

The background of the page is a complex, abstract pattern of thin, light green lines. These lines intersect and cross each other in various directions, creating a web-like or network-like structure. The lines are of varying lengths and orientations, some forming larger, irregular shapes while others are shorter and more scattered. The overall effect is one of dynamic movement and interconnectedness.

B E T T E R

T O G E T H E R

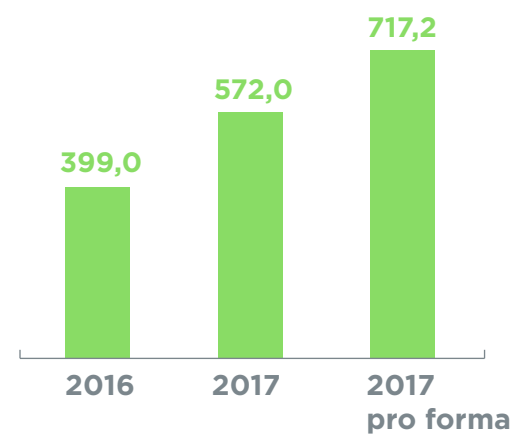
sonaca 

ANNUAL REPORT 2017

Sonaca Group - extended consolidation scope (including LMI Aerospace)

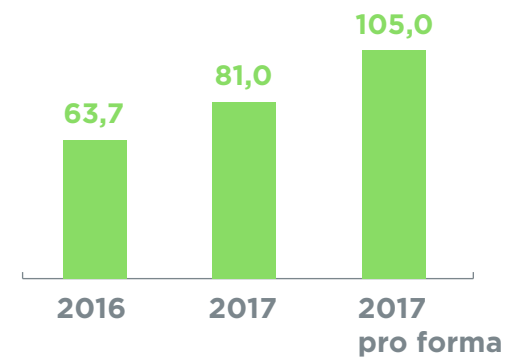
Revenues

in millions of euros



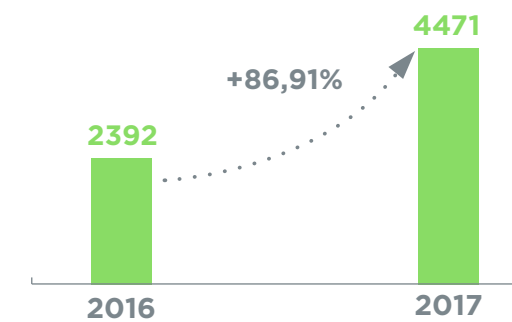
Ebitda

in millions of euros



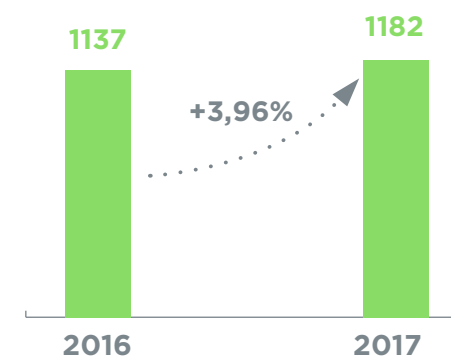
Human Resources

Sonaca Group
in full time equivalent



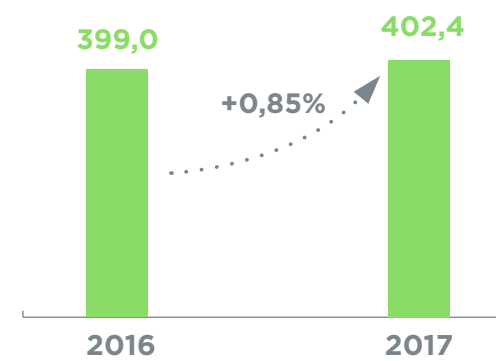
Sonaca Group - historical consolidation scope (excluding LMI acquisition and extraordinary elements)

Number of shipsets



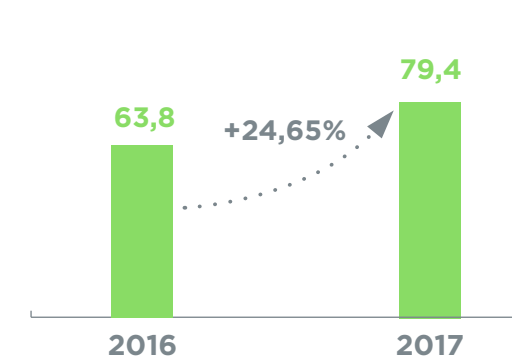
Revenues

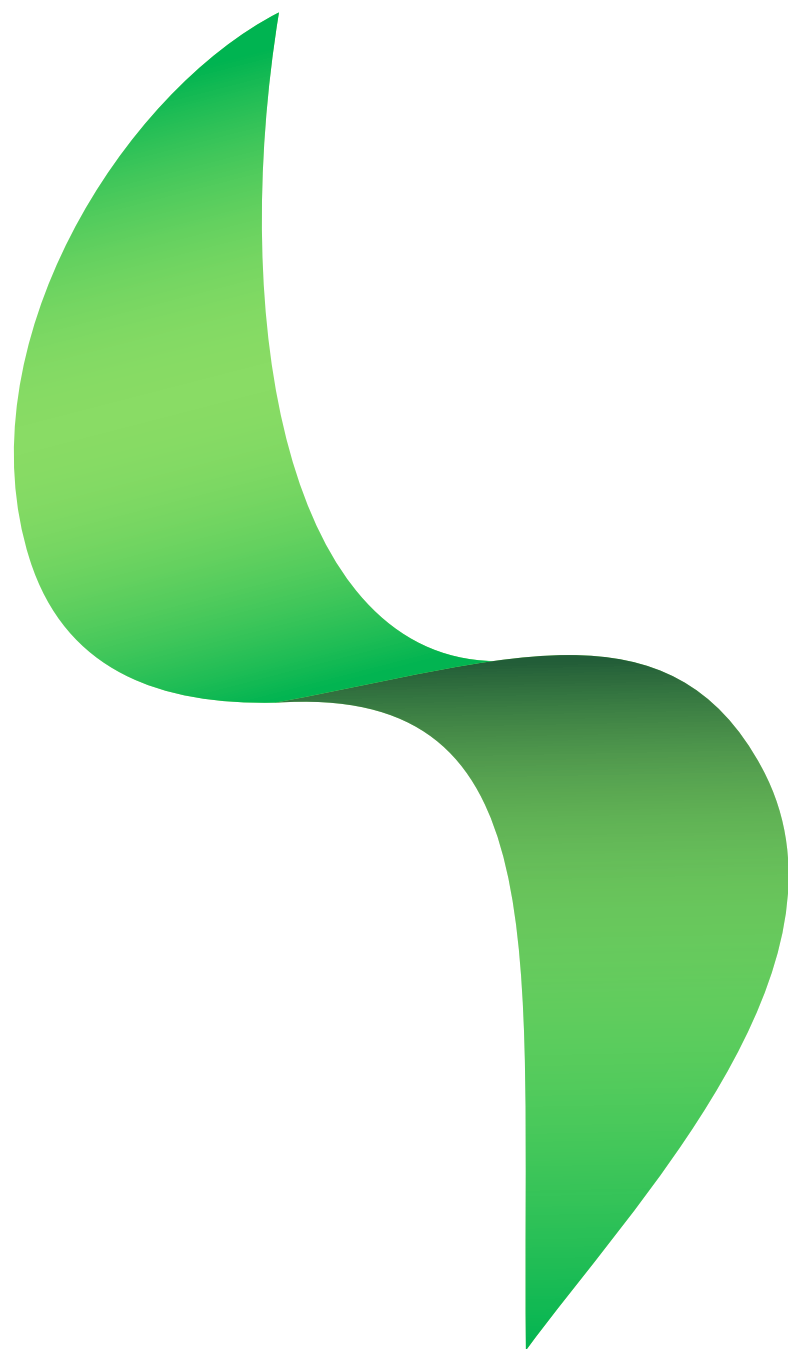
in millions of euros



Ebitda

in millions of euros





CONTENTS

Message from the Chairman	2	
↳ Better together ↳	5	
Key figures	7	
Business Lines	8	
Aerostructure	9	
Aerostructure : design and build	10	
Aerostructure : build to print	11	
Aerostructure : production	14	
Engineering Services	21	
Sonaca Engineering Services (Belgium)	21	
Sonaca Engineering services (Brazil)	22	
LMI Engineering Services (United States and Sri Lanka)	25	
Space	27	
Innovation	28	
R&T	28	
Sonaca 200	30	
HAPS	32	
Business jet Supersonic aerion	35	
Defence	37	
Human resources	38	
Corporate Governance	40	
Corporate Social Responsibility	45	
Integration of LMI	46	
Aerospace: better together!	46	
		Profit & loss account of Sonaca sa 50
		Balance sheet of Sonaca sa 53
		Comments on the profit & loss account and the balance sheet 58
		Profit appropriation 73
		Profit & loss account of Sonaca Group 74
		Consolidated balance sheet of Sonaca Group 77
		Management report of the consolidated accounts 82
		Reports by the Statutory Auditor 92
		Structure of Sonaca Group 98

MESSAGE FROM THE CHAIRMAN

2017 will remain the year which saw a **change in dimension** in Sonaca Group. The acquisition of the American company LMI Aerospace in June 2017 is a major event for the Group, which almost doubled in size as a result of this transaction. Consequently, Sonaca Group has become the partner of all the world's leading aircraft manufacturers. The Group now has an industrial base comprising twenty-five plants, located throughout the world, and substantial engineering capabilities and in Belgium and in the USA.

Thus repositioned, the Group has a **larger customer base, competitive production tools** — which are geographically well distributed — and **expanded R&T capabilities**.

This transaction, would not have been possible if the company had not been able to present a sound financial position, an excellent industrial performance and the support of its shareholders and financial partners.

Excluding LMI and extraordinary elements, **2017 results are excellent in terms of activity and financial capacity and mark further growth**. Sales and services amounted to MEUR 402, the EBIDTA increased by 24% to MEUR 79 and the net result (Group share) rose by 46% to MEUR 57. These figures are

particularly remarkable as all the major subsidiaries contributed towards them.

However, the LMI transaction (concluded half way through the year) affected the figures, as the resources mobilised by the acquisition, MEUR 415, alter the situation of the consolidated balance sheet. To finance this transaction, the shareholders carried out a capital increase of MEUR 100 and the company benefited from financing of over MEUR 280 granted by a banking consortium. Moreover, transposing the figures of the American entity into Belgian accounting standards, including the depreciation of the goodwill of the American subsidiary and the costs related to the transaction in the financial year as well as accounting for a previous LMI transaction led to a negative consolidated net result of minus MEUR 35. These elements had little impact on the **operating EBITDA of the new Group**, which stood at **MEUR 81** or 14% of sales and services.

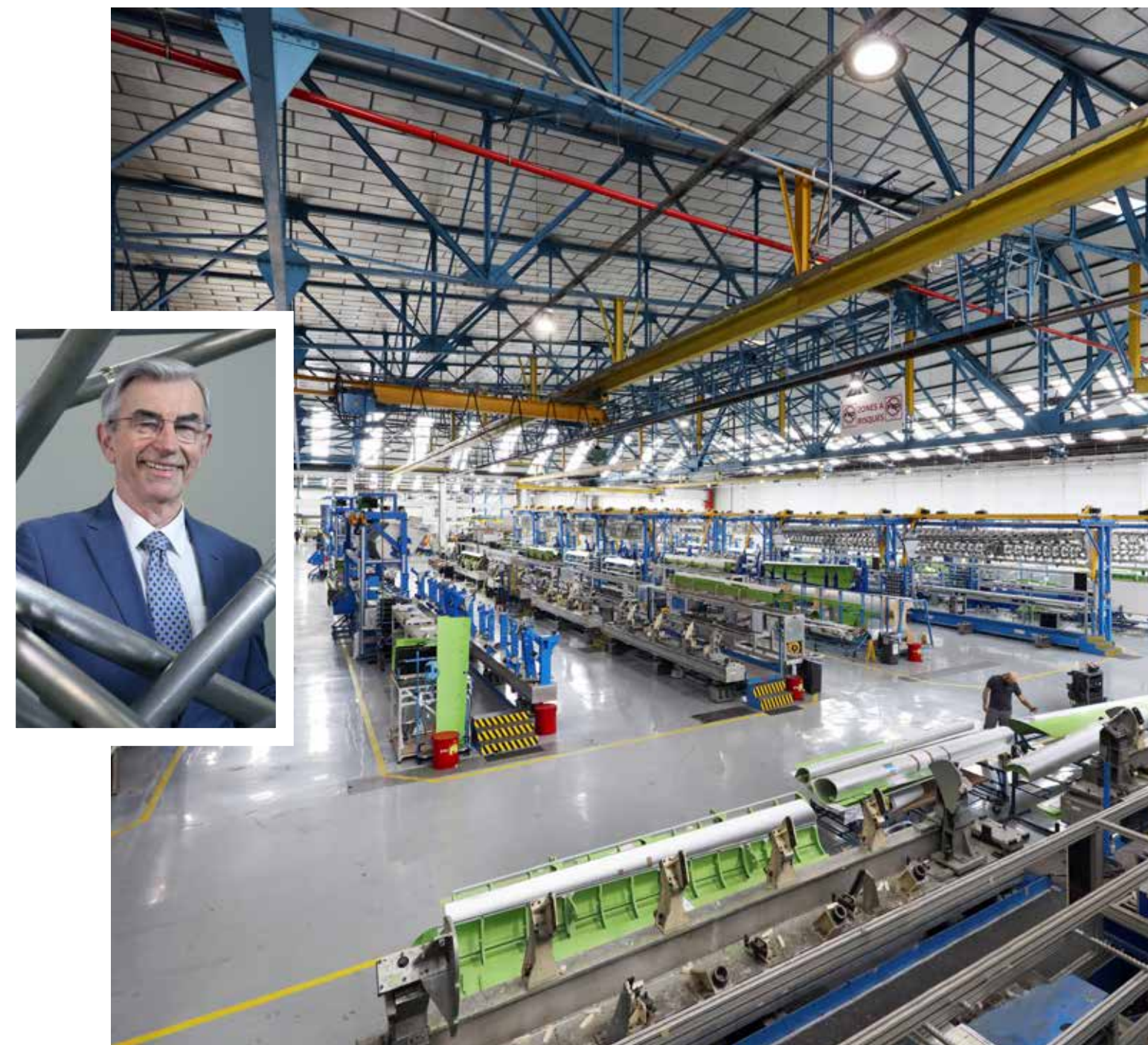
This situation was foreseeable given the conditions of the public takeover bid on the American company. However, the operational performances of LMI shall to improve quickly and significant synergies linked to the transaction shall be generated as planned. The management teams of Sonaca Group and its subsidiary are tackling this task and

the company has been reorganised so that it has every chance of achieving the objectives that justified the transaction.

The Group is expected to have a **good year in 2018**, which should overall secure the jobs of the 4 471 people who work for it and ensure its financial and industrial consolidation. In this way, the company will be armed to make the most of opportunities — to which its new configuration gives it access — and to continue its diversification strategy.

There can be no doubt that, with its new dimension, and by succeeding in **overcoming the operational challenges** of its American subsidiary and **federating its various components**, Sonaca Group is entering a **new dynamic of promising chapter that will boost the future** of all those who are part of it!

Pierre Sonveaux
Chairman of Sonaca Group





BETTER TOGETHER

Within its original scope of activities, Sonaca Group has achieved **impressive 2017 results**, supported by positive contributions from all its subsidiaries, including the Brazilian, Canadian, Chinese and Romanian ones. This was the fruit of **teamwork**, nurtured by the **professionalism** of the staff and **individual commitment** to the result. Thank you to all the Group staff who are part of this success!

And yet, not everything is easy in the aerostructure sector...

The wave of new aircraft developments launched around 2010 is coming to an end and the OEMs are reluctant to engage in new aircraft projects. As a result, the aerostructure engineering market is facing a **severe downturn**. In all its engineering and engineering services departments, the Group is adapting its organizations to nimbly go through this downturn, while being able to kick start activities when our customers will launch the next wave of aircraft developments. Nevertheless, Sonaca Group is preparing to make the difference by continuing to invest in R&T and improving its competitiveness.

The **pressure on prices** for the production of parts and assembly is not easing. On the contrary! Customers requirements as regards competitiveness, prompt the company to continue its productivity efforts and

encourage the development of activities in low cost zones. The prerequisites here are on time delivery and impeccable quality. These are indisputable characteristics of Sonaca Group recently acknowledged by Airbus, with its **SQIP Award**.

Although 2018 has started well, special attention needs to be paid to three essential points to assure the future success of Sonaca Group.

First of all, we need to renew our commitment for all the plants, **to reducing the cost of non-quality**. Working even better — first right time — makes it possible to improve our competitiveness still further. Hence the importance of the **Odyssey 2020** project, which deserves the support of everyone.

Secondly, over the past few months **the Group has enjoyed remarkable commercial success**. Through historic activities, but also with LMI in the USA, Sonaca Group is present worldwide on all the growth platforms in commercial aviation.

Preparing for these increases in volumes and production rates and implementing them successfully is a tremendous prospect — but also a daily operational challenge.

