



ANNUAL REPORT

2018

2018 Annual Report of the Board of Directors

Ordinary General Meeting of 6 June 2019

MANAGEMENT REPORT

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*MR refers to pages within the Management Report,
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Group Profile

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

Rich of nearly a century of know-how and passion, and with a value proposition based on skills, experience, and performance, the SABCA Group serves its four markets of civil aviation, space, defence, and industrial drones, emphasising synergy and complementarity in the products and services provided. Customer satisfaction is a priority for the SABCA Group, an absolute prerequisite for building lasting and trusted business relationships.

The corporate culture of SABCA promotes values in line with the world of aerospace: Reliability, Team Spirit and Innovation, and this not only in terms of technical solutions but also in terms of resources, continuously optimising the services provided to guarantee a high degree of satisfaction of its customers.

Safety and respect for the environment are also at the heart of the Group's daily management. Compliance with national and international environmental standards is also a fundamental principle of the SABCA Group

Continuous improvement is a central principle within the SABCA Group, allowing established processes to be constantly challenged.

In a highly competitive and globalised world, innovation is one of the main levers driving the technological evolution of aircraft and space launcher. It is essential for the SABCA Group to continue to contribute significantly to the advancement of new technologies and business models.

Over the years, the Group has been able to take advantage of the globalised market, establishing stable and useful international partnerships. In this way, a large network of business relations has been created to strengthen the effectiveness of SABCA's products and services within its four markets. In Belgium, the SABCA Group maintains its role as a major industrial player at both the federal and regional levels.

Statutory bodies

SABCA

BOARD OF DIRECTORS (AND EXPIRY DATE OF THE MANDATE)

Chairman

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

Directors

Charles Edelstenne, Chairman - Groupe Industriel Marcel Dassault¹ (2020)

Loïk Segalen, Chief Operating Officer - Dassault Aviation¹ (2022)

Olivier Costa de Beauregard, Chief Executive Officer – Groupe Industriel Marcel Dassault¹ (2020)

Carole Fiquemont, Secretary General - Groupe Industriel Marcel Dassault¹ (2020)

Hans Büthker, Chairman and Chief Executive Officer - Fokker Technologies Group BV², up to 31 December 2018

Janine Tummers, Vice President Change & Transformation of FOKKER-GKN ASEA², as from 1 January 2019 (2020)*

Geert Wijnands, Chief Financial Officer - Fokker Technologies Holding BV² (2022) *

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

SA Gefor, represented by its Managing Director, **Jacques de Smet**, Independent Director (2021)

Michèle Gillot, Independent Director (2021)

Chief Executive Officer

Thibauld Jongen

Auditor

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

* Due to the sale of the entire Fokker Aerospace N.V. stake to Dassault Belgique Aviation, Mrs. TUMMERS and Mr. WIJNANDS both resigned on March 4, 2019. For their replacement, the Board of Directors of April 24, 2019 proceeded with the co-optation of **Mrs. Josée Sulzer**, Chief Investment Officer of GIMD.

¹ Elected on presentation of the Dassault Group

² Elected on presentation of the GKN Group - Fokker Group



SABCA LIMBURG

BOARD OF DIRECTORS (AND EXPIRY DATE OF THE MANDATE)

Chairman

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

Chief Executive Officer

Thibauld Jongen (2020)

Directors

Loïk Segalen, Chief Operating Officer - Dassault Aviation¹ (2019)

Geert Wijnands, Chief Financial Officer - Fokker Technologies Holding BV ² (2020) *

Peter Reynaert, Integrated Assemblies Business Director – SABCA Group (2020)

Auditor

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

SABCA MAROC

BOARD OF DIRECTORS (AND EXPIRY DATE OF THE MANDATE)

Chairman, responsible for day-to-day management

SA SABCA, represented by its Chief Executive Officer **Thibauld Jongen** (2024)

Vice-Chairman

SAS AAA, represented by its Chairman, **Gilles Chauby** (2024)

Administrators

Jean-Marie Dujardin, Transformation and Continuous Improvement Director - SABCA Group (2024)

Cédric Nouvelot, AAA Vice-President (2024)

Auditor

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

* Mr. **Wijnands** resigned from the Board of Directors of SABCA Limburg NV on March 4, 2019.

¹ Elected on presentation of the Dassault Group

² Elected on presentation of the GKN Group - Fokker Group

Message from the Chairman and the CEO

Two years on from the start of the "**Project of the Century**", a strategic transformation project to make the company **Robust, Profitable** and **Attractive** again, significant progress continues to be achieved.

This three-years project, essential and indispensable for accelerating the redeployment of the SABCA Group in a forever changing and challenging world, is addressing all aspects of the value creation process and cost structure of the company. The technical, operational and economic difficulties encountered over the last few years in several programmes, the constant pressure from major customers to reduce prices, the overall competition in a difficult market, and the medium size of the SABCA Group, are all calls to which the Group must provide an adequate response to protect its future.

During 2018, the effects of the new organisation and the improvements in the ways of working have allowed SABCA to significantly increase the on-time delivery performance to its customers, while achieving important cost reductions both in its production processes and in its overall cost structure. An important step was also taken in December 2018 when SABCA entered into a partnership with CGI for the outsourcing of its IT infrastructure and front office, including transfer of its workforce.

As a consequence of these important efforts from everyone within SABCA, and thanks to their motivation and professionalism, the signs of a stable and solid recovery are now visible, with in particular positive financial results and performance achieved in 2018, after several difficult years. This in itself is an achievement we wish to underline and celebrate !

While the first two targets of SABCA's transformation –Robust and Profitable– are well on their way, it is now important to achieve the third one : being Attractive and able to win new contracts, to offset the anticipated decrease of a number of mature programs coming to an end, and to provide growth opportunities to the SABCA Group.

For this, efforts in business development and prospection have been intensified in 2018, together with a consolidation of the strategy of SABCA on each of its key markets of civil aerospace, defence, space, and industrial drones. As a result, a number of new business opportunities have been identified, and are currently being pursued with the objective of transforming them as soon as possible into profitable new business for SABCA.

SABCA's strategy is based on several strands. One of them is reconquering significant workload in its aero-structures activities, both for the civil aviation and the space launchers market. Priority is also set on growing into markets outside the European launchers for thrust vector control and, more generally, actuation equipment. On the Maintenance, Repair & Overhaul (MRO) market for Defence operators, the focus is set to leverage SABCA's established expertise on the F16 to capture existing and new markets, including new aircraft platforms. Finally, the nascent market of civil drones for industrial applications represents a new growth opportunity for SABCA as solution integrator for critical missions. But above all these initiatives, it is the ability of SABCA to leverage the strengths of its "One SABCA" model, based on synergies between its technologies, markets, and people, which will make the difference.

The SABCA Group has a unique set of skills, passion, and experience through its employees. Convinced that a successful transformation can only be achieved through the support of



motivated, competent, and experienced personnel, SABCA's workforce has also received the required attention in 2018. A number of initiatives such as training, skills development, communication, leadership, etc. have been launched in 2018 and will continue over the coming years. SABCA's team has also been enhanced by new people and new skills at all levels of the company. Being a member of SABCA's team means adhering to several principles and values that will have to be reinforced to achieve the Group's objectives. Aspects related to safety, activity rate, discipline, and compliance with the rules in general will be developed in priority.

Finally, together with the health, safety and well-being of its employees, the social and environmental responsibility of SABCA is a very important topic. Many projects have been started, progressed, and achieved in 2018 on these aspects. To name only a few, a company-wide "Safety Awareness" initiative has been launched, a new mobility policy has been deployed, and a large farm of solar panels (15,000 square meters) on the roofs of the Brussels plant has been inaugurated, with the annual electricity production capacity equivalent to the consumption of more than 300 families.

