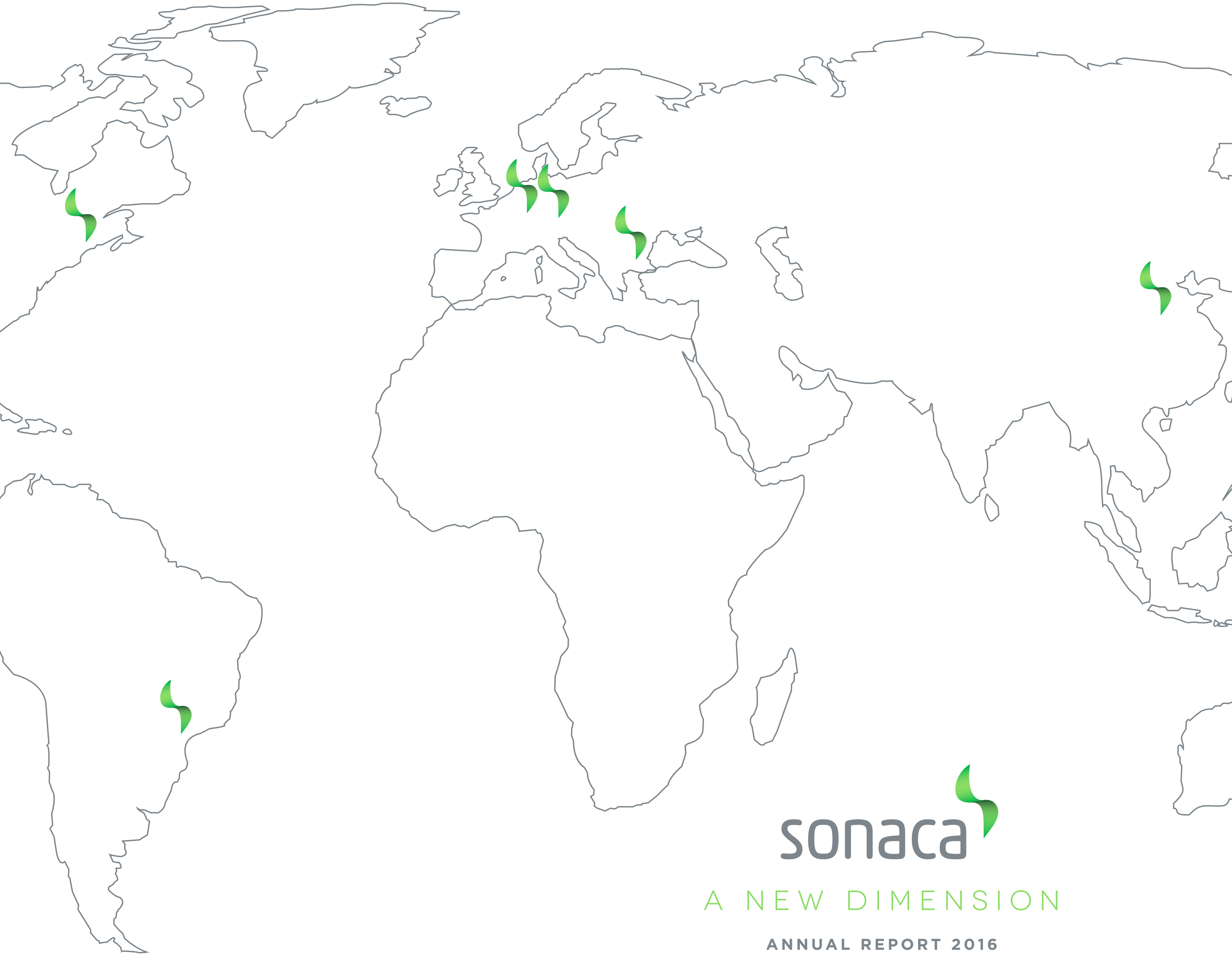
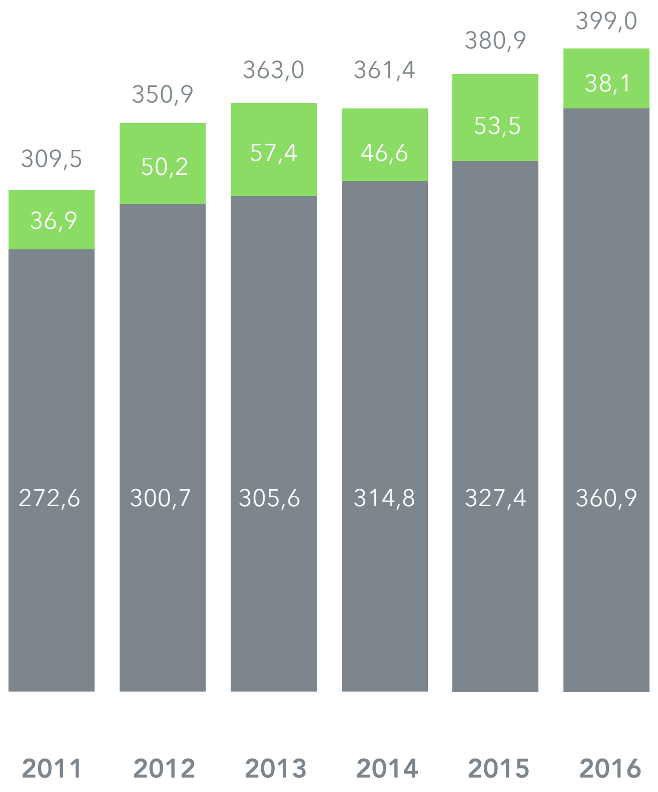


sonaca

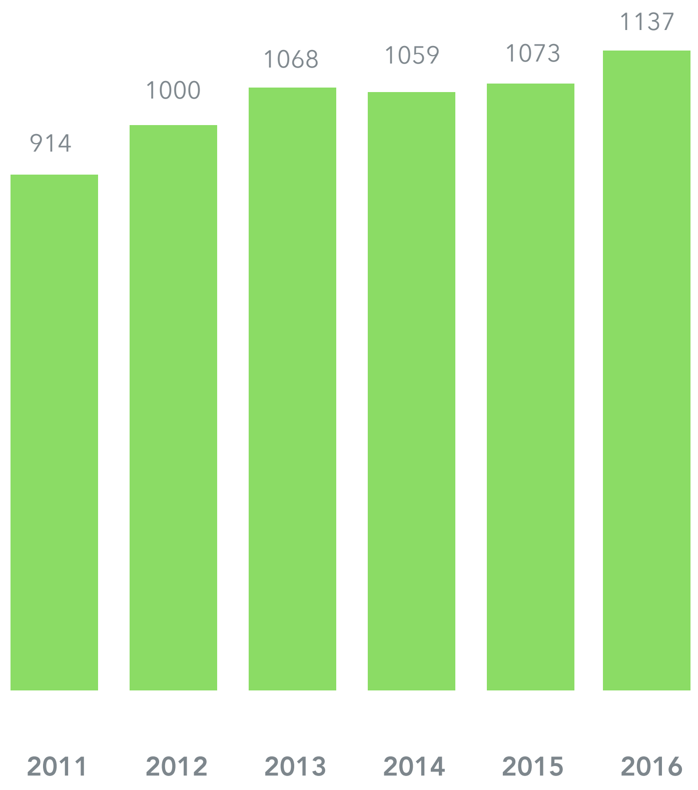
A NEW DIMENSION

ANNUAL REPORT 2016

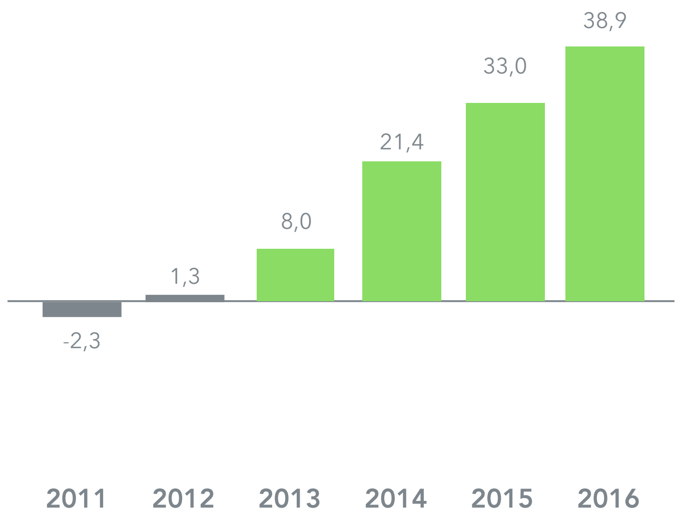
REVENUES
Sonaca Group
in millions of euro



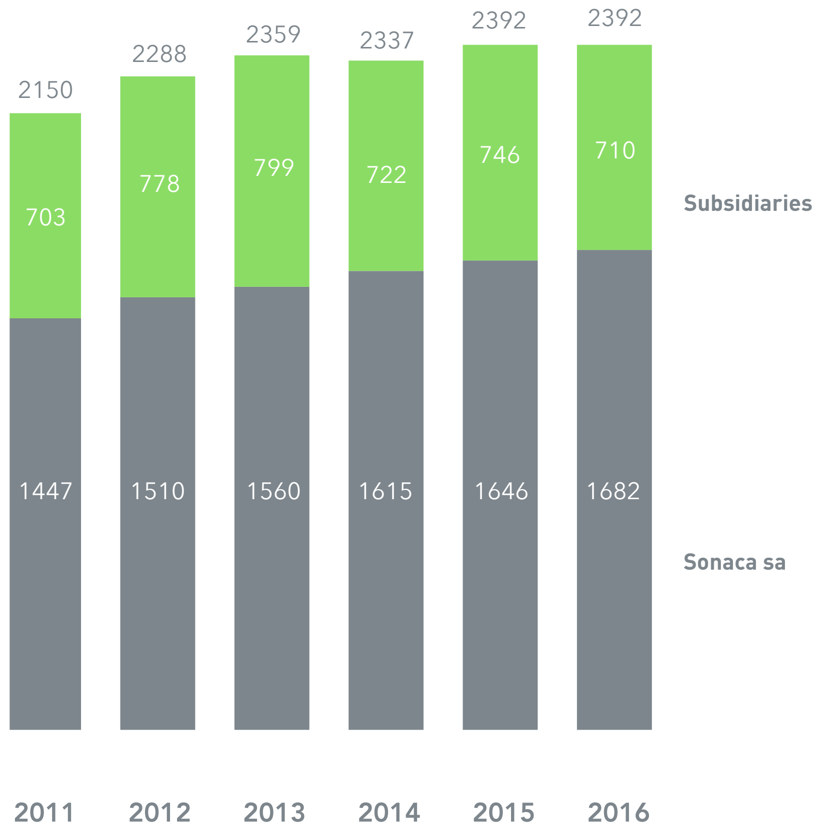
NUMBER OF SHIPSETS
Sonaca sa



NET INCOME
Sonaca Group
in millions of euro



HUMAN RESOURCES
Sonaca Group



CONTENTS

MESSAGE
FROM THE CHAIRMAN

Outstanding performance across the board in 2016 has set our finances and manufacturing base on a firm footing.

Despite tough conditions in the business aviation sector – which hit our Brazilian and Canadian subsidiaries particularly hard – order fulfilment was up 6% in aircraft equivalent, driving revenues up 5% to record levels of almost EUR 400 million. The EUR/USD exchange rate also worked in our favour, going some way to offset constant price pressure from our major customers.

We kept a tight rein on cost control and overheads and our subsidiaries were flexible enough to cope with volatile workloads. As a result, profitability remained roughly on a par with 2015 in absolute terms, with operating cash flow of EUR 64 million, or 16% of sales.

Net income hit an unprecedented EUR 38,9 million, up 18% year-on-year, as a result of reduced debt, increased foreign exchange gains, non-recurring income, and changes in taxation.

These remarkable figures meant we were able to further reduce our bank debt, despite investing heavily in our business – more than EUR 35 million in production facilities and in excess of EUR 20 million in programme development and research and technology (R&T). In fact, after accounting for factoring, we had a positive cash position of EUR 1.1 million – yet another record.

Group-wide headcount remained high at 2,392, albeit dipping slightly from 2015 as business took a downturn across some subsidiaries and most of our development programmes came to an end.

We expect to see this positive trend last well into the coming years. But the fact remains that, as a group, we need to continue expanding our business portfolio and diversifying our customer base.

Indeed, this impressive performance provides us an opportunity to set ourselves bolder ambitions and hit our growth targets earlier than expected.

It was on the strength of these figures that Sonaca Group persuaded shareholders and major banks to fund a takeover bid for American firm LMI Aerospace. This acquisition – the biggest ever undertaken by Sonaca Group – should see us double in size and finally put us in a position to secure substantial orders from major U.S. customers such as Boeing and Spirit.

But this move is about more than simply acquiring LMI Aerospace's customers. We see this takeover as an opportunity to form a strong alliance between the two companies. And in doing so, we will strengthen our Group's manufacturing base, add new technologies to the mix and shore up our finances, leaving us better placed to secure and build on our position in the global market.

We are embarking on the next leg of our journey. There will be testing times ahead as we move up a gear. But our dedicated people – across both companies – are capable of tackling these exciting challenges head-on.

I fully expect Sonaca Group to continue setting new records. We have every reason to be confident and optimistic about the future.

PIERRE SONVEAUX
Chairman of the Board

BERNARD DELVAUX
CEO Sonaca Group

A NEW DIMENSION

Last year was very much a transitional period at Sonaca Group, as we looked to lay the groundwork for our future.

By building on our strong position in the commercial aviation segment – especially in growth-generating aircraft such as the A320 and A350 – we were able to ride out tougher conditions in the business jet market and significant uncertainty in regional aviation.

Despite fierce competition weighing on prices and production costs, we maintained a keen competitive edge across the board, once again showing why we have a reputation for delivering impeccable quality, on time, every time.

We landed major contracts in our traditional segments in 2016 and there are further deals in the pipeline. We also streamlined our sales structure to better serve our customers and their needs, and we developed a clearer, broader range of products and services. The hope is that these efforts will translate into new contracts and business opportunities in the coming months.

Initial development work on the Embraer E190 E2 and E175 E2 projects – major growth drivers for the Group in the coming years – is moving forward at a steady pace.

Further productivity gains and sustained investment in Gosselies, Tianjin and São José dos Campos – especially at our composite and basic component plants – will help us remain competitive in this most challenging of industries.