In this field, in the USA and elsewhere, the company needs to work intensively to ensure

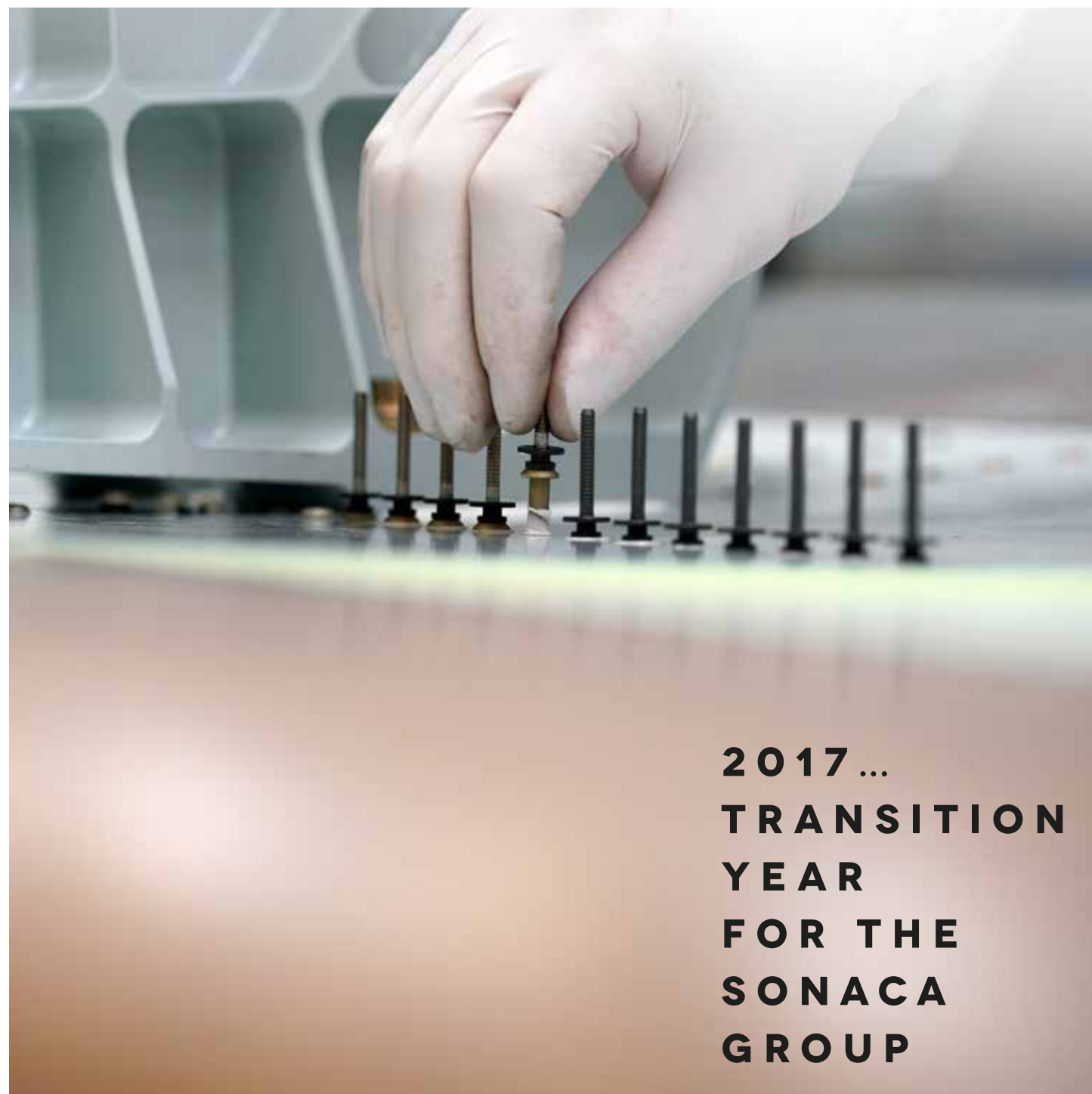
that its customers are perfectly served. Every staff member is well aware that in this sector, well oiled operations that proceed according to plan provide the best guarantee of satisfactory financial results.

Finally, **the expansion of the Group with the acquisition of LMI Aerospace** opens up huge growth possibilities for our activities thanks to intragroup complementarities. This strenght is further reinforced by numerous competitive sites close to our customers.

In these three aspects, quality of execution, precision of preparation, the professionalism of our processes with the focus on measurement indicators and results will enable the company to consolidate its **image of quality and reliability**. Our reputation for excellence is crucial for the activities of Sonaca Group!

The pillars on which Sonaca Group is based are: **the quality of its people and of its teams, a willingness to work together and to learn from one another, respect for everyone and pride in a job well done** all this with constanly renewed **energy** and **ambitions**.

Bernard Delvaux
CEO of Sonaca Group



**2017 ...
TRANSITION
YEAR
FOR THE
SONACA
GROUP**

KEY FIGURES

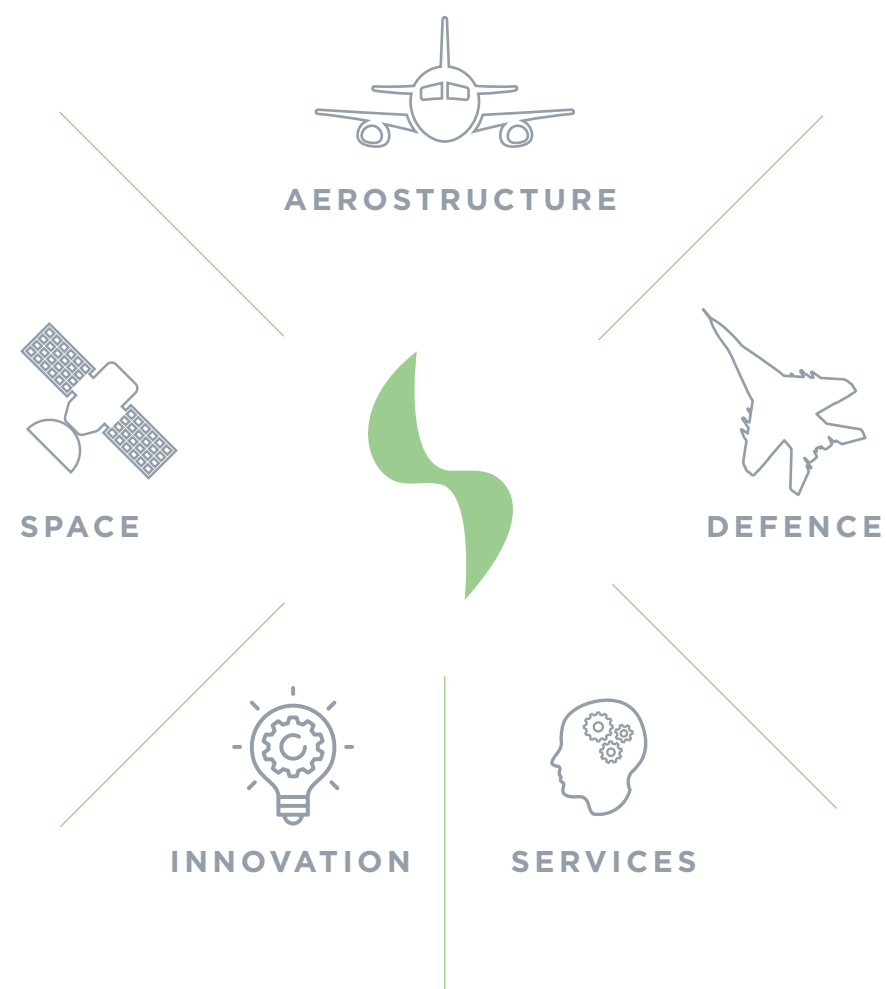
SONACA GROUP
(In thousands of Euro)

	2013	2014	2015	2016	2017	
Revenues	363 004	361 439	380 926	399 040	572 018	LMI Aerospace consolidated from the second half of year
Operating cash flow (EBITDA)	43 226	50 368	*66 873	63 759	80 996	Including the costs linked to the acquisition of LMI Aerospace in the various entities
Operating result (EBIT)	22 314	33 282	38 630	36 507	(27 334)	Including MEUR 67.3 in depreciation of goodwill in LMI Aerospace and first consolidation difference as well as the costs linked to the acquisition of LMI same as line above
Net result (Group share)	8 029	21 366	33 032	38 859	(34 866)	
Capital and reserves	47 030	64 379	89 015	129 116	184 167	
Total balance sheet	389 935	413 761	425 725	424 896	843 966	

* impacted by a 'one shot' entry for A350 slats contract

BUSINESS LINES

Sonaca Group is active in five Business Lines: Aerostructure, Defence, Services, Innovation and Space.



AEROSTRUCTURE

Further to the acquisition of LMI Aerospace, the Aerostructure activities are evenly balanced between design-and-build and build-to-print contracts.



Production volumes in the Group increased in 2017. This is mainly due to rate increases of the Airbus A320 and the Boeing 737 (NG & MAX) platforms. The ramp up of Airbus A350, Boeing 787, Bombardier CSeries, Global Express 7000, Gulfstream G500/G600 and Embraer Legacy 450 also contributed to this good performance. Only, the first generation of Embraer E-jets saw a decline in rates as they are progressively replaced by E2.

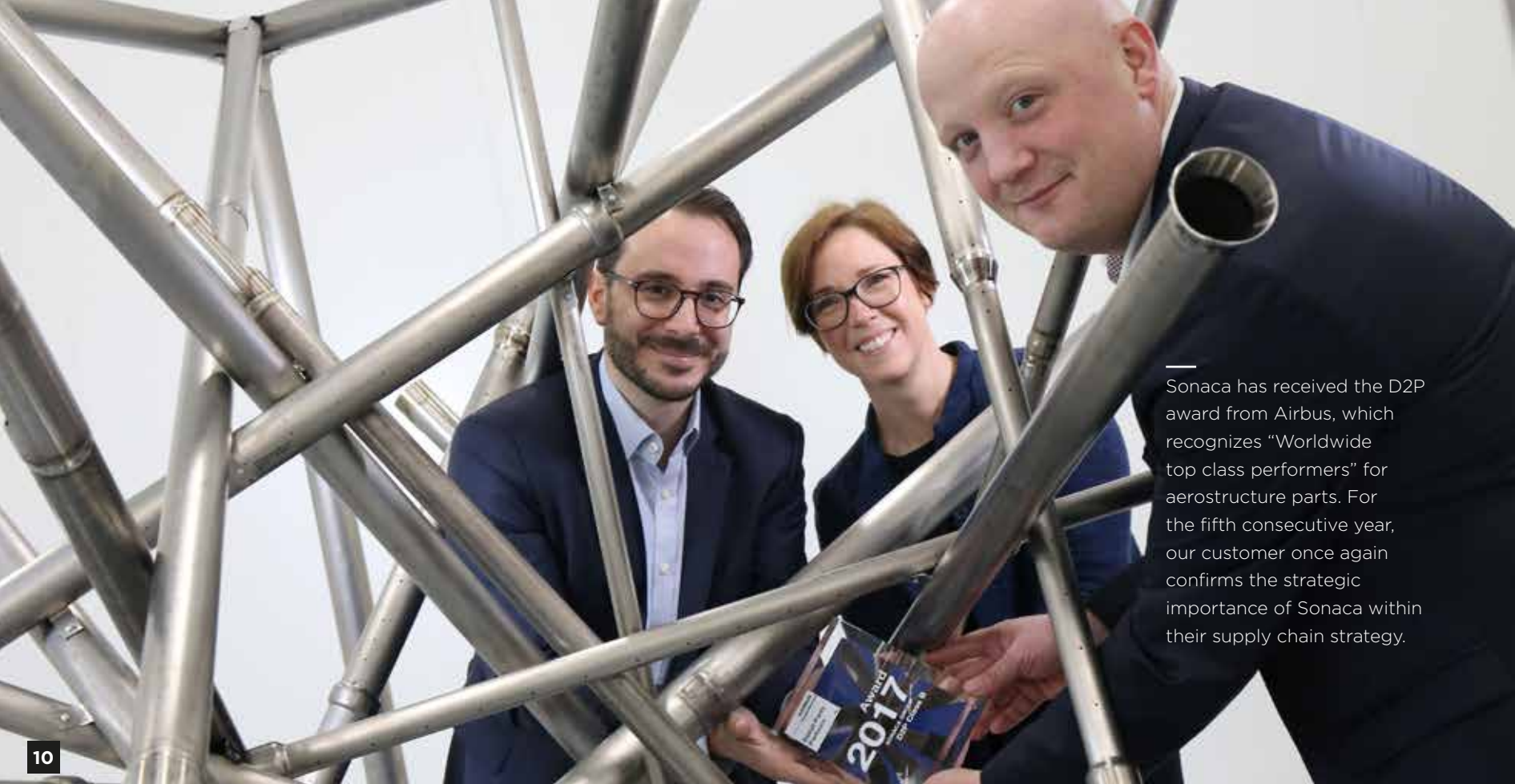


Sonaca Group's belgian commercial team



Sonaca Group has implemented a new global commercial organization, which spans across all continents, in order to ensure utmost customer satisfaction and in order to nurture cross-selling

Sonaca Group is supplying all majors aircraft Original Equipment Manufacturers (OEM) as well as all super-tier 1 suppliers



Sonaca has received the D2P award from Airbus, which recognizes “Worldwide top class performers” for aerostructure parts. For the fifth consecutive year, our customer once again confirms the strategic importance of Sonaca within their supply chain strategy.

AEROSTRUCTURE: DESIGN AND BUILD

In 2017, significant progress was made on programs under development and, in particular on Embraer’s E2 190. For this program, Sonaca Group delivered the first serial production shipsets and all certification reports.

The Group’s engineers in Belgium and Brazil also worked on development of other platforms including:

- Airbus A330Neo (slats), A350-900 and A350-1000 (slats), A400M (landing gear doors).
- Bombardier CSeries (slats and de-icing system).
- Embraer E2 175 (slats and their mechanisms, flaps and their mechanisms and fairings).

- Pilatus PC24 (fixed leading edges and De-icing system).

They also implemented modifications on platforms such as Airbus A320, A321, A330, Dassault F8X and Embraer Legacy 450-500 programs.

For the future, our technical and commercial teams are actively seeking out new design-and-build opportunities:

- The Boeing Middle-of-Market platform, where the Group plans to play a significant role in design-and-build by leveraging the established relationship between LMI Aerospace and Boeing.
- The Airbus ‘Wing of the Future’ R&T project aims to develop a new wing by 2020-22, together with selected core partners, among which Sonaca Group.

- Sonaca Group is also pro-actively developing its contacts with emerging players in the commercial aviation.



AEROSTRUCTURE: BUILD TO PRINT

Belgium, Romania, Brazil, China

- In 2017, Sonaca Group signed a series of new build-to-print contracts worth an annual turnover of MUSD 48. This achievement will generate 6% organic growth! Most notably, the Group has won a contract from a major supplier to provide Airbus parts for a contract valued at almost MUSD 100 over five years.
- The Group won fifteen other tenders, mainly for the production of simple metallic parts in Belgium and Brazil. Sopecaero will obtain Boeing qualification. Sonaca Montreal is also extending its market share within the American market.
- In 2017, Airbus acknowledged the Group as the preferred supplier for detail parts. On the basis of their multi-criteria analysis, the company ranks among the three most attractive firms to develop build-to-print business globally. This further demonstrates the overall excellent performance and competitiveness of Sonaca Group as best in class worldwide.



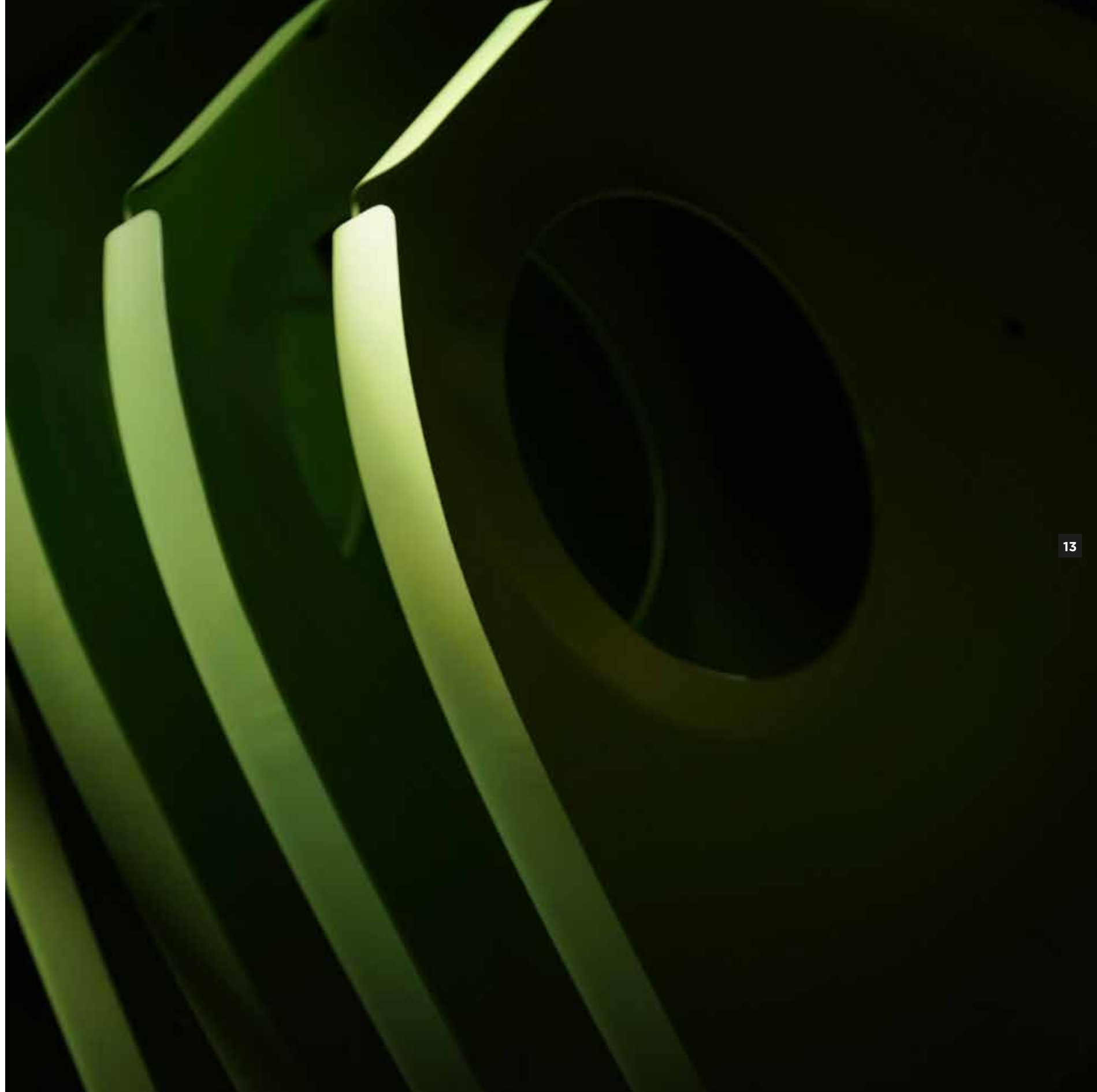


LMI Aerospace

- In the United States, LMI Aerospace won forty-three tenders with Spirit Aerosystems, Boeing and Gulfstream worth a total of MUS\$ 19. All the LMI Aerospace plants are focused on this new business. The Everett composite plant benefits from a contract for Boeing worth MUS\$ 6.
- LMI Aerospace renegotiated and extended its main contracts in 2017.