On 5 March 2019, the Company announced that it was informed that Fokker Aerospace B.V. had sold its entire 43.57% stake in the Company to Dassault Belgique Aviation SA, and that, as a result of this transaction, Dassault Belgique Aviation SA held 96.85% of the shares in the Company. On 10 April 2019, the Company announced that the board of directors of the Company had been informed of the decision of Dassault Belgique Aviation SA to sell its 96.85% stake in the share capital of the Company and to appoint, for this purpose, the investment bank Rothschild & Co. Those events are not considered to have a material impact on the financial statements of the Company as of December 31, 2018.

Activities of the Group in 2018

SPACE

2018 was a busy year for SABCA, with the exploitation of Ariane 5 and Vega, the on-going development activities for Ariane 6 and Vega-C, and the signature of the contract for the development activities of the Space Rider.

Ariane 5 was successfully flown 6 times in 2018, including its 100th flight on the 25th of September. This was a true milestone for a launcher that has marked the history of spaceflight. The latest production batch of Ariane 5 (EPC batch, now reduced to 8 launchers) is in the final phase of negotiations with Ariane Group, a preliminary agreement having been concluded at the end of 2018.

2018 also celebrated 2 successful flights for Europe's medium launcher, Vega. Moreover, the contract for the third batch of production of Vega and Vega-C was negotiated and signed.

An important landmark was also crossed for the next generation of European launchers with the engineering static firing test of the P120 solid rocket engine, which will both be used as the first stage of Vega-C and the side-boosters of Ariane 6. The structural elements and Thrust Vector Control system (TVC) delivered by SABCA performed flawlessly during these tests.

An engineering static firing test was also conducted for the Z40 solid rocket engine, used as second stage of the future Vega-C. The Critical Design Review for both the P120 and the Z40 TVCs were successfully closed in July and September respectively. The maiden flight for Vega-C is scheduled for end 2019.

In the frame of the Ariane 6 Program, SABCA delivered the Thrust Vector Actuation Systems (TVAS) of the Upper Liquid Stage (UL-TVAS) and Solid Rocket Booster (S-TVAS), and ran engineering tests of the Lower Liquid Stage (LL-TVAS). Both the UL-TVAS and the S-TVAS are based on electromechanical actuators, while the LL-TVAS is based on hydraulic actuators. The Critical Design Reviews for all three systems are scheduled in 2019. The maiden flight of Ariane 6 is planned for 2020.

SABCA has also started the adaptation design studies on the Intermediate Experimental Vehicle (IXV), which flew in 2015, in order to enable its use for a multi mission spacecraft called Space Rider. This mainly involves the adaptations needed to account for the six launches and re-entries planned for each vehicle and a residence of two months in space. SABCA's perimeter covers the Thrust Vector Control of the orbital service module, derived from the upper stage of Vega under Avio responsibility and the flap controls of the vehicle itself, under Thales Alenia Space Italy responsibility.

SABCA also started to implement its strategy to grow through new applications (e.g. re-entry vehicles, nano-launchers, control mechanisms, robots, etc.), new markets (commercial launchers...) and new geographical areas.

CIVIL AND BUSINESS AVIATION

In 2018, a stabilisation or even a reduction has been observed for the large aircraft programs with Airbus such as the A350, A330 and A380. A further increase as announced last year for the A320 program was confirmed.

In 2018, 78 sets A350 Flap Support Structures and Flap Support Fairings were delivered. For 2019 80 sets are planned but an acceleration and construction of an additional buffer is foreseen to anticipate the Brexit and reduce the risks on the assembly lines in the UK where SABCA supplies part of the structures.

Although a new order for A380 was announced late 2017 early 2018, other companies cancelled their options which led to review of the rate for 2018 to 7 aircraft. Finally 16 T-shape structures were delivered in 2018. Unfortunately, on February 14, 2019 Airbus announced the final stoppage of the A380 program.

For the A320 program, more than 1500 Direct Drive Valves (DDV) have been delivered which corresponds to rate 60 per month and including spares. The forecast for 2019 is going above rate 65.

For the Dassault Aviation business jets series 2000 and 900, a slight improvement in the production rate was announced and confirmed for 2018. SABCA is active on almost all Falcon business aircraft models and delivers composite elements (Extradors of the Horizontal Plan - EPH), Engine Hoods, and flight control equipment (servo controls and other hydraulic equipment).

In the course of 2018, Dassault Aviation announced the launch of the F6X, based on the F5X aircraft. In 2018, SABCA will modify 4 F5X aircraft into the new version F6X and then the rest in the years to come. For the composite horizontal stabilizer skins and spars delivered from the SABCA Limburg plant to Fokker Aerostructures, only minor modifications are required and production will resume only in 2021.

The SABCA Group is also responsible for the manufacturing of the composite horizontal stabilizer structure, supplied to Fokker Aerostructures for integration and delivery to Gulfstream for the G650. Deliveries remained strong in 2018 with 57 sets shipped.

In 2018 SABCA continued to deploy a strong prospection activity targeting both build-to-print packages, performing subcontracted activities and new design-and-build initiatives.

DEFENCE

The Defense activities of SABCA mainly consist in Maintenance, Repair, Overhaul, and Upgrade (MRO-U) of military combat aircrafts and helicopters and their components.

In 2018, SABCA has continued to serve its Europe-based F16 customers (Belgian Defence, Royal Netherlands Air Force, Danish Air Force, US Air Force in Europe) for MRO services. A batch of 5 Mirage F1 has also been successfully regenerated for the US-based ATAC company (part of Textron Group).

SABCA and the Royal Netherlands Air Forces have signed a contract extension to support their F-16 fleet until the end of its life, the aircraft being replaced by the F-35. This strengthens the position of the SABCA as F16 Center of Excellence in Europe.

A number of significant events took place in 2018 which have an important bearing on the future activities of the Group in its defence market. The Belgian Federal Government has selected Lockheed Martin's F35 aircraft for the 5th generation replacement of the F16 fleet, and General Atomics' *SkyGuardian* as the new MALE (Medium Altitude Long Endurance) drone. Initial agreements and partnerships have been put in place between SABCA and these OEMs, with the aim to provide new contract opportunities.

SABCA and General Atomics signed in 2018 an agreement outlining their cooperation for production and MRO activities, including initial in-country entry into service and support for *SkyGuardian* from the SABCA Charleroi facility. The agreement also covers production of the lightning-protected SATCOM radome for all MQ-9B *SkyGuardian* and *SeaGuardian*TM systems at SABCA Limburg. The parties intend to develop the first Europe-based MRO facility for MQ-9B actuators at SABCA in Brussels. Several cooperation opportunities have also been identified with Lockheed regarding the production and maintenance of F-35 systems.

Growth of the activity and high departures rate of retiring personnel have generated an intense recruitment activity. The MRO Defense industry in Europe is developing quality standards (EMAR145) towards the commercial MRO standards (PART145). A significant investment will be done in training and safety/quality systems to meet high hiring and quality system need.

MRO international expansions are being investigated with potential activities outside Europe to support the F16 depot maintenance. More specifically in Morocco, where an agreement was signed with Sabena Aerospace for the local maintenance of C130 aircraft.

INDUSTRIAL DRONES

In the growing market of drones for industrial applications, SABCA has taken part in a number of important research & development initiatives aimed at exploring and demonstrating the feasibility of unmanned transport and surveillance missions by drones in a controlled airspace.

The scope of activities has been extended in terms of design works, business development and operations, focussing mainly on the advancement of a range of technologies that play a key role in different services that SABCA will offer to end-users in the drone ecosystem. In particular, in order to provide safe, qualified, and robust solutions to the industry, SABCA is developing a systems architecture in accordance with aerospace standards. This architecture will form the backbone of all future services offered by the company.

In 2018, as part of an important European SESAR-CEF initiative, SABCA started the development of a medical parcel delivery system requiring the use of drones. Several multirotor platforms were built in 2018, based on a preliminary systems architecture. The development of these platforms will continue throughout 2019, followed by an extensive period of indoor and outdoor testing. One of the next major milestones is a series of flights from hospital roof to hospital roof over the city of Antwerp.

