SABCA

SINCE 1920

ANNUAL REPORT

2017

2017 Annual Report of the Board of Directors

Ordinary General Meeting of 31 May 2018

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Group Profile

The SABCA Group, made up of SABCA (Société Anonyme Belge de Constructions Aéronautiques) and its subsidiaries SABCA Limburg and ASM Aéro, extends its activities from the three Belgian regions (Brussels-Capital, Charleroi in Wallonia, and Lummen in Flanders) as well as from Casablanca in Morocco.

Enhanced by nearly a century of know-how and solidified by a strong corporate culture of skills and performance, the SABCA Group serves its three historic markets, which are space, civil aviation, and defence, emphasising synergy and complementarity between these three areas in the products and services provided. Customer satisfaction is a priority for the SABCA Group, a solid foundation that is necessary for building lasting and trusted business relationships.

The SABCA corporate culture promotes values in line with the world of aeronautics: Reliability, Team Spirit and Innovation in terms of technical solutions but also in terms of resources continuously optimising the services provided to guarantee a high degree of satisfaction of its customers. Safety and respect for the environment are also at the heart of the Group's daily management.

In a highly competitive and globalised world, innovation is one of the main levers driving the technological evolution of aircraft and space launchers, which the SABCA Group contributes to significantly.

Over the years, the Group has been able to take advantage of the globalised market, establishing stable and useful international partnerships. In this way, a network of international relations has been created to promote the good management of activities and projects within its three markets. In Belgium, the SABCA Group maintains its role as a major industrial player at both the federal and regional levels.

Continuous improvement is a central principle within the SABCA Group, allowing established processes to be constantly challenged. Compliance with national and international environmental standards is also a fundamental principle of the SABCA Group.

Statutory bodies

SABCA

BOARD OF DIRECTORS (AND EXPIRY DATE OF THE MANDATE)

Chairman

SPRL (Private company with limited liability) Gestime, represented by its Managing Director, **Remo Pellichero** (2020)

Directors

Benoît Berger, Senior Executive Vice President Procurement and Purchasing - Dassault Aviation [1] up to 19 September 2017

Hans Büthker, Chairman and Chief Executive Officer - Fokker Technologies Group BV[2] (2020)

Olivier Costa de Beauregard, Chief Executive Officer – Groupe Industriel Marcel Dassault[1] (2020)

SA (Public limited company) C.G.O., represented by its Managing Director, **Philippe Delaunois,** Independent Director (2020)

SA Gefor, represented by its Managing Director, **Jacques de Smet,** Independent Director (2018)

Charles Edelstenne, Chief Executive Officer - Groupe Industriel Marcel Dassault [1] (2020)

Carole Fiquemont, Secretary General of the Marcel Dassault Industrial Group [1] from 19 September 2017 (2020)

Michèle Gillot, Independent Director, from 1st June 2017 (2021)

SPRL PASTEC-MIT, represented by its Managing Director, **Michel Martin,** Independent Director up to 1st June 2017

Loïk Segalen, Chief Operating Officer - Dassault Aviation [1] (2018)

Nick Waters, Head of Corporate Finance and Strategy - GKN plc [2], up to 1st August 2017

Geert Wijnands, Chief Financial Officer - Fokker Technologies Holding BV[2] from 19 September 2017 (31/12/2018)

Chief Executive Officer

Thibauld Jongen

Auditor

Mazars Réviseurs d'Entreprises CVBA, represented by **Lieven Acke**, Company Auditor

SABCA LIMBURG

BOARD OF DIRECTORS (AND EXPIRY DATE OF THE MANDATE)

Chairman

SPRL Gestime, represented by its Managing Director, **Remo Pellichero** (2020)

Chief Executive Officer

Thibauld Jongen (2020)

Directors

Loïk Segalen, Chief Operating Officer - Dassault Aviation [1] (2019)

Nick Waters, Head of Corporate Finance and Strategy - GKN plc[2], until 1st August 2017

Geert Wijnands, Chief Financial Officer - Fokker Technologies Holding BV [2] from 30 November 2017 (2020)

Auditor

Mazars Réviseurs d'Entreprises CVBA, represented by **Lieven Acke**, Company Auditor

ASM AERO

BOARD OF DIRECTORS (AND EXPIRY DATE OF THE MANDATE)

Chairman, responsible for day-to-day management

SA SABCA, represented by its Chief Executive Officer **Thibauld Jongen** (2018)

Vice-Chairman

SAS. (Simplified joint stock company) AAA, represented by its Chairman, **Gilles Chauby** (2018)

Administrators

Jean-Marie Dujardin, Transformation and Continuous Improvement Director - SABCA Group (2018)

Cédric Nouvelot, AAA Vice-President (2018)

Auditor

Mazars Audit et Conseil SARL, represented by **Adnane Loukili,** Company Auditor

[1] *Elected on presentation of the Dassault Group*

[2] *Elected on presentation of the GKN Group - Fokker Group*

Message from the Chairman and the Managing Director

One year on from the start of the "**Project of the Century"** transformation plan within the SABCA Group, a strategic project to make the company **Robust**, **Profitable** and **Competitive** again, significant progress has been made. The programmes' guidelines are in place, focussed on customer satisfaction but also on economic performance. The processes and organisation have been deeply redefined to clarify the roles and responsibilities of everyone in the company. Lean tools and methodology are being deployed across the organisation, with the priority of serving our customers in line with our commitments.

The SABCA Group is also enhanced by new people and new skills at all levels of the company in order to contribute to the success of our transformation by providing their experience and external viewpoint.

Despite this progress, challenges and difficulties persist, and the Group's results are below expectations. Progress at corporate level has not been as great as hoped for, and significant efforts are expected of personnel: the Board of Directors insists that objectives of activity rates, reduction of absenteeism, productivity, hourly rates etc. must be met in 2018. If required, additional measures must be put in place by the Management.

At market level difficulties persist in civil aviation with the confirmation of the reduction of production rates on the A380, in business aviation with the delay and then the cancellation of the F5X programme, in the space domain with the decision taken by Arianespace to stop the Ariane 5 programme prematurely by reducing the last batch of production from 18 to 10 launchers, and in the defence domain with production rates reduced for the A400M military transport aircraft.

On the other hand, the A350 programme continues to gather momentum, with a strong operational improvement of SABCA allowing us to serve our Airbus customer in line with our commitments.

The maintenance and repair market for combat aircraft, and F-16s in particular, continues to be sustained, and the SABCA Group's capabilities in this area are recognised. Perspectives related to other platforms are highly interesting, and the F-16 replacing dossier in Belgium is an additional important challenge for the Group.

Looking to the future and convinced of the role that the SABCA Group can naturally play in the drone domain for industrial applications, SABCA has launched a new service offering aimed at providing complete and industrially sound solutions to all players in the ecosystem of civilian drones. The year 2017 was essentially devoted to exploring this nascent market and refining the offer - 2018 should see the first business opportunities.

Being required to cope with the end of Ariane activities from 2020 and a reduction in the scale of several civilian programs, SABCA is working on the development of new activities. The Board has supported a significant increase in prospection and R&D efforts with this in mind, and a dedicated budget has been approved.

"Project of the Century" - Commitments for 2020

PROJECT
OF THE CENTURY
SABCA 100 YEARS: TIME FLIES

A project over 3 years, essential and indispensable for accelerating the redeployment of the SABCA Group in a forever changing and challenging world was approved by the Board of Directors in April 2017.

The technical, operational and economic difficulties encountered over the last few years in several programmes, constant pressure from major customers to reduce prices, overall competition in a declining market, and the relatively small size of the SABCA Group, are all calls to which the Group must respond quickly to ensure its future.

The aim of the "Project of the Century" (POTC) strategic action plan is to make the SABCA Group **Robust**, **Profitable**, and **Competitive** again. To achieve this, all aspects of its value creation process and cost structure will be reviewed and adapted using the principles of Lean Manufacturing.

In order to support and accelerate the implementation of the POTC project, a department 'Transformation and Continuous Improvement' has been set up.

Some key aspects of the action plan are briefly mentioned below.

One SABCA

The complete operational integration of the four SABCA Group industrial sites (Brussels, Charleroi, Lummen, and Casablanca) under a single management team has been implemented.
The process changes have been carried out with essentially two tools: Definition of the **RACI** (Responsible, Accountable, Consulted, Informed) and **deployment matrix**, implemented in early 2018, to increase consistency, responsiveness, and efficiency, while improving the Group's ability to satisfy its customers.

A Programme-centric Organisation

The programme-centric organisation put into place to focus on customer satisfaction, is showing the first results and has led to an acceleration in efficiency.

Accountable of customer satisfaction and at the same time of economic performance for SABCA, the **Programmes** are the cornerstone of the organisation, through which SABCA's businesses and products can profitably express themselves to satisfy the needs of its customers. To do this, Programme Managers, relying on a Programme Team representing the SABCA group's disciplines, manage customer relations while ensuring control of their budgets.

Industrial Activity around Production Units

Our production units have been set up and work as an operational support function of the programme organisation.
The choice was made to focus the activities of the SABCA Group around the following Centres of Excellence,

- Integrated structures and "Plug & Fly" equipment
- Actuation systems
- Surface treatment
- MRO and modernisation of platforms and equipment
- Complex and large composite structures
- Aerostructure assemblies

Technology and Innovation

The Technical Department now operates primarily in conjunction with programmes and production to provide ready-made solutions for our products and services.

Purchasing - a Strategic Lever

The Purchasing Department is now in charge of identifying, developing and managing our existing and new partners and the necessary complementarity of the SABCA Group in terms of costs, industrial capacities or skills.

Larger-scale and Systematic Outsourcing

To be able to continue to deploy its skills in its specific competencies, it is essential that the SABCA Group can develop its competitiveness, in particular by controlling the evolution of its hourly rates. Given its size and the diversity of its businesses, one way to ensure the Group's competitiveness is to focus on its areas of excellence, and to outsource activities that are neither core-business, strategic nor profitable. For tenders on which the Group will be positioned in the future, a strong outsourcing component will be an integral part of the proposed solution. In addition, for activities already underway within the Group, a systematic analysis of the need to outsource will be made. As such, the mission of the new Purchasing Department makes perfect sense.

Improve Communication and Working Relationships

The SABCA Group has a unique set of skills, passions, and experiences through its people. To win together, internal communication - an essential motivator - will be deployed across many channels. Being a member of the SABCA Group's staff means adhering to several principles and values that will have to be reinforced to reach the level of performance required to achieve the Group's objectives. Aspects related to safety, activity rate, discipline, and compliance with the rules in general will be developed in priority. Lastly, the organisational change put in place by the "Project of the Century" as well as the analyses related to the larger outsourcing will have an impact on some of the staff. A "Mobility, Redeployment, and Competence Management" service has been created; its role is to accompany these changes with respect for staff and to find the best solutions for these important challenges.

Activities of the Group in 2017

SPACE

During this year, development activities on new European space launchers have been contracted both with ArianeGroup for the Ariane 6 launcher and with ELV / Avio for the Vega-C launcher.

For Ariane 6, the main milestone of the Preliminary Definition Review has been reached this year, and the first models, with the "Engineering Model" standard, have to leave the factory in 2018. They will be followed by qualifying models in 2019 and flight models in 2020.

As a reminder, the TVAS (Thrust Vector Actuation System) P120 is an electromechanical type and has commonalities with the one that will equip the first stage of the VEGA-C launcher. The LL-TVAS, electro-hydraulic type, partly derived from that of Ariane 5, uses a hydraulic generation with recycled fluid and will be used for the actuation of the Vulcain engine. The UL-TVAS (Vinci engine), of electromechanical type, is directly derived from the developments realised within the framework of the Ariane 5 ME programme.

The embedded software that implements the loop control algorithms of the P120 actuation system is developed by SABCA. This software runs on the "CLP" processor also developed by SABCA as part of ESA's R&D programs.

Thanks to six successful launches by Arianespace in 2017, SABCA has maintained a high level of activity on the Ariane 5 program for which it produces both structural elements (front skirt, rear skirt, damping system device) and servo controls for the orientation of the launcher engines: the GAT (Groupe d'Activation Tuyère), the GAM (Groupe d'Activation Moteur) and the GHSM (Groupe Hydraulique ServoMoteur).

The latest production batch of Ariane 5 (EPC batch - reduced to 10 launchers) is in the final phase of negotiations with ArianeGroup, a start-up agreement having been concluded at the end of 2017.

The Vega launcher held its objectives in 2017 with 3 successful flights; the SABCA Group delivering the Thrust Vector Actuation Systems (TVAS) as well as the inter-stage 0/1.

CIVIL AND BUSINESS AVIATION

The year 2017 is a continuation of the year 2016 in the aviation sector: the flagship programs of Airbus (A320, A350) continuing to record increases in production rate, while the business jet market has stabilised, with light signs of recovery at the end of the year.

Nevertheless, new developments in civil aviation such as the Middle of Market did not occurs in 2017 and may not be launched in the coming years.

For the Airbus A380 program, due to the market situation, the number of T-Shape deliveries were reduced to 19 for the year 2017. In early 2018, however, Airbus obtained a significant order from Emirates on the A380, from which we can expect production to continue for many more years.

For the A320 program, the orders for Direct Drive Valves (DDV) specific to this Airbus family have reached a monthly production rate of 60 in 2017.

The year 2017 has been a significant year for SABCA on the A350 program. Despite an increase in annual deliveries to 85 aircraft, SABCA has managed to set up a buffer stock, to the utmost satisfaction of the customer. As a reminder, SABCA is responsible for Flap Support Structures (FSS)and Flap Support Fairings (FSF).

For Dassault Aviation, SABCA is active on almost all Falcon business aircraft models and delivers composite elements (Extrados of the Horizontal Plane - EPH) *[Extrados du Plan Horizontal]*, Engine Hoods, and flight control equipment (servo controls and other hydraulic equipment).

End of 2017, Dassault Aviation announced the cancellation of its new F5X business jet, whose development had been frozen by Dassault Aviation due to engine problems, and its replacement by a new model of greater capacity and equipped with new engines.

The SABCA Group is also responsible for the realisation of the composite horizontal drift structures, supplied to Fokker Aerostructures for integration and delivery to Gulfstream. Compared with 2016, deliveries have reduced to reach just under 60 copies delivered in 2017.

A strong prospection activity was conducted during 2017, targeting preferentially subcontracting activities in the manufacture of metal/composite aerostructures and surface treatment. This has enabled the SABCA Group to win new customers, both in the space sector and in the field of civil aviation.

DEFENCE

The defence business focuses mainly on the modernisation of platforms (aircraft, helicopters), maintenance and repair of equipment for the Belgian and various foreign Armed Forces.

The year 2017 was just as intense as the year 2016 with new commercial successes in the United States, such as the extension of our maintenance contract with USAFE to F16 of the US National Guard.

For its reference customer (the Air Component of the Belgian Armed Forces), the SABCA Group has extended its activities on various platform used by the Air component (F16, Alpha-Jet, Agusta A109) strengthening his position as depot level. The activity of maintenance and repair of accessories and equipment was also very strong.

Defence development activities focused mainly on the Mirage 2000D retrofit contract obtained in 2016, for which the SABCA Group was awarded the study and production of the gun pods, subcontracted by Dassault Aviation.

The European military transport aircraft Airbus A400M saw its production rate maintained in 2017 with 20 deliveries but will be significantly reduced in 2018 and in subsequent years. As part of this program, SABCA is responsible for the development and production of wing flap track structures, as well as the production of composite skins for these wings.

The year 2017 also saw the official launch by Belgium of the call for tenders for the replacement of fighter planes, several government agencies having been contacted. SABCA has been involved, with the main Belgian aeronautics players, in the discussions on industrial participation with the industrialists supporting the candidate government agencies.

DRONES

The SABCA Group announced at the Paris Air Show in June 2017 the launch of a new service offering in the field of civil drones, mainly for industrial applications. The SABCA Group's presence in the drone market is a natural extension of the expertise acquired for nearly a century of activity in the field of aeronautics, with the design, manufacture, testing, certification, maintenance, services and modification of flying platforms and subassemblies for many applications.

SABCA offers a full range of services for commercial or institutional applications using drones, positioning itself as an integrator providing a turnkey and industrially robust solution for all stakeholders in the ecosystem. This environment encompasses all players from drone manufacturers stil end-users, including developers of technologies and payloads as well as authorities and other actors.

This activity is also highly complementary to the other activities of the Group, and will redeploy certain skills and products mastered both in design and manufacturing (actuation systems, embedded electronics, composite, etc.) in maintenance and upgrading (qualification, certification, etc.)

RESEARCH AND TECHNOLOGY

Seven Research and Technology projects reached significant milestones in 2017.

TECCOMA

Two demonstrators are planned under this programme funded by the Brussels-Capital Region through Innoviris, acting on behalf of Skywin.

In 2017, SABCA finalised the definition of the first demonstrators, which represents a section of horizontal plane of a business jet in SQRTM technology (off-autoclave). This demonstrator integrates in one piece a stiffened panel, the front and rear longitudinal members and thermoplastic ribs assembled by fasteners.

The selection of the mould maker, the launch of the industrialisation of the mould to realise the integrated part of the demonstrator and the definition of a test load and a test installation for the mechanical test of the demonstrator were achieved in 2017.

The second demonstrator represents a flap section of a commercial aircraft of intermediate size between a B737 and a B787, in RTM technology (off-autoclave). This demonstrator integrates in one piece a flap panel, the longitudinal members and thermoplastic ribs, assembled by fasteners.