Sonaca Montreal

- Extension of the contract with MHI Canada for wing skins and stiffeners for the Bombardier Global 5000/6000 program as well as monolithic wing panels for the Bombardier Challenger 350 program for a further five years.
- Likewise with Triumph for a further eight years, as regards the production of wing panels to Bombardier Global 7000 and Gulfstream G280 and G650.
- The Canadian subsidiary also obtained its first direct Boeing contracts to make large elementary parts (empennage of the 787 Dreamliner).



AEROSTRUCTURE: PRODUCTION

1. ASSEMBLY

LMI AEROSPACE

Saint-Charles : strong upturn in the Hondajet program

Lenexa: growth in activity on structure kits for in-flight entertainment systems for GoGo

Auburn: full capacity on the assembly of Boeing 767 Tanker boom fairings

Cottonwood Falls: increased pace of Boeing 737



BRAZIL SOBRAER

Good operating and financial results for 2017

Nadcap qualification of painting installations

Tooling engineering: activity increased fivefold

50% growth prospects for tooling in 2018



BELGIUM

On-time delivery targets met

Non-quality costs: 18% reduction

Productivity: 7% improvement on new programs

Successful transfer of Legacy 500 flaps to Brazil

Successful start of production of E2 190 outboard flaps



ROMANIA

Successful start-up (thirty-two A320 shipsets delivered thanks to shared Belgian and Chinese experience).

One hundred A320 shipsets to be produced in 2018.

2018: start up of production of the most recent addition to the Sonaca family: (production of fuselage sub-assemblies, empennage and wings previously subcontracted in South Africa).



CHINA

Good operating and financial results for 2017

Improvement in overall productivity of around 10%.



2.PRIMARY PARTS

LMI AEROSPACE

Washington: installation of five-axis machining units for the Boeing 737

Fredonia: new five-axis, high-speed extrusion machining units for Boeing 737 and 787

Vista: finalisation of the installation of the thermal processing furnace for the Gulfstream G500/G600 fuselage panels and fuselage elements for the Boeing 777X

Tulsa: New automatic coating polishing system



SONACA MONTREAL

Excellent operating and financial results for 2017

November 2017, official inauguration of the new Gantry machining centre (manufacture of parts more than fifteen meters long for the Global 7000 business aircraft). Investment of MUS\$ 7.5

Operational launch of the new integrated cell for milling and forming



BELGIUM

Small Primary Parts

Installation of two new Handtman large-scale high-speed machining units (investment of MEUR 3)

BELGIUM

Large Primary Parts

Quality, cost and deadline targets met at the two plants in Gosselies

Installation of two new 5-axis trimming machines (investment of MEUR 4)

Gradual implementation of the APS project (planning software that defines the best possible production sequence and optimises productivity)

Continued work on reducing the non-quality rate with a view to a 30% reduction by 2020



LMI MEXICO

Mexicali: finalisation of project to increase and reinforce the management to improve operational performance



BRAZIL SOPEÇAERO

Excellent operating and financial results for 2017

Boeing and Saab qualifications underway



BRAZIL PESOLA

Good operating and financial results for 2017

Latécoère, Airbus A350 and Boeing (manufacture of small machined parts) qualifications underway

Contracts with three new customers

Doubling of plant size (in two years) to accommodate seven new machines



3.COMPOSITES

**LMI
AEROSPACE**
Everett, WA

Boeing qualification for thermoplastic composite parts
AS9100 certification Revision D and Nadcap AC7130 (measurements and inspection)



BELGIUM

Finalisation of the latest investments (NDT Tecnatom inspection robot)

Manufacture of the first components in ATL-SQRTM for the Embraer 175 E2 flaps

Production of the first elements in the MWI and ICI space programs (use for certain components of the ATL automatic drape forming machine)

Continuation of R&T developments with the creation of numerous prototypes

ROMANIA (SAT)

Excellent operating and financial results for 2017.

Start up of *one-stop shop* production:

- of A340 rears spar components
- of more complex parts on the L500 and 190 E2 flaps





ENGINEERING SERVICES

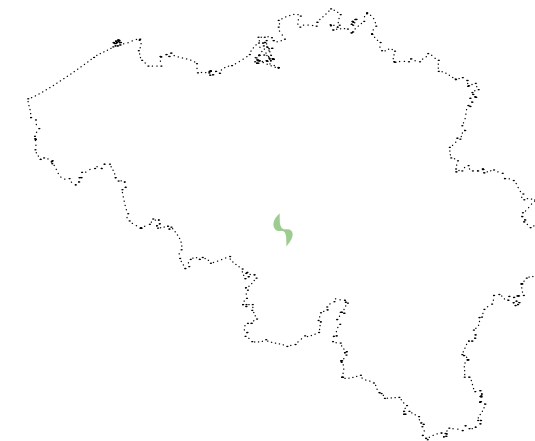
SONACA ENGINEERING SERVICES

Belgium

2017: very good year for Sonaca Engineering Services! 24% increase (compared with 2016) on thirty projects approximately. Nine new customers added.

SOME EXAMPLES:

- Safran Nacelles: six different studies, mainly concerning nacelle air intakes, with analysis and manufacture of instrumented prototypes;
- Clean Sky: development of innovative solutions for de-icing systems;
- manufacture and installation of ice shapes on A320 Neo for flight tests in Toulouse thanks to the support of Sonaca Gosselies composite plant;
- important Lean support for Sabena Aerospace thanks to the Lean team at Sonaca Gosselies.





SONACA ENGINEERING SERVICES

Brazil

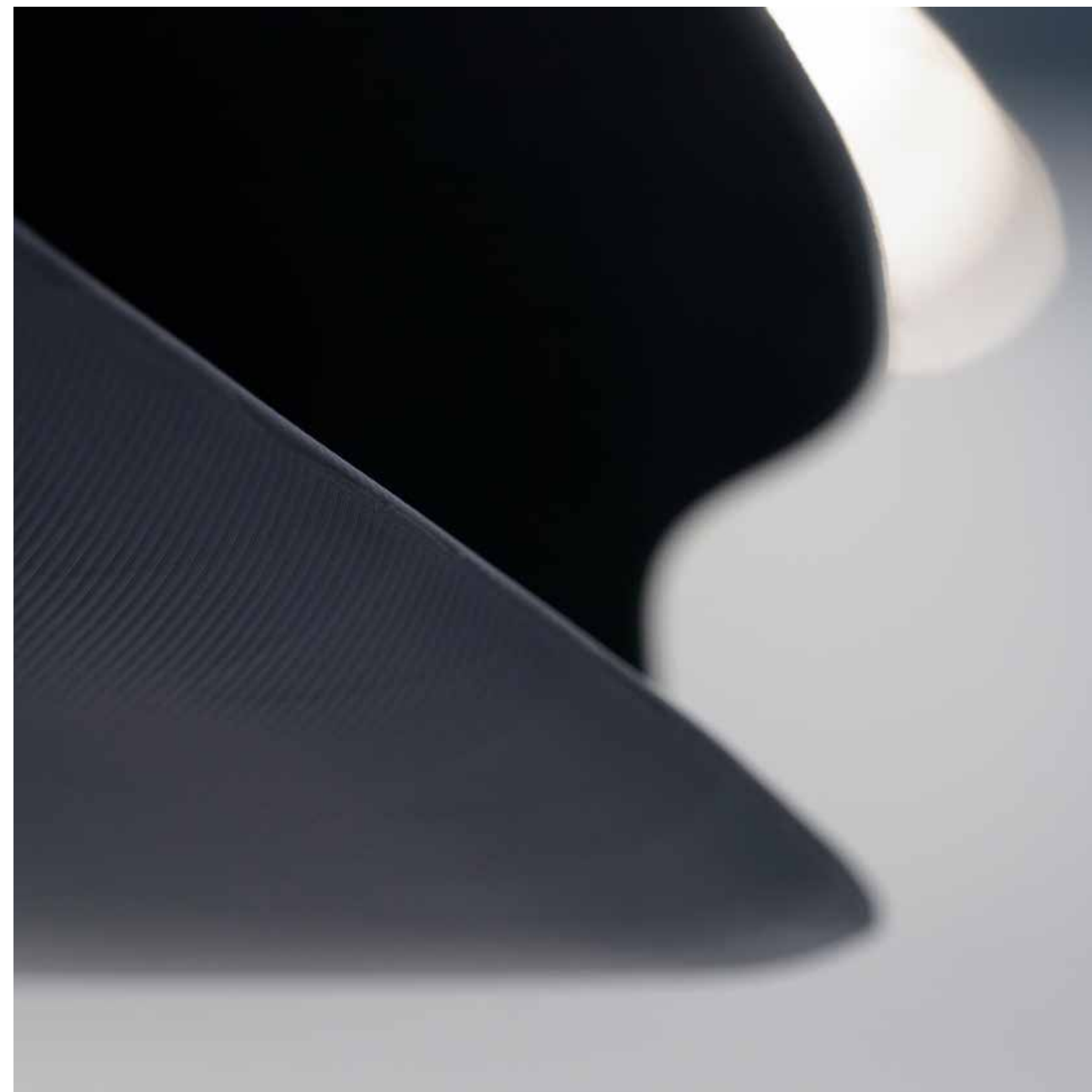
Launched in 2015, the tool design activity recorded significant successes in 2017. This is a true recognition of the competencies of the team and the relevance of the positioning of the Turn Key offer on the Brazilian market!

Sobraer designs and produces solutions (up to the installation at customer's site) for a wide range of tools, such as complex drape forming shapes for composite parts, mounting jigs, complex handling tools and access platforms for aeronautic assembly lines. In 2017, Embraer showed its confidence in Sobraer by granting it with major contracts to produce its tools.

Saab confirmed Sobraer as a supplier for the design and manufacture of a part of the tooling from the duplication of the Gripen. Eleb and Sonaca Group are reference customers for this department.



Activity increased fivefold last year and the growth prospects for 2018 are very substantial. In three years, this has resulted in 20% growth in sales at Sobraer. On the basis of these successes and skills, Sobraer is targeting international markets, benefiting from the worldwide commercial organisation of Sonaca Group to support this new stage in its development.





LMI ENGINEERING SERVICES

United States and Sri Lanka

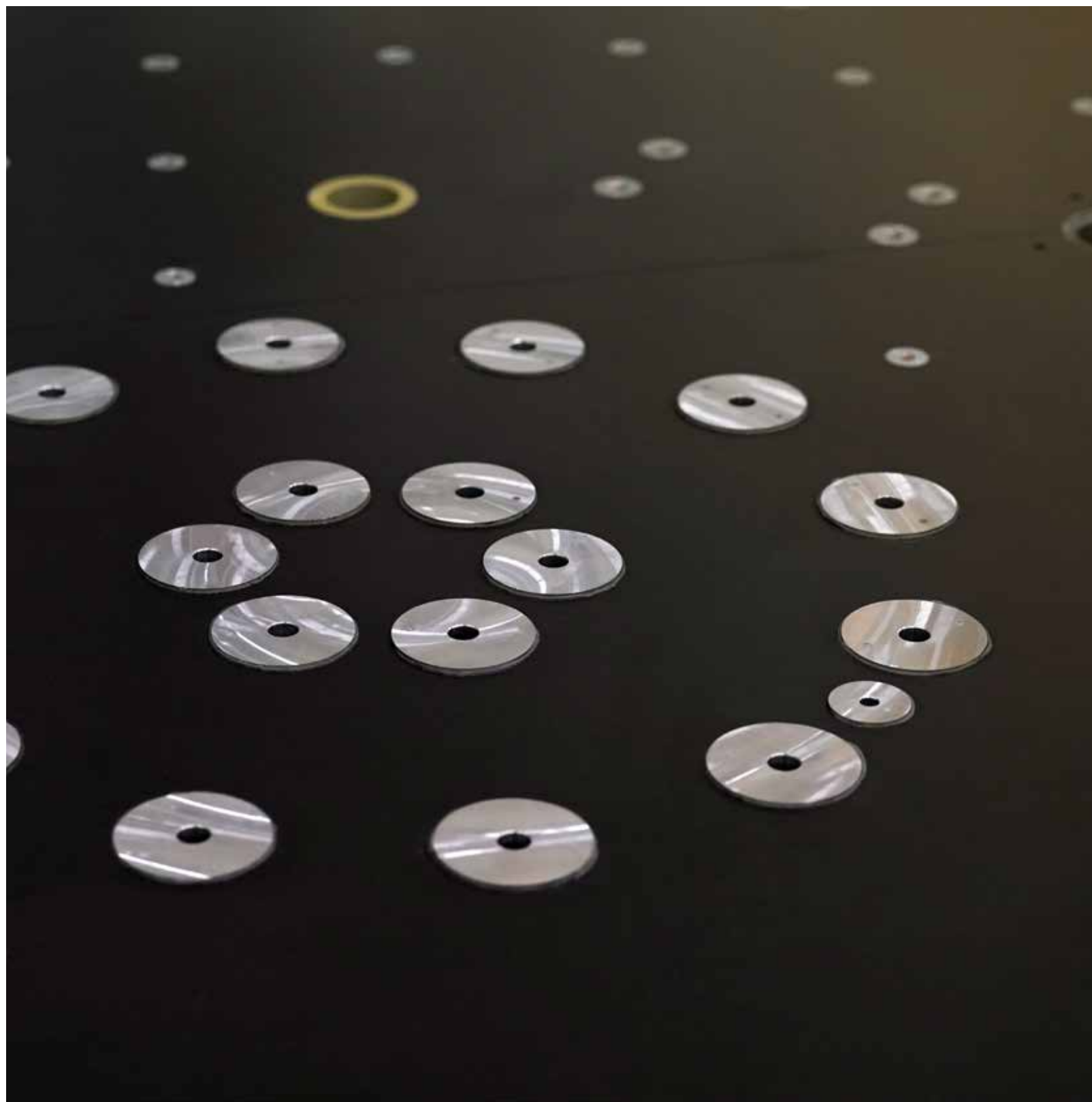
The engineering developed in the United States are oriented on consultancy and support activities. In 2017, LMI Engineering Services focused on:

- damage resistance and tolerance analyzes on CSeries fuselage elements;
- the design and analyzes of slats of the BA7000 for Triumph;
- the design, system integration and qualification tests of components on the MRJ (Mitsubishi Regional Jet) from MHI (Mitsubishi Heavy Industries);
- the design of tools for numerous manufacturers.

THE MAIN SUCCESSES IN 2017 INCLUDE:

- conducting qualification tests on numerous system components of the MRJ (Mitsubishi Regional Jet) in the context of the flight safety tests;
- worth 2MUSD over three years for the certification, design and reliability analyzes related to modifications of the analyzes concerning modifications to the G550 for special missions;
- renewing the relationship with Lockheed Martin to support engineering in a new missiles program.





SPACE

2017 was marked by the Ariane 6. This is the first time Sonaca Group manages to penetrate the launchers segment of the Space market. Sonaca will be in charge of the development and series production of metal and composite structures produced in Belgium and in Romania.

As regards ongoing projects, the Space business line was very active in the field of scientific instruments, with the delivery of the first model (STM) of the ICI structure and the finalisation of the development of MWI, both taken onto the MetOp satellite.

In 2017, Sonaca Space also launched the DLR HP³ instrument, integrated into the NASA-JPL Insight mission, which was developed with the participation of Sonaca Space GmbH. This instrument is intended to measure heat flows on Mars.