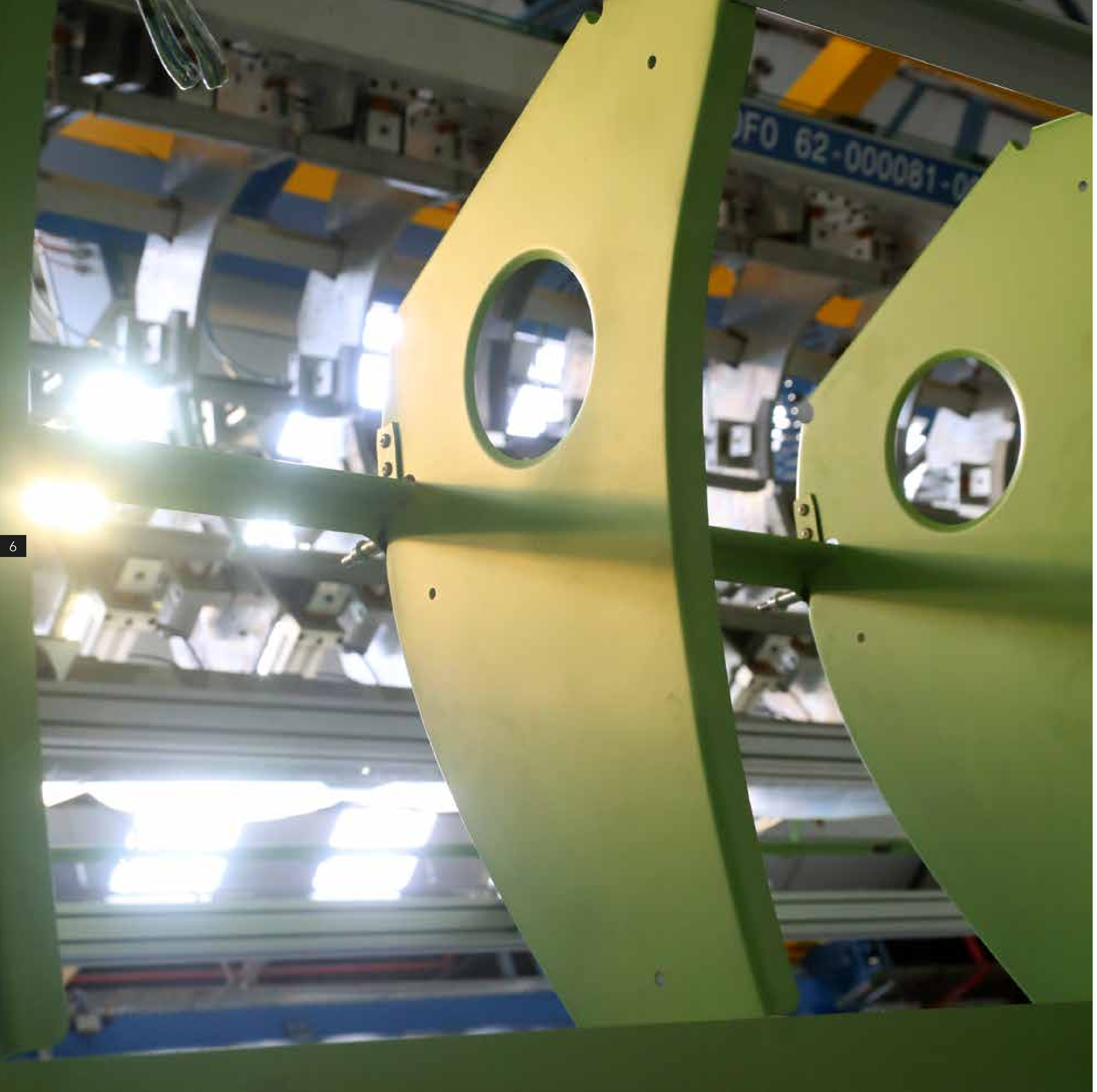
Sonaca Montreal had a slower year in 2016 amid a downturn in the business aviation segment. But we reacted quickly, streamlining our organisation to cushion the impact. And promising developments in stringers production have also helped soften the blow.

Operations are under way at our new Romanian subsidiary, Sonaca Transilvania. The first composite parts have come off the production line and the plant, located in Turda, is ready to step up the pace of A320 slat assembly. The project was a resounding success, delivered on time and on budget.

Staff at Sonaca Aircraft have been working behind the scenes on the design and certification of the *Sonaca 200*. The project is on schedule for certification in October 2017 and our first customers will receive their aircraft at the end of the year.

On 17 February 2017, Sonaca Group announced that it had agreed to take over St Louis, Missouri-based LMI Aerospace as part of its U.S. expansion strategy. Once the usual due diligence and other procedures are complete and the transaction is finalised, the merger will place us at the forefront of the global aerostructures market, with around EUR 800 million in sales and an extensive customer base.

In 2016, we worked hard to lay the foundations for our future. We can all look back with pride on what we have accomplished. And we can be confident of what tomorrow will bring. Here at Sonaca Group, we have bright, prosperous times ahead – in 2017 and beyond.



KEY FIGURES

IN FIVE COLUMNS (IN THOUSANDS OF EUROS)

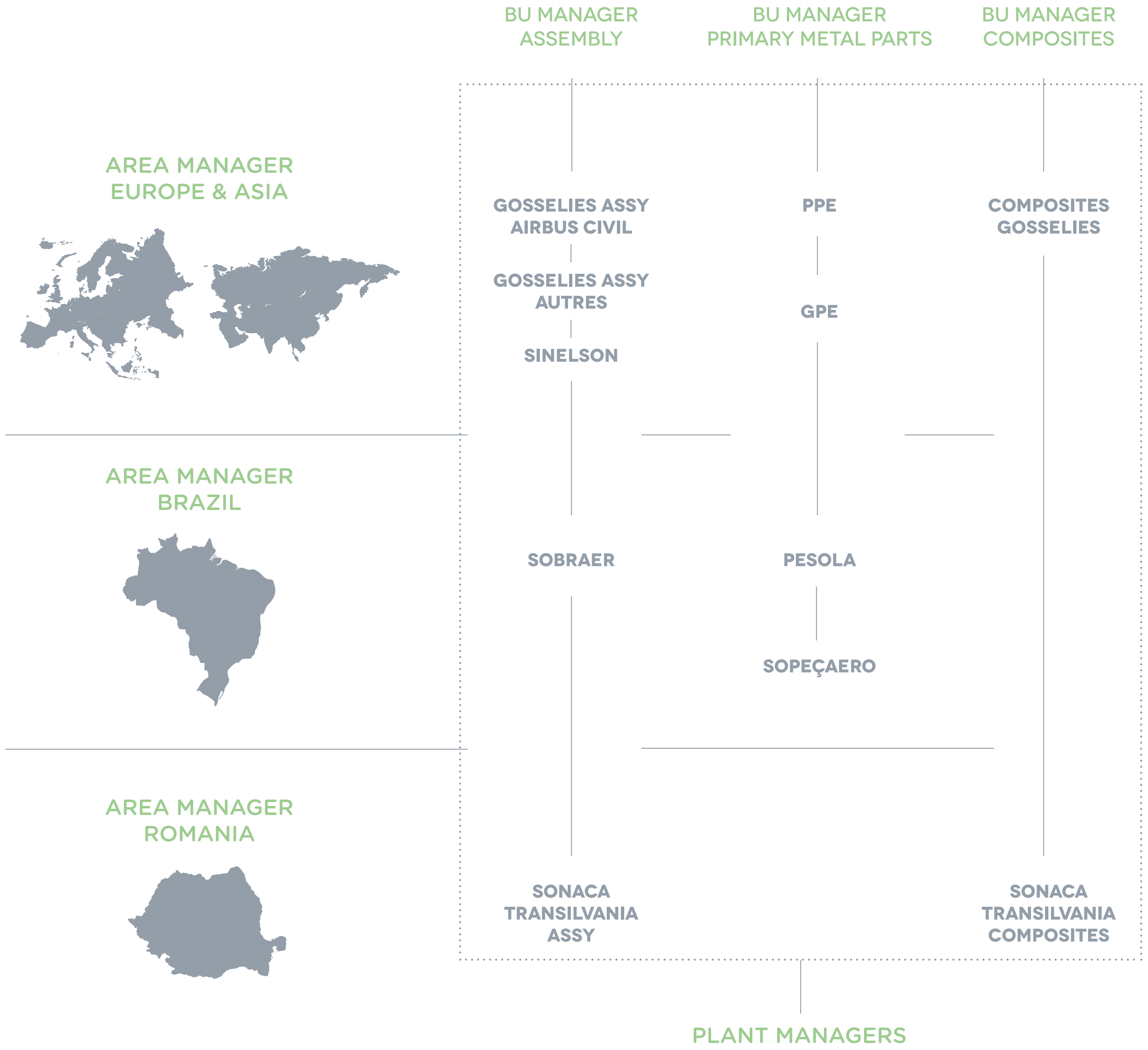
	2012	2013	2014	2015	2016
Revenues	350,949	363,004	361,439	380,926	399,040
Operational cash flow (EBITDA)	48,161	43,226	50,368	* 66,873	63,759
Operating result (EBIT)	15,494	22,314	33,282	38,630	36,507
Net result (share of the Group)	1,303	8,029	21,366	33,032	38,859
Capital and reserves	43,781	47,030	64,379	89,015	129,116
Total assets	394,796	389,935	413,761	425,725	424,896

** includes a non-recurring item related to A350 Slats*

SONACA AEROSTRUCTURES

We restructured our production operations in September 2016. The new matrix organisation – dubbed "Aerostructure" – is outlined below. As the diagram shows, our plants – Pesola, Sopeçaero, Sobraer, Sinelson, SAT, PPE, GPE, Assy 1, Assy 2 and Composite – form the nerve centre of our operations. Each is headed by a *Plant Manager*, who is responsible for operational and financial performance. The *Area Managers* bring additional country expertise to the table, while the *Business Unit Managers* – assembly, primary metal parts, and composites – oversee specific business line matters.

This year, Sonaca Group has once again been awarded Airbus SQIP Accredited Member status, which values companies that apply continuous improvement principles and demonstrate sustained operational performance in line with Airbus targets and expectations.



GOSSELIES

In early 2016, we merged our industrialisation and production support units in a move that delivered efficiency gains and shortened response times.

We also stepped up our efforts to improve operational safety, building on the work we began back in 2015. We made some noticeable changes in our plant – adding new protective equipment for carbon handlers, installing best practice notices in key locations, and investing in new, safer cutting tools.

In Assembly, we introduced a new layout and scientific management methods to improve workflows.

For example, by moving and reorganising A320 outjig, we achieved 10% productivity gains.

We also streamlined the A330, A380 and A350 large slat production process and switched operations to a different location within our Gosselies site.

We worked with our A400M and CSeries operators to iron out specific issues, again boosting productivity – and performance – in the process.

In small parts production (PPE), we have recently begun using new Handtmann high-speed milling machines on our aluminium ribs.

Regarding stretched skins (GPE), trimming work is under way and we will shortly be installing two new machines. We have also introduced line-side delivery – our suppliers now make twice-weekly sheet metal deliveries as the need arises, driving further improvements across both logistics and production workflows.

In Composite, the plant has had a facelift – a new clean room, a new automatic tape layer (ATL) machine, a new SQRTM press, a new layout and a new trimmer– as we look to establish ourselves as a leading supplier of composite parts.

New technology: acceptance in 2016 of an automatic layup ATL machine equipped with a last generation multi-tape head. It will be used for some primary components of the new Embraer 175 E2 flaps contract.

In Brazil, our three subsidiaries continue to develop the E190 E2, which took its maiden flight in São José dos Campos on 23 May 2016.

SOBRAER

Our production lines were extremely busy in 2016 amid growing demand for the Embraer E170 E1 and E190 E1, and we achieved substantial progress in output quality and double-digit productivity gains across both programmes.

Our new engineering office secured its first external contract from Embraer, involving 20,000 man-hours of business jet development support – an exciting challenge that will add new expertise to the office's portfolio.

We recorded a sharp rise in our tooling business as we invested in new assembly room equipment, and we expect engineering to account for 15% of sales in 2017.

SOPEÇAERO

At Sopeçaero, we obtained Nadcap special process accreditation in 2016, enabling us to serve the North American market.

We acquired a latest-generation folding press as we looked to boost productivity and improve our standing in the folded parts segment.

We expanded our TSA surface treatment capabilities and installed a new Boeing-approved surface treatment line.

Last year, we also took steps to cut costs and reduce our environmental footprint. We trimmed 25% off our (hydropower-generated) electricity bill, slashed water consumption by 70%, and began using an ioniser to improve water quality.

Last but not least, we landed a contract to supply Boeing parts (B737, B767, B777 and B787) to U.S. firm Spirit AeroSystems. Having secured this contract and submitted several other tenders throughout the year, we expect to see brisk business with North American customers in 2017.

PESOLA

At Pesola, we acquired two new 4-axis milling machines to increase our machined part production capacity, along with rapid tool loading systems for the new machines, achieving double-digit productivity gains across many of the parts we make using these tools.

We introduced total productive maintenance (TPM) to improve machine efficiency, and we invested in a Renishaw machine geometry monitoring system to boost machined part production quality.

We brought finishing machine maintenance back in-house, cutting costs by 20%.

We also worked with Sonaca's Gosselies plant on a CNC programming project, delivering 1,000 man-hours of engineering support.

And like Sopeçaero, we submitted numerous tenders for North American customers.

SINELSON

Sinelson, our Chinese subsidiary, broke new ground in 2016, delivering no fewer than 85 A320 slats shipsets.

The firm has produced in excess of 300 shipsets since its inception in 2011.

Sinelson also hit all its financial, quality and productivity targets, vastly exceeding expectations.

SONACA TRANSILVANIA

Construction work on the new plant in Turda went to plan, with the project delivered on time and on budget.

At our Romanian subsidiary, we began producing composite parts in October 2016. Around 30 staff had received training by the end of the year. The first A320 rear spars are coming off the production line and we are assembling slats for the same aircraft.

We have bold ambitions for 2017, as we look to step up the pace of A320 slat assembly and take on new composite part contracts for aircraft such as Embraer's Legacy 500 and E190 E2 models.

SONACA MONTREAL

At Sonaca Montreal, we are full steam ahead towards industry 4.0.

Having already invested in an integrated stringer machining and forming unit, we added a brand new, state-of-the-art gantry machining centre with a high-speed milling head (30,000 rpm) and an automatic tool loading system. The new machine – installed in a controlled environment – will be running at full throttle in September 2017 and will allow us to increase long aerostructure part machining capacity by 25%.

We took decisive action amid weak business aviation conditions in 2016, scaling back our workforce and overhauling our processes to good effect.

On the business development front, we delivered the first set of wing panels for Bombardier's new Global 7000 aircraft.

Our subsidiary is the only supplier in Canada to offer a fully integrated production service for large aluminium aerostructure components.

HUMAN RESOURCES

The Human Resources (HR) Department worked throughout 2016 to support our Group-wide development and transformation strategy.

The department worked with our production teams on a safety and prevention drive, developing new tools and resources and carrying out an awareness campaign. We have now established a safety culture throughout the chain of command and across our organisation, giving everyone in the Group an opportunity to play their part in raising safety standards. The figures speak for themselves – injury-causing accidents and near-misses were down 13% and 39.4% respectively in 2016.

On the organisation front, we delivered 42,500 hours of in-house training. Our Sonacademy training centre also teamed up with Wallonie Aerotraining Network (WAN) – sponsored by the Walloon Region – to dispense qualifying courses in aircraft assembly methods to some 60 external trainees – around 40 of whom have since been hired by the Group.

The department helped drive organisational change and better teamwork in the Procurement and IT Systems Departments, organising and delivering team MBTI sessions and other workshops and improving office working conditions.

