7. Miscellaneous items

7.1. Notes to the cash flow statement

Summary in thousands of €	**2011**	**2012**
Cash from operating activities	105 594	438 853
Cash from investing activities	-185 016	-81 196
Cash from financing activities	20 459	-271 942
Net increase or decrease in cash and cash equivalents	**-58 963**	**85 715**

Further information about the main elements contributing to the cash from operating activities is provided in following notes: 4. 'Segment reporting', 5.1. 'Operating result (EBIT) by function', 5.2. 'Operating result (EBIT) by nature', 5.5. 'Income taxes' and 6.7. 'Operating working capital'. Information about movements in provisions can be found in 6.15. 'Employee benefit obligations' and 6.16. 'Provisions'. The following table presents more details about selected operating items:

Details of selected operating items in thousands of €	**2011**	**2012**
Non-cash items included in operating result		
Depreciation and amortization	200 835	229 103
Impairment losses on assets	6 470	94 987
Gains (-) and losses on step acquisitions	-	-21 717
Employee benefits: set-up / (reversal of amounts not used)	8 421	62 895
Provisions: set-up / (reversal of amounts not used)	5 309	18 385
CTA recycled on business disposals[1]	-2 917	-698
Equity-settled share-based payments	3 146	4 178
Total	**221 264**	**387 133**
Investing items included in operating result		
Gains (-) and losses on business disposals[1]	-17 936	-12 694
Gains (-) and losses on disposals of intangible assets	-98	22
Gains (-) and losses on disposals of PP&E	1 726	-2 666
Total	**-16 308**	**-15 338**
Amounts used on provisions and employee benefit obligations		
Employee benefits: (amounts used)	-33 089	-54 427
Provisions: (amounts used)	-8 098	-4 057
Total	**-41 187**	**-58 484**
Income taxes paid		
Income taxes before deferred taxes	-98 296	-47 305
Increase or decrease (-) in net income taxes payable	-30 969	-11 881
Total	**-129 265**	**-59 186**
Other operating cash flows		
Movements in other current assets and liabilities	-32 491	2 755
Realized exchange results	13 776	7 041
Other	325	-2 601
Total	**-18 390**	**7 195**

[1] *Gains from business disposals have been reclassified from other financial income to non-recurring items (2011: € +20.9 million) and are treated as investing items included in operating result. See adjusted 'Non-recurring items' section in note 2.4. 'Income statement items'.*

More information about the main elements contributing to the cash from investing activities is provided in following notes: 7.2. 'Effects of new business combinations and business disposals' and, concerning capital expenditure on tangible and intangible fixed assets, in 4.'Segment reporting'. Other portfolio investments mainly relate to non-controlling interests (see note 6.14. 'Non-controlling interests'), joint ventures (see note 6.4. 'Investments in joint ventures and associates') and available-for-sale financial assets (see note 6.5. 'Other non-current assets'). The following table presents more details on selected investing cash flows:

Details of selected investing items in thousands of €	**2011**	**2012**
Other investing cash flows		
Proceeds from disposal of intangible assets	110	264
Proceeds from disposal of property, plant and equipment	1 637	8 380
Other	8	86
Total	**1 755**	**8 730**

More information about the main elements contributing to the cash from financing activities is provided in following notes: 5.3. 'Interest income and expense', 6.9. 'Cash & cash equivalents and short-term deposits', 6.17. 'Interest-bearing debt' and, regarding treasury shares transactions, in 6.13. 'Retained earnings and other Group reserves'. The swings in current financial assets mainly relate to a temporary investment in short-term deposits of the dual tranche bond totaling € 400 million in November 2011, which were converted to cash equivalents in 2012. The following table presents more details about selected financing items:

Details of selected financing items in thousands of €	**2011**	**2012**
Other financing cash flows		
New shares issued following exercise of subscription rights	2 546	410
Capital paid in by minority interests	2 262	10 435
Increase (-) or decrease in current and non-current loans and receivables	35 465	12 609
Increase (-) or decrease in current financial assets	-277 820	278 035
Impact of unrealized exchange results on financing items	-1 022	-35 040
Total	**-238 569**	**266 449**

7.2. Effect of new business combinations and business disposals

Business combinations (1): the Inchalam group (step) acquisition

On 22 December 2011, Bekaert announced the signing of an agreement with its Chilean partners to restructure the shareholding of their joint venture operations in Chile, Peru and Canada. The deal was finalized on 13 March 2012, but came into effect as from 1 January 2012. As a consequence, Bekaert became the principal shareholder (52%) in the Inchalam Group and acquires control in all of the following entities:

- Industrias Chilenas de Alambre – Inchalam SA in Talcahuano, Chile;
- Acma Inversiones SA in Talcahuano, Chile;
- Industrias Acmanet Ltda in Talcahuano, Chile;
- Prodalam SA in Santiago, Chile;
- Acma SA in Santiago, Chile;
- Acmanet SA in Santiago, Chile;
- Productos de Acero SA – Prodinsa in Maipú, Chile;
- Prodinsa Ingeniería y Proyectos SA in Santiago, Chile;
- Wire Rope Industries Ltd in Pointe-Claire, Canada;
- Procables SA in Callao, Peru;
- Impala SA in Panama, Panama.

By this strategic transaction, Bekaert strengthens its position in the steel wire business in Chile and the ropes business in Chile, Peru and Canada. Bekaert announced that it will further pursue the business strategy and approach in place and capitalize on synergies and future growth in the countries and businesses concerned.

The deal also involved Productos de Acero Cassadó SA (Prodac) in Callao, Peru, a subsidiary of the Bekaert Group. Prior to the deal, Bekaert owned 32% in Prodac via a Spanish holding, Bekaert Ideal SL, and 20% via the Inchalam group. In this transaction, Bekaert contributed its 32% interests in Prodac through Bekaert Ideal SL to the Inchalam group in exchange of 2% additional interests in the latter. The fair value of the interests in Prodac given up was determined at USD 7.0 million (€ 5.5 million), using a discounted cash flow approach. Consequently, Bekaert received new shares in Inchalam SA and Prodalam SA for an aggregate nominal value of USD 7.0 million (€ 5.5 million).

In accordance with IFRS 3 (revised 2008), when a business combination is achieved in stages, also known as a step acquisition, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, and any resulting gain or loss is recognized in profit or loss. In this case, the fair value of the Group's previously held 50% interest in the Inchalam Group was extrapolated from the USD 7.0 million purchase consideration of the 2% interest acquired, after deducting a control premium valued at USD 2.3 million. This extrapolation established the fair value at € 92.0 million. The carrying amount of the Group's interest in the Inchalam group at the acquisition date amounted to € 77.5 million. This resulted in a gain on step acquisition of € 14.5 million, which is presented in 'non-recurring items' in the income statement.

In accordance with IFRS 3, any amounts arising from interests in the acquiree prior to the acquisition date that have been recognized in the Group's other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if the interests were disposed of. This resulted in an additional gain of € 7.3 million from a reclassification of cumulative translation adjustments, which is also presented in 'non-recurring items' in the income statement.

Goodwill is measured as the difference between:

(i) The sum of the following elements:
   a. Consideration transferred;
   b. Amount of any non-controlling interests in the acquiree;
   c. Fair value of the Group's previously held equity interest in the acquiree; and

(ii) The net balance of the fair value of the identifiable assets acquired and the liabilities assumed.

Since the purchase consideration consisted of the Prodac shares, its cost is equivalent to the non-controlling interest disposed.

The initial accounting for the business combination resulted in a slightly positive goodwill (€ 0.9 million), after reviewing the provisional figures disclosed in the Group's interim report of the 1rst semester 2012.

The table below presents the net assets acquired by balance sheet caption, showing the effect of fair value adjustments applied in accordance with IFRS 3 Business Combinations and the goodwill calculation. Together with the amount relating to the Southern Wire acquisition, it also clarifies the amount shown in the consolidated cash flow statement as 'new business combinations'.