RESEARCH, TECHNOLOGY, AND INNOVATION

Technology and innovation is at the heart of the history of SABCA, and is one of its core values. Having to perpetually strike a balance between its capacity to invest resources in Research, Technology, and Innovation on the one hand, and delivering products and services

its customers on the other, SABCA has prioritized three technological for 2018 : additive manufacturing, Industry 4.0 and electromechanical drive systems.

Additive Manufacturing

SABCA is working on three time-scales. The short-term, pragmatic approach is to exploit the main advantage of additive manufacturing to reduce the lead time of a single specimen, which makes it a technology particularly well adapted to small series. For instance, SABCA purchased a 3D printer for polymer materials in 2018, allowing the rapid production parts used mainly for the production of various hand tools and surface treatment masks.

With a view to the medium term, SABCA wants to be able to manufacture metal parts in series production using additive manufacturing. For instance, for small, non-critical, non-load-transmitting parts made using "Selective Laser Melting" technology such as electronic boxes or small supports with complex geometry that can be produced in series in a single pass. But also large parts, obtained by WAAM technology (Wire-Arcing Additive Manufacturing). These themes are supported by an ESA GSTP6 programme where SABCA is associated with several international players in the sector.

Finally, with a view to the longer term, SABCA wishes to be able to produce critical standard metal parts in additive manufacturing: structural aluminium supports, hydraulic titanium manifolds, parts complex in their geometry or by assembling different materials, steel parts used in maintenance repairs of aircrafts. This objective is partly supported by the AEROSTREAM 1 and 2 programmes funded by Innoviris, which implement a network of Belgian skills: universities, research centres and production centres.

Industry 4.0

In 2018, we focused on increasing the fluidity of the company's data transfer, as it is a sine qua non condition for the implementation of automated manufacturing systems of type 4.0, exploiting artificial intelligence algorithms.

The extended company concept with our main customers (AIRBUS, DASSAULT, MT-A,...) is following its path with the adoption of common IT tools, in design but also in manufacturing. The new online signature delegation system "New DOS" recently introduced by Airbus is one of them.

The "Team-Up" project financed by Innoviris will enable us to work with Belgian partners such as the VUB and the SIRRIS research centre in the so-called manufacturing 4.0 field.

Predictive maintenance is also at the heart of our concerns. Again, a partner is expected in 2019, who will help us to use recent developments in artificial intelligence in our non-embedded applications. And eventually, in our embedded applications as well.

Electro Mechanical Actuation Systems

SABCA has been involved in the technology of electromechanical rocket motor drive systems since the end of the last century, which has enabled it to achieve several success through the VEGA program, with all 13 launches to date successful. This technology was advantageously re-used in the IXV re-entry demonstrator program in 2016, and SABCA was selected thereafter for the development, qualification and serial production of the P120 and



Z40 nozzle drive systems for the new VEGA-C launcher, as well as the drive systems for the 3 engines of the ARIANE 6 launcher, in its A62 and A64 versions.

This year also saw the end of the qualification of our CLP microprocessor used in both ARIANE 6 and VEGA-C programs. The development of a space radiation-resistant version is planned for 2019, in particular to cope with the obsolescence of SABCA's microprocessor technology used on VEGA's upper stage, the AVUM.

Developments in line with the continuous improvement of our current customers will be continued in 2019. Proof of this is SABCA's participation in the "Europeanisation of the AVUM" (European electromechanical actuators for the AVUM engine), "EMA Low Cost" of the ESA, "Space Rider" (atmospheric re-entry shuttle) and "Callisto" (recovery of launcher stages) programmes.

Quality

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

To maintain its commitment to quality, the SABCA Group has strengthened the Quality Department with a Business Excellence group allowing for implementation of “pro-active approach processes” like APQP and inspection delegation.

The achievements of 2018 are focused on two main areas: further strengthening the processes structure in line with the “ONE SABCA” principle and the deployment of the new organisation throughout the Quality Management System.

In 2018, the monitoring audit of the Quality Management System enabled SABCA S.A. excluding subsidiaries, to validate the ISO9001:2015, EN9100:2016 and AQAP2110 certifications. For SABCA Lummen, the monitoring according to ISO9001:2015 and EN9100:2016 was carried out as planned.

At the end of 2018, SABCA S.A. obtained for its activities in Charleroi, the EMAR21J certification from the French DGA. SABCA is the first D.O.A. organisation outside of France to be approved by the DGA. This recognition is an important milestone in the roadmap towards EMAR21G and EMAR 145 certification, planned for 2019 and 2020.

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

Corporate Governance Statement

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

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

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

These derogations concern the following provisions:

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

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

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

- *4.2: [...] The Nomination Committee recommends suitable candidates to the Board of Directors. [...]*
- *4.6: [...] accompanied by a recommendation from the Board of Directors based on the opinion of the Nomination Committee*
- *5.3: [...] The Board of Directors establishes a Nomination Committee in accordance with the provisions of Annex D.*
- *6.3: The Nomination Committee assists the Board of Directors in the nomination and succession plan of the CEO and other members of the executive management [...].*
- *Annex D: Nomination Committee*

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

1 Composition of the Board of Directors of SABCA

1.1 Composition

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

All Board Members are non-executive directors; three of them are independent. The composition of the Board of Directors meets the gender diversity requirement laid down in article 526 quater §2 of the Companies Code. For more information about the SABCA Diversity Policy, please refer to our Sustainability Report (page SR8).

1.2 Nomination Rules

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

2 Functioning of the Board of Directors

2.1 Frequency of Meetings

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

The Board of Directors met four times in 2018. Presence of Directors at Board Meetings:

Mr. Remo Pellichero ¹	4
Mr. Hans Büthker	3
Mr. Olivier Costa de Beauregard	4
Mr. Philippe Delaunois ²	4
Mr. Jacques de Smet ³	4
Mr. Charles Edelstenne	4
Ms. Carole Fiquemont,	4
Ms. Michèle Gillot,	4
Mr. Loïk Segalen	4
Mr. Geert Wijnands,	4

¹ representing SPRL Gestime

² representing SA CGO

³ representing t SA Gefor

2.2 Skills

In the absence of any statutory restriction, the Board has all the powers assigned to it by law.

The Board establishes the strategic and short-term goals of the company, approves and decides on the means to implement to achieve these objectives.

At each meeting, the Board generally reviews all operational matters of interest to the Company.

2.3 Control of Day-to-Day Management

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

3 Committees created by the Board of Directors

3.1 Permanent Committee

The Permanent Committee exists since 1970 and precedes the meetings of the Board of Directors. It is responsible for reviewing strategic issues and preparing decisions submitted to the Board of Directors.

It is composed of:

- Mr Remo Pellichero, Chairman, representing SPRL Gestime,
- Mr. Thibauld Jongen, CEO,
- Mr. Dimitri Duray, Chief Financial Officer,
- Two representatives chosen by the reference shareholders, namely for 2018,
 - o Mr. Loïk Segalen (Dassault Aviation),
 - o Mr. Geert Wijnands (Fokker Technologies Group BV)
- Mr. Philippe Delaunois, representing the SA CGO, Independent Director,
- Mr Jacques de Smet, representing NV Gefor, Independent Director

The Permanent Committee met three times in 2018.

Presence of member directors at Permanent Committee meetings:

Mr. Remo Pellichero ¹	3
Mr. Philippe Delaunois ²	2
Mr. Jacques de Smet ³	3
Mr. Loïk Segalen	2
Mr. Geert Wijnands,	3

¹ representing SPRL Gestime

² representing SA CGO

³ representing SA Gefor

3.2 Audit Committee

The Audit Committee is chaired by Mr Jacques de Smet, having relevant expertise in financial, accounting matters, representing SA Gefor, Independent Director. Non-executive Directors, Mr. Loïk Segalen and Mr. Geert Wijnands completed the Committee. The External Auditor, the CEO, the CFO, and the Internal Auditor are generally present at the Committee meetings.