In early 2016, the HR Department was involved in organising the works council and trade union elections. Around the same time, it had to bring in an extra 70 production staff – half of whom had completed the joint Sonacademy-WAN course – to cope with a spike in demand.

Finally, the department was instrumental in getting our new Romanian subsidiary – Sonaca Transilvania – off the ground, delivering training and organising staff secondments between the Gosselies and Turda plants.

SALES & BUSINESS DEVELOPMENT

In aerostructures, other than a handful of build-to-print contracts for our subsidiaries, our main focus in 2016 was on adjusting our positioning and expanding our customer base.

Following the mid-year revamp of our sales structure, we merged programme management and sales & business development into a single department to better serve our customers with a single point of contact.

We also looked to streamline build-to-print costs by splitting this value proposition away from our conventional design-and-build offering.

Our sales & business development and operations teams worked tirelessly in 2016, landing our first contract with Spirit AeroSystems to supply basic sheet metal components for the Boeing 737, 777 and 787 models from our Sopeçaero plant. This early success bodes well as we work towards ambitious sales targets for 2017.

As well as turning our attentions to build-to-print, we continued to forge closer ties with major aircraft manufacturers in pursuit of our long-term goal – to design and produce large aerostructure packages.

ENGINEERING & SES

ENGINEERING

More than 150 engineers in Belgium and Brazil did design and perform the qualification work of new products for our main customers.

In 2016, the Engineering teams were deeply involved in the development of Leading Edge and Trailing Edge Wing moveable, in particular for Airbus (Slats for the A350-1000 and A320/A330 NEO families), for Embraer (Slats, Flaps, associated supports and fairings for the E2 family 175, 190 and 195) and for Pilatus. Most of these projects will continue in the future.

In order have the Sonaca Group on board for the aircraft projects of the coming years, numerous technical meetings including design trade-off were conducted and will continue in the future.

In service engineering product support activities also recorded a steady increase in volume, particularly for older aircrafts.

SES

It was all systems go at Sonaca Engineering Services in 2016 as we delivered a remarkable 20,000 man-hours across the Group on around 40 projects, including work for 12 new customers.

Below are some of the highlights from the year:

We took part in a major EU Horizon 2020 project to design and develop an on-board water scooping system to fight aircraft fires.

We investigated and resolved railway signal box water-tightness and lifespan issues for Alstom Belgium (Charleroi).

We carried out several projects for Safran Nacelles, designing and developing prototype air intake lips and engine covers.

We provided computing consultancy services for Zodiac Aerospace's On Board Inert Gas Generating System (OBIGGS).

We began working on a European Space Agency (ESA) project to investigate the use of advanced Al-Mg-Sc alloys in space applications.

We kicked off a German Aerospace Centre (DLR) project to determine in-flight aerodynamic performance gains from the modified A320 slat attachment.

We helped Sonaca Aircraft gain certification for the *Sonaca 200* and worked with Sonaca Montreal on CNC programming.

We look set for another busy year in 2017, with plenty of new projects under way.

Development of an innovative water scooping device for firefighting air tankers.

Development of a nacelle air inlet lip integrating acoustic and icing protection.

Problem solving mission about sealing and aging of rail signaling shelters.

R&T AND INNOVATION

In 2016, we made significant progress across several key development programmes at Sonaca Group.

- We reached a new milestone in our work on integrated flaps – building on our sustained investment in composite over the last decade – designing and producing a prototype with significantly fewer rivets. This new technology should help us knock 15% off our assembly costs and reduce component weight by 10%.
- We won a JEC Innovation Award for our new 3D woven composite flange for launchers, which comes in 30% lighter than the current metal equivalent.
- Early results from our work on a ground-breaking flap kinematic system bracket bode well for the future, amid eager market interest in this new product.
- Our development teams continue to do more on composite development, pushing the boundaries of integrated component design – notably using the SQRTM process.
- We made an important breakthrough on electric ice protection systems for Airbus and we are working with Liebherr on this technology.
- Our iSlat project – developing a simplified, more cost-effective slat – has so far delivered promising results.

In other positive news, we now work more closely with our customers on defining our R&T strategy, meaning we are better able to understand and serve their needs.

Slat with Electric Ice Protection System - demonstrator tested in icing tunnel to demonstrate TRL4 maturity level.

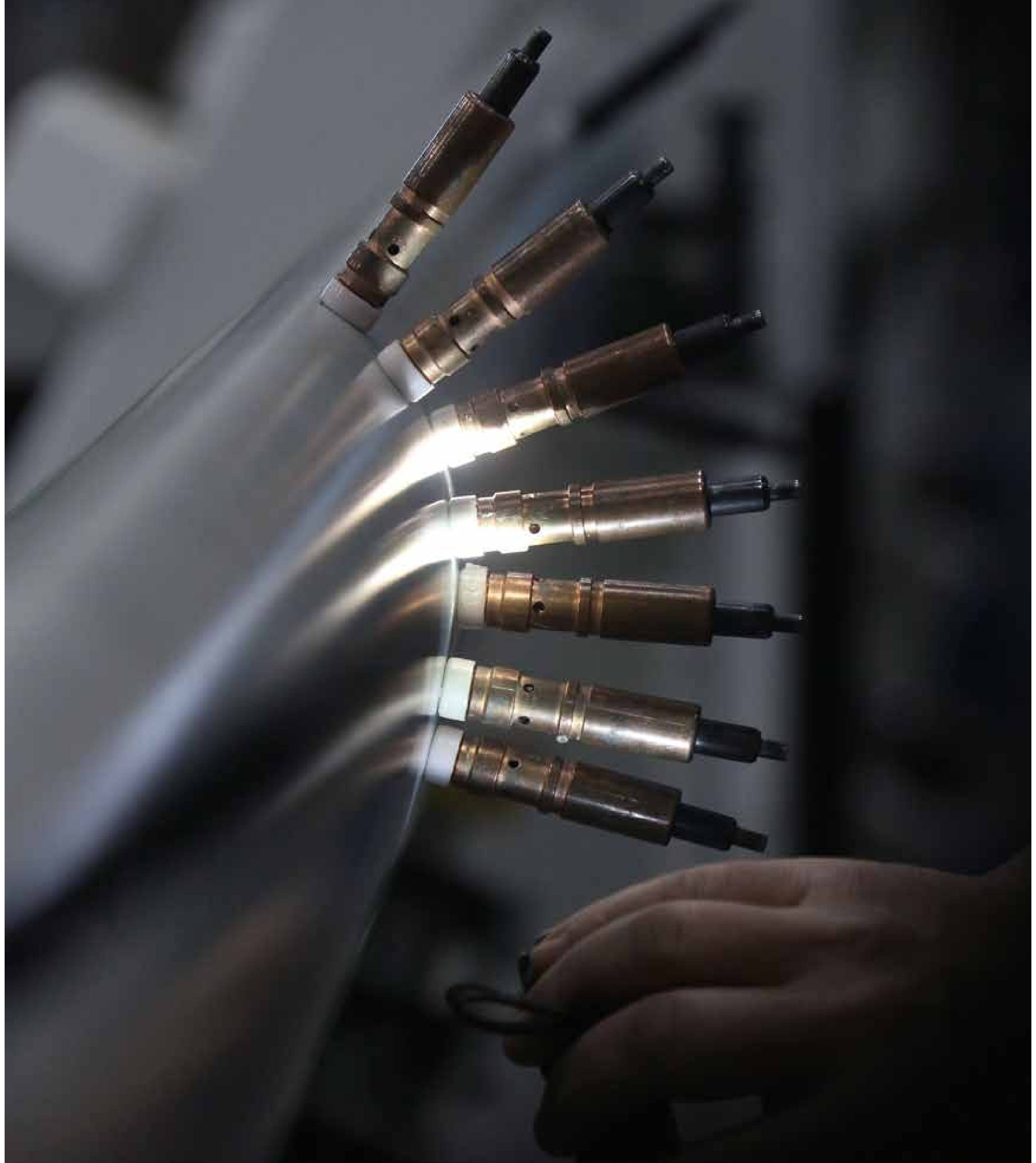
IT SYSTEMS

A VERSATILE DEPARTMENT

At Sonaca Group, our IT Systems Department helps us maintain our competitive edge by adapting to ever-changing market conditions, tracking the latest developments, and working to meet new requirements from both customers and Group business lines. We aspire to play an instrumental role in shaping the future and making a steady transition to digital technologies.

WORKING CLOSELY WITH OUR BUSINESS LINES ON DIGITAL TRANSFORMATION

The department has begun this transformation through data and process standardisation projects – such as Excellence in Development, Master Data Management and ecoPLM – together with our business lines. And these projects are already having an effect on product development and other front-line processes.



As a manufacturing firm, our priorities for digital technology development cover the following areas: product definition (managing obsolescence and design changes), product change management and production line impact, production workflow optimisation (combining tool integration capabilities and operational requirements, i.e. pace and workload), and production proper (managing process and organisational requirements).

DRIVING OPERATIONAL EXCELLENCE THROUGH STRONG PARTNERSHIP

Towards the end of 2015, the IT Systems Department began working on plans to outsource core IT functions (infrastructure and operations) as it sought to improve service reliability, flexibility and security.

We carried out a vast satisfaction survey exercise in early 2017 to gauge opinion about support service standards. More than 90% of respondents rated service quality between satisfactory and extremely satisfactory, 70% said that service levels were consistent, and 20% said that standards were improving slightly.

SPACE

In 2016, Sonaca Group acquired Berlin-based Active Space Technologies (now known as Sonaca Space GmbH). The takeover was the natural conclusion of a strategic alliance forged back in 2015.

Showcasing our involvement in space exploration programmes, we delivered the third tank bulkhead (FU-1) for the Orion Multi-Purpose Crew Vehicle (MPCV) – a joint ESA and NASA craft intended to carry a crew of astronauts – and we are currently working on a fourth model (FU-2). The structure, which connects the top of the service module to the Orion capsule and can support significant loads, is a major technical achievement. We also continued development work on the MWI and ICI scientific instrument structures hosted in MetOp satellites.

Looking ahead, we plan to focus our efforts on developing thermal products and services and multi-function satellite panels. With enterprising and flexible teams in both Belgium and Germany, we are well-placed to bring these products to market quickly.

RICCARDO NADALINI
Managing Director Sonaca Space GmbH

PEDRO ROMERO
General Manager Space Business Unit

DEFENSE

In light of the worsening global security situation, the Belgian government has developed an ambitious new defence plan, including measures to beef up cybersecurity, expand naval capabilities, replace the current fleet of F16 fighter aircraft, and invest in new drones. The government published the corresponding budget bill in late 2016.

The plan should enable Belgium to meet its NATO spending obligations, defend its territory, and take part in international multilateral missions.

At Sonaca Group, our engagement with the defence sector stretches back several decades. Today, we are heavily involved in the A400M military transport aircraft programme and we maintain drones for the Belgian armed forces, thereby playing an instrumental role in modernising our country's defences.

We have proven capabilities across design, programme management, production, support and maintenance and our experience in the civilian market means we can offer an extremely competitive service. We have made initial contact with potential suppliers to the Belgian armed forces ahead of a renforced move into this market in the coming years.

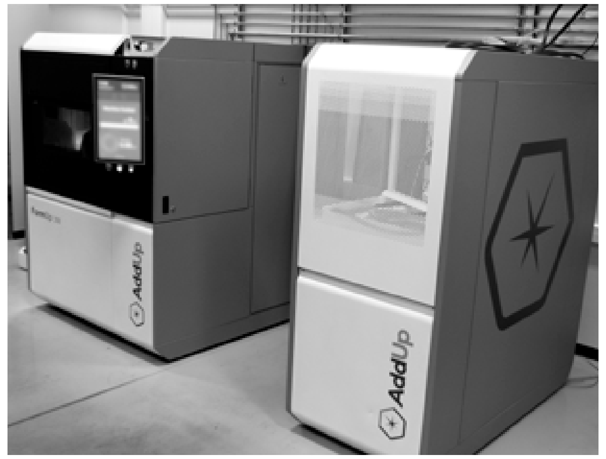
Titanium 3D printed satellite and aircraft systems parts under qualification process.

3D PRINTING

Unlike standard machining processes, whereby material is removed to make components and equipment, 3D printing is an alternative method in which material is added. This fast-growing technology – initially conceived to produce prototypes quickly – is now used to mass-produce value-added parts that cannot be manufactured using conventional methods.

Like any new technology, 3D printing has to be developed and comes with a learning curve. So at the Farnborough International Airshow in July 2016, we sealed a partnership deal with AddUp – a joint-venture between French firms Michelin and Fives – to develop, manufacture and market 3D-printed metal parts. This new alliance will allow us to design components, manufacture prototypes, and make mass-produced and spare parts for our customers – all at extremely competitive cost. As a result, we will provide an end-to-end, integrated service – a one-stop shop covering engineering, production and certification.

In 2017, we plan to begin manufacturing certified titanium aircraft parts using AddUp's latest-generation multi-laser melting technology.



One of the brand new generation of Titanium 3D Printing Machine equipping the Additive Manufacturing Business Unit.

SONACA AIRCRAFT

Sonaca Aircraft has received orders for 26 *Sonaca 200* models since spring 2016. Customers will begin receiving their aircraft towards the end of 2017 and our delivery schedule for 2018 is almost full.

This year, the *Sonaca 200* will obtain European EASA certification for a maximum take-off weight (MTOW) of 750 kg and a cruising speed of 115 knots.

Initially, we will manufacture the model at our Gosselies plant, at a rate of 25 aircraft per year. We forecast to increase our capacity in 2019.

Sonaca Aircraft is continuing to develop the European market, showcasing the *Sonaca 200* in Italy, Portugal, the Netherlands and Scandinavia.

LMI AEROSPACE

Expanding into the United States has long been part of our strategy here at Sonaca Group. We identified a potential U.S. acquisition – St Louis, Missouri-based LMI Aerospace – in 2016, entered into negotiations and conducted due diligences before launching an official takeover bid in February 2017.

LMI Aerospace, which designs and manufactures complex aircraft structures (such as fuselage panels, leading edges and cockpit floor structures), has around 2,000 employees, recorded USD 346,2 million revenues in 2016, and operates 21 sites across North America, Mexico, the United Kingdom and Sri Lanka.

The two entities are a good match and will work together on business development and operations – including engineering services – to serve their customer base.

The takeover heralds new opportunities for Sonaca Group, allowing us to strengthen our market position and create new jobs in Belgium. It will also reduce the Group's exposure to EUR/USD exchange rate fluctuations.

Once U.S. regulators have completed their work and the transaction is finalised, LMI Aerospace will become a Sonaca Group subsidiary.

The takeover will place us at the forefront of the global aerostructures market.

THE TAKEOVER WILL PLACE US AT THE FOREFRONT OF THE GLOBAL AEROSTRUCTURES MARKET.

CORPORATE SOCIAL RESPONSIBILITY

Things are moving forward on Sonaca Group's new building project, known as Green, in Gosselies. In 2016, IGRETEC – the intermunicipal company that owns the property at the site – awarded the building contract to a Charleroi-based firm. The project is being used as a pilot scheme to trial innovative measures against social dumping, with the contract including provisions to limit the number of subcontractors and encourage compliance with employment law.

