initiative

Cooperation agreement with Mukand (India)

Bekaert Asia Technology R&D Center

Ι **Bekaert strengthens its strategic position in Venezuela** by acquiring all of Siderurgica Venezolana Sivensa S.A.'s shares in Vicson, S.A., (Valencia, Venezuela), thus securing 100% ownership of the latter company, which specializes in wire products for manufacturing industry and the construction and agricultural sectors. Via Vicson, S.A., Bekaert also acquires a majority interest in Productora de Alambres Colombianos Proalco S.A. in **Colombia**, which also makes wire products for its home market.
Ι The capacity expansion project at Bekaert Binjiang Steel Cord Co., Ltd., in Jiangyin (Jiangsu province, China), which has only been operational since November 2006, is completed, bringing Bekaert's total steel cord capacity in China to 250 000 tonnes a year.

October

Ι Although the takeover talks with ZAO Uralkord, a manufacturer of steel cord for tire reinforcement in Magnitogorsk (Russia), are terminated, Bekaert continues its efforts to advance its position in Russia. Bekaert has already built up a portfolio of customers for steel cord products for tire reinforcement, Dramix® steel fibers for concrete reinforcement and other products.
Ι The renovated laboratories and workshops at the **Bekaert Technology Center in Deerlijk (Belgium)** are commissioned. The purchase of additional equipment and the installation of a new wire-product test facility to support the growing business are announced.
Ι The **Wuhan Iron & Steel Group** (Hubei province, China) wins Bekaert's biennial Vincent Gaeremynck Award for the supplier who achieves the most significant improvement in wire-rod quality.

November

Ι With its heat-reflective Solar Gard® window film, Bekaert Specialty Films LLC in San Diego (California, United States) supports the **Clinton Climate Initiative** to reduce energy consumption in public and commercial buildings.
Ι CRF International, an independent human resources consultancy firm, names Bekaert as *Top Employer*, based on pay and related benefits, training and promotion opportunities, and working conditions.

December

Ι In response to the rising demand, Bekaert is to invest 10 million euro in Zwevegem (Belgium) in expanding laminating capacity for wire for flexible pipes and a rolling mill to produce a new type of windshield wiper blade spring which is proving very popular. In both cases, the **extra capacity** is scheduled to enter service in the course of 2008. Some low-carbon steel activities are to be relocated from Zwevegem to Hlohovec (Slovakia) to improve production efficiency.
Ι The Board of Directors appoints **Geert Roelens**, currently General Manager Steel Cord Products Asia (Shanghai, China), as Vice President and member of the Bekaert Group Executive.

Summary of Financial review

- Record sales of € 2 174 million (+8.2%)
- Record EBITDA of € 299 million (+14%)
- 8.6% EBIT margin on sales before non-recurring items, compared with 8.1%
- 8.0% EBIT margin on sales, compared with 7.3%
- Earnings per share: € 7.63 compared with € 6.64 (+15%)
- Gross dividend of € 2.76 per share compared with € 2.50 (+10.4%)

Consolidated figures

Sales

In 2007, Bekaert achieved consolidated sales of € 2.2 billion, an increase of 8.2%[1]. The consolidated sales' increase was 8.0% from organic growth and 2.5% from the net movement in acquisitions and divestments. Currency movements had a negative impact of 2.3%.

For more information on combined sales figures, see below.

Profitability

Bekaert posted an operating result (EBIT) before non-recurring income and expenses of € 186 million (2006: € 163 million). This equates to an EBIT margin on sales before non-recurring income and expenses of 8.6% (2006: 8.1%). The main drivers of this improvement in the results were the strong sales growth, particularly in China, and rising sales of products with high added value.

Non-recurring expenses amounted to € 11.7 million (2006: € 16.8 million), largely due to the cost of the restructuring programs in Europe and the United States for the carding products and steel cord activities. This translated into an operating result (EBIT) of € 175 million (2006: € 146 million), which equates to an EBIT margin on sales of 8.0% (2006: 7.3%).

The increase in interest charges was due to the higher market interest rates and the increase in net debt due to the high capital expenditures and the share buy-back program which continued in 2007. Taxation on profit amounted to € 19 million (2006: € 18 million).

The share in the results of joint ventures and associated companies amounted to € 47 million (2006: € 51 million), reflecting the lower results posted by the joint ventures in the Mercosur region (Brazil and Chile) and the restructuring costs relating to the closure of the steel cord plant in Australia, a joint venture with OneSteel.

The result for the period therefore came out at € 162 million, compared with € 148 million in 2006. After third-party minority interests (€ 8.7 million as against € 4.8 million in 2006), the result for the period attributable to the Group was € 153 million (2006: € 143 million).

Bekaert ended the year with earnings per share of € 7.63 (2006: €€6.64), an increase of 15%.

EBITDA amounted to € 299 million, compared with € 262 million in 2006. The cash flow attributable to the Group was € 277 million (2006: € 262 million).

[1] All comparisons are made relative to the figures of the financial year 2006.

Analysts visiting the Bekaert Technology Center in Belgium

Balance sheet

As at 31 December 2007, shareholders' equity represented 50% of total assets. Net debt increased to € 448 million (2006: € 375 million), mainly due to the share buy-back program and the capital expenditure program. The gearing ratio (net debt to equity) was 39%.

In order to increase shareholder value, Bekaert repurchased and cancelled 1 157 645 of its own shares in 2007. This reduced the total number of outstanding shares to 19 831 000 as at year-end 2007. On 5 March 2008 a further 161 000 shares were purchased and subsequently cancelled.

Cash flow

Net cash flow from operating activities amounted to € 221 million (2006: € 193 million). Operating working capital increased by € 42 million to € 494 million, mainly reflecting organic growth and new acquisitions. Cash from investing activities amounted to € 152 million. Investments in property, plant and equipment totaled € 192 million, mainly due to the capital expenditure programs in China, Belgium and Slovakia. Bekaert plans a similar level of investment in 2008.

Acquisitions represented an investment of € 15 million. Dividends received from joint ventures amounted to € 55 million and the share buy-back program represented a cash outflow of € 111 million.

Dividends

In the light of Bekaert's strong performance in 2007 and confidence in its future, the Board of Directors will propose that the General Meeting of Shareholders on 14 May 2008 approves the distribution of a gross dividend of € 2.76 per share, which represents an increase of 10.4%. If this proposal is accepted, the net dividend per share will amount to € 2.07 and the net dividend on shares with VVPR strip, entitling the holder to reduced withholding tax of 15%, will be € 2.346. The dividend will be payable as from 21 May 2008.

Combined sales figures per segment

In 2007, Bekaert achieved combined sales of € 3.4 billion, an increase of 7.0%.[2 3]

In **advanced wire products** Bekaert recorded a combined sales growth of 8.4%. The negative effect on sales of exchange rate movements, mainly due to the strong euro, amounted to 2.1%.

In Europe, Bekaert strengthened its position in the booming offshore sector, driven by high oil prices, which generated strong demand for flat and profiled wire for reinforcement of flexible pipes. The acquisition of Cold Drawn Products Limited (United Kingdom), which supplies specialty profiled wires, made a substantial contribution to sales growth in this segment. An improved product mix was responsible for most of the 9.9% growth in European wire products sales.

Bekaert's wire activities in North America held up well despite the difficult market conditions. However, exchange rate movements had an 8% negative effect on sales. On the other hand, the weak dollar created export opportunities, more particularly for reinforcement of flexible pipes in the offshore sector.

In Latin America, Bekaert posted a strong 11.6% sales increase in 2007. This growth was concentrated in particular in the Andina region, where Bekaert significantly strengthened its position in 2007 with the acquisition of 100% of Vicson, S.A. (Venezuela). This indirectly gave it a majority interest in Productora de Alambres Colombianos Proalco S.A. Sales growth in Brazil and Chile was restrained by heightened competition.

For wire Asia, Bekaert benefited from good demand for nylon-coated wire and spring wire. It was another good year for building products, helped in particular by greater market penetration of Bekaert's steel fibers for concrete reinforcement. The 10.9% growth reflected favorable market conditions in virtually all regions.

Bekaert's steel cord sales also posted vigorous growth worldwide in 2007, particularly in China. The company recorded lower sales in the other regions, which was anticipated by capacity adaptations in North America.

For other advanced wire products, Bekaert noted a decline in demand for carding products worldwide.

Sales of **advanced materials** were 10.4% higher in 2007. The sales growth in stainless activities was largely due to higher selling prices reflecting the higher prices of nickel-based wire rod compared with 2006. The growth in fiber technology sales was due to a commercial breakthrough for Bekaert's application of metal fibers for diesel particulate filters. Capacity utilization for composites improved in the fourth quarter.

In combustion technology, a contributor to growth was the acquisition of Aluheat B.V. (Netherlands), which specializes in environment-friendly technologies for condensing boilers for central heating systems. Solaronics, specializing in drying installations used in the paper industry and elsewhere, had a very strong fourth quarter.

Sales of **advanced coatings** were 8.9% lower in 2007.

For specialized films, the company experienced weaker demand in North America. This adverse effect was compounded by exchange rate movements, but was partially offset by higher sales in Asia and Europe. The market for industrial coatings remained extremely competitive and sales were lower, partly due to the cessation of Bekaert's activities in Raleigh (Durham, United States) and Asia.

For more information we kindly refer you to the Financial review.

[2] Combined sales are sales generated by consolidated companies plus 100% of sales of joint ventures and associates after intercompany elimination.
[3] All comparisons are made relative to the figures of the financial year 2006.

Shareholder information

Approach

Bekaert is committed to providing high-quality financial information to its shareholders. Clarity and transparency are not empty words and it is Bekaert's intention to engage constantly in an open dialogue with its shareholders.

Bekaert has always chosen to respond promptly to international standards. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) which have been adopted by the European Union. The adoption of new and revised standards has resulted in some changes to the Group's accounting policies in 2007.

By creating value for the customer, Bekaert also creates value for shareholders and other stakeholders. Both private and institutional investors benefit from our sustained commitment to transparent reporting, be it at shareholders' or analysts' meetings. As a consequence, our shareholders have become more and more international.

Bekaert share in 2007

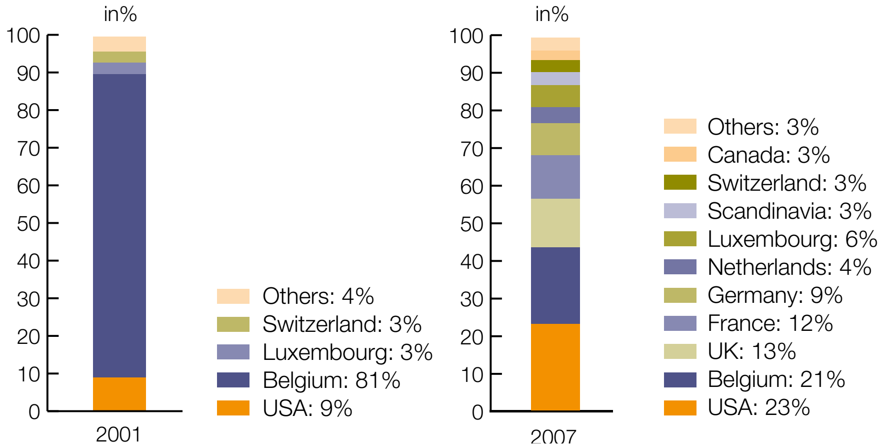
The share price remained relatively stable in the early months of 2007, averaging € 95.00 ahead of the good full-year results for 2006.

At the end of February, the share price dropped a little to € 90.70, following a price correction on the Chinese exchanges. Shortly after the announcement of the 2006 results in mid-March and supported by Bekaert's ongoing expansion in China, the share price recovered and reached an all-time high on 17 July 2007 at € 113.90. In the summer, however, the credit crunch hit the United States and had a serious impact on the financial markets. Fear of inflation and the effects of an economic recession in the United States, combined with the weakness of the US dollar and the trend in raw material prices, dominated the stock market climate in the second half of the year. The Bekaert share price was highly volatile during this period and fell on 25 September to € 88.20.

A turning point came after the third quarter, when the financial markets recovered their confidence. The market responded positively to the ending of the takeover talks with Russian steel cord manufacturer Uralkord and on 15 October the share price rose to € 101.80 before dropping back again. A month later, Bekaert announced good sales figures for the first nine months of 2007. The best performing market was again China, where our sales of steel cord products were up 60% in the third quarter. This boosted the share price from € 92.00 to € 98.50 in mid-November, but it then fell to a low of € 82.90 on 17 December, following market sentiment.

Bekaert's inclusion in BEL20®, the Belgian reference stock market index, was confirmed at the end of December.

Increasing internationalization of our shareholders structure



Bekaert's dividend policy

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

Appropriation of available profit

In the light of the company's strong performance in 2007 and its confidence in the future, the Board of Directors will propose that the General Meeting of Shareholders approves the distribution of a gross dividend of € 2.760 per share, an increase of the basic amount by 10.4%. If this proposal is accepted, the net dividend per share will be € 2.070, and the net dividend on shares with VVPR strip, giving entitlement to reduced withholding tax of 15%, will be € 2.346 per share.

per share	2003	2004	2005	2006	2007
Gross dividend	1.748	2.000	3.000	2.500	2.760
Net dividend	1.311	1.500	2.250	1.875	2.070
Net dividend with VVPR strip	1.486	1.700	2.550	2.125	2.346
Coupon number	5	6	7	8	9
Date of payment	19/05/04	18/05/05	17/05/06	16/05/07	21/05/08

Traded volumes

The daily average number of traded shares in 2007 was 57 500. In June and August a daily traded volume of as much as 70 000 shares was reached. The endeavor to achieve greater liquidity was thus achieved. The daily traded volume in 2001 was only 18 000 shares.

Less cyclical and dollar sensitive

Bekaert is much less sensitive to fluctuations in the US dollar than generally thought. Most of what Bekaert produces in any given market is also sold locally. Only 16% of consolidated sales are in the United States. Currencies in other markets, such as the Chinese renminbi and the Brazilian real, are increasingly having their ties to the US dollar relaxed. Bekaert increasingly compensates for exchange-rate effects and economic cycles by extending its international presence and steadily broadening its product range.

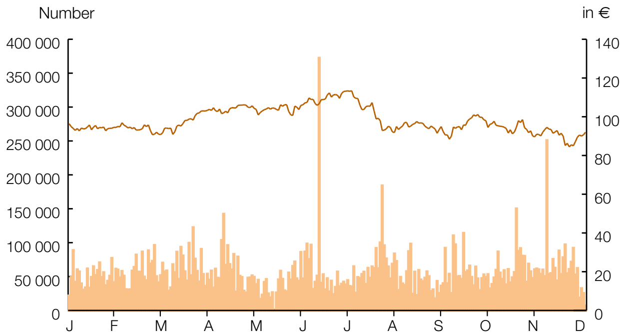
Evolution Bekaert shares

Bekaert shares have been listed on the stock exchange of Euronext® Brussels (stock code BEKB) since December 1972. The number of shares on 31 December 2007 was 19 831 000 shares.

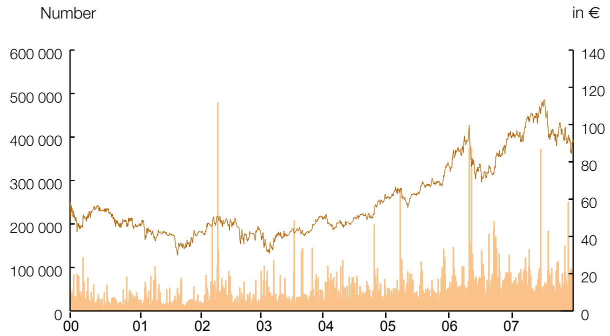
	2003	2004	2005	2006	2007
Price as at 31 December (in €)	50.50	58.75	78.95	94.70	92.00
Price high (in €)	50.75	59.95	78.95	102.60	113.90
Price low (in €)	31.00	43.37	55.30	69.20	82.90
Price average (in €)	41.22	50.06	65.13	81.99	98.19
Strips as at 31 December (in €)	0.79	0.51	0.62	0.56	0.45
Daily volume	28950	33439	39639	58414	57 430
Daily turnover (in millions of €)	1.2	1.7	2.6	4.5	5.4
Annual turnover (in millions of €)	304	435	653	1 228	1 433
Velocity (%, annual)	33	39	46	69	72
Velocity (%, adjusted free float)	44	65	77	115	121
Free float (in %)	59.7	57.9	57.2	56.1	61.7

Traded volume and price of Bekaert shares in 2007

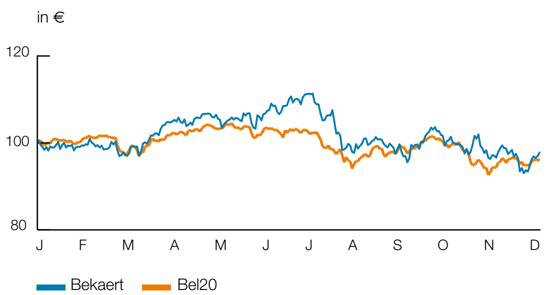
Price and volumes 2007



Price and volumes 2000-2007



Bekaert versus BEL20® (2007)



Performance versus BEL20®

The share performed slightly better than the BEL20® index overall. The share price at the end of the financial year was € 92.00 and the average closing price was € 98.19.

For more detailed information we kindly refer you to the Bekaert Shareholders' Guide 2007 and www.bekaert.com

Bekaert is a major player in the off-the-road tire reinforcement market, which is growing fast as the level of quarrying and mining activity rises.
With over fifty years' experience as a steel cord producer, Bekaert is ideally placed to meet the specific needs of this market segment: complex structures of up to 50 different filaments that are strong enough to withstand extra-heavy breaking loads.

Activities overview

As a global player, Bekaert is active in more than 120 countries and on all major markets. Our company holds leading positions in both activities that are organized globally and those that operate at a regional level.

With some of the activities of our regional customers becoming increasingly international, our global presence is also a significant advantage for them.

Regional activities

Bekaert targets very different, geographically defined markets with an extensive range of specialized products. The majority of our wire activities are divided into four geographical segments: Europe, North America, Latin America and Asia. In each region, we adjust our product range to meet the needs and wishes of local customers, taking full advantage of the opportunities presented by the market, because we also aim for market leadership in these activities.

In North America and Latin America, for example, we sell fencing products, a market that has passed its peak in Western Europe. On the other hand, the plant in Zwevegem (Belgium) sells the majority of its various wire products, such as welding wire and wire for textiles, on its local European market.

Europe

In Western Europe, Bekaert focuses on specialties with high added value. Sales of coated low-carbon wire – such as bookbinding wire, champagne cork wire, thin galvanized wire, battery cage wire and pulp baling wire for the paper industry – were stable in 2007. As supplier of these products to local manufacturers, we have a competitive edge in the form of our technological leadership and dependable just-in-time delivery.

In industrial wires, such as coathanger wire, nail wire, bucket handle wire and cage wire, we are working to defend our position across Europe, to which our plants in Central Europe are making an increasingly significant contribution. Competition from Russia and more especially China, both of which operate within the US dollar zone, is bringing pressure to bear on our prices and market share, and exports are being held back by the strong euro.

High-carbon wires are used mainly in the construction industry (steel wire for elevators), the offshore sector (cable reinforcement) and the automotive industry. Sales of these products also suffered from the weakening dollar, which depressed prices of products sold outside the European Union. Competition from imports from Asia, especially Korea, also intensified.

Bekaert presented Bezinal® 2000 coated wire to the market in 2007. With its improved alloy coating, corrosion resistance of this new product is double that of its predecessor Bezinal®. By raising quality, we have gained a competitive edge over cheap imports.

North America

In North America, Bekaert faced difficult market conditions resulting from the weak dollar and the credit crunch.

We grasped the opportunities that arose in various market segments, such as bookbinding wire, airbag wire and conveyor components, a range which is also produced in Europe.
We also benefited once again from our strong position in hose reinforcement wire.

Fencing: demand still high

Our fencing products for the arable and livestock farming sector in North America sold well. The areas to be fenced are much larger than in Europe, requiring wire with higher tensile strength, which is one of Bekaert's specialties. There is ample growth potential for these products in this region, which we are targeting with customer-focused product innovation. Our fencing lasts longer and looks better, thanks to the colored corrosion-resistant coating we use. Our product quality, expert technical advice and reliable service have won us a substantial market share in North America for this product range.

Latin America

The economic mood in Latin America in 2007 was one of optimism, with some countries earning more from oil (Venezuela, Ecuador, Brazil) while others benefited from the higher price of copper and other ores (Chile, Peru).

Sales of wire products in the region remained high in 2007. Bekaert offers the complete range, from high added-value (nylon-coated) wires to commodity products such as welding wire and steel wool wire, for which there is still significant demand. Bekaert is particularly successful with its fencing wire and mattress spring wire.

Our success in Latin America is built on joint ventures. We do good business via our alliances with strong local partners, who contribute their market knowledge while we supply our talent for innovation, technological expertise and operational excellence.

Despite the strong real, which eroded our export competitiveness, we performed well in Brazil. Chile, the most open of the Latin American economies, had to cope with a rising tide of cheap Chinese imports in 2007.

Acquisition strengthens Bekaert's position

A major event in Latin America in 2007 was our acquisition of Vicson, S.A. in Venezuela, which manufactures barbed wire and steel wire products for industrial components. The acquisition of 100% of Vicson also gave us an 87.5% interest in Colombian wire producer Proalco S.A. The Colombian economy is expected to develop rapidly in the coming years, creating attractive opportunities for growth.

Asia

From its beginnings in Asia in the production and sale of mainly steel cord, Bekaert is now manufacturing an expanding range of wire products for the local markets.

Indonesia: expansion

The Bekaert plant in Karawang (Indonesia), which entered service in 1998, was extended in 2007 with a new production line for galvanized steel wire. Part of its output will be used by the local paper industry for binding pulp bales. Other applications include fencing and cable reinforcement in the Asian region, from India and China to Japan and Australia. Production started in November and the line is now operating at full speed. It has also been decided to install a Dramix® steel fiber production line in 2008, also mainly serving the Asian market.

Global activities

For customers who operate internationally, our global network offers significant advantages. They want to be able to buy high-quality products of a uniform standard at the best possible price, anywhere in the world. At the same time, they need local players offering just-in-time delivery who can respond flexibly to their requirements. With our global network, we are able to meet their needs perfectly. Global customers are fully supported by our global account managers.

If there is a shortage of capacity anywhere in the world because of peaks in demand, our global manufacturing footprint means we can release extra capacity elsewhere, which gives Bekaert a clear competitive advantage.

- One typical globally organized sector is the automotive industry, for which Bekaert is primarily a supplier of steel cord for tire reinforcement in a highly concentrated market. Because we also operate at a global level, we can accommodate any decisions tire manufacturers take regarding technology or capacity.
  Recent years have also seen the emergence of numerous Chinese players, serving the rapidly growing Chinese tire market, whose activities have a more regional focus.

- The offshore industry is another globally organized sector, which uses Bekaert's flat and profiled wire to reinforce the flexible pipes employed in offshore oil and gas production and steel wire for anchoring platforms.

  This is a market with a small number of players who operate virtually worldwide, and Bekaert is market leader in this specialty.

- We supply a range of top-class products to customers in the construction sector in all parts of the world where Bekaert is active. Dramix® steel fibers for concrete reinforcement, for example, are used worldwide.

  Other products, such as window film or fiber products for burners, are more regional success stories, but have the potential for deployment elsewhere, in the same or different applications.

- Our customers are also active globally in other specific fields, including advanced materials (such as stainless steel), fiber technology, combustion technology and composites, and in certain wire products.

- We have a global customer base in the textile sector, where there are a number of growth markets and new products are being created in the mature markets. Several of Bekaert's major customers for non-woven applications have a global presence.

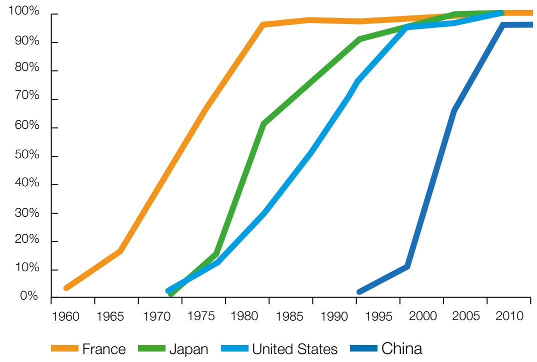
The automotive sector

The automotive sector accounts for 35% of Bekaert's sales, consisting largely of steel cord for reinforcing radial car, truck and bus tires. Another Bekaert product in widespread use in the automotive sector is fine cord for side-window systems. Bekaert also supplies specialized wire products for the component market, such as windshield wiper arms and blades, and the *Original Equipment Manufacturer* (OEM) market, such as valve spring and suspension spring wire.

The steel cord market is changing fast, as is the market addressed by our customers: the tire manufacturers and the automotive industry itself.

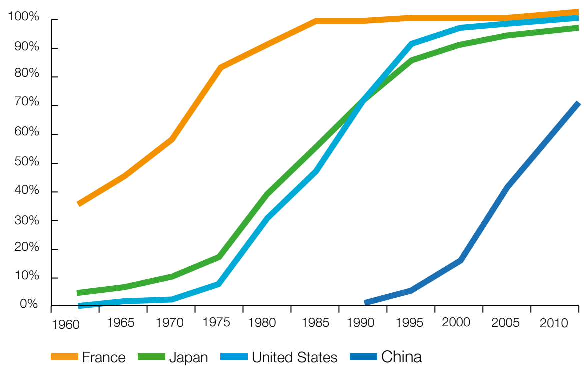
Because we sell one-third of our steel cord to the OEM market and two-thirds to the replacement market, we are less susceptible to cyclical movements in the automotive market.

Radialization rate passenger car tires



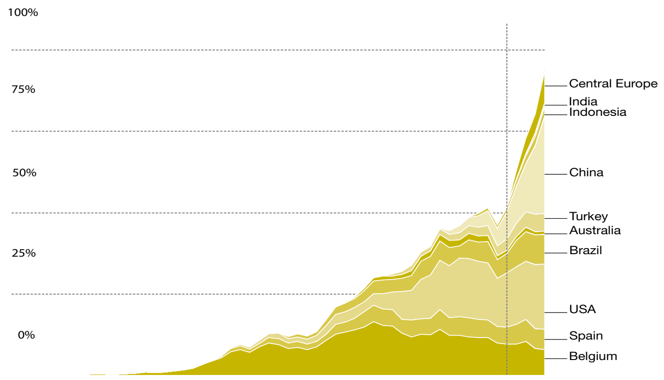
China passenger car tires are now almost fully radialized.

Radialization rate medium/heavy truck tires



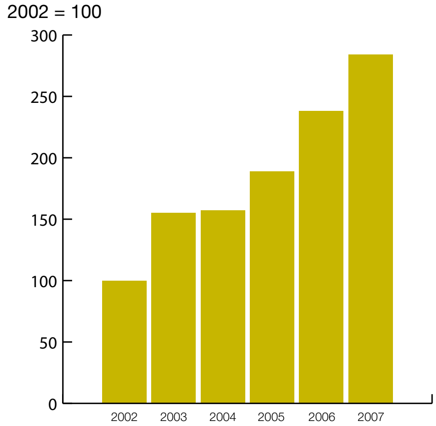
Radialization of truck tires in China is increasing rapidly.

Steel cord growth since 1950



Bekaert's sales of steel cord for tire reinforcement have had a long incubation period since 1952, when we made our first kilogram of the product. Our sales have doubled in the past five years, reflecting our rapid growth in the emerging markets, most notably China.

Bekaert Betru® sales



Betru® sales have increased almost 3-fold since 2002 and the number of constructions that use Betru® technology is increasing every year.

Better steel cord means better tires

To counter rising energy prices and for the sake of the environment, the challenge facing tire manufacturers is to make a stronger and more flexible tire with less material, so that it is lighter and thus reduces fuel consumption. As the technological and market leader, Bekaert has been anticipating this trend for some time.

We have made many improvements to our steel cord in recent years. The improved filament geometry of Betru® (Bekaert Total Rubber Penetration) cord means that the rubber is able to penetrate deeper into the steel cord, which extends tire life, reduces fuel consumption and provides better corrosion protection. Moreover, this product is proving especially popular due to its rigidity.

We are now marketing Ultra Tensile steel cord, developed at the Bekaert Technology Center, which is even stronger and lighter.

We are pursuing the same goals of lighter weight and greater strength in our improvements to the bead wire used to reinforce the inside diameter of the tire where it contacts the wheel.

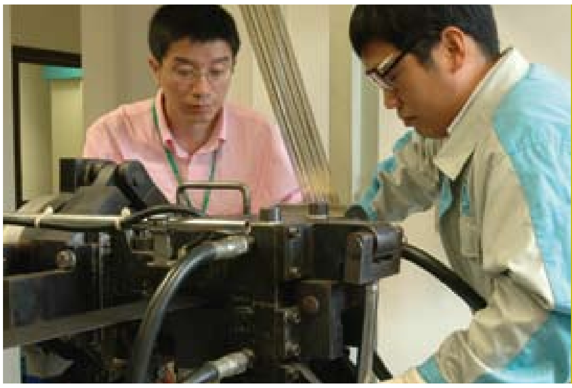
Against this trend, there is also rising demand for tires incorporating heavier steel cord reinforcement and bead wire, reflecting growing popularity of sports utility vehicles.

Maintaining a technological lead

In the fast-changing automotive sector, Bekaert works hard to maintain its technological lead.

Working closely with the customer, we conduct research in many areas including:

- improving the bonding process: the rubber is bonded to the steel by the heat generated in the vulcanizing process; speeding up this process means substantial savings for the customer;
- adhesion retention: adhesion may be impaired as the tire heats up in service;
- metal fatigue: this can result from the constant flexing of the steel cord when the tire is in service;
- the behavior of the steel cord within the rubber: Bekaert simulates this by computer modeling, yielding substantial cost and energy savings for the customer;
- new applications of steel reinforcement in specific tire types.



Rapid growth in China

Of all the regions where Bekaert sells steel cord, China is by far the fastest growing. Sales of steel cord products were up 48% in 2007, making it a record year for Bekaert on the Chinese market.

As well as the major international tire manufacturers, a growing number of local tire producers have established themselves in China in recent years. Bekaert is responding to this trend and works constantly to expand its local production capacity. Bekaert currently employs over 5 000 people in China, mainly in steel cord production and sales, at five plants in the provinces of Jiangsu, Liaoning and Shandong.

More than half of Bekaert's capital expenditure in 2007 was allocated to China, to meet the rapid growth of the steel cord market there.

Radialization creates massive potential

To support the growth of the Chinese economy, the government is investing heavily in infrastructure such as seaports and airports. It is also investing in expansion of the freeway network, which has resulted in greatly increased mobility and ever more rapid growth in the number of cars and trucks on the road.

Cars and trucks need radial tires, reinforced with steel cord, to travel on the freeway. The sharply rising demand for these stronger, safer and more durable tires is creating significant growth opportunities for Bekaert. With over 90% of cars in China already fitted with radial tires, Bekaert is expecting this growth mainly in the truck and bus market, where penetration by radial tires has reached only 60%.

