



Notes on the switch from Belgian accounting standards to IFRS

Following the European Commission's proposed Directive on IAS, all listed European companies must use International Accounting Standards (IAS), now known as the International Financial Reporting Standards (IFRS), for the preparation of their consolidated financial statements.

Tessenderlo Group decided to apply the IFRS as from 1 January 2005. The group has taken the appropriate administrative and organisational measures in order to present the opening balance sheet in accordance with the IFRS as at 1 January 2004, the date of the switch to the international accounting standards. The impairment tests have been duly carried out in respect of the group's major tangible and intangible assets.

Tessenderlo Group has complied with all the prevailing IAS, including IFRS 1 (First-time adoption of IFRS) and IFRS 3 (Business combination).

The group's consolidated accounts as at 31 December 2003 have therefore been restated in accordance with these new standards. The aim of the following table is to present the opening consolidated balance sheet as at 1 January 2004 on the basis of the IFRS compared with the consolidated balance sheet according to Belgian accounting standards. Please note that the companies consolidated proportionally under Belgian accounting standards have been consolidated using the equity method under IFRS. This change in method entails a decrease of 4 million EUR in consolidated total assets as shown in the 2003 Annual Report.

In accordance with IFRS, differences resulting from the switch were accounted for in the opening shareholders' equity as at 1 January 2004. Compared with shareholders' equity prepared according to Belgian accounting standards, the shareholders' equity prepared according to IFRS is 24 million EUR lower, from 756 million EUR to 732 million EUR.

The major reasons for this decrease are:

- reversal of capitalized restructuring costs, which had a negative impact on opening equity of 10 million EUR;
- reversal of goodwill (mainly in respect of French companies), which resulted in a decrease of 27 million EUR, and reversal of development costs, of which impact is negative by 3 million EUR;

- application of IAS 36 (impairment of assets), which resulted in a decrease of 17 million EUR. This relates mainly to acquisition goodwills and unused tangible assets.
- derecognition of the asset of the pension fund and recognition of additional provisions for pensions and similar obligations in accordance with IAS 19 (Employee benefits) resulted in a net decrease of 11 million EUR;
- recording shareholders' equity before payment of dividends and directors' fees; which had a positive impact on opening equity of 31 million EUR;
- setting up a systematic procedure for recording deferred taxes within the Group, which resulted in an increase of 11 million EUR;
- capitalisation of finance leases as assets and recognition of corresponding financial debts, which resulted in an increase of 3 million EUR.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2003

The impact of the conversion from Belgian GAAP to IFRS on the group's consolidated balance sheet as at 31 December 2003, can be presented as follows:

	<i>Belgian standards</i>	<i>IFRS</i>	<i>Difference</i>	<i>Note</i>
Assets	1,588,692,172	1,545,275,687	-43,416,485	
Non-current assets	785,398,346	743,415,856	-41,982,490	
Formation expenses	10,212,819	0	-10,212,819	(1)
Intangible assets	63,012,377	13,404,159	-49,608,218	(2)
Consolidation differences	45,010,497	50,158,271	5,147,774	(3)
Tangible assets	647,903,252	651,012,652	3,109,400	(4)
Financial fixed assets	19,259,401	28,840,774	9,581,373	
<i>Participations accounted for under the equity</i>	<i>13,450,783</i>	<i>23,024,710</i>	<i>9,573,927</i>	(5)
<i>Other financial fixed assets</i>	<i>5,808,618</i>	<i>5,816,064</i>	<i>7,446</i>	
Deferred taxes	35,253,566	50,111,610	14,858,044	(6)
Current assets	768,040,260	751,748,221	-16,292,039	
Stocks	297,938,561	295,505,429	-2,433,132	(7)
Trade debtors	361,312,878	354,698,712	-6,614,166	(8)
Other amounts receivable and deferred charges and accrued income	60,886,465	54,520,121	-6,366,344	(9)
Investments, cash and cash equivalents	47,902,356	47,023,959	-878,397	(10)
LIABILITIES	1,588,692,172	1,545,275,687	-43,416,485	
Total shareholders' equity	756,743,840	732,013,666	-24,730,174	
Capital and reserves	756,341,529	731,907,482	-24,434,047	(11)
Minority interests	402,311	106,184	-296,127	
Non-current liabilities	114,778,689	122,094,295	7,315,606	
Provisions	68,651,170	72,436,236	3,785,066	(12)
Deferred taxes	46,127,519	49,658,059	3,530,540	(13)
Current liabilities	717,169,643	691,167,726	-26,001,917	
Financial debts payable after one year	116,196,149	120,330,329	4,134,180	(14)
Financial debts payable within one year	271,010,797	269,140,306	-1,870,491	(15)
Trade debts	195,066,719	190,269,763	-4,796,956	(16)
Other debts and accrued charges and deferred income	134,895,978	111,427,328	-23,468,650	(17)