Building work commenced towards the end of 2016 and Sonaca Group staff will move into Green in late 2018.

In the meantime, we are continuing our efforts to cut energy consumption across our facilities. We have installed a new insulated roof on the assembly plant, introduced automated heating and lighting controls, and invested in a brand new heating system for the machining buildings and the procurement and HR offices.

New ecofriendly roof at our facility in Gosselies (Belgium): 20 cm of compressed glass-wool insulation covering one hectare (2.5 acres) cut the facility's annual heating bill by EUR 50,000 (4% of its total outlay on heating).

Green… Today!

Green… Tomorrow!

CORPORATE GOVERNANCE

In accordance with its Articles of Association, the company is administered by a Board of Directors comprising at least six directors appointed by the General Meeting. Board members serve a maximum term of six years, but outgoing directors are eligible for re-appointment.

The Board entrusts the Chief Executive Officer with the daily management of the company, sets the corresponding authority rules and monitors compliance with these rules.

The Board currently comprises 11 directors and two observers, as detailed below. It is chaired by Pierre Sonveaux. Bernard Delvaux, Chief Executive Officer, is responsible for daily management of the company and is the only executive director to sit on the Board. The Finance & Strategy Director is invited to attend Board meetings. The Chairman and the Chief Executive Officer may invite other senior executives or the Auditor to attend meetings to discuss specific points.

The Board met seven times in 2016. At these meetings, it:

- approved the annual financial statements made up to 31/12/2015 and the 2015 annual report
- adopted the 2017 budget
- analysed company and subsidiaries financial statements in detail and monitored Group cash flow
- tracked the work of non-Belgian subsidiaries
- discussed group strategy.

In 2004, as the Group began expanding outside Belgium, the Board of Directors introduced a policy of reviewing its processes. It also created an Audit Committee and an Appointment and Remuneration Committee and determined their composition and remit. Both committees report regularly to the Board. The Board also decided to revive the Strategy Committee in 2015.

The Audit Committee comprises three non-executive directors, including the Chairman of the Board. The committee is assisted by the Finance & Strategy Director, and it may also call on the Auditor for support when required. The Chief Executive Officer is invited to attend Audit Committee meetings.

The committee's remit is to:

- help the Board carry out its financial monitoring, auditing and analysis work (company and subsidiaries)
- ensure that the internal and external supervisory mechanisms (company and subsidiaries) are functioning properly and that disclosures are reliable
- ensure that the Board's exchange rate hedging policy is implemented properly (since January 2008)
- assess systemic risk affecting the company.

The Audit Committee met twice in 2016.

The Appointment and Remuneration Committee comprises four members, including three non-executive directors. The Chairman and the Chief Executive Officer sit on the committee.

The committee's remit is to:

- help the Board set executive remuneration across the company and its subsidiaries
- implement a consistent employee assessment and remuneration system across the company and its subsidiaries.

The Appointment and Remuneration Committee met twice in 2016.

The Strategy Committee comprises four non-executive directors, including the Chairman of the Board, and one observer. It is assisted by the Strategy Director. The Chief Executive Officer also sits on the committee. Its remit is to analyse matters of strategic importance (chiefly major investments, acquisitions and partnerships) before presenting them to the full Board.

The Strategy Committee met three times in 2016.

CAPITAL

EUR 40,000,000 – As at 31 December 2016

FIWAPAC	79.49 %
SFPI	3.02 %
WESPAVIA	17.48 %
SABCA	0.01 %

BOARD OF DIRECTORS

As at 31 December 2016

Pierre Sonveaux	Chairman
Bernard Delvaux	Chief Executive Officer
Jean-Sébastien Belle	Director
Cédric du Monceau	Director
Jean Leblon	Director
Anne Prignon	Director
Laurent Lévêque	Director
Pascal Lizin	Director
Renaud Moens	Director
Antoine Tanzilli	Director
Denis Tillier	Director
David Bastin	Observer
Denis Ronday	Observer

AUDITOR

RSM Inter Audit	represented by Thierry Lejuste

AUDIT COMMITTEE

Denis Tillier	Chairman
Pierre Sonveaux	Director
Jean-Sébastien Belle	Director

APPOINTMENT AND REMUNERATION COMMITTEE

Jean Leblon	Chairman
Pierre Sonveaux	Director
Bernard Delvaux	Chief Executive Officer
Anne Prignon	Director

STRATEGY COMMITTEE

Pierre Sonveaux	Chairman
Bernard Delvaux	Chief Executive Officer
Jean Leblon	Director
Anne Prignon	Director
Antoine Tanzilli	Director
David Bastin	Observer

EXECUTIVE COMMITTEE

Bernard Delvaux	Chief Executive Officer, Sonaca Group
Erik van Ockenburg	Finance & Strategy Director, Sonaca Group
Michel Bilocq	Procurement Director
Jan Boeckx	Operations Director (mass production)
Laurent Troquet	Quality Manager, Sonaca Group
Yves Delatte	Sales & Business Development Director
Jeroen De Rycke	IT Systems Director
Thierry Duesberg	SVP Military & Defence
André Grégoire	Engineering Director
Pierre Grenier	Human Resources, Administration and Insurance Director
Hugues Langer	Chief Technology Officer

YING LI
General Manager Sinelson

PHILIPPE STAVAUX
General Manager Sopeçaero

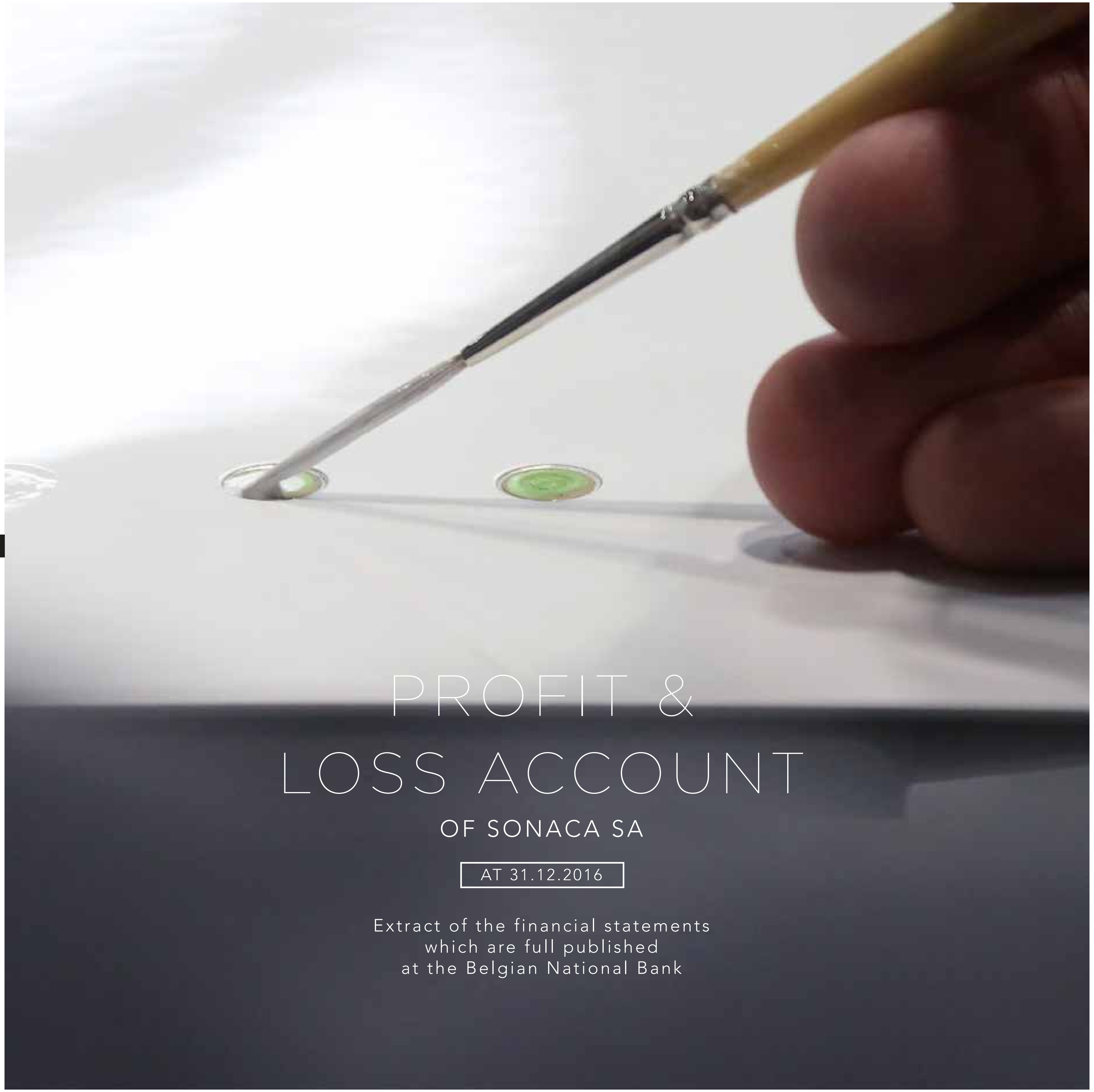
LAURENT MAROY
General Manager Sonaca Aerospace Transilvania

HAROLD VAN DER STRATEN
CEO Sonaca Aircraft

SYLVAIN BÉDARD
General Manager Sonaca Montreal

JEAN-PAUL LOPEZ
General Manager Sobraer

EDUARDO ROXO
General Manager Pesola



PROFIT & LOSS ACCOUNT

OF SONACA SA

AT 31.12.2016

Extract of the financial statements which are full published at the Belgian National Bank

In thousands of Euro

	31.12.2016	31.12.2015	31.12.2014	31.12.2013
TOTAL REVENUES	**360,923**	**327,420**	**314,794**	**305,658**
Turnover	310,383	283,910	273,417	267,061
Variation, work in progress	10,579	5,875	6,481	13,106
Own work capitalized	21,708	23,507	17,764	11,154
Other revenue	18,252	14,127	17,132	14,337
TOTAL CHARGES	**325,311**	**304,060**	**296,058**	**294,592**
Raw materials, consumables and goods for sale	149,963	134,677	135,811	137,267
1. Purchases	146,232	132,872	131,488	135,761
2. Increase / Decrease in stocks	3,731	1,805	4,323	1,506
Services and other goods	35,289	31,952	30,913	31,619
Remunerations, social security costs and pensions	116,955	113,392	115,422	110,883
Depreciation and amounts written off on fixed assets	30,385	28,951	16,394	15,070
Amounts written off on stocks, contracts and amounts receivable	(944)	(898)	(1,521)	(2,717)
Provisions for liabilities and charges	(6,998)	(4,411)	(2,044)	2,365
Other operating expenses	393	397	1,083	105
Capitalized operating expenses	-	-	-	-
Non-recurring operating expenses	268	-	-	-
OPERATING INCOME	**35,612**	**23,360**	**18,736**	**11,066**
FINANCIAL INCOME	**6,055**	**6,640**	**2,236**	**1,994**
Income from fixed assets	461	333	526	553
Income from current assets	6	10	8	26
Other financial income	4,873	6,298	1,702	1,415
Non-recurring financial income	715	-	-	-

FINANCIAL EXPENSES	**4,153**	**4,897**	**5,490**	**10,285**
Interest paid and other debt charges	3,795	4,095	4,900	8,385
Other financial expenses	358	802	590	1,900
Non-recurring financial expenses	-	-	-	-
PROFIT OR LOSS OF ORDINARY ACTIVITIES	**37,515**	**25,103**	**15,482**	**2,776**
EXTRAORDINARY INCOME	**-**	**-**	**10,330**	**24**
Write-back of depreciation on tangible assets	-	-	-	-
Write-back of amounts written off on financial fixed assets	-	-	10,004	24
Write-back of provisions for liabilities and charges	-	-	-	-
Gains on disposal of fixed assets	-	-	-	-
Other extraordinary income	-	-	327	-
EXTRAORDINARY CHARGES	**-**	**1,852**	**1,010**	**(3,040)**
Write-back of depreciation on tangible assets.	-	799	-	-
Amounts written off on financial fixed assets	-	715	-	-
Provisions for extraordinary liabilities and charges	-,	338	997	(4,248)
Capital loss on disposal of fixed assets	-	-	13	16
Other extraordinary charges	-	-	-	1,191
Capitalized extraordinary charges	-	-	-	-
TRANSFERS TO/FROM DEFERRED TAXES	**-**	**-**	**-**	**-**
PROFIT (LOSS) BEFORE TAXATION	**37,515**	**23,251**	**24,802**	**5,840**
INCOME TAXES	**-**	**4,276**	**33**	**(19)**
PROFIT (LOSS) FOR THE PERIOD	**37,515**	**27,527**	**24,835**	**5,821**

BALANCE SHEET

OF SONACA SA

AT 31.12.2016

Extact of the financial statements which are full published at the Belgian National Bank

ASSETS

IN THOUSANDS OF EURO

	31.12.2016	31.12.2015	31.12.2014	31.12.2013
FIXED ASSETS	**218,230**	**196,234**	**185,980**	**165,261**
FORMATION EXPENSES	-	-	-	-
INTANGIBLE ASSETS	**22,163**	**8,960**	**9,041**	**11,309**
TANGIBLE ASSETS	**149,895**	**152,470**	**145,543**	**128,963**
Land and buildings	1,418	1,539	1,659	1,780
Plant, machinery and equipment	48,348	38,665	38,766	37,471
Furniture and vehicles	827	968	1,196	846
Leasing	5,630	8,657	9,709	9,650
Other tangible assests	12,295	9,126	7,729	7,661
Assets under construction and down payments	81,377	93,516	86,484	71,555
FINANCIAL FIXED ASSETS	**46,172**	**34,805**	**31,396**	**24,988**
Affiliated enterprises	45,880	34,516	31,156	22,823
1. Participating interests	37,820	32,333	27,437	15,931
2. Accounts receivable	8,060	2,183	3,718	6,892
Enterprises linked by participating interests	117	117	117	117
1. Participating interests	117	117	117	117
2. Accounts receivable	-	-	-	-
Other financial fixed assets	175	171	123	2,048
1. Shares	29	27	27	27
2. Accounts receivable and cash guarantees	146	144	96	2,021
CURRENT ASSETS	**174,571**	**202,344**	**202,219**	**189,266**
ACCOUNTS RECEIVABLE AFTER ONE YEAR	**11**	**9**	**9**	**9**
Trade debtors	-	-	-	-
Other accounts receivable	11	9	9	9
STOCKS AND CONTRACTS IN PROGRESS	**80,983**	**76,077**	**93,487**	**100,376**
Stocks	11,582	14,673	16,229	18,160
1. Consumables	11,582	14,673	16,229	18,160
Contracts in progress	69,401	61,404	77,258	82,216
ACCOUNTS RECEIVABLE WITHIN ONE YEAR	**69,790**	**108,757**	**90,003**	**86,241**
Trade debtors	61,167	101,764	84,591	82,188
Other accounts receivable	8,623	6,993	5,412	4,053
INVESTMENTS	**7**	**10,492**	**16,105**	**25**
CASH AT BANK AND IN HAND	**22,879**	**4,540**	**1,611**	**1,394**
DEFERRALS AND ACCRUED CHARGES	**900**	**2,469**	**1,003**	**1,221**
TOTAL OF ASSETS	**392,801**	**398,578**	**388,199**	**354,527**