Steel cord production in China is growing by leaps and bounds. From barely one-tenth of European or United States volume in 2000, China caught up with those two regions by 2005 and is expected to surpass the combined output of Europe and the United States by 2010.

Our customers in China

Alongside the international tire manufacturers, several hundred Chinese manufacturers have entered the market in recent years. Most of Bekaert's output in China goes to these local and other Asian players.

Keys to our success in China

Careful preparation

The success of our operations in China is no accident: it is the product of years of preparation and consistent application of our *better together* philosophy. Bekaert was commercially active in China back in the 1970s and we first contemplated setting up a joint venture there in 1982. It would then be more than ten years until, in 1993, we opened a sales office in Shanghai and entered into a joint venture with Jiangsu Wire Rope Group (now Fasten Group). China Bekaert Steel Cord started production in 1995 and was soon supplying tire manufacturers in China.

Capacity expansion in line with growth

Bekaert is now one of the largest Belgian investors in China. We had a major investment drive in 2006-2007, which has so far resulted in increased capacity in Shenyang (Liaoning province) and Jiangyin (Jiangsu province). Bekaert is the leading producer in China, with an annual steel cord production capacity at the end of 2007 of 250 000 tonnes.

Technological leadership

Bekaert is the undisputed technological leader in steel cord for the bus and truck tire market; the sophisticated steel cord used in this application is a complex product woven from 15-20 different steel wires.
The same applies to the market for large off-the-road tires (as used on road construction and mining vehicles). Since the expansion of the Shenyang plant, we have been producing steel cord in close consultation with local tire manufacturers.
This technological leadership is one of the drivers of our market leadership.

Cooperation is central

Cooperation is central to practically every success story on the Chinese market. To service the large number of players on this expanding market and given the value that local customers attach to close contact with and tailor-made advice from their supplier, we employ around a hundred account managers.

In China, too, Bekaert thinks in terms of partnerships. Of the fourteen plants there, seven are joint ventures. While we have a large controlling interest in most of these, the organizational structure guarantees that our Chinese joint venture partners have a significant input in policy matters.

We aim for the same good cooperation with the local suppliers of wire rod, our main raw material, and with leading Chinese universities

Trust promotes engagement

Bekaert has always sought to maintain good relations with the Chinese government, which plays a crucial role in strategic economic sectors such as steel.

By applying the same quality standards and environmental and safety rules in China as in our traditional markets, we have been able to build a relationship of trust which was strengthened by the establishment in 2007 of the Bekaert Asia Research & Development Center in Jiangyin (Jiangsu province).

The fact that our plants are run almost exclusively by Chinese personnel has also helped to connect Bekaert into the economic-industrial network.

India: a potential growth market

India is also a growth region, but most of the growth is in information and communication technology and software. Although these are activities for which improvements to the road network are not essential, rising prosperity is expected to drive further expansion of the infrastructure. Gradual growth is expected in the automotive sector and, in its train, the tire sector. Radial tire penetration of the truck tire market is currently low. Local car production is expected to increase threefold by 2015, which will benefit the component sector. Bekaert already has a presence in India, with a steel cord plant in Pune, and is ready to supply the market immediately when opportunities arise.

Russia: supplying our customers with local products

The Russian steel cord market is only about one-tenth the size of the Chinese market at present, but is expected to grow in the coming years. Demand will also increase for high-quality products, which are Bekaert's forte. With the need for local production becoming more pressing, Bekaert decided in January 2008, shortly after breaking off negotiations with Russian steel cord manufacturer Uralkord, to build a new plant in the Lipetsk region, 400 kilometers south of Moscow. The plant is scheduled to come on stream in early 2010.

North America: strengthening our competitive position

Bekaert currently has three steel cord plants in North America, where market conditions were difficult in 2007 and demand in the automotive sector fell sharply.

Tire prices have been under pressure in recent years from the rising tide of cheap Asian imports and local tire production has steadily declined, as has local demand for steel cord. Several tire manufacturers have responded by relocating to low-cost production platforms outside North America.

In reaction to the higher price of wire rod in the United States, industrial customers are increasingly opting to import finished products made from cheaper raw materials.

The introduction of more stringent environmental legislation on 1 January 2007, which added an average of US$ 10 000 to the price of a truck, triggered a sales boom in late 2006. Truck sales then dropped off at the beginning of 2007, which impacted on tire sales in the OEM segment.

Bekaert anticipated the consequences of these difficult market conditions by adjusting local production capacity. The closure of the plant in Dyersburg (Tennessee), which overcapacity had rendered unavoidable, became effective on 17 December 2007. Its customers are now being supplied by the plant in Rogers (Arkansas), which is operating at maximum capacity.

Despite these difficult market conditions, the North American tire manufacturers had started to recover their confidence by the end of the year. Some have started gradually to rebuild their capacity, amongst others helped by the additional export levies imposed in China, which raised the price of imported products.

Bekaert plans in the coming year to launch Ultra Tensile steel cord, developed in Belgium, on the North American market.

Latin America: rising demand for steel cord

Bekaert turned in an excellent performance in Latin America in 2007, despite imports of cheap tires and steel wire from low-pay countries and adverse exchange effects. Latin America is a region with a young population and steel consumption is only one-fifth of that in Western Europe, so there is considerable growth potential. Practically all the major car makers have built plants in the Mercosur region and car sales are rising all across the continent.

Bekaert's steel cord production in Latin America is based in Brazil, where capacity at our plants is being expanded to meet the rising demand.

European steel cord plants perform well

Bekaert's plants in Europe – like North America one of our traditional markets – were able to maintain steel cord output at the 2006 level, with good capacity utilization. There were, however, signs of a decline in demand for steel cord with the growth in imports of finished products (tires incorporating steel cord reinforcement). This depressed prices, an effect exacerbated by the strength of the euro.

We are working to optimize the cost structure at our plants in Western Europe and consolidate our technological leadership in products with high added value. We have also addressed the cost structure at Beksa, our steel cord plant in Turkey.

Shift toward Central Europe

The tire industry is gradually shifting toward the growth markets in this region: Central and Eastern Europe and more particularly countries such as Slovakia (which has the highest car assembly capacity in the world per head of population), Poland and Hungary. Benefiting from the strong demand for steel cord, our Hlohovec and Sládkovičovo plants in Slovakia performed well last year and we are expanding our capacity there.

Fibers for diesel particulate filters

We successfully introduced in 2007 our metal fibers for diesel particulate filters for trucks.
This system, developed by a German company, reduces diesel engine emissions and eliminates filter maintenance. Instead of the usual ceramic material, the manufacturer opted for a filter medium made of sintered metal fibers which Bekaert produces in Belgium and China. In the course of the year, Bekaert announced an investment of € 18 million in expansion of its fiber production capacity in Belgium.

Specialized wire products for the automotive industry

Bekaert's wire products for the automotive industry, such as cables for side-window systems and valve, clutch and suspension springs, had a good year.

These products are required to meet ever-higher quality standards: wires have to be thinner and lighter without compromising their tensile strength. The quality of wire specified for clutch springs is approaching that for valve springs and the anti-corrosion coatings applied to springs are constantly being improved. Short development times are crucial in the components market. We achieved several breakthroughs in 2007.

Flat and profiled wires

Bekaert is market leader in a number of applications for flat and profiled wires. 2007 saw remarkable growth in sales of Bezalplast® for blade springs used in new types of windshield wiper. Good sales figures were recorded for the Bekaert flat blade, consisting of a metal spring within a plastic sleeve, which reduces the number of components in a windshield wiper from 23 to just 6. More and more manufacturers are switching to this type of windshield wiper. Flat and profiled wires are also used for engine and clutch components and are sold on the home and foreign markets.

Stainless steel wire products

Bekaert has invested € 18 million in a joint venture with Mukand, the local market leader in stainless steel, to build a stainless steel wire plant to supply the automotive and other industries. Our company has aspirations to become an international player in stainless steel over the next few years. The new plant will be our second bridgehead on the Indian subcontinent after Pune.

The offshore sector

Bekaert is also a global player in the offshore market. We supply not only offshore oil and gas producers, but also operators of submarine energy transmission and telecommunications links. Market conditions for this sector were good last year, given the high oil and energy prices, and demand for our products for offshore applications was strong.

Reinforcement of flexible pipes for oil and gas production

Bekaert's flat and profiled wires are used to reinforce the flexible pipes through which oil and gas are brought to the surface from offshore fields. The acquisition of *Cold Drawn Products Limited* (United Kingdom) helped us take maximum advantage of the favorable market conditions and consolidate our market leadership.

We are now the main supplier to the major players in this industry. Close cooperation between our production plants around the world enables Bekaert to provide unequalled service to support our customers in their global expansion programs. Demand for these project-related services is expected to remain high in 2008.

One of Bekaert's major customers for flexible pipes for the offshore market is investing in Asia. Bekaert will produce some of the wire needed for this project in India, at the plant in Pune where an additional

Europe: official recognition of Bekaert's high quality standards

In July 2007, our plant in Zwevegem (Belgium) was awarded ISO/TS16949 certification, an international standard for suppliers to the automotive industry. The auditors were impressed by the emphasis in our quality system on continuous product improvement, waste reduction, compliance with specifications and avoidance of defects in finished products and by our ability to offer the customer appropriate solutions.

investment of € 15 million is planned for the production line making flat and profiled wires.

Prospecting for oil and gas is moving into ever-deeper waters. The longer the pipe, the greater the weight and the greater the risk of fracture. With its high-tensile wire, Bekaert is uniquely placed to meet these requirements.

In contrast, 2007 was not a good year for rope wire for anchoring drilling and production platforms. Rather than building new platforms, the oil companies are connecting new wells to existing platforms or using old tankers.

Solutions for the telecommunications and energy sectors

Another success story in 2007 was galvanized armoring wire for submarine cables, for both telecommunications and energy transmission. An example of the use of energy transmission cables is to carry the electricity generated by offshore wind farms to the mainland. Comparable armoring is used in the ROV (Remotely Operated Vehicle) cables that are used to control submarine robots and connect them with the mother ship.

Bekaert completed major projects in 2007 for several clients, including Alcatel-Lucent and Nexans Norway. For the latter client, we supplied armoring wire for the NorNed cable, a joint project between the Dutch and Norwegian electricity transmission companies TenneT and Statnett. With a length of almost 600 kilometers, this is the longest submarine energy transmission cable in the world. The main purpose of the armoring is to protect the cable against damage by fishing vessels.

Given the current boom in the energy and telecoms sectors, this high level of demand is expected to continue for some time.

Atle Traaen
Purchasing Manager
Cable Raw Materials Nexans Norway AS

Marc Thaels
Account Manager Bekaert Industrial Steelwires

Bekaert and Nexans: crossing the sea together

Stocks of finished cable

Cable armoring in progress

> "Bekaert was the only supplier in the market willing to expand its capacity in order to meet the client's needs. Nexans can now count on deliveries of a total of 11 000 tons of flat armoring wire over a three-year period. That's a tremendous feat."
>
> Atle Traaen, Purchasing Manager
> Cable Raw Materials
> Nexans Norway AS

Nexans, one of the leading cable manufacturers in the world, supplies a wide range of cables, cable systems and accessories. The group is among the leaders in the infrastructural, industrial and construction markets. Nexans focuses on a broad spectrum of market segments, ranging from energy, transport and telecommunications networks to shipbuilding, oil, gas and IT. The company is active in more than 30 countries and provides jobs for 21 000 people world-wide.

Last year, Nexans Norway concluded a landmark agreement with Prysmian Cables & Systems for the Italian Terna Rete Elettrica Nazionale SpA. The company will produce a 400-kilometer underwater high voltage cable connecting the electricity transmission grid in Sardinia with the Italian mainland.

In order to fulfill this order, Nexans joined forces with Bekaert.

Both partners can rely on a successful alliance that has already lasted for more than 30 years. Bekaert has worked with this client since its early years, first when Nexans Norway still operated under the name STK and later when it was called Alcatel Norway. Nexans was first served from our sales office in Oslo. Later, the company's strong growth led to direct contacts with our sales management in Belgium.

It therefore comes as no surprise that Nexans Norway contacted us for this Italian project, which has been christened 'SAPEI'. After all, Bekaert is strong in the production of flat galvanized steel wire for subsea power cables. The partners have also had positive experiences with other orders, including a cable connection for energy transmission between the Netherlands and Norway, almost 600 kilometers in length.

Apart from the reinforcement of high voltage cables for SAPEI, Nexans was also seeking a partner for two other major projects. The company will need a total of 11 000 tonnes of armoring wire between 2007 and 2010.

Bekaert was the only company willing to invest in higher production capacity in order to support this client's growth and meet the high technical standards. We guarantee Nexans constant supplies during this three-year project. The reinforcement wire will be produced at our plants in Belgium. In August 2007, we added our production facilities in Bohumin in the Czech Republic, so that we can provide this client with the best possible support for the execution of its large-scale projects.

The construction sector

Bekaert offers a wide range of products and solutions for the construction sector. Murfor® (masonry reinforcement), Stucanet® (plastering mesh), Meshtrack (reinforcement mesh for road renovation) and Dramix® (concrete reinforcement) are just a few of the products we supply. Bekaert's construction sector business performed well in global markets in the past financial year, reflecting the demand for higher safety standards, closer supervision at construction sites and higher speed, because many of our products are quicker and easier to use than the traditional solutions.

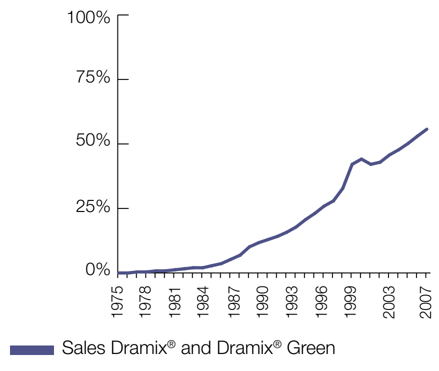
In Europe, our high-quality concrete-reinforcement products are used mainly in large infrastructure projects, such as tunnels and mines, in industrial flooring and in prefab and housing applications. We also offer solutions, such as automatic metering systems for concrete-reinforcement fibers. Our expertise is increasingly being called upon to provide high-tech total solutions.

Despite the declining housing market in North America, we achieved higher sales of Dramix® steel fibers. In this market, too, we have professional teams who assist our customers.

In Latin America, construction has always been one of Bekaert's key sectors. For some plants, including joint ventures Acma and Inchalam, both in Chile, steel wire for concrete reinforcement is a core business. We achieved good results in this region, creating a strong basis for future growth.

We also made good progress in products for the construction sector in Asia, where we strengthened our sales teams. We are expecting good results again in the coming year.

Dramix® and Dramix® Green: products with a future



Dramix® steel fibers for concrete reinforcement are a success worldwide. Applications range from foundations, basements, prefabricated structures and industrial floors to large infrastructure projects such as tunnels, freeways and airport runways. Our customers include specialized

flooring contractors, readymix concrete depots, concrete prefabricators and general contractors.

Sales of Dramix® Green, an improved version of classic galvanized Dramix®, took off in 2007. Dramix® Green, with its environment-friendly corrosion inhibitor, combines a smooth and esthetically attractive concrete surface with extended service life. It is a unique product which has been patented by Bekaert.

CE mark: a European first

In 2007, Bekaert was the first supplier to be awarded a Certificate of Compliance System 1 under the new European standard BS EN 14889-1 for its Dramix® steel fibers. This involved a thorough audit of Bekaert's production processes, which will be repeated each year.

The CE mark for steel fibers for concrete reinforcement, which is a guarantee of quality as well as covering health and safety aspects, will become mandatory in most European countries in June 2008. Choosing Dramix® already gives our customers, such as construction contractors, a competitive advantage.

Worldwide success

The economic trends, and more particularly the high steel prices, are working in favor of Dramix®. A cubic meter of concrete reinforced with steel fibers contains less steel than traditional reinforced concrete, without compromising strength.

Sales of Dramix® were higher in North America, where Bekaert is mainly active in the industrial market which was virtually unaffected by the credit crunch. In the Andes region of Latin America, which is supplied primarily from the Dramix® plant in São Paulo (Brazil), the benefits of cooperation with our joint venture partners were clearly reflected in the excellent results. The Dramix® plant in Shanghai (China) is operating at full capacity, in response to the rapid growth of the construction sector.
The product is also doing well in Europe, with strong growth in Belgium, Luxembourg, Italy and Scandinavia. Building contractors in Germany and Eastern Europe are increasingly asking Bekaert for design advice and on-site assistance with laying technically demanding concrete floors.

Barcelona Airport, Terminal Sur, 2005-2009 (Spain)

Kolumba Museum (Cologne, Germany)

Other Bekaert products in the construction sector

Window film

Bekaert's window film, marketed under the Solar Gard® brand, confirmed its strong position in the North American construction sector. Solar Gard® film, which is produced in California (United States), incorporates a polyester layer to which various other coatings are applied. By keeping the heat out but letting plenty of light in, it reduces air-conditioning demand and thus saves energy.

In the United States we recorded lower sales of the product due to the difficult economic conditions, this was partially offset by higher sales in Asia and Europe. The environmental benefits of Solar Gard® have been recognized by the *Clinton Climate Initiative*, the United States program to reduce CO_2 emissions and save energy.

Fine cord for elevators

Demand for steel cord is rising in China in sectors other than the automotive industry, especially for elevator cables in the fast-growing construction sector. Production capacity at the plant in Shenyang (Liaoning province) was increased to meet the demand.

Fiber products for burners

Bekaert Combustion Technology develops environment-friendly metal fiber burners that are perfectly in harmony with the drive to reduce CO_2 emissions in Europe. Bekaert's main target market is the residential sector with smaller boilers.
Our fiber production capacity, which was recently doubled in Zwevegem (Belgium), has been further augmented in the plant in Suzhou (Jiangsu province, China).

Steel wire for cranes

The success of our wire products on the European construction market in 2007 was due primarily to the strong German economy and the flourishing capital equipment market, which translated into heavy demand for steel wire for cranes. The sharp increase in exports by specialized German crane manufacturers also benefited Bekaert. Thanks to our technological leadership, exemplified by the high tensile strength of our products, we were able to hold our position in this market.

Musée du quai Branly (Paris, France)

Canal Alvito (Algarve, Portugal)

Prestige projects

In 2007, a variety of Bekaert products again played an important part in prestige projects worldwide.

Kolumba Museum (Cologne, Germany)

Swiss architect Peter Zumthor's design for the brand-new building commissioned by Kolumba, the museum of the Archbishopric of Cologne, demanded exceptionally high standards of the masonry. The bricks were to be laid in stretcher bond (laid end to end), which is prone to cracking. Because pale-colored brick was specified, any cracking would be clearly noticeable.
Working with Bekaert, the designer found the solution in Murfor® reinforcement. The result: 30 000 m² of perfect masonry – and not a single cracked brick.

Musée du quai Branly (Paris, France)

For this unusual project, composed of connected triangles, the designers needed a strong but light structure that could withstand wind loads. Bekaert came up with the answer: Poutrafil® for the lintel and Stucanet® for the reinforced plasterwork. The contractor found it easy to install. The galvanized lintel guarantees that the project will have a long life.

Barcelona Airport, Terminal Sur, 2005-2009 (Spain)

On very large projects, such as new airports and airport extensions, Bekaert products simplify construction, speed up the process and offer more durable solutions. For example, the construction of Terminal Sur at Barcelona Airport involved laying 250 000 m² of concrete reinforced with Dramix® steel fibers. The project also required 150 000 m² of masonry walling, which is reinforced with Murfor® to enable it to withstand high wind loads.

Canal Alvito (Algarve, Portugal)

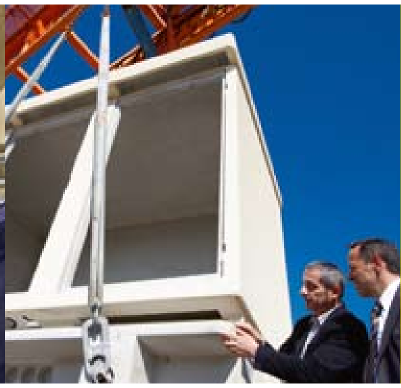
The designers of a 25 kilometer long canal in the Portuguese Algarve needed a sustainable solution to the problem of the bed of the waterway alternating between wet and dry in an area with high summer temperatures. Steel fiber concrete reinforcement was the answer to speeding up the construction process. Additionally surface corrosion had to be prevented. Indeed, the changing water level in the canal meant that the surface of the concrete would erode more quickly, exposing the fibers to corrosion.
Dramix® Green, which uses galvanized steel fibers, was the only product that met the many requirements.

Henri Savard
Sourcing Manager AREVA T&D

Stéphane Charignon
Segment Manager Bekaert Building Products

Dramix® Green: hyper-performance 'green' concrete reinforcement

When concrete reinforced with Dramix® Green fibers is discharged, the mix retains its homogeneity



Electricity substations with structurally perfect reinforcement and a cosmetically perfect finish

> "With Dramix® Green, we can meet all our customer's requirements: we can offer a solution that ensures safe and durable concrete structures which, thanks to the environment-friendly rust inhibitor used in the product, are also esthetically attractive"
>
> Henri Savard,
> Sourcing Manager AREVA T&D

With a manufacturing presence in 41 countries and a sales network covering over 100 countries, the French AREVA group is a leading player in the nuclear power market. The group encompasses all related industrial activities, in pursuit of reliable technological solutions to the issue of zero-carbon energy generation, transmission and distribution. AREVA thus addresses one of the greatest challenges we face this century: how to make energy available to all while protecting our planet. Driven by the imperative need for environmental protection, AREVA's 65 000 staff around the world make sustainable development and continuous improvement their priority.

AREVA Transmission & Distribution (AREVA T&D) has been working with Bekaert for over fifteen years now. In the beginning, it used our galvanized Dramix® steel fibers to make it easier and quicker to build electricity substations with reinforced concrete. Building with concrete reinforced with steel fibers uses less steel and needs less manpower, because less time is spent fixing the reinforcement, repairing and making good. It also makes it easier to fill the shuttering, which speeds up the process and improves the quality.

Electricity substations have to be inspected regularly to check for defects in the surface of the concrete, and various studies have shown corrosion to be one of the main causes of damage to reinforced concrete. Bekaert's research and development team looked at this problem and came up with Dramix® Green, a new variation on our old bestseller using galvanized steel fibers, which we launched in 2007.

As well as producing esthetically faultless and durable structures, the galvanized steel fibers used in Dramix® Green contain a new rust inhibitor that offers an organic 'green' alternative to the inhibitors in current use. Given the importance that AREVA T&D attaches to durability, it has found an ideal partner in Bekaert.

AREVA T&D chose Dramix® Green steel fibers for electricity substations it was building in France, Russia and India. Checking for surface defects in the concrete is no longer needed and rust stains are a thing of the past. And AREVA T&D people know that they will get the same first-class support from their local Bekaert contacts anywhere in the world.
We are delighted to support AREVA in its quest for sustainable high-performance materials.

Technology and innovation

Preserving and extending Bekaert's technological leadership in our core activities demands commitment to research. The figures for the past financial year conclusively demonstrate our commitment. The research and development budget increased from € 53 million in 2006 to € 57 million in 2007, representing 3% of consolidated sales and over 7% of consolidated added value: high figures for the metalworking industry.

The internationalization of our activities has led to greater diversification of our research & development (R&D) effort.
The formation of the Bekaert Asia Research & Development Center was a milestone in that respect.

Mechanical laboratory at the Bekaert Technology Center

The Bekaert Technology Center in Deerlijk (Belgium)

The power behind sustainable profitable growth

Our global market leadership in many applications enables us to allocate resources to the development of new products and processes. Our research and development effort is directed and implemented by the Bekaert Technology Center.

The Bekaert Technology Center simultaneously engages in continuous product improvement and seeks and develops new products and processes to extend and renew our portfolio, thereby contributing to the achievement of Bekaert's ultimate goal of sustainable profitable growth.

The Bekaert Technology Center is also responsible for protecting and extending Bekaert's intellectual property, in the form of our portfolio of patents, and for environmental, health and safety management.

Market-driven research focusing on a limited number of projects

Our various production units and our sales organization play an active role in Bekaert's innovation process, by ensuring that our technological research is attuned to the needs of our customers.

The production units are responsible for short-term product and process improvement programs which take a maximum of two years. The research is conducted in key learning plants and local research centers.
The Bekaert Technology Center, which runs about a dozen major and well-defined development projects at the same time, is responsible for medium-term (two-four years) and long-term (over four years) programs.

Maximizing synergy

These development projects focus exclusively on our two core competences: advanced metal transformation and advanced materials and coatings. Our aim is to achieve maximum technological synergy between these core competences. For example, we apply advanced coatings to wire and steel cord to improve adhesion between steel and rubber or provide better corrosion protection.

Internationalization of research and development

Research and development in China

The rapid growth of our business in China has necessitated some adjustment to our research and development policy. Local product development, close to the customers for our products, was essential. Because China has a great deal to offer in terms of R&D infrastructure and there is an ample supply of highly trained researchers, we decided to set up our own R&D center there.
In response to customer requests, we set up materials

Preparing for a bending test on steel fiber-reinforced concrete

Ground Breaking Ceremony of the Bekaert Asia R&D Center

analysis laboratories in 2006 and formed research and development partnerships with local universities. In 2007, the Bekaert Asia Research & Development Center was opened in Jiangyin (Jiangsu province, China). This research center is currently working on long-term projects managed from the Bekaert Technology Center in Belgium.

The massive growth of the Chinese market prompted us to rethink both our products and our processes. We came to the conclusion that, to maintain our competitiveness in China, it was essential to reduce asset costs. In pursuit of our strategy for sustainable profitable growth, it was also necessary to reduce our energy costs in China. Our plants in mature markets are now benefiting from these process innovations and we are working elsewhere to reduce asset and raw material costs, thus making Bekaert more competitive around the world.

To staff our R&D function in China, we are able to draw on a large pool of well-trained engineers. At our R&D center, they can develop into highly specialized and strongly motivated staff whom we can later deploy in Bekaert's production departments.

Bekaert's deep roots in the local R&D network and the training we provide for Chinese engineers in communication and project management facilitate cooperation with local universities and give us access to other technologies. The Bekaert Asia Research & Development Center cooperates closely with various other technology institutes in China.

Added value through engineering

Bekaert has its own engineering department, which designs production lines and develops and maintains the various production facilities. Thanks to our in-house expertise and specialized knowledge of specific production needs, our machinery and equipment are state of the art and we are able to coordinate our working procedures perfectly with those of our customers.

Engineering had a busy year in 2007, helping with the rapid start-up of two new plants in China, expansion of our production capacity for stainless steel fibers for diesel particulate filters and profiled wire and the relocation of some of our production lines to other plants.

With our activities in China growing fast, our engineering department is also helping local capital equipment manufacturers to play a more significant role.


Research and development in Belgium

The Bekaert Technology Center in Deerlijk (Belgium) plays a key part in Bekaert's research and development effort and directs the research performed by the Bekaert Asia R&D Center. The Belgian technology center underwent extensive modernization and upgrading in 2007. In addition to materials laboratories for analyzing chemical composition and mechanical properties, it also includes prototype testing facilities so that less testing needs to be done at the production centers. In 2008, we are planning to build a pilot plant for wire products.

In 2008, there will be 100 staff working in research and development in China and the number in Deerlijk will increase from 285 to over 300, so Bekaert will be employing a total of over 400 people on technological development. Around a quarter of the engineers in Deerlijk are not Belgian.

The government plays a prominent role in encouraging investment in research and development in Belgium. The grants from the Institute for the Promotion of Innovation by Science and Technology in Flanders (IWT) and the tax incentives for which Bekaert qualifies are essential if we are to keep our research and development organization in Belgium.

Looking over the fence for inspiration

Input from other companies, universities and knowledge centers enriches our innovation process. By joining forces, we can innovate faster, more effectively and with clearer market focus. This 'open innovation' approach is another example of our *better together* philosophy.

Bekaert did not form any new partnerships with third parties in 2007, but our existing alliances in the field of research and development were extended or expanded.

For example, Bekaert is the first industrial partner of the Holst Open Innovation Centre, the open innovation institute near Eindhoven formed by TNO (Netherlands) and IMEC (Belgium), which is working on wireless autonomous sensor systems. Bekaert brings its expertise in film coatings to the problem of storing minute amounts of power in and creating electronic circuits on thin plastic films.

We have also formed a strategic R&D partnership with the Fraunhofer Institut (Germany), Tsinghua University (Beijing, China), the University of Cincinnati (United States), the Holst Open Innovation Centre (Netherlands) and Sirris, the Belgian technology industry research center (formerly WTCM). Bekaert sponsors a number of doctoral dissertations at the universities of Leuven and Gent.

Bekaert allocates about €4 million to corporate venturing, providing risk capital to other companies as a longer-term investment. We prefer to support young companies specializing in technologies that complement our own.


Intellectual property

Bekaert made 39 initial filings or patent applications in 2007, a record for our company. Bekaert now has a portfolio of 363 inventions protected by 2 076 patents. The number of patents in China increased to 113 in 2007 and our organization in China submitted its first proposals for patent applications last year.

Because the internationalization of research and development will inevitably bring confidentiality risks, we have put internal procedures in place to maintain security with respect to our production processes and intellectual property, backed up by systematic audits and a policy of maximum staff retention.

To encourage the creativity of our staff, Bekaert instituted the *Intellectual Property Award* in 2007.

Technological research in the service of the environment

Environmental protection is a key element in Bekaert's R&D policy. Many developments and improvements in products and processes are the result of our quest for cleaner technologies and rational energy use.

- As stronger and lighter steel cord is developed, tires weigh less and fuel consumption improves. The latest technological innovation in this field, Bekaert's Ultra Tensile steel cord, was developed in Deerlijk (Belgium).
- Another major success is metal fibers for diesel particulate filters. This new medium achieves excellent filtration of the fine particulates that can cause respiratory damage. This product is being marketed in North America and Europe.
- Bekaert heating cord, made from extremely thin and strong plastic-coated wire, is an alternative approach to reducing emissions from truck diesel engines.
- The new polymer coatings applied to steel to improve its appearance and inhibit corrosion contain no heavy metals.
- We are investigating the possibility of applying water-based coatings to champagne cork wire in our production process, an environment-friendly alternative to solvent-based coatings.
- We have developed biodegradable polymer coatings for agricultural products, such as vineyard wire.


Jens
PREVEN

Sustainability

As a high performing company, Bekaert sees the creation of economic added value as its fundamental responsibility. We strive to deliver quality products and services which meet the needs of our customers, to generate and maintain the profitability necessary to secure the future of our company and to provide acceptable returns for our shareholders and competitive remuneration for our personnel.

At the same time, Bekaert wishes to operate sustainably and with respect for people, society and the environment

Sustainable operation depends on an ongoing process of improvement, a process which we continued to pursue in 2007 by endeavoring to provide our personnel with the opportunity to develop in a healthy and safe working environment. We seek to minimize our impact on the environment of both our products and our manufacturing operations. Finally, we aim to be loyal and responsible partners within the local communities in which we operate and within society as a whole.