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

In 2018, the Audit Committee met seven times, in particular to audit the half-year and annual statutory and consolidated financial statements; the Audit Committee also approved and examined the results of the internal Audit Plan.

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

Presence of Directors Members at Audit Committee Meetings

Mr. Jacques de Smet ¹	7
Mr. Loïk Segalen	6
Mr. Geert Wijnands,	7

¹ representing SA Gefor

4 Day-to-day Management

The day-to-day management of the company is carried out by the CEO, who is assisted by his management committee, referred to as the "Senior Management Team (SMT)" and composed of 8 managers:

Peter Reynaert – Operations Director
 Arnaud de Patoul – MRO Director
 Dimitri Duray – Finance Director
 Tiny Coppens – HR and Facility Director
 Zeger De Spiegelaere – Quality Director
 Marc Dubois – Commercial Director
 Sabine Lelièvre – Procurement Director
 Jean-Marie Dujardin – Transformation and Continuous Improvement Director

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

5 Profit Allocation Policy

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

6 Shareholders

DASSAULT BELGIQUE AVIATION S.A., avenue des Arts 41, 1040 Brussels, Belgium, holds 2.324.312 of the total of 2.400.000 voting rights, or 96,85% (Transparency notification of March 4, 2019). **DASSAULT BELGIQUE AVIATION** S.A. is controlled by **GROUPE INDUSTRIEL MARCEL DASSAULT SAS**, 9 Rond-point des Champs-Élysées-Marcel-Dassault, 75008 Paris, France (99,96%).

EURONEXT Brussels : **3,15%**.

7 Transactions with Related Parties

Sales and purchases are made at market prices.

There were no guarantees provided or received for related party receivables in 2018.

For the 2018 financial year, the Group did not record any provisions for bad debts relating to amounts due from related parties.

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

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

8 Internal Audit and Risk Management System

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

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

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

8.1 Control Environment

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

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

8.2 Risk Management Process

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

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

8.3 Control Activities

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

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

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

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

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

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

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

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

8.4 Information and Communication

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

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

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

8.5 Piloting

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

8.6 Principal Risks and Uncertainties

The main risks and uncertainties facing the Group are:

Liquidity and Cash Flow Risks

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

Credit Risks

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

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

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

Market and Currency Risks

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

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

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

Risks on Long-Term Programmes

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

Operational Risks

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

- Variations in production rates in the needs expressed by customers under existing contracts, and the uncertainty related to obtaining new contracts, lead to a variable charge and - in the long term - one that is lower than the internal capacity of the company; this could lead to a need to adapt capacity.
- The age distribution within the workforce, and particularly the high average age, makes succession to key positions, training, and transmission of skills particularly difficult, especially in the complex regulatory and technological environment of the aerospace industry.
- The reorganisation of the SABCA Group via the Project of the Century (POTC) represents a challenge that is closely monitored by the Management.

9 Remuneration Report

9.1 Remuneration Committee

Composition and Activities

The Committee consists of:

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

Participate in meetings:

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

During the year 2018 the members met two times.

The remuneration of the members of the Senior Management Team (SMT) and other persons reporting directly to the Chief Executive Officer is reviewed. The Committee examines for each of these persons the different components of remuneration, in particular the fixed and variable components, the group insurance contracts and the remuneration policy.

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

Presence of directors at Remuneration Committee meetings

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

¹ representing the SPRL Gestime

² representing the SA CGO

³ representing the SA Gefor

Compensation Policy

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

The Remuneration Committee reviews the situation of the members of the Senior Management Team (SMT), as well as other direct reports from the CEO.

The Committee hears the delegate's explanations for day-to-day management and after discussion and exchange of points of view between its members, submits the final proposals to the Board of Directors, which decides on the matter.

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

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

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

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

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

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

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

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

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

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

Non-executive directors	in EUR
SPRL Gestime, represented by its Manager Remo Pellichero , Chairman	5.000
Hans Büthker , Chairman and Chief Executive Officer – Fokker Technologies Group B.V.	17.601
Olivier Costa de Beauregard , CEO – Groupe Industriel Marcel Dassault	17.601
SA CGO represented by its Manager Philippe Delaunois , independent director	19.101
Carole Fiquemont , General Secretary Marcel Dassault Industrial Group	17.601
SA Gefor represented by its Manager Jacques de Smet , independent director	27.101
Charles Edelstenne , Chairman – Groupe Industriel Marcel Dassault	17.601
Michèle Gillot , independent director	17.601
Loïk Segalen , Chief Operating Officer - Dassault Aviation	21.601
Geert Wijnands , Chief Financial Officer – Fokker Technologies Holding BV	22.601

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

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

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

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

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

9.3 Remuneration of the CEO and other members of the SMT

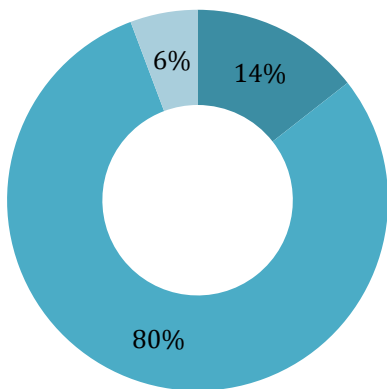
On the proposal of the Remuneration Committee, the Board set the remuneration below for the CEO and the other members of the SMT in 2018

EUR	CEO Thibauld Jongen	Other Members of the SMT
Fixed remuneration	€238.143	€1.034.664
Variable remuneration	€56.653	€32.364
Total	€294.796	€1.067.028
Pension plan	€25.777	€196.291
Other benefits	€6.782	€42.902

Financial aspects

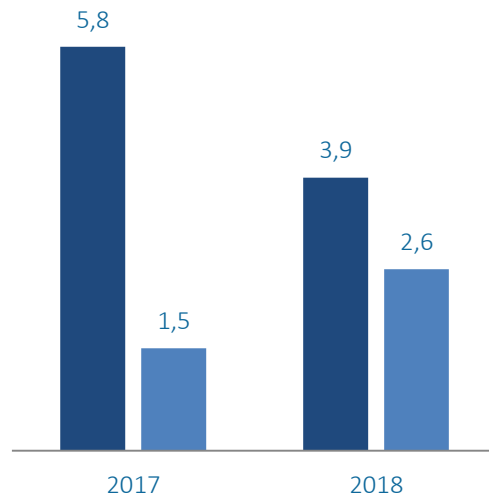
Geographical distribution of turnover (%)

■ Belgium ■ Europe ■ Outside Europe

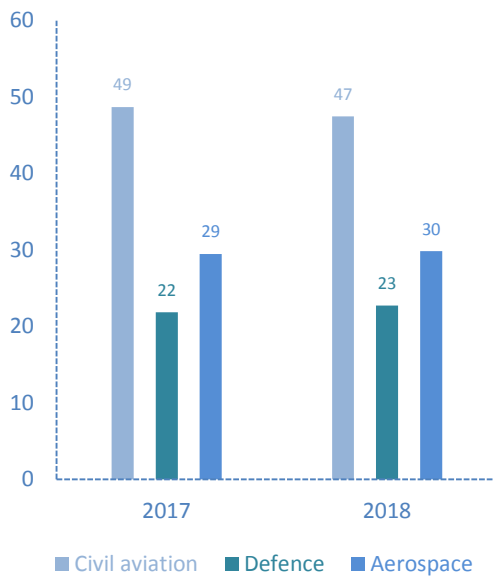


Investments (MEUR)