LIABILITIES

IN THOUSANDS OF EURO

	31.12.2016	31.12.2015	31.12.2014	31.12.2013
CAPITAL AND RESERVES	**122,266**	**87,286**	**35,902**	**13,239**
CAPITAL	**40,000**	**40,000**	**7,198**	**7,198**
SHARE PREMIUM ACCOUNT	**-**	**-**	**-**	**-**
RESERVES	**3,972**	**2,096**	**720**	**291**
Legal reserve	3,972	2,096	720	291
Not available for distribution	-	-	-	-
Untaxed reserves	-	-	-	-
Distributable reserves	-	-	-	-
PROFITS (LOSSES) CARRIED FORWARD	**78,178**	**45,039**	**27,800**	**5,530**
INVESTMENT GRANTS	**116**	**150**	**185**	**220**
PROVISIONS AND DEFERRED TAXATION	**17,426**	**24,424**	**28,497**	**29,543**
PROVISIONS FOR LIABILITIES AND CHARGES	**17,426**	**24,424**	**28,497**	**29,543**
Pensions and similar obligations	5,236	8,499	11,272	14,435
Taxation	-	-	-	-
Major repairs and maintenance	-	-	-	-
Other liabilities	12,190	15,925	17,225	15,109
DEFERRED TAXES	**-**	**-**	**-**	**-**
ACCOUNTS PAYABLE	**253,109**	**286,868**	**323,799**	**311,745**
ACCOUNTS PAYABLE AFTER ONE YEAR	**116,843**	**151,768**	**187,813**	**150,693**
Financial debts	7,128	40,140	80,111	74,077
1. Subordinated loans	4,958	4,958	31,349	32,028
3. Leasing and other similar obligations	2,170	3,542	5,114	3,964
4. Credit institutions	-	31,640	43,648	38,085
Trade creditors	404	736	1,305	1,475
1. Suppliers	404	736	1,305	1,475
Advances received on contracts	-	115	131	-
Other accounts payable	109,310	110,777	106,266	75,141
ACCOUNTS PAYABLE WITHIN ONE YEAR	**114,053**	**124,609**	**128,130**	**150,659**
Current portion of creditors, accounts payable within one year	7,796	19,821	19,602	22,375
Financial debts	-	-	-	20,498
1. Credit institutions	-	-	-	20,498
Trade creditors	51,630	49,950	50,883	51,590
1. Suppliers	51,630	49,950	50,883	51,590
Advances received on contracts	24,960	28,419	31,913	34,108
Taxation, remuneration and social security	27,166	23,919	23,595	22,025
1. Taxation	553	997	877	877
2. Remuneration and social security	26,613	22,922	22,718	21,148
Other accounts payable	2,500	2,500	2,137	64
ACCRUALS AND DEFERRED INCOME	**22,213**	**10,491**	**7,857**	**10,393**
TOTAL OF LIABILITIES	**392,801**	**398,578**	**388,199**	**354,527**

New LVD bending machine (Sopeçaero).

SONACA SA

COMMENTS ON THE PROFIT & LOSS AND BALANCE SHEET ACCOUNTS

for the financial year ended
31 december 2016

ASSETS

1. FORMATION EXPENSES

There was no movement under this heading in 2016.

2. INTANGIBLE ASSETS

The main component of this item is the development expenses for new programmes (NRC, or non-recurring cost, stage) in a net sum of KEUR 16,591.

The gross value of these NRC assets amounts to KEUR 78,881, while depreciation amounts to KEUR 62,290.

The remainder of the item includes licensing rights associated with IT software. Their gross value is KEUR 15,769, amortisation amounts to KEUR 10,197 and the net value is KEUR 5,572.

3. TANGIBLE ASSETS

The gross value of this item is KEUR 383,588. Amortisation amounts to KEUR 233,693 and the net value is KEUR 149,895.

Acquisitions over the year amount to KEUR 38,992 (split between industrial investments of KEUR 18,149 and NRC investments of KEUR 20,843).

A transfer was made to intangible fixed assets in the sum of KEUR 308 and disposals were recorded in an amount of KEUR 5,818.

Over the period, new amortisation was recorded in the sum of KEUR 22,400 (KEUR 8,965 on industrial investments and KEUR 13,435 on NRC).

NRC investments are recorded as assets under construction pending completion of each development phase. Their net value under this heading is KEUR 70,026.

The balance of the assets under construction are made up of industrial investments, in a sum of KEUR 11,351.

4. FINANCIAL FIXED ASSETS

4.1 AFFILIATED COMPANIES

Participating interests
The amount of participating interests breaks down as follows (in KEUR):

Belairbus	218
Elson	2,285
SNA	21,615
Pesola	582
Sobraer	3,697
Sopeçaero	100
Sonaca Ventures Holding	550
Sonaca Space	334
Sonanovae	4,438
Sonaca Aerospace Transilvania	4,000
Sonaca Engenharia	1
	37,820

SNA

Sonaca's share in SNA amounts to KEUR 21,615. On 31 December 2016, SNA itself wholly owned Sonaca Montreal (SM) and Sonaca USA.

ELSON

Elson has been wholly owned by Sonaca since 2014. Elson itself wholly owns Sinelson Aero based in Tianjin. In 2016, impairment was written back in the sum of KEUR 715 following the subsidiary's good results.

SOBRAER

Sobraer Ltda has been incorporated by Sonaca in 2000; its capital currently stands at KBRL 10 631, or KEUR 3,697.

SOPEÇAERO

In 2004, Sonaca joined with Airbus, Eltra Holding Overseas and Sobraer in setting up Sopeçaero in Brazil. Sonaca has a 9.72% holding in Sopeçaero, valued at KEUR 100. Sobraer acquired Eltra's shares in 2016 and currently has a 90.28% holding in Sopeçaero.

PESOLA

In 2004, Sobraer entered into a three-way equal partnership with Estiliar Aps and Latecoère do Brasil to create Pesola in Brazil. In 2005, Estiliar sold its share to Eltra. In 2012, Sonaca acquired the share held by Latecoère for KEUR 582. In April 2016, Sobraer bought Eltra's shares, since when Sobraer has held 2/3 of Pesola's capital, and Sonaca 1/3.

SONACA VENTURES HOLDING

In 2015, Sonaca set up Sonaca Ventures Holding in Gosselies with capital of KEUR 1,250, of which it holds all the shares bar one. On 31 December 2016, the share capital of Sonaca Ventures Holding was paid up to the extent of 44%.

SONACA AEROSPACE TRANSILVANIA

In 2015, Sonaca incorporated a Romanian company, Sonaca Aerospace Transilvania, with capital of KEUR 4,000, in which has a 100% shareholding. On 31 December 2016, the share capital of Sonaca Aerospace Transilvania was paid up to the extent of the full KEUR 4,000.

AERO FORMING TRANSYLVANIA

In 2016, Sonanovae set up Aero Forming Transylvania SRL. Aero Forming Transylvania is an industrial Romanian company. The starting of the activities was scheduled in 2017 but the initial project did not materialize.

SONACA ENGENHARIA

In 2015, Sonaca acquired a 1% holding (KEUR 1) in the Brazilian company Sonaca Engenharia, whose main (99%) shareholder is Sobraer Ltda.

SONACA SPACE

Sonaca Space GmbH is a German company providing engineering services. Sonaca SA acquired the entire shares in the company in 2016. Services are provided to third-party clients and to Sonaca SA.

SONANOVAE

Sonanovae SA is a Belgian company ("société anonyme") that was set up in 2016 by Sonaca SA (90%) and a French partner, Sam Holding (10%), with the aim of acquiring a holding in a new Romanian company, Aero Forming Transylvania SRL. At the end of 2016, Sam Holding withdrew and Sonaca SA bought its shares in Sonanovae, which Sonaca SA now wholly owns.

Accounts receivable

Receivables due by affiliated companies break down as follows (in KEUR):

SNA	1,452 KEUR
Elson	128 KEUR
Sonaca Transilvania	6,000 KEUR
Sonaca Space	480 KEUR
	8,060 KEUR

Transfers to short-term receivables were also recorded in a sum of KEUR 731.

4.2 ENTERPRISES LINKED BY A PARTICIPATING INTEREST AND OTHER FINANCIAL FIXED ASSETS

Participating interests, receivables and cash guarantees

This heading breaks down as follows (in KEUR):

Flabel participation	117 KEUR
Other financial fixed assets	175 KEUR
	292 KEUR

5. ACCOUNTS RECEIVABLE AFTER ONE YEAR

The majority of the receivables due after more than one year (totalling KEUR 11) are down-payments made to suppliers.

6. STOCKS

The net value of stocks fell from KEUR 14,673 to KEUR 11,582.

The stock turnover rate improved from 1.3 to 0.9 months of consumption.

7. CONTRACTS IN PROGRESS

This heading increased from KEUR 61,404 to KEUR 69,401.

In 2016, a set-off was recorded against down-payments received on contracts in progress in the framework of various NRC stages (liabilities account) in the sum of KEUR 3,331, leading to a set-off in the ongoing production variation account in the same amount.

8. ACCOUNTS RECEIVABLE WITHIN ONE YEAR

Receivables fell from KEUR 101,764 to KEUR 61,167, due to a transfer of certain receivables in the sum of KEUR 42,688 to a factoring company.

The average time of supplier payment fell from 4.3 to 2.4 months.

Other receivables rose from KEUR 6,993 to KEUR 8,623, comprising:

- recoverable VAT and other tax credits of KEUR 4,017
- receivables due by subsidiaries in the sum of KEUR 4,456
- receivables due by staff and miscellaneous receivables in the sum of KEUR 150.

9. CASH AT BANK AND IN HAND

At the end of the 2016, this item stood at KEUR 22,886 (KEUR 15,032 at year-end 2015).

10. DEFERRALS AND ACCRUED CHARGES

This account fell from KEUR 2,469 to KEUR 900. It consists of prepayments in the sum of KEUR 417 and deferrals of KEUR 483.

11. USD EXCHANGE RATE USED FOR TRANSLATION ADJUSTMENTS

In view of the portfolio provisions and hedging instruments as at 31 December 2016, both liabilities and receivables in USD are measured at the rate of: EUR 1 = USD 1.19.

LIABILITIES

1. CAPITAL AND RESERVES

1.1 CAPITAL

On 31 December 2016, the capital amounted to KEUR 40,000, represented by 21,513 fully paid-up shares, held 79.5% by Fiwapac, 3.02% by SFPI-FIPM, 17.48% by Wespavia and 0.01% by Sabca.

1.2 LEGAL RESERVE

Taking into account the profit appropriation for 2016, the legal reserve stands at KEUR 3,972.

1.3 PROFIT CARRIED FORWARD

The profit carried forward following profit appropriation for 2016 amounts to KEUR 78,178.

1.4 INVESTMENT GRANTS

Total investment grants amounted to KEUR 116 at year-end 2016.

The capital and reserves following profit appropriation thus increased from KEUR 87,286 to KEUR 122,266, mainly due to the profit from the year, of KEUR 37,515.

2. PROVISIONS

This item fell from KEUR 24,424 in the prior year to KEUR 17,426.

Provisions recorded at year-end were:

- charges for future pension and early pension liabilities KEUR 5,236
- provisions for other liabilities and charges (mainly relating to customer programmes) KEUR 12,190.

3. ACCOUNTS PAYABLE AFTER ONE YEAR

3.1 FINANCIAL DEBTS

*** Subordinated loans**

This item remains unchanged and is made up of a subordinated loan due to Wespavia in the sum of KEUR 4,958.

*** Leasing and other similar obligations**

This heading fell by KEUR 1,372 from KEUR 3,542 to KEUR 2,170 KEUR, following a transfer of KEUR 1,372 KEUR to long-term financial liabilities falling due during the year, with no new financial lease arrangement being contracted in 2016.

*** Credit institutions**

This heading fell by KEUR 31,640 from KEUR 31,640 to EUR 0.

3.2 TRADE CREDITORS

Debts due to suppliers in more than one year fell from KEUR 736 to KEUR 404.

3.3 ADVANCES RECEIVED ON CONTRACTS

This heading fell from KEUR 115 to EUR 0.

3.4 OTHER ACCOUNTS PAYABLE

Other debts due in more than one year amounted to KEUR 109,310, comprising mainly:

- repayable advances from public authorities;
- repayable advances from partners in relation to the Bombardier C-Series contract.

4. ACCOUNTS PAYABLE WITHIN ONE YEAR

*** Trade creditors**

Trade debts rose from KEUR 49,950 to KEUR 51,630. Debts due to suppliers amounted to KEUR 30,131 (prior year: KEUR 30,064). The average time of supplier payment fell from 2.2 to 2 months.

The remaining trade debts (KEUR 21,499), made up of invoices to be received and credit notes to be issued, are up by KEUR 1,612 on the figure for 2015, essentially due to an increase in invoices to be received, in a sum of KEUR 1,401.

*** Advances received on contracts**

This account contains advances received in respect of the new programmes; it decreased from KEUR 28,419 to KEUR 24,960. The advances were mainly received in the context of military and space programmes.

*** Dividends**

According to the profit appropriation, the dividend for the period amounts to KEUR 2,500.

5. TAXATION, REMUNERATION AND SOCIAL SECURITY

This item rose from KEUR 23,919 to KEUR 27,166.

6. ACCRUALS AND DEFERRED INCOME

This item went up from KEUR 10,491 to KEUR 22,213. It is made up of expenditure to be allocated in the sum of KEUR 5,158 and deferred income of KEUR 17,055.

PROFIT AND LOSS ACCOUNT

1. TOTAL REVENUES

Total revenues (including variation of work in progress and own work capitalised) rose from KEUR 327,420 in 2015 to KEUR 360,923 in 2016 (a rise of 10%).

Turnover was KEUR 310,383 in 2016, representing an increase of 9.3% year on year (prior year: KEUR 283,910).

Own work capitalised of KEUR 21,708 was recognised, mainly concerning the NRC on the Airbus A350 and Embraer E190 E2 and E175 E2 programmes.

Total revenues also include "other revenue" of KEUR 18,252, mainly comprising a reduction in social security charges of KEUR 9,200, operating grants of KEUR 1,743 and sales of scrap for KEUR 1,737.

Operating proceeds of KEUR 3,250 were recorded following recognition of a non-refundable down-payment.

2. TOTAL CHARGES

2.1. RAW MATERIALS, CONSUMABLES AND GOODS FOR SALE

The total of this heading rose to KEUR 149,963 in 2016 compared to KEUR 134,677 in 2015 (up 11%) and represent 42% of total revenues (41% in 2015).

2.2. SERVICES AND OTHER GOODS

This item rose by 10.4% from KEUR 31,952 to KEUR 35,289.