For 2018, Sonaca Group is planning to intensify its presence in the launcher segment.

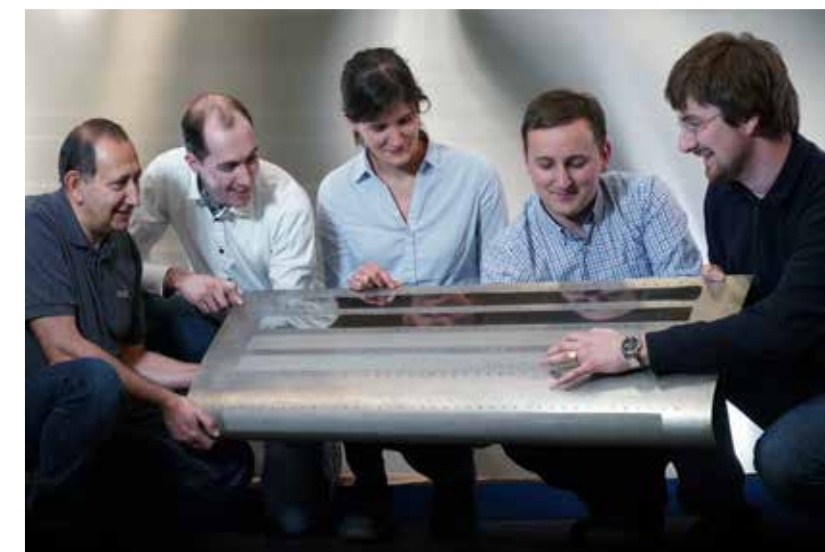
INNOVATION

R&T

Sonaca Group develops a portfolio of innovations which offers its customers a solution adapted in line with their technological choices.

R&T REVOLVES AROUND FOUR AXES:

1. **Integrated composite structures**, produced by a combination of SQR™ injection and automatic lay-up (ATL or AFP), offer — thanks to the reduced number of connections — a lightweight solution for closed structures (slats, ailerons, flaps, elevators or rudders). A less costly solution that requires fewer parts and a lot of automation. By eliminating many rivets and steps, it reduces the aerodynamic drag.
2. **'iSlat'**: a metal slat with a simplified structure that drastically reduces the number of parts. The development phase is coming to an end. The final demonstrator is being produced.
3. **Electric de-icing** in the context of the more electric aircraft, development of this technology in two versions, optimised for the de-icing power.
4. **The laminar wing**: development of a wing with a profile that differs from conventional wings and a smooth extrados. Objective: to reduce fuel consumption and pollutant emissions.



SONACA 200

2017 was marked by the completion of the flight test campaign. Having successfully conducted the static, stability, noise, vibration, performance and uncoupling tests, Sonaca 200 ended its flight test campaign with successful spin tests!

At the end of the flight certification process, Sonaca 200 will be EASA certified for a maximum take-off weight (MTOW) of 750 kg and a cruising speed of 115 knots.

In 2017, Sonaca Aircraft also obtained its Design Organisation Approval (DOA) from the EASA; a European certification that enables Sonaca Aircraft to design and modify the design of an aircraft. To obtain its DOA, Sonaca Aircraft had to demonstrate to the competent authorities that it has the organisation, the procedures, the capabilities and the resources necessary for the design and certification of an CS-VLA type aircraft (with reference to Sonaca 200).

Sonaca Aircraft is the first Belgian company to receive such a certification for an entire aircraft!

Production of the first Sonaca 200 began at the end of 2017. Sonaca Aircraft has set up its final assembly site on the Namur airfield (Belgium). The company will produce around twenty aircraft in 2018 and will increase its production capacity so as to ultimately reach five to seven aircraft per month.



Sonaca Aircraft team



SONACA 200 SALES

Over thirty Sonaca 200 have been sold in five European countries (France, Germany, United Kingdom, Belgium, Switzerland). The early commercial success of the aircraft clearly demonstrates that Sonaca 200 perfectly fulfills expectations of general aviation customers.

Delivery of the first aircraft — to a Belgian flight school — is scheduled for spring 2018.

HAPS

Since its contribution to the Spot5 satellite program in 1997, Sonaca Group has been involved in applications dedicated to terrestrial monitoring.

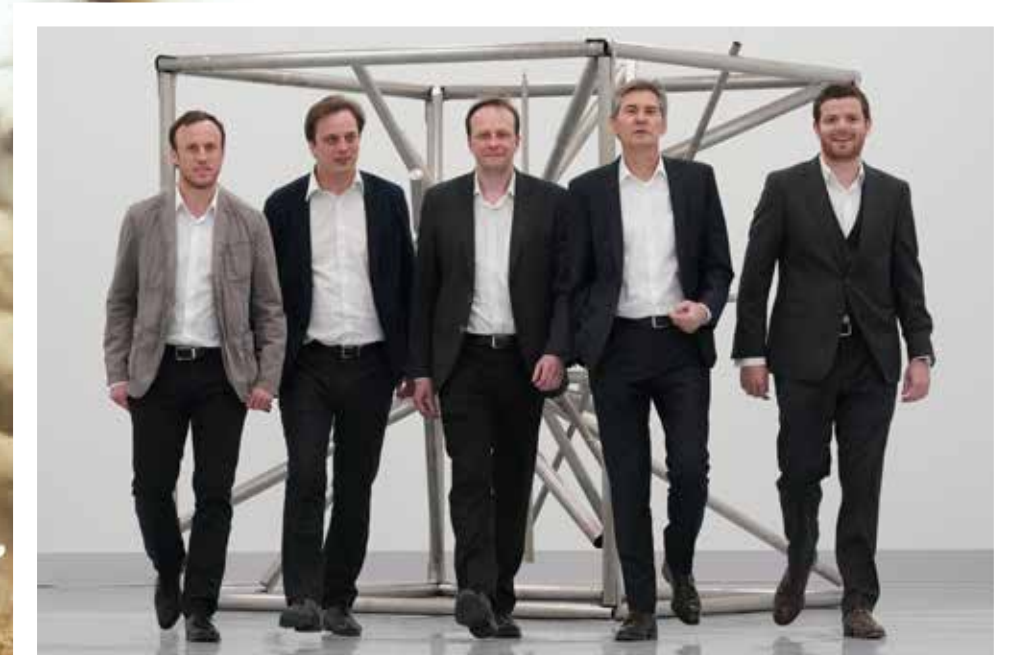
In this context, the company is working on the development of a high altitude system platform capable of prolonged observation of a specific area (satellites do not have this capability).

This is a truly global project, from the design to the production of the platform, including its commissioning throughout the world and the provision of analyzed data for end customers.

The services cover the surveillance of local sites, local land management and pollution control.

Sonaca Group has partnered with Sabena Aerospace (operation and maintenance) and Stemme (stratospheric aircraft). The Group is responsible for the program and acts as the integrator.

The final system is expected to be operational in 2023.



Haps: an innovative project combining the research teams of three companies operating in the aerospace sector

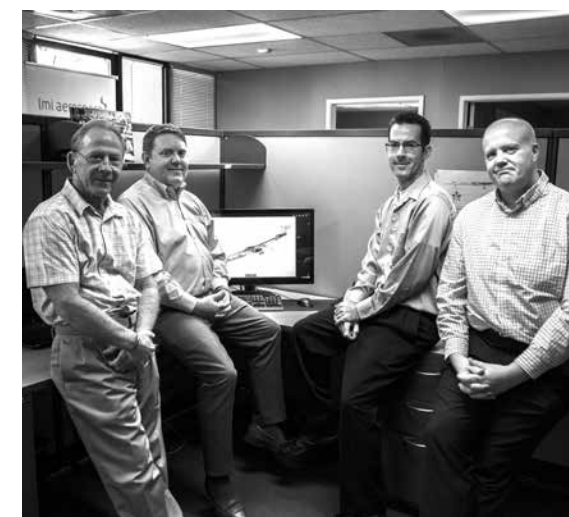


AERION SUPERSONIC BUSINESS AIRCRAFT

Thanks to its Engineering Services department based in the United States, Sonaca Group, through LMI Aerospace, has been involved in the design of the new Aerion supersonic business aircraft since 2016.

The market for supersonic jets is currently estimated at about a hundred aircraft per year and constitutes a real development opportunity for the Group. This aircraft will make intensive use of composite materials, one of the company's strong points.

This activity currently focuses on the architecture and installation of systems. The high-level avionics specifications, the distribution of energy, the HIRF (High Intensity Radiated Field) and other systems have been prepared by engineers in the United States. Configuration studies were also carried out on the aircraft, the cabin and the cockpit as well as the allocation of space for the main systems components.



Aerion team



DEFENCE

Sonaca Group has been a major player in the defence sector for several decades and currently has a substantial participation in the A400M military transport program and the maintenance of B-Hunter drones.

With the acquisition of LMI Aerospace, Sonaca Group has significantly expanded its defence activities, in particular with Boeing and Lockheed for fighter planes and with Sikorsky for helicopters. LMI Engineering Services also provides support for the U.S. Navy in maintenance and repair work.

Sonaca Group plans to significantly develop LMI Aerospace on the defence markets, giving priority to OEMs (Original Equipment Manufacturers) and top-tier suppliers, offering latest-generation fighter and trainer aircraft as well as drones (UAV - Unmanned Air Vehicle).

On the other hand, in the context of the replacement of the countries F16 fighter planes, the Belgian Government put out an international invitation to tender in early 2017. As soon as this was published, Sonaca Group offered its services to companies presenting their fighter plane to Belgium. Cooperation agreements have been signed with BAE Systems for the Eurofighter/Typhoon and Lockheed Martin for the F35.

In addition, the trend in the European defence sector is to gradually reduce staff and subcontract a series of activities. With proven skills in design, program management, manufacture and support — offering an extremely competitive service thanks to its experience on the civil market — Sonaca Group has contacted the potential suppliers of the Belgian defence force so as to establish an adequate position in this market in the coming years. In this context, two major players in Belgian civil and military aeronautics, Sonaca Group and Sabena Aerospace, have together created the new company, Ignition!, as a 50/50 joint venture.

Ignition! offers innovative services in the field of military aeronautics in Belgium and abroad. The services provided by Ignition! will include logistics management and maintenance for fleets, pilot training using flight simulators and total management of complex projects specific to the sector.

The companies that are candidates for the replacement of the F16 appreciated this initiative: cooperation agreements have already been signed between Ignition!, BAE Systems and Lockheed Martin.

**IGNI
TION** POWERED BY
SABENA AEROSPACE
& SONACA GROUP !



HUMAN RESOURCES

In 2017, the Group's engineering staff was reduced at all the main sites, in line with the very low level of activity in the sector due to the lack of any new development program launches by OEMs.

In aerospace (production and repair work), activity was very strong and the workforce remained stable or grew, depending on the site. In particular, the Romanian site of Sonaca Aerospace Transilvania successfully extended its growth.

The employment rate in the USA is particularly high and the labour market is under pressure in several of the states where LMI is present. Staff turnover levels reached abnormally high levels at certain plants. LMI has put in place a new salary policy in order to improve its skill retention.

In 2018, the workforce is expected to continue to grow in the Romanian subsidiary (SAT) and at Sonaca Aircraft.



FTE (full time equivalent) <i>Average for 2017</i>		Blue collar	White collar	Total
SONACA GOSELIES	Belgium	997	662	1 659
LMI AEROSPACE	USA	1 584	461	2 045
SONACA MONTREAL	Canada	167	85	252
SONACA BRAZIL Pesola, Sobraer, Sopeçero	Brazil	220	181	401
SONACA TRANSILVANIA	Romania	45	13	58
SINELSON	China	27	12	39
OTHERS Sonaca Space Sonaca Aircraft	Germany Belgium	1	16	17
TOTAL		3 041	1 430	4 471



40

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 delegates the day-to-day management to the CEO, sets the corresponding authority rules and monitors compliance with the rules.

The Board currently comprises eleven directors and one observer, as detailed below. The Chairman of the Board, Pierre Sonveaux and Bernard Delvaux, CEO and only executive director on the Board. Chief Financial Officer is invited to attend the 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 ten times during the 2017 financial year. It dealt with the following subjects:

- review of 2016 Year-End closure (at 31 December 2016) and approval of the 2016 management report;
- approval of the 2018 budget;
- examination of the financial statements of the company and its subsidiaries and follow-up of the Group's cash flow;
- review of foreign subsidiaries;
- discussion of the Group strategy;
- review of the acquisition of LMI Aerospace and its financing.

In 2004, as the Group began expanding internationally, 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. In 2015, it was also decided to reactivate the Strategic Committee.

The **Audit Committee** comprises three non-executive directors, including the Chairman of the Board, and is supported by the Chief Financial Officer and if he is so wishes, the company auditor. The CEO is invited to attend the meetings.

The Committee's mission is:

- to help the Board carry out its financial monitoring, auditing and analysis work (company and subsidiaries);
- to ensure the proper functioning of the external and internal auditing of the company and its subsidiaries in line with a reliability target for the information provided;
- to monitor the proper implementation of the currency hedging policy adopted by the Board of Directors;
- to conduct rigorous analysis of the risks facing the company.

This Committee met three times in 2017.

The **Appointments and Remuneration Committee** comprises four members, including three non-executive directors. The Chairman of the Board and the CEO are part of this committee.

Its mission is:

- to assist the Board of Directors to set executive remuneration across the company and its subsidiaries;
- to ensure the implementation of a coherent assessment and remuneration system across the company and its subsidiaries.

The Appointments and Remuneration Committee met five times during the 2017 financial year.

The **Strategic Committee** comprises four non-executive directors, including the Chairman of the Board, and the observer and is supported by the Chief Financial Officer. The CEO is also a member of this committee. The Committee's mission is to analyze matters of strategic importance (major investments, mainly acquisitions or partnerships), before presenting them to the Board of Directors as a whole.

This Committee did not meet in 2017.

41

CAPITAL

EUR 140 000 000 – Situation as at 31 December 2017

FIWAPAC	53,00 %
SFPI	7,00 %
WESPAVIA	39,99 %
SABCA	0,01 %

BOARD OF DIRECTORS

Situation as at 31 December 2017

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

STATUTORY AUDITOR

RSM Inter Audit	represented by Thierry Lejuste
------------------------	--------------------------------

AUDIT COMMITTEE

Pierre Sonveaux	Ad-interim Chairman
Pierre Sonveaux	All Non Executive Directors
Jean-Sébastien Belle	All Non Executive Directors

APPOINTMENT AND REMUNERATION COMMITTEE

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

STRATEGIC COMMITTEE

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

MANAGEMENT COMMITTEE

Bernard Delvaux	Chief Executive Officer
Erik van Ockenburg	Chief Finance and Strategy Officer
Michel Bilocq	Purchasing and Subcontracting Director
Jan Boeckx	Chief Operations Officer
Laurent Troquet	Quality Director
Yves Delatte	Chief Commercial Officer
Jeroen De Rycke	IT Systems Director
Thierry Duesberg	SVP Military and Defence, S&P
André Grégoire	Technical Director
Pierre Grenier	Human Resources, Administration and Insurance Director
Hugues Langer	Chief Technology Officer

CORPORATE SOCIAL RESPONSIBILITY

Sonaca Group is conscious of its environmental footprint and invests in all its sites to reduce its impact. Multi-annual action plans are implemented to comply with the specific regulations at each site.

In Belgium in particular, Sonaca has undertaken a radical review of its manufacturing processes in order to be in line with REACH Regulations and the requirements of the Walloon Region, working closely with the competent authorities.

Over the past ten years, the Gosselies site has reduced its greenhouse gas emissions by 40%! What is more, it has done so despite recording growth in sales and the acquisition of new production equipment.

This is a lasting commitment which will continue when the company moves into the new Green low energy building at the end of 2018. This will replace the old premises (five thousand square meters of uncomfortable, energy-intensive office space).

In the United States, by moving to LED on its various sites, LMI Aerospace has also significantly reduced its energy consumption.

Numerous American sites also emphasise the recycling of paper, plastic and metal waste. This is collected for recycling by local companies.

Lasting synergies between European subsidiaries and LMI Aerospace are being put in place:

- Sonaca Gosselies supported Sonaca Transilvania to bring down electricity consumption (target: 10% reduction from 2018).
- Sonaca Group has also been able to benefit from the experience of LMI Aerospace in the use of a 'zero pollution' mask for chemical machining.



INTEGRATION OF LMI AEROSPACE: BETTER TOGETHER!

On February 17, 2017, Sonaca Group officially announced its intention to acquire LMI Aerospace, an American company listed on the Nasdaq stock exchange, and buy 100% of its shares.