Getting Familiar training session

Our people – a capital asset

Bekaert sets out to appeal to people who have the abilities and competences needed to achieve our corporate objectives. Given our plans for growth, recruitment was the main focus in 2007. Our recruitment efforts – representing an investment in the sustainability of our company – have been extremely successful. Due to the scarcity of young people with a higher technical education, a war for talent is raging in most of the regions in which we operate.

Attract people in emerging markets: improve name recognition

Bekaert is working hard to raise name recognition in its growth markets. This is essential if we are to be seen as an attractive employer, in particular in Slovakia and China where many other fast-growing companies are setting up. Bekaert presents itself as a global player with strong regional links.

Top Employer

In Belgium in 2007 Bekaert was awarded 'Top Employer 2008' status by CRF International, an independent human resources research organization. To qualify as top employers, companies have to meet strict selection criteria covering fixed and variable remuneration, working conditions, internal career development opportunities and training programs.

Developing existing talent

Bekaert aims to provide all its in-house talent with opportunities for development. Good progress was made in 2007 in this area and we were successful in attracting 2 000 new employees.

A total of over 6 000 employees (on a consolidated basis) participated in some form of training, ranging from forklift driver training to financial training for non-financial managers.

85

- **85%** of managers are engineers
- Over **2 000** new recruits worldwide

2 000

Bekaert Hlohovec employees

Open Door day at Bekaert Hlohovec

Recruitment in fast-growing Slovakia

Slovakia's gross national product is growing at more than 8%. Foreign investors are moving very quickly to get started in this growing market. In the Trnava region, where both of Bekaert's plants are located, they are all competing for the right people.

This imbalance in supply and demand is ref ected in high staff turnover. Our plants in Hlohovec and Sládkovičovo faced serious labor shortages in 2006, but we were successful in stemming this tide in 2007 thanks to an intensive recruitment and retention campaign.

First, we carried out an in-depth review of those leaving the company. We launched a regional image campaign, including open-door days, job days, visits to schools and a recruitment commercial on local television. Job descriptions were redefined, enabling us to place female staff in some jobs. We ensured that the selection process was fast and efficient and that additional training was provided where the appropriate resources were not available in the region.

In order to benchmark our performance in relation to the fast-changing pay conditions in the region, we conducted a market study and, on the basis of the findings, implemented a wider range of job descriptions and pay scales.

Lastly, we devoted particular attention to internal communication. In Hlohovec we organized a successful open-door day for all our staff and their families and welcomed more than 1 600 visitors. We also improved the working environment, including a brand-new staff canteen.

The positive effect of all these efforts is demonstrated by the significant reduction in staff turnover in Sládkovičovo and Hlohovec.

Team building in China

better together in action

Ongoing professionalization of recruitment in 2007

- Our new multi-lingual jobsite is a great success. We can post all vacancies worldwide on this website, which raises Bekaert's profile as an employer.
- This jobsite is linked to a global internal e-recruitment system which processes job applications on a fully automated basis and provides Bekaert with a single central database of applicants. We receive some 600 applications a month and have filled over 425 vacancies using this system.
- We have replaced our various local selection systems around the world with one global test platform, covering all function profiles. This on-line test system is available in 24 languages to all recruitment staff worldwide via a secure internet application.
- Given the tough competition in the labor markets, we compared Bekaert's terms of employment with those offered by other employers in 34 countries. This benchmarking exercise was important in terms of both attracting new talent and retaining existing talent.

Globalization brings in its train many time-consuming relocations. Staff must be able to provide leadership from a distance and deal with cultural differences, all of which requires specific skills. In 2007 we focused in particular on the problems of running an organization with outposts up to twelve hours away by air.
We have learned how to work together efficiently without needing to be face to face.

The Operational Excellence Program (OEP) is designed to give promising managers an insight into the various functional areas of operational management.

The General Management Program (GMP) is for experienced executives who have the potential to be the senior managers of the future. The program is designed to deepen their understanding of the strategic issues and their impact on the business and the adaptation of the company's strategy and organization to a constantly changing world.

With the launch of the Performance Development Review on the intranet in 2007, all executives throughout the group are now using the same system. This has clarified and improved the quality of the targets, both for individual staff members and for teams. It also facilitates the follow-up and, where necessary, fine-tuning of those targets.

It is important that the individual employee and the company work together as partners and associates. In 2007, a meeting was organized where 150 managers from all regions discussed the company's priorities and how they relate to Bekaert's strategy and to the individual's personal values, talents and terms of employment.

Talent review

The annual talent review helps determine whether we have sufficient talent in-house to meet all of tomorrow's needs. We nurture this talent pool carefully, because these people are our future project leaders and business managers.

Talent management is crucial for the sustainable development of this company. Steps to ensure optimization of this talent were addressed within four discussion groups covering all regions and including the Bekaert Group Executive and senior management.


Health and safety in the workplace

For Bekaert, safety in the workplace is an absolute priority: safeguarding the physical wellbeing of our staff is a basic principle of sustainable operation. Safety is also an essential component of Bekaert's operational excellence and is the focus of ongoing attention and improvement at all plants and in all regions in which we operate, in the interests of everyone in the workplace.

Our safety record is good: in several of our plants there have been no accidents involving absence from work for many years.
To help ensure that our vigilance does not weaken, all production plants were asked to include at least one safety-related action in their annual plan.

Practical action

In 2007, Bekaert fine-tuned its monitoring system, which is based on the international OHSAS 18001 standard for health and safety assessment.

All European and North American plants were asked to carry out a self-assessment and to formulate a plan to improve safety, using the internal monitoring system as a basis. The Chinese and South American plants had already done this. In these plants a follow-up external audit was carried out in 2007 in the presence of an accident-prevention advisor.

Training has been provided at several sites to raise local management's awareness of its responsibility for safety. The Dupont STOP behavior-based safety program, which features observation of and feedback on safe and unsafe behavior, was introduced on an experimental basis. This program involves employees observing their colleagues at work at predetermined times and monitoring compliance with the prescribed 'safe behavior' rules.

A system has been developed which requires plants to report accidents necessitating absence from work via the intranet within 48 hours. Other plants with comparable activities are given additional information about the incident by e-mail, with a view to avoiding similar accidents in the future.

Safety highlights of 2007

- The annual Bekaert Safety Excellence Awards in North America are given to production plants which have made clear progress in this area. The Bekaert plants in Amherst, Orrville and Rogers were among the winners, and not for the first time.
- In October 2007, Belgo-Mineira Bekaert Artefatos de Arame Ltda in Brazil celebrated seven years without a single accident resulting in absence from work. The preparations for the safety campaign, designed to eliminate accidents entirely, had begun ten years earlier. All employees and subcontractors were involved in this process and are aiming to improve their record still further.
- The plant in Indonesia celebrated five years with no accidents resulting in absence. A teambuilding event was arranged to support this effort.
- Bekaert is also working hard to improve safety in China, where accident frequency and seriousness have been reduced by 30%. At our largest plant in Jiangyin (Jiangsu province), both measures were down by no less than 60%.

Safety Excellence Award for Bekaert Rogers

Dramix® Green fibers, an environment-friendly Bekaert product

The environment: reducing our ecological footprint

Bekaert is committed to an ongoing process of reducing the ecological footprint left by its products and production processes. We strive for rational usage of raw materials and energy and seek in particular to develop products and services which will contribute to a cleaner and safer world. Our aim is not just to respect laws and regulations but to anticipate them.

Bekaert is in the process of implementing a uniform environment, health and safety policy worldwide, under which the prescribed procedures and guidelines are the same everywhere.

Compliance with procedures and guidelines is monitored by the EH&S (Environment, Health & Safety) team, which is part of the Bekaert Technology Center. The team gives the production plants guidance, advice and practical help, performs regular audits of compliance with the guidelines and monitors the environmental performance of all entities.
The EH&S team reports its findings directly to the Bekaert Group Executive and formulates recommendations on EH&S policy for the entire organization.

Anticipating regulations, not just complying

Against the background of increasingly rigorous environmental regulations, Bekaert strives for strict but still proactive compliance with the most demanding of the rules at all its 96 locations. The standardization we have achieved in our production processes and raw materials is a great advantage here, because improvements that prove effective at one plant can be rolled out to the others. In this context, we have replaced trichloroethylene with environmentally friendly solvents at all our plants.

Developments in polymer coatings are an example of our proactive approach to environmental legislation. In response to the 2002 European RoHS Directive restricting the use of hazardous materials in electrical

- Proactive steps taken to comply with the European REACH (Registration, Evaluation and Authorization of Chemicals) directive;
- Around € **3 million** invested in energy-saving measures in advanced wire products.

3 million

EH&S roundtable at Hlohovec

Bert De Graeve, Bekaert's CEO, planting a tree to mark his membership of the International Business Leaders Advisory Council (IBLAC) to the Mayor of Shanghai.

and electronic equipment, Bekaert is now producing new polymer coatings that do not contain heavy metals such as cadmium. We recently developed a new category of biodegradable polymer coatings for wire products used in the agricultural sector. These products, which comply with the upcoming regulations, are already giving us a competitive edge.

In line with the 2007 European Registration, Evaluation and Authorization of Chemicals (REACH) directive, an inventory has been made of all materials for which we need to go through a pre-registration process. For the materials which are likely to be restricted in the future, such as lead and nickel, we are already seeking substitutes. Our research and development team is also looking into replacing solvent-based coatings with water-based alternatives.

In Belgium, further progress was made in 2007 with implementation of the framework agreed with OVAM (Public Waste Agency of Flanders) for the proactive remediation of past contamination. A new remediation project was launched in Zwevegem (Belgium) for soil contaminated with cyanides and heavy metals and more than 30 000 m^3 of earth was either removed and treated externally or cleaned up on site. In addition to the legally required soil surveys, we carried out further surveys at the plants in Rome (Georgia, United States) and Hlohovec (Slovakia).

Rational use of raw materials and energy is a priority

Our programs to reduce raw material usage, energy consumption and waste not only protect the environment but are also an integral element in our system of operational excellence.

The EH&S team conducted an internal benchmarking study which compared emissions and water pollution levels at all our plants and measured energy, water and raw material usage for each finished product. This international benchmarking is a key element of our *Total Environmental Care* management system and acts as a stimulus to do still better. Bekaert organized three round-table discussions in 2007, one in Europe, one in North America and one in South America, at which the various production centers were able to exchange information.

Our waste-reduction efforts are based on the *Environmental Impact Assessment* (EIA), which evaluates the impact on the environment of a standard Bekaert plant. The EIA inventorizes all waste streams (solids, gases and liquids) and, on that basis, we develop a plan of action to reduce them. In this same context, we investigate to what extent we can reuse water and whether waste can be recycled into useful raw materials or into a product with a high calorific value from which energy can be generated.

Electrochemical laboratory at Bekaert Technology Center

Bekaert Safety Award

We are also focusing closely on reducing energy usage in our production processes around the world, because energy accounts for a large proportion of the cost of producing wire.

To this end, Bekaert formulated the *Green 2007* action plan. For the past two years, a multi-disciplinary working party, consisting of staff from our steel cord plants, environmental experts, Bekaert Technology Center staff and specialist mechanical engineers from our Engineering Department, has been investigating methods of producing steel cord with the lowest possible CO_2 emissions per tonne. The next step was to implement in a cost-efficient manner the methods that had been identified. Some € 2 million has been invested worldwide in *Green 2007* in measures to reduce energy usage. We intend to repeat this drive to adopt more green measures in 2008.

The effort we invested in reducing our environmental impact did not go unnoticed by Chinese government agencies. In 2007, the Bekaert plants in the provinces of Jiangsu and Liaoning were accorded the *Green Enterprise award*, the highest award for environmental protection at the provincial level. Our plant in Weihai (Shandong province) also received special recognition from the local government as an 'Excellent Enterprise in Environmental Protection'.

In Belgium, by signing up to the Benchmarking Covenant, Bekaert has given the government of Flanders an undertaking that it will strive to achieve the highest levels of energy efficiency in the world. In the meantime, we shall invest in energy-reduction programs at our Belgian plants.

Bekaert window film, an energy-saving product

Diesel particulate filter

Investing in the development of environment-friendly products

Bekaert strives to reduce its ecological footprint not only by optimizing production processes and materials, but also by actively investigating products that contribute to a better environment.

Our super-fine metal fibers (as used in gas burners, for instance) offer exceptionally efficient combustion and low NO_x and carbon emissions. Our enclosed f are burners (used for burning off excess gas at oilfields and in factories) significantly reduce carbon emissions and reduce CO_2 emissions to 10% of current levels. These burners are becoming the norm in areas with stringent regulations, such as California, Texas and the Netherlands.

We are also developing metal fibers for filtering extremely fine particulates from diesel truck exhausts, an approach which has many advantages over ceramic filters. As well as removing the particulates, metal fiber filters also reduce fuel consumption and CO_2 emissions. An added bonus is that they require hardly any maintenance. Around 5% of trucks worldwide are fitted with metal fiber filters.

Another environmentally friendly solution is Bekaert window film. This is a thin polyester film that ref ects infrared rays but is completely transparent. This keeps the home or car cool and thus reduces the need for air-conditioning, which in turn saves energy.

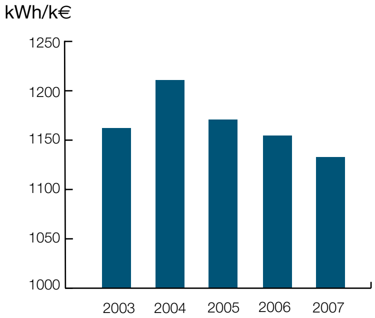

Maurits

Bekaert steel cord plant in Shenyang (China)

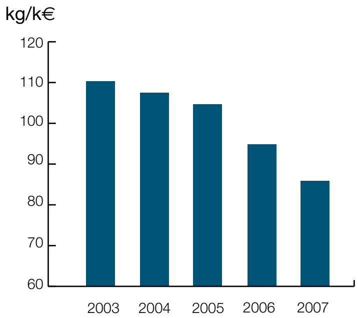
Environmentally friendly initiatives in 2007:

- By optimizing the settings and with careful machine maintenance, the steel cord plant at Shenyang (Liaoning province, China) reduced electricity usage by 46.2 kWh per tonne of steel cord. At the Weihai plant (Shandong province, China), electricity and gas consumption was reduced by 10%, water consumption by 20% and steam consumption by 30%.
- At the Van Buren plant (Arkansas, United States), a process improvement drive achieved a drastic reduction in the amount of waste water needing treatment. The water treatment unit now runs for 12 hours a day instead of 24.
- At the Shelbyville plant (Kentucky, United States), acid consumption fell 66%.
- The plants in China, including the new steel cord production unit which came on stream in Jiangyin (Jiangsu province, China) in 2007, are working to maximize the recycling of acids.
- In Bohumin (Czech Republic), we are recovering heat from combustion gases.
- At several plants, we cover and insulate process baths so that we need less energy to heat them.

Total energy consumption per sales Bekaert consolidated plants



Direct CO_2 emissions per sales Bekaert consolidated plants



Energy-saving projects have reduced energy consumption and direct CO_2 emissions significantly.

Andreas Aumüller
Managing director
Emitec GmbH

Jan Boelens
General Manager
Bekaert Fiber Technologies

The heart of the engine: environmentally friendly and maintenance-free

Diesel particulate filter using metal fibers

Bekaert metal fiber medium for diesel particulate filters

"In cooperation with Bekaert we succeeded in developing a solution which offers our client - the truck manufacturer - a competitive advantage and which also benefits the environment."

Herr Aumüller, Emitec
Managing director Emitec GmbH

Emitec supplies almost all car and motorcycle manufacturers. As such, the company is the biggest producer of metal catalytic converter substrates in the world. Emitec, which is passionate in its concern for the environment, wishes to keep ahead of the constantly more stringent regulations in Europe and all relevant regions. The company had been looking for a sustainable, maintenance-free diesel particulate filter for trucks for quite some time.

Emitec and Bekaert joined forces in 2005. Bekaert developed a metal fiber filter medium comprising fine, corrosion resistant fibers. Emitec incorporated the Bekaert filter medium into its PM Metallit® system, a filter system that not only reduces exhaust emissions from truck diesel engines but is also maintenance-free.

Emitec successfully pioneered this new technology. The advantages were clear for many customers. The self-cleaning system leads to a substantial cost saving for large haulage firms. Moreover, the efficiency of the filter medium can be adjusted by adapting its design. By developing cleaner engines and filter systems it is possible to meet the strictest legislation. Thanks to this possibility of intervening in the engine management, metal filter systems do not cause higher fuel consumption, in contrast to their ceramic counterparts.

Finally, Emitec filter systems tackle the core of the filter problem. They not only offer high filter efficiency for large soot particles, but in particular also absorb over 90% of the small particles (which are harmful to the lungs). By doing so the filter system achieves an exceptional result.

Emitec has since recognized Bekaert as its in-house filter specialist. Bekaert produced six times more metal fiber in 2007 than in 2004 and has expanded its production capacity in the meantime to prepare for the future. Emitec is the undisputed market leader in metal fiber diesel particulate filters for truck engines. Today, 50 000 trucks drive over 1 million kilometers without any maintenance of their diesel soot filter.

Celebration of CAEFI's 20th anniversary in Beijing

Bert De Graeve meeting Mr. Zhu Mingyang, party secretary of Jiangyin province (China)

A good citizen

Sustainability requires a company to fully live up to its responsibilities in every country and in every community in which it operates. This is part of Bekaert's Code of Conduct, by which all employees are bound.

We value transparent and constructive dialogue with local authorities. We are committed to compliance with national laws and collective labor agreements. Our company adheres to the Universal Declaration of Human Rights and to the conventions and recommendations of the International Labor Organization.

We support selected local initiatives and projects for social, cultural and economic development, in a spirit of strict neutrality and without encroaching on the role of government. We do not support political institutions and we adopt a neutral position in all communications regarding political matters.

To ensure that our contributions serve real needs, we rely on our local management teams because they know the local sensitivities and needs better than anyone. They are given the responsibility and the necessary resources. Most of our initiatives relate to education and training and are tailored to the needs of the local community.

China: honored twice for corporate social responsibility

Bekaert Shandong Tire Cord Corporation (Shandong province) was chosen in 2007 to receive awards as National Outstanding Foreign Investment (CAEFI) Enterprise and Excellent Foreign Investment Enterprise in Fulfillment of Social Responsibility. Bekaert Shenyang Steel Cord was honored with the Excellent Contribution Award for CSR Compliance, in recognition of its support for local educational projects. The Chinese Association of Enterprises with Foreign Investment (CAEFI), the organization which makes the awards, singled out the Caring Employee program for special praise. Only 50 foreign companies have received this award to date.

Bekaert awarded scholarships in 2007 to 30 students at three leading Chinese universities. We also sponsor a renowned international educational institution, the China Europe International Business School in Shanghai.

Red Cross donation in San Diego

CSR event at Vicson, S.A., Venezuela

Latin America

Proalco S.A. organized a Your Own Home Week in 2007 in Muña (Colombia), where the company is based. Contractors with projects in the area spent two days at the Bekaert plant giving presentations on their residential developments. Proalco helped with the evaluation of their proposals for employees who were interested. The number of home-owning employees has risen from 5% in 2004 to 35% in 2007.

Proalco is also making every effort to improve relations with the community by running its recruitment activities in liaison with the local authorities. In the period 2005-2007, a total of 82 new employees obtained jobs near home, which benefits local social and economic development.

Prodac S.A. in Callao (Peru) gave aid to the victims of the earthquake in Pisco and Chincha in August 2007. The company is also assisting a local church community (Cristo Camino in Carabaylo) with building materials for social projects.

North America

Bekaert Specialty Films in San Diego (California) made a significant donation to the local branch of the American Red Cross in support of the victims of the forest fires in October 2007.

The Rogers and Van Buren plants (Arkansas) provided financial support in 2007 for The United Way, a philanthropic organization. Both companies are active in local Chambers of Commerce and on the Boards of Governors of technical schools.

Europe

A donation equivalent to 2% of the corporate income tax paid by the Hlohovec plant (Slovakia) goes to not-for-profit organizations, primary and secondary schools and cultural and charitable institutions.

Bekaert offers internships in Belgium to promote closer interaction between schools and industry. We also support initiatives to make technical education more attractive to young people. Bekaert executives serve on the jury assessing final theses.

Corporate Governance

Bekaert attaches great importance to good corporate governance and is aware that good governance of listed companies is an important factor in investment decisions. The company complies with internationally accepted standards and rules.

In accordance with the Belgian Code on Corporate Governance, the Board of Directors has on 16 December 2005 adopted the Bekaert Corporate Governance Charter. Bekaert complies in principle with the Belgian Corporate Governance Code, and explains in its Charter and in this Corporate Governance Chapter why it departs from a few of its provisions.

The Bekaert Corporate Governance Charter is available at www.bekaert.com.

Board of Directors

Composition

The Board of Directors consists of fourteen members, eight of whom are nominated by the principal shareholders. The Chairman and the Chief Executive Officer are never the same individual. The Chief Executive Officer is the only Board member with an executive function. All other members are non-executive directors.

Three of the directors are independent within the meaning of Article 524 of the Companies Code: Mr. Gary J. Allen, Sir Anthony Galsworthy and Lady Barbara Thomas Judge. The latter two directors are also independent within the meaning of provision 2.3 of the Belgian Corporate Governance Code.
Sir Anthony Galsworthy was first appointed in 2004. Lady Judge was appointed in 2007, and has since completed her induction program. Although Mr Allen, who will retire from the Board in 2008, has been a member since 1987 and has therefore served on the Board for more than three terms, Bekaert considers him to be an independent director, provision 2.3/1 of the Belgian Corporate Governance Code notwithstanding: the experience of the company's business Mr Allen has gained since 1987 is not liable in Bekaert's view to affect his independent judgment.

Name	First appointed	Expiry of current term	Principal occupation(*)	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	7	1
Members nominated by the principal shareholders					
Baron Leon Bekaert	1994	2009	Director of companies	7	0
Roger Dalle	1998	2010	Director of companies	7	2
Count Charles de Liedekerke	1997	2009	Director of companies	7	1
François de Visscher	1992	2010	President, de Visscher & Co. LLC (United States)	7	0
Hubert Jacobs van Merlen	2003	2009	President & CEO, IEE SA (Luxembourg)	5	1
Maxime Jadot	1994	2009	President of the Directoire, Fortis Banque France	6	0
Bernard van de Walle de Ghelcke	2004	2010	Partner, Linklaters LLP (Belgium)	7	1
Baudouin Velge	1998	2010	CEO, Interel PR & PA (Belgium)	7	0
Independent Directors					
Gary J. Allen	1987	2008	Director of The London Stock Exchange (United Kingdom)	1	0
Sir Anthony Galsworthy	2004	2010	Advisor to Standard Chartered Bank (United Kingdom)	7	0
Lady Barbara Thomas Judge	2007	2010	Chairman of the UK Atomic Energy Authority (United Kingdom)	4**	0
Other members					
Julien De Wilde	2002	2009	Director of companies	7	2

(*) the detailed resumes of the Board members are available at www.bekaert.com.
(**) Nominated on 9 May 2007

Activity report

The Board met on nine occasions in 2007.
There were seven regular and two extraordinary meetings. In light of its concern to keep in touch with Bekaert's global operations the Board held one of its regular meetings in Slovakia, where the company 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 2007:
- the 2007 budget;
- major investments, acquisition projects, and other changes in the shareholdings portfolio;
- the buy-back of shares;
- the long term strategy;
- the organization structure;
- the long term financing requirements; and
- the three-year plans.

In 2007 the Board also completed a Board functioning and member appraisal.

Remuneration

The remuneration of the members of the Board of Directors is reflected in the table below.

Directors Remuneration (Board fees)

in €	Fixed remuneration	Variable Board attendance	Variable Committee attendance	Total 2007
Chairman				
Baron Buysse	541 690			541 690
Board members				
Gary Allen	37 184	2 479	2 974	42 637
Dr. Pol Bamelis	18 592	7 437	1 487	27 516
Baron Leon Bekaert	37 184	17 353	5 948	60 485
Roger Dalle	37 184	19 832	2 974	59 990
Bert De Graeve	37 184	19 832		57 016
Count Charles de Liedekerke	37 184	19 832	5 948	62 964
François de Visscher	37 184	17 353	4 461	58 998
Julien De Wilde	37 184	19 832		57 016
Sir Anthony Galsworthy	37 184	17 353	5 948	60 485
Baron Georges Jacobs	18 592	9 916		28 508
Hubert Jacobs van Merlen	37 184	14 874		52 058
Maxime Jadot	37 184	14 874	8 922	60 980
Lady Barbara Thomas Judge	23 240	9 916		33 156
Bernard van de Walle de Ghelcke	37 184	19 832		57 016
Baudouin Velge	37 184	17 353	4 461	58 998
Total gross remuneration				**1 319 513**

Remuneration CEO[1]

in €	Fixed Remuneration	Variable Remuneration	Other contractual	Total 2007
Bert De Graeve	639 725	500 000	161 970	1 301 695
Number of stock options granted				**7 500**

[1] The fixed remuneration includes board fees received as member of Board of NV Bekaert SA.

Committees of the Board of Directors

The Board of Directors has established three advisory committees.

Audit and Finance Committee

The Audit and Finance Committees advises the Board on the appointment, the dismissal and the remuneration of the statutory auditor and on the extent of its control mission, and generally on all subjects relating to the annual and consolidated accounts, the half-year results, and the internal audit department activities.

As a rule the Committee has four members, who are non-executive directors. Contrary to provision 5.2/1 of the Belgian 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 provision 5.2/1 of the Belgian Corporate Governance Code, according to which at least a majority of the members should be independent, 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 guarantees the essential interaction between the Board of Directors and executive management.

The Committee met three times in 2007.
The main items on the agenda included:
- the long term financing requirements;
- the activities of the Internal Audit Department;
- the statutory auditor reports.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2009	3
François de Visscher	2010	3
Baudouin Velge	2010	3
Gary J. Allen	2008	1
Lady Barbara Thomas Judge (*)	2010	0

(*) appointed on 13 September 2007 to succeed Gary J. Allen who retires at the General Meeting of Shareholders of 14 May 2008.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee advises the Board on the (re)appointment of directors, the appointment and remuneration of the members of the Bekaert Group Executive, the remuneration policy with respect to senior management, and all aspects of the company's stock option plans.

The Committee has four members, who are non-executive directors. It is chaired by the Chairman of the Board and further consists of three directors, one of whom is independent. Contrary to provision 5.4/1 of the Belgian Corporate Governance Code, according to which at least a majority of the members should be independent, Bekaert takes the view that the Nomination and Remuneration Committee should reflect the balanced composition of the full Board.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2009	2
Roger Dalle	2010	2
Maxime Jadot	2009	2
Gary J. Allen	2008	1

The Committee met two times in 2007. The main item on the agenda was the succession at the Bekaert Group Executive level.

Executive Management

Strategic Committee

The Strategic Committee advises the Board on the general policy of the company, and on the most important strategic decisions concerning the company's development.

The Committee has six members, five of whom are non-executive directors. It 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 four times in 2007.
The main items on the agenda were:
- the long-term strategy, including the implications of the company's changing industrial environment;
- strategic acquisition projects.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2009	4
Bert De Graeve	2009	4
Baron Leon Bekaert	2009	4
Count Charles de Liedekerke	2009	4
Maxime Jadot	2009	4
Sir Anthony Galsworthy	2010	4

Composition

The Bekaert Group Executive has five members. 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 Specialised 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

The remuneration of the members of the Bekaert Group Executive and of senior management is reflected in the table below.

Group Executive Vice Presidents and Senior Management Remuneration

in thousand €	2007	2006
Number of persons	19	20
Short-term employee benefits		
Basic remuneration	3669	3946
Variable remuneration	1836	2010
Remuneration as directors of subsidiaries	547	463
Post-employment benefits		
Defined benefit pension plans	231	248
Defined contribution pension plans	400	386
Share-based payment benefits (2)	277	479
Total gross remuneration	**6960**	**7532**
Average gross remuneration per person	366	377
Number of subscription rights/options granted (stock option plans)	25350	48200

A number of stock options is offered each year to each member of the Bekaert Group Executive.
The decision to accept an offer of options, and consequently the number of options to be granted, reflects a personal choice that may be influenced by multiple considerations, and the disclosure on an individual basis of the number of options granted would therefore intrude the privacy of the persons concerned: for that reason Bekaert prefers to deviate from provision 7.17 of the Belgian Corporate Governance Code, and only to disclose on an individual basis the number of options granted to the Chief Executive Officer.

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 light of current Belgian legislation or practice. As such, and contrary to provision 7.18 of the Belgian Corporate Governance Code, Bekaert does not provide further details of such contractual arrangements.

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 2007.

Excerpt from the minutes of the meeting of 15 March 2007

Report of the Nomination and Remuneration Committee meeting of 14 March 2007
The agenda calls for the discussion of the remuneration of the CEO. The Chairman informs the members that he has received a letter, dated 12 March 2007, from the CEO reporting a conflict of interests in this respect. The CEO has also informed the Statutory Auditor in writing on 12 March 2007.
At the request of the Chairman, the CEO leaves the Board room.
- *2006 bonus grant for the CEO*

The Committee reviewed the CEO's performance in 2006 against the targets that were specified at the time of his appointment in May 2006, and recommended that the Board approve the grant of the maximum bonus, i.e. €500 000.
- *2007 bonus targets for the CEO*

The Committee reviewed and endorsed the proposed 2007 bonus targets for the CEO. Also, in line with the expected general market movement, the Committee supported the proposal to increase the fixed remuneration of the CEO by 3%.
On the recommendation of the Nomination and Remuneration Committee, the Board approves:
- *the 2006 bonus proposal for the CEO;*
- *the 2007 bonus target proposal for the CEO; and*
- *the proposed 2007 fixed remuneration increase for the CEO.*

The CEO returns to the Board room.

Excerpt from the minutes of the meeting of 14 December 2007

Report of the Nomination and Remuneration Committee meeting of 13 December 2007
Grants of stock options
The Board has to consider the Committee's recommendation regarding the grant of stock options.
The Chairman received a letter, dated 12 December 2007, from the CEO reporting a conflict of interests in that respect. The CEO also informed the Statutory Auditor in writing on 12 December 2007. At the Chairman's request the CEO leaves the meeting room.

The Chairman announces that the Committee recommended to grant 8 000 stock options to the CEO: as those options are for existing shares, the Company will have to purchase a number of shares on the stock exchange equal to the number of options that will be exercised by the CEO.

The options to be offered will be accounted for as equity-settled share-based payments in accordance with IFRS2. Assuming the CEO accepts all of the 8 000 options to be offered, and based on an exercise price provisionally estimated at 92.00 EUR, the cost of such options can be estimated to be 190 000 EUR.

The correct cost can only be determined upon the acceptance of the offer, i.e. on 18 February 2008.