In 2017, contacts were made for braiding the preforms of the spars. The test load for the mechanical test was also performed.

Finally, a research programme with UCL aimed at integrating thermoplastic parts and thermosets by direct joining was initiated in 2017. The idea is to be able to integrate the thermoplastic ribs into the integrated elements which are the subject of the two previous demonstrators, rather than to assemble them by fasteners.

AEROSTREAM

This project financed by the Brussels-Capital Region through Innoviris acting under the Marshall Plan, aims to increase the expertise of universities (ULB, UCL, KUL), manufacturers (3D systems) and end-users (SABCA) in *Additive Manufacturing*. It ended in 2017 with the realisation of an aluminium alloy demonstration device.

ESA - GSTP5 - CLP (Control Loop Processor)

Phase 2B of this ESA programme continued in 2017 with the development of a suite of software tools to simplify the programming of CLP functions.

ESA - GSTP6 - PRIMARY STRUCTURES MADE BY ADDITIVE MANUFACTURING

At the end of the year, SABCA was selected by ESA to lead a consortium formed by Thales Alenia Space - France (TAS-F) based in Cannes, from the Research Centre for Metallurgy (CRM) *[Centre de Recherche en Métallurgie]* based in Liège, Cransfield University (CR-U), 3D Systems based in Leuven and Lisi Aerospace Additive Manufacturing (LAAM) based in Ayguemorte-les-Graves (France).
The consortium's mission is to develop three demonstration devices: one using WAAM (Wire Arc Additive Manufacturing) technology using an electric arc, a heat source and a bead of material, a second using Laser Beam Melting (LBM) technology. Titanium alloys and the third, this same LBM technology on aluminium alloys, for space applications (launchers, nano-satellites).

ESA - GSTP6 - SPACE RIDER

SABCA has received notification from BELSPO of its support for a preparatory project for the Space Rider Space Vehicle, successor to the IXV Orbital Reentry Demonstrator, through a GSTP programme distributed among 3 Belgian manufacturers: SABCA (actuators), SPACEBEL (piloting software) and the Von Karman Institute (aerothermodynamic modelling of flight).

ESBA - GSTP6 - LIMITED ANGLE TORQUE MOTOR FOR LLTVAS SYSTEM OF ARIANE 6

SABCA is involved in this ESA programme financed by the Romanian delegation as an end-user. It allows SABCA to evaluate the Romanian ICPE electric motor construction company, taking as test case the motor of the electric pump of the LL-TVAS Ariane 6. The preliminary motor design started in 2017, with the preliminary definition review scheduled for March 2018 and the critical definition review in June 2018, with the final report in May 2019.

CALLISTO

This programme led by CNES and DLR aims to demonstrate the reusability of launcher stage parts. SABCA was selected for the VEB structure, as well as for the fin orientation and deployment mechanism actuators, their control electronics and the associated power source.

Safety & Environment

Aware of the importance of safety and health issues for a future-oriented SABCA, the SABCA Group Management ensures that each member of staff benefits from safe working conditions, in compliance with the laws and regulations relating to the welfare of workers when performing their work.

This desire, strongly rooted in the Group's philosophy, to promote safety, health, hygiene and the protection of the environment is based on management, technology and human resources.

The year 2017 has also seen a strengthening of the prevention teams in terms of resources and materials.

The Annual Action Plan established by the Internal Prevention and Protection Service *[Service Interne de Prévention et Protection]* (SIPP) has four pillars of improvement based on the learning of the past and on our ambitions for the future:

1. A "Zero Accidents" policy thanks, in particular, to the analysis of workstations and the elimination of risks;
2. Risk management during the execution of maintenance work;
3. Workstation cards as a basis for individual risk management;
4. An Internal Circulation Plan;

With trained and experienced staff, the SABCA Group is preparing for ISO 45001 certification.

In 2017, the SABCA Group had its environmental and operating license for the Brussels site renewed for a period of 15 years. This license renewal is a pledge of confidence from the Brussels authorities, which reinforces our industrial choices and our progress towards technologies and methods that are increasingly respectful of the environment.

The replacement of our water neutralisation unit with latest generation technology has allowed us to discharge cleaner wastewater. The strengthening of our waste sorting methods has enabled us to significantly increase the percentage of recycled waste.

We have also launched actions to reduce our energy consumption by setting up management systems for our heating central units, managing our electricity consumption and introducing new-generation intelligent lighting.

Lastly, we have recently started studies aimed at producing renewable energy by equipping our sites with photovoltaic panels and cogeneration plants.

Quality

The SABCA Group affirms its determination and its desire to maintain a high level of requirements and quality for all its products and services. This policy is in compliance with the regulations, standards and certifications conducted by the auditing agencies, as well as in compliance with national and international environmental standards.

To maintain its commitment to quality, the SABCA Group has created a Transformation and Continuous Improvement Department and has strengthened the Quality Department with a new director and additional resources to manage the Quality Management System.

The achievements of 2017 are still focused on three main areas: the deployment of the strategy in the SABCA Group, the definition and implementation of new processes and the alignment of quality systems with the "ONE SABCA" principle.

In 2017, the monitoring audit of the Quality Management System enabled SABCA Limburg to validate the ISO9001: 2015, EN9100: 2016 and AQAP2110 certifications. For SABCA S.A. excluding subsidiaries, the monitoring according to ISO9001: 2008, EN9100: 2009 and AQAP2110 was carried out as planned.

At the end of 2017, SABCA and its subsidiary SABCA Limburg obtained from the authorities the merger of their Production Organisation Approvals (POA) according to the PART21G regulations.

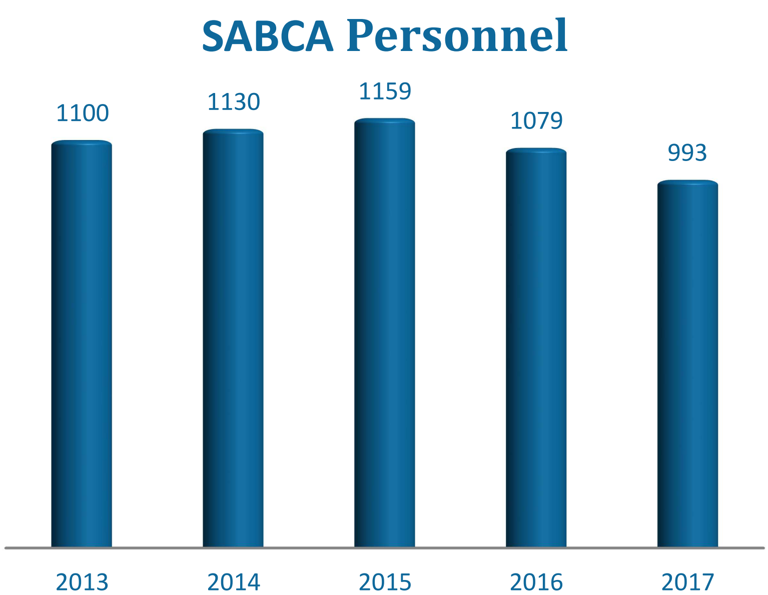
The SABCA Group maintains its PART145 accreditation as well as its PRI-NADCAP certifications for surface treatments and non-destructive inspections and customer-specific certifications (Boeing, Lockheed Martin etc.)

Human Resources

Evolution of the personnel

The SABCA Group employed 993 people as at 31 December 2017, with a workforce of 1,079 at the end of 2016.

The decrease in the workforce is mainly related to non-backfilled of retirement departures, as well as several departures related to the workload variation of the company and the simplification of its organisation and processes.



Corporate Governance Statement

As a Belgian company listed on the Euronext Brussels stock exchange, SABCA SA ("SABCA" or the "Company") is committed to comply with the corporate governance principles set forth in the 2009 edition of the Belgian Code of Corporate Governance (CCG). This code can be consulted on the website www.corporategovernancecommittee.be.

As prescribed by the CCG, SABCA has established a Corporate Governance Charter. The first version of this Charter was approved by the Company's Board of Directors on 13 September 2011. In accordance with the legal provisions, the Charter is published on the Company's website www.sabca.com, in a clearly identifiable part called "Investor Corner", separated from the commercial information. This Charter is reviewed according to the evolution of the company and the regulations in force.

Considering the size and nature of the Company, as well as the specifics of its ownership structure, the Board considered it reasonable that the Company did not fully implement certain provisions of the CCG.

These derogations concern the following provisions:

Rule 4.1: A rigorous and transparent procedure is adopted to ensure the effectiveness of the nomination and re-election of directors. The Board of Directors establishes nomination procedures and selection criteria for directors, including, where appropriate, specific rules for executive directors and non-executive directors.

Given the Company's shareholding structure, comprising a majority controlling shareholder and a second largest reference shareholder, the Company has not yet established specific procedures for the nomination of directors. It is the Board itself, assisted by its Chairman, who decides on the nominations and their possible renewal to be proposed at the General Meeting. For the same reason, the Company has not created a Nomination Committee (see Section 5.3 below).

This implies that the Company derogates from all provisions of the CCG in which there is mention of a proposal or opinion from the Nomination Committee regarding the nomination and assessment of directors or executive management. This is the case for the following provisions of the code:

• *4.2: [...] The Nomination Committee recommends suitable candidates to the Board of Directors. […]*

• *4.6: [...] accompanied by a recommendation from the Board of Directors based on the opinion of the Nomination Committee*

• *5.3: [...] The Board of Directors establishes a Nomination Committee in accordance with the provisions of Annex D.*

• *6.3: The Nomination Committee assists the Board of Directors in the nomination and succession plan of the CEO and other members of the executive management [...].*

• *Annex D: Nomination Committee*

The reasons for which the Board has not yet created a Nomination Committee are set out in the reasoning in Rule 4.1 above.

As a Belgian company listed on the Euronext Brussels exchange, SABCA is also bound by article 96, section 2.6 of the Companies Code, as introduced by the law of 3 September 2018 on the publication of non-financial information and information on diversity by certain large companies and certain groups.

In 2017, the Company had not yet established a diversity policy. This is mainly for the following reasons:

- The “Project of the Century” transformation plan, initiated in 2017 and key to the future of the Company, has been implemented as a priority and required the necessary resources;
- The recent entry into force of the law of 3 September 2018, having regard to the fact that the establishment of a high quality diversity policy requires the contribution of several Company departments, and that a diversity policy can only produce results if generally supported throughout the Company.
- the historic markets of SABCA Group, being aerospace, civil aviation and defence, traditionally attract a relatively homogeneous group of employees. The diversity policy to be established has to take account of this challenge and will need to be balanced.

The Board of Directors nevertheless emphasises the importance it attaches to diversity within the company.

In 2017, two female directors were appointed to the board of directors. On the date of this report, the board of directors consists of ten members, two of which are female. When identifying candidates for future appointments of directors, the board of directors will ensure respect for regulations on board diversity, in particular the gender mix, so that from 2019, at least on third of members of the board of directors is of a different gender to that of the other members.

1 Composition of the Board of Directors of SABCA

1.1 Composition

The Board currently has ten members; the list of the members, the indication of the main function which they exercise outside SABCA and the shareholder on whose proposal they were elected appear on page 4.

All Board Members are non-executive directors; three of them are independent.

1.2 Nomination Rules

The Board has not adopted any special rules regarding the exercise of the function of director.

2 Functioning of the Board of Directors

2.1 Frequency of Meetings

The Board of Directors meets whenever the interests of the Company so require and, inter alia, to review the half-yearly and annual financial statements as well as the investments.

The Board of Directors met three times in 2017.
Presence of Directors at Board Meetings

Mr. Remo Pellichero[1]	3
Mr. Benoît Berger, up to 19 September 2017	1
Mr. Hans Büthker	2
Mr. Olivier Costa de Beauregard	3
Mr. Philippe Delaunois[2]	3
Mr. Jacques de Smet[3]	3
Mr. Charles Edelstenne	2
Ms. Carole Fiquemont, from 19 September 2017	1
Ms. Michèle Gillot, from 1st June 2017	2
Mr. Michel Martin[4]	1
Mr. Loïk Segalen	2
Mr. Nick Waters, up to 1st August 2017	1
Mr. Geert Wijnands, from 19 September 2017	2

[1] *representing the SPRL Gestime*
[2] *representing the SA CGO*
[3] *representing the SA Gefor*
[4] *representing the SPRL PASTEC-MIT*

2.2 Skills

In the absence of any statutory restriction, the Board has all the powers assigned to it by law.
The Board establishes the strategic and short-term goals of the company, approves and decides on the means to implement to achieve these objectives.
At each meeting, the Board generally reviews all operational matters of interest to the Company.

2.3 Control of Day-to-Day Management

The Day-to-Day Management Delegate reports to each Board meeting on business progress, business development and market prospects, the cost plan, the financial situation, investment or divestment opportunities.

3 Committees created by the Board of Directors

3.1 Standing Committee

The Standing Committee has been in existence since 1970 and precedes the meetings of the Board of Directors. It is responsible for reviewing strategic issues and preparing best decisions submitted to the Board of Directors.

It is composed of:

- Mr Remo Pellichero, Chairman, representing the SPRL Gestime,
- Mr. Thibauld Jongen, Managing Director,
- Mr. Dimitri Duray, Chief Financial Officer,
- two representatives chosen by the reference shareholders, namely for 2017,
    - Mr. Loïk Segalen (Dassault Aviation),
    - Mr. Nick Waters (GKN plc) (up to August 1st, 2017) and Mr. Geert Wijnands (Fokker Technologies Group BV) (since 19 September 2017),
- Mr. Philippe Delaunois, representing the SA CGO, Independent Director,
- Mr Jacques de Smet, representing NV Gefor, Independent Director,
- Michel Martin, representative of BVBA PASTEC-MIT, Independent Director (up to 1st July 2017)

The Standing Committee met three times in 2017.

Presence of member directors at Standing Committee meetings

Mr. Remo Pellichero[1]	3
Mr. Philippe Delaunois[2]	3
Mr. Jacques de Smet[3]	3
Mr. Michel Martin[4], up to 1st July 2017	1
Mr. Loïk Segalen	2
Mr. Nick Waters, up to 1st August 2017	1
Mr. Geert Wijnands, from 19 September 2017	1

[1] *representing the SPRL Gestime*
[2] *representing the SA CGO*
[3] *representing the SA Gefor*
[4] *representing the SPRL PASTEC-MIT*

3.2 Audit Committee

The Audit Committee set up under the law of 17 December 2008 is chaired by Mr Jacques de Smet, responsible for accounting and auditing, representing the SA Gefor, Independent Director. Non-executive directors, Mr. Loïk Segalen and Mr Nick Waters (up to 1st August 2017) and Mr. Geert Wijnands (from 19 September 2017) completed the Committee. Occasionally, the Committee appoints the Statutory Auditor, the Chief Executive Officer, the Chief Financial Officer, the Internal Auditor who is also responsible for risk management, and any other advisor it deems appropriate.

The internal rules and regulations of the Audit Committee are included in Annex C of the SABCA Corporate Governance Charter. The Audit Committee reports on its work to the Board of Directors and makes recommendations on the measures to be considered.

In 2017, the Audit Committee met four times, in particular to audit the half-year and annual statutory and consolidated financial statements; the Audit Committee also examined the results of the Audit Plan, which aimed to ensure the effectiveness of internal control systems and risk management.

The responsibility for Internal Audit and Risk Management is combined into a single function reporting directly to the Chief Executive Officer. A member of the SABCA staff is appointed and invested with this dual responsibility on a full-time basis.

Presence of Directors Members at Audit Committee Meetings

Mr. Jacques de Smet[1]	4
Mr. Loïk Segalen	3
Mr. Nick Waters, up to 1st August 2017	2
Mr. Geert Wijnands, from 19 September 2017	1

[1] *representing the SA Gefor*

4 Day-to-day Management

The day-to-day management of the company is carried out by the Chief Executive Officer, who is assisted by his management committee, referred to as the "Senior Management Team (SMT)" and composed of the following managers:

- Dimitri Duray, Chief Financial Officer,
- Peter Reynaert, Director of Operations,
- Marc Dubois, Commercial Director,
- Didier Descamps, Technical Director,
- Sabine Lelièvre, Director of Purchasing,
- Zeger de Spiegelaere, Director of Quality,
- Tiny Coppens, Director of Human Resources,
- Jean-Marie Dujardin, Director of Transformation and Continuous Improvement,
- André Baus, Director of Information Systems,

The SMT meets weekly to review important topics for the company, drive strategy deployment, track actions, and discuss news. Once a month a specific subject is put on the agenda, for example the quality review, the performance indicators review, or the company risks.

5 Profit Allocation Policy

In its proposals to the General Meeting, the Board of Directors aims to reconcile the high level of investments required for the Company's aerospace activities and the equitable return on capital.

6 Shareholders

Dassault Belgique Aviation SA, a wholly-owned subsidiary of the Marcel Dassault Industrial Group, holds 53.28% of the Company's capital. Fokker Aerospace BV, the English group GKN Plc holds 43.57% of the capital. The remaining 3.15% is listed on Euronext Brussels.

7 Transactions with Related Parties

Sales and purchases are made at market prices.

There were no guarantees provided or received for related party receivables in 2017.

For the 2017 financial year, the Group did not record any provisions for bad debts relating to amounts due from related parties.

This assessment is performed in each financial year by examining the financial position of the related parties and the market in which they operate.

The identifiers and the values are included in Note 14 of the consolidated financial statements.