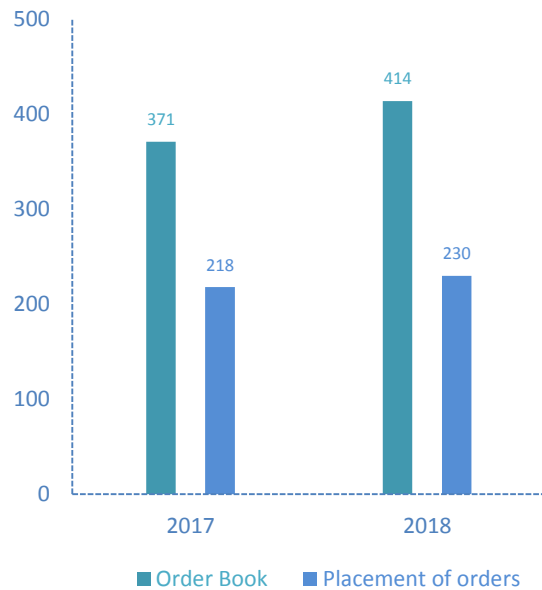
■ Intangible ■ Tangible



Turnover per field of activities (%)



Orders (MEUR)



1. SABCA Group

Consolidated Key Figures - Consolidated Income Statement and Summary in IFRS

(in KEUR)	2018	2017
Revenue from ordinary activities	195.410	200.805
Turnover	186.151	216.840
Changes in work in progress	303	-27.363
Capitalized production	3.916	5.786
Other revenue from ordinary activities	5.040	5.542
Operating expenses	-184.906	-207.165
Operating result	10.504	-6.360
Financial income	1.539	15.264
Financial expense	-4.997	-5.402
Operating result post financial result	7.046	3.502
Income tax	-1.826	-940
Net result for the period	5.220	2.562
Whereof attributable to owners of parent	5.193	2.545
Non-controlling interests	27	17
Total	5.220	2.562

Result per share (in EUR)	2018	2017
(number of shares : 2.400.000)		
* basic	2,18	1,07
* diluted	2,18	1,07

	2018	2017
Headcount at 31 December	981	993

SABCA Group realized a turnover of **186.151 K€** in 2018, decreasing by 14,2 % compared to 2017. This decrease is due to delayed milestones in development projects and the slow-down of delivery rates in Airbus programmes.

The Group's **operating result** is a profit of **+10.504 K€**, compared to -6.360 K€ for the year 2017. This improvement is generated by lower operating costs and partial reversal of provisions on onerous contracts.

The **financial result** is a loss of **-3.458 K€**, compared to +9.862 K€ in 2017. This negative result includes a fair value adjustment of currency hedging instruments for an amount of -3.830 K€ which does not reflect the future financial results that will be recognized upon settlement of these financial instruments. Excluding the effect of this fair value adjustment, the financial result for the year 2018 is +372 K€, to be compared with -3.511 K€ for the year 2017.

Deferred taxes are recalculated in accordance with the Belgian tax reform, which implies an average tax rate of 25,9% based upon a 5-year plan starting from 2019 onwards.

The **net result** for the year 2018 is **+5.220 K€** compared to +2.562 K€ for the year 2017, that is 2,18 € per share. Excluding the fair value adjustment of the currency hedging instruments, the net result is +8.058 K€ for the year 2018.

The net result for the period attributable to the owners of the parent company amounts to 5.193 K€.

2. SABCA

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

(in KEUR)	2018	2017
Turnover	182.523	208.147
Equity capital	27.513	15.931
Investments in tangible assets	2.445	1.526
Results		
- operating	1.986	-8.017
- financial	2.679	2.538
- before tax	4.665	-5.479
- tax	-11	-6
- after tax	4.654	-5.485
Total dividends	*0,00	*0,00
* proposed to the Annual General Meeting		
Current result per share	(EUR)	
Result before tax per share	(EUR)	1,94 -2,28
Result for the period per share	(EUR)	1,94 -2,29
Net dividend per share	(EUR)	0,00 0,00

The turnover amounts to **182.523 K€**, decreasing by 12,3 % compared to 2017. This decrease is due to delayed milestones in development projects and the slow-down of delivery rates in Airbus programmes.

The operating result is a profit of **+1.986 K€** compared to -8.017 K€ for the year 2017. This improvement is generated by lower operating costs. This improvement is generated by lower operating costs and partial reversal of provisions on onerous contracts.

The financial result is a profit of **+2.679 K€** thanks to the reversal of the negative mark-to-market values of the currency hedging instruments settled in the period.

The net result is a profit of **+4.654 K€**.

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

The Board will propose to the Annual General Meeting of June 6th, 2019 that no dividend will be paid for 2018.

Proposed resolutions

to be submitted to the general Shareholders' meeting of 6th June, 2019

DISTRIBUTION OF PROFITS

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

1. Profit from the financial year to be distributed	4.585.992,85 EUR
2. Loss carried forward from the previous financial year	-11.467.661,34 EUR
3. Loss to be distributed	-6.881.668,49 EUR

Taking into account the profit and loss recorded, the Board of Directors will propose to the general meeting that no dividend be distributed for 2018.

The board proposes the following distribution for approval by the meeting:

Loss to be carried forward	-6.881.668,49 EUR
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2018 Sustainability Report
SABCA Group

Sustainability Report

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*MR refers to pages within the Management Report,
SR refers to pages within the Sustainability Report*

“The SABCA group is committed to ensure that its activities and business contribute to a sustainable world, which respects the environment, as well as employee welfare and the rights of individuals.”

SABCA Sustainability Statement

Message from the CEO

In 2018, SABCA continued a steady course. Two years of the “**Project of the Century**” programme have progressed, a three-year strategic transformation plan on becoming more **Robust, Profitable and Attractive**. Though not mentioned specifically, sustainability plays a role too: it is an integral part of each of the three pillars.

Many projects have been started, developed, and achieved in 2018 in the areas of health, safety and employee well-being, and environmental responsibility. To name only a few, a company-wide safety awareness initiative “**TAKE CARE @ SABCA**” has been launched, a new mobility policy has been deployed, and a large farm of solar panels (15,000 m²) on the roofs of the Brussels plant has been inaugurated, with the annual electricity production capacity equivalent to the consumption of more than 300 families.

With the first two targets of SABCA’s transformation –Robust and Profitable– well on their way, it is now important to achieve the third one: Attractive. Here also, sustainability will factor in when realising this goal. Visibly showing how sustainability is embedded in the organisation and how it is having an impact, will make SABCA even more attractive as a company to be proud to work for and to do business with. As part of a means to that end, with this publication, SABCA has released its first sustainability report ever to demonstrate how sustainability trickles down in the governance, environment and social aspects.

Thibauld Jongen, CEO, SABCA Group

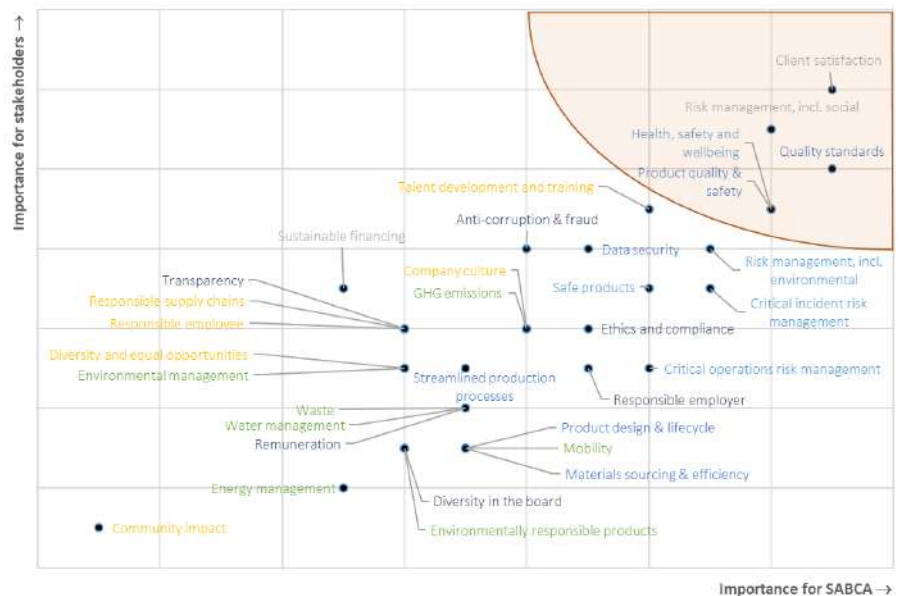
Materiality analysis

“We want to do business with respect to human rights, the environment and the wellbeing, health, and safety of our people.”