The amount will be subject to a straight-line amortisation over the three-year vesting period.
The Board resolves to make an offer of options on 20 December 2007 in accordance with the list submitted to the Nomination and Remuneration Committee meeting of 13 December 2007, as amended by the Committee, and to offer 8 000 options to the CEO.

All options of the 20 December 2007 offer are for new shares pursuant to the Stock Option Plan 2005-2009, except that those for the self-employed members of the Bekaert Group Executive are for existing shares pursuant to the Stock Option Plan SOP2.

The CEO returns to the meeting room.

Other transactions with Directors and Executive Management

The Bekaert Corporate Governance Charter contains conduct guidelines with respect to direct and indirect conflicts of interests of the members of the Board of Directors and the Bekaert Group Executive that fall outside the scope of Article 523 of the Companies Code. Those members are deemed to be related parties to Bekaert, and have to report on an annual basis their direct or indirect transactions with Bekaert or its subsidiaries.

The only potential conflict of interests of which Bekaert is aware concerns transactions between companies of a member of the Board of Directors and subsidiaries of Bekaert (cf. Note 5.6 of the Financial review of this annual report): those transactions are effected upon normal commercial terms.

Market abuse

In accordance with provision 3.7 of the Belgian Corporate Governance Code, the Board of Directors has on 27 July 2006 promulgated the Bekaert Insider Dealing Code, which is included in its entirety in the Bekaert Corporate Governance Charter as Appendix 4. The Code restricts transactions in Bekaert securities by members of the Board of Directors, the Bekaert Group Executive, senior management and certain other persons during closed and prohibited periods.

The Code also contains rules concerning the mandatory internal notification of intended transactions, as well as the disclosure of executed transactions through a notification to the Belgian Banking, Finance and Insurance Commission (CBFA). The Chairman of the Board is the Compliance Officer for purposes of the Bekaert Insider Dealing Code.

Shares and shareholders

Capital and shares

A total of 41 866 subscription rights were exercised in 2007 under the SOP1 1999-2004 employee stock option plan, resulting in the issue of 41 866 new NV Bekaert SA shares and VVPR strips, and an increase of the issued capital by € 363 000 and of the share premium by € 1 477 779.48.

Bekaert purchased a total of 1 160 425 own shares in 2007:
- 2 780 shares were delivered to the individuals who had exercised their options under the SOP2 stock option plan;
- 1 157 645 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 1 115 779 and the number of VVPR strips increased by 41 866.

NV Bekaert SA's issued share capital amounts to € 173 663 000, represented by 19 831 000 shares without par value. The number of VVPR strips is 3 894 001.

The total number of issued subscription rights under the SOP1 and SOP 2005-2009 stock option plans is 315 703.

In 2007 a second issue of subscription rights took place under the SOP 2005-2009 stock option plan: 60 670 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 € 90.52.

A third offer of 97 000 subscription rights was made on 20 December 2007. Each subscription right of the third series is convertible into one newly issued NV Bekaert SA share with VVPR strip at an exercise price of € 85.00.

12 500 options were granted under the SOP2 stock option plan in 2007: each option will be convertible into one existing NV Bekaert SA share with VVPR strip at an exercise price of € 90.52. A new offer of 14 500 options was made on 20 December 2007.
Each option of this series is convertible into one existing NV Bekaert SA share with VVPR strip at an exercise price of € 85.00. A total of 101 920 options had been granted under the SOP2 stock option plan as of 31 December 2007.

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 4.11) of this annual report.

Principal shareholders

Three 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 2006 annual report.
An overview of the most recent declarations can be found in the Financial review (Interests in share capital) in this annual report.

General Meeting of Shareholders

A total of 103 shareholders were present in person or by proxy at the Ordinary General Meeting on 9 May 2007, representing a total of 7 387 879 shares or 36.22% of the total number of issued shares.
Also present were three holders of subscription rights, representing a total of 3 686 subscription rights or 1.03% of the total number of issued subscription rights.

The meeting approved the financial statements and profit appropriation for 2006 and discharged the Directors and the Statutory Auditor of responsibility.
The number of Directors was decreased from fifteen to fourteen. Messrs Roger Dalle, François de Visscher, Bernard van de Walle de Ghelcke and Baudouin Velge were reappointed as Directors for a term expiring at the close of the Ordinary General Meeting in 2010.
Sir Anthony Galsworthy was reappointed as independent Director for a term expiring at the close of the Ordinary General Meeting in 2010.
The independent Directors Dr. Pol Bamelis and Baron Georges Jacobs retired from the Board, and Lady Barbara Thomas Judge was appointed as independent Director for a term expiring at the close of the Ordinary General Meeting in 2010.
Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Mr Geert Verstraeten, were reappointed as Statutory Auditor for a term expiring at the close of the Ordinary General Meeting in 2010.
The remuneration of the members of the Board of Directors for 2007 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 2006 and for the financial years 2007 through 2009.
An Extraordinary General Meeting, also held on 9 May 2007, renewed the Board's authority to repurchase the company's own shares for a period of eighteen months, and amended the Articles of Association in order to satisfy the requirements of the Act of 14 December 2005 relative to the abolition of bearer securities.

Dividend

The Ordinary General Meeting of Shareholders of 9 May 2007 resolved to distribute a gross dividend of € 2.50 per share for the 2006 financial year: the net dividend accordingly amounted to € 1.875 per share and € 2.125 per share with VVPR strip.

Elements pertinent to a take-over bid

Set forth below is the information concerning NV Bekaert SA that the company has to disclose in accordance with Article 34 of the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market.

Capital structure

The issued share capital amounts to € 173 663 000, and is represented by 19 831 000 shares without par value. The shares are in registered, bearer or non-material form, and are listed on NYSE Euronext Brussels..

Restrictions on the transfer of securities

The Articles of Association contain no restrictions on the transfer of the shares, except in case of a change of control, for which the prior approval of the Board of Directors has to be requested in accordance with Article 11bis of the Articles of Association.

Subject to the foregoing the shares are freely transferable. The Board is not aware of any restrictions imposed by law on the transfer of shares by any shareholder.

Restrictions on the exercise of voting rights

Each share entitles the holder to one vote. The Articles of Association contain no restrictions on the voting rights, and each shareholder can exercise his voting rights provided he was validly admitted to the General Meeting and his rights had not been suspended. The admission rules to the General Meeting are laid down in Article 31 of the Articles of Association. Pursuant to Article 11 the company is entitled to suspend the exercise of the rights attaching to securities belonging to several owners.

No person can vote at General Meetings using voting rights attaching to securities that had not been reported timely in accordance with the law.

The Board is not aware of any other restrictions imposed by law on the exercise of voting rights.

Agreements among shareholders

The Stichting Administratiekantoor Bekaert has declared that it is acting in concert with the companies Velge & Co, in liquidation, SA Berfin, SA Subeco and Millenium 3 SA. The Board of Directors is not aware of any other agreements among shareholders that may result in restrictions on the transfer of securities or the exercise of voting rights.

Appointment and replacement of Directors

The Articles of Association (Articles 15 et seq) and the Bekaert Corporate Governance Charter contain specific rules concerning the (re)appointment, the induction and the evaluation of Directors.

Directors are appointed for a term not exceeding four years (in practice usually for three years) by the General Meeting of Shareholders, who can also dismiss them at any time. An appointment or dismissal requires a simple majority of votes. The candidates for the office of director who have not previously held that position in the company must inform the Board of Directors of their candidacy at least two months before the Ordinary General Meeting.

Only if and when a position of Director prematurely becomes vacant can the remaining Directors appoint (co-opt) a new Director. In such a case the next General Meeting will make the definitive appointment.

The appointment process for Directors is led by the Chairman of the Board.
The Nomination and Remuneration Committee submits a reasoned recommendation to the full Board, who on that basis decides which candidates will be nominated to the General Meeting for appointment. Directors can as a rule be reappointed for an indefinite number of terms, provided they should be at least 35 and at most 64 years of age at the moment of their appointment and they have to resign in the year in which they reach the age of 67.

Amendments to the Articles of Association

The Articles of Association can be amended by the General Meeting in accordance with the Companies Code. Each amendment to the Articles requires a qualified majority of votes.

Authority of the Board of Directors to issue or buy back shares

The Board of Directors is authorised by Article 45 of the Articles of Association to increase the registered capital in one or more times by a maximum amount of € 170 000 000. The authority is valid for five years, but can be extended by the General Meeting.

Within the framework of that authority the Board can also during a period of three years increase the registered capital, upon receipt by the company of a notice from the CBFA of a public take-over bid, and provided that:

- the shares to be issued are fully paid up upon issue;
- the issue price of such shares is not lower than the price of the bid; and
- the number of shares to be issued do not exceed 10% of the issued shares representing the capital prior to the capital increase.

This authority can also be extended by the General Meeting.

The Board of Directors is authorised by Article 12 of the Articles of Association to acquire a maximum number of shares that in the aggregate represent no more than 10% of the issued capital, during a period of 18 months (that can be extended by the General Meeting), at a price ranging between minimum € 1 and maximum 30% above the arithmetic average of the closing price of the share during the last 30 trading days preceding the Board's resolution to acquire.
The Board is authorised to cancel all or part of the purchased shares during the 18 month period.

The Board is also authorised to acquire shares if required to prevent a threatened serious harm to the company, including a public take-over bid. Such authority is granted for a period of three years, but can be extended by the General Meeting.

Articles 12bis and 12ter of the Articles of Association provide rules for the disposal of purchased shares and for the acquisition and disposal of shares by subsidiary companies.

The powers of the Board of Directors are more fully described in the applicable legal provisions, the Articles of Association and the Bekaert Corporate Governance Charter.

Change of control

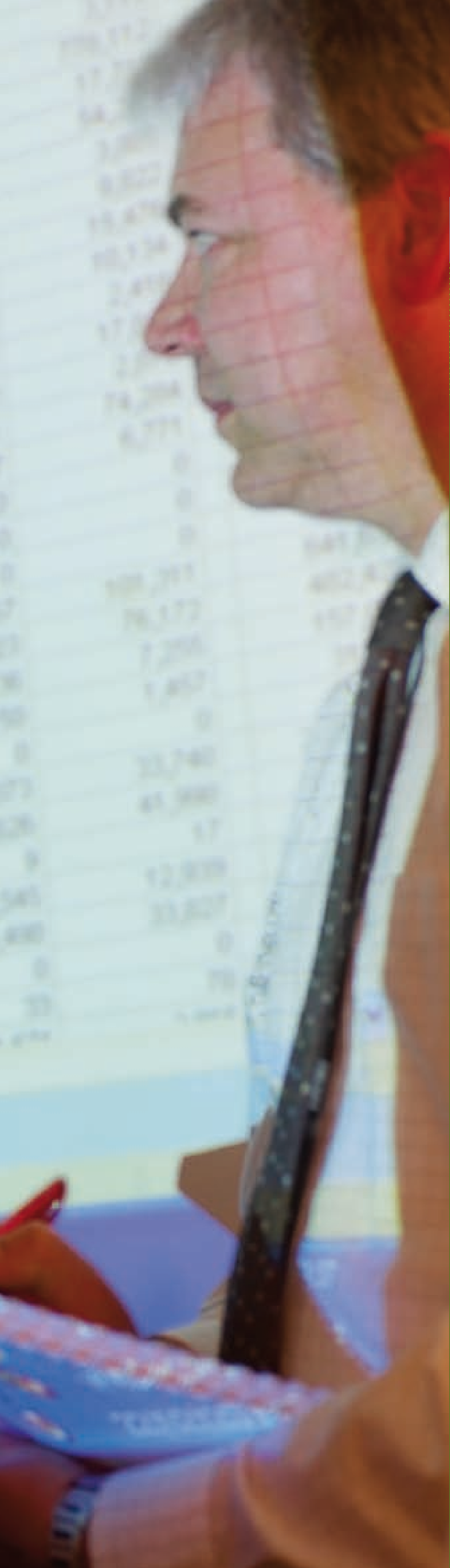
NV Bekaert SA is a party to a number of significant agreements that take effect, alter or terminate upon a change of control of the company following a public take-over bid or otherwise. To the extent that those agreements grant rights to third parties that affect the assets of the company or that give rise to a debt or an obligation of the company, those rights were granted by a Special General Meeting held on 13 April 2006 in accordance with Article 556 of the Companies Code, the minutes of which are available at www.bekaert.com and were filed with the Registry of the Commercial Court of Kortrijk on 14 April 2006.

Most agreements are joint venture contracts (describing the relationship between the parties in the context of a joint venture company), and contracts whereby financial institutions commit funds to the company or one of its subsidiaries.

Each of those contracts contains clauses that, in the case of a change of control of the company, entitle the other party, in certain cases and under certain conditions, to terminate the contract prematurely and, in the case of financial contracts, also to demand early repayment of the loaned funds. The joint venture contracts provide that, in the case of a change of control of the company, the other party can acquire the company's shareholding in the joint venture (except for the Chinese joint ventures, where the parties have to agree whether one of them will continue the joint venture on its own, whereupon that party has to purchase the other party's shareholding), whereby the value for the transfer of the shareholding is determined in accordance with contractual formulas that aim to ensure a transfer at an arm's length price.

Other elements

- The company has not issued securities with special control rights.
- The control rights attaching to the shares acquired by employees pursuant to the stock option plans are exercised directly by the employees.
- No agreements have been concluded between the company and its Directors or employees providing for compensation if as a result of a take-over bid the Directors resign or are made redundant without valid reason or if the employment of the employees is terminated.



Financial review

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union.
The same accounting policies and methods of computation were used as in the 2006 annual consolidated financial statements, except for an option foreseen in IAS 19 Employee Benefits and the first application of IFRS 7 Financial Instruments: Disclosures.

Bekaert decided to elect for the IAS 19 option to recognize actuarial gains and losses on defined-benefit plans directly in equity. This decision resulted in a retroactive restatement of the financial statements and the obligation to present a ‘statement of comprehensive income’.

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Consolidated financial statements

Consolidated income statement

in thousands of € - Year ended 31 December	Notes	2007	2006 restated
CONTINUING OPERATIONS			
Sales	3.1	2 173 598	2 009 587
Cost of sales		-1 739 669	-1 614 703
Gross profit		**433 929**	**394 884**
Selling expenses		-98 239	-96 697
Administrative expenses		-96 582	-95 314
Research and development expenses		-56 700	-49 562
Other operating revenues	3.1	14 597	23 279
Other operating expenses	3.2	-10 665	-13 862
Operating result (EBIT) before non-recurring items	**3.3**	**186 340**	**162 728**
Non-recurring items	3.3	-11 738	-16 794
Operating result (EBIT)	**3.4**	**174 602**	**145 934**
Interest income	3.5	2 517	3 735
Interest expense[1]	3.5	-35 017	-28 171
Other financial income and expenses	3.6	-8 482	-6 557
Result from continuing operations before taxes		**133 620**	**114 941**
Income taxes[1]	3.7	-19 095	-18 370
Result from continuing operations (consolidated companies)		**114 525**	**96 571**
Share in the results of joint ventures and associates	3.8	47 100	50 991
Result from continuing operations		**161 625**	**147 562**
DISCONTINUED OPERATIONS			
Result from discontinued operations		**-**	**-**
RESULT FOR THE PERIOD		**161 625**	**147 562**
Attributable to			
the Group		*152 890*	*142 791*
minority interests	*4.13*	*8 735*	*4 771*

Earnings per share in € per share	**3.9**	**2007**	**2006 restated**
Result for the period attributable to the Group			
Basic		*7.630*	*6.644*
Diluted		*7.580*	*6.612*

The accompanying notes are an integral part of this income statement.

[1] The restatement relates to the election for the IAS 19 option to recognize actuarial gains and losses on defined-benefit plans directly in equity (see note 1.1 'Statement of compliance').

Consolidated statement of comprehensive income

in thousands of € - Year ended 31 December	Notes	2007	2006 restated
Result for the period		**161 625**	**147 562**
Other comprehensive income	**3.10**		
Exchange differences[1]		5 748	-30 948
Cash flow hedges	4.12	-4 168	-2 625
Remeasurement of net assets held prior to acquiring control	4.12	9 140	-
Available-for-sale investments	4.12	8 139	-462
Actuarial gains and losses (-) on defined-benefit plans[1]	4.12	26 255	11 760
Share of other comprehensive income of joint ventures and associates		1 349	829
Other		94	-882
Deferred taxes relating to other comprehensive income[1]	3.10	-3 809	-2 253
Other comprehensive income for the period, net of tax		**42 748**	**-24 581**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**204 373**	**122 981**
Attributable to			
the Group		*196 008*	*119 983*
minority interests	*4.13*	*8 365*	*2 998*

The accompanying notes are an integral part of this statement of comprehensive income.

[1] The restatement relates to the election for the IAS 19 option to recognize actuarial gains and losses on defined-benefit plans directly in equity (see note 1.1 'Statement of compliance').

Consolidated balance sheet

Assets in thousands of €	**Notes**	**31 Dec 2007**	**31 Dec 2006 restated**	**1 Jan 2006 restated**
Non-current assets		**1 335 478**	**1 305 560**	**1 246 877**
Intangible assets	4.1	51 887	57 510	45 524
Goodwill	4.2	70 118	76 965	79 879
Property, plant and equipment	4.3	917 617	824 158	799 762
Investments accounted for using the equity method	4.4	215 560	237 747	238 366
Other non-current assets	4.5	74 851	90 591	67 920
Deferred tax assets[1]	4.6	5 445	18 589	15 426
Current assets		**977 079**	**914 269**	**992 458**
Inventories	4.7	385 443	368 764	348 330
Trade receivables	4.7	437 743	398 928	354 225
Other receivables	4.8	52 694	53 814	54 401
Short-term deposits		15 179	29 019	90 453
Cash and cash equivalents		58 063	52 139	132 248
Other current assets	4.9	20 395	9 918	8 999
Assets classified as held for sale	4.10	7 562	1 687	3 802
Total		**2 312 557**	**2 219 829**	**2 239 335**

Equity and liabilities in thousands of €	**Notes**	**31 Dec 2007**	**31 Dec 2006 restated**	**1 Jan 2006 restated**
Equity		**1 146 586**	**1 108 978**	**1 108 601**
Share capital	4.11	173 663	173 300	172 900
Retained earnings[1]		995 481	1 004 780	983 849
Other reserves[1]	4.12	-70 990	-117 952	-99 211
Equity attributable to the Group		**1 098 154**	**1 060 128**	**1 057 538**
Minority interests	**4.13**	**48 432**	**48 850**	**51 063**
Non-current liabilities		**525 507**	**516 354**	**562 898**
Employee benefit obligations[1]	4.14	120 796	151 042	169 233
Provisions	4.15	25 151	26 664	35 154
Interest-bearing debt	4.16	322 495	274 373	288 293
Other non-current liabilities	4.17	2 055	3 845	12 412
Deferred tax liabilities[1]	4.6	55 010	60 430	57 806
Current liabilities		**640 464**	**594 497**	**567 836**
Interest-bearing debt	4.16	252 953	217 952	245 588
Trade payables	4.7	231 745	227 827	187 369
Employee benefit obligations	4.7	83 381	76 042	73 475
Provisions	4.15	12 434	13 379	9 414
Income taxes payable		12 642	16 270	10 182
Other current liabilities	4.18	44 434	43 027	41 808
Liabilities associated with assets classified as held for sale	4.10	2 875	-	-
Total		**2 312 557**	**2 219 829**	**2 239 335**

The accompanying notes are an integral part of this balance sheet.

[1] The restatement relates to the election for the IAS 19 option to recognize actuarial gains and losses on defined-benefit plans directly in equity (see note 1.1 'Statement of compliance').

Consolidated statement of changes in equity

in thousands of €	Share capital	Retained earnings	Other reserves[2] Share premium	Other reserves[2] Hedging and revaluation reserves	Other reserves[2] Cumulative translation adjustments	Equity attributable to the Group	Minority interests	Total
Balance as at 1 January 2006	**172 900**	**976 141**	**9 271**	**1 582**	**-80 679**	**1 079 215**	**51 063**	**1 130 278**
Effect of changes in accounting policies[1]	-	7 708	-	-29 385	-	-21 677	-	-21 677
As restated	**172 900**	**983 849**	**9 271**	**-27 803**	**-80 679**	**1 057 538**	**51 063**	**1 108 601**
Total comprehensive income for the period[3]	-	140 485	-	8 673	-29 175	119 983	2 998	122 981
Gross increase or decrease in minority interests	-	-	-	-	-	-	2 402	2 402
Share-based payment plans	-	1 115	-	-	-	1 115	-	1 115
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**	**1 004 780**	**11 032**	**-19 130**	**-109 854**	**1 060 128**	**48 850**	**1 108 978**
Balance as at 1 January 2007	**173 300**	**1 004 780**	**11 032**	**-19 130**	**-109 854**	**1 060 128**	**48 850**	**1 108 978**
Total comprehensive income for the period[3]	-	150 524	-	39 366	6 118	196 008	8 365	204 373
Gross increase or decrease in minority interests	-	-	-	-	-	-	382	382
Transfer from equity method	-	-	-	-	-	-	-1 574	-1 574
Share-based payment plans	-	717	-	-	-	717	-	717
Creation of new shares	363	-	1 478	-	-	1 841	-	1 841
Acquisition of own shares	-	-110 950	-	-	-	-110 950	-	-110 950
Dividends	-	-49 590	-	-	-	-49 590	-7 591	-57 181
Balance as at 31 December 2007	**173 663**	**995 481**	**12 510**	**20 236**	**-103 736**	**1 098 154**	**48 432**	**1 146 586**

The accompanying notes are an integral part of this statement.

[1] The change in accounting policies relates to the election for the IAS 19 option to recognize actuarial gains and losses on defined-benefit plans directly in equity (see note 1.1 'Statement of compliance').
[2] See note 4.12 'Other reserves'.
[3] See note 3.10 'Total comprehensive income and statement of changes in equity'.

Consolidated cash flow statement

in thousands of € - Year ended 31 December	Notes	2007	2006
Operating activities			
Operating result (EBIT)		174 602	145 934
Non-cash and investing items included in operating result	5.1	115 100	103 934
Income taxes paid		-24 874	-16 822
Gross cash from operating activities		**264 828**	**233 046**
Change in operating working capital	4.7	-41 933	-31 947
Other operating cash flows		-1 484	-8 429
Cash from operating activities		**221 411**	**192 670**
Investing activities			
New business combinations	5.2	-14 736	-42 725
Proceeds from disposals of investments		4 210	-
Dividends received		54 715	35 171
Purchase of intangible assets	2	-7 393	-8 555
Purchase of property, plant and equipment	2	-192 415	-152 781
Other investing cash flows		3 744	11 429
Cash from investing activities		**-151 875**	**-157 461**
Financing activities			
Interest received		2 517	3 735
Interest paid		-33 340	-25 773
Gross dividend paid		-57 213	-74 140
Other financing cash flows	5.1	25 450	-16 992
Cash from financing activities		**-62 586**	**-113 170**
Net increase or decrease (-) in cash and cash equivalents		**6 950**	**-77 961**
Cash and cash equivalents at the beginning of the period		**52 139**	**132 248**
Effect of exchange rate fluctuations		-1 026	-2 148
Cash and cash equivalents at the end of the period		**58 063**	**52 139**

The accompanying notes are an integral part of this statement.

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 13 March 2008. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) 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 and prior years in the following areas:

- IAS 19 Employee benefits - revised December 2004. The Group elected for the option to recognize actuarial gains and losses on defined-benefit plans directly in equity. This decision resulted in the retroactive restatement of the financial statements and the obligation to present a statement of recognized income and expense (SORIE). However, in line with the revised guidance of IAS 1 Presentation of Financial Statements (revised September 2007), the Group decided to rename the SORIE the 'statement of comprehensive income'.

- IFRS 7 Financial Instruments: Disclosures. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial and capital risk management (mainly note 5.3 'Financial risk management and financial derivatives'). However, most of the disclosures required were already provided in the previous year's annual report.

The Group did not elect for early application of the following new standards and interpretations which had been issued as of the date of approval of these financial statements but were not yet effective on the balance sheet date:

- IAS 1 Presentation of Financial Statements (revised September 2007). However, considering that Bekaert elected for the IAS 19 option to recognize actuarial gains and losses on defined-benefit plans directly in equity, the Group decided to apply the revised IAS 1 to the extent that it is consistent with endorsed standards including the current version of IAS 1.

The main consequences are:
  - A balance sheet reflecting the opening balances of the earliest period presented has been added since a change in accounting policies has resulted in a retroactive restatement.
  - The SORIE has been replaced by the 'statement of comprehensive income'.

- IFRS 3 Business Combinations (revised January 2008; applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009) and IAS 27 (revised January 2008; applicable for annual periods beginning on or after 1 July 2009). The revisions of these two standards could have a significant impact on the treatment of future business combinations and other equity transactions linked to subsidiaries.

- IFRS 8 Operating Segments (applicable for annual periods beginning on or after 1 January 2009). The segment information may be influenced by the application of IFRS 8 which will supersede IAS 14.

- Amendment to IAS 23 Borrowing Costs (applicable for annual periods beginning on or after 1 January 2009). The current accounting policy of the Group is not consistent with the amended standard which will require the capitalization of borrowing costs prospectively as from 2009, but the application of the amended IAS 23 should have a limited impact.

At this stage, the Group does not expect first adoption of the following new standards and interpretations to have a material impact on the financial statements:

- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable financial instruments and obligations arising on liquidation (annual periods beginning on or after 1 January 2009);

- Amendment to IFRS 2 Vesting Conditions and Cancellations (applicable for annual periods beginning on or after 1 January 2009);

- IFRIC 11 - IFRS 2 Group and Treasury Share Transactions (applicable for annual periods beginning on or after 1 March 2007);

- IFRIC 12 Service Concession Arrangements (applicable for annual periods beginning on or after 1 January 2008);

- IFRIC 13 Customer Loyalty Programmes (applicable for annual periods beginning on or after 1 July 2008);

- IFRIC 14 - IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction (applicable for annual periods beginning on or after 1 January 2008).

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 the fair value of which cannot be reliably measured are carried at cost. Unless explicitly stated, 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. In accordance with IFRS 3 Business Combinations, acquisitions are accounted for using the purchase method. 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 with 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 information included for these companies is 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 associate concerned to the extent of the Group's interest. The carrying amounts of 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 exchange 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. In the financial statements of the parent company and its subsidiaries, assets and liabilities denominated in foreign currency are translated at the exchange rate at the balance sheet date. 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. Intangible assets acquired in a business combination are initially measured at fair value. After initial recognition, intangible assets are measured at cost or fair value 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 may have indefinite useful lives. If the useful life of an intangible asset is deemed indefinite, no amortization is recognized and 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 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 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 is to be sold or used in-house;
- the assets are expected to 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 being therefore zero) and
- any short position is recognized as a liability at the 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 an appropriate accounting treatment is not foreseen in the current standard. As a consequence, Bekaert has decided to apply the accounting principles set out in IAS 27 Consolidated and Separate Financial Statements (revised January 2008) in this respect. 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 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 that is 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 in proportion to 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 and also to costs incurred subsequently to add to, replace part of, or service it. Property, plant and equipment is stated at

cost, less accumulated depreciation and impairment losses. Cost includes all direct costs and all expenditure incurred to bring the asset to its working condition and location for its intended use. Borrowing costs are not capitalized. Depreciation is provided over the estimated useful lives of the various classes of property, plant and equipment on a straight-line basis. The useful life and depreciation method are reviewed at least at each financial year-end. Unless revised due to specific changes in the estimated economic useful life, annual depreciation rates are as follows:

- land	0 %
- 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 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 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 owned depreciable assets.

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, on a straight-line basis, as a reduction of rental expense over the lease term. 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 recognized 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 amortized over the depreciation period 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. Revaluation gains and losses on assets held for trading at fair value are recognized directly in the income statement, while such gains and 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. Financial assets not held for trading are tested for impairment when there is objective evidence that they could be impaired. An impairment loss is directly recognized in the income statement. Non-current available-for-sale assets include investments in entities that are neither consolidated nor accounted for using the equity method. 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. The result on the disposal of treasury shares sold or cancelled 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. Any such excess, and any further losses applicable to the minority, are charged to 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. Each provision is based on 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. Restructuring provisions include only 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 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 those 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. The Group has elected to recognize all actuarial gains and losses through equity, whereas the former policy was to defer recognition in accordance with the corridor approach.

Past service cost is the increase in the present value of the defined-benefit obligation for employee service in prior periods and 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 to vesting. 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 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). 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 the aggregate of current service cost, recognized past service cost, interest cost, expected return on plan assets and 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, with a corresponding increase in 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 carried 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, both the hedging instruments and the hedged items are recognized at fair value (see accounting policies for derivatives and hedging) on a clean price basis, i.e. excluding accrued interests.

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 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. The derivatives classified as fair value hedges and the related hedged asset or liability are both 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 on a straight-line basis over the period of 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, 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 regarding 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 the inception of the hedge. The effectiveness of existing hedges is monitored on a quarterly basis. Hedge accounting for ineffective hedges is 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. An impairment loss is recognized in the income statement as and when 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). 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 are no longer needed or the need has decreased, except for impairment losses on goodwill, which 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 the sale of goods is recognized when delivery takes place and the transfer of risks and rewards is completed. When it can be measured reliably, revenue from construction contracts is recognized by reference to the stage of completion. 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 are likely to 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. Statement of comprehensive income and statement of changes in equity

The statement of comprehensive income has been introduced as a consequence of electing for the IAS 19 option to recognize actuarial gains and losses on defined-benefit plans directly in equity. Its purpose is to present an overview of all income and expenses recognized both in the income statement and in equity. In accordance with the revised guidance of IAS 1 Presentation of Financial Statements (revised September 2007), an entity can elect to present either a single statement of comprehensive income or two statements, i.e. an income statement immediately followed by a comprehensive income statement. The Group elected to do the latter. A further consequence of presenting a statement of comprehensive income is that the content of the statement of changes in equity is confined to owner-related changes only.

1.6. Critical accounting judgments and key sources of estimation uncertainty

General business risks

Like many global companies, Bekaert is exposed to 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 4.14 '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 4.1 '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. For the same reason, management considers that the functional currency of Vicson, S.A. (Venezuela) is the US dollar. Consequently, the financial statements of these subsidiaries have been prepared in their functional currency.

- Management considers that the intended sale of two subsidiaries, i.e. Bekaert Precision Surface Technology (Suzhou) Co., Ltd. (Jiangsu province, China) and Precision Surface Technology Pte Ltd. (Singapore), for which a letter of intent has been signed in October 2007, does not qualify as a discontinued operation.

- Management considers that Bekaert, despite its 18.1% participating interest at year-end 2007, 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 making its judgment, management takes into account elements such as long-term business strategy and tax planning opportunities (cf. note 4.6 'Deferred tax assets and liabilities').

- Based on the expected economic life of a product line in advanced wire products, which is expected to be significantly shorter than average, it was decided to apply higher depreciation rates, i.e. 16.7% instead of 8% for plant, machinery and equipment, to dedicated assets which are not expected to be reallocated to another product line.

- 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 4.15 '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 4.2 'Goodwill').

