

5. Income statement items

5.1. Net sales

The effect of initially applying IFRS 15 'Revenue from contracts with customers' on the Group's revenue from contracts with customers is rather immaterial, as described in note 2.1. 'Statement of compliance'. The Group recognizes revenue from the following sources: delivery of products and, to a limited extent, of services and construction contracts. Bekaert assessed that the delivery of products represents the main performance obligation. The Group recognizes revenue at a point in time when it transfers control over a product to a customer. Customers obtain control when the products are delivered (based on the related inco terms in place). The amount of revenue recognized is adjusted for volume discounts. No adjustment is made for returns nor for warranty as the impact is deemed immaterial based on historical information.

Disaggregating revenue by timing of revenue recognition, i.e. at a point in time vs over time (as is customary for engineering activities) does not add much value, as sales of machines to third parties contributes very little to total sales.

Net sales in thousands of €	2017	(%)	2018	(%)
Sales of products	4 094 559	99.9%	4 293 908	99.7%
Sales of machines by engineering	3 349	0.1%	10 872	0.3%
Other sales	339	0.0%	489	0.0%
Net sales	4 098 247	100%	4 305 269	100%

In the following table, net sales is disaggregated by industry, as this analysis is often presented in press releases, shareholders' guides and other presentations. The table includes a reconciliation of the net sales by industry with the Group's operating segments (see note 4.1. 'Key data by reporting segment').

2018 in thousands of €	EMEA	North America	Latin America	Asia Pacific	BBRG	Consolidated
Industry						
<i>Automotive</i>	707 293	312 836	8 338	951 851	7 306	1 987 623
<i>Telecom & Utilities</i>	112 717	50 120	361	48 445	88 103	299 746
<i>Construction</i>	300 715	115 027	386 949	68 325	63 503	934 519
<i>Consumer Goods</i>	64 611	24 937	131 402	20 323	-	241 273
<i>Agriculture</i>	32 956	59 770	117 268	27 685	33 672	271 351
<i>Equipment</i>	64 431	40 461	1 928	44 460	147 295	298 575
<i>Basic Materials</i>	51 529	14 920	41 131	34 930	123 446	265 956
<i>Other</i>	639	-	4 274	1 313	-	6 226
Total	1 334 891	618 071	691 651	1 197 332	463 325	4 305 269

2017 in thousands of €	EMEA	North America	Latin America	Asia Pacific	BBRG	Consolidated
Industry						
<i>Automotive</i>	657 711	269 327	43 260	834 469	8 497	1 813 264
<i>Telecom & Utilities</i>	123 568	53 415	29 159	120 497	66 442	393 081
<i>Construction</i>	295 307	91 345	441 618	69 796	77 428	975 494
<i>Consumer Goods</i>	60 965	23 165	69 153	19 608	-	172 891
<i>Agriculture</i>	34 478	62 147	71 747	24 725	35 131	228 228
<i>Equipment</i>	54 870	39 259	2 274	40 895	127 871	265 169
<i>Basic Materials</i>	45 756	13 150	13 958	33 629	139 629	246 122
<i>Other</i>	807	-	2 035	1 156	-	3 998
Total	1 273 462	551 808	673 204	1 144 775	454 998	4 098 247

5.2. Operating result (EBIT) by function

in thousands of €	2017	2018	variance
Sales	4 098 247	4 305 269	207 022
Cost of sales	-3 396 431	-3 778 660	-382 229
Gross profit	701 816	526 609	-175 207
Selling expenses	-180 100	-179 651	449
Administrative expenses	-164 411	-167 346	-2 935
Research and development expenses	-62 670	-65 368	-2 698
Other operating revenues	48 863	72 578	23 715
Other operating expenses	-25 436	-39 942	-14 506
Operating result (EBIT)	318 062	146 880	-171 182
of which			
EBIT - Underlying	301 095	210 140	-90 955
One-off items	16 967	-63 260	-80 227

Sales and gross profit

in thousands of €	2017	2018	variance (%)
Sales	4 098 247	4 305 269	5.1%
Cost of sales	-3 396 431	-3 778 660	11.3%
Gross profit	701 816	526 609	-25.0%
Gross profit in % of sales	17.1%	12.2%	

Bekaert's consolidated sales increased by 5.1% versus last year. Organic volume growth boosted sales by 2.2% and the aggregate effect of passed on higher wire rod prices and price-mix added 6.6%. The net effect of mergers, acquisitions and divestments explained -1.3% of the sales increase. Unfavorable currency movements (-2.5%) (mainly related to Chinese renminbi and US dollar) weakened this evolution.