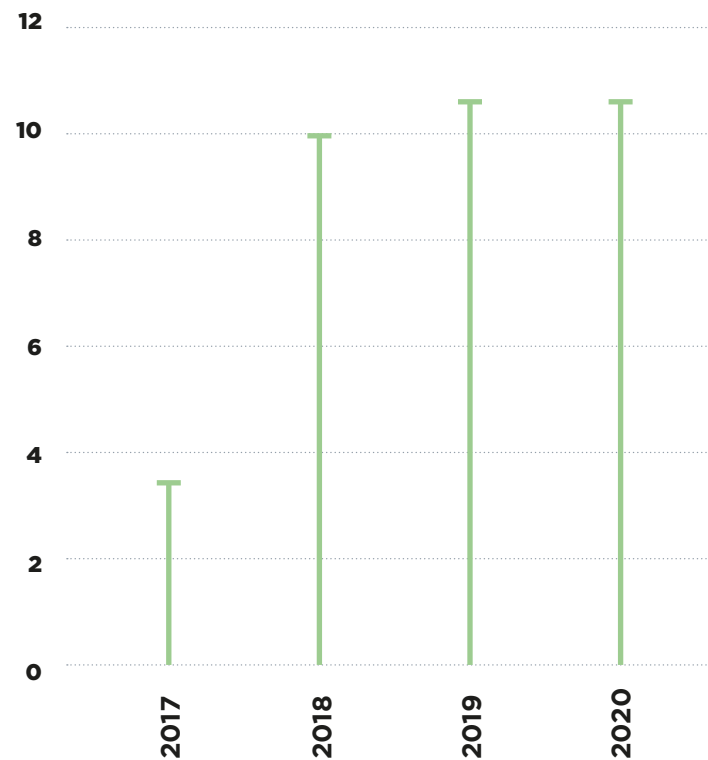
After a few months of compliance verifications and legal analyzes, on June 27, 2017, the acquisition became official and Sonaca Group became the sole owner of LMI Aerospace.

The integration process officially began at this date. The CEO's and COO's of both groups are steering the process, which rests upon fourteen work streams.

For each work stream, an international team has been set up, comprising members of Sonaca Group and LMI Aerospace. The mission of these teams is to develop synergies in order to meet operating and financial targets.

THE SYNERGIES

RECORDED SAVING STATUTS AT THE END OF Y2017



By the end of 2018, the target is to save over MUSD 10, on the basis of identified opportunities. The total savings amount to MUSD 35 (from the start of the acquisition process, to the end of 2020). Additional savings will be made by leveraging current and future synergies.

SYNERGIES FOR THE HONDA JET PROGRAM at LMI Fountain Lakes (Saint-Charles)

Honda Aircraft Company awarded the manufacture and assembly of several sub-assemblies of the HA-420 aircraft to LMI Aerospace. The elementary parts are either locally subcontracted or manufactured by various LMI Aerospace entities, and the final products are assembled at LMI Saint-Charles (United States).

In order to fully meet the customer's delivery and quality requirements, the LMI Saint-Charles 'Assembly' Business Unit hosted workshops with a panel of experts from Sonaca Gosselies (Belgium), Sobraer (Brazil) and of course, LMI Saint-Charles (United States).

These experts exchanged the good practices in place at the various sites, and managed to improve the operating performances of the contract. The topics that were covered include staff training, assembly techniques, the Lean organization of the work place and the layout of workstations.



Meeting between Belgian, American and Brazilian experts



A few Brazilian workers from Sobraer have been temporarily integrated to American teams in order to share their experience and speed-up ongoing deliveries



OPERATIONAL SUPPORT AT MEXICALI

The Mexicali plant (Mexico) has specialised in sheet metal manufacturing, heat and surface treatment and painting of aeronautical parts.

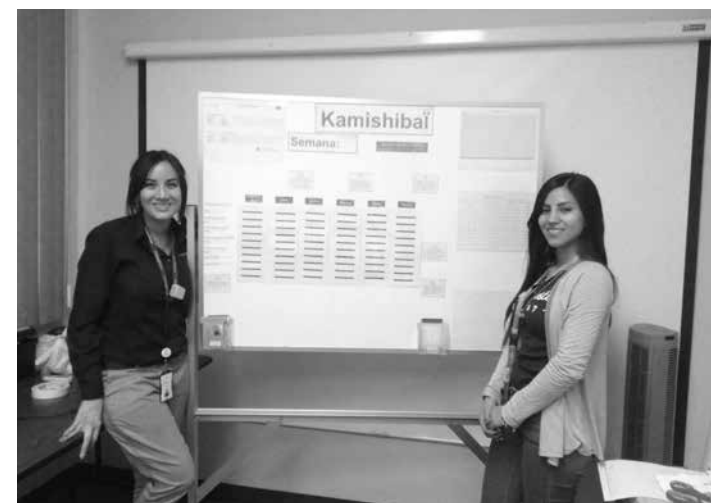
The manufacturing processes were analyzed, potential improvements were identified, and corrections were made on that basis.

QUALITY WORKSHOP

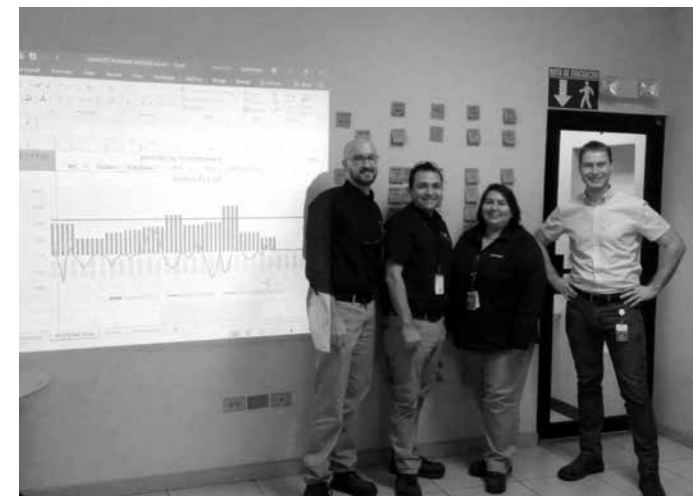
In order to satisfy its customers in the long term, LMI Aerospace has launched a 'Zero Defect Culture Plan'. In February 2018, around twelve quality managers from LMI Aerospace entities gathered for a first workshop to work out the basis of this 'Zero Defect Culture Plan'.

Following an analysis of strengths and weaknesses of the processes in place, the team defined four work axes: quality culture, governance, prevention and the correction of non-conformities. Improvements along these axes will be implemented in the course of the upcoming three years.

Operational daily review on the shop floor at Mexicali



Sonaca Gosselies "best practices" successfully rolled out at Mexicali! Launch of Kamishibai concept (self-audit tool for production developed by Sonaca Gosselies)



Load and capacity analysis review



Quality workshop at LMI Aerospace



Teamwork on Pylon for Honda Jet program

THE BELGIANS IN THE USA

Delivering on schedule involves good planning of all the operations and of upstream supplies. A planning method is implemented, in line with the standards of the Group.

A Belgian manager has also been appointed as head of the assembly centre of excellence. He makes sure that integration synergies are implemented, for the operations and insourcing work streams.

PROCESS QUALIFICATION

Many process qualification synergies are possible.

The processes in place at the historic Sonaca Group sites meet the requirements of European, Brazilian and Canadian customers, while the LMI Aerospace processes meet those of customers that are American for the most part.

In order to increase the industrial flexibility and pave the way to new commercial opportunities, initiatives are underway to 'cross-fertilize' the qualifications portfolio (i.e. obtaining qualified European processes on some American sites and qualified American processes on some 'historic' sites).

The Group continues to demonstrate complete control over its processes through external surveillance, known as NadCap accreditation. As the Belgian and Brazilian entities aim at obtaining the qualification for the measuring and inspection process in the course of the upcoming two years, they will benefit from the experience of already accredited American entities.

PROFIT & LOSS ACCOUNT

OF SONACA SA

AT 31.12.2017

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

In thousands of Euro

	31.12.2017	31.12.2016	31.12.2015	31.12.2014
TOTAL REVENUES	359 629	360 923	327 420	314 794
Turnover	330 743	310 383	283 910	273 417
Variation, work in progress	(6 353)	10 579	5 875	6 481
Own work capitalized	15 037	21 708	23 507	17 764
Other revenue	17 238	18 252	14 127	17 132
Non recurring revenue	2 965	-	-	-
TOTAL CHARGES	320 132	325 311	304 060	296 058
Raw materials, consumables and goods for resale	140 526	149 963	134 677	135 811
1. Purchases	140 583	146 232	132 872	131 488
2. Stocks : decrease / increase	(58)	3 731	1 805	4 323
Services and other goods	39 957	35 289	31 952	30 913
Remunerations, social security costs and pensions	114 864	116 955	113 392	115 422
Depreciation and amounts written off on fixed assets	24 549	30 385	28 951	16 394
Amounts written off on stocks, contracts and amounts receivable	(46)	(944)	(898)	(1 521)
Provisions for liabilities and charges	(249)	(6 998)	(4 411)	(2 044)
Other operating charges	525	393	397	1 083
Capitalized operating charges	-	-	-	-
Non recurring operating charges	6	269	-	-
OPERATING INCOME	39 498	35 612	23 360	18 736
FINANCIAL INCOME	18 643	6 055	6 640	2 236
Income from fixed asset	6 391	461	333	526
Income from current assets	-	6	10	8
Other financial income	12 252	4 873	6 298	1 702
Non recurring financial income	-	715	-	-

FINANCIAL CHARGES	26 328	4 153	4 897	5 490
Interest paid and other debt charges	7 733	3 795	4 095	4 900
Other financial charges	11 688	358	802	590
Non recurring financial charges	6 907	-	-	-
PROFIT OR LOSS OF ORDINARY ACTIVITIES	31 813	37 515	25 103	15 482
EXTRAORDINARY INCOME	-	-	-	10 330
Write back of depreciation on tangible assets	-	-	-	-
Write back of amounts written off on financial fixed assets	-	-	-	10 004
Write back of provisions for liabilities and charges	-	-	-	-
Gains on disposal of fixed assets	-	-	-	-
Other extraordinary income	-	-	-	327
EXTRAORDINARY CHARGES	-	-	1 852	1 010
Write back of depreciation on tangible assets	-	-	799	-
Amounts written off on financial fixed assets	-	-	715	-
Provisions for extraordinary liabilities and charges	-	-	338	997
Capital loss on disposal of fixed assets	-	-	-	13
Other extraordinary charges	-	-	-	-
Activated extraordinary charges	-	-	-	-
WITHDRAWALS FROM DEFERED TAXATION	-	-	-	-
PROFIT / LOSS BEFORE TAXATION	31 813	37 515	23 251	24 802
INCOME TAXES	-	-	4 276	33
PROFIT OR LOSS FOR THE PERIOD	31 813	37 515	27 527	24 835

BALANCE SHEET

OF SONACA SA

AT 31.12.2017

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

ASSETS

in thousands of Euro

	31.12.2017	31.12.2016	31.12.2015	31.12.2014
FIXED ASSETS	631 161	218 230	196 234	185 980
FORMATION EXPENSES	-	-	-	-
INTANGIBLE FIXED ASSETS	29 314	22 163	8 960	9 041
TANGIBLE FIXED ASSETS	145 141	149 895	152 470	145 543
Land and buildings	3 092	1 418	1 539	1 659
Plant, machinery and equipment	58 198	48 348	38 665	38 766
Furniture and vehicles	645	827	968	1 196
Leasing and similar rights	4 645	5 630	8 657	9 709
Other tangible fixed assets	12 057	12 295	9 126	7 729
Assets under construction and advance payments	66 504	81 377	93 516	86 484
FINANCIAL FIXED ASSETS	456 706	46 172	34 805	31 396
Affiliated enterprises	456 414	45 880	34 516	31 156
1. Participating interest	254 351	37 820	32 333	27 437
2. Amounts receivable	202 063	8 060	2 183	3 718
Enterprises linked by participating interests	117	117	117	117
1. Participating interest	117	117	117	117
2. Amounts receivable	-	-	-	-
Other financial fixed assets	175	175	171	123
1. Shares	29	29	27	27
2. Amounts receivable and cash guarantees	146	146	144	96

CURRENT ASSETS	182 342	174 571	202 344	202 219
AMOUNTS RECEIVABLE AFTER ONE YEAR	1	11	9	9
Trade debtors	-	-	-	-
Other amounts receivable	1	11	9	9
STOCKS AND CONTRACTS IN PROGRESS	71 267	80 983	76 077	93 487
Stocks	11 373	11 582	14 673	16 229
1. Raw materials and consumables	11 373	11 582	14 673	16 229
Contracts in progress	59 895	69 401	61 404	77 258
AMOUNTS RECEIVABLE WITHIN ONE YEAR	59 111	69 790	108 757	90 003
Trade debtors	54 014	61 167	101 764	84 591
Other amounts receivable	5 097	8 623	6 993	5 412
CURRENT INVESTMENTS	7	7	10 492	16 105
CASH AT BANK AND IN HAND	49 992	22 879	4 540	1 611
DEFERRALS AND ACCURED CHARGES	1 964	900	2 469	1 003
TOTAL ASSETS	813 503	392 801	398 578	388 199



LIABILITIES

in thousands of Euro

	31.12.2017	31.12.2016	31.12.2015	31.12.2014
CAPITAL AND RESERVES	251 544	122 266	87 286	35 902
CAPITAL	140 000	40 000	40 000	7 198
SHARE PREMIUM ACCOUNT	-	-	-	-
RESERVES	5 563	3 972	2 096	720
Legal reserve	5 563	3 972	2 096	720
Not available for distribution	-	-	-	-
Untaxed reserves	-	-	-	-
Distributable reserves	-	-	-	-
PROFITS (LOSSES) CARRIED FORWARD	105 901	78 178	45 039	27 800
INVESTMENT GRANTS	81	116	150	185
PROVISIONS AND DEFERRED TAXES	17 306	17 426	24 424	28 497
PROVISIONS FOR LIABILITIES AND CHARGES	17 306	17 426	24 424	28 497
Pensions and similar obligations	3 295	5 236	8 499	11 272
Taxation	-	-	-	-
Major repairs and maintenance	-	-	-	-
Other liabilities	14 011	12 190	15 925	17 225
DEFERRED TAXES	-	-	-	-
AMOUNTS PAYABLE	544 652	253 109	286 868	323 799
AMOUNTS PAYABLE AFTER ONE YEAR	400 364	116 843	151 768	187 813
Financial debts	263 254	7 128	40 140	80 111
1. Subordinated loans	4 958	4 958	4 958	31 349
3. Leasing and other similar obligations	1 400	2 170	3 542	5 114
4. Credit institutions	256 897	-	31 640	43 648



Trade creditors	381	404	736	1 305
1. Suppliers	381	404	736	1 305
Advances received on contracts in progress	-	-	115	131
Other amounts payable	136 729	109 310	110 777	106 266
AMOUNTS PAYABLE WITHIN ONE YEAR	132 622	114 053	124 609	128 130
Current portion of creditors, amounts payable within one year	24 366	7 796	19 821	19 602
Financial debts	-	-	-	-
1. Credit institutions	-	-	-	-
Trade creditors	50 646	51 630	49 950	50 883
1. Suppliers	50 646	51 630	49 950	50 883
Advances received on contracts in progress	23 294	24 960	28 419	31 913
Taxes, remunerations and social security	28 417	27 166	23 919	23 595
1. Taxes	1 419	553	997	877
2. Remunerations and social security	26 998	26 613	22 922	22 718
Other amounts payable	5 898	2 500	2 500	2 137
ACCRUALS AND DEFERRED INCOME	11 665	22 213	10 491	7 857
TOTAL LIABILITIES	813 503	392 801	398 578	388 199

EXAMINATION OF THE BALANCE SHEET AND THE PROFIT & LOSS ACCOUNT

OF SONACA SA

AT 31.12.2017

ASSETS

1. FORMATION EXPENSES

No movements were noted under this heading in 2017.

2. INTANGIBLE FIXED ASSETS

The item consists mainly of development costs for new programs (NRC phase) and shows a net amount of kEUR 25 404.

The gross value of these NRC was kEUR 111 150 and the depreciation amounts to kEUR 85 746.

The balance of the item comprises licence fees and developments associated with software programs. The gross value was kEUR 16 459; depreciation amounts to kEUR 12 549 and the net value is kEUR 3 910.

3. TANGIBLE FIXED ASSETS

The gross value of this item was kEUR 377 554. Depreciation amounted to kEUR 231 107 and the net value was kEUR 146 447.

Acquisitions during the financial year amounted to kEUR 26 394 (divided between industrial investments of kEUR 11 538 and NRC investments of kEUR 14 856).

A transfer to NRC intangible fixed assets was made for kEUR 32 399, as well as withdrawals of kEUR 28.

During the financial year, further depreciation was booked amounting to kEUR 10 884 (kEUR 9 430 for industrial investments and kEUR 1 454 for NRC).

Investments in NRC are booked as fixed assets in progress while awaiting the completion of each development phase. The net value of this heading was kEUR 60 717.

The balance of the fixed assets in progress item comprised industrial investments for a net amount of kEUR 5 787.

4. FINANCIAL ASSETS

4.1 AFFILIATED ENTERPRISES

Participating interests

The amount of participating interests breaks down as follows:

Belairbus	kEUR 218
Ignition!	kEUR 31
Sonanova	kEUR 4 438
Sonaca Ventures Holding	kEUR 2 300
Sonaca Aerospace Transilvania	kEUR 4 000
Sonaca Space	kEUR 334
Sobraer	kEUR 3 697
Sopeçero	kEUR 100
Pesola	kEUR 582
Sonaca Engenharia	kEUR 1
SNA	kEUR 20 846
Sonaca USA	kEUR 215 519
Elson	kEUR 2 285
	kEUR 254 351

IGNITION!

The company Ignition! sa was established in 2017 and is held equally by Sonaca sa and Sabena Aerospace. The capital of the company Ignition sa amounts to EUR 61 500.

SONANOVAE

Sonanovae sa, a limited company incorporated under Belgian law, was established 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.