2.3. REMUNERATION

This item amounted to KEUR 116,955 as against KEUR 113,392 in 2015, up 3.1%.

Expenditure on bridge and early pensions recorded under this item amounted to KEUR 2,932 (against KEUR 3,527 in 2015), which was accounted against provisions.

In relative terms, remuneration (apart from bridge pensions and including on-site subcontracting services, interim work and fees) amounted to 37% of total revenues (40% in 2015).

2.4. DEPRECIATION AND AMOUNTS WRITTEN OFF ON FIXED ASSETS

Depreciation and amounts written off on fixed assets amounted to KEUR 30,385 in 2016 (KEUR 28,951 in 2015), up KEUR 1,433, due to a rise of KEUR 448 in NRC amortisation and a rise of KEUR 985 in depreciation on other fixed assets.

2.5. AMOUNTS WRITTEN OFF ON STOCKS, CONTRACTS AND AMOUNTS RECEIVABLE

This item was at KEUR -944 (KEUR -898 in 2015) following a reduction of KEUR 640 in stock write-downs and a write-back of 749 on contracts in progress; a write-down of KEUR 445 was recorded on trade receivables.

2.6. PROVISIONS FOR LIABILITIES AND CHARGES

Write-backs of provisions amounted to KEUR 6,998, broken down as follows (in KEUR):

provisions pour bridge pensions	3,262
provisions on contracts	-3,754
miscellaneous provisions	18

2.7. OTHER OPERATING EXPENSES

This item is mainly made up of taxes.

3. OPERATING INCOME

The operating income showed an improvement, standing at KEUR 35,612 in 2016, against KEUR 22,223 in 2015.

4. NET FINANCIAL INCOME

The net financial income stood at KEUR 1,903 (KEUR 1,743 in 2015).

The item breaks down as:

- exchange gains and losses KEUR 4,548
- interest on borrowings KEUR -3,795
- other financial income and expenses KEUR 435
- reversal of impairment on shareholdings KEUR 715

5. INCOME TAXES

The tax calculation takes account of benefits in kind for the use of vehicles.

6. NET AFTER–TAX PROFIT FOR THE FINANCIAL YEAR

The combination of an operating profit of KEUR 35,612 and net financial income of KEUR 1,903 give an after-tax profit of KEUR 37,515 (against profit of KEUR 27,527 in 2015).

7. EXCHANGE RATE

The exchange rate used in 2016 was:
EUR 1 = USD 1,2562.

On 29 March 2017, the company's cash flows in US dollars were hedged at a rate of 91% for estimated needs in 2017, 77% in 2018, 45% in 2019 and 13% in 2020.

BRANCHES

The company has no branches.

POST-BALANCE SHEET EVENTS

Events occurring after the balance sheet date and having an impact on the profit for the financial year were taken into account in the financial statements for 2016.

In mid-February 2017, Sonaca SA launched a take-over bid for 100% of the shares in LMI AeroSpace, whose price was fixed at a cash value of 14 dollars per share.

The acquisition process should be complete by June, subject to the take-over being approved by LMI's shareholders and regulatory authorities. Once completed, LMI AeroSpace will be incorporated as a subsidiary within the Sonaca Group.

MAIN RISK FACTORS LINKED TO THE COMPANY'S ACTIVITIES

Sonaca SA pursues a risk management policy consisting of identifying, measuring, monitoring and reducing the risks linked to its activities. Risk is construed as any factor liable to have a short-, medium- or long-term adverse effect on the company's value. Based on this, Sonaca SA has classified the risks it runs into strategic, financial, operational and legal.

The following is a survey of the main specific risks that are currently identified by the company and are inherent to its activities.

STRATEGIC RISKS

Sonaca SA faces risks linked to the aircraft construction market, viz. the cyclical nature of airlines' demand for new aircraft and their concentration on a few major constructors that monopolise the world market. Economic analysis shows that demand for air transport bears a strong correlation to global growth.

In addition, the market is especially demanding in terms of cost reduction and the deployment of new technologies, in response to which Sonaca SA is engaged in numerous research and development programmes aimed at maintaining and developing its levels of technology in order to pre-empt client demands.

FINANCIAL RISKS

Most of Sonaca's turnover is generated in US dollars. The company's expenses are to a large extent incurred in euros. The company is therefore highly exposed to the EUR/USD exchange rate risk.

HEDGE INSTRUMENTS

The company has standard forward contracts in place for its US dollar hedging (with a horizon of around 42 months). It has ruled out the use of structured products.

As regards the transactional exchange rate risk, Sonaca SA (76% of whose turnover was generated in US dollars in 2016) adopts a policy based on the following principles.

First, Sonaca SA applies an intensive purchasing policy for its raw materials and subcontracting in US dollars so as to reduce its net exposure to the US dollar exchange rate risk.

Sonaca SA applies an exchange rate hedge policy that entails it having at the end of year N:

- 95% hedged for year N+1
- between 50% and 80% hedged for year N+2
- between 0% and 30% hedged for year N+3

It is therefore only net cash flows resulting from sales in US dollars less purchases in that currency that are hedged.

The calculation is repeated at the end of each half year.

As regards the balance sheet exchange rate risk, Sonaca runs its accounts according to the principle of prudence with exceptional write-offs charged where judged necessary pursuant to applicable valuation rules.

As regards the interest rate risk, Sonaca SA has repaid all its loans, replacing them with a Revolving Credit Facility in the sum of EUR 60 million. We therefore continue to hedge rates used in connection with that facility.

LIQUIDITY RISKS

For the past ten years, the company has entered into numerous contracts with customers and to do so has committed to major investment programmes in terms of both development and industrialisation costs and production facilities.

Moreover, the contractual exclusivity awarded to the company by its customers for the majority of its programmes imposes on it an obligation to respond to possible increases in required delivery rates, which also triggers increases in its production capacities and working capital needs.

In 2016, Sonaca SA took advantage of its good results to rearrange its bank debts. In doing so, all its bank loans were repaid and replaced with a revolving credit facility, or RCF, in a sum of EUR 60 million (with the possibility of drawdown in foreign currencies). Non-recourse factoring arrangements have been kept in place for certain of its receivables for renewable periods of five years.

Furthermore, the company relies on greatly improving operating cash flows, enabling it increasingly to finance its onward development itself.

Internal control

Due to its size and international structure, Sonaca SA has bolstered its internal control systems, overseen by its Audit Committee, particularly in the field of accounting its business transactions and the associated risks.

OPERATING RISK

Overall, Sonaca SA faces risk in the following domains:

- price rises for raw materials and increasing shortages of available quantities
- the need to reduce the cost of sales of its products in order to offset the natural rise in certain costs and respond to market demand
- high demands in terms of quality, safety and the traceability of products and their component parts
- sometimes quite sudden variations in customer demands in terms of deliverable quantities, forcing the company to adapt very quickly
- failure of a technical process, subcontractor or essential supplier needed to ensure continuity in the supply chain.

LEGAL RISKS AND PENDING LITIGATION

Every company faces certain legal risks in terms of disputes of varying scope that arise in the course of its business. To the Board's knowledge, all disputes involving the company and its consolidated affiliates whose likelihood of realisation is reasonably material have been subjected to suitable provisions in the accounts or are described in detail in the notes appended hereto.

PROFIT APPROPRIATION

SITUATION AT 31.12.2016

The profit for the period amounts to EUR 37,514,749.12, which the Board of Directors proposes the shareholders in General Meeting should resolve to allocate as follows:

• An allocation of 5% to the legal reserve, i.e. EUR 1,875,737.46.

• Distribution of a dividend in the sum of EUR 2,500,000.

The profits carried forward from 2015 amount to EUR 45,039,227.43 and the allocable balance to be retained from 2016 is EUR 33,139,011.66. The total profits carried forward will thus amount to EUR 78,178,239.09.

PROFIT & LOSS ACCOUNT

OF SONACA GROUP

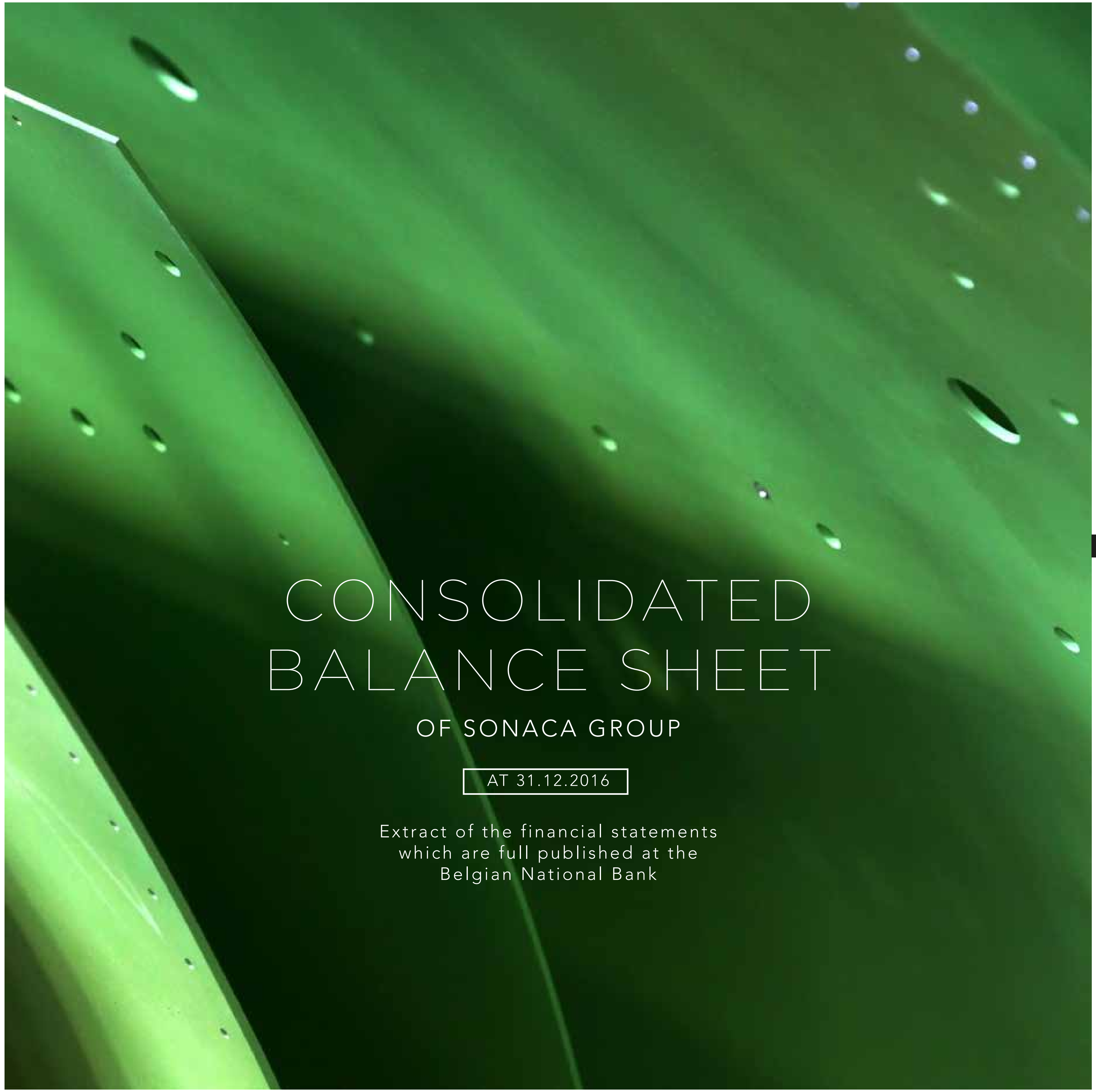
AU 31.12.2016

Extract of the financial statements which are full published at the Belgian National Bank

In thousands of Euro

	31.12.2016	31.12.2015	31.12.2014	31.12.2013
TOTAL REVENUES	**399,040**	**380,926**	**361,439**	**363,004**
Turnover	344,671	332,287	314,443	319,380
Inc./Dec.(+/-) in stocks of fin. goods & contracts in prog.	10,887	6,482	6,810	13,626
Capitalised production	22,991	23,787	17,764	11,154
Other operating income	20,489	18,369	22,422	18,845
Non-recurring revenue	2	-	-	-
TOTAL CHARGES	**362,532**	**342,296**	**328,157**	**340,690**
Raw materials, consumables and goods for resale	149,629	140,465	138,262	147,447
1. Purchases	149,955	140,177	133,201	146,480
2. Increase (+); Decrease (-) in stocks	(326)	288	5,061	967
Services and other goods	43,368	35,930	33,665	34,480
Remuneration, social security costs and pensions	141,480	136,769	137,635	136,708
Depreciations and other amounts written off	34,685	32,915	20,057	20,601
Inc./Dec.(+/-) in amounts written off on stocks	(947)	(898)	(1,521)	(2,717)
Increase (+); Decrease (-) in provisions	(6,577)	(3,774)	(1,450)	3,029
Other operating expenses	535	838	1,458	1,092
Capitalized expenses	-	-	-	-
Amortization of goodwill	90	51	51	51
Non-recurring expenses	269	-	-	-
OPERATING INCOME	**36,507**	**38,630**	**33,282**	**22,314**
FINANCIAL INCOME	**19,334**	**16,108**	**2,152**	**1,813**
Income from fixed assets	11	1	-	43
Income from current assets	7	51	100	76
Other financial income	19,317	16,056	2,051	1,694
Non-recurring financial income	-	-	-	-

FINANCIAL EXPENSES	**16,736**	**23,107**	**13,742**	**17,991**
Interest	5,103	5,845	6,383	10,191
Inc./Dec.(+/-) in amounts written off on cur. assets	-	-	-	-
Other financial expenses	11,623	17,262	7,359	7,800
Non-recurring financial expenses	10	-	-	-
PROFIT (LOSS) BEFORE INCOME TAX	**39,105**	**31,630**	**21,691**	**6,136**
EXTRAORDINARY INCOME	**-**	**166**	**3,423**	**-**
Reversal of depreciation and amounts written off	-	-	-	-
Reversal of provisions for financial fixed assets	-	-	-	-
Reversal of prov. for extraordinary liabilities and charges	-	-	-	-
Gain on disposal of fixed assets	-	77	3,096	-
Other extraordinary income	-	89	327	-
EXTRAORDINARY EXPENSES	**-**	**1,195**	**1,809**	**(2,992)**
Depreciation and amounts written off	-	799	-	50
Amounts writen off on financial fixed assets	-	-	-	-
Provisions for extraordinary liabilities and charges	-	338	997	(4,248)
Loss on disposal of fixed assets	-	-	13	16
Other extraordinary charges	-	58	798	1,190
Capitalized extraordinary charges	-	-	-	-
PROFIT (LOSS) BEFORE TAXATION	**39,105**	**30,601**	**23,305**	**9,128**
TRANSFERS TO/FROM DEFERRED TAXES	**(62)**	**-**	**-**	**(54)**
INCOME TAXES	**475**	**(2,951)**	**1,374**	**755**
PROFIT (LOSS) FOR THE FINANCIAL YEAR	**38,692**	**33,552**	**21,931**	**8,426**
PROFIT ATTRIBUTABLE TO MINORITY INTERESTS	**(167)**	**520**	**565**	**398**
PROFIT ATTRIBUTABLE TO THE GROUP	**38,859**	**33,032**	**21,366**	**8,029**