Gross profit decreased by 25% compared to 2017, resulting in a margin of 12.2% compared to 17.1% in 2017. The net effect of mergers, acquisitions and divestments accounted for -2.4% and there was also an impact of negative currency movements (-3.6%).

Overheads

in thousands of €	2017	2018	variance (%)
Selling expenses	-180 100	-179 651	-0.2%
Administrative expenses	-164 411	-167 346	1.8%
Research and development expenses	-62 670	-65 368	4.3%
Total	-407 181	-412 365	1.3%

The selling expenses remained at the same level and reflects the impact of acquisitions/divestments (€ +1.2 million), an increase in bad debt reserve (€ -1.2 million), higher costs related to higher organic sales (€ -4.5 million) and by a positive impact from currency movements (€ +4.9 million).

Administrative expenses increased (€ -2.9 million). The impact of acquisitions/divestments (€ +0.4 million) and a positive impact from currency movements (€ +2.8 million) was offset by a negative impact of one-off expenses mainly related to the support provided to BBRG, to the announced closure of the plant in Figline (Italy), lay-off expenses in Belgium and the restructuring efforts in the BBRG segment.

The R&D expenses were higher (€ -2.7 million) reflecting a more precise alignment to Group reporting principles in the BBRG entities and the restructuring of the R&D operations in Italy and Belgium, offset by spent savings efforts in R&D projects.

Other operating revenues in thousands of €	2017	2018	variance
Royalties received	7 871	13 221	5 350
Gains on disposal of PP&E and intangible assets	684	1 383	699
Realized exchange results on sales and purchases	-1 241	-279	962
Government grants	2 333	3 199	865
Restructuring - other revenues	416	41 613	41 197
Gains on business disposals (portion sold)	18 149	1 478	-16 671
Gains on business disposals (portion retained)	14 552	-	-14 552
Other revenues	6 100	11 963	5 863
Total	48 863	72 578	23 714

Other operating expenses in thousands of €	2017	2018	variance
Losses on disposal of PP&E and intangible assets	-2 083	-1 313	770
Amortization of intangible assets	-2 663	-2 690	-27
Bank charges	-2 809	-3 093	-284
Tax related expenses (other than income taxes)	-3 166	-2 873	293
Restructuring - other expenses	-3 436	-27 470	-24 034
Losses on business disposals (CTA recycling)	-6 895	-317	6 578
Other expenses	-4 384	-2 186	2 198
Total	-25 436	-39 942	-14 506

The higher royalty income relates to integration of Sumaré (Brazil) into the BMB partnership end of 2017 and higher operational performance of our Brazilian joint ventures. Government grants mainly relate to subsidies in China. There are no indications that the conditions attached to those grants will not be complied with in the future and therefore it is not expected that subsidies may have to be refunded.

The 'Restructuring - other revenues' (€ 41.6 million) mainly relate to (1) the gain on the disposal of assets as part of the closure of the Huizhou plant (China) and the Shah Alam plant (Malaysia) and (2) the income of OVAM related to the environmental provision in Belgium. The later is offset by the environmental provision included in the 'Restructuring - other expenses'.

The 'Restructuring - other expenses' (€ 27.5 million) include the transactional fees on the sale of the property as part of the closure of Huizhou plant (China), the set-up of environmental provision in Belgium and restructuring costs in Malaysia and Costa Rica.

The gains and losses on business disposals in 2018 relate to the disposal of the drying activities (see note 7.2. 'Effect of business disposals'). In 2017, the gains and losses on business disposals related to the disposal of the majority stake in the rubber reinforcement plant Sumaré (Brazil). The CTA recycling is presented separately as a loss of € -0.3 million (2017: € -6.9 million).