ASSETS

- (1) Formation expenses: decrease from 10 million EUR under Belgian accounting standards to 0 EUR under IFRS.

The capitalized restructuring costs accounted for under Belgian accounting standards do not meet the IFRS criteria for capitalization.

- (2) Intangible assets: decrease of 50 million EUR, from 63 million EUR under Belgian accounting standards to 13 million EUR under IFRS.

This decrease is principally due to the following factors:

- goodwill amounting to 23 million EUR included in this caption under Belgian accounting standards has been recorded under caption 'Consolidation differences' for IFRS;
- in the switch to IFRS, some goodwills included in intangible assets under Belgian accounting standards (principally relating to French companies) have been depreciated. This had an impact of 27 million EUR on shareholders' equity;
- development costs amounting to 2 million EUR were considered as research costs under IFRS; as a result, they were depreciated under IFRS.

Finally, intangible assets totalling 4 million EUR, recorded under Consolidation differences under Belgian accounting standards, were booked to intangible assets under IFRS.

- (3) Consolidation differences: increase of 5 million EUR, from 45 million EUR under Belgian accounting standards to 50 million EUR under IFRS.

This increase is mainly due to the reclassification of goodwill of 23 million EUR (see Note 2), which is partly compensated by the impairment of goodwill on US companies and sales offices totalling 14 million EUR.

In addition, the reclassification referred to in Note 2 (relating to intangible assets) resulted in a decrease of 4 million EUR in this item.

- (4) Tangible assets: increase of 3 million EUR, from 648 million EUR under Belgian accounting standards to 651 million EUR under IFRS.

This increase is mainly due to the following factors:

- leasing agreements which were held off-balance-sheet under Belgian accounting standards have been capitalised under IFRS with counterpart under financial debts. This results in a 6 million EUR increase in this item.

- harmonisation of the depreciation method within the group resulted in a 5 million EUR increase in this item.

This was partly offset by the following:

- companies that were consolidated proportionally under Belgian accounting standards have been consolidated using the equity method under IFRS. This change had the effect of decreasing tangible assets by 4 million EUR;
- a 2 million EUR impairment on tangible assets was accounted for in the context of the switch to IFRS.
- additional depreciation accounted for amounting to 2 million EUR.

(5) Participations accounted for under the equity method: increase of 9 million EUR, from 14 million EUR under Belgian accounting standards to 23 million EUR under IFRS. This is the result of the change in the method of consolidation referred to in Note 4, and corresponds to Tessengerlo Group's share in the equity of the companies concerned as at 31 December 2003.

(6) Deferred taxes: an increase of 15 million EUR, from 35 million EUR under Belgian accounting standards to 50 million EUR under IFRS.

This increase under IFRS is the result of the various restatements made as part of the switch to IFRS.

(7) Stocks : decrease of 3 million EUR, from 298 million EUR under Belgian accounting standards to 295 million under IFRS.

This decrease was mainly due to the change in the method of consolidation referred to in Note 4.