SONACA VENTURES HOLDING

In 2015, Sonaca sa set up the company Sonaca Ventures Holding in Gosselies, with a capital of kEUR 1 250 in which it held 100% less one share.

In 2017, Sonaca sa undertook a capital increase for an amount of kEUR 1 095. Wespavia sa participated in a capital increase, taking a stake of 42.11%. Total capital now amounts to kEUR 4 750, 81% paid up.

SOBRAER

Established in 2000 by Sonaca sa, Sobraer Ltda currently has a capital of kBRL 10 631, that is kEUR 3 697.

SOPEÇAERO

In 2004, Sonaca sa participated, with Airbus, Eltra Holding Overseas and Sobraer, in the creation of Sopeçaero in Brazil. Sonaca sa holds 9.72% of the capital of Sopeçaero with a value of kEUR 100. Sobraer bought the shares held by Eltra in 2016 and now owns 90.28% of Sopeçaero.

PESOLA

In 2004, Sobraer established the company Pesola in Brazil, in partnership with Estiliar Aps and Latecoère do Brasil, each holding one-third. In 2005, Estiliar transferred its shares to Eltra. In 2012, Sonaca sa bought the share held by Latecoère. In April 2016, Sobraer bought the shares held by Eltra. Since then, Sobraer has held 2/3 of the shares in Pesola and Sonaca sa 1/3.

SONACA ENGENHARIA

In 2015, Sonaca sa took a 1% stake (kEUR 1) in the Brazilian company Sonaca Engenharia, whose main shareholder (99%) is Sobraer Ltda.

SNA

Sonaca sa owns a participating interest of kEUR 20 846 in SNA.

As at 31/12/17, SNA owned Sonaca Montreal (SM) outright.

In 2017, SNA undertook a capital reduction of kEUR 769.

SONACA USA

In January 2017, Sonaca sa bought all the shares in Sonaca USA from SNA for the sum of kEUR 21.

In June, Sonaca sa carried out a capital increase with a view to acquiring all the shares in LMI Aerospace.

After booking an impairment of kEUR 6 907 to take account of the acquisition costs of LMI Aerospace allocated to the capital of Sonaca USA, Sonaca sa holding in Sonaca USA amounts to kEUR 215 919.

ELSON

SONACA sa has held 100% of the capital of Elson since 2014. Elson itself wholly owns Sinelson Aero (Tianjin) Co Ltd, based in Tianjin.

SONACA AEROSPACE TRANSILVANIA

In 2015, Sonaca sa established the company incorporated under Romanian law Sonaca Aerospace Transilvania with capital of kEUR 4 000 which it owns in full.

SONACA SPACE

Sonaca Space GmbH is a company under German law which provides engineering services in the space sector. Sonaca sa acquired 100% of the shares in 2016.

Accounts receivable

The amount of accounts receivable on affiliated companies is broken down as follows:

Sonaca USA	kEUR 193 966
LMI Aerospace INC	kEUR 1 078
Sonaca Transilvania	kEUR 5 650
Sonaca Space	kEUR 1 370
	kEUR 202 063

In 2017, in the context of the acquisition of LMI Aerospace, Sonaca sa granted a loan of kUSD 225 000 to Sonaca USA, corresponding to kEUR 193 966.

It also granted a loan of kUSD 1 250 directly to LMI Aerospace INC, that is kEUR 1 078.

Transfers to short-term accounts receivable were also booked, amounting to kEUR 596.

4.2 ENTERPRISES LINKED BY PARTICIPATING INTERESTS AND OTHER FINANCIAL FIXED ASSETS**Participating interests, Accounts receivable and Sureties**

This item can be broken down as follows:

Flabel holding	kEUR 117
Other financial fixed assets	kEUR 175
	kEUR 292

5. ACCOUNTS RECEIVABLE AFTER ONE YEAR

The majority of the accounts receivable after one year (totalling kEUR 1) are advances paid to suppliers.

6. STOCKS

Stocks at net value fell from kEUR 11 582 to kEUR 11 372.

The inventories rotation rate rose from 0.93 to 0.97 months of consumption.

7. CONTRACTS IN PROGRESS

This item fell from kEUR 69 401 to kEUR 59 895.

In 2017, an offsetting was booked with the advances received on orders in progress in the context of various NRC phases (liabilities account), amounting to kEUR 3 672, thus generating a corresponding difference in the variation in the amounts outstanding account.

8. ACCOUNTS RECEIVABLE WITHIN ONE YEAR

Trade debtors fell from kEUR 61 167 to kEUR 54 014. This fall may be attributed to the transfer of certain claims amounting to kEUR 48 215 to a factoring company.

The average payment term fell from 2.4 to 2.0 months.

The other accounts receivable fell from kEUR 8 623 to kEUR 5 097.

This latter amount includes:

- VAT to be reclaimed and other tax claims of kEUR 2 832;
- receivables from subsidiaries of kEUR 2 100;
- receivables from staff and various creditors kEUR 165.

9. CURRENT INVESTMENTS AND CASH AT BANK AND IN HAND

The cash situation at the end of the financial year amounted to kEUR 50 000 in 2017, compared with kEUR 22 886 in 2016.

10. DEFERRALS AND ACCURED CHARGES

This account increased from kEUR 900 to kEUR 1 964. It consisted of charges to be carried over of kEUR 413 and income acquired of kEUR 1 551.

11. USD ACCOUNTING EXCHANGE RATE AND EXCHANGE DIFFERENCES

Taking account of the provisions and hedging instruments in portfolio as at 31/12/2017, the accounts payable in USD as well as the accounts receivable in USD are valued at the rate of: EUR 1 = USD 1.16

LIABILITIES

1. CAPITAL AND RESERVES

1.1 CAPITAL

As at 31/12/17, the capital amounted to kEUR 140 000 represented by 32 270 fully paid-up shares, of which Fiwapac holds 53.00%, SFPI 7.01%, Wespavia 39.99% and Sabca 0.01%.

A capital increase was effected in June 2017 for kEUR 100 000 with a view to financing the acquisition of LMI.

1.2 LEGAL RESERVE

Taking into account the appropriation of the result for 2017, the amount of the legal reserve was increased by kEUR 1 591 to kEUR 5 563.

1.3 PROFIT CARRIED FORWARD

Taking into account a profit for the financial year to be appropriated of kEUR 31 813, an appropriation to the legal reserve of kEUR 1 591, a dividend of kEUR 2 500 and the profit carried over from 2016 of kEUR 78 178, the result carried over amounted to kEUR 105 901.

1.4 INVESTMENT GRANTS

At the end of 2017, total capital subsidies amounted to kEUR 81.

The capital and reserves after appropriation of the result therefore rose from kEUR 122 266 to kEUR 251 544, due mainly to the profit from the financial year of kEUR 31 813 and the capital increase of MEUR 100.

2. PROVISIONS

This item fell from kEUR 17 426 for the previous financial year to kEUR 17 306.

The following provisions existed at the close of the financial year:

- future pension and early retirement charges: kEUR 3 295;
- provisions for other liabilities and charges (mainly linked to customers' programs): kEUR 14 011.

3. ACCOUNTS PAYABLE AFTER ONE YEAR

3.1 FINANCIAL DEBTS

Subordinated loans

This item remained unchanged and consists of a subordinated loan from Wespavia of kEUR 4 958.

Leasing and other similar obligations

These fell from kEUR 2 170 to kEUR 1 400, down kEUR 770, as a result of the transfer of kEUR 770 to long-term financial debts falling due within the year without new leasing for 2017.

Credit institutions

These increased from EUR 0 to kEUR 256 897, up kEUR 256 897.

This is due to new loans to finance the acquisition of LMI Aerospace.

3.2 TRADE CREDITORS

The amount of long term trade debts fell from kEUR 404 to kEUR 381.

3.3 OTHER ACCOUNTS PAYABLE

The other accounts payable after one year amounted to kEUR 136 729 and comprised mainly:

- refundable advances from public authorities;
- refundable advances from our partners in the context of the Bombardier CSeries contract.

4. ACCOUNTS PAYABLE WITHIN ONE YEAR

Current portion of creditors, accounts payable within one year

This heading comprises:

- leasing debts of kEUR 765;
- amounts payable to credit institutions of kEUR 17 241;
- and other debts amounting to kEUR 6 359.

Trade creditors

Trade debts fell from kEUR 51 630 to kEUR 50 646.

The amount payable to suppliers stood at kEUR 35 632, compared with kEUR 30 131 the previous year.

This increase is due to the average supplier payment term. This rose from 2.0 to 2.4 months.

The balance of trade debts (kEUR 15 014), made up of invoices to be received and credit notes to be drawn up, fell by kEUR 6 485 compared with 2016, due primarily to a fall in invoices to be received of kEUR 5 996.

Advances received on contracts in progress

This account contains the advances received on new programs and fell from kEUR 24 960 to kEUR 23 285. These are mainly advances received in the context of military programs.

Other accounts payable

Taking account of the appropriation of the result, the dividends for the financial year amounted to kEUR 2 500.

This heading also includes a short-term debt to a company in the Group amounting to kEUR 3 400.

5. TAXATION, REMUNERATIONS AND SOCIAL SECURITY

This item rose from kEUR 27 166 to kEUR 28 417.

6. ACCRUALS AND DIFFERED INCOME

This item fell from kEUR 22 213 to kEUR 11 665. It consists of charges to be allocated of kEUR 7 775 and income to be carried over of kEUR 3 890.

PROFIT AND LOSS ACCOUNT

1. TOTAL REVENUES

Sales and services (including variations in work in progress, finished products and orders in progress) fell from kEUR 360 923 in 2016 to kEUR 359 629 in 2017.

The turnover amounted to kEUR 330 743 in 2017, an increase of 6.6% compared with 2016 (kEUR 310 383).

Capitalised production costs of kEUR 15 037 were booked, mainly concerning the NRC of the Airbus A350, Embraer E2 190 and 175 programs.

Sales and services also included 'other operating income' amounting to kEUR 17 238 and mainly comprised reductions in social security charges of kEUR 8 862, operating subsidies of kEUR 3 150 and sales of scrap amounting to kEUR 2 034.

2. TOTAL CHARGES

2.1 RAW MATERIALS, CONSUMABLES AND GOODS FOR SALE

Supplies amounted to kEUR 140 526 in 2017 compared with kEUR 149 963 in 2016 (down 6.3%) and represented 39% of sales and services, compared with 42% in 2016.

2.2 SERVICES AND OTHER GOODS

These rose from kEUR 35 289 to kEUR 39 957 up 13.2%.



2.3 REMUNERATIONS

This item amounted to kEUR 114 864 compared with kEUR 116 955 in 2016, a fall of 1.8%.

The early retirement and advance pension costs charged to this item amounted to kEUR 2 126 compared with kEUR 2 932. They are the subject of a use of provisions as a balancing item.

In relative terms compared with the sales and services, remunerations (excluding early retirement and including the services linked to subcontracting on site, interim services and fees) amounted to 35% of sales and services, compared with 37% in 2016.

2.4 DEPRECIATION AND AMONUTS WRITTEN OFF ON FIXED ASSETS

Depreciation and amounts written off on fixed assets amounted to kEUR 24 549 in 2017, compared with kEUR 30 385 in 2016, a fall of kEUR 5 836 due to a fall in NRC depreciation of kEUR 6 562 and an increase in depreciation on other fixed assets of kEUR 726.

2.5 AMOUNTS WRITTEN OFF ON STOCKS, CONTRACTS AND AMOUNTS RECEIVABLE

This item amounted to - kEUR 46 (compared with - kEUR 944 in 2016).

This is due to an increase in impairments of inventories of kEUR 266 and a reversal of impairments of orders in progress of - kEUR 518 and the establishment of an impairment of trade receivables of kEUR 206.

2.6 PROVISIONS FOR LIABILITIES AND CHARGES

Write-backs of provisions amounted to kEUR 249.

This amount can be broken down as follows:

- provisions for early retirement - kEUR 1 942
- provisions on contracts kEUR 1 696
- various provisions kEUR 3

2.7 OTHER OPERATING CHARGES

This item consists mainly of taxes.

3. OPERATING INCOME

The operating result shows an improvement: it amounted to kEUR 39 498 in 2017 compared with kEUR 35 612 in 2016.

4. FINANCIAL INCOME

The financial result amounted to - kEUR 7 684 (compared with + kEUR 1 903 in 2016).

This item can be broken down as follows:

- exchange gains and losses kEUR 686
- interest on loans - kEUR 7 733
- other financial income kEUR 8 626
- other financial charges - kEUR 2 356
- impairment of participating interests Sonaca USA - kEUR 6 907

Most of the interest on loans of other financial income comes from loans obtained or granted in the context of the acquisition of LMI Aerostructure.

5. INCOME TAXES

The calculation of the tax takes account of the benefits in kind relating to vehicles.

6. RESULT OF THE FINANCIAL YEAR AFTER TAXES

The combination of a positive operating result of kEUR 39 497 and a financial result of - kEUR 7 684 leads to a result after taxes of kEUR 31 813 (compared with a profit of kEUR 37 515 in 2016).

7. EXCHANGE RATE

The following exchange rate was used for 2017: EUR 1 = USD 1.1899

On 26 March 2018, the company had hedged its flows in USD amounting to 96% of its estimated needs for 2018, 85% for 2019, 47% for 2020 and 9% for 2021.



MAIN RISK FACTORS LINKED TO THE ACTIVITY OF THE COMPANY

The policy followed by Sonaca sa as regards risk management consists of identifying, measuring, monitoring and reducing the risks linked to its activities. Risk is understood to mean any event likely to have a short-, medium- or long-term negative influence on the value of the company. With this in mind, Sonaca sa has classified the risks incurred as strategic, financial, operating and legal risks.

These are the main specific risks which have so far been identified and which are linked to its activities.

STRATEGIC RISKS

Sonaca sa faces risks linked to the aeronautical construction market, that is the cyclical nature of demand for new aircraft from airlines and its concentration on just a few major manufacturers who constitute the world market the world market. Economic analyzes show that the demand for air transport is closely correlated with world growth.

Moreover, the market is also particularly demanding as regards cost cutting and the use of new technologies. To this end, Sonaca sa is engaged in many Research and Development programs with a view to maintaining and developing its level of technology so as to anticipate customers' demands.

FINANCIAL RISKS

Most of Sonaca sa turnover is realized in USD. As the costs of the company include a significant proportion of other currencies, the enterprise is highly exposed to the risk of the EUR/USD exchange rate and to a lesser extent to the risk of the USD/CAD and USD/BRL exchange rates.

HEDGING INSTRUMENTS

The company has conventional forward contracts for its USD cover (over a period of around 42 months). It does not have recourse to the use of structured products.

As regards the transactional exchange risk, Sonaca sa, which booked over 95% of its turnover in US dollars in 2017, adopts a policy based on the following principles:

Sonaca sa develops an intensive policy linked to the currency risk so as to reduce its net exposure to the USD exchange risk, resulting in the purchase of raw materials and subcontracting as well as financing in US dollars.

BRANCHES

The company does not have any branches.

EVENTS AFTER CLOSURE

The events after the closure of the balance sheet which impact on the result of the financial year were taken into account for the 2017 financial statements.

This policy makes it possible to reduce our transactional and balance sheet exposure, so hedging is only required for the net flows.

As regards the balance sheet currency risks, as a precautionary measure, Sonaca books any extraordinary depreciation deemed necessary in application of the valuation rules.

As regards the interest rate risks, the financing arranged in the context of the acquisition of LMI Aerospace Inc. led to the creation of new debts in USD and EUR. In order to ensure its long-term future and make the most of attractive market rates, Sonaca sa has supplemented its interest rate hedging with new IRS hedges for over 80% of these loans.

LIQUIDITY RISKS

The company is still committed to a certain number of investment programs in terms of both development and industrialisation costs and as regards production equipment.

In addition, the exclusive rights granted under contract to the company by customers for most of its programs entail an obligation to meet the increased rate of deliveries required. In 2017, with a view to the acquisition of LMI Aerospace Inc, Sonaca sa had to re-organise its bank debts and in this context, its indebtedness increased to MUS\$ 260 and MEUR 50 as at 31/12/2017.

INTERNAL AUDITING

The size of Sonaca sa and the expansion of the Group lead the company to regularly review internal auditing as supervised by the Audit Committee, in particular as regards recording transactions and the related risks in the accounts.

This year, benefiting from the acquisition of LMI Aerospace, among other things Sonaca sa strengthened its code of ethics and standardised the delegation of authority within the various entities of the Group.



OPERATING RISKS

Generally speaking, Sonaca sa is exposed to the following risks:

- increase in the price of raw materials and shortage of available tonnages;
- need to reduce the cost prices of its products to offset the natural rise in certain costs and meet market demand;
- importance of quality, security and traceability requirements of products and their components;

- sometimes sudden variations in customer demand in terms of the quantities to be supplied, forcing the company to adapt very quickly;
- technical failure on the part of a subcontractor or a supplier essential to the continuity of the activity of the supply chain.

Moreover, LMI Aerospace, recently acquired, is having to cope with the sudden acceleration of several programs and encountering operational difficulties further to the transfer of activities from the USA to Mexico. At the end of 2017 and in early 2018, this situation caused some tensions as regards delivery times, with an impact on customers and on margins. Corrective plans have been drawn up and are currently being implemented at the sites concerned.