Total in thousands of €	**Acquiree's carrying amount before combination**	**Fair value adjustments**	**Fair value**
Intangible assets	833	-	833
Property, plant and equipment	74 644	44 072	118 716
Other non-current assets	3 695	-	3 695
Deferred tax assets	1 954	2 176	4 130
Inventories	88 198	293	88 491
Trade receivables	71 626	-281	71 345
Advances paid	247	-	247
Financial receivables	4 873	-	4 873
Other receivables	6 702	-	6 702
Short-term deposits	160	-	160
Cash and cash equivalents	10 364	-	10 364
Other current assets	880	-	880
Non-current employee benefit obligations	-4 373	-3 965	-8 338
Provisions	-	-1 049	-1 049
Non-current interest-bearing debt	-2 856	-	-2 856
Deferred tax liabilities	-5 465	-10 496	-15 961
Current interest-bearing debt	-50 829	-	-50 829
Trade payables	-36 364	-	-36 364
Advances received	-232	-	-232
Current employee benefit obligations	-5 672	-	-5 672
Current provisions	-798	-	-798
Income taxes payable	-1 270	-	-1 270
Other current liabilities	-1 249	-131	-1 380
Total net assets acquired in a business combination	**155 068**	**30 619**	**185 687**
Equity method investment held prior to business combination	-77 515	-14 452	-91 967
Non-controlling interests arising on the acquirees	-	-	-89 178
Non-controlling interests disposed	-4 842	-645	-5 487
Goodwill	-	-	945
Consideration paid in cash	**-**	**-**	**-**
Cash acquired	-	-	-10 364
New business combinations	**-**	**-**	**-10 364**

The positive fair value adjustments on property, plant and equipment mainly relate to the land and buildings held by Inchalam, Prodalam and Wire Rope Industries. The fair value adjustments on inventories consist of two elements which almost outweighed each other: (1) Remeasurement at sales value less costs to complete less costs to sell and (2) Write-downs of slow moving and obsolete inventories to net realizable value. The first element is a one-time remeasurement required by IFRS 3 Business Combinations, which is generally reversed soon afterwards to the extent that the inventory goods are subsequently sold. Because the effect of this reversal generally is that no profit is made on the sales of these inventory goods, it has been presented in 'non-recurring items' in the income statement (€ -4.9 million). The second element results from an analysis which is updated at each balance sheet date and is not expected to be reversed soon. Therefore, any changes to the accumulated write-downs are recognized in recurring EBIT (REBIT).

The non-controlling interests disposed relates to the shares of Prodac which represent the consideration transferred in the acquisition.

The effect on consolidated sales and on the result for the period is shown below:

in thousands of €	**Date of acquisition**	**Net sales for the period**	**Result for the period**
Inchalam group (step) acquisition	1 January 2012	416 447	37 736

The result for the period includes a net non-recurring gain of € 16.9 million relating to the business combination accounting for this transaction.

Business combinations (2): the Southern Wire acquisition

On 30 August 2012, Bekaert announced the successful closing of the transaction to establish a joint venture, 55% owned by Bekaert and 45% by Southern Steel Berhad (SSB), a leading Malaysian Steel Group. The transaction consists of SSB contributing its interests in the Malaysian steel wire and ropes activities based in Shah Alam and Ipoh, and Bekaert bringing in the galvanized wire platform located in Karawang, Indonesia. The partnership with Southern Steel is meant to create a production and sales platform for steel wire and ropes activities in South-East Asia, that will leverage their mutual capabilities and technological expertise. The parent holding has been named Bekaert Southern Wire Pte Ltd with registered office in Singapore. The business combination came into effect as of 1 September 2012. As a consequence, Bekaert acquired control in following entities, all of which are based in Kuala Lumpur, Malaysia:

- Bekaert Southern Wire Sdn Bhd;
- Bekaert Southern Specialty Wire Sdn Bhd;
- Cempaka Raya Sdn Bhd.

The initial accounting for the business combination resulted in a slightly positive goodwill (€ 0.3 million).

The table below presents the net assets acquired by balance sheet caption, showing the effect of fair value adjustments applied in accordance with IFRS 3 Business Combinations and the goodwill calculation. Together with the amount relating to the Inchalam group (step) acquisition, it also clarifies the amount shown in the consolidated cash flow statement as 'new business combinations'.

Total in thousands of €	**Acquiree's carrying amount before combination**	**Fair value adjustments**	**Fair value**
Intangible assets	3 686	4 018	7 704
Property, plant and equipment	7 857	-1 142	6 715
Deferred tax assets	1 479	604	2 083
Inventories	7 752	762	8 514
Trade receivables	7 008	-309	6 699
Financial receivables	29	-	29
Other receivables	307	-	307
Cash and cash equivalents	1 925	-	1 925
Other current assets	253	-	253
Non-current employee benefit obligations	-1 598	-2	-1 600
Deferred tax liabilities	1 261	-3 344	-2 083
Current interest-bearing debt	-10 785	-	-10 785
Trade payables	-1 250	-610	-1 860
Advances received	-22	-	-22
Current employee benefit obligations	-706	-	-706
Current provisions	-62	-	-62
Other current liabilities	-427	-	-427
Total net assets acquired in a business combination	**16 707**	**-23**	**16 684**
Non-controlling interests arising on the acquirees	-	-	-7 508
Non-controlling interests disposed	-6 621	1 313	-5 308
Goodwill	-	-	261
Consideration paid in cash	**-**	**-**	**4 129**
Cash acquired	-	-	-1 925
New business combinations	**-**	**-**	**2 204**

The non-controlling interests disposed relates to the contribution of 45% of the steel wire business in Indonesia.

The initial accounting of the above transaction was determined provisionally.

The effect on consolidated sales and on the result for the period is shown below:

in thousands of €	Date of acquisition	Net sales for the period	Result for the period
Southern Wire (Malaysian entities)	1 September 2012	16 952	-3 689

The result for the period includes a net non-recurring loss of € 1.9 million relating to the business combination accounting for this transaction. The main part of this relates to the reversal of the one-time remeasurement of inventories at sales value less costs to complete less costs to sell, which is required by IFRS 3 Business Combinations.

It is impracticable to recalculate the consolidated sales and results for the period as if the acquisition date were 1 January, mainly because this would cause undue effort and cost in view of its limited relevance.

Business disposals

On 2 April 2012, Bekaert sold its Industrial Coatings activities to Element Partners, a Pennsylvania, US-based equity fund. The transaction covered the production facilities in Deinze (Belgium) and Jiangyin (Jiangsu province, China), and the respective sales organization.

The table below presents the net assets disposed by balance sheet caption. It also clarifies the amount shown in the consolidated cash flow statement as 'Proceeds from disposal of investments'.

in thousands of €	Industrial Coatings activities	Other disposals	Total disposals
Intangible assets	-26	-	-26
Property, plant and equipment	591	253	844
Investments	-	5	5
Deferred tax assets	-12	-	-12
Inventories	1 357	-	1 357
Trade receivables	1 206	-	1 206
Advances paid	22	-	22
Other receivables	11	18	29
Cash and cash equivalents	-35	-	-35
Assets held for sale	31 363	-	31 363
Other current assets	-9	-	-9
Non-current employee benefit obligations	8	-	8
Provisions	5	-	5
Deferred tax liabilities	-43	-	-43
Current financial liabilities	-729	-	-729
Trade payables	-1 199	-	-1 199
Advances received	1 370	-	1 370
Current employee benefit obligations	19	-	19
Current provisions	-35	-	-35
Income taxes payable	-183	-	-183
Liabilities associated with assets held for sale	-12 197	-	-12 197
Other current liabilities	1 582	-	1 582
Total net assets disposed	**23 066**	**276**	**23 342**
Gain or loss (-) on business disposals	11 174	2 218	13 392
CTA recycled on disposal (non-cash)	-386	-312	-698
Cash disposed	35	-	35
Gain or loss (-) on non-consolidated investments	-	2 198	2 198
Proceeds from NCI disposal recognized in equity	-	1 379	1 379
Deferred proceeds	-16 101	-778	-16 879
Proceeds from disposals of investments	**17 788**	**4 981**	**22 769**

The proceeds of the other disposals relate to following transactions:

- The sale of a venture capital fund called Sage Electrochromics, an investment which had been fully written down and recognized in research and development expense in prior years (€ 2.2 million);
- The sale of the Flaring business (€ 1.4 million), a relatively small activity within the Group's combustion technology business;
- The sale to the Ecuadorean partners of their non-controlling interest in Prodac before the liquidation of Alambres Andinos SA (Alansa), the gain on which was recognized in equity, since there was no loss of control (€ 1.4 million).
- The liquidation of Alansa and Bekaert Specialty Films (Sea) Pte Ltd (€ 0.03 million).