(8) Trade debtors: decrease of 6 million EUR, from 361 million EUR under Belgian accounting standards to 355 million EUR under IFRS.

The decrease in this item was mainly due to the change in the method of consolidation referred to in Note 4 and various reclassifications.

(9) Other amounts receivable and deferred charges and accrued income: decrease of 6 million EUR, from 61 million EUR under Belgian accounting standards to 55 million

EUR under IFRS. This was mainly due to derecognition of the asset in the pension fund under IFRS.

- (10) Investments, cash and cash equivalents: decrease from 48 million EUR under Belgian accounting standards to 47 million EUR under IFRS. This 1 million EUR decrease was due entirely to the change in the method of consolidation referred to in Note 4.

LIABILITIES

- (11) Capital and reserves: decrease of 24 million EUR, from 756 million EUR under Belgian accounting standards to 732 million EUR under IFRS.

The table below shows the grounds for this decrease, details of which are included in this document.

Restatement	million EUR		
	Gross	Def. tax	Net
Depreciation of goodwill	-27.3	0	-27.3
Impairment of goodwill	-14.4	4	-10.4
Reversal of restructuring costs	-10	3.4	-6.6
Derecognition of asset pension fund	-7.3	2.5	-4.8
Provisions for pensions and similar obligations	-6.1	2.1	-4
Harmonisation of depreciation methods	4.6	-1.6	3
Impairment of tangible assets	-2.2	0.8	-1.4
Capitalization of leasing operations and acknowledgement of debt	2.6	-0.9	1.7
Reversal of development costs	-2.6	0.9	-1.7
Miscellaneous	-3.2	0.1	-3.1
Sub-total	-65.9	11.3	-54.6
Reclassification of capital grants			-1
Dividend			31.2
Total			-24.4

- (12) Provisions: increase of 4 million EUR, from 68 million EUR under Belgian accounting standards to 72 million EUR under IFRS.

This increase was mainly due to the provision for pensions and similar obligations for the entire Tessengerlo Group accounted for in accordance with IAS 19 (Employee benefits). Under IFRS, the provision is calculated on the basis of the estimated salary at the time of pension, whereas it was calculated on the basis of the current salary under Belgian accounting standards.

- (13) Deferred taxes: increase of 4 million EUR, from 46 million EUR under Belgian accounting standards to 50 million EUR under IFRS.

This increase stems from the various restatements made as part of the switch to IFRS as described in this document.

- (14) Financial debts payable after one year: increase of 4 million EUR, from 116 million EUR under Belgian accounting standards to 120 million EUR under IFRS.

This increase was due mainly to the following factors:

- whereas capital subsidies were included under capital and reserves under Belgian accounting standards, they are booked under Financial debts payable after one year under IFRS (1 million EUR);
 - as stated in Note 4, French companies' leasing operations are booked to Assets under IFRS. This had an impact of 3 million EUR;
- partially offset by
- the 1 million EUR decrease relating to the change in the method of consolidation, as referred to in Note 4.

- (15) Financial debts payable within one year: decrease of 2 million EUR, from 271 million EUR under Belgian accounting standards to 269 million EUR under IFRS, due to the change in the method of consolidation referred to in Note 4 (1 million EUR) and the various reclassifications made in the switch to IFRS.

- (16) Trade debts: decrease of 5 million EUR, from 195 million EUR under Belgian accounting standards to 190 million EUR under IFRS, due to the change in the method of consolidation referred to in Note 4 (2 million EUR) and the various reclassifications made in the switch from Belgian accounting standards to IFRS.

- (17) Other debts and accrued charges and deferred income: decrease of 24 million EUR, from 135 million EUR under Belgian accounting standards to 111 million EUR under IFRS, mainly due to dividends paid (31 million EUR). Under IFRS, the balance sheet is drawn up before payment of dividends. In addition, the change in the method of consolidation had an impact of 2 million EUR on this item.