LEGAL RISKS AND ONGOING LITIGATION

All companies are subject to a certain number of legal risks relating to lawsuits of varying importance in the context of the exercising of their activities. To the knowledge of the Board, all the lawsuits involving the company and its consolidated subsidiaries which may reasonably be expected to entail financial consequences are covered by adequate provisions in the accounts or a detailed description in the enclosed notes.

APPROPRIATION OF THE RESULT

SITUATION AT 31/12/2017

Taking into account a profit for the financial year available for appropriation of EUR 31 813 177.94, the Board of Directors proposes that the General Meeting takes the following decisions:

- Allocation of 5% to the legal reserve, that is EUR 1 590 658.90.
- Distribution of dividends amounting to kEUR 2 500.

Taking into account the profit carried over from 2016 (EUR 78 178 239.09) and the balance of the profit available for appropriation from 2017 (EUR 27 722 519.04), the result carried over will therefore amount to EUR 105 900 758.13.

PROFIT & LOSS ACCOUNT

OF SONACA GROUP

AT 31.12.2017

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

In thousands of Euro

	31.12.2017	31.12.2016	31.12.2015	31.12.2014
OPERATING INCOME	572 018	399 040	380 926	361 439
Turnover	538 796	344 671	332 287	314 443
Stocks of fin. Goods & work in progress	(5 589)	10 887	6 482	6 810
Own work capitalized	16 895	22 991	23 787	17 764
Other revenue	18 955	20 489	18 369	22 422
Non-recurring revenue	2 961	2	-	-
TOTAL CHARGES	599 352	362 532	342 296	328 157
Raw materials, consumables and goods for resale	224 307	149 629	140 465	138 262
1. Purchases	230 989	149 955	140 177	133 201
2. Stocks : increase / decrease	(6 682)	(326)	288	5 061
Services and other goods	67 768	43 368	35 930	33 665
Remunerations, social security costs and pensions	197 561	141 480	136 769	137 635
Depreciations of and other amounts written off	92 492	34 685	32 915	20 057
Amounts written off on stocks	1 116	(947)	(898)	(1 521)
Provisions for liabilities and charges	2 235	(6 577)	(3 774)	(1 450)
Other operating charges	805	535	838	1 458
Capitalized operating charges	-	-	-	-
Amortization of goodwill	12 487	90	51	51
Non-recurring operating charges	582	269	-	-
OPERATING INCOME	(27 334)	36 507	38 630	33 282
FINANCIAL INCOME	18 274	17 660	16 108	2 152
Income from fixed assets	49	11	1	-
Income from current assets	1	7	51	100
Other financial income	18 224	17 642	16 056	2 051
Non-recurring financial income	-	-	-	-

FINANCIAL CHARGES	24 629	15 062	23 107	13 742
Interest paid and other debt charges	9 423	5 103	5 845	6 383
Amounts written off on cur. assets	-	-	-	-
Other financial charges	15 206	9 948	17 262	7 359
Non-recurring financial charges	-	10	-	-
PROFIT/LOSS BEFORE INCOME TAX	(33 689)	39 105	31 630	21 691
EXTRAORDINARY INCOME	-	-	166	3 423
Release of depreciation and amounts written off	-	-	-	-
Release of provisions for financial fixed assets	-	-	-	-
Release of provisions for extraordinary liabilities and charges	-	-	-	-
Gain on disposal of fixed assets	-	-	77	3 096
Other extraordinary income	-	-	89	327
EXTRAORDINARY CHARGES	-	-	1 195	1 809
Depreciation and amounts written off	-	-	799	-
Amounts written off on financial fixed assets	-	-	-	-
Provisions for extraordinary liabilities and charges	-	-	338	997
Loss on disposal of fixed assets	-	-	-	13
Other extraordinary charges	-	-	58	798
Activated extraordinary charges	-	-	-	-
RESULT (LOSS) BEFORE TAXATION	(33 689)	39 105	30 601	23 305
TRANSFERS TO / FROM DEFERRED TAXES	-	(62)	-	-
INCOME TAXES	1 656	475	(2 951)	1 374
PROFIT (LOSS) FOR THE PERIOD	(35 345)	38 692	33 552	21 931
PROFIT ATTRIBUTABLE TO MINORITY INTERESTS	(479)	(167)	520	565
PROFIT ATTRIBUTABLE TO THE GROUP	(34 866)	38 859	33 032	21 366

CONSOLIDATED BALANCE SHEET

OF SONACA GROUP

AT 31.12.2017

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

ASSETS

in thousands of Euro

	31.12.2017	31.12.2016	31.12.2015	31.12.2014
FIXED ASSETS	479 968	219 348	194 028	187 511
FORMATION EXPENSES	-	-	-	-
INTANGIBLE FIXED ASSETS	89 297	22 752	9 366	9 443
GOODWILL	111 795	156	51	102
TANGIBLE FIXED ASSETS	277 130	195 887	183 412	175 182
Land and buildings	46 537	22 669	16 848	19 192
Installations, machinery and equipment	131 247	67 453	50 759	49 472
Furnitures and vehicles	2 692	1 173	1 306	1 598
Leasing and similar rights	4 645	5 630	8 657	9 709
Other tangible fixed assets	17 208	13 371	9 612	8 420
Assets under Constr.& Down Payment	74 802	85 591	96 231	86 791
FINANCIAL FIXED ASSETS	1 746	554	1 199	2 784
Companies consolidated by equity method	-	-	-	-
1. Participating interests	-	-	-	-
2. Amounts receivable	-	-	-	-
Other enterprises	1 746	554	1 199	2 784
1. Participating interests and Shares	395	365	336	1 560
2. Amounts receivable	1 351	189	863	1 224
CURRENT ASSETS	363 998	205 548	231 697	226 250
AMOUNTS RECEIVABLE AFTER MORE ONE YEAR	864	65	9	92
Trade debtors	168	-	-	-
Other amounts receivable	697	65	9	92



STOCKS AND CONTRACTS IN PROGRESS	172 086	98 696	87 491	105 440
Stocks	111 686	28 718	25 863	28 182
1. Raw materials and consumables	57 806	22 449	19 561	21 862
2. Goods in process	26 889	4 359	4 289	4 118
3. Finished goods	26 609	1 504	1 227	1 436
4. Goods purchased for resale	382	407	786	766
5. Real property acquired or constructed for resale	-	-	-	-
Contracts in progress	60 401	69 979	61 628	77 258
AMOUNTS RECEIVABLE WITHIN ONE YEAR	132 479	74 375	114 811	98 648
Trade debtors	126 523	66 692	107 105	93 486
Other amounts receivable	5 955	7 684	7 706	5 161
CURRENT INVESTMENTS	7	307	10 492	16 105
CASH AT BANK AND IN HAND	55 986	31 000	15 814	4 675
DEFERRED CHARGES AND ACCRUED INCOME	2 576	1 104	3 080	1 291
TOTAL ASSETS	843 966	424 896	425 725	413 761



LIABILITIES

in thousands of Euro

Sonaca Group received the SQIP Award «Accredited Member» from its Airbus customer for the fourth year. This award highlights the care and rigor applied in everyday activities across all departments. The quality and the satisfaction of our customers concern all the employees of the Group!

	31.12.2017	31.12.2016	31.12.2015	31.12.2014
EQUITY	179 209	124 159	83 461	29 904
CAPITAL	140 000	40 000	40 000	7 198
SHARE PREMIUM ACCOUNT	-	-	1	-
REVALUATION RESERVES	5 595	5 730	5 866	6 002
CONSOLIDATED RESERVES	41 221	78 306	41 811	18 535
BADWILL	1 255	1 255	382	-
TRANSLATION DIFFERENCES	(12 888)	(1 248)	(4 749)	(2 016)
INVESTMENT GRANTS	4 026	116	150	185
MINORITY INTERESTS	1 252	(68)	2 108	2 767
PROVISIONS AND DEFERRED TAXES	22 298	19 975	26 905	31 801
Pensions and similar obligations	3 295	5 236	8 499	11 272

Taxation	-	-	39	65
Important repairs and maintenance	-	-	17	40
Other risks and charges	19 002	14 739	16 675	18 154
Deferred taxes	-	-	1 676	2 270
DEBTS	641 208	280 830	313 251	349 290
Amounts payable after one year	417 363	131 023	168 573	202 954
Financial debts	279 613	20 647	56 943	95 252
1. Subordinated loans	4 958	4 958	5 554	34 475
3. Leasing and other similar obligations	7 127	2 170	3 542	5 114
4. Credit institutions	260 450	12 519	47 850	55 669
5. Other loans	7 078	1 000	(2)	(6)
Trade debts	381	404	736	1 305
1. Suppliers	381	404	736	1 305
2. Other trade debts	-	-	-	-
Amounts received for orders	(4)	-	115	131
Other amounts payable	137 372	109 972	110 778	106 266
Amounts payable within one year	207 858	127 516	133 410	137 824
Current portion of amounts payable after one year	29 759	9 195	21 489	22 519
Financial debts	12 980	2 155	1 293	1 067
1. Credit institutions	12 980	2 155	1 293	1 067
2. Other loans	-	-	-	-
Trade debts	97 735	56 867	53 011	53 683
1. Suppliers	97 735	56 867	33 509	41 667
2. Other trade debts	-	-	19 502	12 016
Advances received on contracts in progress	25 875	25 135	28 419	31 913
Taxes, remunerations and social security	38 056	30 388	26 683	26 450
1. Taxes	2 507	774	1 263	1 220
2. Remunerations and social security	35 549	29 613	25 421	25 230
Other amounts payable	3 454	3 776	2 514	2 192
DEFERRED INCOME AND ACC	15 987	22 291	11 269	8 512
TOTAL LIABILITIES	843 966	424 896	425 725	413 761

MANAGEMENT REPORT

Consolidated accounts as

AT 31.12.2017

1. DESCRIPTION OF SONACA GROUP

SONACA IN BELGIUM

The main corporate object of Sonaca sa, the parent company of the Group located in Gosselies (Belgium), is the design, manufacture and assembly of structural elements of aerospace aircraft. Further information is available in Sonaca sa management report.

Sonaca Ventures Holding sa (SVH), is a Belgian company 57,89% owned by Sonaca sa and is located 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.

In 2017, Sonaca Ventures proceed with two capital increases of kEUR 1 500 which is kEUR 450 paid up. Wespavia took a 42,11% stake in the SVH capital. It amounts now to kEUR 4 750, 81,05% paid up.

The main object of Sonaca Aircraft sa, a Belgian subsidiary located in Gosselies in which Sonaca Ventures Holding owns 70,99%, is the design, manufacturing and repair of all types of aircraft and their parts.

Sonaca Aircraft sa was created on 16 September 2015 with a capital of kEUR 2 200, 75% of which was paid up.

In 2017, the capital was increased by kEUR 750. It is now 93,63% paid up.

Sonanovae sa is a wholly owned Belgian subsidiary of Sonaca sa located in Gosselies. Its main object is the incorporation of (and

holding 100% of the shares and voting rights in) Aero Forming Transylvania.

Sonanovae was established on 2 May 2016 with a capital of MEUR 10, 44,5 % of which is paid up.

The main object of Belairbus sa, a Belgian company in which Sonaca sa holds 58,75%, located in Waterloo, is the organisation and coordination of the commercial operations of the three Belgian industrial companies (Asco, Eurair and Sonaca), which are partnered for the supply of wing leading edges for civil programs. The Belairbus shareholders are Sonaca, Asco, Eurair and Sabca.

Flabel sa, Belgian company in which Sonaca sa holds 38,80%, coordinates the three Belgian industrial partners (Sonaca, Asco, Sabca Group) in the A400M program, a military transport aircraft of Airbus Military in which Flabel has a 4,44% stake.

Ignition! sa, a Belgian company, 50% of which is owned by Sonaca sa, was created in November 2017 in partnership with Sabena Aerospace. The capital amounts to EUR 61 500, paid up in full.

The object of Ignition! sa is to offer innovative services in the field of military aeronautics in Belgium and abroad.

SONACA IN GERMANY

Sonaca Space GmbH is a wholly owned German subsidiary of Sonaca SA, acquired in 2016. The main object of the company is to provide engineering and production services in the space sector.

The company, previously called AST, was acquired for the price of kEUR 334.

SONACA IN ROMANIA

Sonaca Aerospace Transilvania SRL, established on 12 March 2015, is an industrial company incorporated under Romanian, wholly owned by Sonaca sa.

Its capital is MEUR 4. Its task is to assemble aircraft structures for its parent company and to manufacture composite hand layup parts, also for the aeronautical sector. Its industrial activities began 2016.

Aero Forming Transylvania, a Romanian subsidiary wholly owned by Sonanovae sa, was liquidated in February 2018.

SONACA IN BRAZIL

Sobraer Ltda, created in 2000, is a wholly owned Brazilian subsidiary (less five shares) of Sonaca sa, located in Sao José dos Campos. Its task is mainly to carry out certain assembly and fitting operations and finishing work on aircraft structural elements for Sonaca sa.

Sopecaero Ltda is a Brazilian company established in 2004. Its shareholders are Sobraer Ltda (90,28%), and Sonaca sa (9,72%).

The object of this company is to manufacture small sheet metal parts for the world aircraft construction market.

Pesola Ltda is a Brazilian company established in 2004. Its shareholders are Sobraer Ltda (66,66%), 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 established on 12 June 2015 with a capital of kBRL 100.

Its shareholders are Sobraer Ltda (99%), and Sonaca sa, which holds the remainder. Its task is to provide engineering and project management services for the aeronautical sector.

SONACA IN NORTH AMERICA

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

In 2003, SNA created a subsidiary called Sonaca Montreal (SM). SM took over the assets, including the personnel and the commercial contracts of the company NMF Canada which has filed for protection from its creditors.

During the year 2017, the capital of SNA was reduced by kCAD 1 100.

Sonaca Montreal Inc (SM) is a company incorporated under Canadian law, wholly owned by Sonaca North America. Sonaca Montreal manufactures and assembles large-scale aluminium structures for the aeronautical sector.

Sonaca USA Inc is an American company, wholly owned since 2017 by Sonaca sa. It was established on 22 September 2015 with a capital of kUSD 25. Its task is to serve as a platform for the development of the activities of Sonaca Group in America.

In 2017, Sonaca sa bought all its shares in SNA before increasing the capital by kUSD 245 075. This capital increase enabled the acquisition of LMI Aerospace.

LMI Aerospace Inc, an American company taken over in full in June 2017 by Sonaca USA.

LMI Aerospace Inc, is a leading supplier of structural assemblies, kits and components. It is also a supplier of design engineering services for the commercial, regional and defence aerospace markets.

SONACA IN CHINA

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

Elson is a holding company which owns all the shares in Sinelson Aero (Tianjin) Co, Ltd, a Chinese operating company located in Tianjin. Its task is to assemble the A320 leading edges for Sonaca sa for the Airbus final assembly line in China.

2. CONSOLIDATION

In accordance with the applicable law, Sonaca sa's Board of Directors decided, for 2017, to extend the consolidation scope to Sonaca sa, Sonaca North America and its subsidiaries Sonaca Montreal, Sonaca USA, Sobraer, Sopeçero and Pesola, Sonaca Engenharia, Elson, Sinelson, Sonaca Aerospace Transilvania, Sonaca Ventures Holding, Sonaca Aircraft, Sonanovae, Aero Forming Transilvania, Sonaca Space and LMI Aerospace Inc and its subsidiaries (see diagram). LMI Aerospace was included in the consolidation scope from 27 June 2017.

Belairbus sa has been left out of the scope because Sonaca sa does not control this company as the Belairbus articles of association require 75% of the votes for all decisions taken by the Board of Directors. The same applies for Flabel sa and Ignition!, whose balance sheet profit and loss account have little bearing in terms of Sonaca Group as a whole.

These three holdings are therefore kept at their acquisition value in the consolidated accounts.

The consolidated accounts were drawn up in accordance with the provisions of the Royal Decree of 30 January 2001 implementing the Companies Code.

The consolidation has been performed using the global integration method for all entities included in the consolidation scope.

3. COMMENTS ON THE CONSOLIDATED ACCOUNTS

3.1 SONACA SA AND ITS BELGIAN SUBSIDIARIES

Sonaca sa closed the financial year with a profit of kEUR 31 813 (see comments on the financial statements of Sonaca sa). In the consolidated accounts, the impairment of the participating interest of Sonaca USA was cancelled for kEUR 6 907.

Taking into account this exchange transaction as well as the exchange differences on the elimination of inter-group balance sheet items (kEUR 349), and other less significant elements, the contribution of Sonaca sa to the net profit of the Group amounted to kEUR 38 863.

Sonaca Ventures Holding sa closed the financial year with a loss of kEUR 40. After the consolidation entries and the transfer to a third party, the contribution to the Group's net profit was a loss of kEUR 64.

Sonaca aircraft sa's loss amounted to kEUR 732 at year-end. After consolidation entries, the contribution of this subsidiary to the Group's net profit was a loss of kEUR 302.

Sonanovae closed the 2017 financial year with a profit of kEUR 7. This corresponds to the contribution made by this company to the result of the Group.

3.2 GERMAN SUBSIDIARY

Sonaca Space closed the 2017 financial year with a loss of kEUR 613, which also corresponds to its contribution the Group's net profit.

3.3 ROMANIAN SUBSIDIARIES

Sonaca Aerospace Transilvania SRL closed its financial year with a loss of kRON 1 762. After consolidation entries, its contribution to the Group's net profit amounted to - kEUR 510.