The contribution of the Industrial Coatings activities to the consolidated sales (before disposal) and to the result for the period (excluding the result on disposal) is shown below:

in thousands of €	**Date of disposal**	**Net sales for the period**	**Result for the period**
Industrial Coatings business	2 April 2012	11 236	883

7.3. 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 mainly hedges the risks that affect the Group's cash flows. 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's currency risk can be split into two categories: translational and transactional currency risk.

Translational currency 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 Chinese renminbi, US dollar, Czech koruna, Brazilian real, the Chilean peso and the Venezuelan bolivar. Since there is no impact on the cash flows, the Group usually does not hedge against such risk.

Transactional currency risk

The Group is exposed to transactional currency risks resulting from its investing, financing and operating activities.

Foreign currency risk in the area of investment results from the acquisition and disposal of investments in foreign companies, but also from dividends receivable from foreign investments. Transactional currency risks typically arise from administrative delay in the settlement of dividend payments from Chinese subsidiaries. The group enters into non-deliverable forward contracts (NDFs) with various financial institutions to hedge these risks. These NDFs typically are not elected for hedge accounting.

Foreign currency risk in the financing area results from financial liabilities in foreign currencies. In line with its 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. At the reporting date, the foreign currency liabilities for which currency risks were hedged mainly consisted of Eurobonds and intercompany loans mainly in euro and US dollar.

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. The Group uses forward exchange contracts to hedge the forecasted cash inflows and outflows for the coming three months. Significant exposures and firm commitments beyond that time frame may also be covered.

Currency sensitivity analysis

Currency sensitivity relating to the operating activities

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. The net currency positions are presented before intercompany eliminations. Positive amounts indicate that the Group has a net future cash inflow in the first currency. In the table, the 'Total exposure' column represents the position on the balance sheet, while the 'Total derivatives' column includes all financial derivatives hedging those balance sheet positions as well as forecasted transactions. The annualized volatility is based on the daily movement of the exchange rate of the reported year, with a 95% confidence interval.

Currency pair - 2012 in thousands of €	Annualized volatility in %	Total exposure	Total derivatives	Open position
AUD/USD	15.55%	2 172	-2 606	-434
CNY/EUR	13.37%	2 518	-	2 518
CZK/EUR	10.44%	-3 870	2 634	-1 236
EUR/CNY	13.37%	-2 308	-9 203	-11 511
EUR/GBP	9.23%	1 248	-	1 248
EUR/INR	16.11%	-2 249	-	-2 249
GBP/CZK	15.74%	1 287	-	1 287
GBP/EUR	9.23%	3 262	-	3 262
GBP/USD	10.30%	1 280	-	1 280
IDR/USD	9.87%	-1 630	-	-1 630
JPY/CNY	11.96%	1 145	-880	265
JPY/EUR	18.53%	118	-256	-138
NZD/USD	17.02%	554	-112	442
USD/CLP	16.15%	4 284	-	4 284
USD/CNY	3.75%	23 955	-29 534	-5 579
USD/EUR	13.87%	15 623	32	15 655
USD/INR	16.74%	-7 245	-	-7 245
USD/MXN	18.48%	-1 838	-	-1 838

Currency pair - 2011 in thousands of €	Annualized volatility in %	Total exposure	Total derivatives	Open position
AUD/USD	23.23%	2 047	-1 675	372
CNY/EUR	18.10%	580	-	580
EUR/CNY	18.10%	-13 429	-5 616	-19 045
EUR/COP	21.02%	-792	-	-792
EUR/CZK	9.74%	2 781	-2 587	195
EUR/GBP	13.09%	-708	-	-708
EUR/INR	17.13%	-1 828	-	-1 828
EUR/RUB	14.24%	-4 117	-	-4 117
EUR/USD	18.60%	-2 185	-	-2 185
GBP/CZK	17.28%	1 078	-	1 078
GBP/EUR	13.09%	1 376	-718	658
GBP/USD	13.30%	1 488	-	1 488
IDR/USD	11.95%	-2 233	-	-2 233
JPY/CNY	15.70%	3 836	-1 132	2 704
JPY/USD	15.45%	623	-216	407
NZD/USD	24.30%	151	-144	7
SGD/EUR	13.10%	2 403	-	2 403
USD/CAD	17.20%	713	-	713
USD/CNY	3.60%	41 911	-31 618	10 294
USD/COP	16.34%	-1 496	88	-1 408
USD/CZK	23.07%	721	-	721
USD/EUR	18.60%	21 203	1 615	22 818
USD/INR	14.75%	-8 770	-	-8 770
USD/MXN	23.94%	-865	-	-865
USD/PEN	8.99%	899	-	899
USD/SGD	12.26%	541	-	541

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 € 0.01 million lower/higher (2011: € 0.5 million).

Currency sensitivity in relation to hedge accounting

Some derivatives are also part of effective cash flow hedges to hedge the currency risk relating to the Eurobond issued in 2005. 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 € 0.6 million higher/lower (2011: € 0.9 million).

Interest-rate risk

The Group is exposed to interest-rate risk, mainly on debt denominated in US dollar, Chinese renminbi and euro. 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 portions of the long-term debt remain within the defined limits. The Group also may purchase forward starting interest-rate options to convert fixed and floating-rate long-term debt to capped long-term debt. By such interest-rate options, the Group intends to protect itself 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 at the balance sheet date.

	Long-term				
2012	**Fixed rate**	**Floating rate**	**Total**	**Short-term**	**Total**
US dollar	5.41%	6.37%	5.41%	1.91%	2.48%
Chinese renminbi	5.76%	5.98%	5.82%	5.29%	5.59%
Euro	5.01%	-	5.01%	1.10%	4.86%
Other	7.70%	3.00%	7.35%	5.65%	6.20%
Total	**5.25%**	**5.56%**	**5.26%**	**2.63%**	**4.05%**

	Long-term				
2011	**Fixed rate**	**Floating rate**	**Total**	**Short-term**	**Total**
US dollar	5.26%	6.37%	5.28%	2.24%	2.81%
Chinese renminbi	5.47%	6.25%	5.75%	6.36%	6.13%
Euro	5.11%	-	5.11%	3.32%	5.08%
Other	7.60%	6.39%	7.54%	5.78%	6.45%
Total	**5.22%**	**6.26%**	**5.27%**	**3.59%**	**4.58%**

Interest-rate sensitivity analysis

Interest-rate sensitivity of the financial debt

As disclosed in note 6.17. ‘Interest-bearing debt’, the total financial debt of the Group as of 31 December 2012 amounted to € 1 189.7 million (2011: € 1 555.2 million). The following table shows the currency and interest rate profile, i.e. the percentage distribution of the total financial debt by currency and by type of interest rate (fixed, floating, capped).

Currency and interest rate profile	**Long-term**			**Short-term**	
2012	**Fixed rate**	**Floating rate**	**Capped rate**	**Floating rate**	**Total**
US dollar	6.80%	-	-	34.80%	41.60%
Chinese renminbi	3.40%	1.20%	-	3.60%	8.20%
Euro	39.80%	-	-	1.60%	41.40%
Other	2.50%	0.30%	-	6.00%	8.80%
Total	**52.50%**	**1.50%**	**-**	**46.00%**	**100.00%**

Currency and interest rate profile	**Long-term**			**Short-term**	
2011	**Fixed rate**	**Floating rate**	**Capped rate**	**Floating rate**	**Total**
US dollar	6.10%	0.10%	-	26.70%	32.90%
Chinese renminbi	4.10%	2.30%	-	11.00%	17.40%
Euro	44.70%	-	-	0.80%	45.50%
Other	1.60%	0.10%	-	2.50%	4.20%
Total	**56.50%**	**2.50%**	**-**	**41.00%**	**100.00%**

On the basis of the annualized daily volatility of the 3-month Interbank Offered Rate in 2012 and 2011, the reasonable estimates of possible interest rate changes, with a 95% confidence interval, are set out in the table below for the main currencies.