8 Internal Audit and Risk Management System

SABCA has formalised the internal audit activities based on the internal control whose reference is the COSO2 model. Internal Audit deals with Risk Management by defining its control environment, identifying and classifying risks to highlight the most significant and ensuring the existence, execution and performance of Risk Management. The communication and information and monitoring axes are included in this approach.

The main goal is to increase the effectiveness of programmes and processes by reducing the level of their risks, thereby improving performance and creating value.

Like any control system, the Risk Management System put in place provides reasonable assurance as to the achievement of operational objectives.

8.1 Control Environment

The functioning of the different entities is managed by the "Management Processes", which describe the principles and procedures, with their input data, output data and their interactions.

An Environmental Policy Statement, an Internal Audit Charter and a Quality Policy Statement exist and are communicated to all staff. Their compliance with legislation, regulations, and adaptation to changes in the areas of activity are reviewed annually.

8.2 Risk Management Process

Since 2009, SABCA has formalised the analysis and assessment of its business risks. The mapping of these risks, based on the probability of occurrence and the level of impact, made it possible to establish the order of priority. The missions defined in an annual Audit Plan cover the risks considered major, and the focus is mainly on operational risks.

The financial part is the subject of particular attention: this point is developed in the chapter dealing with financial risks, in Section 8.6 below.

8.3 Control Activities

Control Activities consist of all the measures adopted by the company to ensure adequate control of the main identified risks.

The Internal Auditor is responsible for Internal Control Activities and oversees all SABCA Group processes.

The Annual Audit Plan is presented to the Audit Committee for approval.

The audit activities aim to ensure compliance with legal standards and provisions, as well as the application of procedures and the identification and proper management of associated risks. The effort focuses mainly on the operational part.

The audit activities benefit, among other things, from the indicators already used within the processes as well as from the actions of the Risk Control Plans.

In addition, the financial management process incorporates internal control measures. Reviews of the financial process complement this approach.

Quality Audits are performed by Quality Department Auditors using appropriate procedures. These auditors also monitor actions and recommendations from Internal and / or External Audits.

The auditor and their team carry out the External Audit to certify the conformity of the financial statements, as well as certain Belgian and foreign control bodies.

8.4 Information and Communication

Each audit assignment is the subject of a specific report, which is summarised and presented to the Audit Committee.

Quality Audits carried out internally or by external bodies are the subject of a communication from the Quality Department, which also monitors the control actions.

The indicators are presented monthly to the different committees managing the company.

8.5 Piloting

The management of the Internal Audit including the risk management is taken care of by the general management, which reports, on this subject, to the Audit Committee.

8.6 Principal Risks and Uncertainties

The main risks and uncertainties facing the Group are:

Liquidity and Cash Flow Risks

Financial debts do not pose a significant risk for the Group. The Group's cash position enables it to meet its commitments without liquidity risk.

Credit Risks

The Group carries out its treasury and foreign exchange transactions with recognised financial institutions.

The Group mitigates the risks related to the default of the customer counterparties by making the majority of its sales in cash and by guaranteeing the credit granted by credit insurer or by real guarantees.

Given the method of depreciation of trade receivables used for the preparation of the financial statements, the risk-bearing portion of non-depreciated receivables due at closing is insignificant.

Market and Currency Risks

The Group is exposed to a foreign exchange risk for sales denominated in USD, the major share of expenses being incurred in EUR, despite the intensification of purchases in USD.

The Group hedges this risk by using forward sales contracts and, where applicable, currency options.

It only covers its future net cash flows if they are recognised as sufficient to exercise the currency hedges put in place. The amount of the hedge can be adjusted according to the evolution over time of the expected net flows.

Risks on Long-Term Programmes

The Group is exposed to a risk on Long-Term Programmes because of their technical, economic and financial evolutions, which can put their profitability in jeopardy. These risks are typically related to the ability to deliver products and services in accordance with customer needs (quality and timeliness), constant pressure on prices that could lead to margin degradation, lack of capacity in machinery or human resources, etc.

Operational Risks

Following the work done by the Risk Management and Internal Control managers, the operational risks were identified and mapped according to their acceptability:

- Variations in production rates in the needs expressed by customers under existing contracts, and the uncertainty related to obtaining new contracts, lead to a variable charge and - in the long term - one that is lower than the internal capacity of the company; this could lead to a need to adapt capacity.

- The age distribution within the workforce, and particularly the high average age, makes succession to key positions, training, and transmission of skills particularly difficult, especially in the complex regulatory and technological environment of the aerospace industry.
- The reorganisation of the SABCA Group via the Project of the Century (POTC) represents a challenge that is closely monitored by the Management.

9 Remuneration Report

9.1 Remuneration Committee

Composition and Activities

The Committee consists of:

- SPRL Gestime represented by its Manager **Remo Pellichero**, Chairman, Chairman of the Board of Directors.
- SA C.G.O. represented by its CEO **Philippe Delaunois**, Independent Director.
- Gefor SA represented by its CEO **Jacques de Smet**, Independent Director.

Participate in meetings:

- **Thibauld Jongen, CEO** (except for the part concerning himself).

During the year 2017 the members met three times.

The remuneration of the members of the Senior Management Team (SMT) and other persons reporting directly to the Chief Executive Officer is reviewed, for which three statutes are to be distinguished: "Group Director", "Department Director" and others. In particular, the Committee examines for each of these persons the different components of remuneration, in particular the fixed and variable components, the group insurance contracts and the remuneration policy.

The internal regulations of the Remuneration Committee are included in Annex D of the SABCA Corporate Governance Charter.

Presence of directors at Remuneration Committee meetings

Mr. Remo Pellichero[1]	3
Mr. Philippe Delaunois[2]	3
Mr. Jacques de Smet[3]	3

[1] representing the SPRL Gestime
[2] representing the SA CGO
[3] representing the SA Gefor

Compensation Policy

The purpose of the Company is to develop and maintain an attractive remuneration policy for its employees while safeguarding the interests of the Company and the shareholders.

The Remuneration Committee reviews the situation of the members of the Senior Management Team (SMT), as well as other direct reports from the CEO.
The Committee hears the delegate's explanations for day-to-day management and after discussion and exchange of points of view between its members, submits the final proposals to the Board of Directors, which decides on the matter.

Remuneration components are fixed remuneration, variable remuneration and supplementary pension.

A balance is sought between these three elements, which together should allow the company to attract, motivate and retain qualified and competent professionals given the scope of responsibilities and in reference to the market.

Fixed remuneration is based on the level of responsibility and its evolution depends in particular on the assessment of individual performance and the trend of remuneration on the market.

The Remuneration Committee proposes to the Board of Directors salary changes for the Executive Officers.

The variable remuneration is granted to the members of the SMT according to the assessment of their performances and the earnings of the company.

Certain SMT members benefit from a specific supplementary pension plan whose annual contribution is based on the company's net earnings.

The variable remuneration for the financial year is definitively acquired after the approval of the accounts by the General Meeting.

There has been no significant change in the remuneration policy since the last financial statements.

The remuneration policy does not include any specific rules regarding severance pay.

9.2 Remuneration of the members of the board of directors and its committees *

Non-executive directors	in EUR
SPRL Gestime, represented by its manager **Remo Pellichero**, Chairman	6.000
Benoît Berger, Executive Vice President Procurement & Purchasing - Dassault Aviation, until September 19, 2017	12.572
Hans Büthker, Chairman and Chief Executive Officer – Fokker Technologies Group B.V**.**	17.601
Olivier Costa de Beauregard, CEO - Marcel Dassault Industrial Group	17.601
SA CGO represented by its CEO Philippe Delaunois, independent director	20.601
Carole Fiquemont, General Secretary Marcel Dassault Industrial Group, since 19 September, 2017	5.029
SA Gefor represented by its CEO **Jacques de Smet**, independent director	24.601
Charles Edelstenne, CEO - Marcel Dassault Industrial Group	17.601
Michèle Gillot, independent director, since June 1, 2017	10.267
Sprl PASTEC-MIT, represented by its manager **Michel Martin, independent director, until 1 July, 2017**	7.833
Loïk Segalen, Chief Operating Officer - Dassault Aviation	20.101
Nick Waters, Head of Corporate Finance & Strategy GKN plc, until 1 August, 2017	11.767
Geert Wijnands, Chief Financial Officer – Fokker Technologies Holding BV, since 19 September 2017	6.029

EUR

** Board of Directors, Audit Committee, Standing Committee and Remuneration Committee.*

There have been no significant changes in the remuneration policy for non-executive directors since the last financial statements.

By meeting, the members of the committees receive an attendance fee of 500 EUR and the chairman of the committee an attendance fee of 1,000 EUR. The corresponding amounts are included in the table above.

Mr Remo Pellichero has a service contract via his company Gestime SPRL, the flat-rate annual fees of which amount to EUR 75,000.00 excluding VAT.

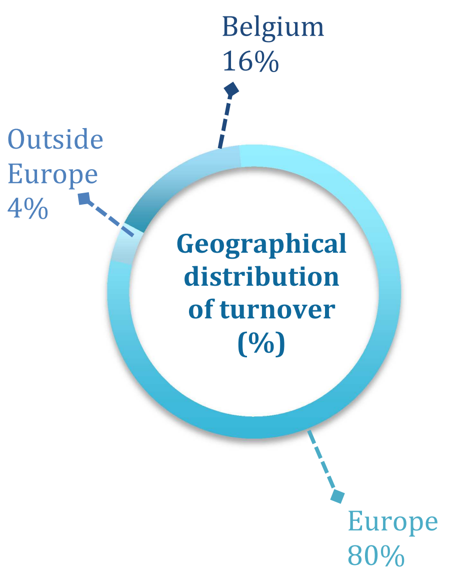
Changes in the remuneration of the members of the board of directors and the various committees are defined by the general meeting at the proposal of the board of directors, on the recommendation of the remuneration committee.

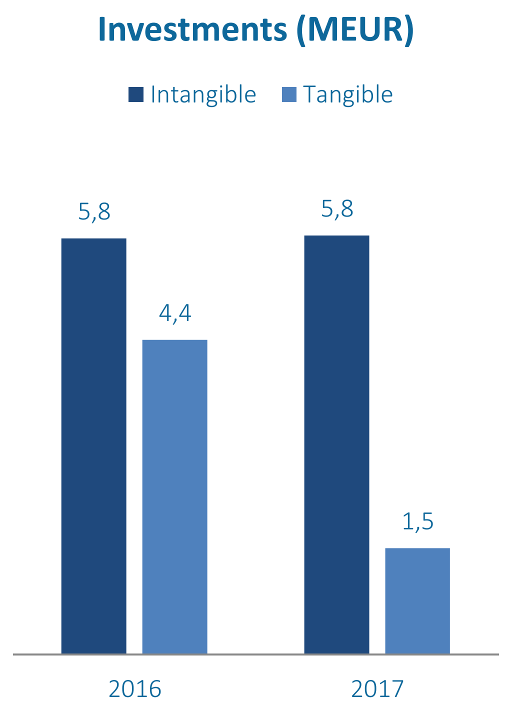
9.3 Remuneration of the CEO and other members of the GTS

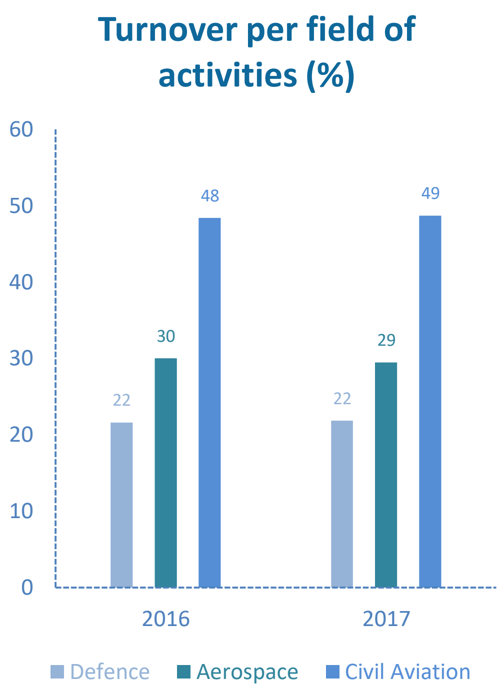
On the proposal of the Remuneration Committee, the Board set the remuneration below for the CEO and the other members of the SMT in 2017.

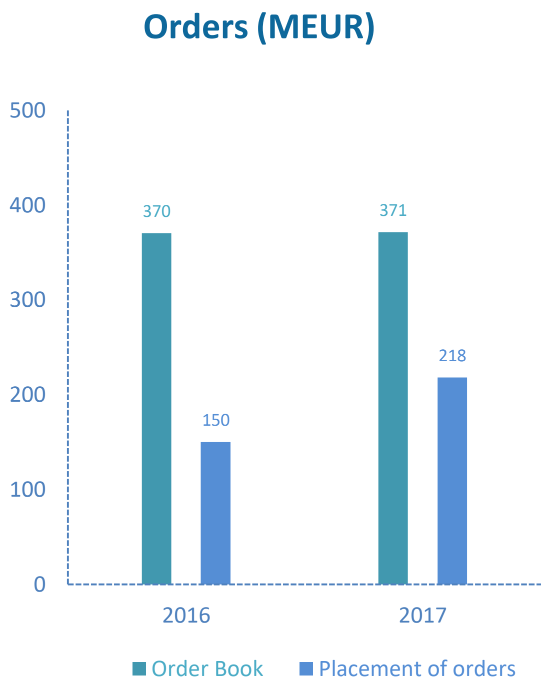
EUR	CEO Thibauld Jongen	Other Members of the SMT
Fixed remuneration	211.150 €	766.758 €
Variable remuneration	0	0
Total	211.150 €	766.758 €
Pension plan	24.286 €	194.729 €
Other benefits	7.023 €	25.432 €

Financial aspects









1. SABCA Group

Consolidated Key Figures - Consolidated Income Statement and Summary in IFRS

(en MEUR)	2016	2017
Revenue from ordinary activities	**197,58**	**200,81**
Turnover	202,14	216,84
Changes in work in progress	-14,26	-27,36
Capitalized production	5,80	5,79
Other revenue from ordinary activities	3,90	5,54
Operating expenses	**-202,87**	**-207,17**
Operating result	**-7,29**	**-6,36**
Financial income	5,31	15,26
Financial expense	-6,59	-5,40
Operating result post financial result	**-8,57**	**3,50**
Income tax	2,83	-0,94
Net result for the period	**-5,74**	**2,56**
Whereof attributable to owners of parent	-5,77	2,54
Non-controlling interests	0,03	0,02
Total	**-5,74**	**2,56**

Result per share (en EUR)	**2016**	**2017**
(number of shares : 2.400.000)		
* basic	-2,39	1,07
* diluted	-2,39	1,07

	2016	**2017**
Headcount at 31 december	**1.079**	**993**

SABCA Group has realized a turnover of 216,8 MEUR, increasing by 7 % compared to 2016, thanks to the ramp up of the A350 program and new aircraft Maintenance, Repair and Overhaul activities.

However, the Group's result from continuing operations is a loss of -6,4 MEUR, mainly due to write-offs of aged inventories following the slow-down of production rates in Airbus programs, as well as the cancellation of the Dassault F5X program.

The financial result is a profit of 9,9 MEUR thanks to the positive variation of Mark-to-Market value of the currency hedging instruments (+13,4 MEUR), which however does not reflect the future results that will be recognized upon settlement of the currency hedging instruments.

Deferred taxes are recalculated in accordance with the Belgian tax reform, which implies an average tax rate of 26,8% based upon a 5-year plan starting from 2018 onwards.

In 2017, the Group generated a net profit 2,6 MEUR. Without taking into account the positive variation of the Mark-to-Market value of the currency hedging instruments not settled as of 31/12/2017, the net result is a loss of -2,9 MEUR.

The net result for the period attributable to the owners of the parent company amounts to 2,5 MEUR.

2. SABCA

Non-consolidated key figures - Statutory accounts according to Belgian accounting principles

(en MEUR)		2016	**2017**
Turnover		192,41	208,15
Equity capital		21,35	15,93
Investments		9,78	1,53
Results			
- operating		-7,73	-8,02
- financial		-1,11	2,54
- current			
- extraordinary			
- before tax		-8,84	-5,48
- tax		-0,01	-0,01
- after tax		-8,85	-5,49
Total dividends		*0,00	*0,00
* proposed to the Annual General Meeting			
Current result per share	(EUR)		
Result before tax per share	(EUR)	-3,68	-2,28
Result for the period per share	(EUR)	-3,69	-2,29
Net dividend per share	(EUR)	0,00	0,00

The turnover amounts to 208,1 MEUR, increasing by 8,2 % compared to 2016.

The operating result is a loss of -8,0 MEUR, mainly due to write-offs of aged inventories following the slow-down of production rates in Airbus programs as well as the cancellation of the Dassault F5X program.

The financial result is a profit of 2,5 MEUR thanks to the reversal of the negative mark-to-market values of the hedging instruments settled in the period.

The net result is a loss of -5,5 MEUR.

Taking account of the initiated action plan to reduce operating costs, the Board is of the opinion that the accounting rules can be applied on an on-going concern basis.

