

Reconciliation of equity at 31/12/2003, 2004 income statement and equity at 31/12/2004

Amounts in 000 Euro

	31/12/2004	2004 equity movements				2004	31/12/2003
	Equity	Capital increase	Changes in capital grants	ACO related	Dividend	Net result	Equity
Published in accordance with BGAAP	50.754	52	-340	25.625	-1.825	5.041	22.201
<u>IFRS restatements</u>							
1. Derecognition of formation expenses	-91	-88	0	0	0	30	-33
2. Finance leases	-50	0	0	0	0	-12	-38
3. Deferred tax assets	1.246	0	0	0	0	352	894
4. Classification ACO as equity component	0	0	0	-25.625	0	0	25.625
5. Interest expenses on ACO	0	0	0	-1.538	0	1.538	0
Interest expenses on ACO, tax effect	0	0	0	520	0	-520	0
6. Dividends							
6.1 2003 dividend declared after balance sheet date	1.825	0	0	0	1.825	0	0
6.2 2004 dividend declared after balance sheet date	0	0	0	0	-1.640	0	1.640
7. Treasury shares	0	-4	0	0	0	12	-8
8. Tax liability on captive	-9.482	0	0	0	0	-1.035	-8.447
9. Derecognition of general provisions	1.474	0	0	0	0	-139	1.613
10. Expensing of certain parts of property, plant and equipment	-1.364	0	0	0	0	209	-1.573
11. Share based payments	0	10	0	0	0	-10	0
12. Defined benefit plans	-337	0	0	0	0	89	-426
13. Goodwill	444	0	0	0	0	1.272	-828
14. Deduction of government grants from assets	-1.521	0	340	0	0	0	-1.861
15. Fair value valuation interest rate swap	-57	0	0	0	0	-57	0
16. Impairment of goodwill	-1.740	0	0	0	0	-1.740	0
Equity in accordance with IFRS	41.101	-30	0	-1.018	-1.640	5.030	38.759

Explanation of the impact of the transition to IFRS on the equity at 31/12/03, 2004 income statement and equity at 31/12/04

(amounts in 000 Euro)

1. Capitalisation of formation expenses is not allowed under IFRS, instead expenses related to the increase of capital are deducted from equity. The effect on the opening IFRS equity (31/12/03) amounts to -33. Depreciation charges related to the formation assets recognised under Belgian GAAP (BGAAP) are reversed in the 2004 IFRS income statement (+30) and costs related to new capital increases are deducted from equity. This results in an impact on the equity as at 31/12/04 of -91.
2. Some contracts that classify as finance leases under IFRS are treated as operating leases in accordance with BGAAP. The effect of the different treatment on equity is -38 in 2003 and -50 in 2004. Since the different classification leads to differences in depreciation charges and finance costs, there is also an impact on the income statement which is equal to -12.
3. Under IAS 12 a deferred tax asset is recognised for carry forwards of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. In France the impact of this recognition on the opening IFRS equity amounts to +695, in the Netherlands there is an impact of +199, giving a total of +894. The impact on the profit of 2004 equals +352 and arises from additional carry forwards of unused tax losses in France (+551) and the utilisation of all carry forwards of tax losses in the Netherlands (effect -199). This leads to a increase of the result reported in the 2004 income statement of +1.246. In accordance with BGAAP Ter Beke did not recognise deferred tax assets on tax loss carry forwards.
4. In the opening IFRS balance sheet the subordinated automatic convertible debenture (ACD) (+25.625) is reclassified as an equity instrument (which is consistent with the treatment in the key figures that Ter Beke published in prior years). Under BGAAP the ACD was classified as a liability under the balance sheet heading "Amounts payable after more than one year – Subordinated debentures". In December 2004 the ACD was converted to equity under BGAAP, so no further reclassification was required by the end of 2004.
5. The interest payable on the ACD after tax under BGAAP is recognised in the income statement, where it is recognised directly in retained earnings in accordance with IFRS (net effect +1.018) since the ACD is classified as an equity component.
6. In accordance with Belgian GAAP the balance sheet is established after profit appropriation, while in accordance with IFRS an entity is not allowed to recognise dividends as a liability at the balance sheet date if these dividends are declared after that date.
7. Treasury shares are presented as assets under BGAAP while these shares are deducted from equity in accordance with IFRS (effect -8 on the opening IFRS equity). The gains and losses related to transactions with treasury shares are

recognised directly in equity in accordance with IFRS, this leads to an increase of +12 in the 2004 income statement.

8. Under IFRS, Ter Beke recognises the tax liability on the tax-free reserve of its Luxembourg subsidiary, which was disclosed but not recognised under Belgian GAAP. The equity effect in 2003 is –8.447. The effect on the income statement as a result of the increase in the tax-free reserve in 2004 amounts to –1.035, resulting in a 2004 equity effect of –9.482.
9. Certain general provisions recognised in accordance with BGAAP do not meet the recognition criteria for provisions under IFRS. The effect on equity in the IFRS opening balance amounts to +1.613 and amounts to + 1.474 in 2004. In 2004 an amount of 139 of this provision was used in accordance with BGAAP. That amount was reversed in the income statement in accordance with IFRS (-139).
10. The accounting treatment of property, plant and equipment in accordance with BGAAP is different from the treatment under IFRS. Restatement of the opening IFRS balance sheet results in an impact on equity of –1.573. The depreciation of these assets under BGAAP are reversed in the income statement of 2004 (+209) resulting in a decrease of -1364 of the equity in 2004.
11. Under IFRS the change in the fair value of the stock option plans is recognised in the income statement (effect –10 in 2004). Since these stock option plans are classified as equity-settled plans, the effect on the net result of the year is compensated by the effect on equity and therefore there is no impact on equity.
12. In order to be in accordance with IAS 19, Ter Beke reviewed all employee benefit plans. For the defined benefit plans, a liability for employee benefits was recognized directly in equity in the opening IFRS balance sheet (-426). In 2004, the application of IAS 19 had impact on the income statement of +89, resulting in a 2004 equity effect of –337.
13. In the opening balance sheet, Ter Beke recognised an impairment loss on the goodwill on the French investments acquired in 1996 (-828). In accordance with IFRS goodwill is not longer amortized, resulting in a positive effect on the income statement of +1.272 in 2004.
14. Under IFRS government grants relating to property, plant and equipment are deducted from the carrying amount of the related assets instead of being presented as a part of equity as in BGAAP (-1.861 in 2003, -1.521 in 2004)
15. The measurement at fair value of the interest rate swap results in an impact on the income statement of –57.
16. In 2004 Ter Beke recognised an impairment loss of -1.740 on the goodwill of the French operations in the 2004 income statement.