Currency	Interest rate at 31 Dec 2012	Annualized volatility in %	Range interest rate
Chinese renminbi[1]	3.58%	16.45%	2.99%-4.17%
Euro	0.19%	31.35%	0.13%-0.25%
US dollar	0.31%	10.44%	0.27%-0.34%

Currency	Interest rate at 31 Dec 2011	Annualized volatility in %	Range interest rate
Chinese renminbi[1]	3.40%	16.45%	2.84%-3.96%
Euro	1.36%	17.93%	1.12%-1.60%
US dollar	0.58%	16.39%	0.49%-0.68%

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

Applying the estimated possible changes 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 € 1.2 million higher/lower (2011: € 1.8 million higher/lower).

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 increases of the interest rates to these transactions, with all other variables constant, the hedging reserve in shareholders' equity would have been € 0.09 million higher (2011: € 0.23 million). Applying the estimated possible decreases of the interest rates to these transactions, with all other variables constant, the hedging reserve in shareholders' equity would have been € 0.09 million lower (2011: € 0.25 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 sector and geographical area, a credit risk analysis is made of customers and a decision is taken regarding the covering of the credit risk. 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 steel wire activities 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. In accordance with IFRS 8 §34, none of the specified disclosures on individual customers (or groups of customers under common control) are required, since none of the Group's customers accounts for more than 10% of its revenues. At 31 December 2012, 65.2% (2011: 70.8%) of the credit risk exposure was covered by credit insurance policies and by trade finance techniques. 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 liquidity 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 financing 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 € 75.0 million (2011: € 125.0 million) at floating interest rates with fixed margins. These credit facilities will mature in 2013 and will be replaced by two new committed facilities for € 50 million and USD 25 million respectively. At year-end, € 3.5 million was outstanding under these facilities (2011: € 6.9 million). In addition, the Group has a commercial paper and medium-term note program available for a maximum of € 123.9 million (2011: € 123.9 million). At the end of 2012, no commercial paper notes were outstanding (2011: € 10.0 million).

The total contractually agreed outflows of the Group's financial liabilities (including interest payments, trade and other payables, without compensation for gross settled derivatives) as at 31 December 2012 are: € 1 490.1 million in 2013, € 284.0 million in 2014, € 529.0 million for 2015-2017 and € 320.2 million in 2018 and later.

The following table shows the Group's contractually agreed (undiscounted) outflows in relation to financial liabilities. Only net interest payments and principal repayments are included.

2012 in thousands of €	**2013**	**2014**	**2015-2017**	**2018 and thereafter**
Financial liabilities - principal				
Trade payables	*-321 760*	*-*	*-*	*-*
Other payables	*-112 154*	*-248*	*-*	*-*
Interest-bearing debt	*-342 549*	*-219 280*	*-331 753*	*-296 114*
Derivatives - gross settled	*-641 845*	*-14 797*	*-122 428*	*-*
Financial liabilities - interests				
Interest-bearing debt	*-53 390*	*-41 382*	*-66 298*	*-24 069*
Derivatives - net settled	*-2 023*	*-2 124*	*-1 641*	*-*
Derivatives - gross settled	*-16 399*	*-6 217*	*-6 884*	*-*
Total undiscounted cash flow	**-1 490 120**	**-284 048**	**-529 004**	**-320 183**

2011 in thousands of €	**2012**	**2013**	**2014-2016**	**2017 and thereafter**
Financial liabilities - principal				
Trade payables	*-290 635*	*-*	*-*	*-*
Other payables	*-124 566*	*-1 191*	*-*	*-*
Interest-bearing debt	*-650 190*	*-149 658*	*-460 362*	*-295 000*
Derivatives - gross settled	*-455 831*	*-*	*-131 239*	*-*
Financial liabilities - interests				
Interest-bearing debt	*-73 002*	*-44 578*	*-86 736*	*-38 248*
Derivatives - net settled	*-2 024*	*-1 977*	*-3 353*	*-*
Derivatives - gross settled	*-11 868*	*-5 663*	*-12 161*	*-*
Total undiscounted cash flow	**-1 608 116**	**-203 067**	**-693 851**	**-333 248**

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.

Hedging

All financial derivatives the Group enters into, relate to an underlying transaction or forecasted exposure. In function of the expected impact on the income statement and if the stringent IAS 39 criteria are met, the Group decides on a case-by-case basis whether hedge accounting will be applied. The following sections describe the transactions whereby hedge accounting is applied and transactions which do not qualify for hedge accounting but constitute an economic hedge.

Hedge accounting

Depending on the nature of the hedged exposure, IAS 39 makes a distinction between fair value hedges, cash flow hedges and hedges of a net investment. Fair value hedges are hedges of the exposure to variability in the fair value of recognized assets and liabilities. Cash flow hedges are hedges of the exposure to variability in future cash flows related to recognized assets or liabilities, highly probable forecasted transactions or unrecognized firm commitments. Hedges of a net investment are hedges of the exposure to variability of the net investment in the assets of an entity with a different functional currency.

Fair value hedges

In 2005, Bekaert Corporation, a US based entity, issued a fixed rated 100.0 million Eurobond. Simultaneously, the entity also entered into two € 50.0 million cross-currency interest-rate swaps to convert half of the fixed euro payments into floating US dollar payments and the other half of the fixed euro payments into fixed US dollar payments. During 2005, the entity reduced its floating US dollar exposure from € 50.0 million to € 30.9 million.

The Group has designated the portion of € 30.9 million from the 2005 Eurobond as a hedged item in a fair value hedge (the remaining € 69.1 million is treated as a hedged item in a cash flow hedge – see next section). 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 Group has designated cross-currency interest-rate swaps with an aggregate notional amount of € 30.9 million (2011: € 30.9 million) as fair value hedges as at 31 December 2012, the fair value amounting to € 2.3 million (2011: € 1.6 million). The change in fair value of the hedging instruments during 2012 resulted in a gain of € 0.7 million (2011: € 0.6 million loss) which was recognized in other financial income and expenses. The remeasurement of the hedged items resulted in a loss of € 0.7 million (2011: € 0.6 million gain), which was also recognized in other financial income and expenses. Interest expense adjustments arising from fair value hedges amounted to a gain of € 0.8 million (2011: gain of € 0.9 million).

Cash flow hedges

The currency risk resulting from the remaining € 69.1 million of the 2005 Eurobond (see previous section on fair value hedges) has been hedged using a cross-currency interest-rate swap for € 50.0 million and a combination of a cross-currency interest-rate swap and an interest-rate swap for € 19.1 million. These financial derivatives convert fixed euro payments into fixed US dollar payments. The Group has designated the related portion of the Eurobond as a hedged item. 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.

As at 31 December 2012, the Group has designated cross-currency interest-rate swaps and interest-rate swaps with notional amounts totaling € 88.2 million (2011: € 88.2 million) as cash flow hedges, the fair value amounting to € -1.0 million (2011: € -4.5 million). During 2012, gains totaling € 3.5 million (2011: € 1.6 million losses) 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. A total amount of € 1.3 million was debited to equity (hedging reserve) against other financial income and expenses to offset the unrealized exchange losses (2011: gains of € 2.1 million) recognized on the remeasurement of the Eurobond at closing rate. Interest expense adjustments arising from cash flow hedges amounted to a loss of € 0.9 million (2011: a loss of € 0.6 million).

Hedges of a net investment

Throughout 2012 and 2011, the Group has not concluded or settled any net investment hedges.

Economic hedging

The Group also uses financial instruments that represent an economic hedge but for which no hedge accounting is applied, either because the criteria to qualify for hedge accounting defined in IAS 39 'Financial Instruments: Recognition and Measurement' are not met or because the Group has elected not to apply hedge accounting. 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 nearly 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 € 679.6 million (2011: € 490.7 million), the fair value amounting to € 15.8 million (2011: € -18.1 million). The major currencies involved are US dollars, Canadian dollars and Russian rubles. Foreign-exchange contracts represented a notional amount of € 95.6 million (2011: € 67.9 million) with a fair value of € 0.3 million (2011: € -3.5 million). During 2012, a gain of € 36.8 million (2011: loss of € 21.7 million) resulting from changes in the fair values of cross-currency interest-rate swaps and forward exchange contracts was recognized under other financial income and expenses. A loss of € 40.8 million (2011: gain of € 22.2 million) has been recognized under unrealized exchange results arising on the remeasurement of the intercompany loans at spot rate. Realized exchange gains on hedged intercompany loans amounting to € 5.0 million (2011: € 2.0 million losses) have been recognized in other financial income and expenses. Interest expense adjustments arising from cross-currency interest-rate swaps used as economic hedges for currency risk amounted to a loss of € 4.5 million.