SABCA aims to have a positive impact on all of its employees, as well as on society in general. At the same time, focus is still on the quality and innovation of products, and the delivered services. SABCA continuously conducts research on industry innovation and always tries to develop new and more efficient production techniques.

To determine the priority of all sustainability topics, SABCA conducted a materiality analysis, identifying the most material topics: i.e. those sustainability topics that have the greatest impact on SABCA’s business, and where at the same time, SABCA in return has the most impact on. The materiality analysis was conducted according to the business as well as to internal and external stakeholders like works councils, technological partners, suppliers, investors, industry associations, government bodies, airworthiness authorities and of course the company’s own customers.

The list of possible materiality topics is composed based on the industry-related topics according to the Sustainability Accounting Standards Board (SASB) and on a benchmark study. Furthermore, these topics are grouped in the figure to the right, using colour-coding, respectively: **economic**, **social**, **governance**, **environment**, **research & development**, **health & safety**. This figure represents the materiality matrix that resulted from the stakeholders’ analysis. The topics in the far right corner are those that were found to be most impactful for both stakeholders as well as SABCA as a company. The material topics hence are: Client satisfaction, Risk management incl. social aspects, Quality standards, Product quality & safety, and Health, safety and wellbeing.



SABCA wants to contribute to the United Nations Sustainable Development Goals (UN SDGs) in the best way possible, without losing focus on its business. The UN SDGs address the global challenges of today and tomorrow, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice. These goals form the blueprint to achieve a better and more sustainable future for all.

Based on the results of the materiality analysis and the aim of SABCA to contribute to the UN SDGs, the company selected the following topics to act and improve on: Ethics & Compliance, Human Resources, Health & Safety, Research & Technology and Environment. The UN SDGs, linked to the Global Reporting Initiative (GRI) standards and to the topics that are most material to SABCA are listed in Appendix 2: Link between SDGs, GRI and report topics.



The complete GRI index can be found in Appendix 1: GRI Content Index

SABCA is celebrating its 100-year anniversary in 2020. Through the years, the company has gathered wisdom, experience and extensive knowledge within the industry. Although the company has come this far, SABCA will have to prepare for the next era. Looking forward, the company's operations need to become more efficient. SABCA must encourage eliminating waste, reducing energy and water consumption, minimising CO₂ and VOC emissions, and invest in new technologies and production methods to reach sustainable, long-term results. This Sustainability supplement to the Annual Report 2018 is the starting point for the performance measurement of all kinds of indicators, with as ultimate goal the creation of a sustainable and successful business culture ready to be launched into the next era.

Ethics & Compliance

Ethics & compliance, protection of human rights and security are all high on the agenda at SABCA. Dassault Group, SABCA's main shareholder applies very strict ethical principles, in compliance with national laws and international agreements. A framework is being designed to comply with anti-corruption and implementation of due diligence and SABCA aims to be aligned with this framework. The framework will be compliant to anti-corruption and anti-bribery laws like the French Sapin II Law and the Vigilance Law.

Sapin II Law

This law aims to prevent corruption and the influencing of trade. The Sapin II Law includes a plan and accompanying measures on anti-corruption.

The Law of December 9, 2016 (LS2) requires to *"take measures to prevent and detect, the commissioning, in France or abroad, of corruption or trading in influence"* implementing *"measures and procedures"* of which the details are provided by law.

the Anti-Corruption Plan

There are three driving principles of the Sapin II Law.

- 1. Promote transparency.** This is primarily manifested in the creation of a status of whistle-blowers and the creation of a list of all interest groups. This list publicly discloses information on links between interest groups and public officials.
- 2. Step-up the fight against corruption.** The law clearly aims at strengthening efforts in curbing corruption on a global level through the creation of a new anti-corruption agency (Agence Française Anti-Corruption) with far more resources and power than its precedent, the 'Service Central de Repression de la Corruption' (SCPC), and through strengthening sanctions on non-compliance.
- 3. Modernise the economy.** The law stipulates that company leaders must receive awareness training on the risks of corruption.

SABCA will work closely with Dassault Group, to roll out a fully compliant anti-corruption plan.

Vigilance Law

The 2017-399 Law of March 27, 2017 (amended by the ordinance 2017-1162 of July 12, 2017 and codified in the article L225-102-4 of the code of trade) obliges to *"establish and effectively implement a due diligence plan, including due diligence measures to identify risks and prevent serious violations of human rights and fundamental freedoms, human health and safety, and the environment, resulting from the activities of the company and those of the companies it controls within the meaning of II of Article L. 233-16, directly or indirectly, as well as the activities of subcontractors or suppliers with whom a relationship is maintained when these activities are linked to this relationship"*. This plan includes a number of measures imposed by law.

the **Vigilance Plan**

In short, according to this Law, a plan including measures to identify risks, should be composed and executed. With the prevention of violations of human rights, of health and safety and of the environment, caused by the company, its related entities and its suppliers and subcontractors as ultimate goal.

SABCA plans to undertake multiple steps to be compliant to these laws. In line with the Sapin II Law, the company has already implemented a whistleblowing procedure. This procedure is designed to encourage people to speak up when they see unjust behaviour.

Non-financial reporting

This sustainability report aims to fulfil at its minimum the legal requirements regarding non-financial information in accordance with article 96 §4 of the Company Law. This compliance pertains the publicising of information regarding the SABCA results and its position on topics such as environment, personnel, social, human rights, and anti-bribery and corruption.

Human Resources

A diverse, engaged, and skilled workforce is the backbone of every organisation and a pre-requisite for success. SABCA proactively manages its workforce and looks at factors related to diversity, talent acquisition, retention, and the right rewards so that its employees can thrive.

The overall yearly headcount has been mostly constant, with minor fluctuations after internal restructurings that took place especially in 2017. N.B. This chapter details various aspects of SABCA Group’s HR information for all its sites.

SABCA’s total headcount (excl. BoD)	Unit	2018	2017	2016
Employees	Number	981	1.002	1.079

Diversity

SABCA sees diversity as encompassing all the ways in which individuals are unique, be it visible or not. This includes apparent factors such as gender, nationality, age, ethnicity, sexual orientation, physical capabilities, but also stretches further to cover the norms, beliefs, education and culture of a person. For SABCA employees to thrive and give it their best day in day out, this means that they feel valued at the workplace, and that their differences are celebrated, rather than rebuked.

SABCA aims to have a diverse pool of employees, comprised of different cultural backgrounds and striving to obtain age and gender diversity. Currently, SABCA has 121 employees with 20 nationalities other than Belgian.

As a Belgian listed company, SABCA has to fulfil national and European legislation regarding its diversity policies. In recent years, SABCA has already been shaping its internal policies regarding diversity, and although the technical industry remains to this day a predominately male-one, SABCA has succeeded in enhancing its diversity, most notably in the top management. As of 1 January 2019, SABCA Brussels and SABCA Gosselies comply with the legal obligation to have 1/3 of its Board of Directors members being of another gender. In order to also have such diversity reflected in the SABCA Group figures, more efforts will be undertaken in the coming years to keep on working towards a balanced workforce.

By 2020, SABCA aims to fully respect this ratio of at least having 1/3 of its Board of Directors and Senior Management Team being members of the other gender.