The following table presents an analysis of one-off items by category (as defined in note 2.6. 'Alternative performance measures'), operating segment and income statement line item.

One-off items 2018 in thousands of €	Cost of Sales	Selling expenses	Administrative expenses	R&D	Other operating revenues	Other operating expenses	Total
Restructuring programs by segment							
EMEA ¹	-40 205	-11	-1 192	-	-	-	-41 408
North America	-71	-98	-136	-	-	-	-304
Latin America	-3 826	-460	-607	-	2	-2 773	-7 664
Asia Pacific	-7 050	-18	-4	-	30 812	-15 805	7 934
Group & Business support	-420	-810	-5 759	-1 317	8 680	-8 315	-7 940
BBRG	-7 076	-1	-7 586	-	2 156	-577	-13 084
Intersegment eliminations	-	-	-	-	-36	-	-36
Total restructuring programs ²	-58 648	-1 397	-15 284	-1 317	41 613	-27 470	-62 504
Impairment losses/ (reversals of impairment losses) other than restructuring							
Asia Pacific ³	-	-	-	-40 153	-	-	-40 153
Intersegment eliminations ³	-	-	-	39 660	-	-	39 660
Total other impairment losses/(reversals)	-	-	-	-492	-	-	-492
Business disposals							
EMEA (Drying activities)	-	-	-	-	1 478	-317	1 161
Total business disposals	-	-	-	-	1 478	-317	1 161
Environmental provisions/ (reversals of provisions)							
Group & Business support	-	-	-	-	1 511	-89	1 422
Total environmental provisions/(reversals)	-	-	-	-	1 511	-89	1 422
Other events and transactions							
EMEA	306	-	-	-	38	-378	-34
Latin America	-	-	-141	-	-	-	-141
Group & Business support	-	-	-3 019	-	361	-	-2 659
BBRG	-	-	-114	-	114	-14	-14
Total other events and transactions	306	-	-3 275	-	513	-392	-2 847
Total	-58 342	-1 397	-18 559	-1 809	45 115	-28 267	-63 260

¹ Mainly closure of the rubber reinforcement plant in Figline (Italy).

² Restructuring - other operating revenues (€ 41.6 million) and Restructuring - other operating expenses (€ -27.5 million) are described in the related section on 'Other operating revenues' and 'Other operating expenses'.

³ Relates to an impairment of intangible assets recognized at the segment level following an intra-group transaction done in previous year.

One-off items 2017 in thousands of €	Cost of Sales	Selling expenses	Administrative expenses	R&D	Other operating revenues	Other operating expenses	Total
Restructuring programs by segment							
EMEA	-1 378	-93	-29	-12	-	-	-1 511
Latin America	-507	-	-	-	-	-	-507
Asia Pacific	-3 768	-6	-1	-19	1 787	-708	-2 715
Group & Business support	278	4	-	-	400	-2 342	-1 660
BBRG	-760	-605	-23	-	17	-512	-1 884
Intersegment eliminations	-	-	-	-	-1 729	-	-1 729
Total restructuring programs	-6 134	-701	-52	-30	475	-3 562	-10 005
Impairment losses/ (reversals of impairment losses) other than restructuring							
EMEA	3 262	-	-	-	-	-	3 262
Total other impairment losses/(reversals)	3 262	-	-	-	-	-	3 262
Business disposals							
Latin America (Sumaré (Brazil))	-	-	-	-	32 700	-6 895	25 805
Total business disposals	-	-	-	-	32 700	-6 895	25 805
Environmental provisions/ (reversals of provisions)							
Group & Business support	-	-	-	-	2 123	-262	1 861
Total environmental provisions/(reversals)	-	-	-	-	2 123	-262	1 861
Disposal intangible assets							
Group & Business support	-	-	-	-	51 601	-	51 601
Intersegment eliminations	-	-	-	-	-51 601	-	-51 601
Total disposal of intangible assets	-	-	-	-	-	-	-
Other events and transactions							
EMEA	950	-	-	-	-	95	1 045
Latin America	864	-	-12	-	-742	-	111
Asia Pacific	-	-	-	-	-	-1	-1
Group & Business support	-1 355	-	-2 180	-	-	-605	-4 140
BBRG	-40	-	-262	-	28	-697	-971
Total other events and transactions	420	-	-2 454	-	-713	-1 209	-3 956
Total	-2 452	-701	-2 506	-30	34 584	-11 928	16 967