- To manage its interest-rate exposure, the Group uses interest-rate swaps, forward rate agreements and interest-rate options to convert its floating-rate debt to a fixed and/or capped rate debt. Except for an interest-rate swap for USD 25.0 million, none of these interest-rate derivatives were designated as hedges as defined in IAS 39. As at 31 December 2012, the interest-rate exposure of debt was hedged using interest-rate swaps for a total gross amount of € 30.3 million (2011: € 30.9 million). No forward rate agreements and no interest rate options were outstanding at 31 December 2012 (2011: none). The fair value at year-end of the interest-rate swaps amounted to € -2.8 million (2011: € -3.8 million). During 2012, a gain of € 0.8 million (2011: € 0.1 million loss) resulting from the changes in fair values was recognized under other financial income and expenses. Interest expense adjustments arising from interest-rate swaps used as economic hedges amounted to a loss of € 1.4 million (2011: loss of € 1.3 million).

- In 2011, the Group entered into non-deliverable forward contracts (NDFs) for a notional amount of € 134.8 million with expiry date in January 2012 to limit its currency risk on dividends receivable from its Chinese subsidiaries. The expiry of these NDFs generated a loss of € 4.3 million (2011: € 5.4 million loss). A net exchange gain of € 3.4 million (2011: € 6.6 million gain) was incurred on dividends receivable from Chinese subsidiaries.

- The Group uses forward exchange contracts to limit currency risks on its various operating and, financing activities. 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 2012, the notional amount of the forward exchange contracts relating to commercial transactions was € 49.3 million (2011: € 51.3 million). The fair value at year-end amounted to € 0.1 million (2011: € 0.7 million), with a loss of € 0.1 million (2011: € 1.1 million gain). A gain of € 11.7 million (2011: € 2.5 million loss) was incurred from unrealized exchange losses on receivables and payables. However, the forward exchange contracts also relate to forecasted commercial transactions, for which there is no offsetting position on the balance sheet. Realized exchange results on hedged operating and financial payables and receivables amounted to a loss of € 12.8 million (2011: loss of € 2.3 million).

Derivatives
The following table analyzes the notional amounts of the derivatives according to their maturity date:

2012 in thousands of €	**Due within one year**	**Due between one and 5 years**	**Due after more than 5 years**
Interest-rate swaps	-	49 265	-
Forward exchange contracts	132 231	12 440	-
Cross-currency interest-rate swaps	643 390	137 224	-
Total	**775 621**	**198 929**	**-**

2011 in thousands of €	**Due within one year**	**Due between one and 5 years**	**Due after more than 5 years**
Interest-rate swaps	-	50 236	-
Forward exchange contracts	263 859	-	-
Cross-currency interest-rate swaps	456 708	131 239	-
Total	**720 567**	**181 475**	**-**

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 in thousands of €	**Assets** 2011	2012	**Liabilities** 2011	2012
Financial instruments				
Forward exchange contracts				
Held for trading	*1 090*	*1 035*	*9 160*	*603*
Interest-rate swaps				
Held for trading	*-*	*-*	*3 775*	*2 879*
In connection with cash flow hedges	*-*	*-*	*2 218*	*1 687*
Cross-currency interest-rate swaps				
Held for trading	*2 865*	*18 210*	*21 014*	*2 409*
In connection with fair value hedges	*1 607*	*2 277*	*-*	*-*
In connection with cash flow hedges	*994*	*1 408*	*3 236*	*757*
Total	**6 556**	**22 930**	**39 403**	**8 335**
Non-current	5 461	7 954	9 230	5 324
Current	1 095	14 976	30 173	3 011
Total	**6 556**	**22 930**	**39 403**	**8 335**

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

2012 in thousands of €	**Hedged item**	**Hedging instrument**	**Other**	**Recognized in profit or loss**
Fair value hedges	Fair value changes	Fair value changes	Interest expense adjustments	
Currency and interest-rate risk on financing cash flows	*-741*	*719*	*763*	*741*
Cash flow hedges				
Interest expense adjustments and amortization of discontinued hedges (recycled from equity)	*-*	*-*	*-930*	*-930*
	Underlying risk	**Financial derivative**		
Held for trading	Unrealized exchange results	Fair value changes	Realized exchange results	
Currency risk on financing cash flows	*-40 817*	*36 839*	*4 985*	*1 007*
Currency risk on operating and investing cash flows	*-5 408*	*5 256*	*-1 946*	*-2 098*
			Interest expense adjustments	
Interest-rate risk	*-*	*845*	*-5 903*	*-5 058*
Total	**-46 966**	**43 659**	**-3 031**	**-6 338**

Of the total income statement effect in 2012, € -1.3 million is recognized in other financial income and expenses, € +1.1 million in other operating revenues and expenses (i.e. realized exchange results on operating cash flows) and € -6.1 million in interest expense.

2011 in thousands of €	**Hedged item**	**Hedging instrument**	**Other**	**Recognized in profit or loss**
Fair value hedges	Fair value changes	Fair value changes	Interest expense adjustments	
Currency and interest-rate risk on financing cash flows	*574*	*-562*	*860*	*872*
Cash flow hedges				
Interest expense adjustments and amortization of discontinued hedges (recycled from equity)	*-*	*-*	*-646*	*-646*
	Underlying risk	**Financial derivative**		
Held for trading	Unrealized exchange results	Fair value changes	Realized exchange results	
Currency risk on financing cash flows	*22 211*	*-21 735*	*-2 049*	*-1 573*
Currency risk on operating and investing cash flows	*4 125*	*-4 273*	*14 707*	*14 559*
			Interest expense adjustments	
Interest-rate risk	*-*	*-102*	*-1 111*	*-1 213*
Total	**26 910**	**-26 672**	**11 761**	**11 999**

Of the total income statement effect in 2011, € 13.2 million is recognized in other financial income and expenses, € -0.3 million in other operating revenues and expenses (i.e. realized exchange results on operating cash flows) and € -0.9 million in interest expense.

Cash flow hedges also directly affect equity via other comprehensive income, as shown below:

2012 in thousands of €	**Hedged item**	**Hedging instrument**	**Other**	**Recognized in equity (OCI)**
Cash flow hedges	Spot price changes	Fair value changes		
Currency and interest-rate risk on financing cash flows	*-1 371*	*3 426*	*-*	*2 055*
Amortization of discontinued hedges (recycled to profit or loss)	*-*	*-*	*78*	*78*

2011 in thousands of €	**Hedged item**	**Hedging instrument**	**Other**	**Recognized in equity (OCI)**
Cash flow hedges	Spot price changes	Fair value changes		
Currency and interest-rate risk on financing cash flows	*2 100*	*-1 598*	*-*	*502*
Amortization of discontinued hedges (recycled to profit or loss)	*-*	*-*	*75*	*75*

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 and other receivables, bills of exchange received, loans and receivables primarily have short terms to maturity; hence, their carrying amounts at the reporting date approximate the fair values. Furthermore, the Group has no exposure to collateralized debt obligations (CDOs). Trade and other payables also generally have short times to maturity and, hence, their carrying amounts also approximate their fair values.