The Board will propose to the Annual General Meeting of May, 31st, 2018 that no dividend will be paid for 2017

Proposed resolutions

to be submitted to the general Shareholders' meeting of 31 May, 2018

DISTRIBUTION OF PROFITS

The distribution account included in the annual accounts submitted to the meeting is as follows:

1. Loss from the financial year to be distributed -5.563.235,64 EUR
2. Loss carried forward from the previous financial year -5.904.425,70 EUR
3. Loss to be distributed -11.467.661,34 EUR

Taking into account the profit and loss recorded, the Board of Directors will propose to the general meeting that no dividend be distributed for 2017.
The board proposes the following distribution for approval by the meeting:

Loss to be carried forward 11.467.661,34 EUR

Notes

Notes

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SABCA S.A.

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SINCE 1920

ANNUAL ACCOUNTS

2017

2017 Report to the board of directors

Ordinary General Meeting of May 31st, 2018

ANNUAL ACCOUNTS

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Declaration of the persons responsible for the report

We attest that, to our knowledge, the financial statements authorized by the Board of Directors on April 23rd, 2018, have been prepared in accordance with the applicable accounting standards and give a fair view of the assets and liabilities, of the financial situation and of the income statement of the company as well as the other companies included in the scope of consolidation, and that the management report includes a fair review of the evolution of the business, of the results and of the financial situation of the company and the other companies included in the scope of consolidation as well as a description of the principal risks and uncertainties they are facing.

Brussels, April 23rd, 2018

T. JONGEN	R. PELLICHERO
Chief Executive Officer	Permanent representative of GESTIME ppll Chairman of the Board

Consolidated statement of financial position

Following the standards IFRS (International Financial Reporting Standards)

(in thousands of euros)	Notes	2017	2016
Assets			
Non-current assets		**108.883**	**115.045**
Intangible assets	*4.*	44.160	45.815
Property, plant and equipment	*3. & 7.*	64.401	68.909
Affiliated enterprises	*5.*	112	112
Financial assets and other non-current assets	*5.*	210	209
Current assets		**228.762**	**223.555**
Inventories	*8.*	29.650	38.733
Work-in-progress	*8.*	35.505	62.868
Trade and other receivables	*10.*	56.187	64.984
Cash and cash equivalents		101.914	55.728
	Consolidated statement of cash flow & 9.		
Other current assets		5.506	1.242
Total assets		**337.645**	**338.600**
Equity and liabilities			
Total equity		**82.324**	**80.932**
Total equity attributable to shareholders of the parent company		**82.201**	**80.826**
Capital		12.400	12.400
Consolidated reserves		69.801	68.426
Non-controlling interests		**123**	**106**
	Consolidated statement of changes in equity		
Non-current liabilities		**163.539**	**143.997**
Long-term borrowings	*7. & 11.*	121.376	102.915
Non-current provisions	*6. & 13*	40.543	40.691
Deferred tax liabilities	*12.*	1.620	391
Current liabilities		**91.782**	**113.671**
Trade and other payables	*7.*	52.743	69.045
Tax and social liabilities	*7.*	12.469	12.919
Other current liabilities	*7.*	7.220	14.850
Short-term borrowings	*7.*	4	2
Current provisions	6.	19.346	16.855
Total equity and liabilities		**337.645**	**338.600**

Consolidated income statement

(in thousands of euros)		2017	2016
Revenues		**200.805**	**197.581**
Turnover		216.840	202.146
Increase (+), decrease (-) in work in progress		-27.363	-14.264
Own construction capitalized		5.786	5.801
Other operating income		5.542	3.898
Operating expenses	(-)	**-207.165**	**-204.869**
Raw materials and consumables used		46.380	47.236
whereof change in inventories		3.338	7.677
Services and other goods		70.073	56.951
Wage and salaries, social security costs and pensions		67.008	69.199
Depreciation and amortization of intangible and tangible assets		13.486	18.721
Write offs on stocks, contracts in progress and trade debtors		7.176	3.941
Provisions for liabilities and charges		767	6.994
Other operating expenses		2.275	1.827
Result from continuing operations	(+)	**-6.360**	**-7.288**
Finance income	(-)	**15.264**	**124**
Income from financial fixed assets		2	4
Income from current assets		264	120
Other finance income		14.998	0
Finance costs		**-5.402**	**-6.590**
Debt charges		604	601
Other finance costs		4.798	5.989
Result from continuing operations after finance result	(+)	**3.502**	**-13.754**
Income tax expense		**-940**	**2.827**
Income taxes		-10	-3
Deferred taxes		-930	2.830
Net profit (+) / loss (-) result for the period	(+)	**2.562**	**-10.927**
Attributable to owners of parent		**2.545**	**-10.953**
Share of non-controlling interests		**17**	**26**
Result per share	(number of shares : 2,400,000)	(in EUR)	(in EUR)
* Basic result per share		1,07	-4,55
* Diluted result per share		1,07	-4,55

Consolidated statement of comprehensive income

(in thousands of euros)	2017	2016
Net result for the period	**2.562**	**-5.740**
Other comprehensive income (+) / loss (-) after tax impact	**-1.170**	**-475**
Other comprehensive income not to be reclassified to profit in subsequent periods, net of taxes	*-1.170*	*-475*
Actuarial gains / losses on post-employment benefits	-871	-720
Income tax impact	-299	245
Total comprehensive income (+) / loss (-), net of taxes, for the period	**1.392**	**-6.215**
Attributable to :	*1.392*	*-6.215*
shareholders of the parent	1.375	-6.241
non-controlling interests	17	26

Total comprehensive income result per share (number of shares : 2.400.000)	(in EUR)	(in EUR)
* basic result per share	0,58	-2,59
* diluted result per share	0,58	-2,59

Consolidated statement of changes in equity

(in thousands of euros)	Capital	Consolidated reserves	Actuarial gains / losses	Total attributable to the owners of the parent	Non-controlling interests	Total equity
Balance at 1 January 2016	**12.400**	**79.102**	**-4.435**	**87.067**	**80**	**87.147**
Result for the period		-5.766		-5.766	26	-5.740
Other comprehensive income (+) / loss (-)			-475	-475		-475
Total comprehensive income		**-5.766**	**-475**	**-6.241**	**26**	**-6.215**
Dividends		0		0	0	0
Balance at 31 December 2016	**12.400**	**73.336**	**-4.910**	**80.827**	**106**	**80.932**
Balance at 1 January 2017	**12.400**	**73.336**	**-4.910**	**80.827**	**106**	**80.932**
Result for the period		2.545		2.545	17	2.562
Other comprehensive income (+) / loss (-)			-1.170	-1.170		-1.170
Total comprehensive income		**2.545**	**-1.170**	**1.375**	**17**	**1.392**
Dividends		0		0	0	0
Balance at 31 December 2017	**12.400**	**75.881**	**-6.080**	**82.201**	**123**	**82.324**

Consolidated statement of cash flow

(in thousands of euros)	2017	2016
Cash flow from operating activities	**34.801**	**28.129**
Net income before tax	3.492	-8.567
Result on hedging instruments	-13.373	-128
Depreciation and amortization on fixed assets	13.486	16.841
Change in working capital	29.723	12.942
Change in provisions, deferred taxes and reserves	1.473	7.041
Incomes taxes paid	0	0
Cash flow from investing activities	**-7.324**	**-9.381**
Acquisition of intangible, tangible and financial non-current assets	-7.323	-11.291
Disposals of intangible, tangible and financial non-current assets	0	1.910
Increase and decrease in receivables	-1	0
Cash flow from financing activities	**18.709**	**4.729**
Change in short-term liabilities	211	90
(except trade and financial debts)		
Change in long-term liabilities	18.206	4.995
(except trade and financial debts)		
Change in short-term financial liabilities	693	-237
Change in long-term financial liabilities	-373	-223
Interests		
- earned	264	170
- paid	-292	-66
Dividends paid to shareholders	0	0
Net increase (decrease) in cash and cash equivalents	**46.186**	**23.477**
Cash and cash equivalents, at the beginning of the period (*)	55.728	32.251
Cash and cash equivalents, at the end of the period (*)	101.914	55.728

(*) consistent with the consolidated statement of financial position

Notes

(Except contrary indication, all the data are in thousands of euros)

1. Information about consolidation

Subsidiary	**SABCA Limburg**	**ASM Aéro S.A.S.**
	Dellestraat, 54	Technopôle de l'Aéroport Med 5
	3560 - LUMMEN	NOUACEUR - CASABLANCA / MAROKKO
Company number :	0438215146	Commercial register 258999
		Number patent 32020377
		VAT number 40489159
% of ownership interest	99,99 %	60,00 %
Capital	12.394.676,24 EUR	12.000.000,00 MAD (EUR 1.080.000)

Flabel and SABCA (C.D.R.) have been left out of the scope of consolidation because not yet very significant.

2. Employment

* FTE = full time equivalent

	2017		2016	
	Total in units	FTE *	Total in units	FTE*
Average number of employees	1.025,7	982,1	1.120,0	1.068,8
Total employment at the end of the period	993,0	957,3	1.079,0	1.039,8

3. Property, plant and equipment note

	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Leasing and similar rights	Assets under construction and advance payments	TOTAL
Beginning balance						
Gross amount	67.398	139.978	19.388	4.490	170	231.424
Depreciation	-44.760	-121.309	-17.827	-2.548	-7	-186.451
Adjustments						
- Third party assets		23.936				23.936
Beginning balance	**22.638**	**42.605**	**1.561**	**1.942**	**163**	**68.909**
Movements during the period						
Acquisitions	212	633	687	0	0	1.532
Disposals	0	-712	-10	0		-722
Transfers from headings	161	0	0	0	-161	0
Depreciation on disposals	-1.078	-4.078	-708	-179	-1	-6.044
Depreciation write back	0	0	0		4	4
Depreciation transfers	0	712	10		0	722
Ending balance						
Gross amount	67.771	139.899	20.065	4.490	9	232.234
Depreciation	-45.838	-124.675	-18.526	-2.727	-4	-191.769
Adjustments						
- Third party assets		23.936				23.936
Ending balance	**21.933**	**39.160**	**1.540**	**1.763**	**5**	**64.401**

4. Intangible assets note

	Development expenses
Beginning balance	
Gross amount	130.589
Amortization and depreciation	-84.774
Beginning balance	**45.815**
<u>Movements during the period</u>	
Acquisitions	5.786
Depreciation	-7.441
Ending balance	
Gross amount	136.375
Amortization and depreciation	-92.215
Ending balance	**44.160**

5. Financial assets note

	2017		2016	
Affiliated enterprises				
SABCA (C.D.R)		11		11
FLABEL Corporation N.V.				
- shares held by S.A.B.C.A.		81		81
- shares held by SABCA Limburg		20		20
		112		**112**
Other participations				
Arianespace Participation		106		106
- Acquisitions	2.142		2.142	
- Depreciation and amounts written down	-2.036		-2.036	
Others		66		66
Amounts receivable and cash guarantees		38		37
		210		**209**

6. Provisions note

	Provisions for pension & equivalent	Provisions for implicit obligation & onerous contracts	TOTAL
Beginning balance	**14.471**	**43.075**	**57.546**
Actuarial gains /losses on pension plans commitments	871		**871**
Increase for the period	241	9.131	**9.372**
Decrease for the period	-103	-7.797	**-7.900**
Ending balance *	**15.480**	**44.409**	**59.889**

* of which defined benefit plant obligations (note 13) : 15.438

7. Borrowings and payables note

	2017				2016			
	up to 1 year	1 to 5 years	over 5 years	TOTAL	up to 1 year	1 to 5 years	over 5 years	TOTAL
Interest-bearing borrowings according th their maturity								
Lease contracts	373	1.229	420	**2.022**	368	1.442	580	**2.390**
Bank overdrafts	4			**4**	2			**2**
Other information								
Finance leases :								
- min. lease payments payable, present value	409	1.338	434	**2.181**	409	1.574	608	**2.591**
- min. lease payments payable, capital	373	1.229	420	**2.022**	368	1.442	580	**2.390**
- min. lease payments payable, interest	36	109	14	**159**	41	132	28	**201**
Trade and other payables according to their maturity								
Trade payables	17.952			**17.952**	21.275			**21.275**
Advances received	34.791	20.350		**55.141**	44.972	19.722		**64.694**
Tax and social liabilities	12.468			**12.468**	12.919			**12.919**
Other liabilities and borrowings	2.500		99.377	**101.877**	1.167		81.171	**82.338**
Total long term borrowings included in the consolidated statement of financial position		**121.376**				**102.915**		

8. Inventories note

	Stocks merchandise and raw materials	Work in progress	Total stocks and work in progress
Net value at the beginning	**38.733**	**62.868**	**101.601**
<u>Movements during the period</u>			
Change in inventories *	-1.667	-27.363	-29.030
Depreciation - increase	-9.029		-9.029
Depreciation - decrease	1.613		1.613
Net value at the ending	**29.650**	**35.505**	**65.155**

* including goods in reception / acceptance

9. Cash and cash equivalents note

	2017	2016
Bank short-term deposits	92.785	50.719
Bank current accounts	9.112	4.988
Cash in hand and other	17	21
	101.914	55.728

10. Amounts receivable within one year note

	2017	2016
Trade receivables	53.462	60.814
Other receivables	2.725	4.170
	56.187	64.984

11. Government grants status

	2017	2016
Investment grants	**444**	**382**
Carrying amount of capital grants recognised	1.348	3.510
Amount of income grants netted against reported expenses	-904	-3.128
Deferred tax assets and liabilities	**0**	**0**
Advances to be reimbursed conditionally	**76.598**	**57.951**
Relating to research activities	4.556	4.729
Relating to development activities	72.042	53.222
<u>Split :</u>	**76.598**	**57.951**
- Reimbursement within one year	1.230	732
- Reimbursement after more than one year	75.368	57.219
	76.598	**57.951**
- Federal Public Services	75.980	57.226
- Brussels Capital Region	618	725

The reimbursement of the advances is conditional upon the commerical success of the product.

12. Recognized deferred tax assets and liabilities

Total tax charge of the exercise

Reconciliation between the theoretical tax charge obtained by applying the nominal taxe rate to the earnings before taxes and the effective tax charge obtained by applying the Group's effective tax rate.

		Base	Tax
Result before income tax		3.502	
Tax expense at the theoritical rate applicable in the country concerned			**-1.180**
Theoretical income tax at the rate of			**-33,69%**
Sources of differences			
- Non-deductible expenses		1.474	-501
- Notional interests		-44	15
- Utilization of deferred tax assets not previously recognized		-654	222
- Others	(1)	-1.496	504
Total actual tax expense			**-940**
Effective tax rate			**-26,83%**

Note on deferred taxes recorded in the consolidated statement of financial position

	Consolidated statement of financial position		Consolidated income statement & comprehensive income	
Sources of deferred tax	**2017**	**2016**	**2017**	**2016**
Assets				
Intangible assets	34.982	36.302	-1.320	1.450
Tangible assets	17.519	16.795	724	-115
Work in progress	-395	5.597	-5.992	4.842
Hedging instruments	7.429	0	7.429	0
Total Assets	**59.535**	**58.694**	**841**	
Liabilities				
Hedging instruments				0
Provisions for liabilities and charges	-35.471	-41.587	6.116	-11.297
Short-term debts				0
Recoverable loss	-9.878	-8.636	-1.242	-3.220
Total Liabilities	**-45.349**	**-50.223**	4.874	
TOTAL OF SOURCES OF DEFERRED TAX	**14.186**	**8.471**	**5.715**	**-8.340**
Deferred income tax				
Deferred tax on temporary differences	3.807	2.879	928	-2.835
Deferred tax on government grants and on realized surplus	43	41	2	4
Deferred tax post-employment benefits	-2.230	-2.529	299	-245
TOTAL DEFERRED TAX	**1.620**	**391**	**1.229**	**-3.076**

(1) Includes the impact of the change in income tax legislation in Belgium end of 2017, with a tax rate that gradually decreases from 33,99 % to 29,58 % (applicable for the accounting years 2018 and 2019) to 25 % (applicable as from the accounting year 2020).

13. Pension plans

1. DEFINED BENEFIT PLAN

		2017	2016	2015	2014	2013
Components of defined benefit plan assets and liabilities						
Present value of obligations (DBO)		29.177	28.481	27.678	28.751	24.519
Fair value of plan assets	(-)	-14.457	-14.155	-14.043	-13.122	-13.521
Present value of wholly unfunded obligations		14.720	14.326	13.635	15.629	10.998
Defined benefit plan obligation (assets), total		**14.720**	**14.326**	**13.635**	**15.629**	**10.998**
Expense recognised in income statement for defined benefit		**1.525**	**1.553**	**1.584**	**1.461**	**1.832**
Current service cost		1.538	1.502	1.589	1.314	1.619
Interest cost		362	510	370	761	773
Expected return on plan assets		-177	-240	-160	-407	-353
Contributions by personnel		-198	-219	-215	-207	-207
Mouvements in defined benefit plan obligation (assets)						
Defined benefit plan obligation, beginning balance		14.326	13.635	15.629	10.997	14.819
Contributions paid		-1.284	-1.582	-1.612	-1.361	-1.797
Expense recognised		1.525	1.553	1.584	1.461	1.832
Re-measurements recognised via OCI		153	720	-1.966	4.532	-3.856
Defined benefit plan obligation, ending balance		14.720	14.326	13.635	15.629	10.998
Principal actuarial assumptions						
Discount rate used		1,10	1,20	1,70	1,20	2,90
Expected return on plan assets		1,10	1,20	1,70	1,20	2,90
Salary increase rate		3,00	3,00	3,10 / 3,00	3,10 / 3,00	3,50 / 3,40
Inflation rate		1,60	1,60	1,60	1,60	2,00
Expected rate of return on reimbursement rights recognised as an asst		not applicable				
Expected rate of increase of medical costs		not applicable				

Sensitivity analysis of the present value of bonds (DBO)	2017
Discount rate +0,5%	27.588
Discount rate -0,5%	30.902
Salary increase rate +0,5%	32.998
Salary increase rate -0,5%	25.972
Inflation rate +0,5 %	29.983
Inflation rate -0,5 %	28.407

A guarantee of 4.75% is paid by the insurer on premiums paid before 31/12/1998. An interest rate of 3.75% is applied to all increases in premiums between 01/01/1999 and 31/12/2005.