CONSOLIDATED BALANCE SHEET

OF SONACA GROUP

AT 31.12.2016

Extract of the financial statements which are full published at the Belgian National Bank

ASSETS

IN THOUSANDS OF EURO

	31.12.2016	31.12.2015	31.12.2014	31.12.2013
FIXED ASSETS	**219,348**	**194,028**	**187,511**	**176,941**
FORMATION EXPENSES	-	-	-	-
INTANGIBLE ASSETS	**22,752**	**9,366**	**9,443**	**11,590**
GOODWILL	**156**	**51**	**102**	**153**
TANGIBLE ASSETS	**195,887**	**183,412**	**175,182**	**161,690**
Land and buildings	22,669	16,848	19,192	21,317
Installations, machinery and equipment	67,453	50,759	49,472	49,587
Furnitures and fixtures	1,173	1,306	1,598	1,278
Leasing and similar rights	5,630	8,657	9,709	9,649
Other tangible assets	13,371	9,612	8,420	8,247
Assets Under Constr.& Downpayments	85,591	96,231	86,791	71,611
FINANCIAL FIXED ASSETS	**554**	**1,199**	**2,784**	**3,508**
Companies consolidated by Equity method	-	-	-	-
1. Participating interests	-	-	-	-
2. Accounts receivable	-	-	-	-
Other companies	554	1,199	2,784	3,508
1. Shares	365	336	1,560	1,460
2. Accounts Receivable	189	863	1,224	2,048
CURRENT ASSETS	**205,548**	**231,697**	**226,250**	**212,994**
ACCOUNTS RECEIVABLE AFTER ONE YEAR	**65**	**9**	**92**	**14**
Trade debtors	-	-	-	-
Other accounts receivable	65	9	92	14
STOCKS AND CONTRACTS IN PROGRESS	**98,696**	**87,491**	**105,440**	**113,079**
Stocks	28,718	25,863	28,182	30,863
Raw materials and consumables	22,449	19,561	21,862	24,834
Goods in process	4,359	4,289	4,118	3,436
Finished goods	1,504	1,227	1,436	1,113
Goods purchased for resale	407	786	766	1,480
Real property acquired or constructed for resale	-	-	-	-
Contracts in progress	69,979	61,628	77,258	82,216
ACCOUNTS RECEIVABLE WITHIN ONE YEAR	**74,375**	**114,811**	**98,648**	**94,573**
Trade debtors	66,692	107,105	93,486	90,526
Other accounts receivable	7,684	7,706	5,161	4,047
INVESTMENTS	**307**	**10,492**	**16,105**	**25**
CASH AT BANK AND IN HAND	**31,000**	**15,814**	**4,675**	**4,003**
DEFERRED CHARGES AND ACCRUED INCOME	**1,104**	**3,080**	**1,291**	**1,299**
TOTAL OF ASSETS	**424,896**	**425,725**	**413,761**	**389,935**

PASSIF

IN THOUSANDS OF EURO

	31.12.2016	31.12.2015	31.12.2014	31.12.2013
EQUITY	**124,159**	**83,461**	**29,904**	**10,911**
CAPITAL	**40,000**	**40,000**	**7,198**	**7,198**
SHARE PREMIUM ACCOUNT	**-**	**1**	**-**	**-**
REVALUATION RESERVES	**5,730**	**5,866**	**6,002**	**6,137**
RESERVES	**78,306**	**41,811**	**18,535**	**(830)**
BADWILL	**1,255**	**382**	**-**	**-**
CUMULATIVE TRANSLATION ADJUSTMENTS	**(1,248)**	**(4,749)**	**(2,016)**	**(1,814)**
GRANTS	**116**	**150**	**185**	**220**
MINORITY INTERESTS	**(68)**	**2,108**	**2,767**	**2,498**
PROVISIONS AND DEFERRED TAXES	**19,975**	**26,905**	**31,801**	**33,115**
Pensions and similar obligations	5,236	8,499	11,272	14,435
Tax provision	-	39	65	37
Important repairs and maintenance	-	17	40	269
Other risks and charges	14,739	16,675	18,154	16,041
DEFERRED TAXES	-	1,676	2,270	2,334
DEBTS	**280,830**	**313,251**	**349,290**	**343,410**
Accounts payable after one year	131,023	168,573	202,954	168,775
Financial debts	20,647	56,943	95,252	92,159
1. Subordinated loans	4,958	5,554	34,475	36,120
3. Leasing and other similar obligations	2,170	3,542	5,114	3,964
4. Credit institutions	12,519	47,850	55,669	52,084
5. Other loans	1,000	(2)	(6)	(8)
Trade debts	404	736	1,305	1,475
1. Suppliers	404	736	1,305	1,475
2. Other trade debts	-	-	-	-
Advance payments received for orders	-	115	131	-
Other accounts payable	109,972	110,778	106,266	75,141
Accounts payable within one year	127,516	133,410	137,824	164,315
Current portion of accounts payable after one year	9,195	21,489	22,519	26,066
Financial debts	2,155	1,293	1,067	23,227
1. Credit institutions	2,155	1,293	1,067	3,230
2. Other loans	-	-	-	19,998
Trade debts	56,867	53,011	53,683	56,104
1. Suppliers	56,867	33,509	41,667	44,603
2. Other trade debts	-	19,502	12,016	11,501
Advance payments received on contracts in progress	25,135	28,419	31,913	34,108
Taxes, remuneration and social security	30,388	26,683	26,450	24,655
1. Taxes	774	1,263	1,220	1,021
2. Remuneration and social security	29,613	25,421	25,230	23,635
Other accounts payable	3,776	2,514	2,192	154
DEFERRED INCOME AND ACCRUED CHARGES	**22,291**	**11,269**	**8,512**	**10,320**
TOTAL OF LIABILITIES	**424,896**	**425,725**	**413,761**	**389,935**

1. A DESCRIPTION OF THE SONACA GROUP

SONACA IN BELGIUM

Sonaca SA is the group's parent and is situated in Gosselies in Belgium. Its main corporate object is the design, manufacture and assembly of structural elements of aerospace aircraft. Further information is available in the Sonaca SA management report.

Sonaca Ventures Holding SA (SVH) is a wholly owned (less one share) Belgian subsidiary of Sonaca SA and is situated in Gosselies. Its main corporate object is the purchase and sale of all stocks and securities and acquisition of holdings in Belgian or foreign companies. SVH was incorporated on 4 June 2015 with capital of KEUR 1,250, which is 44% paid up.

Sonaca Aircraft SA is a 90.91% subsidiary of Sonaca Ventures Holding SA and is situated in Gosselies. Its main object is the design, manufacture and repair of all types of aircraft and their parts. Sonaca Aircraft SA was incorporated on 16 September 2015 with capital of KEUR 2,200, which is 75% paid up. Sonaca Ventures Holding SA holds 62.5% of the voting rights in Sonaca Aircraft SA.

Sonanovae SA is a wholly owned Belgian subsidiary of Sonaca SA and is situated in Gosselies. Its main object is the incorporation of (and holding 100% of the shares and voting rights in) Aero Forming Transylvania. Sonanovae was incorporated on 2 May 2016 with capital of EUR 10 million, which is 55.57% paid up. Sonaca holds 90% of the shares. In December 2016, Sonaca SA acquired 10% of Sam Holding's shares for KEUR 988.

Belairbus SA is a Belgian company 58.75% owned by Sonaca SA and is situated in Waterloo. Its main object is to organise and coordinate commercial processes for the three Belgian industrial companies (Asco, Eurair and Sonaca) which are partnered with Airbus for the supply of wing leading edges for civil aviation programmes. The Belairbus shareholders are Sonaca, Asco, Eurair and Sabca.

Flabel SA is a Belgian company 38.8% owned by Sonaca SA. Its task is to coordinate the involvement of three Belgian industrial partners (Sonaca, Asco, Sabca Group) in the A400M transport airplane programme developed by Airbus Military, in which Flabel has a 4.44% holding.

SONACA IN GERMANY

Sonaca Space GmbH is a wholly-owned German subsidiary of Sonaca SA, having been acquired in 2016. Its main object is to provide engineering services. The company was acquired as AST for a price of KEUR 334, after which it changed its name to Sonaca Space.

SONACA IN ROMANIA

Sonaca Aerospace Transilvania SRL was incorporated on 12 March 2015 as an industrial under Romanian law. It is wholly owned by Sonaca SA. It has capital of EUR 4 million and its task is to assemble aircraft structures for its parent as well as manufacturing composite hand layup parts, also for the aeronautical sector. Industrial activities got underway at the end of 2016.

Aero Forming Transylvania is a wholly-owned Romanian subsidiary of Sonanovae SA and was incorporated in 2016. Its activity is industrial in nature. Trading was scheduled to start in 2017, but the project has currently been suspended.

SONACA IN BRAZIL

Sobraer Ltda was incorporated in 2000 as a wholly-owned (less five shares) Brazilian subsidiary of Sonaca SA and is situated in São José dos Campos. Its task is to carry out certain assembly and fitting operations and finishing work on aircraft structural elements, mainly for Sonaca SA.

Sopeçaero Ltda is a Brazilian company incorporated in 2004. Its shareholders are Sobraer Ltda (90.28%) and Sonaca SA (9.72%). Its task is to manufacture small sheet metal parts for the world aircraft construction market. In 2016, Sobraer acquired Eltra's shares.

Pesola Ltda is a Brazilian company incorporated in 2004. Its shareholders are Sobraer Ltda (66.67%) and Sonaca SA (33.33%). Its task is to manufacture small machined parts for the world aircraft construction market.

Sonaca Engenharia Ltda is a Brazilian company incorporated on 12 June 2015 with capital of KBRL 100. It is 99% owned by Sobraer Ltda, with the remaining shares being held by Sonaca SA. Its task is to provide engineering and project management services for the aeronautical sector.

SONACA IN NORTH AMERICA

Sonaca North America (SNA) is a wholly-owned Canadian subsidiary of Sonaca SA and is situated in Mirabel, near Montreal in Quebec. It is a holding company whose task is to contribute to developing the activities of the Sonaca Group on the North American continent and provide financial services for its subsidiaries. SNA was set up by Sonaca SA in 2003.

In 2003, SNA set up a subsidiary named Sonaca Montreal (SM). SM has taken over the assets (including the personnel) and commercial contracts of NMF Canada, which had filed for protection from its creditors.

Sonaca Montreal Inc (SM) is a Canadian company wholly owned by Sonaca North America. Sonaca Montreal has its own customer base, for which it manufactures and assembles large-scale aluminium structures for the aeronautical sector.

Sonaca USA Inc is a US company wholly owned by Sonaca North America. It was incorporated on 22 September 2015 with capital of KUSD 25. Its task is to serve as a platform for developing the activities of the Sonaca Group in the USA.

SONACA IN CHINA

Elson Ltd is a Chinese wholly-owned subsidiary of Sonaca SA situated in Hong Kong and was incorporated in 2010.

Elson is a holding company with 100% of the shares in Sinelson Aero (Tianjin) Co, Ltd, a Chinese operating company situated in Tianjin, whose task is to assemble leading edges on behalf of Sonaca SA for A320s undergoing final Airbus assembly in China.

2. CONSOLIDATION

The group first consolidated its financial statements at the end of the financial year ending on 31 December 2000.

In accordance with applicable law, Sonaca SA's Board of Directors resolved in 2016 to extend the consolidation scope to Sonaca SA, Sonaca North America and its subsidiaries Sonaca Montreal, Sonaca USA, Sobraer, Sopeçaero and Pesola, Sonaca Engenharia, Elson, Sinelson, Sonaca Aerospace Transilvania, Sonaca Ventures Holding, Sonaca Aircraft, Sonanovae, Aero Forming Transylvania and Sonaca Space.

Belairbus SA has been left out of the scope of consolidation because Sonaca SA does not have controlling power in that company, as Belairbus's articles of association require 75% of the votes for any decision by the board of directors. The same goes for Flabel SA, whose balance sheet and profit and loss account have little bearing in terms of the Sonaca Group as a whole.

These two holdings are therefore kept at acquisition value in the consolidated financial statements.

The consolidated financial statements have been prepared in accordance with the (Belgian) Royal Decree of 30 January 2001 implementing the Companies Code.

The consolidation has been performed using the full consolidation method for all entities within the consolidation scope.

3. COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

3.1. SONACA SA AND THE BELGIAN SUBSIDIARIES

Sonaca SA's year-end profit amounts to KEUR 37,515 (see comments on the statutory accounts of Sonaca SA). In the consolidated financial statements, the write-back of the impairment on the Elson holding was cancelled in a sum of KEUR 715.

Taking account of this consolidation operation and of the exchange differences on the elimination of inter-group balance sheet items (KEUR 476) and other, less significant differences, Sonaca SA's contribution to the group's net profit amounted to KEUR 37,153.

At year-end, Sonaca Ventures Holding SA incurred a loss of KEUR 41, which was the company's contribution to the group's net profit.

Sonaca Aircraft SA's loss amounted to KEUR 445 at year-end. After consolidation adjustments, this subsidiary's contribution to the group's net profit was negative, at KEUR -278.

For its first financial year, Sonanovae ended up with a loss of KEUR 74, which was the company's contribution to the group profit.

3.2. GERMAN SUBSIDIARY

Sonaca Space ended 2016 with a loss of KEUR 486. Its (negative) contribution to the group's net profit amounts to a loss of KEUR 481.

3.3. ROMANIAN SUBSIDIARIES

At year-end, Sonaca Aerospace Transilvania SRL generated a loss of KRON 5,059. After consolidation, its (negative) contribution to the group's net profit amounted to KEUR 1,229.

At year-end, Aero Forming Transylvania's profit amounted KRON 46. Its contribution to the group profit was KEUR 11.

3.4. SOUTH-AMERICAN SUBSIDIARIES

In 2016, Sobraer had turnover of KBRL 66,573. Sobraer's net non-consolidated profit for the year was KBRL 7,613. Following consolidation, this subsidiary's contribution to the group's net profit was KEUR 2,180.

Sopeçaero's turnover increased from KBRL 19,464 in 2015 to KBRL 19,709 in 2016. Net profit at the end of 2016 stood at KBRL 1,480. Following consolidation, this subsidiary's contribution to the group's net profit was negative (KEUR -234).

At year-end, Pesola's net profit amounted to KBRL 43, based on turnover of KBRL 16,749. Following consolidation, this subsidiary's contribution to the group's net profit was KEUR 196.

Sonaca Engenharia ended 2016 with profit of KBRL 126. Following consolidation, this subsidiary's contribution to the group's net profit was KEUR 159.

3.5. NORTH-AMERICAN SUBSIDIARIES

SNA ended 2016 with a loss of KCAD 150 (KEUR 108). SNA's contribution to the group net profit amounted to KEUR 65 following exchange rate differences on the elimination of interco transactions.