EBIT Reported and Underlying in thousands of €	2017			2018		
	reported	of which underlying	of which one-offs	reported	of which underlying	of which one-offs
Sales	4 098 247	4 098 247	-	4 305 269	4 305 269	-
Cost of sales	-3 396 431	-3 393 978	-2 453	-3 778 660	-3 720 317	-58 343
Gross profit	701 816	704 269	-2 453	526 609	584 952	-58 343
Selling expenses	-180 100	-179 400	-700	-179 651	-178 254	-1 397
Administrative expenses	-164 411	-161 905	-2 506	-167 346	-148 787	-18 559
Research and development expenses	-62 670	-62 640	-30	-65 368	-63 559	-1 809
Other operating revenues	48 863	14 278	34 585	72 578	27 463	45 115
Other operating expenses	-25 436	-13 507	-11 929	-39 942	-11 675	-28 267
Operating result (EBIT)	318 062	301 095	16 967	146 880	210 140	-63 260

5.3. Operating result (EBIT) by nature

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

in thousands of €	2017	% on sales	2018	% on sales
Sales	4 098 247	100%	4 305 269	100%
Other operating revenues	48 863	-	72 578	-
Total operating revenues	4 147 110	-	4 377 847	-
Own construction of PP&E	99 713	2.4%	56 561	1.3%
Raw materials	-1 497 872	-36.5%	-1 766 663	-41.0%
Semi-finished products and goods for resale	-309 173	-7.5%	-396 145	-9.2%
Change in work-in-progress and finished goods	58 254	1.4%	114 023	2.6%
Staff costs	-819 628	-20.0%	-820 369	-19.1%
Depreciation and amortization	-194 952	-4.8%	-218 173	-5.1%
Impairment losses	3 411	0.1%	-21 451	-0.5%
Transport and handling of finished goods	-184 078	-4.5%	-191 010	-4.4%
Consumables and spare parts	-297 126	-7.3%	-270 977	-6.3%
Utilities	-253 511	-6.2%	-256 305	-6.0%
Maintenance and repairs	-66 496	-1.6%	-68 813	-1.6%
Expenses operating leases	-29 793	-0.7%	-31 426	-0.7%
Commissions in selling expenses	-6 309	-0.2%	-7 722	-0.2%
Export VAT and export customs duty	-32 793	-0.8%	-31 307	-0.7%
ICT costs	-40 353	-1.0%	-41 364	-1.0%
Advertising and sales promotion	-11 107	-0.3%	-10 820	-0.3%
Travel, restaurant & hotel	-33 501	-0.8%	-27 990	-0.7%
Consulting and other fees	-40 446	-1.0%	-44 965	-1.0%
Office supplies and equipment	-10 700	-0.3%	-10 204	-0.2%
Venture capital funds R&D	-1 504	0.0%	-1 414	0.0%
Temporary or external labor	-35 178	-0.9%	-36 613	-0.9%
Insurance expenses	-7 290	-0.2%	-7 357	-0.2%
Miscellaneous	-118 615	-2.9%	-140 463	-3.3%
Total operating expenses	-3 829 048	-93.4%	-4 230 967	-98.3%
Operating result (EBIT)	318 062	7.8%	146 880	3.4%

The impairment losses mainly relate to the sawing wire assets (China) as well as PP&E of the rubber reinforcement plant in Figline (Italy). The depreciation and amortization include write-downs / (reversals of write-downs) on inventories and trade receivables.