From 01/01/2006 to 31/12/2014 the technical interest rate applicable on premium increases amounted to 2.75%.
Since 2015, the applicable technical interest rate is 1.00%.

13. Pension plans

2. DEFINED CONTRIBUTIONS PLAN

The plan insures the employee for a benefit consisting of a capital upon retirement, based upon paid contributions.

These pension plans do not meet the conditions to be considered as defined contribution pension plans under IAS19 and are therefore considered under IAS19 as "defined benefit obligations" plans.
The actuarial valuation was performed for the 2017 financial year.

	2017
Present value of obligations (DBO)	11.394
Fair value of plan assets	-10.676
Present value of wholly unfunded obligations	718
Pension expenses	551

Sensitivity analysis (DBO)	2017
Discount rate +0,5%	11.010
Discount rate -0,5%	11.865
Salary increase rate +0,5%	11.466
Salary increase rate -0,5%	11.329
Inflation rate +0,5 %	11.466
Inflation rate -0,5 %	11.329

14. Information concerning related-parties

	2017	2016
Key management compensation		
Short-term employee benefits	2.763	3.345
Post-employment benefits	335	509
Other termination obligations	10.634	121
Considered headcount	26	29

Related-party transactions

The Group's related parties are :

- Dassault Aviation
- Fokker Technologies
- FLABEL Corporation
- SABCA (C.D.R.)

	2017	2016
Related-party sales	31.782	32.404
Related-party purchases	284	117
Related-party receivables	26.764	21.147
Related-party payables	23.039	11.515

<u>Terms and conditions related -party transactions</u>

Sales and purchases are at market price.

Balances outstanding at the year-end are not guarantieed and payments are made in cash.

No guarantees were provided or received for related-party receivables.

For the year 2017, the Group did not recognize any provisions for bad debts relating to amounts receivable from related parties.

This evaluation is done by examining the financial position of the related-parties and the market in which they operate.

15. Financial commitments

	2017		2016	
Commitments given				
Mortgages registered		100		100
Mortgage mandates		2.275		2.275
Pledged accounts		3.247		3.247
- FLABEL Corporation	2.000		2.000	
- Customs	1.247		1.247	
Commitments received				
Export insurance guarantees		21.646		26.574
Debts and receivables secured by bank guarantees		755		944

16. Appropriation of results (in Euros)

	2017		2016	
Return on capital		0,00		0,00
or for each of the 2,400,000 shares :				
a gross dividend	0,00		0,00	
a withholding tax of 25 %	0,00		0,00	
a net dividend	0,00		0,00	
Total capital		12.400.000,00		12.400.000,00
Total shares with voting rights		2.400.000		2.400.000
Total voting rights (denominator)		2.400.000		2.400.000

17. Additional information

A. ASSETS : FINANCIAL INSTRUMENTS

A comparison is provided below between the net carrying value and the fair value of financial instruments, which have been included in the financial statements

	Value in consolidated statement of financial position on 31/12/2017	
	Net carrying value	Fair value
Non-current assets		
Other financial assets	322	322
Current assets		
Trade and other receivables	56.187	56.187
Cash equivalents	101.914	101.914
Total of assets financial instruments	**158.423**	**158.423**

The Group uses the following hierarchical classification in determing and explaining the fair value of financial instruments by valuation technique :

level 1 : quoted (not adjusted) prices in active markets for identical assets/liabilities.

level 2 : other techniques for which inputs are observable

level 3 : techniques that use input that is not based on observable market data.

B. LIABILITIES' FINANCIAL INSTRUMENTS

A comparison is provided below between the net carrying value and the fair value of financial instruments, which have been included in the financial statements

	Value in consolidated statement of financial position on 31/12/2017	
	Net carrying value	Fair value
Non-current liabilities	**121.376**	**121.376**
Current liabilities	**68.090**	**68.090**
Borrowings and other financial liabilities	1.810	1.810
Suppliers and other payables	66.280	66.280
Total of liabilities financial instruments	**189.466**	**189.466**

The Group uses the following hierarchical classification in determing and explaining the fair value of financial instruments by valuation technique :

level 1 : quoted (not adjusted) prices in active markets for identical assets/liabilities.

level 2 : other techniques for which inputs are observable

level 3 : techniques that use input that is not based on observable market data.

C. DERIVATIVE FINANCIAL INSTRUMENTS : value, impact on result and on equity

A comparison is provided below between the net carrying value and the fair value of financial instruments, which have been included in the financial statements

		Market value on 31/12/2017	Market value on 31/12/2016
Hedging instruments not-qualifying for hedge accounting		4.444	-8.929
Derivative financial instruments on exchange	(1)	**4.444**	**-8.929**

(1) This amount corresponds to the market value of currency hedging instruments based upon observable data on 31/12/2017 (level 2) and is not representative of the results that will be observed upon realization of the hedges.

	Impact on equity	Impact on result		Total
		result from continuing operations	finance result (2)	
Net change of financial instruments	0		13.373	13.373

(2) Change in fair-value of hedging instruments not-qualifying for hedge accounting as defined in IAS39 "Financial instruments".

18. Foreign exchange risks

The Group is exposed to a foreign exchange risk on the difference between its sales in US Dollars and its purchases in US Dollars. It partially covers this risk using forward contracts and foreign exchange options.

The Group hedges partially its net future cash flows only if they are considered highly probable and partially as to ensure that the first future cash flows will be sufficient to exercise the foreign exchange hedges in place.

The Group has recorded related to the exchange differences EUR 7.359 in income and EUR 4.614 in charges.

A sensitivity analysis was performed in order to determine the impact of a 10 cents increase or decrease in the US Dollar / EURO exchange rate :

	2017		2016	
Net value US Dollars in portfolio	7.814		14.249	
Closing US Dollar exchange rate	1,1993		1,0541	
Fluctuation US Dollar exchange rate, upon closing	1,2993	1,0993	1,1541	0,9541
Fluctuation in net value of US Dollars in portfolio	-501	593	-1.171	1.417

The portfolio of derivative financial instruments consist of :

	2017		2016	
	Dollars US	Euros	Dollars US	Euros
Forward sales contracts	91.850	78.331	66.000	57.298
Foreign exchange options	15.000	12.733	90.000	77.171
Total	106.850	91.064	156.000	134.469

The market value of the derivative financial instruments FX (forward contracts) amounts to EUR +4.444.

The change in fair value of the hedging instruments on cash flows of the year is booked on basis of the exchange rate dated December 31 and the "Mark-to-Market" calculated by financial institutions, managing of financial instruments.

	2017	2016
Impact on financial income	13.373	128

19. Management of risks and uncertainties

The principal risks and uncertainties faced by the Group are outlined below :

Cash and liquidity risks

Financial debts do not pose a significant risk for the Group.

The Group's cash position enables it to meet its commitments without liquidity risk.

Credit risk

The Group carries out its treasury and foreign exchange transactions with recognised financial institutions.

The Group mitigates the risks related to the default of the customer counterparties by making the majority of its sales in cash and by guaranteeing the credit granted by credit insurer or by real guarantees.

Given the method of depreciation of trade receivables used for the preparation of the financial statements, the risk-bearing portion of non-depreciated receivables due at closing is insignificant.

Market risk and exchange risks

The Group is exposed to a foreign exchange risk for sales denominated in USD, the major share of expenses being incurred in EUR, despite the intensification of purchases in USD.

The Group hedges this risk by using forward sales contracts and, where applicable, currency options.

It only covers its future net cash flows if they are recognised as sufficient to exercise the currency hedges put in place. The amount of the hedge can be adjusted according to the evolution over time of the expected net flows.

Risks from long term programs

The Group is exposed to a risk on Long-Term Programmes because of their technical, economic and financial evolutions, which can put their profitability in jeopardy. These risks are typically related to the ability to deliver products and services in accordance with customer needs (quality and timeliness), constant pressure on prices that could lead to margin degradation, lack of capacity in machinery or human resources, etc.

Operational risks

Following the work done by the Risk Management and Internal Control managers, the operational risks were identified and mapped according to their acceptability:

- Variations in production rates in the needs expressed by customers under existing contracts, and the uncertainty related to obtaining new contracts, lead to a variable charge and - in the long term - one that is lower than the internal capacity of the company; this could lead to a need to adapt capacity.

- The age distribution within the workforce, and particularly the high average age, makes succession to key positions, training, and transmission of skills particularly difficult, especially in the complex regulatory and technological environment of the aerospace industry.

- The reorganisation of the SABCA Group via the "Project of the Century (POTC)" represents a challenge that is closely monitored by the Management.

20. Events after the balance sheet date

No significant events have occurred after the balance sheet date.

21. Identity of the consolidating mother company

DASSAULT BELGIQUE AVIATION
Avenue des Arts 41
1040 Brussels - Belgium
Company number 0406.122.367

Percentage of control 53.28 %

22. Auditor's fee

	2017	2016
Audit services		
- Auditor's fee SABCA	84	85
- Auditor's fee SABCA Limburg	22	22
- Auditor's fee ASM Aéro	12	12
TOTAL	118	119

23. Split of turnover

	2017	2016
Delivery of goods	164.275	156.237
Services	52.565	45.909
Total	216.840	202.146

24. Justification of the rules of continuity

The Board of Directors notes that the negative results of 2014, 2015, 2016 and 2017 show a loss carried forward in the statutory balance sheet. Taking account of the action plan to reduce operating costs, the Board is of the opinion that the accounting rules can be applied on an on-going concern basis.

Significant accounting principles

Basis of preparation

The consolidated financial statements of the SABCA group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the EU.

The consolidated financial statements were authorized for issue by the Board of Directors on 23 April 2018.

The accounting policies set out below have been applied consistently by the company and all consolidated companies to all periods presented in these consolidated financial statements.

The consolidated financial statements are presented in thousands of euro.

Principles of consolidation

The consolidated financial statements comprise the financial statements of the parent company, SABCA NV, and its controlled subsidiaries, after the elimination of all intercompany transactions.

Subsidiaries are consolidated from the date the parent obtains control until the date control ceases. Control exists when SABCA is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are prepared according to the parent's company reporting schedule, using consistent accounting policies.

Non-controlling interest represents the portion of profit or loss and net assets not held by the group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from shareholder's equity.

List of consolidated companies on 31 December 2017

SABCA directly and exclusively controls its subsidiary SABCA Limburg N.V., Dellestraat 54 at 3560 Lummen
BE 0438.251.146.

SABCA controls for 60 % its subsidiary ASM Aéro S.A.S. at Technopôle de l'Aéroport Med 5 – Nouaceur Casablanca Morocco, register 258999 – VAT 40489159.

The following subsidiary-company is excluded from the consolidated companies:

SABCA (C.D.R.) SPRL, Chaussée de Haecht, 1470 at 1130 Brussels
BE 0451.147.295

Use of estimates and assumptions

The preparation of the Group's consolidated financial statements often requires judgements to be made by management when formulating the Group's financial position and results. In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group; it may later be determined that a different choice would have been more appropriate. The estimates made on the reporting date reflect the existing conditions on this date

Management considers that certain accounting estimates and assumptions relating to revenue, provisions and contingent liabilities and recognition of deferred tax assets are its critical accounting estimates.

IAS 1 – Presentation of financial statements

Receivables and payables
Trade receivables and other amounts receivable are shown on the balance sheet at nominal value (in general, the original amount invoiced) less an allowance for doubtful debts. Such an allowance is recorded in operating income when it is probable that the company will not be able to collect all amounts due. Allowances are calculated on an individual basis.

Trade and other payables are stated at fair value, which is the cost at recognition date.

Cash and cash equivalents
Cash includes cash in hand and deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and are not subject to an important risk of change in value.

IAS 2 – Inventory

Inventories are stated at the lower of cost and net realisable value.

The cost of finished goods and work in progress comprises raw materials, other production materials, direct labour, other direct costs and an allocation of fixed and variable production overhead based on normal operating capacity. Cost of inventories includes the purchase, conversion and other costs incurred to bring the inventories to their present location and condition. Cost of inventories is determined on a first-in, first-out basis (FIFO).

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs of completing the sale. Any write-down to NRV and any inventory losses are recognised as an expense when they occur:

- for items related to production or maintenance programs, unusable or whose tolerances, norms, technical configuration, conception have changed;
- for items not moved during the 24 previous months unless their use is expected in the near future.

Any reversal is recognized in the income statement in the period in which the reversal occurs.

IAS 12 – Income taxes

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current taxes
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes
Deferred taxes are calculated using the balance sheet liability method, for temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that related tax benefit will be realized.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

IFRS 8 – Segment reporting

Management does not monitor the results of each of the three activities (civil aviation, defence and aerospace) in aeronautical construction separately, so as to make decisions about resource allocation and performance assessment.

IAS 16 – Property, plant and equipment

Items of property, plant and equipment are recorded at cost, less accumulated depreciation and impairment losses.

Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of a self-constructed asset is determined using the same principles as for an acquired asset and includes the cost of materials, direct labour and an appropriate proportion of indirect costs. Borrowing costs are not included in the cost of the asset.

Subsequent expenditure incurred in replacing or renewing components of some items of property, plant and equipment is accounted for as the acquisition of a separate asset and the replaced asset is written off. Capitalization of subsequent expenditure is only done when it increases the future economic benefits embodied in the item of property, plant and equipment. Repair and maintenance, which do not increase the future economic benefits of the asset to which they relate, are expensed as incurred.

Tangible assets received from third parties or acquired on behalf of third parties and held by the company for use in the production of goods are posted as tangible fixed assets where the group assumes substantially all the risks and rewards of ownership and are stated at fair value. . The corresponding obligations are included in loans and borrowings.

Depreciation is charged to the income statement as from the date the asset is available for use, including the straight-line and diminishing balance method over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives of the respective asset categories are as follows:

- Buildings	30 years	straight-line method
- Roofs	10 years	straight-line method
- Heavy machines tools	10 years	straight-line method
- Plant, machinery and equipment	10 years	diminishing balance method
- Furniture and office equipment	10 years	diminishing balance method
- Vehicles	5 years	straight-line method
- Computer equipment	5 years	diminishing balance method

Land is not depreciated as it is deemed to have an indefinite life.

Leasehold improvements are amortized over the term of the lease unless a shorter useful life is expected. Gains and losses on disposals are included in the operating result.

IAS 17 – Leases

Leases of property, plant and equipment where the group assumes substantially all the risks and rewards of ownership are classified as finance leases at the moment of the commencement of the lease term. Finance leases are capitalized at the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciations.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the outstanding finance balance. The corresponding obligations, net of finance charges, are included in loans and borrowings. The interest element is charged to the income statement as a finance charge over the lease period.

Property, plant and equipment acquired under a finance lease contract are depreciated over the shorter of the lease term and their useful lives.

Leases of assets under which the lessor substantially retains all the risks and rewards of ownership are classified as operating leases. The payments made under operating leases are charged to the income statement over the term of the lease.

IAS 18 - Revenue

Revenue is recognized when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

For product sales, revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable, and collectability is probable.

For revenue out of projects, the percentage of completion method is used, provided that the outcome of the project can be assessed with reasonable certainty. The stage of completion of contracts is determined:
- either in accordance with the performance of contractual milestones and / or deliveries in each work package, based upon the ratio between on one hand, billing to the customer at the closing date (except down-payment invoices) and on the other hand, the total income expected from the work package;
- or by comparing costs incurred for work performed upon closing date and the total estimated costs, if this ratio is representative of the execution of the contractual work package.

When an outcome of a contract cannot be estimated reliably, contract revenue is limited to the amount of recoverable contract costs charged without profit.

For the rendering of services, revenue is recognized in the income statement by reference to the stage of completion of the transaction.

IAS 19 – Employee benefits

Post-employment benefits

Post-employment benefits include pensions and medical benefits. For the Group's defined benefit plans, the pension accounting costs are assessed separately for each plan using the projected unit credit method. The pension obligation recognized in the balance sheet is determined as the present value of the defined benefit obligation, using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating the terms of the related liability, less the fair value of the plan assets.

For the Group's defined contribution plans, contributions to pension plans are recognized as an expense in the income statement as the related service is provided. The Belgian defined-contribution pension plans are by law subject to minimum guaranteed rates of return. Pension legislation was amended at the end of 2015 and defines the minimum guaranteed rate of return as a variable percentage linked to government bond yields observed in the market as from 1 January 2016 onwards
For 2017, the minimum guaranteed rate of return remains as in 2016 1,75% on employer contributions and employee contributions. The old rates (3,25% on employer contributions and 3,75% on employee contributions) continue to apply to the accumulated past contributions in the group insurance as at 31 December 2015.

Termination benefits

These benefits arise as a result of the group's decision to terminate the employment of an employee or group of employees before the normal retirement date or of an employee's decision to accept voluntary redundancy in exchange for those benefits.

These benefits are recognized as a liability and an expense at the earlier of the following dates: when the group can no longer withdraw the offer of those benefits, or when the group recognizes costs for a restructuring that is within the scope of IAS 37 and involves termination benefits. If benefits are conditional on future service, they are not treated as termination benefits but as post-employment benefits.

Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

IAS 20 – Government Grants

Government grants related to the purchase of property, plant and equipment are, after transfer to deferred taxes, classified as deferred income and recognized as income in proportion to the depreciation of the underlying asset.

Government grants are recognized when there is reasonable assurance that they will be received and the group will comply with the conditions attached to it.

Government loans shall be recognized and measured in accordance with IAS 39. The forgivable loan is recognized in income when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan.

IAS 21 – Foreign currency transactions

Foreign currency transactions are accounted for at the internal exchange rate prevailing at the transaction date. The internal exchange rate is based on the best estimation of mid-term forecasts and is injected during the year in case of strong variation or official revaluation / depreciation.

Monetary assets and liabilities denominated in foreign currencies are translated at balance sheet date rate.

The resulting gains and losses resulting from the settlement of foreign currency transactions are recognised in the income statement of the period as financial result.

Assets and liabilities of foreign entities included in the consolidation are translated to euro at the foreign exchange rates applicable at the balance sheet date. The income statement of foreign entities is translated to euro at the annual average foreign exchange rates (approximating the foreign exchange rates prevailing at the dates of the transactions). The components of equity attributable to equity holders of the company are translated at historical rates.

IAS 36 – Impairment of assets

The carrying amounts of property, plant and equipment, and other intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized when the carrying amount exceeds its recoverable amount. Impairment losses are recognized in the income statement.

An impairment loss, in respect of the group's assets other than goodwill, recognized in prior periods, is assessed at each balance sheet date for any indication that the impairment loss has decreased or no longer exists. If there has been a change in the estimates used to determine the recoverable amount on assets other than goodwill, the previously recognized impairment loss is reversed through the non-recurring income/(expense) items in the income statement, to the extent that the asset's carrying amount does not exceed its recoverable amount.

IAS 37 – Provisions, contingencies

Provisions
Provisions are recognised in the consolidated statement of financial position when:
- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made on the amount of the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money.

Restructuring
A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced to those affected by it before the consolidated statement of financial position date.

The restructuring provision only includes the direct expenditure arising from the restructuring which is necessarily entailed and is not associated with the ongoing activities of the enterprise. Future operating costs are not provided for.

Onerous contracts
A provision for onerous contracts is recognized when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Such provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognizes an impairment loss on the assets associated with that contract.

IAS 38 – Intangible assets

Research costs are recognised in the income statement as an expense in the period when incurred.
Expenditure resulting from development activities, whereby research findings are applied to a plan or design for production of new or substantially improved products and processes, is capitalized if all of the conditions stipulated in IAS 38 standard are met.

The capitalized expenditure includes the cost of materials, direct labour and other costs directly attributable to the acquisition, construction or production.

Intangible assets with a finite life are amortized following the consumption of economic benefits of the intangible asset.

IAS 39 – Financial instruments

The group uses derivative financial instruments to hedge exposure to foreign exchange arising from operational operations. The group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognized initially at fair value plus its directly related transaction costs. Subsequent to initial recognition, derivative financial instruments are stated at their fair value at balance sheet date. As the group does not apply cash flow hedge accounting, any gain or loss on this re-measurement is recognized directly in the income statement.

Changes in accounting policies

The entity applied the same IFRSs as those adopted in the previous years, except for the new IFRSs and interpretations the entity adopted as of 1st January 2017.

New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Although these new standards and amendments apply for the first time in 2017, they do not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each of the following new standards, amendments and/or interpretations are described below:

- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative, effective 1 January 2017
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses, effective 1 January 2017
- Annual Improvements Cycle - 2014-2016, effective 1 January 2017

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

- Amendments to IFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions2, effective 1 January 2018
- Amendments to IFRS 4 Insurance Contracts – Applying IFRS 9 Financial instruments with IFRS 4 Insurance Contracts, effective 1 January 2018
- IFRS 9 Financial Instruments, effective 1 January 2018
- Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation, effective 1 January 2019
- IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15: Effective date of IFRS 15 and Clarifications to IFRS 15 Revenue from Contracts with Customers, effective 1 January 2018
- IFRS 16 Leases, effective 1 January 2019
- IFRS 17 Insurance Contracts, effective 1 January 2021
- Amendments to IAS 28 Investments in Associates and Joint Ventures - Long-term Interests on Associates and Joint Ventures, effective 1 January 2019
- Amendments to IAS 40 Investment Property – Transfers of Investment Property, effective 1 January 2018
- IFRIC 22 Foreign Currency Transactions and Advance Consideration, effective 1 January 2018
- IFRIC 23 Uncertainty over Income Tax Treatments, effective 1 January 2019
- Annual Improvements Cycle - 2014-2016, effective 1 January 2018
- Annual Improvements Cycle – 2015-2017, effective 1 January 2019

The Group has examined these changes and is currently assessing the results. In the course of 2017 the Group started with the assessment on the impact of IFRS 9 and IFRS 16 and completed the assessment on IFRS 15.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of *IFRS 9 Financial Instruments* that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Group will adopt the new standard on the required effective date and doesn't expect a significant impact on its balance sheet and equity.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15, Revenue from Contracts with Customers* and established a five-step model to account for revenue arising from contracts with customers.
Revenue is recognized when, or as, the customer obtains control of the goods or services.
IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations.
The standard is effective for annual periods beginning on or after January 1, 2018.
The Group will adopt the new standard on the required effective date using the modified retrospective method.

During 2017, the Group has assessed the impact of IFRS 15 and concluded that the changes will have no material effect on the financial statements.
The Group provides goods and services as part of development and production as well as maintenance, repair and modernization activities in the context of specific aircraft and space programs.

The Group has assessed that the vast majority of construction-type contracts currently accounted for under the percentage-of-completion method is expected to fulfil the requirements for revenue recognition over time.
Consequently, the Group will continue to recognize revenue from customer arrangements over time measuring progress towards completion of performance obligations.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15 Revenue from Contract with Customers. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its financial statements.

Statutory auditor's report to the general meeting of S.A.B.C.A. N.V./S.A. for the year ended December 31st 2017 (consolidated accounts)

In the context of the statutory audit of the consolidated financial statements of S.A.B.C.A. N.V. / S.A. (the Company) and its subsidiaries (together referred to as 'the Group'), we hereby present our statutory auditor's report. It includes our report on the audit of the consolidated financial statements as well as our report on the other legal and regulatory requirements. These reports form part of an integrated whole and are indivisible.

We have been appointed as statutory auditor by the general meeting of June 1st 2017, following the proposal formulated by the board of directors issued upon recommendation of the audit committee and upon presentation by the works' council. Our statutory auditor's mandate expires on the date of the general meeting deliberating on the annual accounts closed on December 31st 2019. We have performed the statutory audit of the consolidated financial statements of S.A.B.C.A. N.V./S.A. for ten consecutive years.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have performed the statutory audit of the Group's consolidated financial statements, which comprise the consolidated statement of financial position as at December 31st, 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements s, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of '000 € 337.645 and for which consolidated income statement and other comprehensive income shows a profit for the year of '000 € 2.562.

In our opinion, the consolidated financial statements give a true and fair view of the Group's net equity and financial position as at December 31st 2017, as well as of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *'Statutory auditor's responsibilities for the audit of the consolidated financial statements*' section in this report. We have complied with all the ethical requirements that are relevant to the audit of consolidated financial statements in Belgium, including those concerning independence.

We have obtained from the board of directors and company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial support

We draw attention to the financial support, by means of a comfort letter, by the parent company in favour of its subsidiary SABCA Limburg N.V., on the basis of which the going concern assumption of the latter has been motivated. The consolidated accounts are prepared based on the assumption that the meeting of shareholders of SABCA Limburg N.V. will decide to continue operations. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of the implications of the termination of a program

Identified risk

By the end of 2017, S.A.B.C.A. N.V. / S.A. was notified of the decision of a client to end a program and to convert the commitments taken to a new program, replacing the previous program.
Management has evaluated the impact of this decision, which resulted in stock write-offs and the update of existing provisions.
This constitutes a key audit matter taking into account the impact and complexity of these evaluations and the importance of management judgements and estimates.

Audit approach

On the basis of discussions with management, we analysed the contractual framework and the changes thereon as well as the methodology used to identify and evaluate risks.
We have evaluated the approach to identify the impacts op the decision taken as well as the assumptions used; the clerical accuracy of evaluations performed has been checked.

Programs – revenue and margin recognition

Identified risk

De activity of S.A.B.C.A. N.V. / S.A. consists mainly of the execution of programs. The results of these programs and therefore also the eventual constitution of provisions for onerous contracts, depends on a number of factors, such as the realisation of the learning curve, the controlling of costs in order to keep the on budget-level, the ordered volumes, ….

Audit approach

Our audit approach consisted of:
- The update of our knowledge with regard to the contract terms and conditions and the status of execution based in interview with the program managers;
- Verification of the consistency of the applied method with regard to margin recognition;
- Testing to the basic assumptions used by management.

Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory provisions applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the management, the supervision and the performance of the Group audit. We assume full responsibility for the auditor's opinion.

We communicate with with the Audit Committee regarding, among other matters, the planned scope and timing of the audit as well as significant audit findings, including any significant deficiencies in internal control identified during the audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year, and are therefore the key audit matters. We describe these matters in our statutory auditor's report unless law or regulation precludes public disclosure about the matter.

A legal audit does not provide assurance with regard to the future going concern of the company nor with regard to the efficiency and effectivity of management.

Report on other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the contents of the management report on the consolidated financial statements and the non-financial statement.

Responsibilities of the statutory auditor

In the context of our mandate and in accordance with the Belgian standard (revised in 2018) that is supplementary to the International Standards on Auditing (ISA) as applicable in Belgium, it is our responsibility to verify, in all material aspects, the management report on the consolidated financial statements, the report on non-financial information and the other information included in the annual report on the consolidated financial statements], as well as to report on these elements.

Aspects related to the management report on the consolidated financial statements

In our opinion, after having performed specific procedures in relation to the management report, the management report is consistent with the consolidated financial statements for the same financial year, and it is prepared, except for the absence of non financial information, in accordance with article 119 of the Company Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge we have obtained during the audit, whether the management report on the consolidated financial statements contains any material misstatements, i.e. any information which is inadequately disclosed or otherwise misleading. Based on the procedures we have performed, there are no material misstatements we have to report to you.

We do not express any form of assurance whatsoever on the management report on the consolidated financial statements.

Statement concerning independence

- Our audit firm did not provide services that are incompatible with the statutory audit of consolidated financial statements, and we remained independent of the Group throughout the course of our mandate.
- The fees related to additional services which are compatible with the statutory audit as referred to in article 134 of the Company Code were duly itemised and valued in the notes to the consolidated financial statements.

Other statements

- The consolidated entities did not perform an inventory of their fixed assets. The consolidation is not processed by an integrated accounting system. Assets, property of third parties, have not been updated on the basis on inventory- or confirmation-procedure, nor disclosed.
- This report is in compliance with the contents of our additional report to the audit committee as referred to in article 11 of Regulation (EU) No 537/2014.

Brussels, 27 april 2018

Mazars Bedrijfsrevisoren BV CVBA
Represented by

Lieven Acke
Auditor

2017 Report to the board of directors

Ordinary General Meeting of May 31st, 2018

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Non consolidated balance sheet

after appropriation

Statutory accounts according to the financial reporting framework applicable in Belgium

(in thousand EUR)

Assets	Notes	Codes	2017	2016
Fixed assets		21/28	**27.674**	**32.411**
Intangible assets	6.2	21	9.178	9.513
Tangible assets	6.3	22/27	15.664	20.066
Land and buildings		22	5.555	6.577
Plant, machinery and equipment		23	8.690	11.926
Furniture and vehicles		24	1.413	1.400
Assets under construction and advance payments		27	6	163
Financial assets		28	2.832	2.832
Affiliated enterprises	6.4.1	280/1	2.572	2.653
Participating intrests		280	2.572	2.653
Enterprises linked by participating interests	6.4.2	282/3	81	
Participating intrests		282	81	
Other financial assets	6.4.3	284/8	179	179
Shares		284	173	173
Amounts receivable and cash guarantees		285/8	6	6
Current assets		29/58	**213.178**	**206.662**
Amounts receivable after more than one year		29	0	736
Trade debtors		290	0	736
Stocks and contracts in progress		3	55.708	81.957
Stocks		30/36	27.004	35.630
Raw materials and consumables		30/31	11.580	13.083
Goods purchased for resale		34	14.948	22.062
Advance payments		36	476	485
Contracts in progress		37	28.704	46.327
Amounts receivable within one year		40/41	60.150	69.263
Trade debtors		40	50.703	57.368
Other amounts receivable		41	9.447	11.895
Investments	6.6	50/53	92.785	50.719
Other investments and deposits		51/53	92.785	50.719
Cash at bank and in hand		54/58	3.546	2.785
Deferred charges and accrued income	6.6	490/1	989	1.202
Total assets		20/58	**240.852**	**239.073**

Liabilities	Notes	Codes	2017		2016	
Capital and reserves		10/15		**15.931**		**21.354**
Capital	6.7.1	10		12.400		12.400
Issued capital		100	12.400		12.400	
Reserves		13		14.555		14.476
Legal reserve		130	1.240		1.240	
Reserves not available for distribution		131	595		595	
Other		1311	595		595	
Untaxed reserves		132	960		881	
Reserves available for distribution		133	11.760		11.760	
Profit (loss) carried forward		14		-11.468		-5.904
Investment grants		15		444		382
Provisions and deferred taxation		16		**66.286**		**56.074**
Provisions for liabilities and charges		160/6		66.243		56.033
Pensions and similar obligations		160	43		145	
Major repairs and maintenance		162	1.689		1.808	
Other liabilities and charges	6.8	164/5	64.511		54.080	
Deferred taxes		168		43		41
Creditors		17/49		**158.635**		**161.645**
Amounts payable after more than one year	6.9	17		85.614		71.645
Advances received on contracts in progress		176	19.087		19.722	
Other amounts payable		178/9	66.527		51.923	
Amounts payable within one year	6.9	42/48		65.665		77.101
Current portion of amounts payable after more than one year		42	970		472	
Financial debts		43	5		2	
Credit institutions		430/8	5		2	
Trade debts		44	17.933		19.888	
Suppliers		440/4	17.933		19.888	
Advances received on contracts in progress		46	34.667		44.633	
Taxes, remuneration and social security		45	11.469		11.698	
Taxes		450/3	144		356	
Remuneration and social security		454/9	11.325		11.342	
Other amounts payable		47/48	621		408	
Accrued charges and deferred income	6.9	492/3		7.356		12.899
Total liabilities		10/49		**240.852**		**239.073**

Non consolidated income statement

Statutory accounts according to the financial reporting framework applicable in Belgium

(in thousand EUR)

		Notes	Codes	2017		2016	
Operating income			70/76A		**198.367**		**187.787**
Turnover		6.10	70	208.147		192.406	
Increase (+), decrease (-) in stocks of finished goods, work and contracts in progress	(+)/(-)		71	-20.124		-15.193	
Own construction capitalised			72	6.388		7.114	
Other operating income		6.10	74	3.906		3.012	
Non-recurring operating income		6.12	76A	50		448	
Operating charges			60/66A		**-206.384**		**-195.514**
Raw materials, consumables and goods			60	36.593		37.064	
Purchases			600/8	34.987		29.384	
Increase (-)/decrease (+) in stocks	(+)/(-)		609	1.606		7.680	
Services and other goods			61	80.231		67.995	
Remuneration, social security costs and pensions	(+)/(-)	6.10	62	60.508		61.918	
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets			630	12.489		15.978	
Increase (+)/decrease (-) in amounts written off stocks, contracts in progress and trade debtors	(+)/(-)	6.10	631/4	4.880		3.970	
Increase (+)/decrease (-) in provisions for liabilities and charges	(+)/(-)	6.10	635/8	9.554		6.932	
Other operating charges		6.10	640/8	884		1.612	
Non-recurring operating charges		6.12	66A	1.245		45	
Operating profit (loss)	(+)/(-)		9901		**-8.017**		**-7.727**
Financial income			75/76B		7.766		4.929
Recurring financial income			75	7.766		4.929	
Income from financial fixed assets			750	2		4	
Income from current assets			751	285		196	
Other financial assets		6.11	752/9	7.479		4.729	
Non-recurring financial income		6.12	76B	0		0	
Financial charges			65/66B		-5.228		-6.042
Recurring financial charges		6.11	65	5.228		6.042	
Interest and other debt charges			650	545		555	
Other financial charges			652/9	4.683		5.487	
Non-recurring financial charges		6.12	66B	0		0	
Profit (loss) on ordinary activities before taxes	(+)/(-)		9903		**-5.479**		**-8.840**

(in thousand EUR)

		Notes	Codes	2017		2016	
Profit (Loss) on ordinary activities before taxes	(+)/(-)		9903		**-5.479**		**-8.840**
Transfer to deferred taxes			680		-3		-5
Income taxes	(+)/(-)	6.13	67/77		-3		-3
Income taxes			670/3	3		3	
Profit (Loss) for the period	(+)/(-)		9904		**-5.485**		**-8.848**
Transfer from untaxed reserves			789		0		0
Transfer to untaxed reserves			689		-78		-75
Profit (Loss) of the period available for appropriation	(+)/(-)		9905		**-5.563**		**-8.923**
Appropriation account							
Profit (Loss) to be appropriated	(+)/(-)		9906		341		-5.904
Profit (Loss) of the period available for appropriation	(+)/(-)		(9905)	-5.563		-8.923	
Profit (Loss) brought forward	(+)/(-)		14P	5.904		3.019	
Profit (Loss) to be carried forward	(+)/(-)		(14)		341		-5.904
Profit to be distributed			694/7		0		0
Dividends			694	0		0	