- Tax receivable (ICMS) in Brazil: recovery of the tax receivable of Belgo Bekaert Arames Ltda. in Brazil, amounting to € 33.1 million (BRL 85.9 million) at year-end 2007 (BRL 90.4 million at year-end 2006), is deemed probable as several action plans have already been implemented and negotiations are being conducted with the Government of State of Minas Gerais. Consequently, management expects to offset an amount of BRL 27.7 million on a short-term basis and BRL 58.2 million on a long-term basis. The recovery of these amounts still depends on management being able to carry out the plans as presently foreseen. Management's expectation is that they will.

1.7. 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 which 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 price which is reasonable in relation to 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 of 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 new classification in the balance sheet.

Contingencies

Contingent assets are not recognized in the financial statements. They 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 if material.

2. 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 'Summary of the Financial Review' in the 'Report of the Board of Directors'.

Key data by primary reporting segment

Only capital employed elements (intangible assets, goodwill, property, plant and equipment and the elements of the operating working capital) are allocated to the various segments. 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. Sales prices between segments are determined on an arm's length basis.

2007 in thousands of €	**Advanced wire products**	**Advanced materials**	**Advanced coatings**	**Other**	**Eliminations**	**Conso-lidated**
Net sales to external customers	1 842 432	200 834	122 340	7 992	-	2 173 598
Net sales to other segments	1 377	2 702	1 814	147 959	-153 852	-
Total net sales	**1 843 809**	**203 536**	**124 154**	**155 951**	**-153 852**	**2 173 598**
Operating result (EBIT) before non-recurring items	215 342	17 240	3 043	-36 503	-12 782	186 340
Non-recurring items	-7 063	-36	-3 822	-817	-	-11 738
Operating result (EBIT)	**208 279**	**17 204**	**-779**	**-37 320**	**-12 782**	**174 602**
Depreciation and amortization	104 060	8 348	9 155	5 029	-6 903	119 689
Impairment losses	1 549	-	2 739	-	-	4 288
EBITDA	**313 888**	**25 552**	**11 115**	**-32 291**	**-19 685**	**298 579**
Segment assets	1 675 997	171 646	122 230	136 847	-243 913	1 862 807
Unallocated corporate assets	-	-	-	-	-	449 750
Total assets	**-**	**-**	**-**	**-**	**-**	**2 312 557**
Segment liabilities	332 397	51 363	20 857	84 517	-160 031	329 103
Unallocated corporate liabilities	-	-	-	-	-	836 868
Total liabilities	**-**	**-**	**-**	**-**	**-**	**1 165 971**
Capital employed	1 343 600	120 283	101 373	52 330	-83 882	1 533 704
Average capital employed	1 271 882	115 915	112 705	46 107	-74 615	1 471 993
Return on average capital employed (ROCE)	16.4%	14.8%	-0.7%	-	-	11.9%
Capital expenditure – PP&E	186 112	14 525	5 969	6 312	-20 503	192 415
Capital expenditure – intangible assets	3 748	1 109	17	2 519	-	7 393
Share in the results of joint ventures and associates	47 159	-59	-	-	-	47 100
Investments accounted for using the equity method (excl. goodwill)	209 618	157	-	-	-	209 775
Number of employees (year-end)	12 276	1 177	663	1 126	-	15 242

2006 restated in thousands of €	**Advanced wire products**	**Advanced materials**	**Advanced coatings**	**Other**	**Eliminations**	**Conso-lidated**
Net sales to external customers	1 684 630	182 008	134 453	8 496	-	2 009 587
Net sales to other segments	3 909	2 410	1 850	112 778	-120 947	-
Total net sales	**1 688 539**	**184 418**	**136 303**	**121 274**	**-120 947**	**2 009 587**
Operating result (EBIT) before non-recurring items	189 343	15 662	2 701	-33 379	-11 599	162 728
Non-recurring items	-12 484	-543	-1 841	-1 926	-	-16 794
Operating result (EBIT)	**176 859**	**15 119**	**860**	**-35 305**	**-11 599**	**145 934**
Depreciation and amortization	93 496	8 823	11 249	3 119	-5 961	110 726
Impairment losses	5 755	280	-539	-	-	5 496
EBITDA	**276 110**	**24 222**	**11 570**	**-32 186**	**-17 560**	**262 156**
Segment assets	1 499 080	163 426	144 989	124 066	-205 235	1 726 326
Unallocated corporate assets	-	-	-	-	-	493 503
Total assets	**-**	**-**	**-**	**-**	**-**	**2 219 829**
Segment liabilities	298 916	51 880	20 953	84 183	-139 887	316 045
Unallocated corporate liabilities	-	-	-	-	-	794 806
Total liabilities	**-**	**-**	**-**	**-**	**-**	**1 110 851**
Capital employed	1 200 164	111 546	124 036	39 883	-65 348	1 410 281
Average capital employed	1 167 064	108 833	135 114	34 742	-59 798	1 385 955
Return on average capital employed (ROCE)	15.2%	13.9%	0.6%	-	-	10.5%
Capital expenditure – PP&E	154 012	6 957	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)	9 996	1 076	745	911	-	12 728

The restatement in 2006 relates mainly to the internal repositioning of the advanced materials activities. As from 1 January 2007, Bekaert includes its activities in stainless as a separate activity platform within the advanced materials business segment and the 2006 figures have been restated accordingly. In addition to this organizational change, the IAS 19 restatement resulted in minor changes to the unallocated corporate assets and liabilities.

Key data by secondary reporting segment

2007 in thousands of €	Europe	North America	Latin America	Asia	Other regions	Conso-lidated
Net sales	1 050 762	511 087	71 116	505 520	35 113	2 173 598
Total assets before consolidation	*2 504 279*	*364 952*	*265 813*	*850 879*	-	*3 985 923*
Intercompany eliminations	*-1 497 258*	*-5 435*	*-1 043*	*-76 741*	-	*-1 580 477*
Total assets by region	**1 007 021**	**359 517**	**264 770**	**774 138**	**-**	**2 405 446**
Consolidation adjustments	-	-	-	-	-	-92 889
Total assets after consolidation	**-**	**-**	**-**	**-**	**-**	**2 312 557**
Capital expenditure						
PP&E	*59 151*	*8 870*	*1 360*	*123 034*	-	*192 415*
Intangible assets	*3 955*	*109*	-	*3 329*	-	*7 393*

2006 restated	Europe	North America	Latin America	Asia	Other regions	Conso-lidated
Net sales	977 295	597 481	31 634	369 386	33 791	2 009 587
Total assets before consolidation	*2 435 057*	*457 203*	*155 809*	*701 047*	-	*3 749 116*
Intercompany eliminations	*-1 432 989*	*-5 360*	*-51*	*-47 772*	-	*-1 486 172*
Total assets by region	**1 002 068**	**451 843**	**155 758**	**653 275**	**-**	**2 262 944**
Consolidation adjustments	-	-	-	-	-	-43 115
Total assets after consolidation	**-**	**-**	**-**	**-**	**-**	**2 219 829**
Capital expenditure						
PP&E	*42 148*	*11 252*	*167*	*99 214*	-	*152 781*
Intangible assets	*4 774*	*294*	-	*3 487*	-	*8 555*

The allocation 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 allocated by geographical location of the assets.

3. Income statement items and other comprehensive income

3.1. Sales and other operating revenues

in thousands of €	2007	2006	%
Sales	2 173 598	2 009 587	8.2

Sales increased as a result of an 8.0% organic growth and a 2.5% net effect of new acquisitions and divestments, partially offset by 2.3% negative exchange rate fluctuations. Sales are reported by business segment and geographical market in note 2 'Segment reporting' and in the 'Summary of the Financial Review' in the 'Report of the Board of Directors'.

Other operating revenues

in thousands of €	2007	2006
Royalties received	8 756	9 259
Gains on disposal of PP&E and intangible assets	1 630	1 231
Realized exchange results on sales and purchases	-4 195	-1 408
Tax rebates	1 589	769
Government grants	4 795	3 983
Miscellaneous	2 022	9 445
Total	**14 597**	**23 279**

Miscellaneous revenues in 2007 relate mainly to insurance claims (€ 0.3 million), services to third parties (€ 0.5 million) and other miscellaneous income (€ 0.7 million).
In 2006, miscellaneous revenues, related 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).

3.2. Other operating expenses

in thousands of €	2007	2006
Losses on disposal of PP&E and intangible assets	-827	-2 231
Amortization of intangible assets	-2 847	-2 133
Personnel charges	-2 791	-2 170
Bank charges	-1 874	-1 678
Other taxes	-288	-687
Miscellaneous	-2 038	-4 963
Total	**-10 665**	**-13 862**

Miscellaneous expenses in 2007 relate mainly to insurance expenses (€ 0.7 million) (2006: € 2.2 million), expenses relating to fixed assets (€ 0.4 million) (2006: € 0.8 million) and other miscellaneous expenses (€ 0.5 million) (2006: € 1.1 million).

3.3. Operating result (EBIT) before and after non-recurring items

in thousands of €	2007	2006	%
Operating result (EBIT) before non-recurring items	186 340	162 728	14.5

Bekaert's consolidated operating result (EBIT) before non-recurring items amounted to € 186.3 million, compared with € 162.7 million in 2006.

In advanced wire products, significant sales growth is the main driver behind the increase in the operating result. Bekaert was able to improve or maintain its position in the most important market segments in spite of the price pressure it experienced in a competitive environment. While the wire rod prices remained relatively stable, Bekaert faced price increases in several other cost components. Higher depreciation due to the investments and the implementation of restructuring programs in the United States (steel cord) and in Europe (carding solutions) had a negative impact on the result.

In advanced materials, Bekaert achieved better results in fiber technologies due to the growth in the application of metal fibers for diesel particulate film. In combustion technologies, market demand for drying systems in the paper industry was better than in 2006.

In advanced coatings, the result in industrial coatings was in line with previous year. For specialized films, market demand in the United States was weak but this was compensated by higher sales in Europe and Asia.

Bekaert continued to increase its efforts in research and development in all segments.

in thousands of €	2007	2006
Operating result (EBIT) before non-recurring items	186 340	162 728
Restructuring: impairment losses	*-3 049*	*-3 825*
Restructuring: other	*-10 377*	*-10 251*
Other impairment losses	*-1 239*	*-1 671*
Other	*2 927*	*-1 047*
Non-recurring items	-11 738	-16 794
Operating result (EBIT)	**174 602**	**145 934**

The operating result was adversely affected by the restructuring in carding solutions with the closure of plants in the United Kingdom and France (€ 6.0 million), the closure of some service centers in the specialized films activity platform (€ 0.8 million), disposals due to relocation of low carbon wire equipment within Zwevegem (Belgium) (€ 1.1 million), the write-off related to the termination of the thermal spray coating activity and impairment of some coating equipment in Belgium (€ 3.0 million), the costs related to the plant closures of Muskegon (Michigan, United States) (€ 0.3 million) and Dyersburg (Tennessee, United States) (€ 1.7 million) that had been announced in 2006 and some additional environmental provisions (€ 1.0 million). The non-recurring items were positively impacted by negative goodwill (€ 2.5 million) arising on the purchase of the remaining 50% shares in Vicson, S.A. (Venezuela).

3.4. Operating result (EBIT) by nature

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

in thousands of €	2007		2006	
Sales	2 173 598	100%	2 009 587	100%
Other operating revenues	14 597	-	23 279	-
Total operating revenues	**2 188 195**	**-**	**2 032 866**	**-**
Own construction of PP&E	116 814	-	88 901	-
Raw materials	-838 326	39%	-803 755	40%
Semi-finished products and goods for resale	-108 763	5%	-87 225	4%
Change in work-in-progress and finished goods	13 494	1%	17 555	1%
Staff costs	-472 608	22%	-462 011	23%
Depreciation and amortization	-119 689	6%	-110 726	6%
Impairment losses	-4 288	-	-5 496	-
Transport and handling of finished goods	-92 632	4%	-78 316	4%
Consumables and spare parts	-119 481	5%	-102 485	5%
Utilities	-118 713	5%	-111 786	6%
Maintenance and repairs	-49 340	2%	-51 052	3%
Miscellaneous operating expenses	-220 061	10%	-180 536	9%
Total operating expenses	**-2 013 593**	**93%**	**-1 886 932**	**94%**
Operating result (EBIT)	**174 602**	**8%**	**145 934**	**7%**

3.5. Interest income and expense

in thousands of €	2007	2006 restated
Interest income on financial assets carried at amortized cost	2 517	3 735
Interest income	**2 517**	**3 735**
Interest expense on financial liabilities carried at amortized cost	*-24 790*	*-17 988*
Interest expense on financial liabilities carried at fair value	*-8 104*	*-8 950*
Interest and similar expense	-32 894	-26 938
Interest element of interest-bearing provisions[1]	-2 123	-1 233
Interest expense	**-35 017**	**-28 171**
Total	**-32 500**	**-24 436**

[1]Restated.

The interest element of interest-bearing provisions relates mainly to the interest expense net of the expected return on plan assets of defined-benefit plans (see note 4.14 'Employee benefit obligations').

Interest expense on financial liabilities carried at amortized cost relates to all interest-bearing debt which is not hedged by a fair value hedge. Interest expense on financial liabilities carried at fair value relates both to interest-bearing debt hedged by a fair value hedge and to interest-rate risk mitigating derivatives (see note 5.3 'Financial risk management and financial derivatives').
Since interest-rate risk mitigating derivatives were used in connection with financial liabilities only, all interest expense adjustments from those derivatives are recorded as interest expense on financial liabilities at fair value.

3.6. Other financial income and expenses

in thousands of €	2007	2006
Value adjustments to derivatives	-13 988	18 994
Value adjustments to hedged items	-12 370	-8 977
Unrealized exchange results on underlying items of derivatives held for trading	25 342	-9 885
Impact of derivatives (see note 5.3)	**-1 016**	**132**
Other unrealized exchange results	695	-2 488
Realized exchange results	-13 344	86
Gains and losses on disposal of financial assets	4 151	-120
Dividends from other shares	239	1
Write-down of other shares	-	-3 292
Write-downs and write-down reversals of loans and receivables	-	-34
Other	793	-842
Total	**-8 482**	**-6 557**

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 5.3 '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. In 2007, realized exchange losses on dividends received amounted to € 12.7 million.

3.7. Income taxes

in thousands of €	2007	2006 restated
Current taxes for the year	-25 338	-28 162
Adjustment to current taxes in respect of prior periods	2 800	507
Deferred taxes for the year	4 063	10 060
Adjustment to deferred taxes in respect of prior periods	-620	-775
Total tax expense	**-19 095**	**-18 370**

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 €	2007	2006 restated
Accounting profit	133 620	114 941
Tax expense at the theoretical domestic rates applicable to profits of taxable entities in the countries concerned	-28 203	-25 474
Theoretical tax rate	-21.1%	-22.2%
Tax effect of:		
Non-deductible items	*-3 824*	*-3 196*
Other tax rates and special tax regimes	*30 414*	*18 321*
Non-recognition of deferred tax assets	*-13 172*	*-3 516*
Utilization of deferred tax assets not previously recognized	*2 787*	*7 752*
Current tax adjustments relating to prior periods	*2 800*	*507*
Deferred tax adjustments relating to prior periods	*-620*	*-775*
Taxes on distributed and undistributed earnings	*-10 461*	*-4 242*
Restatement impact	*-*	*-245*
Other	*1 184*	*-7 502*
Total tax expense	**-19 095**	**-18 370**

The theoretical tax rate was positively impacted by relatively higher growth in activities in lower-tax countries, while changes in tax rates in 2007 and 2006 had a minimal effect on the theoretical tax rate.

3.8. Share in the results of joint ventures and associates

While the joint ventures in the Andina region enjoyed substantial growth, the wire business in the Mercosur region (mainly Brazil and Chile) was faced with increasing imports from Asia and hence sustained pressure on prices. The negative result of Bekaert Australia Steel Cord Pty Ltd. was due to the closure of the steel cord plant.

in thousands of €		2007	2006
Joint ventures			
Bekaert Australia Steel Cord Pty Ltd	Australia	-1 680	377
Bekaert Faser Vertriebs GmbH	Germany	74	55
Belgo Bekaert Arames Ltda. and subsidiary	Brazil	29 864	31 844
BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda.	Brazil	4 236	3 703
Inchalam and Prodalam group	Chile	7 068	8 822
Ideal Alambrec group	Ecuador	2 309	2 133
Vicson, S.A. and subsidiaries[1]	Venezuela	5 292	3 844
Mukand Bekaert Wire Industries Pvt Ltd	India	-133	-
Subtotal - joint ventures		**47 030**	**50 778**
Associates			
Jiangyin Fasten-Bekaert Optical Cable Steel Products Co., Ltd.	China	70	213
Subtotal - associates		**70**	**213**
Total - joint ventures and associates		**47 100**	**50 991**

[1] Based on financial statements as at 30 September 2007 and 30 September 2006. On 1 October 2007 Bekaert acquired the remaining 50% of the shares in Vicson, S.A. (Venezuela), which became a subsidiary.

Refer to note 5.9 'Subsidiaries, joint ventures and associates' for the list of legal entities related to this note.

3.9. Earnings per share

As at 31 December 2007	Number
Weighted average number of ordinary shares (basic)	20 039 098
Dilution effect of subscription rights	130 791
Weighted average number of ordinary shares (diluted)	20 169 889

in thousands of €	Basic	Diluted
Result for the period attributable to the Group and to ordinary shareholders	152 890	152 890
Earnings per share (in €)	**7.630**	**7.580**

As at 31 December 2006	Number
Weighted average number of ordinary shares (basic)	21 491 565
Dilution effect of subscription rights	105 278
Weighted average number of ordinary shares (diluted)	21 596 843

As reported before restatement

in thousands of €	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**

Restatement impact

in thousands of €	Basic	Diluted
Result for the period attributable to the Group and to ordinary shareholders	451	451
Earnings per share (in €)	**0.021**	**0.021**

After restatement

in thousands of €	Basic	Diluted
Result for the period attributable to the Group and to ordinary shareholders	142 791	142 791
Earnings per share (in €)	**6.644**	**6.612**

The weighted average closing price during 2007 was € 98.19 per share (2006: € 81.99 per share).

3.10. Total comprehensive income and statement of changes in equity

Total comprehensive income includes both the result of the period recognized in the income statement and the other comprehensive income recognized in equity.
Other comprehensive income includes all changes in equity other than owner-related changes, which are analyzed in the statement of changes in equity.

The table below lists the elements of total comprehensive income by equity caption.

in thousands of €	2007	2006 restated
Result for the period attributable to the Group	152 890	142 791
Deferred taxes booked in equity	-3 809	-2 253
Share of other comprehensive income of joint ventures and associates	1 349	829
Other	94	-882
Retained earnings	**150 524**	**140 485**
Hedging reserve	-4 168	-2 625
Revaluation reserve for available-for-sale investments	8 139	-462
Revaluation reserve for actuarial gains and losses on defined-benefit plans	26 255	11 760
Remeasurement of net assets held prior to acquiring control	9 140	-
Hedging and revaluation reserves	**39 366**	**8 673**
Exchange gains and losses	6 118	-29 175
Cumulative translation adjustments	**6 118**	**-29 175**
Result for the period attributable to minority interests	8 735	4 771
Exchange gains and losses	-370	-1 773
Minority interests	**8 365**	**2 998**
Total comprehensive income	**204 373**	**122 981**

The following table analyzes the deferred taxes booked in equity by item of other comprehensive income:

in thousands of €	2007	2006 restated
Cash flow hedges	2 017	1 006
Actuarial gains and losses on defined-benefit plans	-5 552	-3 788
Undistributed earnings	-274	529
Total deferred tax booked in equity	**-3 809**	**-2 253**

Remeasurement of net assets prior to acquiring control represents the impact of remeasuring the interests held in Vicson, S.A. (Venezuela) and Productora de Alambres Colombianos Proalco S.A. (Colombia) prior to their acquisition on 1 October 2007. Since the Group had joint control in both of these companies, close to 50% of their net assets were previously accounted for using the equity method. In accordance with IFRS 3 Business Combinations, the identifiable assets, liabilities and contingent liabilities of the acquiree have now been initially measured at fair value at the date of the acquisition. However, only the acquired interest in the acquiree's identifiable assets, liabilities and contingent liabilities has been taken into account when determining any excess of the cost of the business combination over its fair value (to be recognized as goodwill) or any deficit (to be recognized as an income of the period). Consequently, the remeasurement impact of the interests held prior to acquiring control has been recognized in equity. Please refer to note 5.2 'Effect of acquisitions' for more information.

Regarding the dividends reported in the owner-related changes in equity (€ 49.6 million), it should be noted that the difference from the dividend proposal reported in last year's annual report (€ 51.0 million) is due to the fact that, after the release of the annual report, the Board of Directors decided to suspend the right to dividends attaching to treasury shares.

4. Balance sheet items

4.1. Intangible assets

Cost in thousands of €	**Licenses, patents & similar rights**	**Computer software**	**Rights to use land**	**Development costs**	**Other**	**Total**
As at 1 January 2006	37 485	40 384	11 403	5 110	6 369	100 751
Expenditure	134	4 946	3 341	-	134	8 555
Disposals and retirements	-3 332	-960	-	-	-6	-4 298
Transfers	-	-	-	-	3 001	3 001
New consolidations	500	-	-	982	12 400	13 882
Exchange gains and losses (-)	-5	-785	-904	-153	-447	-2 294
As at 31 December 2006	**34 782**	**43 585**	**13 840**	**5 939**	**21 451**	**119 597**
As at 1 January 2007	34 782	43 585	13 840	5 939	21 451	119 597
Expenditure	56	4 160	3 114	-	63	7 393
Disposals and retirements	-	-828	-	-4 442	-268	-5 538
Transfers	-388	776	748	-	-	1 136
New consolidations	-	-	-	-	460	460
Deconsolidations	-	-	-	-	-180	-180
Exchange gains and losses (-)	-4	-746	-700	-69	-1 189	-2 708
As at 31 December 2007	**34 446**	**46 947**	**17 002**	**1 428**	**20 337**	**120 160**

Accumulated amortization and impairment in thousands of €	**Licenses, patents & similar rights**	**Computer software**	**Rights to use land**	**Development costs**	**Other**	**Total**
As at 1 January 2006	21 778	24 999	2 027	5 013	1 410	55 227
Charge for the year	3 019	4 440	249	116	2 531	10 355
Impairment losses	-	-	-	71	1 391	1 462
Disposals and retirements	-3 313	-759	-	-	-6	-4 078
New consolidations	-	-	-	190	-	190
Exchange gains (-) and losses	-5	-471	-154	-147	-292	-1 069
As at 31 December 2006	**21 479**	**28 209**	**2 122**	**5 243**	**5 034**	**62 087**
As at 1 January 2007	21 479	28 209	2 122	5 243	5 034	62 087
Charge for the year	3 276	4 820	340	162	3 318	11 916
Impairment losses	-	113	-	-	-	113
Disposals and retirements	3	-92	-	-4 442	-267	-4 798
Transfers	-383	383	43	-	-	43
Deconsolidations	-	-	-	-	-54	-54
Exchange gains (-) and losses	-4	-551	-103	-69	-307	-1 034
As at 31 December 2007	**24 371**	**32 882**	**2 402**	**894**	**7 724**	**68 273**
Carrying amount as at 1 January 2006	**15 707**	**15 385**	**9 376**	**97**	**4 959**	**45 524**
Carrying amount as at 31 December 2006	**13 303**	**15 376**	**11 718**	**696**	**16 417**	**57 510**
Carrying amount as at 31 December 2007	**10 075**	**14 065**	**14 600**	**534**	**12 613**	**51 887**

The implementation of ERP software (SAP) accounted for € 4.2 million (2006: € 4.9 million) of the expenditure. The rights to use land, acquired for new plants in Jiangyin (Jiangsu province, China) cost € 3.1 million. Currency movements, mainly related to assets recorded in US dollars, British pounds and Chinese renminbis, had a negative impact of € 1.7 million on the 2007 carrying amount. Licenses, patents and similar rights consist mainly of intellectual property relating to the specialized films activity acquired in 2001, with a carrying amount of € 9.6 million (2006: € 12.3 million).

No intangible assets have been identified as having an indefinite useful life at the balance sheet date.

4.2. Goodwill

Cost in thousands of €	**2007**	**2006**
As at 1 January	82 206	85 342
Expenditure	-	5 123
Deferred payment adjustments	-19	-
Exchange gains and losses (-)	-5 095	-5 258
Transfers	-1 751	-3 001
Reclassification as held for sale	-184	-
As at 31 December	**75 157**	**82 206**

Impairment losses in thousands of €	**2007**	**2006**
As at 1 January	5 241	5 463
Exchange gains (-) and losses	-202	-222
As at 31 December	**5 039**	**5 241**
Carrying amount as at 1 January	**76 965**	**79 879**
Carrying amount as at 31 December	**70 118**	**76 965**

This note relates only to goodwill on acquisition of subsidiaries. Goodwill in respect of companies accounted for using the equity method is disclosed in note 4.4 'Investments accounted for using the equity method'.

The reclassification of goodwill to assets classified as held for sale relates to the subsidiary Precision Surface Technology Pte Ltd. (Singapore).

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:

Segment in thousands of €	**Cash-generating unit**	**Carrying amount after impairment 31 Dec 2007**	**Carrying amount after impairment 31 Dec 2006**	**Carrying amount 1 Jan 2006**
Subsidiaries				
Advanced wire products	Van Buren plant	-	-	3 201
Advanced wire products	Bekaert Canada Ltd.	3 779	5 530	5 530
Advanced wire products	Orrville plant	7 968	8 907	9 944
Advanced wire products	Carding solutions	1 073	1 190	1 005
Advanced wire products	Cold Drawn Products	3 052	3 333	-
Advanced materials	Advanced filtration	995	995	902
Advanced materials	Combustion technologies	3 027	3 027	1 493
Advanced materials	Solaronics	13 613	13 633	13 616
Advanced coatings	Industrial coatings	4 285	4 285	4 285
Advanced coatings	BACT United States plant	198	221	247
Advanced coatings	Sorevi S.A.S.	1 496	1 496	1 496
Advanced coatings	Precision Surface Technology	-	184	184
Advanced coatings	Specialized films	30 632	34 164	37 976
Subtotal		**70 118**	**76 965**	**79 879**
Joint ventures and associates				
Advanced wire products	Belgo Bekaert Arames Ltda.	5 785	5 345	5 479
Subtotal		**5 785**	**5 345**	**5 479**
Total		**75 903**	**82 310**	**85 358**

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually on the basis of their value in use, applying the following assumptions:

- The time horizon is normally 12 years (average lifetime of equipment) but can differ case by case.
- The future free cash flows are based on the latest budgeting/planning exercises for the coming 3 years. All cash flows thereafter are estimations made by the management of the cash-generating unit. The Group takes a rather conservative approach and applies no growth or very limited growth depending on the past performance, market potential and competitive position of the specific cash-generating units. The growth factors for the impairment exercises as at the end of 2007 were between 0 and 3% for most cash-generating units and between 5 and 10% for the specialized films business. No cost structure improvements are taken into account unless they can be substantiated.
- The future cash flows are based on the assets in their current condition and do not include future restructuring not yet committed or future capital expenditures improving or enhancing the assets in excess of their originally assessed standard of performance. Only that capital expenditure required to maintain the assets in good working order is included. The cash outflows relating to working capital are calculated as a percentage of incremental sales based on the past performance of the specific cash-generating unit.
- The discount factor is based on a (long-term) pre-tax cost of capital, the risks being implicit in the cash flows. The discount factor is 9.5%, representing a 50/50 average of the pre-tax cost of debt (7%) and the pre-tax cost of equity financing (12%). This discount factor is applied for impairment exercises for the European and North American regions, which have approximately the same cost of capital. If impairment exercises are needed for other regions (e.g. Latin America), the discount factor is determined on a case by case basis.

The tests did not reveal the need to recognize any impairment losses on goodwill in 2006 and 2007.

4.3. Property, plant and equipment

Cost in thousands of €	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Leases and similar rights	Other PP&E	Assets under construction and advance payments	Total
As at 1 January 2006	494 370	1 517 218	64 240	3 028	5 285	57 958	2 142 099
Expenditure	13 425	14 767	2 590	361	116	121 522	152 781
Disposals and retirements	-1 782	-63 703	-3 822	-305	-227	-495	-70 334
Transfers	11 000	105 276	4 056	-370	348	-120 310	-
New consolidations	960	21 655	1 839	1 253	-	478	26 185
Reclassification as held for sale	-8 420	-	-	-	-	-	-8 420
Exchange gains and losses (-)	-20 747	-55 046	-1 997	-28	16	-1 146	-78 948
As at 31 December 2006	**488 806**	**1 540 167**	**66 906**	**3 939**	**5 538**	**58 007**	**2 163 363**
As at 1 January 2007	488 806	1 540 167	66 906	3 939	5 538	58 007	2 163 363
Expenditure	17 377	48 201	4 766	82	17	121 972	192 415
Disposals and retirements	-33 256	-56 912	-1 966	-7	-1 542	-128	-93 811
Transfers	20 457	83 429	-1 073	-502	83	-103 530	-1 136
New consolidations	25 600	18 331	1 484	-	-	3 080	48 495
Deconsolidations	-	-	-32	-	-	-	-32
Reclassification as held for sale	2 885	-3 952	-71	-771	-94	-	-2 003
Exchange gains and losses (-)	-16 733	-47 596	-1 913	-124	1	-1 705	-68 070
As at 31 December 2007	**505 136**	**1 581 668**	**68 101**	**2 617**	**4 003**	**77 696**	**2 239 221**
Accumulated depreciation and impairment							
As at 1 January 2006	279 014	1 004 506	51 924	1 300	3 795	-	1 340 539
Charge for the year	19 115	78 130	5 508	470	107	-	103 330
Impairment losses	1 466	2 568	-	-	-	-	4 034
Disposals and retirements	-484	-62 438	-3 582	-303	-51	-	-66 858
Transfers	1 624	-2 660	663	-108	481	-	-
New consolidations	71	11 455	1 284	677	-	-	13 487
Reclassification as held for sale	-6 733	-	-	-	-	-	-6 733
Exchange gains (-) and losses	-12 711	-35 687	-1 542	-2	24	-	-49 918
As at 31 December 2006	**281 362**	**995 874**	**54 255**	**2 034**	**4 356**	**-**	**1 337 881**
As at 1 January 2007	281 362	995 874	54 255	2 034	4 356	-	1 337 881
Charge for the year	19 500	83 362	5 524	443	201	-	109 030
Impairment losses	-	4 175	-	-	-	-	4 175
Disposals and retirements	-31 033	-56 761	-1 811	-7	-928	-	-90 540
Transfers	579	3 490	-3 631	-481	-	-	-43
Deconsolidations	-	-	-19	-	-	-	-19
Reclassification as held for sale	3 573	-1 316	-44	-187	-78	-	1 948
Exchange gains (-) and losses	-9 882	-30 659	-1 457	-76	6	-	-42 068
As at 31 December 2007	**264 099**	**998 165**	**52 817**	**1 726**	**3 557**	**-**	**1 320 364**
Carrying amount as at 31 December 2006 before investment grants and reclassification of leases	**207 444**	**544 293**	**12 651**	**1 905**	**1 182**	**58 007**	**825 482**
Net investment grants	-596	-728	-	-	-	-	-1 324
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 2007 before investment grants and reclassification of leases	**241 037**	**583 503**	**15 284**	**891**	**446**	**77 696**	**918 857**
Net investment grants	-393	-847	-	-	-	-	-1 240
Reclassification of leases	420	157	314	-891	-	-	-
Carrying amount as at 31 December 2007	**241 064**	**582 813**	**15 598**	**-**	**446**	**77 696**	**917 617**

The investment programs in China, Belgium and Slovakia accounted for most of the expenditure. The net exchange loss for the year (€ 26.0 million) relates mainly to assets denominated in US dollars and Chinese renminbis.
New consolidations in 2007 relate to the acquisition of the remaining 50% of the shares of Vicson, S.A. (Venezuela) and its subsidiaries, including Productora de Alambres Colombianos Proalco S.A. (Colombia) and the businesses of Krebsöge Excel (India) and Sumiden (Indonesia) acquired in an asset deal. Impairment losses were recognized mainly on assets related to the plant in Van Buren (Arkansas, United States) and to the wire and advanced coatings activities in Belgium.