SABCA's gender diversity by category	Unit	2018	2017	2016
Women in the Board of Directors ¹	Percentage	14,3	14,3	0
Women in the Senior Management Team	Percentage	18,8	16,7	15,8
Women in other positions	Percentage	14,3	13,7	14,2

Faced with an experienced but largely ageing employee pool, SABCA in 2018 conducted internal surveys with the most senior pool. This allowed SABCA to gauge how to best manage the continuity of its know-how and experience. As a result, SABCA aims to hire additional younger workers. However, given the technical prerequisites, it should be noted that a balance is always to be made between age and the already acquired skillset of future employees.

SABCA's workforce by age (excl. BoD)	Unit	2018	2017	2016
Under 30 years	Percentage	12,0	12,7	15,4
Between 30 and 50 years	Percentage	39,8	36,5	37,3
Above 50 years	Percentage	49,6	52,5	48,7

Age group by category	Unit	2018	2017	2016
Board of Directors²	Number	14	14	14
<i>Under 30 years</i>	Percentage	0	0	0
<i>Between 30 and 50 years</i>	Percentage	7,1	7,1	7,1
<i>Above 50 years</i>	Percentage	92,9	92,9	92,9
Senior Management Team	Number	16	18	19
<i>Under 30 years</i>	Percentage	0	0	0
<i>Between 30 and 50 years</i>	Percentage	56,2	50,0	36,8
<i>Above 50 years</i>	Percentage	43,8	50,0	63,2
Other positions	Number	965	984	1,060
<i>Under 30 years</i>	Percentage	12,2	12,9	15,7
<i>Between 30 and 50 years</i>	Percentage	39,4	36,2	37,1
<i>Above 50 years</i>	Percentage	48,4	50,9	47,2

Recruitment and retention

In September 2018, SABCA organised a job day in Brussels to allow for a broader reach out to job seekers with potential. On that day, job “speed dating” was organised in order to allow candidates and hiring managers to get to know one another. After the job day, suitable candidates were offered contracts. As the day proved a success, SABCA intends to organise more such events.

¹ The Board of Directors figures are corrected for any member being present in multiple SABCA legal entities.

² The Board of Directors figures are corrected for any member being present in multiple SABCA legal entities.

Given the previously indicated diversity balance with regards to gender of the top management, SABCA seeks to exert its influence in a broader context: i.e. having gender diversity targets also being reflected in the overall recruitment efforts:

Hiring by gender	Unit	2018	2017	2016
Male	Number	96	48	47
Female	Number	23	8	6
Total hiring	Number	119	56	53

Hiring by age	Unit	2018	2017	2016
Under 30 years	Number	30	27	28
Between 30 and 50 years	Number	71	25	19
Above 50 years	Number	18	4	6
Total hiring	Number	119	56	53

Retention by gender	Unit	2018	2017	2016
Male	Percentage	86,0	86,1	89,7
Female	Percentage	85,8	83,3	86,3
Total retention	Percentage	85,9	85,7	89,2

Retention by age	Unit	2018	2017	2016
Under 30 years	Percentage	83,1	75,6	80,1
Between 30 and 50 years	Percentage	87,9	87,7	91,0
Above 50 years	Percentage	85,1	86,9	90,8
Total retention	Percentage	85,9	85,7	89,2

Albeit SABCA's retention rate already being fairly high, SABCA aims to keep a healthy and friendly work environment that inspires and motivates its employees to give it their best, every day. In the coming years, SABCA aims to increase its retention rate to 90, or at least where leaves are limited mostly due to people retiring.

Professional and personal development

SABCA grows as a company when its employees grow. Keeping on track with legislation and staying a step ahead of the competition means investing in employees to ensure they have the needed trainings and skillsets.

In 2018, SABCA organised companywide trainings on lean management practices, strengthening the overall managerial skills of employees. Thus, employees obtain skills to apply a versatile methodology to improve their day-to-day activities. Most trainings in 2018 were given to employees in order to remain compliant with the latest regulations. Such trainings were hence in the domains of health & safety, environment and industry-related knowledge.

Overall, a trend can be seen that SABCA employees on average receive more hours of training each year, with an increase of nearly 50% since 2016:

Trainings by gender	Unit	2018	2017	2016
Male	Hours per employee	30,5	20,0	20,8
Female	Hours per employee	24,3	24,1	15,1
Total trainings	Hours per employee	29,6	20,5	20,0
Trainings per employment category	Unit	2018	2017	2016
Blue-collar	Hours per employee	31,7	25,5	23,5
White-collar	Hours per employee	25,9	17,1	18,3
Managers	Hours per employee	29,7	14,7	15,4
Total trainings	Hours per employee	29,6	20,5	20,0

Every employee has his/her own story and ambitions. At SABCA, looking at professional development is structurally embedded where periodically employees are evaluated on their performance, as well as their future trainings and skills needs.

Paternity and maternity leave

SABCA upholds the Belgian law, safeguarding employee's rights to maternity- and paternity leave. Over the last couple of years the situation at SABCA was as follows:

Parental leave	Unit	2018	2017	2016
Employees with the right of leave	Number	34	28	42
<i>Male</i>	<i>Number</i>	31	23	36
<i>Female</i>	<i>Number</i>	3	5	6
Number of hours of leave taken	Hours	4.518	3.758	5.762
<i>Male</i>	<i>Hours</i>	1.999	1.304	2.469
<i>Female</i>	<i>Hours</i>	2.519	2.454	3.293
Number of employees that returned after their leave	Number	33	27	39
<i>Male</i>	<i>Number</i>	31	23	35
<i>Female</i>	<i>Number</i>	2	4	4

At SABCA, employees will never be discriminated based on their parental status. As such, the incidental cases of employees not returning back to SABCA are due to other grounds, where mostly employees themselves either decide to no longer return based on their personal situation.

Employment benefits

On top of a competitive salary, SABCA offers its employees fringe benefits. These include benefits such as bonuses, ecological vouchers (so-called 'Eco cheques'), insurances (e.g. life and health insurance), disability and invalidity



coverage, retirement provisions, vouchers that can be used for sports or cultural events, or a mobility-scheme (incl. public transport subscription, bike allowance and more).

Health & Safety

State-of-the-art equipment needs to be produced in environments with sound safety management. At SABCA, health & safety risks are continuously monitored and addressed. In addition, pre-emptive measures are in place to ensure every day is a safe day.

TAKE CARE @ SABCA

Our efforts for the well-being of all employees, both in- and outside of the work environment, is part of our bigger premise to work on a better future. Health & Safety is one of our core pillars of engagement. In order to reinforce our commitments regarding this area, in September, SABCA set up a specific campaign, titled 'TAKE CARE @ SABCA' to ensure we walk the talk.



We believe that all accidents can be avoided, and hence we invest in practical measures to control risks related to our operations to the fullest extent.

All employees of SABCA, as well as our contractors, are responsible for understanding, promoting and executing this policy. Well-being thus is an integral part of our managerial processes. Communication, engagement and education are decisive in our aim for excellence concerning health and safety. In order to achieve our goals we will:

- Build a supporting culture that supports a visible leadership with clear responsibilities
- Build a culture where works are ceased as soon as unsafe situations occur
- Comply with legislation on all our sites, and even aim to surpass those expectations

N.B. This chapter details various aspects of SABCA Group's health and safety information for all its sites, unless stated otherwise. In light of TAKE CARE @ SABCA, particular initiatives related to Health & Safety were launched. These included the communication of the Safety Policy and the 'ten golden safety rules' that were formulated in close cooperation with CPBW (i.e. the national committee for the prevention and protection at work).

In addition, a complete diagnosis on technical- and behavioural aspects of the safety at work was undertaken. For this, SABCA management mobilised the expertise of Fullmark. Fullmark is a specialised consulting firm in the area of Health and Safety, focussing on holistic approaches to sensitisation and communication across companies. The following initiatives were launched as a result:

- **Management team** was exposed to a one-day awareness training on the roles and responsibilities of senior leaders in the prevention of work accidents.
- **Line-management** participated in the one-day Smart Safety Coaching programme on raising awareness and sense of responsibility regarding occupational safety.