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
FAFVTPL	Financial Assets at Fair Value Through Profit or Loss
FLMaAC	Financial Liabilities Measured at Amortized Cost
Hedge accounting	Hedge accounting
FLFVTPL	Financial Liabilities at Fair Value Through Profit or Loss
n.a.	Not applicable

2012 in thousands of €	Category in accordance with IAS 39	Carrying amount 2012	Amounts recognized in balance sheet in accordance with IAS 39 at: Amortized cost	Fair value through equity	Fair value through profit or loss	Amounts recognized in balance sheet in accordance with IAS 17	Fair value 2012
Assets							
Cash and cash equivalents	L&R	352 312	352 312	-	-	-	352 312
Short term deposits	L&R	104 792	104 792	-	-	-	104 792
Trade receivables	L&R	589 109	589 109	-	-	-	589 109
Bills of exchange received	L&R	162 734	162 734	-	-	-	162 734
Other receivables	L&R	84 325	84 325	-	-	-	84 325
Loans and receivables	L&R	35 363	35 363	-	-	-	35 363
Available for sale financial assets	AfS	11 305	3 360	7 945	-	-	11 305
Derivative financial assets							
- without a hedging relationship	FAFVTPL	19 245	-	-	19 245	-	19 245
- with a hedging relationship	Hedge accounting	3 685	-	1 408	2 277	-	3 685
Liabilities							
Interest-bearing debt							
- finance leases	n.a.	257	-	-	-	257	257
- credit institutions	FLMaAC	340 273	340 273	-	-	-	340 273
- bonds	Hedge accounting	102 069	69 107	-	32 962	-	106 697
- bonds	FLMaAC	750 000	750 000	-	-	-	791 175
Trade payables	FLMaAC	321 760	321 760	-	-	-	321 760
Other payables	FLMaAC	112 402	112 402	-	-	-	112 402
Derivative financial liabilities							
- without a hedging relationship	FLFVTPL	5 891	-	-	5 891	-	5 891
- with a hedging relationship	Hedge accounting	2 444	-	2 444	-	-	2 444
Aggregated by category in accordance with IAS 39							
Loans and receivables	L&R	1 328 635	1 328 635	-	-	-	1 328 635
Available-for-sale financial assets	AfS	11 305	3 360	7 945	-	-	11 305
Financial assets - hedge accounting	Hedge accounting	3 685	-	1 408	2 277	-	3 685
Financial assets at fair value through profit or loss	FAFVTPL	19 245	-	-	19 245	-	19 245
Financial liabilities measured at amortized cost	FLMaAC	1 524 435	1 524 435	-	-	-	1 565 610
Financial liabilities - hedge accounting	Hedge accounting	104 513	69 107	2 444	32 962	-	109 141
Financial liabilities at fair value through profit or loss	FLFVTPL	5 891	-	-	5 891	-	5 891

2011 in thousands of €	**Category in accordance with IAS 39**	**Carrying amount 2011**	**Amounts recognized in balance sheet in accordance with IAS 39 at: Amortized cost**	**Fair value through equity**	**Fair value through profit or loss**	**Amounts recognized in balance sheet in accordance with IAS 17**	**Fair value 2011**
Assets							
Cash and cash equivalents	L&R	293 856	293 856	-	-	-	293 856
Short term deposits	L&R	382 607	382 607	-	-	-	382 607
Trade receivables	L&R	586 937	586 937	-	-	-	586 937
Bills of exchange received	L&R	241 392	241 392	-	-	-	241 392
Other receivables	L&R	88 319	88 319	-	-	-	88 319
Loans and receivables	L&R	24 681	24 681	-	-	-	24 681
Available for sale financial assets	AfS	8 997	789	8 208	-	-	8 997
Derivative financial assets							
- without a hedging relationship	FAFVTPL	3 955	-	-	3 955	-	3 955
- with a hedging relationship	Hedge accounting	2 601	-	994	1 607	-	2 601
Liabilities							
Interest-bearing debt							
- finance leases	n.a.	269	-	-	-	269	269
- credit institutions	FLMaAC	553 806	553 806	-	-	-	553 806
- bonds	Hedge accounting	101 983	69 107	-	32 876	-	106 418
- bonds	FLMaAC	900 000	900 000	-	-	-	917 328
Trade payables	FLMaAC	290 635	290 635	-	-	-	290 635
Other payables	FLMaAC	125 757	125 757	-	-	-	125 757
Derivative financial liabilities							
- without a hedging relationship	FLFVTPL	33 949	-	-	33 949	-	33 949
- with a hedging relationship	Hedge accounting	5 454	-	5 454	-	-	5 454
Aggregated by category in accordance with IAS 39							
Loans and receivables	L&R	1 617 792	1 617 792	-	-	-	1 617 792
Available-for-sale financial assets	AfS	8 997	789	8 208	-	-	8 997
Financial assets - hedge accounting	Hedge accounting	2 601	-	994	1 607	-	2 601
Financial assets at fair value through profit or loss	FAFVTPL	3 955	-	-	3 955	-	3 955
Financial liabilities measured at amortized cost	FLMaAC	1 870 198	1 870 198	-	-	-	1 887 526
Financial liabilities - hedge accounting	Hedge accounting	107 437	69 107	5 454	32 876	-	111 872
Financial liabilities at fair value through profit or loss	FLFVTPL	33 949	-	-	33 949	-	33 949

Financial instruments by fair value measurement hierarchy

The fair value measurement of financial assets and financial liabilities can be characterized in one of the following ways:

- *'Level 1'* fair value measurement: the fair values of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices in active markets for identical assets and liabilities. This mainly relates to available-for-sale financial assets such as the investment in Shougang Concord Century Holdings Ltd (see note 6.5. 'Other non-current assets').
- *'Level 2'* fair value measurement: the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. This mainly relates to derivative financial instruments. Forward exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contracts. Interest-rate swaps, forward rate agreements and interest-rate options are measured at the present value of future cash flows estimated and discounted using the applicable yield curves derived from quoted interest rates. The fair value measurement of cross-currency interest-rate swaps is based on discounted estimated cash flows using quoted forward exchange rates, quoted interest rates adjusted for the Group's credit spread and applicable yield curves derived there from.
- *'Level 3'* fair value measurement: the fair values of the remaining financial assets and financial liabilities are derived from valuation techniques which include inputs which are not based on observable market data. As at the balance sheet date, no 'Level 3' techniques were used to determine the fair value of any financial assets or financial liabilities.

The following table provides an analysis of financial instruments measured at fair value in the balance sheet, in accordance with the fair value measurement hierarchy described above:

2012 in thousands of €	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets - hedge accounting				
Derivative financial assets	*-*	*3 685*	*-*	*3 685*
Financial assets at fair value through profit or loss				
Derivative financial assets	*-*	*19 245*	*-*	*19 245*
Available-for-sale financial assets				
Equity investments	*7 945*	*-*	*-*	*7 945*
Total assets	**7 945**	**22 930**	**-**	**30 875**
Financial liabilities - hedge accounting				
Interest-bearing debt	*-*	*32 962*	*-*	*32 962*
Derivative financial liabilities	*-*	*2 444*	*-*	*2 444*
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	*-*	*5 891*	*-*	*5 891*
Total liabilities	**-**	**41 297**	**-**	**41 297**

2011 in thousands of €	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets - hedge accounting				
Derivative financial assets	*-*	*2 601*	*-*	*2 601*
Financial assets at fair value through profit or loss				
Derivative financial assets	*-*	*3 955*	*-*	*3 955*
Available-for-sale financial assets				
Equity investments	*8 208*	*-*	*-*	*8 208*
Total assets	**8 208**	**6 556**	**-**	**14 764**
Financial liabilities - hedge accounting				
Interest-bearing debt	*-*	*32 876*	*-*	*32 876*
Derivative financial liabilities	*-*	*5 454*	*-*	*5 454*
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	*-*	*33 949*	*-*	*33 949*
Total liabilities	**-**	**72 279**	**-**	**72 279**

There were no transfers between Level 1 and 2 in the period.

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 2011.

The capital structure of the Group consists of net debt, which includes the elements disclosed in note 6.17. 'Interest-bearing debt', and equity (both attributable to the Group and to non-controlling interests).

Gearing ratio

The Group's Audit and Finance 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 €	**2011**	**2012**
Net debt	856 247	700 197
Equity	1 766 422	1 603 714
Net debt to equity ratio	**48.5%**	**43.7%**

7.4. Off-balance-sheet commitments

As at 31 December, the important commitments were:

in thousands of €	2011	2012
Guarantees given to third parties on behalf of subsidiaries	415 848	240 168
Commitments to purchase fixed assets	13 068	5 339
Commitments to invest in venture capital funds	8 153	7 454

The decrease in guarantees given to third parties mainly relates to the lower draw-downs by the Chinese and Indian companies.
The Group has entered into several rental contracts classified as operating leases mainly with respect to vehicles and buildings, predominantly in Europe. A large portion of the contracts contain a renewal clause, except those relating to most of the vehicles and the equipment. The assets are not subleased to a third party.