5.4. Interest income and expense

in thousands of €	2017	2018
Interest income on financial assets not classified as at FVTPL	3 117	3 035
Interest income	3 117	3 035
<i>Interest expense on interest-bearing debt not classified as at FVTPL</i>	-75 050	-73 941
<i>Other debt-related interest expense</i>	-8 102	-10 025
Debt-related interest expense	-83 152	-83 966
Interest element of discounted provisions	-6 699	-4 024
Interest expense	-89 852	-87 990
Total	-86 735	-84 955

The impact of higher average gross debt in 2018 on interest expense was more than offset by the sharp decrease of the average interest rate from 3.57% end of 2017 to 2.14% end of 2018. This drop in average interest rate was mainly due to the refinancing of the BBRG debt in October 2018.

Interest expense on interest-bearing debt not classified as at fair value through profit or loss (FVTPL) relates to all debt instruments of the Group, other than hedging instruments and interest-rate risk mitigating derivatives designated as economic hedges.

Of the interest element of discounted provisions, € -3.5 million (2017: € -4.4 million) relates to the defined-benefit liabilities (see note 6.15. 'Employee benefit obligations') and € -0.6 million (2017: € -2.3 million) relates to other provisions (see note 6.16. 'Provisions').

5.5. Other financial income and expenses

in thousands of €	2017	2018
<i>Value adjustments to derivatives</i>	17 527	22 071
<i>Exchange results on hedged items</i>	-14 180	-18 674
Net impact of derivatives and hedged items	3 347	3 398
Other exchange results	-7 435	-4 366
Value adjustment on financial liabilities designated as FVTPL	-	-1 900
Inflation accounting effects	-16	-1 538
Gains and losses on settlement of financial liabilities	-	-12 080
Dividends from non-consolidated equity investments	1 062	536
Bank charges and taxes on financial transactions	-2 873	-7 692
Impairments of other receivables	-67	-1 253
Other	-426	-652
Total	-6 408	-25 547

Value adjustments include changes in the fair value of all derivatives, other than those designated as cash flow hedges. Exchange results on hedged items also relate to economic hedges only. The net impact of derivatives and hedged items presented here does not include any impacts recognized in other income statement elements, such as interest expense, cost of sales or other operating revenues and expenses. For more details on the impact of derivatives and hedged items, see note 7.3. 'Financial risk management and financial derivatives'.

Value adjustments to derivatives include a fair value gain of € 17.3 million in 2018 (2017: gain of € 17.6 million) on the conversion option relating to the convertible debt issued in June 2016 (see the 'Financial instruments by fair value measurement hierarchy' section in note 7.3. 'Financial risk management and financial derivatives').

The loss on settlement of financial liabilities of € -12.1 million is linked to the repayment of the BBRG term A and B loan that were accounted for at amortized cost. The increase in bank charges and taxes on financial transactions is due to fees and taxes linked to the BBRG debt refinancing and the acquisition by Bekaert of Ontario Teachers' non-controlling interest in Bridon-Bekaert Ropes Group.

All dividends from non-consolidated equity investments relate to investments still held at reporting date as no shares were sold during the year. Inflation accounting effects relate to the Venezuelan operations.

5.6. Income taxes

in thousands of €	2017	2018
Current income taxes - current year	-70 903	-65 266
Current income taxes - prior periods	1 617	-270
Deferred taxes - due to changes in temporary differences	-21 885	-15 248
Deferred taxes - due to changes in tax rates	-16 229	-50
Deferred taxes - adjustments to tax losses of prior periods	-6 526	-974
Deferred taxes - utilization of deferred tax assets not previously recognized	44 650	23 343
Total tax expense	-69 276	-58 465

Relationship between tax expense and accounting profit

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

in thousands of €	2017	2018
Result before taxes	224 919	36 378
Tax expense at the theoretical domestic rates applicable to results of taxable entities in the countries concerned	-65 178	-18 044
Tax expense related to distribution of retained earnings	-4 811	-4 120
Total theoretical tax expense	-69 989	-22 164
Theoretical tax rate ¹	-31.1%	-60.9%
Tax effect of:		
Non-deductible items	-11 617	-12 801
Disallowed interest expense (thin cap) ²	-2 080	-10 379
Other tax rates, tax credits and special tax regimes ³	5 824	12 427
Non-recognition of deferred tax assets ⁴	-16 038	-44 881
Utilization or recognition of deferred tax assets not previously recognized ⁵	44 650	23 343
Deferred tax due to change in tax rates ⁶	-16 229	-50
Tax relating to prior periods	-4 909	-1 244
Exempted income ⁷	6 423	254
Withholding taxes on dividends, royalties, interests & services	-12 213	-7 358
Other ⁸	6 902	4 388
Total tax expense	-69 276	-58 465
Effective tax rate	-30.8%	-160.7%