Sonaca Montreal's turnover amounted to KCAD 48,530, down 26.3% year on year. Its profit stood at KCAD 4,633 and its operating cash flow was at KCAD 4,940. Sonaca Montreal achieved this result despite incorporating into profit an unrealised foreign exchange gain of KCAD 5,556. These income items were cancelled out on consolidation because the Belgian accounting principles do not allow them to be capitalised. After consolidation adjustments, SM's net profit amounts to KEUR 622 in the group financial statements.

Sonaca USA's year-end profit amounted to kUSD 11. Following consolidation, Sonaca USA's share in the group's profit was KEUR 7.

3.6. CHINESE SUBSIDIARIES

Elson ended 2016 with a loss of kHKD 69. Its share in the group result was KEUR - 24.

Sinelson's profit for 2016 was kCNY 5,998. Following consolidation, Sinelson's share in the group's net profit was KEUR 828.

3.7. CONSOLIDATED HIGHLIGHTS

After neutralisation of interco transactions, Sonaca Group's key consolidated figures (in KEUR) stood as follows:

	2015	2016
Revenues	380,926	399,040
Turnover	332,287	344,671
Operating profit	37,601	36,507
Group's share in the consolidated after-tax profit	33,032	38,859
Consolidated capital and reserves	83,461	124,159

4. POST-BALANCE SHEET EVENTS

Post-balance sheet events affecting the result for the financial year were taken into account when preparing the 2016 financial statements.

In mid-February 2017, Sonaca SA launched a take-over bid for 100% of the shares in LMI Aerospace, whose price was fixed at a cash value of 14 dollars per share.

The acquisition process should be complete by June, subject to the take-over being approved by the LMI shareholders and the regulator. Once this process has been completed, LMI Aerospace will be incorporated as a subsidiary within the Sonaca Group.

5. MAIN RISK FACTORS LINKED TO THE GROUP'S ACTIVITIES

Sonaca Group pursues a risk management policy consisting of identifying, measuring, monitoring and reducing the risks linked to its activities. Risk is construed as any factor liable to have a short-, medium- or long-term adverse effect on the company's value. Based on this, Sonaca Group has classified the risks it runs into strategic, financial, operational and legal.

The following is a survey of the main specific risks that are currently identified by the company and are inherent to its activities.

STRATEGIC RISKS

Sonaca Group faces risks linked to the aircraft construction market, viz. the cyclical nature of airlines' demand for new aircraft and their concentration on a few major constructors that monopolise the world market. Economic analysis shows that demand for air transport bears a strong correlation to global growth.

In addition, the market is especially demanding in terms of cost reduction and the deployment of new technologies, in response to which Sonaca Group is engaged in numerous research and development programmes aimed at maintaining and developing its levels of technology in order to pre-empt client demands.

FINANCIAL RISKS

Most of Sonaca Group's turnover is generated in US dollars. The company's expenses are to a large extent incurred in euros and so the company is highly exposed to the EUR/USD exchange rate risk and, to a lesser extent, to the USD/CAD and the USD/BRL exchange rate risks.

Hedge instruments

The company has classic forward contracts for its US dollar hedging against local currency (with a horizon of around 42 months for Sonaca SA and 30 for the subsidiaries). It has ruled out the use of structured products.

As regards the transactional exchange rate risk, the Sonaca Group (over 75% of whose turnover was generated in US dollars in 2015) adopts a policy based on the following principles.

First, the Sonaca Group applies an intensive purchasing policy for its raw materials and subcontracting in US dollars so as to reduce its net exposure to the US dollar exchange rate risk.

It is therefore only net cash flows resulting from sales in US dollars less purchases in that currency that are hedged.

At the minimum, the transactional exchange rate risk (in net cash flow) is hedged at the time invoices are issued (certain risk) either by current hedge arrangements or by new hedges if the current ones are insufficient. Beyond that minimum, the Sonaca Group pursues an active exchange rate hedge policy at more distant horizons taking account, first, of its sales outlook weighted by a factor of the probability that they will occur and, second, forecasts on the performance of the currency in question.

As regards the balance sheet exchange rate risk, Sonaca runs its accounts according to the principle of prudence with exceptional write-offs charged where judged necessary pursuant to applicable valuation rules.

As regards the balance sheet interest rate risk, around 1/3 of the debt on which interest accrues is financed at a fixed rate, and 2/3 at a variable rate. Hedging products (IRS) were contracted to fix the rate over virtually the entire variable rate indebtedness until the end of 2016 and over an average of 50% for the years 2017 to 2020.

LIQUIDITY RISKS

For the past ten years, the group has entered into numerous contracts with customers and to do so has committed to major investment programmes in terms of both development and industrialisation costs and production facilities.

Moreover, the contractual exclusivity accorded to the company by its customers for the majority of its programmes imposes on it an obligation to respond to increases in required delivery rates, which also triggers increases in its production capacities and working capital needs.

Furthermore, the company relies on greatly improving operating cash flows, enabling it to increasingly finance its onward development itself.

Internal control

Sonaca SA's size and the fact it is an international group mean the company has bolstered the internal control systems it has, overseen by its Audit Committee, particularly in the field of accounting its business transactions and the risks attendant on those operations.

OPERATING RISK

Overall, Sonaca Group faces risk in the following domains:

- price rises for raw materials are increasing shortages of available quantities
- the need to reduce the selling prices of its products in order to offset the natural rise in certain costs and respond to market demand
- high demands in terms of quality, safety and the traceability of products and their component parts
- sometimes quite sudden variations in customer demands in terms of deliverable quantities, forcing the company to adapt very quickly
- failure of a technical process, subcontractor or essential supplier needed to ensure continuity in the supply chain.

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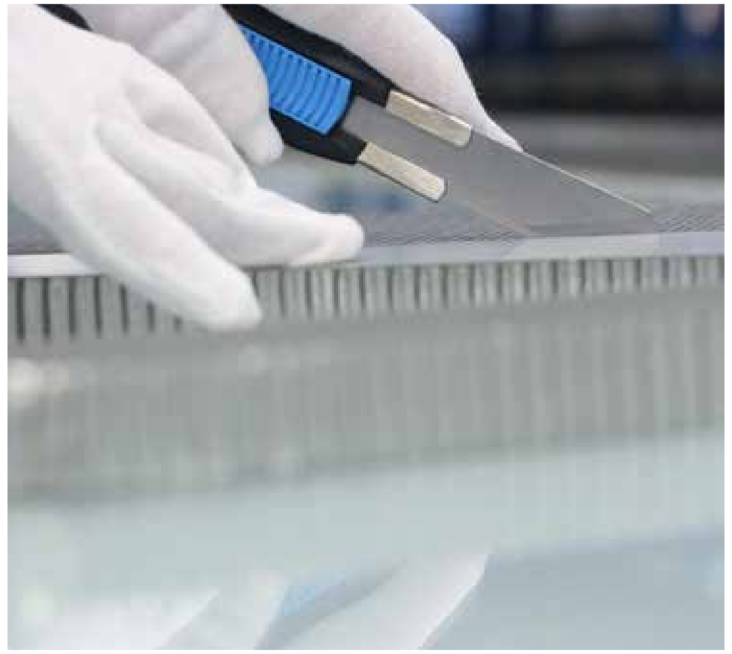
Every group faces certain legal risks in terms of disputes of varying scope that arise in the course of its business. To the Board's knowledge, all disputes involving the company and its consolidated affiliates whose likelihood of realisation is reasonably material have been subjected to suitable provisions in the accounts or are described in detail in the notes appended hereto.



REPORT BY THE STATUTORY AUDITOR

Statutory auditor's report on the annual accounts to the general meeting of shareholders as of and for the year ended on 31 december 2016

In accordance with legal requirements and with the articles of incorporation, we hereby report to you in the context of our auditor's mandate. The report includes our opinion on the annual accounts as well as the required additional statements. The annual accounts include the balance sheet as at 31 december 2016, the income statement for the year then ended and the notes.

REPORT ON THE ANNUAL ACCOUNTS - UNQUALIFIED OPINION

We conducted the audit on the company's annual accounts for the year ended 31 December 2016 prepared in accordance with the financial reporting framework applicable in Belgium, which show a balance sheet total of EUR 392,800,839 and a profit for the year of EUR 37,514,749.

Responsibility of the Board of directors for the preparation of 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 it determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our responsibility is to express an opinion about those annual accounts based on our audit. We conducted our audit in accordance with the International Auditing Standards ("ISAs") as adopted in Belgium. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whetther due do fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the annual accounts.

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.

Unqualified opinion

In our opinion, the annual accounts give a true and fair view of the company's net equity and financial position as at 31 december 2016, and of its results for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The board of directors is responsible for the preparation and content of the directors' report, as well as for the compliance with the legal and regulatory requirements regarding bookkeeping, with the Company Code and with the company's bylaws.

In the context of our mission and in accordance with the Belgian standard which is complementary to the International Auditing Standards ("ISAs") as applicable in Belgium, it is our responsibility to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statements which do not modify the scope of our opinion on the annual accounts :

- The Director's report, prepared in accordance with articles 95 and 96 of the Company Code and to be deposited in accordance with article 100 of the Company Code, includes, both in terms of form and content, the information required by the law, is consistent with the annual accounts and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.
- The social balance, to be deposited in accordance with article 100 of the Company Code, includes, both in terms of form and content, the information required by virtue of the law and does not present any material inconsistencies with the information we have at our disposition in our audit file.
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting complies with the relevant requirements of the law and the company's by-laws.
- There are no transactions undertaken or decisions taken in breach of the by-laws or of the Company Code that we have to report to you.

Gosselies, 4 may 2017
RSM INTERAUDIT SCRL
THE STATUTORY AUDITOR
represented by
Thierry Lejuste
Partner

REPORT BY THE STATUTORY AUDITOR

Statutory auditor's report on the consolidated annual accounts to the general meeting of shareholders as of and for the year ended on 31 december 2016

In accordance with legal requirements and with the bylaws, we hereby report to you in the context of our auditor's mandate. The report includes our opinion on the consolidated financial statements as well as the required additional statement. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December, 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended as well as the notes.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS - UNQUALIFIED OPINION

We have audited the company's consolidated financial statements for the financial year ended 31 December 2016 prepared in accordance with the financial reporting framework applicable in Belgium, which show a consolidated statement of financial position total of EUR 424,895,993 and a consolidated income statement showing a consolidated profit for the year of EUR 38,692,322.

Responsibility of the board of directors for the preparation of the consolidated financial statements

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

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Auditing Standards ("ISAs"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the of material misstatement of the consolidated financial statements, whether due do fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

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.

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Unqualified opinion

In our opinion, the consolidated financial statements of the company give a true and fair view of group's equity and financial position as at 31 december 2016, and of its consolidated results for the year then ended, in accordance with the financial reporting framework applicable applicable in Belgium.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The board of directors is responsible for the preparation and content of the directors' report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Auditing Standards ("ISAs") as applicable in Belgium, it is our responsibility to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement which does not modify the scope of our opinion on the consolidated financial statements :

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

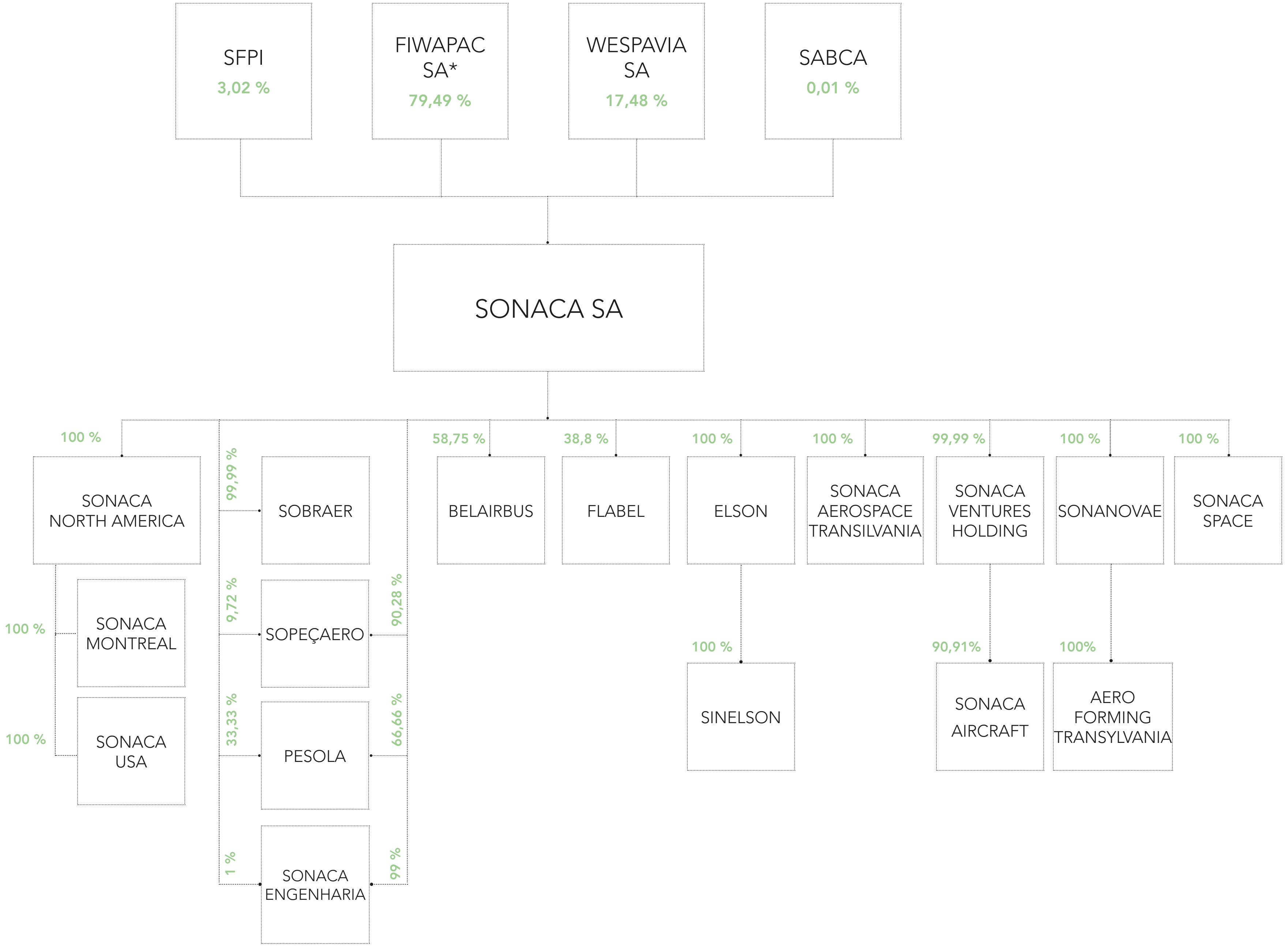
Gosselies, 4 may 2017
RSM INTERAUDIT SCRL
THE STATUTORY AUDITOR
represented by
Thierry Lejuste
Partner

STRUCTURE OF SONACA GROUP

AT 31.12.2016

AS FROM DECEMBER 2016 (SHARES IN THE CAPITAL)

per percent of capital



*In mission delegated for the Walloon Region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&
INSPECTION

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