4.4. Investments accounted for using the equity method

Investments excluding related goodwill

Carrying amount in thousands of €	**2007**	**2006**
As at 1 January	232 402	232 887
Capital increases and decreases	183	-
Result for the year	47 100	50 991
Dividends	-52 435	-32 063
Exchange gains and losses	1 252	-20 242
Changes in consolidation method	-18 502	-
Transfers	-1 574	-
Other comprehensive income	1 349	829
As at 31 December	**209 775**	**232 402**

Changes in consolidation method relate to the acquisition of Vicson, S.A. (Venezuela), and its subsidiaries, which are now fully consolidated. Transfers relate to Productora de Alambres Colombianos Proalco S.A. (Colombia), a subsidiary of Vicson, S.A. (Venezuela), in which a participation of 25% held by the Ideal Alambrec group (Ecuador) has now been accounted for using the full consolidation method instead of the equity method.

Related goodwill

Cost in thousands of €	**2007**	**2006**
As at 1 January	5 345	5 479
Exchange gains and losses	440	-134
As at 31 December	**5 785**	**5 345**
Carrying amount of related goodwill as at 31 December	**5 785**	**5 345**
Total carrying amount of investments accounted for using the equity method as at 1 January	**237 747**	**238 366**
Total carrying amount of investments accounted for using the equity method as at 31 December	**215 560**	**237 747**

Combined items

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

in thousands of €	**31 Dec 2007**	**31 Dec 2006**	**1 Jan 2006**
Property, plant and equipment	134 128	141 198	153 442
Other non-current assets	29 421	24 385	40 631
Current assets	185 178	208 632	173 807
Non-current liabilities and minority interests	-27 978	-33 270	-31 725
Current liabilities	-110 974	-108 543	-103 268
Total net assets	**209 775**	**232 402**	**232 887**

	2007	**2006**
Sales	567 420	560 954
Operating result (EBIT)	63 928	68 671
Result for the period	47 100	50 991
Total comprehensive income for the period	48 449	51 820

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

in thousands of €		31 Dec 2007	31 Dec 2006	1 Jan 2006
Joint ventures				
Bekaert Australia Steel Cord Pty Ltd	Australia	3 335	4 997	4 787
Bekaert Faser Vertriebs GmbH	Germany	115	95	111
Belgo Bekaert Arames Ltda. and subsidiary	Brazil	122 266	107 771	102 937
BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda.	Brazil	21 868	26 351	28 269
Inchalam and Prodalam group	Chile	49 689	59 365	58 307
Ideal Alambrec group	Ecuador	11 076	12 642	13 240
Vicson, S.A. and subsidiaries[1]	Venezuela	-	19 446	23 588
Mukand Bekaert Wire Industries Pvt Ltd.	India	43	-	-
Subtotal for joint ventures		**208 392**	**230 667**	**231 239**
Associates				
Jiangyin Fasten-Bekaert Optical Cable Steel Products Co., Ltd.	China	1 383	1 735	1 648
Subtotal for associates		**1 383**	**1 735**	**1 648**
Total for joint ventures and associates excluding related goodwill		**209 775**	**232 402**	**232 887**
Carrying amount of related goodwill		**5 785**	**5 345**	**5 479**
Total for joint ventures and associates including related goodwill		**215 560**	**237 747**	**238 366**

[1] Based on financial statements as at 30 September 2007 and 30 September 2006.

Vicson, S.A. and its subsidiaries have been accounted for using the full consolidation method as from their acquisition date (1 October 2007). Refer to note 5.9 'Subsidiaries, joint ventures and associates' for the list of legal entities related to this note.

4.5. Other non-current assets

in thousands of €	31 Dec 2007	31 Dec 2006	1 Jan 2006
Loans and receivables - non-current	3 104	1	186
Derivatives (cf. note 5.3)	47 460	71 927	61 159
Available-for-sale financial assets	24 287	18 663	6 575
Carrying amount as at 31 December	**74 851**	**90 591**	**67 920**

Available-for-sale financial assets - non-current

Carrying amount

in thousands of €	2007	2006
As at 1 January	18 663	6 575
Expenditure	827	16 935
Disposals and closures	-	-14
Fair value changes	8 140	-462
Write-downs and write-down reversals	-	-3 292
Transfers	-3 103	-1 015
Reclassification as held for sale	-150	-
Exchange gains and losses	-90	-64
As at 31 December	**24 287**	**18 663**

The investment in Shougang Concord Century Holdings Ltd., a Hong Kong Stock Exchange listed company which is classified as held for sale has been restated to fair value.
The shares in Enerjisa, held by Beksa Celik Kord Sanayi ve Ticaret A.S. (Turkey), with a carrying amount zero, were sold in May 2007.

4.6. Deferred tax assets and liabilities

Carrying amount in thousands of €	Assets 2007	Assets 2006	Liabilities 2007	Liabilities 2006
As at 1 January before restatement	18 589	7 763	-60 430	-57 851
Restatement impact	-	7 663	-	45
As at 1 January after restatement	**18 589**	**15 426**	**-60 430**	**-57 806**
Increase or decrease via income[1]	-9 323	9 482	12 766	-197
Increase or decrease via equity[1]	-3 420	-2 841	-389	588
New consolidations	2 417	408	-9 244	-4 949
Deconsolidations	-1	-	18	-
Reclassification as held for sale	-	-	232	-
Exchange gains and losses[1]	-2 817	-3 886	2 037	1 934
As at 31 December	**5 445**	**18 589**	**-55 010**	**-60 430**

[1] Restated.

Recognized deferred tax assets and liabilities

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

in thousands of €	Assets 31 Dec 2007	Assets 31 Dec 2006 restated	Assets 1 Jan 2006 restated	Liabilities 31 Dec 2007	Liabilities 31 Dec 2006 restated	Liabilities 1 Jan 2006 restated
Intangible assets	1 665	1 560	1 366	-7 151	-7 759	-4 651
Property, plant and equipment	3 800	4 753	4 910	-36 897	-38 391	-46 601
Financial assets	793	1 118	1 462	-30 981	-26 184	-22 300
Inventories	3 004	4 786	7 042	-5 103	-6 179	-3 871
Receivables	1 601	1 348	1 242	-446	-300	-270
Other current assets	18	-	16	-12	-4	-13
Employee benefit obligations	9 908	7 576	14 714	-	-416	-17
Other provisions	722	1 142	1 467	-81	-	-3
Other liabilities	2 223	4 270	2 773	-7 842	-8 555	-6 314
Tax losses carried forward, tax credits and recoverable income taxes	15 214	19 394	6 668	-	-	-
Tax assets / liabilities	**38 948**	**45 947**	**41 660**	**-88 513**	**-87 788**	**-84 040**
Set-off of assets and liabilities	-33 503	-27 358	-26 234	33 503	27 358	26 234
Net tax assets / liabilities	**5 445**	**18 589**	**15 426**	**-55 010**	**-60 430**	**-57 806**

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 €	31 Dec 2007	31 Dec 2006 restated	1 Jan 2006 restated	Variance 2007 vs 2006 at 31 Dec	Variance 2006 31 Dec vs 1 Jan
Deductible temporary differences	99 149	110 404	133 031	-11 255	-22 627
Capital losses	69 662	77 044	79 513	-7 382	-2 469
Trade losses	90 225	67 176	56 537	23 049	10 639
Total	**259 036**	**254 624**	**269 081**	**4 412**	**-14 457**

Of the accumulated capital losses as at 31 December 2007, some 55% is expected to expire before 2009.

4.7. Operating working capital

in thousands of €	31 Dec 2007	31 Dec 2006	1 Jan 2006
Raw materials and consumables	161 235	149 201	139 937
Work in progress and finished goods	200 720	199 285	197 232
Goods purchased for resale and advance payments	23 488	20 278	11 161
Inventories	**385 443**	**368 764**	**348 330**
Trade receivables	437 743	398 928	354 225
Trade payables	-231 745	-227 827	-187 369
Advances received on contracts	-6 448	-4 679	-2 601
Current employee benefit obligations	-83 381	-76 042	-73 475
Employment-related taxes	-7 529	-7 497	-8 135
Operating working capital	**494 083**	**451 647**	**430 975**

Average operating working capital represented 21.8% of sales (2006: 22.0%). Operating working capital increased by € 42.4 million in 2007, explained primarily by:
- negative impact of currency movements of € 17.4 million (2006: negative impact of currency movements of € 19.5 million);
- increase of € 21.2 million from new acquisitions;
- decrease of € 1.5 million from reclassifications to assets and liabilities held for sale;
- increase of € 41.9 million related to organic growth.

Additional information is as follows:
- Inventories
  Net write-downs in 2007 amounted to € 2.3 million (2006: net reversal of write-downs of € 0.8 million).
  No inventories were pledged as security for liabilities (2006: none).
- Trade receivables
  More information about allowances and past due receivables is provided in the following table:

Trade receivables

in thousands of €	31 Dec 2007	31 Dec 2006	1 Jan 2006
Gross amount	444 509	406 893	362 149
Allowance for bad debts (impaired)	-6 766	-7 965	-7 924
Net carrying amount	437 743	398 928	354 225
of which past due but not impaired	*89 737*	*87 365*	*78 638*
Average number of days outstanding: past due but not impaired	*94*	*90*	*101*

Regarding trade receivables that are neither impaired nor past due, there are no indications that the debtors will not meet their payment obligations.
For more information on credit enhancement techniques we refer to note 5.3 ‘Financial risk management and financial derivatives’.

4.8. Other receivables

Carrying amount

in thousands of €	2007	2006
As at 1 January	53 814	54 401
Increase or decrease	-5 288	-530
New consolidations	3 988	665
Deconsolidations	-10	-
Reclassification as held for sale	-15	-
Exchange gains and losses	205	-722
As at 31 December	**52 694**	**53 814**

Other receivables relate mainly to € 31.8 million (2006: € 28.1 million) in respect of taxes, € 2.3 million (2006: € 2.9 million) in respect of royalties and € 5.9 million (2006: € 7.5 million) in respect of interest on equity receivable from Belgo Bekaert Arames Ltda. (Brazil). None of these receivables are significantly overdue.

4.9. Other current assets

Carrying amount in thousands of €	**31 Dec 2007**	**31 Dec 2006**	**1 Jan 2006**
Current loans and receivables	2 813	123	143
Derivatives (cf. note 5.3)	7 348	1 479	335
Deferred charges and accrued revenues	6 530	8 316	8 521
Overfunded defined-benefit plans (cf. note 4.14)	3 704	-	-
As at 31 December	**20 395**	**9 918**	**8 999**

4.10. Assets classified as held for sale and liabilities associated with those assets

Carrying amount in thousands of €	**2007**	**2006**
As at 1 January	1 687	3 802
Increase	6 656	1 687
Disposal	-	-3 802
Reclassifications	-561	-
Exchange gains and losses	-220	-
As at 31 December	**7 562**	**1 687**

in thousands of €	**31 Dec 2007**	**31 Dec 2006**	**1 Jan 2006**
Individual items of property, plant and equipment	2 130	1 687	3 802
Disposal groups	5 432	-	-
Total assets classified as held for sale	**7 562**	**1 687**	**3 802**
Disposal groups	2 875	-	-
Total liabilities associated with assets classified as held for sale	**2 875**	**-**	**-**

The individual items of property, plant and equipment classified as held for sale relate to a building in Durham (North Carolina, United States) and a plot of land in Aalter (Belgium). 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 reclassification relates primarily to the plant in Muskegon (Michigan, United States), being transferred back to property, plant and equipment.
The disposal groups, both the assets and liabilities associated with them, relate to the intended sale of two subsidiaries, i.e. Bekaert Precision Surface Technology (Suzhou) Co., Ltd. (Jiangsu province, China) and Precision Surface Technology Pte Ltd. (Singapore), for which a letter of intent has been signed in October 2007.

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

Issued capital in thousands of €		**Value**	**Number of shares**[1]
1	As at 1 January 2007	173 300	20 946 779
	Movements in the year		
	Issue of new shares	*363*	*41 866*
	Cancellation of shares	*-*	*-1 157 645*
	As at 31 December 2007	173 663	19 831 000
2	Structure		
2.1	Classes of ordinary shares		
	Ordinary shares without par value	*173 663*	*19 831 000*
2.2	Registered shares	-	571 746
	Bearer shares	-	19 259 254
Authorized capital not issued		**166 337**	

[1] Treasury share transactions after balance sheet date are disclosed in note 5.7 'Events after balance sheet date'.

A total of 41 866 subscription rights were exercised under the Company's SOP1 stock option plan in 2007, requiring the issue of a total of 41 866 new shares of the Company.

The Company purchased a total of 1 160 425 of its own shares in 2007, of which 1 157 645 were cancelled, resulting in a reduction in the reserves of € 110.7 million. The remainder (2 780 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	34 505	505	780	01.06 - 15.06.2003	15.11 - 30.11.2012
17.12.1999	15.02.2000	04.04.2000	52.60	2 830	240	2 590	-	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	100 552	820	5 275	01.06 - 15.06.2004	22.05 - 15.06.2013
14.07.2000	12.09.2000	26.09.2000	54.00	5 415	960	4 355	100	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	137 125	806	1 708	22.05 - 30.06.2005	22.05 - 15.06.2014
13.07.2001	11.09.2001	26.09.2001	41.94	3 875	3 695	120	60	22.05 - 30.06.2005	22.05 - 15.06.2011
12.07.2002	10.09.2002	25.09.2002	47.48	35 384	31 534	240	3 610	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	28 300	-	5 280	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	**342 961**	**9 436**	**184 267**		

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
21.12.2006	19.02.2007	90.52	12 500	-	-	12 500	22.05 - 30.06.2010	15.11 - 15.12.2016
			101 920	**20 120**	**-**	**81 800**		

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
21.12.2006	19.02.2007	22.03.2007	90.52	60 670	-	-	60 670	22.05 - 30.06.2010	15.11 - 15.12.2016
				131 436	**-**	**-**	**131 436**		

SOP1 Stock Option Plan	2007 Number of subscription rights	2007 Weighted average exercise price (in €)	2006 Number of subscription rights	2006 Weighted average exercise price (in €)
Outstanding as at 1 January	226 073	46.67	271 193	47.01
Forfeited during the year	60	41.94	-770	46.89
Exercised during the year	-41 866	43.97	-44 350	48.74
Outstanding as at 31 December	**184 267**	**47.28**	**226 073**	**46.67**

SOP2 Stock Option Plan	2007 Number of options	2007 Weighted average exercise price (in €)	2006 Number of options	2006 Weighted average exercise price (in €)
Outstanding as at 1 January	72 080	59.89	44 470	46.71
Granted during the year	12 500	90.52	36 500	72.66
Exercised during the year	-2 780	40.89	-8 890	46.37
Outstanding as at 31 December	**81 800**	**65.22**	**72 080**	**59.89**

SOP 2005-2009 Stock Option Plan	2007 Number of subscription rights	2007 Weighted average exercise price (in €)	2006 Number of subscription rights	2006 Weighted average exercise price (in €)
Outstanding as at 1 January	70 766	71.39	-	-
Granted during the year	60 670	90.52	70 766	71.39
Outstanding as at 31 December	**131 436**	**80.22**	**70 766**	**71.39**

Weighted average remaining contractual life in years	2007	2006
SOP1	6.4	7.3
SOP2	7.6	8.3
SOP 2005-2009	8.4	9.0

No subscription rights or options under either plan were exercisable at year-end (2006: none). The weighted average share price at the date of exercise in 2007 was € 105.07 for the SOP1 subscription rights (2006: € 83.37) and € 104.27 for the SOP2 options (2006: € 78.96). 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 through 2004 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. The vesting conditions of the SOP 2005-2009 grants, as well as of the SOP2 grants beginning in 2006, are such that the subscription rights or options 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 5.4 'Share-based payments').

4.12. Other reserves

Carrying amount in thousands of €	31 Dec 2007	31 Dec 2006 restated	1 Jan 2006 restated
Share premium	12 510	11 032	9 271
Hedging and revaluation reserves	20 236	-19 130	-27 803
Cumulative translation adjustments	-103 736	-109 854	-80 679
Total other reserves	**-70 990**	**-117 952**	**-99 211**

Hedging reserve

in thousands of €	2007	2006
As at 1 January	-1 043	1 582
New instruments added	-	8
Recycled to income statement	-7 718	-7 570
Fair value changes of existing instruments	3 550	4 937
As at 31 December	**-5 211**	**-1 043**
Of which		
Cross-currency interest-rate swaps (on Eurobonds)	*-5 933*	*-1 051*
Interest rate swaps (on Chinese renminbi)	*675*	*8*

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.

Revaluation reserve for available-for-sale investments

in thousands of €	2007	2006
As at 1 January	-462	-
Fair value changes	8 139	-462
As at 31 December	**7 677**	**-462**
Of which		
Investment in Shougang Concord Century Holdings Ltd.	*7 677*	*-462*

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.

Revaluation reserve for actuarial gains and losses on defined-benefit plans

in thousands of €	2007	2006
As at 1 January before restatement	-17 625	-
Restatement impact	-	-29 385
As at 1 January after restatement	**-17 625**	**-29 385**
Actuarial gains and losses (-) of the period	26 255	11 760
As at 31 December	**8 630**	**-17 625**

The actuarial gains and losses on defined-benefit plans result from a remeasurement of the defined-benefit obligations and plan assets to fair value at the balance sheet date.

Other revaluation reserve

in thousands of €	2007	2006
As at 1 January	-	-
Remeasurement of net assets held prior to acquiring control	9 140	-
As at 31 December	**9 140**	**-**

The remeasurement of net assets held prior to acquiring control relates to the fact that Bekaert already held an interest of 50% in the net assets of Vicson, S.A. (Venezuela) and its subsidiaries prior to acquiring control by the acquisition of the remaining 50% in 2007. In accordance with IFRS 3 Business Combinations, the initial accounting for this acquisition required a remeasurement of all net assets to fair value for the purpose of determining any goodwill. The remeasurement of the part of the net assets held prior to acquiring control constitutes a revaluation directly recognized in equity (see also note 3.10 ‘Total comprehensive income and statement of changes in equity’ and note 5.2 ‘Effect of acquisitions’).

4.13. Minority interests

Carrying amount in thousands of €	2007	2006
As at 1 January	48 850	51 063
Increase (-) or decrease in ownership	-4 290	-
Share of net profit of subsidiaries	8 735	4 771
Dividend pay-out	-7 591	-7 613
Capital increases	1 524	2 402
New consolidations	3 148	-
Transfers from investments accounted for using the equity method	-1 574	-
Exchange gains and losses (-)	-370	-1 773
As at 31 December	**48 432**	**48 850**

The decrease in ownership relates to the purchase of the remaining 30% in Bekaert Canada Ltd. from Mitsui. The increase in the share of net profit derives primarily from the Chinese subsidiaries. Due to the acquisition of Vicson, S.A. (Venezuela), a minority interest in its subsidiary Productora de Alambres Colombianos Proalco S.A. (Colombia) held by a joint venture was transferred from investments accounted for using the equity method.

4.14. 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 companies. 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 because no information is available with respect to the plan assets attributable to Bekaert; contributions for these plans amounted to € 0.8 million (2006: € 0.7 million).

Defined-contribution plans in thousands of €	2007	2006
Expenses recognized	9 365	11 065

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 equities. 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 € 117.1 million as at 31 December 2007 (€ 151.0 million as at year-end 2006 after restatement), are as follows:

in thousands of €	31 Dec 2007	31 Dec 2006 restated	1 Jan 2006 restated
Liabilities for			
Defined-benefit pension plans before restatement	*42 571*	*42 715*	*33 929*
Restatement on defined-benefit pension plans	*-*	*12 307*	*24 664*
Defined-benefit pension plans	42 571	55 022	58 593
Other post-employment benefit plans before restatement	*60 993*	*72 316*	*74 426*
Restatement on other post-employment benefit plans	*-*	*3 146*	*4 721*
Other post-employment benefit plans	60 993	75 462	79 147
Other long-term employee benefits	2 393	2 524	1 361
Share-based payment employee benefits	990	884	408
Other employee benefit obligations	13 849	17 150	29 724
Total liabilities in the balance sheet	**120 796**	**151 042**	**169 233**
Assets for			
Defined-benefit pension plans	-3 704	-	-
Total assets in the balance sheet	**-3 704**	**-**	**-**
Total net liabilities	**117 092**	**151 042**	**169 233**

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

Movement in defined-benefit obligation	Defined-benefit pension plans		Other post-employment benefit plans	
in thousands of €	**2007**	**2006**	**2007**	**2006**
Present value as at 1 January	241 830	242 474	75 462	79 147
Current service cost	10 325	10 929	1 662	1 882
Interest cost	10 536	10 944	2 869	3 079
Plan participants' contributions	7	4	168	146
Plan amendments	-53	407	-	4 027
New consolidations and deconsolidations	2 791	221	-	-
Curtailments	-3 418	-	-	-3 123
Reclassifications from other employee benefit obligations	170	13 700	4 133	2 627
Actuarial gains (-) and losses	-15 827	-2 520	-12 881	-1 449
Benefits paid	-16 770	-24 056	-9 828	-9 875
Exchange gains (-) and losses	-9 403	-10 273	-592	-999
Present value of defined-benefit obligation as at 31 December	**220 188**	**241 830**	**60 993**	**75 462**

Other post-employment benefit plans relate to pre-retirement pensions in Belgium (defined-benefit obligation € 56.3 million (€ 69.1 million in 2006)) and other post-employment benefits for medical care in the United States (defined-benefit obligation € 4.6 million (€ 6.3 million in 2006)), which are not externally funded. Of the defined-benefit obligation in Belgium, an amount of € 20.9 million (2006: € 27.4 million) relates to employees in active service who have not yet entered into any pre-retirement agreement.

Movement in plan assets	Defined-benefit pension plans		Other post-employment benefit plans	
in thousands of €	**2007**	**2006**	**2007**	**2006**
Fair value as at 1 January	186 813	183 881	-	-
Expected return on plan assets	*11 390*	*10 514*	-	-
Actuarial gains (-) and losses	*-2 456*	*7 793*	-	-
Actual return on plan assets	8 934	18 307	-	-
Company contributions	10 385	15 269	9 660	9 729
Plan participants' contributions	7	4	168	146
New consolidations and deconsolidations	-	169	-	-
Benefits paid	-16 610	-22 695	-9 828	-9 875
Exchange gains (-) and losses	-8 208	-8 122	-	-
Fair value of plan assets as at 31 December	**181 321**	**186 813**	**-**	**-**

Funded status in thousands of €		**Defined-benefit pension plans**	
	31 Dec 2007	**31 Dec 2006 restated**	**1 Jan 2006 restated**
Present value of unfunded obligations	29 417	31 189	19 067
Present value of funded obligations	190 771	210 641	223 407
Fair value of plan assets	-181 321	-186 813	-183 881
Present value of net obligations	**38 867**	**55 017**	**58 593**
Previously unrecognized actuarial gains and losses (-)	-	-12 307	-24 664
Impact of direct recognition	**-**	**12 307**	**24 664**
Unrecognized past service cost	-	5	-
Net assets (-) and liabilities	**38 867**	**55 022**	**58 593**
Amounts in the balance sheet			
Assets	*-3 704*	*-*	*-*
Liabilities	*42 571*	*55 022*	*58 593*

Funded status in thousands of €		**Other post-employment benefit plans**	
	31 Dec 2007	**31 Dec 2006 restated**	**1 Jan 2006 restated**
Present value of unfunded obligations	60 993	75 462	79 147
Present value of funded obligations	-	-	-
Fair value of plan assets	-	-	-
Present value of net obligations	**60 993**	**75 462**	**79 147**
Previously unrecognized actuarial gains and losses (-)	-	-3 146	-4 721
Impact of direct recognition	**-**	**3 146**	**4 721**
Unrecognized past service cost	-	-	-
Net assets (-) and liabilities	**60 993**	**75 462**	**79 147**
Amounts in the balance sheet			
Assets	*-*	*-*	*-*
Liabilities	*60 993*	*75 462*	*79 147*

Movement in liability in thousands of €	**Defined-benefit pension plans**		**Other post-employment benefit plans**	
	2007	**2006**	**2007**	**2006**
Net assets (-) and liabilities as at 1 January before restatement	55 022	33 929	75 462	74 426
Restatement impact	-	24 664	-	4 721
Net assets (-) and liabilities as at 1 January after restatement	**55 022**	**58 593**	**75 462**	**79 147**
Contributions paid and direct benefit payments	-10 544	-16 630	-9 660	-9 729
Expense recognized in the income statement	5 995	11 772	4 531	5 865
Actuarial gains (-) and losses recognized through equity	-13 371	-10 313	-12 881	-1 449
New consolidations and deconsolidations	2 988	50	-	-
Reclassifications from other employee benefit obligations	170	13 700	4 133	2 627
Exchange gains (-) and losses	-1 393	-2 150	-592	-999
Net assets (-) and liabilities as at 31 December	**38 867**	**55 022**	**60 993**	**75 462**
Amounts in the balance sheet				
Assets	*-3 704*	*-*	*-*	*-*
Liabilities	*42 571*	*55 022*	*60 993*	*75 462*

The cumulative amount of actuarial gains and losses recognized through equity amounts to € -1.0 million for defined-benefit pension plans and to € 9.6 million for other post-employment benefit plans.

The amounts recognized in the income statement are as follows:

Net benefit expense in thousands of €	**Defined-benefit pension plans**		**Other post-employment benefit plans**	
	2007	**2006**	**2007**	**2006**
Current service cost	10 325	10 929	1 662	1 882
Interest cost	10 536	10 944	2 869	3 079
Expected return on plan assets	-11 390	-10 514	-	-
Past service cost	-59	413	-	4 027
Curtailments and settlements	-3 417	-	-	-3 123
Total	**5 995**	**11 772**	**4 531**	**5 865**

Estimated contributions (including direct benefit payments) for 2008 are as follows:

Estimated contributions in thousands of €	**2008**
Defined-benefit pension plans	8 710
Other post-employment benefit plans	9 527
Total	**18 237**

Fair values of plan assets were as follows:

Fair value of plan assets by type in thousands of €	**31 Dec 2007**	**31 Dec 2006 restated**	**1 Jan 2006 restated**
Equity instruments	98 150	107 272	107 548
Debt instruments	71 488	72 413	71 924
Insurance contracts	11 683	7 128	4 409
Total plan assets	**181 321**	**186 813**	**183 881**
Equity instruments (%)	54%	57%	59%
Debt instruments (%)	39%	39%	39%
Insurance contracts (%)	7%	4%	2%
Total plan assets (%)	**100%**	**100%**	**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 with maturities approximating to those 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**		**Other post-employment benefit plans**	
	2007	**2006**	**2007**	**2006**
Discount rate	5.5%	4.7%	5.3%	4.1%
Expected return on plan assets	6.7%	6.5%	-	-
Future salary increases	3.9%	3.9%	3.3%	3.2%
Health care cost increases (initial)	-	-	8.2%	9.0%
Health care cost increases (ultimate)	-	-	5.0%	5.0%
Health care (years to ultimate rate)	-	-	4	5
Life expectancy of a man aged 65 (years)	19.2	18.7	19.3	18.8

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

Sensitivity analysis on health care cost assumptions

in thousands of €	1% increase	1% decrease
Service cost and interest cost	48	-42
Defined-benefit obligation	392	-357

The following table presents a historical overview of the key indicators of the last 5 years:

Historical overview

in thousands of €	2007	2006	2005	2004	2003
Defined-benefit pension plans					
Present value of defined-benefit obligation	220 188	241 830	242 474	427 483	417 032
Fair value of plan assets	181 321	186 813	183 880	303 668	279 056
Surplus (-) or deficit	38 867	55 017	58 594	123 815	137 976
Experience adjustments arising on					
plan liabilities	*-3 854*	*258*	*320*	*n/a*	*n/a*
plan assets	*-2 456*	*7 793*	*8 614*	*7 224*	*37 151*
Other post-employment plans					
Present value of defined-benefit obligation	60 993	75 462	79 147	93 790	94 181
Fair value of plan assets	-	-	-	-	-
Surplus (-) or deficit	60 993	75 462	79 147	93 790	94 181
Experience adjustments arising on					
plan liabilities	*-1 869*	*-1 449*	*382*	*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 2007, the Group had recorded liabilities of € 0.9 million (2006: € 0.7 million) for these rights. These liabilities were measured at fair value in accordance with IFRS 2 (cf. note 5.4 'Share-based payments'). In the past, the Group has 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 2007, the Group had recorded liabilities of € 0.1 million (2006: € 0.2 million) for these rights, 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

The remaining other employee benefit obligations relate primarily to retirement benefits in Europe.

4.15. Provisions

in thousands of €	Restructuring	Legal claims	Environment	Other	Total
As at 1 January 2007	**8 073**	**4 530**	**23 533**	**3 907**	**40 043**
Additional provisions	3 738	2 595	1 639	1 231	9 203
Unutilized amounts released	-1 473	-147	-	-222	-1 842
Increase in present value	-	50	-	-	50
Charged to the income statement	**2 265**	**2 498**	**1 639**	**1 009**	**7 411**
New consolidations	-	-	-	1 290	1 290
Amounts utilized during the year	-3 799	-2 225	-2 181	-2 497	-10 702
Exchange gains (-) and losses	-359	-123	16	9	-457
As at 31 December 2007	**6 180**	**4 680**	**23 007**	**3 718**	**37 585**
Of which					
current	*6 059*	*2 005*	*3 465*	*905*	*12 434*
non-current	*121*	*2 675*	*19 542*	*2 813*	*25 151*

The additional provisions relate mainly to the restructuring of the carding activities in the plant at Roubaix (France). The major part of the increase in the provisions for legal claims refers to an update of the warranty provisions for the specialized films business in the United States, the combustion business in Europe and the wire business in China.