Aero Forming Transylvania closed the financial year with a profit of kRON 224. Its contribution to the result of the Group was - kEUR 42.

3.4 SOUTH AMERICAN SUBSIDIARIES

Sobraer recorded a turnover of kBRL 73 305 in 2017. The non-consolidated net profit of Sobraer in 2017 amounted to kBRL 12 126. After the consolidation entries, the contribution made by this subsidiary to the Group's net profit was kEUR 3 111.

Sopeçaero's turnover decreased from kBRL 19 709 in 2016 to kBRL 16 718 in 2017. The net profit at the end of 2017 amounted to kBRL 879. After the consolidation entries, the contribution made by this subsidiary to the Group's net profit was kEUR 81.

Pesola closed its financial year with a net profit of kBRL 1 093 and a turnover of kBRL 20 869. After the consolidation entries, this subsidiary's contribution to the Group's net profit was a loss of kEUR 39.

Sonaca Engenharia closed 2017 with a loss of kBRL 11. After the consolidation entries, the subsidiary's contribution to the Group's net profit was - kEUR 3.

3.5 NORTH AMERICAN SUBSIDIARIES

SNA closed 2017 with a loss of kCAD 1. SNA's contribution to the Group net profit amounted to kEUR 239 further to exchange differences on the elimination of interco transactions.

The turnover of Sonaca Montreal amounted to kCAD 57 666, up 19% compared with 2016. Its profit stood at kCAD 10 207 and its operating cash flow was at kCAD 12 819.

Sonaca Montreal achieved this result despite incorporating into profit an unrealised foreign exchange gain of kCAD 4 939. This income was cancelled in consolidation because the Belgian accounting principles do not allow them to be capitalised. The consolidation entries on the net result of Sonaca Montreal take this to kEUR 5 896 in the accounts of the Group.

Sonaca USA closed the year with a profit of kUSD 29. After consolidation entries, the share of Sonaca USA in the Group was a loss of kEUR 12 389.

This loss may be attributed to the depreciation over five years (6 months for 2017) of the first consolidation difference further to the acquisition of LMI Aerospace. This first consolidation difference amounted to kEUR 123 774.

The accounts of LMI Aerospace Inc. have been integrated into the consolidation of Sonaca Group since its acquisition on 27 June 2017, i.e. only the second half of the year as regards the income statement. LMI Aerospace ended this second half of the year with a loss of kUSD 22 205. Its turnover amounted to kUSD 189 339 and its operating cash flow was kUSD 2 863. After the consolidation entries, the contribution to the the Group's net profit was - kEUR 69 123. The impact of the consolidation entries is mainly due to the inclusion for the financial year 2017 of the total depreciation of the goodwill on the acquisition of the Valent group dating from 2012 (kUSD 56 234).

3.6 CHINESE SUBSIDIARIES

Elson closed the year 2017 with a loss of kHKD 134. Its contribution to the Group's net profit was - kEUR 43.

Sinelson ended the 2017 financial year 2017 with a profit of kCNY 1 241. After consolidation entries, Sinelson's share of the the Group's net profit amounted to kEUR 135.

3.7 CONSOLIDATED RESULTS

After neutralisation interco transactions, the consolidated key figures (in thousands of EUR) of Sonaca Group stood as follows, bearing in mind that the results of LMI Aerospace were consolidated as of 27 June 2017:

	2017	2016
Revenues	572 018	399 040
Turnover	538 796	344 671
Operating profit (loss)	(27 334)	36 507
Group share in the consolidated results after tax	(34 866)	38 859
Consolidated equity	179 209	124 159



4. VENTS AFTER CLOSURE

The events after the closure of the balance sheet which impact on the result of the financial year were taken into account for the 2017 financial statements.

5. MAIN RISK FACTORS LINKED TO THE ACTIVITY OF THE GROUP

The policy followed by Sonaca Group as regards risk management consists of identifying, measuring, monitoring and reducing the risks linked to its activities. Risk is understood to mean any event likely to have a short-, medium- or long-term negative influence on the value of the company. With this in mind, Sonaca Group has classified the risks incurred as strategic, financial, operating and legal risks.

These are the main specific risks which have so far been identified and which are linked to its activities.

STRATEGIC RISKS

Sonaca Group faces risks linked to the aeronautical construction market, that is the cyclical nature of demand for new aircraft from airlines and its concentration on just a few major manufacturers who constitute the world market. Economic analyzes show that the demand for air transport is closely correlated with world growth.

Moreover, the market is also particularly demanding as regards cost cutting and the use of new technologies. To this end, the Group is engaged in many Research and Development programs with a view to maintaining and developing its level of technology so as to anticipate customers' demands.



FINANCIAL RISKS

Most of Sonaca Group turnover is realized in USD. As the costs of the company include a significant proportion of other currencies, the enterprise is highly exposed to the risk of the EUR/USD exchange rate and to a lesser extent to the risk of the USD/CAD and USD/BRL exchange rates.

Hedging instruments

Sonaca Group has conventional forward contracts for its USD cover as regards the local markets (over a period of around 42 months). It does not have recourse to the use of structured products.

As regards the transactional exchange risk, Sonaca Group, which booked over 95% of its turnover in US dollars in 2017, adopts a policy based on the following principles:

Sonaca Group develops an intensive policy linked to the currency risk so as to reduce its net exposure to the USD exchange risk resulting in the purchase of raw materials and subcontracting as well as financing in US dollars. This policy makes it possible to reduce our transactional and balance sheet exposure, so hedging is only required for the net flows.

As regards the balance sheet currency risks, as a precautionary measure, Sonaca Group books any extraordinary depreciation if deemed necessary in application of the valuation rules.

As regards the interest rate risks, the financing arranged in the context of the acquisition of LMI Aerospace Inc. led to the creation of new debts in USD and EUR. In order to ensure its long-term future and make the most of attractive market rates, Sonaca Group has supplemented its interest rate hedging.

LIQUIDITY RISKS

The Group is still committed to a certain number of investment programs in terms of both development and industrialisation costs and as regards production equipment.

In addition, the exclusive rights granted under contract to the company by customers for most of its programs entail an obligation to meet the increased rate of deliveries required.

In 2017, with a view to the acquisition of LMI Aerospace Inc, Sonaca sa had to re-organise its bank debts and in this context, its indebtedness increased to MUSD 260 and MEUR 50 as at 31/12/2017.

Internal auditing

The size and expansion of Sonaca Group leads the company to regularly review the internal auditing as supervised by the Audit Committee, in particular as regards recording transactions and the related risks in the accounts.

This year, benefiting from the acquisition of LMI Aerospace, among other things Sonaca Group strengthened its code of ethics and standardised the delegation of authority within the various entities of the Group.

OPERATING RISKS

Generally speaking, Sonaca Group is exposed to the following risks:

- increase in the price of raw materials and shortage of available tonnages;
- need to reduce the cost prices of its products to offset the natural rise in certain costs and meet market demand;
- importance of quality, security and traceability requirements of products and their components;
- ometimes sudden variations in customer demand in terms of the quantities to be supplied, forcing the company to adapt very quickly;
- technical failure on the part of a subcontractor or a supplier essential to the continuity of the activity of the supply chain.

Moreover, LMI Aerospace, recently acquired, is having to cope with the sudden acceleration of several programs and encountering operational difficulties further to the transfer of activities from the USA to Mexico. At the end of 2017 and in early 2018, this situation caused some tensions as regards delivery times, with an impact on customers and on margins. Corrective plans have been drawn up and are currently being implemented at the sites concerned.

LEGAL RISKS AND ONGOING LITIGATION

All groups are subject to a certain number of legal risks relating to lawsuits of varying importance in the context of the exercising of their activities. To the knowledge of the Board, all the lawsuits involving the company and its consolidated subsidiaries which may reasonably be expected to entail financial consequences are covered by adequate provisions in the accounts or a detailed description in the enclosed notes.



STATUTORY AUDITOR'S REPORT

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF THE
COMPANY FOR THE YEAR ENDED 31 DECEMBER 2017

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

We have been appointed as statutory auditor by the general meeting of 23rd of June 2016, following the proposal formulated by the board of directors and issued upon presentation by the works' council of the 20th of June 2016. Our statutory auditor's mandate expires on the date of the general meeting deliberating on the annual accounts closed on 31st December 2018. The company SCRL RSM Interaudit, company resulting from a M&A operation between the SCRL «Dupont-Koevoets» and the SCRL «Toelen, Cats, Marlie», has performed the statutory audit of the annual accounts of the company Sonaca for nine consecutive years.

REPORT ON THE AUDIT OF THE ANNUAL ACCOUNTS

Unqualified opinion

We have audited the annual accounts of the Company, which comprise the balance sheet as at 31st December 2017, the profit and loss account for the year then ended and the notes to the annual accounts, characterised by a balance sheet total of € 813 502 773 and a profit and loss account showing a profit for the year of € 31 813 718.

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

Basis for unqualified opinion

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

in Belgium, including those concerning independence.

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE ANNUAL ACCOUNTS

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

In preparing the annual accounts, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;

- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the annual accounts and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant

deficiencies in internal control that we identified during our audit.

REPORT ON THE OTHER LEGAL AND REGULATORY REQUIREMENTS

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the management report, for the documents to be deposited in accordance with the legal and regulatory requirements, as well as for the compliance with the legal and regulatory requirements regarding bookkeeping, with the Company Code and with the Company's by-laws.

Responsibilities of the statutory auditor

In the context of our mandate and in accordance with the Belgian standard (Revised in 2018) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, it is our responsibility to verify, in all material aspects, the management report, certain documents to be deposited in accordance with the legal and regulatory requirements, and compliance with certain provisions of the Company Code and of the Company's by-laws, as well as to report on these elements.

Aspect related to the management report

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

STATUTORY AUDITOR'S REPORT

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF THE
COMPANY FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

Statement related to the social balance sheet

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

Statement related to independence

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

Other statements

- 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 legal provisions 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, 9 may 2018
RSM INTERAUDIT SCRL
THE STATUTORY AUDITOR
represented by
Thierry Lejuste
Partner

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

We have been appointed as statutory auditor by the general meeting of 23rd of June 2016, following the proposal formulated by the board of directors and issued upon presentation by the works' council of the 20th of June 2016. Our statutory auditor's mandate expires on the date of the general meeting deliberating on the annual accounts closed on 31st December 2018. The company SCRL RSM Interaudit, company resulting from a M&A operation between the SCRL «Dupont-Koevoets» and the SCRL «Toelen, Cats, Marlie», has performed the statutory audit of the consolidated financial statements of the company Sonaca for nine consecutive years.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Unqualified opinion

We have performed the statutory audit of the Group's consolidated financial statements, which comprise the consolidated statement of financial position as at 31st December 2017, and the consolidated statement of profit or loss and other comprehensive income, and which is characterised by a consolidated statement of financial position total of € 843 966 383 and for which consolidated income statement and other comprehensive income shows a loss for the year of € 35 344 825.

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

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards

are further described in the 'Statutory auditor's responsibilities for the audit of the consolidated financial statements' section in this report. We have complied with all the ethical requirements that are relevant to the audit of annual accounts in Belgium, including those concerning independence.

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The board of directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the financial reporting framework applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material

misstatement, whether due to fraud or error.

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

STATUTORY AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL ACCOUNTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error,

design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the management, the supervision and the performance of the Group audit. We assume full responsibility for the auditor's opinion.

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

REPORT ON THE OTHER LEGAL AND REGULATORY REQUIREMENTS

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the contents of the management report on the consolidated financial statements and for the other information included in the annual report on the consolidated financial statements.

Responsibilities of the statutory auditor

In the context of our mandate and in accordance with the Belgian standard (revised in 2018) that is supplementary to the International Standards on Auditing (ISA) as applicable in Belgium, it is our responsibility to verify, in all

material aspects, the management report on the consolidated financial statements and the other information included in the annual report on the consolidated financial statements, as well as to report on this element these elements.

Aspects related to the management report on the consolidated financial statements and to the other information included in the annual report on the consolidated financial statements

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

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

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

Statement related to independence

- Our audit firm and our network did not provide services which are incompatible with the statutory audit of annual accounts, and we remained independent

of the Company during the terms of our mandate.

- The fees related to additional services which are compatible with the statutory audit of annual accounts as referred to in article 134 of the Company Code were duly itemised and valued in the notes to the annual accounts.

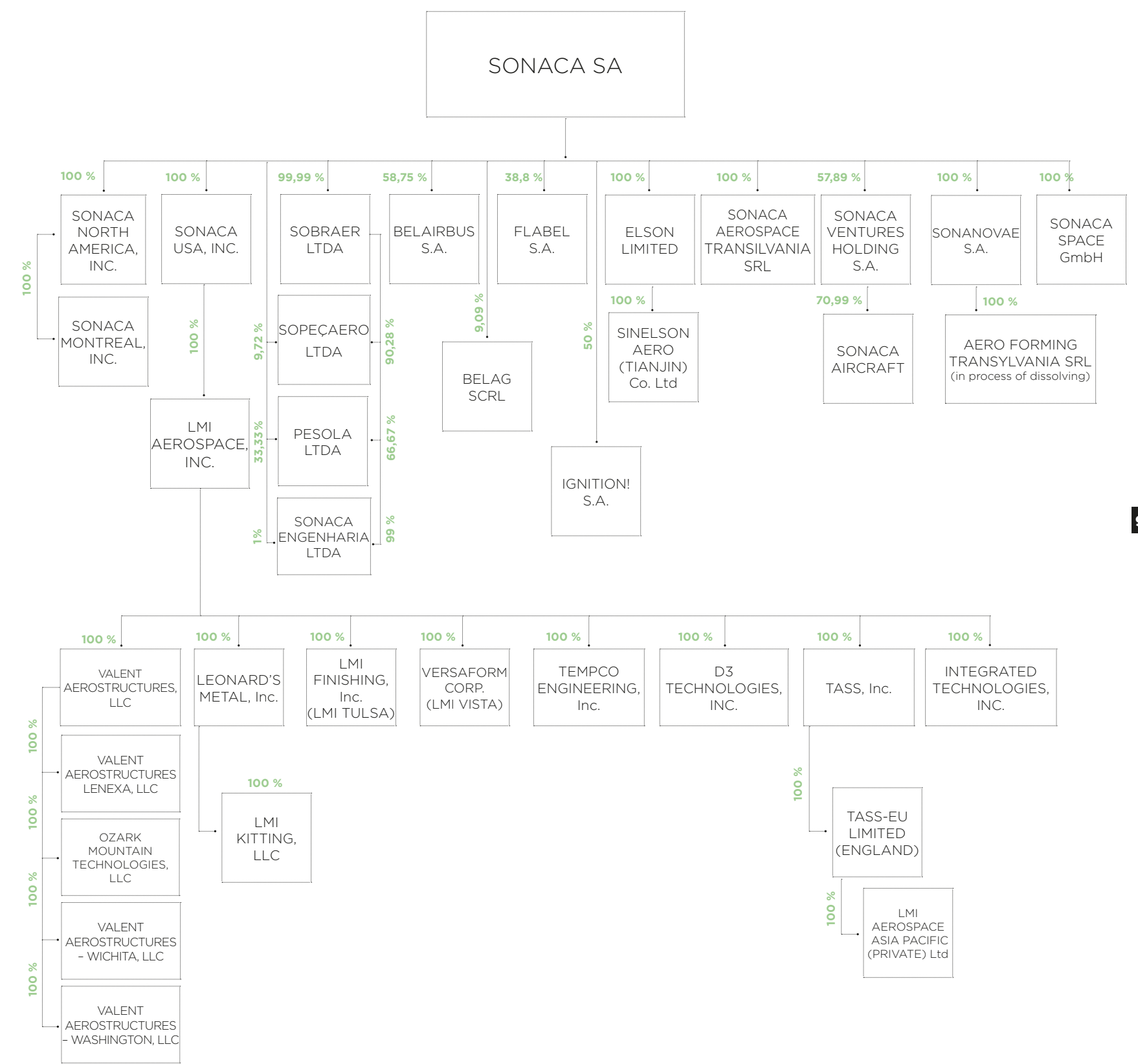
Gosselies, 9 may 2018
RSM INTERAUDIT SCRL
THE STATUTORY AUDITOR
represented by
Thierry Lejuste
Partner



STRUCTURE OF SONACA GROUP

AT 31.12.2017

PER PERCENT IN CAPITAL





lmi aerospace 
SONACA GROUP

sonaca 
MONTRÉAL

sopecaero 
SONACA GROUP

pesola 
SONACA GROUP

sobraer 
SONACA GROUP

sinelson 
SONACA GROUP

sonaca 
TRANSILVANIA

sonaca aircraft 
SONACA GROUP

sonaca space 
SONACA GROUP

Copywriting:
MarlyProductions - Cible

Crédit photographique:
Arnaud Siquet • Pierre Taquet • Lockheed Martin • Saab • Typhoon • Kazmier Maslanka •
Cottonwood Falls: Steve Puppe/Steve Puppe Photography • Jim Meyers/Vertizon Photography
Carlos Márquez Blake/DeAnda Studios • Sanka Gallege/StudioClick • Darin Hartlieb/Dear Hart
Photography • Darren Trentacosta/Trentacosta • Jamie Mosberg/Voltage Digital

Work of Michel Brocart, artist
Achievement of the work of art: Sonaca Group
Titanium cube: 200 x 200 x 200 cm. 2018