Notes

(Unless otherwise specified, all the data are in thousands of euros)

STATEMENT OF INTANGIBLE ASSETS

(heading 21 of assets - F 6.2)

	Codes	1) Development costs	2) Research costs that have been made during a period starting before 01/01/2016	2) Research costs that have been made during a period starting after 31/12/2015	3) Concessions, patents licences a.o.
Acquisition value					
At the end of the preceding period	805-P	114.175	31.172		3.024
Movements during the period:					
Acquisitions, including produced fixed assets	802	5.786		601	
At the end of the period	805	119.961	31.172	601	3.024
Depreciation and amounts written down					
At the end of the preceding period	812-P	105.974	29.860		3.024
Movements during the period:					
Recorded	807	5.144	977	601	
At the end of the period	812	111.118	30.837	601	3.024
NET BOOK VALUE AT THE END OF THE PERIOD		8.843	335	0	0

STATEMENT OF TANGIBLE FIXED ASSETS

(headings 22 to 27 of assets - F 6.3)

		Codes	1) Land and buildings (heading 22)	2) Plant, machinery and equipment (heading 23)	3) Furniture and vehicles (heading 24)	6) Assets under construction and advance payments (heading 27)
Acquisition value						
At the end of the preceding period		819-P	54.752	103.590	18.354	170
Movements during the period:						
Acquisitions, including produced fixed assets		816	211	495	659	
Sales and disposals		817				
Transfers from one heading to another	(+)/(-)	818	161			-162
At the end of the period		819	55.124	104.085	19.013	8
Depreciation and amounts written down						
At the end of the preceding period		832-P	48.175	91.664	16.954	7
Movements during the period:						
Recorded		827	1.390	3.731	646	1
Written down after sales and disposals		830	4			-5
Transfers from one heading to another	(+)/(-)	831				
At the end of the period		832	49.569	95.395	17.600	3
NET BOOK VALUE AT THE END OF THE PERIOD			5.555	8.690	1.413	5

STATEMENT OF FINANCIAL FIXED ASSETS

(heading 28 of assets - F 6.4)

	Codes	Enterprises 1) Affiliated	Enterprises 3) Other
Affiliated enterprises - Participating, interests and shares		(heading 280)	(heading 284)
Acquisition value			
At the end of the preceding period	839-P	13.141	2.219
Movements during the period :			
Transfers from one heading to another	838	-81	
At the end of the period	839	13.060	2.219
Depreciation and amounts written down			
At the end of the preceding period	852-P	10.481	2.047
At the end of the period	852	10.481	2.047
Uncalled amounts			
At the end of the preceding period	855-P	7	
At the end of the period	855	7	
Net book value at the end of the period		**2.572**	**173**
Enterprises linked by a participating interest - Participating interests and shares		(heading 282)	
At the end of the preceding period	839-P		
Movements during the period :			
Transfers from one heading to another	838	81	
Net book value at the end of the period		**81**	
Amounts receivable			(heading 285/8)
Net book value at the end of the preceding period	285-P		6
Movements during the period :			
Additions	858		1
Reimbursements	859		-1
Net book value at the end of the period			**6**

INFORMATION RELATING TO THE SHARE IN THE CAPITAL

(F 6.5.1)

Share in the capital and other rights in other companies

List of both enterprises in which the enterprise holds a participating interest (recorded in the heading 280 and 282 of the assets), and other enterprises in which the enterprise holds rights (recorded in the headings 28 and 50/53 of assets) in the amount of at least 10 % of the capital issued.

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, the COMPANY IDENTIFICATION NUMBER	Rights held by: the enterprise (directly) Number	the enterprise (directly) %	Subsidiaries %	Data extracted from the most recent annual accounts: Annual accounts	Currency	Capital and reserves (+) or (-) (in thousands of units)	Net result (+) or (-) (in thousands of units)
- SABCA Limburg N.V. Dellestraat 54 B 3560 LUMMEN BE 0438.251.146	499.975	99,99		31.12.2017	EUR	2.780	-339
- SABCA (C.D.R.) SPRL Chaussée de Haecht 1470 1130 Bruxelles BELGIUM BE 0451.147.295	73	97,33		31.12.2017	EUR	11	0
- FLABEL CORPORATION S.A. Boulevard Auguste Reyers 80 1030 Bruxelles 3 BELGIUM BE 0465.127.074	273	27,30	6,50	31.12.2016	EUR	404	1
- ASM Aéro S.A.S. Technopôle de l'Aéroport Med5 27000 Nouaceur CASABLANCA - MOROCCO Foreign company	600	60,00		31.12.2017	MAD	3.418	486

OTHER INVESTMENTS AND DEPOSITS, ALLOCATION DEFERRED CHARGES AND ACCRUED INCOME

(heading 51/53 and 490/1 of assets - F 6.6)

Other investments	Codes	2017	2016
Term deposits with credit institutions falling due :	53	92.785	50.719
up to one month	8686	3.585	6.167
between one month and one year	8687	87.200	42.552
over one year	8688	2.000	2.000

Deferred charges and accrued income	2017
Analysis of heading 490/1 of assets if the amount is significant.	989
Deferred charges :	
Goods and services	861
Goods in transit	127
Accrued bank and interests to receive	1

STATEMENT OF CAPITAL AND SHAREHOLDING STRUCTURE

(F 6.7.1 & 6.7.2)

Statement of capital	Codes	Amounts in thousand EUR	Number of shares
Issued capital			
At the end of the preceding period	100P	12.400	
At the end of the period	(100)	12.400	
Structure of the capital			
Different categories of shares			
Without mention of nominal value			2.400.000
Registered shares	8702		2.245.827
Shares to bearer and/or dematerialized	8703		154.173

Structure of shareholdings of the enterprise as at year-end closing date:

DENOMINATION de personnes détenant des droits sociaux dans la société, avec mention de L'ADRESSE (du siège statutaire pour les personnes morales) et, pour les entreprises de droit belge, mention du NUMERO D'ENTREPRISE	Nature	Droits sociaux détenus		
		%	Nombre de droits de vote	
			Attachés à des titres	Non liés à des titres
- DASSAULT BELGIQUE AVIATION S.A. Avenue des Arts 41 B-1040 BRUXELLES BE0406.132.367		53,28	1.278.650	
- Fokker Aerospece B.V. Industrieweg 4 NL-3351 LB PAPENDRECHT (PAYS-BAS) NL 804 549 096 B01		43,57	1.045.662	

STATEMENT OF AMOUNTS PAYABLE, ACCRUED CHARGES AND DEFERRED INCOME

(F 6.9)

Analysis by current portions of amounts initially payable after more than one year	Codes	Amounts payable current portion: 1) not more than one year (heading 42)	2) between one and five years (heading 17)	3) over five years (heading 17)
Advances received on contracts in progress	889		19.086	
Other amounts payable	890	970	8.503	58.024
TOTAL		970	27.589	58.024

Amounts payable for taxes, remuneration and social security	Codes	2017
Taxes (heading 450/3 of the liabilities)		
Accruing taxes payable	9073	21
Estimated taxes payable	450	123
Remuneration and social security (heading 454/9 of liabilities)		
Other amounts payable in respect of remuneration and social security	9077	11.325

Accrued charges and deferred income

Allocation of the heading 492/3 of liabilities if the amount is significant	2017
Financial charges on repayables advances	3.976
Financial charges on financial instruments	2.985
Accrued charges (various goods and services)	344
Claims to be regularized	25
Deferred income	23

OPERATING RESULTS

(F 6.10)

Operating income

Net turnover (heading 70)	208.147
Breakdown by type of activity	in percentage of turnover
Civil aviation	48,5
Defense	20,8
Space	30,7
	100,0
Breakdown by geographical markets	
Domestic	14,8
Export	85,2
	100,0

OPERATING RESULTS

(F 6.10)

		Codes	2017	2016
Operating income				
Other operating income (heading 74)				
whereof: compensatory amounts received from public authorities		740	112	26
Operating charges				
Employees recorded in the personnel register				
Total number at the closing date		9086	840	900
Average number of employees in full-time equivalents		9087	820,7	882,9
Number of actual working hours		9088	1.204.963	1.312.902
Personnel costs (heading 62)				
Remuneration and direct social benefits		620	33.820	33.538
Employer's contribution for social security		621	13.790	14.284
Employer's premium for extra-statutory insurance		622	2.236	2.818
Other personnel costs		623	10.661	11.278
Provisions for pensions (included in heading 635/7)				
Additions (uses and write-backs)	(+)/(-)	635	-103	-418
Amounts written off (heading 631/4)				
Stocks and contracts in progress				
- Recorded		9110	11.583	12.143
- Written back		9111	6.462	8.413
Trade debtors				
- Recorded		9112		240
- Write back		9113	240	
Provisions for risks and charges (heading 635/7)				
Additions		9115	22.551	12.317
Uses and write-backs		9116	12.996	5.385
Other operating charges (heading 640/8)				
Taxes related to operations		640	884	1.612
Hired temporary staff and persons placed at the company's disposal				
Total number at the closing date		9096	147	75
Average number of employees in full-time equivalents		9097	98,9	62,0
Number of actual worked hours		9098	180.379	112.479
Charges to the enterprise		617	8.773	6.061

FINANCIAL RESULTS

(F 6.11)

	Codes	2017	2016
Recurring financial income			
Other financial income (heading 752/9)			
Government grants recognised in the income statement			
Investment grants	9125	333	318
Allocation of other financial income			
Technical profits on sales and options		5.944	
Exchange differences		1.201	4.411
Recurring financial charges			
Other financial charges (heading 652/9)			
Allocation of other financial charges			
Exchange differences		4.414	5.332
Credendo		202	199
Bankcharges		65	83
Penalty intrest		2	1
Technical losses on sales and options (MTM)			-128

INCOME AND CHARGES OF EXCEPTIONNAL SIZE OR OF EXCEPTIONNAL OCCURRENCE

(F 6.12)

	Codes	2017	2016
Non-recurring operating income	(76A)	50	448
Capital gains on disposal of intangible and tangible fixed assets	7630	13	25
Other non-recurring operating income	764/8	37	423
Non-recurring operating charges	(66A)	1.245	45
Provisions for extraordinary operating liabilities and charges	6620	432	0
Capital losses on disposal of intangible and tangible fixed assets	6630	0	15
Other non-recurring operating charges	664/7	813	30

INCOME TAXES AND TAXES

(F 6.13)

		Codes	2017
Income taxes			
Income taxes on the result of the current period :		9134	3
Income taxes and withholding taxes due or paid		9135	80
Excess of withholding taxes paid recorded under assets	(-)	9136	-77
In so far as income taxes of the current period are materially affected by differences between the profit before taxes, as stated in the annual accounts and the estimated taxable profit			
Non-deductible expenses			1.428
Status of deferred taxes representing assets :			
Accumulated tax losses deductible from future taxable profits		9142	3.119

	Codes	2017	2016
Value added taxes and other taxes borne by third parties			
Value added taxes charged			
to the enterprise (deductible)	9145	23.786	21.488
by the enterprise	9146	13.658	11.003
Amounts withheld on behalf of third parties for:			
Payroll withholding taxes	9147	9.486	11.006

RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

(F 6.14)

Goods and values not disclosed in the balance sheet, held by third parties in their own name but at risk to and for the benefit of the enterprise:	2017
Raw materials in deposit	1.513
Materials in deposit	3.684

Comments relating to technical guarantees, in respect of sales or services.

The general sales terms provide for a fonctional guarantee during a 6 month period. There are very few exceptions to the rule. For example, the warranty for space products covers 24 to 60 month stocking.

Brief description of supplement retirement or survivors pensions plan in favour of the personnel or the executives of the enterprise and of the measures taken by the enterprise to cover the resulting charges.

The company contracted group insurance policies in favour of its employed personnel

- a guaranteed retirement or survivor's revenue, as a complement to legal pension and based on seniority as well as on remuneration at the end of the carreer;
- a death capital for the benefit of nominees in case of decease of the employee before retirement time.

Premiums are paid by the employee and the company according to the insurance plan.

The company took out group insurance policies described firstly as a defined benefit plan insurance and secondly as a defined contribution plan insurance. The defined benefit plan insurance was calculated on an actuarial basis pursuant to IAS 19 of which the unrecognized obligation in the statutory accounts at 31.12.2017 is 14,720 KEUR.

The plan assures the employee a lump-sum payment at retirement based on the contributions made.
Belgian law prescribes a minimum guaranteed rate of return over the career of the employee for defined contribution plans, which the SABCA substantially insured with an external insurance company that receives and manages the contributions to the plan.

As the application of defined benefit accounting to such plans has been recognized by the IASB to be conceptually problematic, the Group accounts for these plans as defined contribution plans, but acknowledges that these plans have some defined benefit features, as the return provided by the insurance company can be below the legally required minimum return, in which case the employer has to cover the gap with additional contributions.

These defined contribution plan pension plans were also actuarially calculated under IAS 19, the obligation of which was not recorded in the statutory accounts at 31.12.2017, increasing to 718 KEUR.

Other rights and commitments not reflected in the balance sheet

On the basis of the "comfort letter", the parent company SABCA irrevocably and unconditionally undertakes to provide, for a minimum of one year, adequate financial support in order to ensure the continuity of operations of its subsidiary SABCA Limburg.

RELATIONSHIPS WITH AFFILIATED ENTERPRISES AND ASSOCIATED ENTERPRISES

(F 6.15)

	Codes	AFFILIATED ENTERPRISES	
		2017	2016
Affiliated enterprises			
Financial fixed assets / Participating interests	(280)	2.572	2.653
Amounts receivable	9291	8.422	28.367
over one year	9301		736
within one year	9311	8.422	27.631
Amounts payable : within one year	9351	2.590	13.566
Financial results			
Income from current assets	9431	21	75
Other financial charges	9471	125	
Associated enterprises			
Financial fixed assets / Participating interests	(282)	81	
Amounts receivable : within one year	9293	23.807	
Amounts payable : within one year	9353	8.854	

FINANCIAL RELATIONSHIP WITH

(F 6.16)

Directors, managers, individuals or bodies corporate who control the enterprise without being associated therewith or other enterprises controlled by these persons

	Codes	2017
Amount of direct and indirect remunerations and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly, the situation of a single identifiable person:		
to directors and managers	9503	257

Auditors or people they are linked to

	Codes	2017
Auditor's fees	9505	83
Fees for exceptional services or special missions executed in the company by people they are linked to the auditor		
Other missions external to the audit	9508	4

COMMITMENTS, RIGHTS AND SUSPENSE ACCOUNTS

(Art. 4, al. 2 of the R.D of October 8,1976)

	2017	2016
Guarantees given by third parties on behalf of the company	4.257	4.383
Guarantees received	25.222	29.015
Forex transactions	91.064	57.298
Goods and values belonging to third parties held in deposit, consignment or for treatment	84.544	80.263
Goods and values belonging to third parties held by third parties on their behals, but at the risk and corporate profits of the comapny	5.198	5.435
Miscellaneous, commitments, rights and suspense accounts including		
2,245,827 registered shares S.A.B.C.A. handed by third parties	PM	PM
Temporary partnership S.A.B.C.A. - SONACA	PM	PM
Belgian Association for the Maritime Patrol Aircraft (A.B.A.P.)	PM	PM
	210.285	176.394

THIRD PARTY GOODS (analysis)

	2017	2016
Third party goods and values, held in deposit, consignment or for manufacturing		
Third party raw materials in the store room	5.148	5.198
Third party aeronautical parts and material, in the manufacturing or overhaul process	3.902	3.894
Third party tooling, in deposit	27.949	27.949
Equipment for repair-overhaul, in deposit	3.352	4.339
Third party materials in deposit	44.193	38.883
	84.544	80.263

Social report

STATEMENT OF THE PERSONS EMPLOYED

Employees for whom the entreprise submitted a Dimona declaration or who are recorded in the general personnel register

	Codes	Total	1. Men	2. Women
During the current period				
Average number of employees				
Full-time	1001	687,8	605,6	82,2
Part-time	1002	172,6	149,8	22,8
Total in full-time equivalents (FTE)	1003	820,7	721,5	99,2
Number of hours actually worked				
Full-time	1011	1.025.340	917.747	107.593
Part-time	1012	179.623	154.402	25.221
Total	1013	1.204.963	1.072.149	132.814
Personnel costs				
Full-time	1021	50.709	44.649	6.060
Part-time	1022	9.798	8.545	1.253
Total	1023	60.507	53.194	7.313
Advantages in addition to wages	1033	769	676	93

During the preceding period	Codes	Total	1. Men	2. Women
Average number of employees in FTE	1003	882,9	773,9	109,0
Number of hours actually worked	1013	1.312.902	1.158.227	154.675
Personnel costs	1023	61.918	54.274	7.644