4.16. Interest-bearing debt

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

Carrying amount in thousands of €	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Interest-bearing debt				
Finance leases	*222*	*409*	*73*	*704*
Credit institutions	*252 731*	*123 085*	-	*375 816*
Bonds	-	*100 910*	*98 018*	*198 928* [1]
As at 31 December 2007	**252 953**	**224 404**	**98 091**	**575 448**

Carrying amount in thousands of €	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Interest-bearing debt				
Finance leases	*435*	*669*	*199*	*1 303*
Credit institutions	*217 517*	*72 201*	-	*289 718*
Bonds	-	*102 566*	*98 738*	*201 304* [2]
As at 31 December 2006	**217 952**	**175 436**	**98 937**	**492 325**

Carrying amount in thousands of €	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Interest-bearing debt				
Finance leases	*426*	*759*	*170*	*1 355*
Credit institutions	*245 162*	*80 251*	-	*325 413* [3]
Bonds	-	*106 808*	*100 305*	*207 113* [4]
As at 1 January 2006	**245 588**	**187 818**	**100 475**	**533 881**

[1] Includes € 51.3 million in fair value adjustments as a result of hedge accounting (reduces net debt by € 51.3 million).
[2] Includes € 36.3 million in fair value adjustments as a result of hedge accounting (reduces net debt by € 36.3 million).
[3] Includes € 72.0 million which has been converted to US dollar 65.5 million through cross-currency interest-rate swaps (reduces net debt by € 16.4 million).
[4] Includes € 22.9 million in fair value adjustments as a result of hedge accounting (reduces 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. Bonds, commercial paper and debt towards credit institutions are unsecured.

For further information on financial risk management we refer to note 5.3 ‘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 hedging with a derivative, rather than the amount presented as a financial liability in the balance sheet. The financial liabilities are therefore adjusted 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 being included as ‘value adjustments’).

in thousands of €	31 Dec 2007	31 Dec 2006	1 Jan 2006
Non-current interest-bearing debt	322 495	274 373	288 293
Value adjustments	-51 309	-36 300	-39 345
Current interest-bearing debt	252 953	217 952	245 588
Total financial debt	**524 139**	**456 025**	**494 536**
Current loans	-2 813	-123	-143
Short-term deposits	-15 179	-29 019	-90 453
Cash and cash equivalents	-58 063	-52 139	-132 248
Net debt	**448 084**	**374 744**	**271 692**

4.17. Other non-current liabilities

Carrying amount

in thousands of €	31 Dec 2007	31 Dec 2006	1 Jan 2006
Other non-current amounts payable	629	2 619	3 013
Derivatives (cf.note 5.3)	1 426	1 226	9 399
Total	**2 055**	**3 845**	**12 412**

4.18. Other current liabilities

Carrying amount

in thousands of €	31 Dec 2007	31 Dec 2006	1 Jan 2006
Other amounts payable	4 485	2 927	5 079
Derivatives (cf.note 5.3)	1 933	3 497	1 082
Advances received on contracts	6 448	4 679	2 601
Other taxes	19 492	20 208	20 206
Accruals and deferred income	12 076	11 716	12 840
Total	**44 434**	**43 027**	**41 808**

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

5. Miscellaneous items

5.1. Notes to the cash flow statement

in thousands of €	2007	2006
Cash from operating activities	221 411	192 670
Cash from investing activities	-151 875	-157 461
Cash from financing activities	-62 586	-113 170
Net increase or decrease in cash and cash equivalents	**6 950**	**-77 961**

in thousands of €	2007	2006
Non-cash and investing items included in operating result		
Depreciation and amortization	119 689	110 726
Impairment losses on assets	4 288	5 496
Gains (-) and losses on disposals of assets	707	-3 726
Provisions for liabilities and charges	-10 301	-9 677
Equity-settled share-based payments	717	1 115
Total	**115 100**	**103 934**
Other financing cash flows		
New shares issued following exercise of subscription rights	1 841	2 162
Capital paid in by minority interests	1 524	2 402
Increase (-) or decrease in treasury shares at cost	-110 950	-55 005
Cash flows from non-current financial liabilities	64 025	55 322
Cash flows from current financial liabilities	59 012	-82 430
Increase (-) or decrease in current loans and receivables	-2 893	18
Increase (-) or decrease in current financial assets	12 891	60 539
Total	**25 450**	**-16 992**

5.2. Effect of acquisitions

New business combinations in 2007 primarily relate to the acquisition of the remaining 50% of the shares in Vicson, S.A. (Venezuela) and its subsidiaries, including Productora de Alambres Colombianos Proalco S.A. (Colombia). Upon remeasurement of the acquired net assets to fair value in accordance with IFRS 3, the excess of net assets over the consideration paid was recognized in income. Other business combinations include the businesses of Krebsöge Excel (India) and Sumiden (Indonesia) acquired in an asset deal.

The deferred payments relate to the acquisition of the ECC card clothing division from Carclo plc and Southwest Screens & Filters SA in 2005, the initial accounting for which has now been finalized.

With the acquisition of Krebsöge Excel in India, Bekaert acquired a customer base, which has been recognized as an intangible asset with a fair value of € 0.1 million. The intangible asset recognized on the acquisition of Sumiden (Indonesia) also relates to a customer base with a fair value of € 0.4 million. An adjustment to goodwill has been recognized as a result of the acquisition of the remaining minority interests in Bekaert Canada Ltd.

in thousands of €	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
Intangible assets	-	498	498
Property, plant and equipment	22 206	28 126	50 332
Other non-current assets	862	-862	-
Deferred tax assets	2 158	495	2 653
Inventories	18 126	568	18 694
Trade receivables	21 884	-46	21 838
Short-term deposits	58	-	58
Cash and cash equivalents	15 567	-	15 567
Other current assets	98	-36	62
Minority interests	1 419	-390	1 029
Non-current employee benefit obligations	-2 897	-	-2 897
Provisions	-1 340	-	-1 340
Non-current interest-bearing debt	-1 178	3	-1 175
Deferred tax liabilities	-16	-9 580	-9 596
Current interest-bearing debt	-11 944	-	-11 944
Trade payables	-12 501	1	-12 500
Current employee benefit obligations	-2 602	-	-2 602
Income taxes payable	-1 973	-	-1 973
Other current liabilities	-6 339	-	-6 339
Total net assets acquired in a business combination	**41 588**	**18 777**	**60 365**
Goodwill			-1 770
Excess of net assets acquired over consideration paid			-2 518
Deferred payments			1 868
Reclassification of investments previously accounted for using the equity method			-27 642
Consideration paid			**30 303**
Cash acquired			-15 567
New business combinations			**14 736**

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

in thousands of €	Date of acquisition	Contribution to sales	Contribution to the result for the period
Acquisitions in 2007			
Vicson, S.A. (Venezuela) and subsidiaries	*1 October 2007*	*36 736*	*1 316*
Krebsöge Excel (India)	*18 June 2007*	-	-
Sumiden (Indonesia)	*30 June 2007*	-	-

The impact of the acquisition of Vicson, S.A. (Venezuela) and subsidiaries is disclosed separately in the following table:

in thousands of €	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
Property, plant and equipment	21 998	28 126	50 124
Other non-current assets	862	-862	-
Deferred tax assets	2 158	495	2 653
Inventories	18 042	568	18 610
Trade receivables	21 884	-46	21 838
Short-term deposits	58	-	58
Cash and cash equivalents	15 567	-	15 567
Other current assets	98	-36	62
Minority interests	-2 871	-391	-3 262
Non-current employee benefit obligations	-2 897	-	-2 897
Provisions	-1 340	-	-1 340
Non-current interest-bearing debt	-1 178	3	-1 175
Deferred tax liabilities	-16	-9 580	-9 596
Current interest-bearing debt	-11 944	-	-11 944
Trade payables	-12 502	1	-12 501
Current employee benefit obligations	-2 602	-	-2 602
Income taxes payable	-1 973	-	-1 973
Other current liabilities	-6 339	1	-6 338
Total net assets acquired in a business combination	**37 005**	**18 279**	**55 284**
Excess of net assets acquired over consideration paid			-2 518
Reclassification of investments previously accounted for using the equity method			-27 642
Consideration paid			**25 124**
Cash acquired			-15 567
New business combination			**9 557**

5.3. 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 assessment of risk involved. The Group hedges only the risks that affect the Group's cash flow. Derivatives are used exclusively as hedging instruments and 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 kept informed as to the currency and interest-rate exposure.

Currency risk

The Group is exposed to currency risks 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 presentation 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 results from financial liabilities in foreign currency. In line with policy, Group Treasury hedges these risks. 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 coming six months. Significant exposures and firm commitments beyond that time frame may 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 Group debt, including the funds available within the Group which are used to fund other Group companies through cross-currency interest-rate swaps (€ 192.2 million).

Currency profile 2007	Long-term: Fixed rate	Floating rate	Capped	Total	Short-term	Total
US dollar	8.1%	0.6%	11.3%	20.0%	15.9%	35.9%
Chinese renminbi	10.4%	5.5%	-	15.9%	23.6%	39.5%
Slovak koruna	-	-	-	-	14.2%	14.2%
Euro	-	2.7%	-	2.7%	2.0%	4.7%
Other	-	0.2%	-	0.2%	5.5%	5.7%
Total	**18.5%**	**9.0%**	**11.3%**	**38.8%**	**61.2%**	**100.0%**

Currency profile 2006	Long-term: Fixed rate	Floating rate	Capped	Total	Short-term	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%**

Currency sensitivity analysis

Translation risk
A translation risk arises when the financial data of foreign subsidiaries are converted into the Group's presentation currency, the euro. The main currencies are US dollar, Chinese renminbi, Slovak koruna, Czech koruna, Brazilian real and Chilean peso.

On the basis of the annualized daily volatility of these currencies against the euro in 2007 and 2006, reasonable estimates of the possible change in the exchange rate of these currencies are as follows:

1 euro equals	Closing rate 2007	Average rate 2007	Annualized volatility in %	Range closing rates	Range average rates
Brazilean real	2.60	2.64	23.03%	2.00 - 3.20	2.04 - 3.25
Chilean peso	733.43	718.13	14.86%	624.44 - 842.42	611.41 - 824.84
Chinese renminbi	10.75	10.50	9.96%	9.68 - 11.82	9.45 - 11.55
Czech koruna	26.63	27.76	7.10%	24.74 - 28.52	25.79 - 29.73
Slovak koruna	33.58	33.73	10.15%	30.17 - 36.99	30.31 - 37.16
US dollar	1.47	1.37	10.40%	1.32 - 1.63	1.23 - 1.52

1 euro equals	Closing rate 2006	Average rate 2006	Annualized volatility in %	Range closing rates	Range average rates
Brazilean real	2.81	2.74	24.75%	2.12 - 3.51	2.06 - 3.42
Chilean peso	700.20	667.50	15.53%	591.45 - 808.94	563.83 - 771.16
Chinese renminbi	10.28	10.09	12.39%	9.01 - 11.55	8.84 - 11.34
Czech koruna	27.49	28.30	6.50%	25.70 - 29.27	26.46 - 30.14
Slovak koruna	34.44	37.11	7.73%	31.77 - 37.10	34.24 - 39.98
US dollar	1.32	1.26	12.96%	1.15 - 1.49	1.10 - 1.42

If the euro had strengthened during 2007 to the upper limit of the above estimated possible ranges, with all other variables constant, the 2007 result for the period would have been € 14.6 million lower (2006: € 14.5 million lower) and the equity would have been € 84.3 million lower (2006: € 94.0 million lower). Similarly, if the euro had weakened to the lower limit of the above estimated possible ranges, with all other variables constant, the 2007 result for the period would have been € 20.2 million higher (2006: € 21.1 million higher) and the equity would have been € 114.4 million higher (2006: € 131.8 million higher).

Transaction risk
If a material non-derivative monetary item of an entity is not denominated in the entity's functional currency, it is converted into the entity's functional currency through the use of derivatives. This involves both actual and forecasted monetary items up to six months (or longer if firm commitments exist).

The table below summarizes the Group's net foreign currency positions of trade receivables and trade payables at the reporting date for the most important currency pairs. Positive amounts indicate that the Group has a net future cash inflow in the first currency. Since the Group has elected not to apply hedge accounting, the following table does not include the forecasted transactions. However, the derivatives the Group has entered into to hedge the forecasted transactions are included.

Currency pair - 2007 in thousands of €	**Annualized volatility in %**	**Total exposure**	**Total derivatives**	**Open position**
AUD/CNY	20.10%	1 800	-853	947
CAD/EUR	14.56%	1 847	-372	1 475
EUR/CNY	9.96%	-2 162	-718	-2 880
EUR/CZK	7.10%	4 442	-11 141	-6 699
EUR/SKK	10.15%	18 127	-13 535	4 592
GBP/EUR	8.18%	2 354	-2 126	228
JPY/EUR	17.46%	-326	-964	-1 290
NOK/EUR	8.78%	949	-1 950	-1 001
SEK/EUR	7.37%	1 702	-1 347	355
TRY/EUR	22.41%	4 579	-	4 579
USD/CNY	2.78%	1 230	-1 940	-710
USD/EUR	10.40%	25 244	-23 172	2 072
USD/INR	9.99%	-3 163	-	-3 163

Currency pair - 2006 in thousands of €	**Annualized volatility in %**	**Total exposure**	**Total derivatives**	**Open position**
AUD/CNY	13.49%	1 597	-	1 597
CAD/EUR	13.13%	19	-135	-116
EUR/CNY	12.39%	-4 274	4 740	466
EUR/CZK	6.50%	880	-19 720	-18 840
EUR/SKK	7.73%	18 082	5 445	23 527
GBP/EUR	7.07%	2 518	-6 257	-3 739
JPY/EUR	11.18%	-395	-1 151	-1 546
NOK/EUR	9.50%	617	-1 730	-1 113
SEK/EUR	6.20%	1 584	-1 605	-21
TRY/EUR	26.46%	5 605	-	5 605
USD/CNY	1.81%	-2 779	3 190	411
USD/EUR	12.96%	18 989	-15 058	3 931
USD/INR	9.82%	-1 740	-	-1 740

If rates had weakened/strengthened by the above estimated possible changes with all other variables constant, the result for the period before taxes would have been € 0.6 million lower/higher (2006: € 2.2 million).

Currency sensitivity in relation to hedge accounting
Some derivatives are also part of effective cash flow hedges in relation to the Eurobond issued in 2005 to hedge the currency risk. Exchange rate fluctuations in the currencies involved (US dollar and euro) affect the hedging reserve in shareholders' equity and the fair value of these hedging instruments. If the euro had weakened/strengthened by the above estimated possible changes, with all other variables constant, the hedging reserve in shareholders' equity would have been € 0.5 million higher/lower (2006: € 0.4 million).

Interest-rate risk

The Group is exposed to interest-rate risk, mainly in the United States, China, Slovakia and the 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.
- The allocation of 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 and cross-currency interest-rate swaps to ensure that the floating and fixed portion of the long-term debt remains within the defined limits. The Group also purchases 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 in interest rates while still having the ability to benefit from decreasing interest rates.

The following table summarizes the average interest rates.

Average interest rate 2007	Long-term Fixed rate	Long-term Floating rate	Long-term Total	Short-term	Total
US dollar	5.36%	5.68%	5.51%	5.25%	5.40%
Chinese renminbi	4.84%	6.09%	5.27%	5.52%	5.42%
Slovak koruna	-	-	-	4.43%	4.43%
Euro	-	6.46%	6.46%	5.01%	6.12%
Other	3.25%	13.03%	12.06%	8.84%	9.00%
Total	**5.10%**	**6.02%**	**5.53%**	**5.47%**	**5.50%**

Average interest rate 2006	Long-term Fixed rate	Long-term Floating rate	Long-term Total	Short-term	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%**

Interest-rate sensitivity analysis

Interest-rate sensitivity of the financial debt

As disclosed in note 4.16, the total financial debt of the Group as of 31 December 2007 amounted to € 524.1 million (2006: € 456.0 million). Of the total debt, 70.2% (2006: 71.6%) was bearing a floating interest rate, 11.3% (2006: nil) a capped interest rate and 18.5% (2006: 28.4%) a fixed interest rate.

On the basis of the annualized daily volatility of the 3-month Interbank Offered Rate in 2007 and 2006, the reasonable estimates of possible changes, with a 95% confidence interval, are set out in the table below for the main interest rates.

Currency	Interest rate at 31 Dec 2007	Annualized volatility in %	Range interest rate
Chinese renminbi[1]	6.570%	11.520%	5.813% - 7.327%
Euro	4.684%	8.140%	4.303% - 5.065%
Slovak koruna	4.300%	20.060%	3.437% - 5.163%
US dollar	4.703%	13.880%	4.050% - 5.355%

Currency	Interest rate at 31 Dec 2006	Annualized volatility in %	Range interest rate
Chinese renminbi[1]	5.580%	5.380%	5.280% - 5.880%
Euro	3.725%	7.130%	3.459% - 3.991%
Slovak koruna	4.690%	30.180%	3.275% - 6.105%
US dollar	5.360%	5.110%	5.086% - 5.634%

[1] For the Chinese renminbi, the interest rate is the PBOC benchmark interest rate for lending up to six months.

Applying the estimated possible increase in the interest rates to the floating and capped rated debt, with all other variables constant, the result for the period before tax would have been € 0.4 million lower (2006: € 1.8 million lower). Applying the estimated possible decrease in the interest rates to the floating and capped rated debt, with all other variables constant, the result for the period before tax would have been € 1.0 million higher (2006: € 1.8 million higher). Profit is more sensitive to interest rate decreases than increases because of borrowings with capped interest rates.

Interest-rate sensitivity in relation to hedge accounting

Changes in market interest rates in relation to derivatives that are part of effective cash flow hedges to hedge payment fluctuations resulting from interest movements affect the hedging reserve in shareholders' equity and the fair value of these hedging instruments. Applying the estimated possible movements on the interest rates to these transactions, with all other variables constant, the hedging reserve in shareholders' equity would have been € 1.0 million higher/lower (2006: € 0.7 million).

Credit risk

The Group is exposed to credit risk from its operating activities and certain financing activities. In respect of its operating activities, the Group has a credit policy in place, which takes into account the risk profiles of the customers in terms of the market segment to which they belong. Based on activity platform, product segment and geographical area, a credit risk analysis is made of customers and a decision is taken regarding transfer of the credit risk to an insurer. The exposure to credit risk is monitored on an ongoing basis and credit evaluations are made of all customers. In terms of the characteristics of some advanced wire products with a limited number of global customers, the concentration risk is closely monitored and, in combination with the existing credit policy, action is taken as and when needed. Based on this credit strategy, the credit risk exposure was 43% (2006: 45%) covered by credit insurance policies as at 31 December 2007. In respect of financing activities, transactions are normally concluded with counterparties that have at least an A credit rating. There are also limits allocated to each counterparty which depend on their rating. Due to this approach, the Group considers the risk of counterparty default to be limited in both operating and financing activities.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations as they come due because of an inability to liquidate assets or obtain adequate funding. To ensure solvency and financial flexibility at all times, the Group, in addition to its available cash, has several uncommitted short-term credit lines at its disposal in the major currencies and 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 € 125.0 million (2006: € 120.2 million) at floating interest rates with fixed margins. These credit facilities will mature in 2012 and 2013. At year-end, € 23.1 million was outstanding under these facilities (2006: € 42.9 million). In addition, the Group has a commercial paper and medium-term note program available for a maximum of € 123.9 million (2006: € 123.9 million). € 15.3 million of commercial paper notes were outstanding as at 31 December 2007 (2006: nil).

The total contractually agreed outflows of the Group's financial liabilities (including interest payments and trade payables, without compensation for gross settled derivatives) as at 31 December 2007 are: € 617.0 million in 2008, € 189.0 million in 2009, € 68.4 million for 2010-2012 and € 112.8 million in 2013 and later.

The following table shows the Group's contractually agreed (undiscounted) interest payments and principal repayments of the non-derivative interest-bearing liabilities and the derivative financial liabilities and assets. For derivatives which are net settled (i.e. principal and interest flows are offset), only the net flow is shown. For derivatives which are gross settled, interest and principal paid and received are shown separately.

Interest payments 2007 in thousands of €	**2008**	**2009**	**2010-2012**	**2013 and thereafter**
Interest-bearing debt				
Finance leases	*-33*	*-22*	*-36*	*-6*
Credit institutions	*-14 917*	*-8 378*	*-2 235*	*-*
Bonds	*-10 250*	*-10 250*	*-12 375*	*-12 375*
Derivative financial liabilities - net settled				
Without a hedging relationship	*-64*	*-13*	*-315*	*-315*
Derivative financial liabilities - gross settled				
Without a hedging relationship	*-1 622*	*-*	*-*	*-*
Derivative financial assets - gross settled				
Without a hedging relationship	*-919*	*-*	*-*	*-*
In connection with cash flow hedges	*-3 340*	*-3 117*	*-9 502*	*-9 929*
In connection with fair value hedges	*-4 968*	*-3 980*	*-3 956*	*-4 699*
Total	**-36 113**	**-25 760**	**-28 419**	**-27 324**

Interest receipts 2007 in thousands of €	**2008**	**2009**	**2010-2012**	**2013 and thereafter**
Derivative financial liabilities - net settled				
Without a hedging relationship	*283*	*825*	*-*	*-*
In connection with cash flow hedges	*118*	*-113*	*-216*	*256*
Derivative financial liabilities - gross settled				
Without a hedging relationship	*1 715*	*-*	*-*	*-*
Derivative financial assets - net settled				
Without a hedging relationship	*175*	*386*	*-*	*-*
Derivative financial assets - gross settled				
Without a hedging relationship	*1 837*	*-*	*-*	*-*
In connection with cash flow hedges	*2 851*	*2 851*	*8 522*	*8 522*
In connection with fair value hedges	*7 399*	*7 399*	*3 823*	*3 823*
Total	**14 378**	**11 348**	**12 129**	**12 601**

Principal settlements 2007 in thousands of €	**Carrying amount**	**2008**	**2009**	**2010-2012**	**2013 and thereafter**
Interest-bearing debt					
Finance leases	*-704*	*-222*	*-126*	*-220*	*-136*
Credit institutions	*-375 816*	*-252 731*	*-70 118*	*-52 967*	*-*
Bonds	*-198 928*	*-*	*-100 000*	*-*	*-100 000*
Derivative financial liabilities - gross settled					
Without a hedging relationship - principal received	*-1 549*	*105 451*	*-*	*-*	*-*
Without a hedging relationship - principal paid		*-105 410*	*-*	*-*	*-*
Derivative financial assets - gross settled					
Without a hedging relationship - principal received	*6 264*	*122 848*	*-*	*-*	*-*
Without a hedging relationship - principal paid		*-118 032*	*-*	*-*	*-*
In connection with cash flow hedges - principal received	*2 786*	*-*	*-*	*-*	*69 107*
In connection with cash flow hedges - principal paid		*-*	*-*	*-*	*-61 422*
In connection with fair value hedges - principal received	*43 599*	*-*	*100 000*	*-*	*30 893*
In connection with fair value hedges - principal paid		*-*	*-58 739*	*-*	*-27 457*
Total	**-524 348**	**-248 096**	**-128 983**	**-53 187**	**-89 015**

Interest payments 2006 in thousands of €	**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	*-10 250*	*-10 250*	*-18 500*	*-16 500*
Derivative financial liabilities - net settled				
Without a hedging relationship	*-137*	*-*	*-*	*-*
Derivative financial liabilities - gross settled				
Without a hedging relationship	*-1 211*	*-*	*-*	*-*
In connection with cash flow hedges	*-2 636*	*-2 614*	*-7 864*	*-10 493*
In connection with fair value hedges	*-1 788*	*-1 813*	*-5 186*	*-7 227*
Derivative financial assets - gross settled				
Without a hedging relationship	*-3 470*	*-116*	*-*	*-*
In connection with cash flow hedges	*-1 106*	*-1 121*	*-3 207*	*-4 470*
In connection with fair value hedges	*-4 329*	*-4 030*	*-3 895*	*-*
Total	**-34 560**	**-24 285**	**-43 065**	**-38 714**

Interest receipts 2006 in thousands of €	**2007**	**2008**	**2009-2011**	**2012 and thereafter**
Derivative financial liabilities - gross settled				
Without a hedging relationship	*853*	*-*	*-*	*-*
In connection with cash flow hedges	*2 063*	*2 063*	*6 188*	*8 250*
In connection with fair value hedges	*1 274*	*1 274*	*3 823*	*5 097*
Derivative financial assets - net settled				
Without a hedging relationship	*104*	*11*	*-19*	*-*
In connection with cash flow hedges	*304*	*362*	*516*	*510*
Derivative financial assets - gross settled				
Without a hedging relationship	*3 667*	*143*	*-*	*-*
In connection with cash flow hedges	*788*	*788*	*2 365*	*3 153*
In connection with fair value hedges	*6 125*	*6 125*	*6 125*	*-*
Total	**15 178**	**10 766**	**18 998**	**17 010**

Principal settlements 2006 in thousands of €	**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 - gross settled					
Without a hedging relationship - principal received	*-2 770*	*194 022*	*7 000*	*-*	*-*
Without a hedging relationship - principal paid		*-168 322*	*-4 550*	*-*	*-*
In connection with cash flow hedges - principal received	*-69*	*-*	*-*	*-*	*50 000*
In connection with cash flow hedges - principal paid		*-*	*-*	*-*	*-49 674*
In connection with fair value hedges - principal received	*-1 037*	*-*	*-*	*-*	*30 572*
In connection with fair value hedges - principal paid		*-*	*-*	*-*	*-30 691*
Derivative financial assets - gross settled					
Without a hedging relationship - principal received	*34 710*	*23 679*	*-*	*-*	*-*
Without a hedging relationship - principal paid		*-23 453*	*-*	*-*	*-*
In connection with cash flow hedges - principal received	*71*	*-*	*-*	*-*	*19 107*
In connection with cash flow hedges - principal paid		*-*	*-*	*-*	*-18 983*
In connection with fair value hedges - principal received	*36 942*	*-*	*-*	*100 000*	*-*
In connection with fair value hedges - principal paid		*-*	*-*	*-65 657*	*-*
Total	**-424 478**	**-192 026**	**-479**	**-135 598**	**-99 867**

All instruments held at the reporting date and for which payments had been contractually agreed are included. Forecasted data relating to future, new liabilities is not included. Amounts in foreign currencies have been 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 into floating US dollar payments. The Group has designated the related portions of the 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 addressed or covered by this 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 80 and 125 percent range specified in IAS 39.

The Group has designated cross-currency interest-rate swaps with an aggregate notional amount of € 130.9 million (2006: € 130.9 million) as fair value hedges as at 31 December 2007, the fair value amounting to € 43.6 million (2006: € 35.9 million). The change in fair value of the hedging instruments during 2007 resulted in a gain of € 12.3 million (2006: € 8.9 million gain) and this was included in other financial income and expenses.

The remeasurement of the hedged items resulted in a loss of € 12.4 million (2006: € 9.0 million loss), and this was also included 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 the combination of a cross-currency interest-rate swap and an interest-rate swap together convert fixed euro payments into fixed US dollar payments. The Group has designated the related portions of the Eurobond as hedged items. The objective of the hedge is to eliminate the risk from payment fluctuations as a result of changes in the exchange and interest rates. Credit risks are not addressed or covered by this 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 within the 80 and 125 percent range 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 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 addressed or covered by this 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 within the 80 and 125 percent range 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.

As at 31 December 2007, the Group has designated cross-currency interest-rate swaps and interest-rate swaps with notional amounts totaling € 98.5 million (2006: € 118.8 million) as cash flow hedges, the fair value amounting to € 3.4 million (2006: € 0.01 million). During 2007, gains totaling € 3.6 million (2006: € 4.9 million gain) 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. € 7.7 million (2006: € 7.5 million) was released from equity (hedging reserve) to other financial income to offset the exchange losses recognized on the remeasurement 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 involving two entities with different functional currencies. Until now, the Group has 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 remeasurement of the intercompany loans. The Group has entered into cross-currency interest-rate swaps with notional amounts totaling € 229.1 million (2006: € 224.7 million), the fair value amounting to € 4.7 million (2006: € 31.9 million). The major currencies involved are US dollars, Slovak korunas and British pounds. Foreign exchange contracts represented a notional amount of € 12.0 million (2006: € 11.4 million) with a fair value of € -0.7 million (2006: € -0.2 million). During 2007, a loss of € 25.8 million (2006: gain of € 7.6 million) resulting from changes in the fair values was recognized under other financial income and expenses. This result was offset by a gain of € 25.3 million (2006: loss of € 7.7 million), recognized under unrealized foreign-exchange results arising on the remeasurement 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. None of these interest-rate derivatives were designated as hedges as defined in IAS 39. Of the total outstanding debt as at 31 December 2007, the interest-rate exposure on the equivalent of € 112.8 million of floating debt (2006: € 152.6 million) was hedged using interest-rate swaps. The Group also purchased additional interest-rate options which resulted at year-end in an outstanding notional amount totaling € 135.9 million (2006: € 72.1 million). The fair value at year-end of the interest-rate swaps amounted to € -0.6 million (2006: € -0.1 million) and that of the interest-rate options to € 0.4 million (2006: € 0.3 million). During 2007, a loss of € 0.4 million (2006: € 0.9 million gain) resulting from the changes in fair values were recognized 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 2007, the notional amount of the forward exchange contracts relating to commercial transactions was € 79.2 million (2006: € 86.4 million). The fair value at year-end amounted to € 0.7 million (2006: € 0.8 million), with a loss of less than € 0.1 million (2006: € 1.5 million gain) being partly offset by unrealized foreign-exchange gains on receivables and payables of less than € 0.1 million (2006: € 2.1 million loss). However, the forward exchange contracts also relate to forecasted commercial transactions, for which there is no offsetting position 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:

2007 in thousands of €	Due within one year	Due between one and 5 years	Due after more than 5 years
Interest-rate swaps			
Held for trading	85 592	-	27 172
In connection with cash flow hedges	-	29 389	-
Interest-rate options			
Held for trading	135 860	-	-
Forward exchange contracts			
Held for trading	78 329	12 871	-
Cross-currency interest-rate swaps			
Held for trading	229 149	-	-
In connection with fair value hedges	-	100 000	30 893
In connection with cash flow hedges	-	-	69 107
Total	**528 930**	**142 260**	**127 172**

2006 in thousands of €	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**

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).