¹ The theoretical tax rate is computed as a weighted average. The rate of 2018 is not comparable with the rate of 2017 as a consequence of combinations of positive and negative results before taxes in different countries at different rates. Furthermore, for some negative results the deferred tax assets related to losses carried forward have been allowed.

² The disallowed interest expenses relate mainly to BBRG in the UK. In 2018, the impact is significantly higher than 2017 due to one-time extension fees which are for tax purposes considered as interests and to the debt restructuring.

³ In 2018, the special tax regimes and tax credits mainly relate to tax incentives in Belgium, the Netherlands, Australia and Malaysia whereas in 2017 mainly Belgium and the Netherlands contributed.

⁴ In 2018, the non-recognition of deferred tax assets mainly relates to impaired assets of the Sawing Wire business in China, and losses carried forward in Brazil, Chile, China, Costa Rica, Germany, Malaysia and the UK while in 2017, it mainly relates to losses carried forward in Brazil, Chile, China, Colombia, Costa Rica, Germany, Malaysia and the UK.

⁵ In 2018, the utilization of deferred tax assets not previously recognized is mainly triggered by one-off disposals of PP&E, similar as in 2017.

⁶ In 2017, the impact was applicable in Belgium (€ -12.6 million) and the USA (€ -3.1 million). In Belgium the tax rate gradually shifts from 33.99% to 25% and in the USA from 40% to 24.25%.

⁷ Relates in 2017 mainly to the disposal of the majority stake in the rubber reinforcement plant in Sumaré (Brazil).

⁸ In 2018 as well as in 2017, it concerns mainly adjustments in provisions for uncertain tax positions.

5.7. Share in the results of joint ventures and associates

The share in the results of joint ventures and associates was unfavourably affected by the weakening Brazilian real (-19% vs 2017). Rubber reinforcement activities were hit by the renewal of the long-term supply agreement with Pirelli, while the steel wire activities in Brazil continued to grow.

Additional information relating to the Brazilian joint ventures is provided under note 6.4. 'Investments in joint ventures and associates'.

in thousands of €		2017	2018
Joint ventures			
Belgo Bekaert Arames Ltda	Brazil	19 712	20 012
BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda ¹	Brazil	5 424	4 878
ArcelorMittal Bekaert Sumaré Ltda ²	Brazil	1 721	-
Servicios Ideal AGF Inttegra Cía Ltda ³	Ecuador	-	-15
Total		26 857	24 875

¹ 2017 includes November-December contribution from ArcelorMittal Bekaert Sumaré Ltda, due to merger on 1 November 2017.

² Relates to July-October 2017, due to the partial disposal to ArcelorMittal on 21 June 2017 and subsequent merger with BMB on 1 November 2017.

³ New 50/50 joint venture established by Ideal Alambrec SA and Steel-AGF Ecuador SA. Operations started in November 2018.

5.8. Earnings per share

2018	Number
Weighted average number of ordinary shares (basic)	56 453 134
Dilution effect of share-based payment arrangements	156 297
Dilution effect of convertible bonds	7 485 675
Weighted average number of ordinary shares (diluted)	64 095 106

in thousands of €	Basic	Diluted
Result for the period attributable to ordinary shareholders	39 768	39 768
Effect on earnings of convertible bonds	-	-7 254
Earnings	39 768	32 514
Earnings per share (in €)	0.704	0.507

Diluted earnings per share for 2017 have been restated for a previously incorrect interpretation of the effect of convertible bonds on the weighted average number of ordinary shares (diluted). See also note 2.8. 'Restatement and reclassification effects'.