At the closing date of period	Codes	1. Full-time	2. Part-time	3. Total full-time equivalents
Number of employees	105	681	159	806,5
By nature of the employment contract				
Contract for an indefinite period	110	653	159	778,5
Contract for a definite period	111	28		28,0
According to gender and study level				
Men	120	601	138	710,2
- primary education	1200	16	3	18,4
- secondary education	1201	369	112	458,2
- higher non-university education	1202	147	19	161,7
- university education	1203	69	4	71,9
Women	121	80	21	96,3
- primary education	1210		2	1,4
- secondary education	1211	43	13	53,1
- higher non-university education	1212	18	4	21,2
- university education	1213	19	2	20,6
By professional category				
Management staff	130	10		10,0
Employees	134	380	76	439,5
Workers	132	291	83	357,1

HIRED TEMPORARY STAFF AND PERSONNEL PLACED AT THE ENTERPRISE'S DISPOSAL

During the period	Codes	1. Temporary personnel	2. Persons placed at the disposal of the enterprise
Average number of employees	150	22,4	76,5
Number of hours actually worked	151	40.886	139.493
Costs for the enterprise (in thousand EUR)	152	1.989	6.785

LIST OF PERSONNEL MOVEMENTS DURING THE PERIOD

Entries	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
Number of employees recorded in the general personnel register during the financial year	205	51		51,0
By nature of the employment contract				
Contract for an indefinite period	210	26		26,0
Contract for a definite period	211	25		25,0

Departures	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
Number of employees whose contract-termination date has been entered in the general register during the financial year	305	75	27	96,2
By nature of the employment contract				
Contract for an indefinite period	310	68	27	89,2
Contract for a definite period	311	7		7,0
According to the reason for termination of the employment contract				
Retirement	340	17	25	36,6
Dismissal	342	21	2	22,6
Other reason	343	37		37,0

INFORMATION ON TRAINING PROVIDED BY EMPLOYEES DURING THE PERIOD

Total of initiatives of formal professional training at the expense of the employer	Codes	Men	Codes	Women
Number of involved employees	5801	579	5811	66
Number of training hours	5802	7.044	5812	993
Costs for the company	5803	739	5813	95
of which gross costs directly linked to the training	58031	593	58131	75
of which paid contributions and payments to collective funds	58032	152	58132	21
of which received subsidies (to be deducted)	58033	5	58133	1
Total of initiatives of less formal or informal professional training at the expense of the employer				
Number of participating employees	5821	100	5831	21
Number of training hours	5822	9.084	5832	2.053
Costs for the company	5823	361	5833	77

SUMMARY OF THE RULES OF VALUATION

(Art. 28, paragraph 1° of the Royal Decree of January 30, 2001)

The rules of valuation were deposited on June 7, 1978 at the 6th Registration Office in Brussels – Volume 131, folio 66 section 18

INTANGIBLE FIXED ASSETS

The intangible fixed assets with limited useful life are subject to depreciations calculated according to an established plan.
They can be subject to accelerated or exceptional depreciation, in accordance with the tax prescriptions in this matter.

Supplementary or exceptional depreciation are passed in case, due to alteration or modification of economical or technical circumstances, the book value exceeds the usage value.

Development costs are depreciated according to the straight-line method over a 3 year period.
Research costs are depreciated fully in the same year

TANGIBLE FIXED ASSETS

The ACCOUNTING BOOK VALUE is defined in accordance with art. 36 to 39 of the Royal Decree of January 30, 2001.

ADDITIONAL COSTS AND NON-RECOVERABLE TAXES.

Additional ancillary costs are depreciated in the same time and in the same way as the amount in principal of the purchase price or the production cost of the equipment (art. 196, § 2,2° CIR new).. The ancillary costs related to old tangible fixed assets continue to be written off, following the depreciation plan in the same way as in the past.

DEPRECIATION

(a) Method

The straight-line method is applied for the former investments while the decreasing method is used for the investments that have been made since 1977, with the exception of any other fiscally authorized method within the context of investment stimulation. In that case, the board of directors examines the appropriateness of these depreciation methods case per case, as well as the additional depreciation rates related to economic and/or technological reasons (art. 64), and the extent to which they should be applied.
Since 1977, the whole of the depreciation rules authorized by the various government measures, have been applied (100% and sometimes even 110% of the value). The depreciation rules were applied for the whole year and for the first time during the year when the purchase takes place until end 2002
In accordance with the fiscal law dated December 24, 2002 the new rules related to the daily pro rata depreciation are applied to the new tangible and intangible fixed assets purchased or produced since the fiscal year 2004. The assets purchased or produced before the financial period 2003 can be continued to be depreciated following the old procedure. The advance payments and assets under installation and construction benefit of a specific accounting and fiscal treatment.

(b) Applied depreciation rates

Buildings:

5% or more is fiscally allowed, mainly for buildings erected on lands granted by third persons for a determined period and for the lay-out of the rented buildings.

Installations, machines, tooling:

10% generally speaking; yet, a rate of 20 or 25% is applied for laboratory or electronic material, numeric control machines i.e. high precision equipment or machines in a sector undergoing a rapid technological evolution; as well as for equipment used in shift working. Tooling and equipment, templates and numeric control software proper to a program are depreciated at 100% or during the period of the contract in conformity with the allowed fiscal rules.

Furniture, office and rolling stock:

10% except for vehicles and trailers, office machines, computers, cameras and copiers (20%).

Depreciation recoveries can be applied up to the taxed surplus depreciation as well as for the tax exempted depreciations exceeding above mentioned rates; also in case of transfer, sale, catastrophe or compulsory purchase.
With effect from the beginning of 2003 the daily pro rata was applied as well as to the straight-line method as to the decreasing or accelerating method of depreciation.

FINANCIAL FIXED ASSETS

STOCKS AND SHARES VALUES

The acquisition, subscription costs are booked as exceptional financial charges. The losses in value of non-quoted shares are considered only if the loss is important and lasting.

RECEIVABLES: (see below)

STOCKS

PURCHASE PRICE of materials, supplies and goods, suppliers invoices plus import, delivery, insurance and commission costs.

VALUATION OF STOCKS AT THE END OF THE FINANCIAL YEAR as well as RAW MATERIALS CONSUMPTION: FIFO method (First In, First Out).

AMOUNTS WRITTEN OFF ON STOCKS

For parts related to completed production or maintenance programs, **obsolete, outdated,** unusable or whose tolerances, norms, technical configuration, conception have changed.

In case of use of the non destructed parts, amounts written of are decreased **of which. the value had been deducted as a result of the absence of movements during the previous 24 months.**

CONTRACTS IN PROGRESS

ELEMENTS CONSTITUTING THE COST PRICE

Cost prices are determined taking into account all direct production costs on the one hand, as well as the whole of indirect costs on the other hand. For the latter, however, the board of directors reserves the right to book only part of these costs to cost price, individualized by a production program or not, the other part being booked directly to the result of the year or spread over several years. This right will only be used in case of exceptional disruptive and temporary circumstances (such as strikes, important and prolonged under-activity periods, restructuring and lay-outs) having such an impact on the cost price of works that they would considerably alter its image.

Method of distribution by individualized production programs

(a) direct booking of raw materials, parts, consumer goods, direct costs and specific subcontract costs, depreciation of specific equipments and relocation, lay-out costs proper to a program.

(b) booking of indirect costs through hour rates based on the work of the production personnel and/or certain machines. These hour rates include all direct and indirect remuneration and related charges as well as overheads and the financial industrial usage cost of the equipment. The latter can be spread over individualised production programs by derogating from the depreciation method and amount booked to the balance sheet on an economic and fiscal basis.

VALUATION OF THE WORK IN PROCESS

They include unfinished works regarding a same group of contracts, or for which the cost price elements are not complete, or for which definitive acceptance quality controls (possibly to be carried out by the customer) are not yet completed. These work in process are valuated at the cost price after deduction of the already invoiced works.

AMOUNTS WRITTEN OFF

(a) on works carried out: they are automatically and fully implemented up to the amount of the incurred costs exceeding the possible total contract invoicing.

(b) on works left to be carried out: the estimated costs of these works are added to reductions described in (a) only if the progress of work is higher than 75% and if the estimation of these costs and of the invoicing to be made can be sufficiently accurate (usual works). In the other cases, provisions for risks on received orders should be made with the greatest care and on an individual basis.

(c) on sales realized and communicated by our customers and on the sales volume considered likely by the company's management : in case of loss on program, a provision will be constituted to cover our implicit obligations.

RECEIVABLES

(a) Valuation of receivables (and payables) in foreign currencies at the internal standard exchange rate per currency, which is modified during the year only in case of important and lasting fluctuation of average rates or in case of official revaluation/devaluation.

(b) Amounts written off in the following cases:
- fluctuation of the exchange rate of a minimum of 5 % (and 1,250 euros, was 50,000 BEF) in proportion to the internal standard rate;
- bankruptcy, composition, nationalization (high political risks), subordination of receivables with risks;
- important, lasting and in nature and amount determined litigation of which the recovery is very precarious, the negotiations being concluded;
- very negative economical, financial or political information concerning exports.

(c) Provision for risks and costs on litigation in negotiations

(d) Decrease in amounts written off if the effective decrease can reasonably be envisaged during the first months of the following year or if the previous reductions were inappropriate or exaggerated.

ACCRUED OR DEFERRED CHARGES OR INCOME (assets - liabilities)

They are used only for amounts that can considerably influence the result of the year on the one hand and that are part of the usual activities of the company on the other hand. The board of directors individually analyzes the elements that are not part of the usual activity.

PROVISIONS FOR LIABILITIES AND CHARGES

The provisions for risks and charges are made systematically; they represent the best estimate at closing date and meet the requirement of prudence and sincerity.

PROVISIONS SET UP FOR TAX PURPOSES

They are determined according to fiscal rules, taking into account increases, advance payments, real and fictitious with-holding taxes on investment income, taxes credit, withholding taxes on real estate and chargeable foreign taxes. The exceeding part of the previous provisions will be considered only if three booking years have passed after their constitution without complementary enrolment, unless the board decides otherwise.

MISCELLANEOUS RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

They are valued at the maximum amount mentioned in the commitment documents. If there are no such documents, the reasonably estimated economic value of the goods they concern will be taken into account. This value will be considered as the net booking value for the goods belonging to the company.

Adaptation to the valuation rules chosen by the companies (art. 30 of the Royal Decree)

- Tooling, small equipment and small tooling constituting full individual sets of less than 250 euros (was 10,000 BEF) are no longer included in assets but in the cost price or in overheads depending on the fact that they are specific or not to a contract. This modification of the 1978 rules is dealt with in the new fourth paragraph of section 04,5 of the rules of valuation (Financial year 1979).
- Modification of the first paragraph of section 14 of the rules of valuation.
- At the end of each social financial year, investments granted will be progressively reduced by booking to the profit and loss account, in deduction of:
  a. either the depreciation regarding fixed assets for the acquisition of which they were obtained; or;
  b. the loan costs (Financial year 1981).

  Starting from 1991, the deferred taxes have been deducted from investments granted and realized gains if necessary. They will be reduced at intervals by booking to the profit and loss account at the rate of the reduction of investments granted and, in the case of realized gains at the rate of the inclusion in the taxable result of the concerned gains.

Modification to the valuation rules as at 31st of December 2014

The valuation rules relating to provisioning for unprofitable programmes were amended in the sense that the constructive obligations of the company are identified not only according to sales realized and declared by customers but also according to the sales volume considered likely by Management.

Statutory Auditor's Report to the general meeting of S.A.B.C.A. N.V. / S.A. for the year ended December 31st 2017 (statutory accounts)

In the context of the statutory audit of the annual accounts of S.A.B.C.A SA (the Company), we hereby present our statutory auditor's report. It includes our report on the audit of the annual accounts as well as our report on the other legal and regulatory requirements. These reports form part of an integrated whole and are indivisible.

We have been appointed as statutory auditor by the general meeting of June 1st, 2018, following the proposal formulated by the board of directors, issued upon recommendation of the audit committee and upon presentation by the works' council. Our statutory auditor's mandate expires on the date of the general meeting deliberating on the annual accounts closed on December 31st,2019. We performed the statutory audit of the annual accounts of S.A.B.C.A SA for ten consecutive years.

Report on the audit of the annual accounts

Unqualified opinion

We have audited the annual accounts of the Company, which comprise the balance sheet as at December 31,2017, the profit and loss account for the year then ended and notes to the annual accounts, characterised by a balance sheet total of € 240.851.622,19 and a profit and loss account showing a loss for the year of € 5.485.134,20.

In our opinion, the annual accounts give a true and fair view of the Company's net equity and financial position as at December 31st, 2017, as well as of its results for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *'Statutory auditor's responsibilities for the audit of the annual accounts'* section in this report. We have complied with all the ethical requirements that are relevant to the audit of annual accounts in Belgium, including those concerning independence.

We have obtained from the board of directors and company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial support

Without prejudice to the opinion mentioned above, we draw the attention to the comfort letter mentioned in note C6.14 to the financial statements issued in favour of the subsidiary SABCA Limburg N.V., on the basis of which the going concern assumption of the latter has been motivated, and the justification of the valuation rules on a going concern basis in note C6.19 in the light of the reported loss.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current year. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of the implications of the termination of a program

Identified risk

By the end of 2017, S.A.B.C.A. N.V. / S.A. was notified of the decision of a client to end a program and to convert the commitments taken to a new program, replacing the previous program.
Management has evaluated the impact of this decision, which resulted in stock write-offs and the update of existing provisions.
This constitutes a key audit matter taking into account the impact and complexity of these evaluations and the importance of management judgements and estimates.

Audit approach

On the basis of discussions with management, we analysed the contractual framework and the changes thereon as well as the methodology used to identify and evaluate risks.
We have evaluated the approach to identify the impacts op the decision taken as well as the assumptions used; the clerical accuracy of evaluations performed has been checked.

Programs – revenue and margin recognition

Identified risk

De activity of S.A.B.C.A. N.V. / S.A. consists mainly of the execution of programs. The results of these programs and therefore also the eventual constitution of provisions for onerous contracts, depends on a number of factors, such as the realisation of the learning curve, the controlling of costs in order to keep the on budget-level, the ordered volumes, ….

Audit approach

Our audit approach consisted of:

- The update of our knowledge with regard to the contract terms and conditions and the status of execution based in interview with the program managers;
- Verification of the consistency of the applied method with regard to margin recognition;
- Testing to the basic assumptions used by management.

Responsibilities of the board of directors for the annual accounts

The board of directors is responsible for the preparation of annual accounts that give a true and fair view in accordance with the financial reporting framework applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the annual accounts and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit as well as significant audit findings, including any significant deficiencies in internal control that we have identified during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the annual accounts of the current year, and are therefore the key audit matters. We describe these matters in our statutory auditor's report unless law or regulation precludes public disclosure about the matter.

A legal audit does not provide assurance with regard to the future going concern of the company nor with regard to the efficiency and effectivity of management.

Report on other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the management report ,the separate report on non-financial information and the other information included in the annual report, as well as for compliance with the legal and regulatory requirements regarding bookkeeping, with the Company Code and with the Company's by-laws.

Responsibilities of the statutory auditor

In the context of our mandate and in accordance with the Belgian standard (Revised in 2018) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, it is our responsibility to verify, in all material aspects, the management report, the separate report on non-financial information and the other information included in the annual report, and compliance with certain provisions of the Company Code and of the Company's by-laws, as well as to report on these elements.

Aspects related to the management report

In our opinion, after having performed specific procedures in relation to the management report, the management report is consistent with the annual accounts for the same financial year, and it is prepared, except for the absence of non financial information, in accordance with articles 95 and 96 of the Company Code.

In the context of our audit of the annual accounts, we are also responsible for considering, in particular based on the knowledge we have obtained during the audit, whether the management report contains any material misstatements, i.e. any information which is inadequately disclosed or otherwise misleading. Based on the procedures we have performed, there are no material misstatements we have to report to you.

We do not express any form of assurance whatsoever on the management report.

Statement related to the social balance sheet

The social balance sheet, to be deposited at the National Bank of Belgium in accordance with article 100, § 1, 6°/2 of the Company Code, includes, both in terms of form and content, the information required by the said Code, and does not present any material inconsistencies with the information that we have at our disposition during the performance of our mandate. However, we wish to mention the following:

- the data on training efforts are partly based on estimates made by management;
- the table of staff turnover is arithmetically not coherent

Statement related to independence

- Our audit firm did not provide services which are incompatible with the statutory audit of annual accounts, and we remained independent of the Company throughout the course of our mandate.
- The fees related to additional services which are compatible with the statutory audit of annual accounts as referred to in article 134 of the Company Code were duly itemised and valued in the notes to the annual accounts.

Other statements

- The company did not perform an inventory of its fixed assets. The annual accounts, after reclassifications, result from the balance sheet and the income statement. The off balance sheet accounts with regard to the assets, property of third parties, as disclosed in note 6.14, have not been updated on the basis of an inventory- or confirmation-procedure. The stock movement in the income statement does not represent the change in the relevant asset items. Without prejudice to formal aspects of minor importance, the accounting records are otherwise maintained in accordance with the legal and regulatory requirements applicable in Belgium. The notes in the annual accounts with regard to the intra-group transactions are based on an assessment which include an element of uncertainty.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the Company's by-laws.
- The company does not include non-financial information in the annual report as required under article 96, § 4 of the Company Code. There are no other transactions undertaken or decisions taken in breach of the by-laws or of the Company Code that we have to report to you.
- This report is in compliance with the contents of our additional report to the Audit Committee as referred to in article 11 of Regulation (EU) No 537/2014.

Brussels, 27 April 2018

Mazars Bedrijfsrevisoren BV CVBA
Represented by

Lieven Acke
Auditor

Notes

Notes

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