Fair value of current and non-current derivatives	Assets			Liabilities		
in thousands of €	31 Dec 2007	31 Dec 2006	1 Jan 2006	31 Dec 2007	31 Dec 2006	1 Jan 2006
Financial instruments						
Forward exchange contracts						
Held for trading	1 084	1 297	245	-1 110	-727	-999
Interest-rate options						
Held for trading	413	335	-	-	-	-
Interest-rate swaps						
Held for trading	3	43	-	-609	-120	-986
In connection with cash flow hedges	659	8	-	-	-	-1 364
Cross-currency interest-rate swaps						
Held for trading	6 264	34 710	27 687	-1 549	-2 770	-213
In connection with fair value hedges	43 599	36 942	33 562	-	-1 037	-3 019
In connection with cash flow hedges	2 786	71	-	-91	-69	-3 900
Net assets or liabilities (-)	**54 808**	**73 406**	**61 494**	**-3 359**	**-4 723**	**-10 481**

The table below shows how the use of derivatives mitigated the impact of the underlying risks on the income statement:

2007 in thousands of €	**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	*-12 370*	*12 289*	*-*	*-81*
Cash flow hedges	Spot price changes	Fair value changes		
Cross-currency interest-rate swaps and interest-rate swaps	*-7 711*	*3 552*	*-4 211*	*-*
Discontinued hedge relationship - depreciation	*-*	*-*	*78*	*-78*
	Underlying risk	**Financial derivative**		
Held for trading	Spot price changes	Fair value changes		
Cross-currency interest-rate swaps	*25 329*	*-25 221*	*-*	*108*
Interest-rate swaps	*-*	*-570*	*-*	*-570*
Interest-rate options	*-*	*122*	*-*	*122*
Forward exchange contracts				
relating to intercompany loans	*8*	*-580*	*-*	*-572*
relating to commercial transactions	*5*	*-28*	*-*	*-23*
Total	**-**	**-**	**-4 133**	**-1 094**

Of the total income statement effect in 2007, € -1.0 million is recognized in other financial income and expenses and € -0.1 million, i.e. the depreciation relating to the discontinued hedge relationship, is recognized in interest expense.

2006 in thousands of €	**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 2006, the total income statement effect was recognized in other financial income and expenses.

Additional disclosures on financial instruments by class and category

The following tables list the different classes of financial assets and liabilities with their carrying amounts in the balance sheet and their respective fair value and analyzed by their measurement category in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IAS 17 Leases.

Cash and cash equivalents, short-term deposits, trade receivables, other receivables, loans and receivables primarily have short terms to maturity. For this reason the carrying amounts at the reporting date approximate the fair values. Trade payables also generally have short times to maturity and, hence, their carrying amounts also approximate their fair values. The fair values of interest-bearing debt are calculated as the present value of the future cash flows, based on the applicable yield curve and the Group's credit spread.

The following categories and abbreviations are used in the table below:

Abbreviation	Category in accordance with IAS 39
L&R	Loans & Receivables
AfS	Available for Sale
FAHfT	Financial Assets Held for Trading
FLMaAC	Financial Liabilities Measured at Amortized Cost
Hedge accounting	Hedge accounting
FLHfT	Financial Liabilities Held for Trading

2007 in thousands of €	Category in accordance with IAS 39	Carrying amount 31 Dec 2007	Amounts recognized in balance sheet in accordance with IAS 39 Amortized cost	 Fair value recognized in equity	 Fair value recognized in profit or loss	Amounts recognized in balance sheet in accordance with IAS 17	Fair value 31 Dec 2007
Assets							
Cash and cash equivalents	L&R	58 063	58 063	-	-	-	58 063
Short term deposits	L&R	15 179	15 179	-	-	-	15 179
Trade receivables	L&R	437 743	437 743	-	-	-	437 743
Other receivables	L&R	52 694	52 694	-	-	-	52 694
Loans and receivables	L&R	5 916	5 916	-	-	-	5 916
Available for sale financial assets	AfS	24 287	768	23 519	-	-	24 287
Derivative financial assets							
- without a hedging relationship	FAHfT	7 764	-	-	7 764	-	7 764
- with a hedging relationship	Hedge accounting	47 044	-	3 445	43 599	-	47 044
Liabilities							
Interest-bearing debt							
- finance leases	n.a.	704	-	-	-	704	701
- credit institutions	FLMaAC	346 427	346 427	-	-	-	339 235
- credit institutions	Hedge accounting	29 389	29 389	-	-	-	29 389
- bonds	Hedge accounting	198 928	69 107	-	129 821	-	194 495
Trade payables	FLMaAC	231 745	231 745	-	-	-	231 745
Derivative financial liabilities							
- without a hedging relationship	FLHfT	3 268	-	-	3 268	-	3 268
- with a hedging relationship	Hedge accounting	91	-	91	-	-	91
Aggregated by category in accordance with IAS 39							
Loans and receivables	L&R	569 595	569 595	-	-	-	569 595
Available-for-sale financial assets	AfS	24 287	768	23 519	-	-	24 287
Financial assets -hedge accounting	Hedge accounting	47 044	-	3 445	43 599	-	47 044
Financial assets held for trading	FAHfT	7 764	-	-	7 764	-	7 764
Financial liabilities measured at amortized cost	FLMaAC	578 172	578 172	-	-	-	570 980
Financial liabilities - hedge accounting	Hedge accounting	228 408	98 496	91	129 821	-	223 975
Financial liabilities held for trading	FLHfT	3 268	-	-	3 268	-	3 268

2006 in thousands of €	**Category in accordance with IAS 39**	**Carrying amount 31 Dec 2006**	**Amounts recognized in balance sheet in accordance with IAS 39** **Amortized cost**	**Fair value recognized in equity**	**Fair value recognized in profit or loss**	**Amounts recognized in balance sheet in accordance with IAS 17**	**Fair value 31 Dec 2006**
Assets							
Cash and cash equivalents	L&R	52 139	52 139	-	-	-	52 139
Short term deposits	L&R	29 019	29 019	-	-	-	29 019
Trade receivables	L&R	398 928	398 928	-	-	-	398 928
Other receivables	L&R	53 814	53 814	-	-	-	53 814
Loans and receivables	L&R	124	124	-	-	-	124
Available for sale financial assets	AfS	18 663	3 283	15 380	-	-	18 663
Derivative financial assets							
- without a hedging relationship	FAHfT	36 385	-	-	36 385	-	36 385
- with a hedging relationship	Hedge accounting	37 021	-	79	36 942	-	37 021
Liabilities							
Interest-bearing debt							
- finance leases	n.a.	1 303	-	-	-	1 303	1 324
- credit institutions	FLMaAC	258 977	258 977	-	-	-	258 819
- credit institutions	Hedge accounting	30 741	30 741	-	-	-	30 741
- bonds	Hedge accounting	201 304	69 107	-	132 197	-	198 480
Trade payables	FLMaAC	227 827	227 827	-	-	-	227 827
Derivative financial liabilities							
- without a hedging relationship	FLHfT	3 617	-	-	3 617	-	3 617
- with a hedging relationship	Hedge accounting	1 106	-	69	1 037	-	1 106
Aggregated by category in accordance with IAS 39							
Loans and receivables	L&R	534 024	534 024	-	-	-	534 024
Available-for-sale financial assets	AfS	18 663	3 283	15 380	-	-	18 663
Financial assets -hedge accounting	Hedge accounting	37 021	-	79	36 942	-	37 021
Financial assets held for trading	FAHfT	36 385	-	-	36 385	-	36 385
Financial liabilities measured at amortized cost	FLMaAC	486 804	486 804	-	-	-	486 646
Financial liabilities - hedge accounting	Hedge accounting	233 151	99 848	69	133 234	-	230 327
Financial liabilities held for trading	FLHfT	3 617	-	-	3 617	-	3 617

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the net debt and equity balance. The Group's overall strategy remains unchanged from 2006.

The capital structure of the Group consists of net debt, which includes the elements disclosed in note 4.16 'Interest-bearing debt', and equity (both attributable to the Group and to minority interests).

Gearing ratio
The Group's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 50% determined as the proportion of net debt to equity.

Gearing in thousands of €	**31 Dec 2007**	**31 Dec 2006 restated**	**1 Jan 2006 restated**
Net debt	448 084	374 744	271 692
Equity	1 146 586	1 108 978	1 108 601
Net debt to equity ratio	**39.1%**	**33.8%**	**24.5%**

5.4. Share-based payments

Equity-settled share-based payments
Options granted under the SOP2 stock option plan and subscription rights granted under the SOP 2005-2009 stock option plan (cf. note 4.11 'Ordinary shares, treasury shares, subscription rights and share options') are accounted for as equity-settled share-based payments in accordance with IFRS 2.

During 2007, 12 500 options (2006: 36 500) and 60 670 subscription rights (2006: 70 766) were granted at a weighted average fair value per unit of € 26.10 and € 26.10 respectively (2006: € 20.40 and € 19.27). The Group has recorded an expense against equity of € 0.7 million (2006: € 1.1 million) based on straight-line amortization of the fair value of these options and subscription rights over the vesting period. The fair value of the options and the subscription rights is determined using a binomial pricing model. The inputs to the model are: share price at grant date, exercise price, expected volatility of 28% (2006: 25%), expected dividend yield of 2.5% (2006: 2.5%), vesting period of 3 years, contractual life of 10 years, employee exit rate of 9.2% (2006: 0%) and a risk-free interest rate of 4.0% (2006: 3.6%). To allow for the effects of early exercise, it was assumed that the employees would exercise the options and the subscription rights after vesting date when the share price was 1.25 (2006: 1.25) times the exercise price. Historical volatility was between 25% and 30%.

Cash-settled share-based payments
Stock Appreciation Rights (SARs) granted by the Group (cf. note 4.14 '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 inputs to the model are: share price at balance sheet date, exercise price, expected volatility of 26% (2006: 28%), expected dividend yield of 2.5% (2006: 2.5%), vesting period of 3 years, average contractual life of 4.6 years (2006: 4 years), employee exit rate of 0% (2006: 0%) and a risk-free interest rate of 4.2% (2006: 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 1.7 (2006: 1.6) times the exercise price. Historical volatility was between 25% and 30%.

The Group recorded total expenses of € 0.3 million (2006: € 0.7 million) during the year in respect of SARs. At 31 December 2007, the total intrinsic value of the vested SARs was € 0.8 million (2006: € 0.6 million).

5.5. Off-balance-sheet commitments

As at 31 December, the important commitments were:

in thousands of €	2007	2006
Guarantees given to third parties	374	1 125
Commitments to purchase fixed assets	16 394	3 894
Commitments to invest in venture capital funds	1 810	3 129

In October 2007, Bekaert has signed a letter of intent to sell two subsidiaries, Bekaert Precision Surface Technology (Suzhou) Co., Ltd (Jiangsu province, China) and Precision Surface Technology Pte Ltd (Singapore).

The Group has entered into several rental contracts classified as operating leases mainly with respect to vehicles and buildings, predominantly in Europe 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.

Future payments

in thousands of €	2007	2006
Within one year	11 338	11 743
Between one and five years	20 161	22 531
More than five years	2 476	4 103
Total	**33 975**	**38 377**

Expenses

in thousands of €	2007	2006
Vehicles	6 677	7 249
Industrial buildings	4 723	4 862
Equipment	1 341	1 655
Offices	2 554	1 776
Other	189	336
Total	**15 484**	**15 878**

2007	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	3
Other	4	4

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

No major contingent assets or liabilities have been identified.

5.6. 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.

Transactions with joint ventures and associates

in thousands of €	2007	2006
Sales of goods	20 709	17 841
Purchases of goods	25 428	24 104
Royalties and management fees received	8 591	8 966
Interest and similar income	2	80
Dividends received	52 089	43 236

Outstanding balances with joint ventures and associates

in thousands of €	31 Dec 2007	31 Dec 2006	1 Jan 2006
Non-current receivables	33	-	186
Trade receivables	4 904	6 159	2 852
Other current receivables	8 213	14 004	3 346
Trade payables	2 340	3 904	2 597
Other current payables	383	-	11

Transactions with other related parties

in thousands of €	2007	2006
Inpalco s.r.o. (Slovakia)		
Sales of goods	*-*	*3*
Bege s.r.o. (Slovakia)		
Sales of goods	*59*	*174*

Outstanding balances with other related parties

in thousands of €	31 Dec 2007	31 Dec 2006	1 Jan 2006
Inpalco s.r.o. (Slovakia)			
Trade receivables	*-*	*1*	*-*
Bege s.r.o. (Slovakia)			
Trade receivables	*-*	*42*	*19*

Baron Leon Bekaert, a member of the Board of Directors, has either control or joint control of, Inpalco s.r.o. and Bege s.r.o. The main transactions to be considered as being between related parties are the sales of wire products by Bekaert Hlohovec, a.s. (Slovakia) to Bege s.r.o. They were effected at arm's length. The amounts outstanding are unsecured and are payable 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.

Total Key Management includes the Board of Directors, the CEO, the members of the Bekaert Group Executive (see last page of the Financial Review) and Senior Management (see last page of the Financial Review).

Total Key Management remuneration

in thousands of €	2007	2006
Number of persons	35	35
Short-term employee benefits		
Basic remuneration	*5 167*	*6 049*
Variable remuneration	*2 587*	*2 650*
Remuneration as directors of subsidiaries	*700*	*626*
Post-employment benefits		
Defined-benefit pension plans	*393*	*248*
Defined-contribution pension plans	*400*	*386*
Share-based payment benefits	190	906
Total gross remuneration	**9 437**	**10 865**
Average gross remuneration per person	270	310
Number of subscription rights and options granted (stock option plans)	32 850	71 700

Please refer to the Corporate Governance section of this annual report for the disclosures required by the Belgian Lippens code.

5.7. Events after the balance sheet date

- Under the terms of the SOP 2005-2009 stock option plan, an offer of 97 000 subscription rights was made on 20 December 2007. 75 785 of those subscription rights were accepted, and were granted on 18 February 2008. Their exercise price is € 85.00.
- Under the terms of the SOP2 stock option plan, an offer of 14 500 options was made on 20 December 2007. All 14 500 options were accepted, and were granted on 18 February 2008. Their exercise price is € 85.00.
- Under the authority vested by the General Meeting of Shareholders in the Board of Directors, Bekaert continued to buy back its own shares in 2008. 161 000 of the shares bought back after the balance sheet date were cancelled on 5 March 2008, bringing the total number of issued shares to 19 670 000.
- Bekaert, through NV Bekaert SA, has issued notes totaling € 100 million nominal value in the form of a public offering in Belgium, the Netherlands and Luxembourg. The issue price is set at 101.80% of the nominal value of each note with a coupon of 5.30% per year. The gross yield is 4.886%. The subscription period ran from 10 January to 15 January, 2008.
- To strengthen its existing position in Russia, Bekaert intends to invest in a new steel cord production plant in the Lipetsk Special Economic Zone. This investment of more than € 97 million will take place in phases over the period 2008-2013. The first phase is scheduled to enter production in 2010.
- In February 2008, NV Bekaert SA and Haci Ömer Sabanci Holding A.S. have signed a letter of intent for the acquisition by Bekaert of 50% of the shares in Beksa Celik Kord Sanayi ve Ticaret A.S. (Turkey). As a result Bekaert will acquire full ownership of Beksa, in which it already has a 50% stake. The purchase price related to this transaction is estimated at € 40.3 million.

5.8. Services provided by the statutory auditor and related persons

During 2007, the statutory auditor and persons professionally related to him performed additional services for fees amounting to € 817 000. These fees relate essentially to further assurance services (€ 38 000), tax advisory services (€ 570 000) and other non-audit services (€ 209 000). The additional services were approved by the Audit and Finance Committee.

The audit fees for NV Bekaert SA and its subsidiaries amounted to € 1 289 333.

5.9. Subsidiaries, joint ventures and associates

Companies forming part of the Group as at 31 December 2007

Subsidiaries

Industrial companies	***Address***	**%**
Europe		
Aluheat B.V.	Bergeijk, Netherlands	100
Bekaert Advanced Coatings NV	Deinze, Belgium	100
Bekaert Advanced Filtration SA	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 Combustion Technology B.V.	Assen, Netherlands	100
Bekaert Dymonics GmbH	Herford, Germany	100
Bekaert Hemiksem NV	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 NV	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
North America		
Bekaert Canada Ltd.	Vancouver, Canada	100
Bekaert CEB Technologies Canada Ltd	Calgary, Canada	100
Bekaert Corporation	Wilmington (Delaware), United States	100
Bekaert Progressive Composites, LLC	Wilmington (Delaware), United States	100
Bekaert Specialty Films, LLC	Wilmington (Delaware), United States	100
Delta Wire, LLC	Wilmington (Delaware), United States	100
Latin America		
Productora de Alambres Colombianos Proalco S.A.[4]	Bogotá, Colombia	88
Vicson, S.A.	Valencia, Venezuela	100
Asia		
Bekaert Binjiang Steel Cord Co., Ltd	Jiangyin (Jiangsu province), China	90
Bekaert Carding Solutions Pvt Ltd	Pune, India	100
Bekaert (China) Technology Research and Development Co., Ltd	Jiangyin (Jiangsu province), China	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 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 Unlimited	Cleckheaton, United Kingdom	100
Bekaert (Schweiz) AG	Baden, Switzerland	100
Bekaert A/S	Roskilde, Denmark	100
Bekaert Asia NV	Zwevegem, Belgium	100
Bekaert Carding Solutions S.r.l.	Bergamo, Italy	100
Bekaert CEB Technologies B.V.	Eindhoven, Netherlands	100
Bekaert-CMTM GmbH	Friedrichsdorf, Germany	100
Bekaert Combustion Technology Limited	Solihull, United Kingdom	100
Bekaert France SAS	Antony, France	100
Bekaert Ges.m.b.H.	Vienna, Austria	100
Bekaert GmbH	Friedrichsdorf, Germany	100
Bekaert Limited	Huddersfield, United Kingdom	100
Bekaert Norge A/S	Frogner, Norway	100
Bekaert Poland Sp. z o.o.	Warsaw, Poland	100
Bekaert Specialty Films Nordic AB	Norrtälje, Sweden	100
Bekaert Specialty Films (UK) Ltd	Droitwich, United Kingdom	100
Bekaert Svenska AB	Gothenburg, Sweden	100
Bekaert Wire o.o.o.	Moscow, Russian Federation	100
Lane Brothers Engineering Industries	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	Cleckheaton, United Kingdom	100
Sentinel Wire Fencing Limited	Cleckheaton, United Kingdom	100
Solaronics AB	Vänusborg, Sweden	100
Solaronics GmbH	Achim, Germany	100
Solaronics Oy	Vantaa, Finland	100
Tinsley Wire Limited	Cleckheaton, United Kingdom	100
Tinsley Wire (Ireland) Limited	Dublin, Ireland	100
Twil Company	Cleckheaton, 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 Carding Solutions (Changzhou) Co., Ltd	Changzhou (Jiangsu province), 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
Becorp Holding Corporation	Wilmington (Delaware), United States	100
Bekaert Building Products Hong Kong Limited	Hong Kong, China	100
Bekaert Carding Solutions Hong Kong Limited	Hong Kong, China	100
Bekaert Coördinatiecentrum NV	Zwevegem, Belgium	100
Bekaert do Brasil Ltda	Contagem, Brazil	100
Bekaert Engineering NV	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
Bekaert Russia Holding B.V.	Assen, Netherlands	100
Bekaert Services Hong Kong Limited	Hong Kong, China	100
Bekaert Specialty Wire Products Hong Kong Limited	Hong Kong, China	100
Bekaert Stainless Products Hong Kong Limited	Hong Kong, China	100
Bekaert Steel Cord Products Hong Kong Limited	Hong Kong, China	100
Bekaert Wire Products Hong Kong Limited	Hong Kong, China	100
InverVicson, S.A.[4]	Valencia, Venezuela	100
Numelino S.A.[4]	Madrid, Spain	100
Sentinel Garden Products Limited	Cleckheaton, 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
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
Productos de Acero Cassadó S.A.[5]	Callao, Peru	40
Productos de Acero S.A. – Prodinsa[1]	Maipu, Chile	50
Transportes Puelche Ltda[1]	Talcahuano, Chile	50
Asia		
Mukand Bekaert Wire Industries Pvt Ltd	Pune, India	50

Sales offices, warehouses and others	***Address***	***%***
Europe		
Bekaert Faser Vertriebs GmbH	Idstein, Germany	50
Netlon Sentinel Limited	Blackburn, 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
Prodinsa Ingeniería y Proyectos S.A.[1]	Santiago, Chile	50

Asia

Bekaert Engineering (India) Pvt Ltd	New Delhi, India	40

Australia

Bekaert Australia Steel Cord Pty Ltd	North Shore, Australia	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
Inversiones Invafer Ltda[1]	Santiago, Chile	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 3.8 and 4.4).
[2] Is a subsidiary of Belgo Bekaert Arames Ltda. (cf. notes 3.8 and 4.4).
[3] Belongs to the Ideal Alambrec group (cf. notes 3.8 and 4.4).
[4] Is a subsidiary of Vicson, S.A. (cf. notes 3.8 and 4.4).
[5] Is a joint venture of the Ideal Alambrec group and the Inchalam and Prodalam group (cf. notes 3.8 and 4.4).

Changes in 2007

1. New investments

Subsidiaries	***Address***	***%***
Becorp Holding Corporation	Wilmington (Delaware), United States	100
Bekaert Building Products Hong Kong Limited	Hong Kong, China	100
Bekaert Carding Solutions Hong Kong Limited	Hong Kong, China	100
Bekaert Progressive Composites, LLC	Wilmington (Delaware), United States	100
Bekaert Russia Holding B.V.	Assen, Netherlands	100
Bekaert Services Hong Kong Limited	Hong Kong, China	100
Bekaert Specialty Wire Products Hong Kong Limited	Hong Kong, China	100
Bekaert Stainless Products Hong Kong Limited	Hong Kong, China	100
Bekaert Steel Cord Products Hong Kong Limited	Hong Kong, China	100
Bekaert Wire Products Hong Kong Limited	Hong Kong, China	100
Delta Wire, LLC	Wilmington (Delaware), United States	100

Joint ventures	***Address***	***%***
Inversiones Invafer Dos Ltda	Santiago, Chile	50
Mukand Bekaert Wire Industries Pvt Ltd	Pune, India	50
Prodinsa Ingeniería y Proyectos S.A.	Santiago, Chile	50

2. Increases / decreases in ownership

Subsidiaries	***Address***	***%***
Bekaert Canada Ltd.	Vancouver, Canada	From 70 to 100%
Bekaert Progressive Composites Corporation	Atlanta (Georgia), United States	From 80 to 100%
Filter Concept SPRL	Sprimont, Belgium	From 60 to 0%

Joint ventures	***Address***	
InverVicson, S.A.	Valencia, Venezuela	From 50 to 100%
Numelino S.A.	Madrid, Spain	From 50 to 100%
Productora de Alambres Colombianos Proalco S.A.	Bogotá, Colombia	From 50 to 88%
Productos de Acero Cassadó S.A.	Callao, Peru	From 42 to 40%
Vicson, S.A.	Valencia, Venezuela	From 50 to 100%

3. Mergers / conversions

Subsidiaries	***Merged into***
Bekaert Combustion Technology NV	Bekaert Engineering NV
Bekaert Progressive Composites Corporation	Bekaert Progressive Composites, LLC
Bekaert Sistemas de Combustão e Tecnologia – BCT Ltda.	Bekaert do Brasil Ltda
Delta Wire Corporation	Delta Wire, LLC
Spaleck-Bekaert GmbH & Co. KG	Bekaert GmbH

Joint ventures	***Merged into***
Cimaf Cabos S.A.	Belgo Bekaert Arames Ltda.
Inversiones Invafer Dos Ltda.	Acma Inversiones S.A.

4. Name changes

New name	***Former name***
Barnards Unlimited	Barnards Limited
Bekaert Canada Ltd.	Titan Steel & Wire Co. Ltd
Bekaert (China) Technology Research and Development Co., Ltd	Bekaert Technology and Engineering (Jiangyin) Co., Ltd
Lane Brothers Engineering Industries	Lane Brothers Engineering Industries Limited

5. Closed down

Companies	***Address***
Instafer S.A.	Santiago, Chile
Joseph Sykes Brothers Limited	Sheffield, United Kingdom

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

Companies	***Company number***
Bekaert Advanced Coatings NV	BTW BE 0423.237.031 RPR Gent
Bekaert Advanced Filtration SA	TVA BE 0430.104.631 RPM Liège
Bekaert Asia NV	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 NV	BTW BE 0426.824.150 RPR Kortrijk
Bekaert Engineering NV	BTW BE 0405.388.239 RPR Kortrijk
Bekaert Hemiksem NV	BTW BE 0403.676.188 RPR Antwerpen
Bekintex NV	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 statutory 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 statutory auditor issued an unqualified report on the financial statements of NV Bekaert SA.

Condensed income statement

in thousands of € - Year ended 31 December	2007	2006
Sales	605 707	574 078
Operating profit or loss	46 260	47 695
Financial result	62 929	63 429
Extraordinary result	-24 204	-48 643
Current and deferred income taxes	1 783	-2 313
Profit or loss for the year	**86 768**	**60 168**

Condensed balance sheet after profit appropriation

in thousands of € - 31 December	2007	2006
Fixed assets	**1 522 577**	**1 491 692**
Formation expenses, intangible fixed assets	29 135	27 316
Tangible fixed assets	73 590	69 159
Financial fixed assets	1 419 852	1 395 217
Current assets	**376 117**	**401 281**
Total assets	**1 898 694**	**1 892 973**
Shareholders' equity	**730 754**	**805 319**
Share capital	173 663	173 300
Share premium	12 511	11 032
Revaluation surplus	1 995	1 995
Statutory reserve	17 366	17 330
Untaxed reserves	11 177	12 023
Reserves available for distribution, retained earnings	513 652	589 639
Investment grants	390	-
Provisions and deferred taxes	**85 759**	**88 039**
Creditors	**1 082 181**	**999 615**
Amounts payable after one year	210 450	420 450
Amounts payable within one year	871 731	579 165
Total equity and liabilities	**1 898 694**	**1 892 973**

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 increased by 5.5% compared with 2006 and amounted to € 605.7 million. In advanced wire products, sales of low carbon wire products were slightly lower compared to previous year, while for high carbon wire products market demand was strong. Due to a higher market penetration, market demand for building products was again very high. Sales of steel cord products were slightly lower compared to previous year. In advanced materials, sales of fiber technologies – mainly diesel particulate film – increased significantly in 2007.

The operating result amounted to € 46.3 million (2006: € 47.7 million).

The financial result decreased to € 62.9 million (2006: € 63.4 million). The higher dividend income was compensated by higher expenses related to interest-bearing debt. Foreign-exchange results had a negative impact on the financial result.

The extraordinary result amounted to € -24.2 million (2006: € -48.6 million), mainly due to write-downs on financial assets.

Net profit for the year ended 31 December 2007 amounted to € 86.8 million (2006: € 60.2 million), the increase being largely due to the higher extraordinary result.

Environmental programs

The provision for environmental programs decreased to € 14.6 million (2006: € 15.5 million).

Information on research and development

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

Conflicts of interests

Reference is made to the 'Corporate Governance' section in the 'Report of the Board of Directors'.

Interests in share capital

Three 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 2006 annual report. On 31 December 2007 the total number of shares was 19 831 000 and the total number of shares together with subscription rights was 20 146 703.

Declarant	Date of declaration	Number of shares	Percentage of total number of issued shares	Percentage of total number of issued shares and subscription rights
Velge & Co, in liquidation, Keizerstraat 13, bus 1, 2000 Antwerp	12/01/2007	19 000	0.10%	0.09%
SA Berfin, square Vergote 19, 1200 Brussels	19/01/2007	30 640	0.15%	0.15%
SA Subeco, rue Guimard 19, 1040 Brussels	8/12/2007	52 600	0.27%	0.26%
Millenium 3 SA, av. N. Plissart 8, 1040 Brussels	9/01/2007	30 000	0.15%	0.15%
Stichting Administratiekantoor Bekaert, Chasséveld 1, 4811 DH Breda (Netherlands)	8/12/2007	7 454 330	37.59%	37.00%
Total		**7 586 570**	**38.26%**	**37.66%**

The Stichting Administratiekantoor Bekaert has declared that it is acting in concert with the companies Velge & Co, in liquidation, SA Berfin, SA Subeco and Millenium 3 SA.

Proposed appropriation of NV Bekaert SA 2007 result

The profit after tax for the year ended 31 December 2007 was € 86 768 327, compared with € 60 167 626 for the year ended 31 December 2006. An amount of € 846 102 is transferred from untaxed reserves and the profit brought forward is € 35 474 165, resulting in a profit of € 123 088 594 available for appropriation.

At the General Meeting of Shareholders on 14 May 2008, the Board of Directors will propose that the above profit be appropriated as follows:

	in €
Transfer from reserves	-1 409 702
Transfer to the statutory reserve	36 300
Transfer to the other reserves	37 930 404
Carried forward	32 242 392
Gross dividends	54 289 200
Total	**123 088 594**

In the light of the company's strong performance in 2007 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 € 2.76 per share, an increase of the basic amount by 10.4%. If this proposal is accepted, the net dividend per share will be € 2.07, and the net dividend on shares with VVPR strip, giving entitlement to reduced withholding tax of 15%, will be € 2.346 per share.

The dividend will be payable in euros from 21 May 2008 onwards upon presentation of dividend coupon no. 9 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.

Appointments pursuant to the Articles of Association

The term of office of the independent Director Mr Gary J. Allen expires at the close of the Ordinary General Meeting of Shareholders of 14 May 2008.

The Board of Directors proposes that the General Meeting appoint Dr Alan Begg as independent Director for a term of three years, up to and including the Ordinary General Meeting to be held in 2011.

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NV BEKAERT SA

STATUTORY AUDITOR'S REPORT TO THE SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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 IFRS 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 2007, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, 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 2 312 557 (000) EUR and a consolidated profit (group share) for the year then ended of 152 890 (000) EUR.

The financial statements of several significant entities included in the scope of consolidation which represent total assets of 160 086 (000) EUR and a total profit of 40 032 (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.

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

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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 2007, and of its results and its cash flows for the year then ended, in accordance with IFRS 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 directors' report on the consolidated financial statements 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 directors' report on the consolidated financial statements 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, 14 March 2008

The statutory auditor

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

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
Geert Roelens	Advanced wire products/Steelcord (as from 01/03/2008)
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 Steelcord Technology & Operations Europe & Turkey
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
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 2007 financial year is available in English, Dutch and French on www.Bekaert.com

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Printing:	Lannoo drukkerij – Belgium (www.lannooprint.com)

Financial calendar

First quarter trading update 2008	14	May	2008
General meeting of shareholders	14	May	2008
Dividend payable (coupon nr. 9)	21	May	2008
2008 half year results	1	August	2008
Third quarter trading update 2008	7	November	2008
Fourth quarter trading update 2008	20	February	2009
2008 results	13	March	2009
2008 annual report available on internet	17	April	2009
First quarter trading update 2009	13	May	2009
General meeting of shareholders	13	May	2009
Dividend payable (coupon nr. 10)	20	May	2009

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	Velocity is calculated by taking the sum of the daily division of the number of shares traded by the outstanding number of shares existing the same day, and that for the twelve previous months.
Velocity (adjusted)	Velocity divided by the free-float band of 65% end 2007.
Working capital (operating)	Inventories + trade receivables - trade payables - advances received - current employee benefit obligations - employment-related taxes.

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