Future payments in thousands of €	2011	2012
Within one year	13 103	13 327
Between one and five years	21 573	23 740
More than five years	9 340	4 367
Total	**44 016**	**41 434**

Expenses in thousands of €	2011	2012
Vehicles	10 728	10 720
Industrial buildings	2 915	3 030
Equipment	2 824	1 876
Offices	5 137	4 480
Land	498	-34
Other	607	1 061
Total	**22 709**	**21 133**

2011 in years	Weighted average lease term	Weighted average fixed period of rental
Vehicles	4	4
Industrial buildings	4	3
Equipment	4	4
Offices	4	4
Land	28	5
Other	2	3

2012 in years	Weighted average lease term	Weighted average fixed period of rental
Vehicles	4	4
Industrial buildings	4	3
Equipment	4	4
Offices	4	4
Land	9	9
Other	1	1

No major contingent assets or liabilities have been identified, which relate to the fully consolidated companies.
The entities of the Group are subjected to regular tax audits in their jurisdictions. While the ultimate outcome of tax audits is not certain, Bekaert has considered the merits of its filing positions in an overall evaluation of potential tax liabilities and concludes that the Group has adequate liabilities recorded in its consolidated financial statements for exposures on these matters. Accordingly, Bekaert also considers it unlikely that potential tax exposures over and above the amounts currently recorded as liabilities in the consolidated financial statements will be material to its financial condition (see note 6.4. 'Investments in joint ventures and associates' for tax contingencies relating to joint ventures and associates).

7.5. 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 €	**2011**	**2012**
Sales of goods	35 374	16 054
Purchases of goods	20 750	10 654
Royalties and management fees received	9 856	10 579
Interest and similar income	99	48
Dividends received	7 195	7 207

Outstanding balances with joint ventures and associates in thousands of €	**2011**	**2012**
Trade receivables	10 833	7 017
Other current receivables	72	999
Trade payables	2 955	1 639

None of the related parties have entered into any other transactions with the Group that meet the requirements of IAS 24 Related Party Disclosures.

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 €	**2011**	**2012**
Number of persons	35	34
Short-term employee benefits		
Basic remuneration	*6 721*	*6 595*
Variable remuneration	*4 324*	*2 395*
Remuneration as directors of subsidiaries	*883*	*955*
Post-employment benefits		
Defined-benefit pension plans	*560*	*559*
Defined-contribution pension plans	*543*	*536*
Share-based payment benefits	1 907	2 341
Total gross remuneration	**14 938**	**13 381**
Average gross remuneration per person	427	394
Number of subscription rights, options and stock appreciation rights granted (stock option plans)	227 500	165 000

The disclosures relating to the Belgian Corporate Governance Code are included in the Corporate Governance Statement of this annual report.

7.6. Events after the balance sheet date

- On 13 February 2013, the authorities of Venezuela announced a devaluation of the bolivar fuerte with 32%. The official exchange rate has now been fixed at 6.3 VEF/USD (vs. 4.3 VEF/USD before). This will affect all foreign currency transactions in the financial statements of Vicson SA and its subsidiary InverVicson SA (see also note 3.1. Critical judgments in applying the entity's accounting policies).

- A third offer of 274 100 options was made on 20 December 2012 under the terms of the SOP 2010-2014 stock option plan. 267 200 of those options were accepted, and were granted on 18 February 2013. Their exercise price is € 19.20. The granted options represent a fair value of € 1.8 million.

7.7. Services provided by the statutory auditor and related persons

During 2012, the statutory auditor and persons professionally related to him performed additional services for fees amounting to € 1 189 433.

These fees relate essentially to further assurance services (€ 90 694), tax advisory services (€ 1 094 950) and other non-audit services (€ 3 789).

The additional services were approved by the Audit and Finance Committee.

The audit fees for NV Bekaert SA and its subsidiaries amounted to € 1 785 527.

7.8. Subsidiaries, joint ventures and associates

Companies forming part of the Group as at 31 December 2012

Subsidiaries

Industrial companies	*Address*	*%*
EMEA		
Bekaert Advanced Filtration SA	Sprimont, Belgium	100
Bekaert Bohumín sro	Bohumín, Czech Republic	100
Bekaert Carding Solutions Ltd	Bradford, United Kingdom	100
Bekaert Carding Solutions NV	Zwevegem, Belgium	100
Bekaert Combustion Technology BV	Assen, Netherlands	100
Bekaert Hlohovec as	Hlohovec, Slovakia	100
Bekaert Izmit Celik Kord Sanayi ve Ticaret AS	Izmit, Turkey	100
Bekaert Petrovice sro	Petrovice, Czech Republic	100
Bekaert Sardegna SpA	Assemini, Italy	100
Bekaert Slovakia sro	Sládkovičovo, Slovakia	100
Bekintex NV	Wetteren, Belgium	100
Cold Drawn Products Ltd	Bradford, United Kingdom	100
Industrias del Ubierna SA	Burgos, Spain	100
OOO Bekaert Lipetsk	Gryazi, Russian Federation	100
Solaronics SA	Armentières, France	100
North America		
Bekaert Canada Ltd	Vancouver, Canada	100
Bekaert Corporation	Wilmington (Delaware), United States	100
Wire Rope Industries Ltd	Pointe-Claire, Canada	52
Latin America		
Acma SA	Santiago, Chile	52
Acmanet SA	Talcahuano, Chile	52
Ideal Alambrec SA	Quito, Ecuador	80
Industrias Chilenas de Alambre - Inchalam SA	Talcahuano, Chile	52
Procables SA	Callao, Peru	50
Productora de Alambres Colombianos Proalco SAS	Bogotá, Colombia	80
Productos de Acero Cassadó SA	Callao, Peru	38
Productos de Acero SA Prodinsa	Maipú, Chile	52
Vicson SA	Valencia, Venezuela	80
Asia Pacific		
Bekaert Ansteel Tire Cord (Chongqing) Co Ltd	Chongqing, China	50
Bekaert Binjiang Advanced Products Co Ltd	Jiangyin (Jiangsu province), China	90
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 (Huizhou) Steel Cord Co Ltd	Huizhou (Guangdong province), China	100
Bekaert Industries Pvt Ltd	Taluka Shirur, District Pune, India	100
Bekaert-Jiangyin Wire Products Co Ltd	Jiangyin (Jiangsu province), China	82
Bekaert Mukand Wire Industries Pvt Ltd	Pune, India	93
Bekaert New Materials (Suzhou) Co Ltd	Suzhou (Jiangsu province), China	100
Bekaert (Qingdao) Wire Products Co Ltd	Qingdao (Shandong province), China	100
Bekaert (Shandong) Tire Cord Co Ltd	Weihai (Shandong province), China	100
Bekaert Shenyang Advanced Products Co Ltd	Shenyang (Liaoning province), China	100
Bekaert Southern Specialty Wire Sdn Bhd	Kuala Lumpur, Malaysia	55
Bekaert Southern Wire Sdn Bhd	Kuala Lumpur, Malaysia	55
Bekaert Toko Metal Fiber Co Ltd	Tokyo, Japan	70
Bekaert (Xinyu) New Materials Co Ltd	Xinyu City (Jiangxi province), China	75
China Bekaert Steel Cord Co Ltd	Jiangyin (Jiangsu province), China	90
PT Bekaert Advanced Filtration	Karawang, Indonesia	100
PT Bekaert Indonesia	Karawang, Indonesia	100
PT Bekaert Southern Wire	Karawang, Indonesia	55
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*	*%*
EMEA		
Barnards Unlimited	Bradford, United Kingdom	100
Bekaert AS	Vejle, Denmark	100
Bekaert Carding Solutions SAS	Armentières, France	100
Bekaert Combustion Technology Ltd	Solihull, United Kingdom	100
Bekaert Emirates LLC	Dubai, United Arab Emirates	49
Bekaert France SAS	Antony, France	100
Bekaert Ges mbH	Vienna, Austria	100
Bekaert GmbH	Friedrichsdorf, Germany	100
Bekaert Ltd	Bradford, United Kingdom	100
Bekaert Middle East LLC	Dubai, United Arab Emirates	49
Bekaert Norge AS	Frogner, Norway	100
Bekaert Poland Sp z oo	Warsaw, Poland	100
Bekaert Romania SRL	Bucharest, Romania	100
Bekaert (Schweiz) AG	Baden, Switzerland	100
Bekaert Svenska AB	Gothenburg, Sweden	100
Bekaert Tarak Aksesuarlari ve Makineleri Ticaret AS	Istanbul, Turkey	100
Lane Brothers Engineering Industries	Bradford, United Kingdom	100
Leon Bekaert SpA	Trezzano Sul Naviglio, Italy	100
OOO Bekaert Wire	Moscow, Russian Federation	100
Rylands-Whitecross Ltd	Bradford, United Kingdom	100
Sentinel (Wire Products) Ltd	Bradford, United Kingdom	100
Sentinel Wire Fencing Ltd	Bradford, United Kingdom	100
Scheldestroom NV	Zwevegem, Belgium	100
Solaronics AB	Vänersborg, Sweden	100
Solaronics GmbH	Achim, Germany	100
Solaronics Oy	Vantaa, Finland	100
Tinsley Wire Ltd	Bradford, United Kingdom	100
Twil Company	Bradford, United Kingdom	100
North America		
Bekaert Carding Solutions Inc / Bekaert Solutions de Cardage Inc	Saint John, Canada	100
Bekaert Carding Solutions Inc	Wilmington (Delaware), United States	100
Bekaert Specialty Films de Mexico SA de CV	Monterrey, Mexico	100
Bekaert Trade Mexico S de RL de CV	Mexico City, Mexico	100
Specialty Films de Services Company SA de CV	Monterrey, Mexico	100
Wire Rope Industries Inc	Wilmington (Delaware), United States	52
Latin America		
Bekaert Guatemala SA	Ciudad de Guatemala, Guatemala	100
Bekaert Trade Latin America NV	Curaçao, Netherlands Antilles	100
Prodac Contrata SAC	Callao, Peru	38
Prodac Selva SAC	Ucayali, Peru	38
Prodalam SA	Santiago, Chile	52
Prodinsa Ingeniería y Proyectos SA	Santiago, Chile	52
Asia Pacific		
Bekaert Advanced Products (Shanghai) Co Ltd	Shanghai, China	100
Bekaert Japan Co Ltd	Tokyo, Japan	100
Bekaert Korea Ltd	Seoul, Korea	100
Bekaert Management (Shanghai) Co Ltd	Shanghai, China	100
Bekaert Singapore Pte Ltd	Singapore	100
Bekaert Specialty Films (SEA) Pte Ltd	Singapore	100
Bekaert Taiwan Co Ltd	Taipei, Taiwan	100
Cempaka Raya Sdn Bhd	Kuala Lumpur, Malaysia	55