2017	Number
Weighted average number of ordinary shares (basic)	56 741 126
Dilution effect of share-based payment arrangements	560 669
Dilution effect of convertible bond	7 414 634
Weighted average number of ordinary shares (diluted)	64 716 429

in thousands of €	Basic	Diluted
Result for the period attributable to ordinary shareholders	184 720	184 720
Effect on earnings of convertible bond	-	-7 249
Earnings	184 720	177 471
Earnings per share (in €)	3.255	2.742

Earnings per share ('EPS') is the amount of post-tax profit attributable to each share. Basic EPS is calculated as the result for the period attributable to the Group divided by the weighted average number of shares outstanding during the year. Diluted EPS reflects any commitments of the Group to issue shares in the future. These comprise shares to be issued for equity-settled share-based payment plans (subscription rights, options, performance shares and matching shares, see note 6.12. 'Ordinary shares, treasury shares and equity-settled share-based payments') and for the convertible bonds. Subscription rights, options and other share-based payment arrangements are only dilutive to the extent that their issue price is lower than the average closing price of the period, in which the issue price includes the fair value of any services to be rendered during the remainder of the vesting period. Contingently issuable shares (e.g. performance shares) are only dilutive if the conditions are satisfied at the balance sheet date. The dilution effect of share-based payment arrangements is limited to the weighted average number of shares to be used in the denominator of the EPS ratio; there is no effect on the earnings to be used in the numerator of the EPS ratio. The convertible bonds tend to affect both the denominator and the numerator of the EPS ratio. The dilution effect of the convertible bonds on the earnings (to be used in the numerator of the EPS ratio) consists of a reversal of all income and expenses directly related to the convertible bonds and having affected the 'basic' earnings for the period. Following income statement items were affected by the convertible bonds:

- (a) the effective interest expense of € -10.1 million (2017: € -10.4 million),
- (b) fair value gains of € 17.3 million on the derivative liability representing the conversion option (2017: gains of € 17.7 million).

To calculate the dilution impact, it is assumed that all dilutive potential shares are issued at the beginning of the period, or, if the instruments were granted during the period, at the grant date. Bekaert has the option to settle the notional amount of the bonds in ordinary shares or in cash, but any share price increase over and above the conversion price should be settled in shares. Bekaert has a call option on the conversion option when the share price exceeds the conversion price by 30.0%, which caps the amount of shares to be converted at 1.7 million. Management does not intend to settle the notional amount in shares and has already bought back enough shares to cover the call option. Nevertheless, in accordance with IAS 33 'Earnings per share', the number to be added to the denominator equates to the 7.5 million potential shares corresponding with the notional amount of the bond divided by the conversion price. This results in a total dilution effect of € -0.197 per share (2017: € -0.513) , of which € -0.195 relates to the convertible bonds (2017: € -0.481) and € -0.002 to the share-based payment arrangements (2017: € -0.032).

The average closing price during 2018 was € 28.21 per share (2017: € 42.05 per share). The following table presents all antidilutive instruments for the period presented. Options and subscription rights were out of the money because their issue price exceeded the average closing price, while performance shares were antidilutive because the performance condition was not fulfilled.

Antidilutive instruments	Date granted	Issue price (in €)	Number granted	Number outstanding
SOP2 - options	19.02.2007	30.175	37 500	10 000
SOP2 - options	18.02.2008	28.335	43 500	19 320
SOP2 - options	15.02.2010	33.990	49 500	44 500
SOP 2005-2009 - subscription rights	19.02.2007	30.175	153 810	8 970
SOP 2005-2009 - subscription rights	18.02.2008	28.335	215 100	54 850
SOP 2005-2009 - subscription rights	15.02.2010	33.990	225 450	103 350
SOP 2010-2014 - options	14.02.2011	77.000	360 925	295 725
SOP 2015-2017 - options	13.02.2017	42.870	273 325	270 325
SOP 2015-2017 - options	20.02.2018	41.673	225 475	225 475
PSP 2015-2017	15.12.2016	-	52 450	48 217
PSP 2015-2017	06.03.2017	-	10 000	10 000
PSP 2015-2017	01.09.2017	-	5 000	5 000
PSP 2015-2017	21.12.2017	-	55 250	52 983