Financial companies	Address	%
Acma Inversiones SA	Talcahuano, Chile	52
Alambres Andinos SA (Alansa)	Quito, Ecuador	80
Becare Ltd	Dublin, Ireland	100
Bekaert Building Products Hong Kong Ltd	Hong Kong, China	100
Bekaert Carding Solutions Hong Kong Ltd	Hong Kong, China	100
Bekaert Coördinatiecentrum NV	Zwevegem, Belgium	100
Bekaert do Brasil Ltda	Contagem, Brazil	100
Bekaert Holding BV	Assen, Netherlands	100
Bekaert Holding Hong Kong Ltd	Hong Kong, China	100
Bekaert Ibérica Holding SL	Burgos, Spain	100
Bekaert Ideal SL	Burgos, Spain	80
Bekaert Industrial Coatings Hong Kong Ltd	Hong Kong, China	100
Bekaert Investments NV	Zwevegem, Belgium	100
Bekaert Investments Italia SpA	Trezzano Sul Naviglio, Italy	100
Bekaert North America Management Corporation	Wilmington (Delaware), United States	100
Bekaert Sàrl	Luxemburg, Luxemburg	100
Bekaert Services Hong Kong Ltd	Hong Kong, China	100
Bekaert Southern Wire Pte Ltd	Singapore	55
Bekaert Specialty Films Hong Kong Ltd	Hong Kong, China	100
Bekaert Specialty Wire Products Hong Kong Ltd	Hong Kong, China	100
Bekaert Stainless Products Hong Kong Ltd	Hong Kong, China	100
Bekaert Steel Cord Products Hong Kong Ltd	Hong Kong, China	100
Bekaert Strategic Partnerships Hong Kong Ltd	Hong Kong, China	100
Bekaert Wire Products Hong Kong Ltd	Hong Kong, China	100
Bekaert Xinyu Hong Kong Limited	Hong Kong, China	100
Impala SA	Panama, Panama	52
Industrias Acmanet Ltda	Talcahuano, Chile	52
InverVicson SA	Valencia, Venezuela	80
Sentinel Garden Products Ltd	Bradford, United Kingdom	100

Joint ventures

Industrial companies	Address	%
Latin America		
Belgo Bekaert Arames Ltda	Contagem, Brazil	45
BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda	Vespasiano, Brazil	45
Asia Pacific		
Bekaert (Xinyu) Metal Products Co Ltd	Xinyu City (Jiangxi province), China	50

Sales offices, warehouses and others	Address	%
EMEA		
Bekaert Faser Vertriebs GmbH	Idstein, Germany	50
Netlon Sentinel Ltd	Blackburn, United Kingdom	50
Asia Pacific		
Bekaert Engineering (India) Pvt Ltd	New Delhi, India	40
BOSFA Pty Ltd	Port Melbourne, Australia	50

.

Changes in 2012

1. New subsidiaries

Subsidiaries	***Address***	***%***
Bekaert Southern Wire Pte Ltd	Singapore	55
Bekaert (Xinyu) New Materials Co Ltd	Xinyu City (Jiangxi province), China	75
PT Bekaert Southern Wire	Karawang, Indonesia	55

2. Subsidiaries acquired through business combinations

Inchalam group	***Address***	
Acma SA	Santiago, Chile	From 50% to 52%
Acma Inversiones SA	Talcahuano, Chile	From 50% to 52%
Acmanet SA	Talcahuano, Chile	From 50% to 52%
Impala SA	Panama, Panama	From 50% to 52%
Industrias Acmanet Ltda	Talcahuano, Chile	From 50% to 52%
Industrias Chilenas de Alambre - Inchalam SA	Talcahuano, Chile	From 50% to 52%
Procables SA	Callao, Peru	From 48% to 50%
Prodalam SA	Santiago, Chile	From 50% to 52%
Prodinsa Ingeniería y Proyectos SA	Santiago, Chile	From 50% to 52%
Productos de Acero SA Prodinsa	Maipu, Chile	From 50% to 52%
Wire Rope Industries Inc	Wilmington (Delaware), United States	From 50% to 52%
Wire Rope Industries Ltd	Pointe-Claire, Canada	From 50% to 52%

Southern wire companies	***Address***	
Bekaert Southern Specialty Wire Sdn Bhd	Kuala Lumpur, Malaysia	From 0% to 55%
Bekaert Southern Wire Sdn Bhd	Kuala Lumpur, Malaysia	From 0% to 55%
Cempaka Raya Sdn Bhd	Kuala Lumpur, Malaysia	From 0% to 55%

3. Disposals

Industrial coatings	***Address***	
Bekaert Advanced Coatings	Deinze, Belgium	From 100% to 0%
Bekaert (Jiangyin) Advanced Coatings Co Ltd	Jiangyin (Jiangsu province), China	From 100% to 0%

4. Changes in ownership without change in control

Subsidiairies	***Address***	
Bekaert Mukand Wire Industries Pvt Ltd	Pune, India	From 86% to 93%
Prodac Contrata SAC	Callao, Peru	From 52% to 38%
Prodac Selva SAC	Ucayali, Peru	From 52% to 38%
Productos de Acero Cassadó SA	Callao, Peru	From 52% to 38%

5. Mergers / conversions

Subsidiaries	***Merged into***
Bekaert-Shenyang Steel Cord Co Ltd	Bekaert Shenyang Advanced Products Co Ltd

Joint ventures	***Merged into***
Belgo Bekaert Nordeste SA	Belgo Bekaert Arames Ltda
Inversiones Invafer Ltda	Industrias Acmanet Ltda

6. Name changes

New name	***Former name***
Scheldestroom NV	Bekaert Hemiksem

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

Companies	***Company number***
Bekaert Advanced Filtration SA	TVA BE 0430.104.631 RPM Liège
Bekaert Carding Solutions NV	BTW BE 0405.443.271 RPR Kortrijk
Bekaert Coördinatiecentrum NV	BTW BE 0426.824.150 RPR Kortrijk
Bekaert Investments NV	BTW BE 0406.207.096 RPR Kortrijk
Bekintex NV	BTW BE 0452.746.609 RPR Dendermonde
NV Bekaert SA	BTW BE 0405.388.536 RPR Kortrijk
Scheldestroom NV	BTW BE 0403.676.188 RPR Kortrijk