- **All staff** was invited to participate in an online safety survey with regards to health and safety at work, and the way all individuals experience the safety culture and applicable policies in their daily activities.

“In order to further cement our commitment to a safe working environment, monthly safety themes are being organised. Interactive sessions, called ‘Safety Quarter’ are held to keep occupational safety as part of the routine activities.”

Occupational health & safety

Safety Risk Management System

In order to manage occupational health and safety, SABCA has a **Safety Risk Management System (SRMS)** in place, through its Internal Prevention and Protection Service. It builds on national legal requirements and is in line with **EN 9100** – an international series of standards for the aerospace industry and its supply chain. Currently, SABCA is preparing to obtain the **ISO 45001 certificate** (on occupational health and safety management systems).

All the sites, activities and employees are covered by the SRMS. A global internal service, complemented with a local internal service per site, ensures the SRMS is effectively deployed. Furthermore, the CEO has direct oversight of the implementation. An internal and external medical department ensures medical assistance.

As part of this management system, SABCA’s **Global Prevention Plan** and the **Annual Prevention Plan** form the cornerstones of managing day-to-day health & safety. These Prevention Plans are devised to ensure risks and hazards are monitored and addressed. Through monthly reviews, the Prevention Plans are updated. The internal service with dedicated and trained officers on protection and prevention is responsible for setting up the Prevention Plans. By working together with line managers and operators to identify risks and hazards on a routine basis, as well as to evaluate the risk management processes. Overall, this reduces risks on the work floor to a minimal whilst increasing overall health and safety.

Hazard identification, risk assessment and incident investigation

For each work station risk analyses are done. These are based on the Kinney-method³ for quantification of risks, task-risk analyses and Last Minute Risk Assessment-principles. To keep conditions safe, assessments need to be renewed every two years. The most common hazards at the workplace include slips and trips on the floor or staircase, lack of education or instruction, unclear control systems or improper use of machinery. In 2018, the following particular risks created the most dangerous situations:

- Loss of control over a machine or transport vehicle

³ The Kinney method is a risk assessment based on three parameters: the probability of an accident or damage occurrence, the exposure at risk frequency, and the gravity of the induced consequence.

“SABCA believes that the promotion of health, safety, hygiene and the protection of the environment should be supported by management, technology and human resources”

SABCA Sustainability Statement

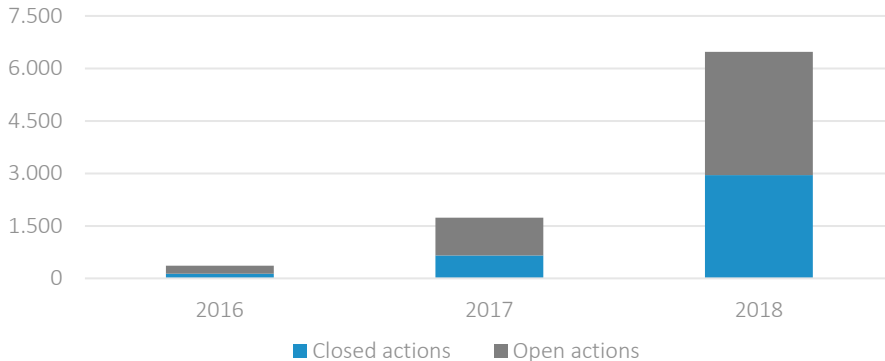
- Hand tools
- Moving the body with or without any load
- Trips or slips

Through weekly reports, and monthly meetings with the line managers, **SABCA’s committee for protection and prevention** monitors and oversees the developments regarding risks and hazards. To address the most important risks in 2018, SABCA is investing in adapting machines and transport vehicles, re-aligning workstation information boards, and implementing an internal traffic plan with focus on education, ergonomics and toolboxes for employees.

Periodic evaluations are made of the management of risks and hazards, in part due to the EN 9100 standard, which prescribes a set of audits. The evaluations are used to improve the management system. Main audit findings, supplemented with lessons learned from any occurred incident, form the inputs when developing and updating the aforementioned Prevention Plans.

As health & safety is the responsibility of all, SABCA encourages all employees to report any safety hazard that they may encounter. Any unsafe situation (i.e. action) is reported either manually or electronically to the internal service for Prevention and Protection.

Actions per year



In 2018, 255 risk analyses were performed for its Belgian sites, out of which 3.936 improvement points were brought to light. To date, already 1.287 of those topics are addressed, through transversal collaboration across the units, and firstly addressing those with the highest priority and impact.

As part of the risk and hazard identification, a Security-Index is computed for SABCA Group, as well as per site. The Security-Index, S, is computed by taking the number of risks that exceed the safety threshold and looking at the number of uncompleted workstation analyses.

Security-Index	Unit	2018	2017	2016
Global Security-Index (S _{global})	Percentage	22,12	2,00	NA
<i>Security-Index – Brussels</i>	Percentage	42,5	27,89	NA
<i>Security-Index – Gosselies</i>	Percentage	60,33	6,12	NA
<i>Security-Index – Lummen</i>	Percentage	12,50	7,50	NA

Security-Index for SABCA Belgian sites. SABCA Maroc data is excluded.

With safe working spaces being a top priority at SABCA, and the Global Security-Index being one of its foremost indicators to gauge this, SABCA aims to increase the Global Security-Index to at least 50 by 2025.

Occupational accidents

The 2018 yearly action plan included the launch of the “road to zero accidents” initiative, with the aim of achieving zero accidents on SABCA Group sites. This initiative builds on the “10 golden safety rules”, designed together with CPBW (i.e. the national committee for the prevention and protection at work). With the overall SRMS in place and initiatives such as the “road to zero accidents”, SABCA has the following metrics regarding occupational health & safety:

Work-related injuries	Unit	2018	2017	2016
Number of fatalities	Number	0	0	1
Number of accidents	Number	28	21	22
<i>Accidents - Brussels</i>	Number	13	4	16
<i>Accidents - Gosselies</i>	Number	11	10	10
<i>Accidents - Lummen</i>	Number	3	6	2
<i>Accidents - Casablanca</i>	Number	1	1	0
Number of worked hours	Millions	1,42	1,47	1,63
Rate of fatalities	Rate	0	0	0,00061
Rate of accidents	Rate	0,0198	0,0143	0,0135
Lost days	Days	683	485	813

Rate of fatalities and accidents is expressed per thousand worked hours.

Just as the Global Security-Index being a good gauge to measure safety at SABCA, so is the rate of accidents. Consequently, with its commitment to ever safer environments, SABCA aims to lower its accident rate back to at least 0,01 by 2025.

During the production process, the mostly occurring types of injuries are wounds to the skin (cuts, bruises, etc.). A minority of injuries are dislocation, sprains or broken bones; see also the graph on the next page ‘Most common types of accidents’.

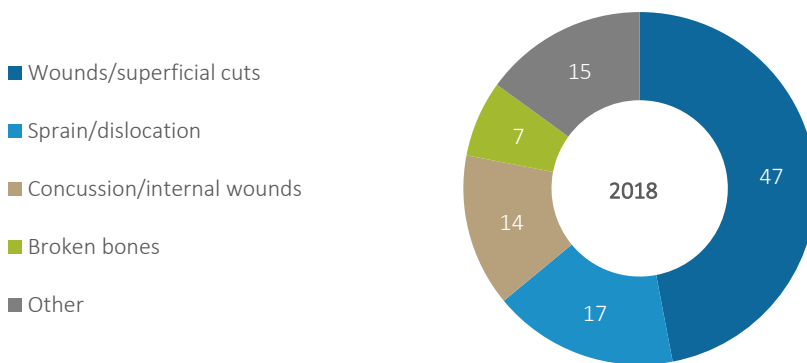
Most common types of accidents

In addition, SABCA has historically reviewed occupational health and safety via its frequency and gravity rates. The **frequency rate** (FR) looks at the accidents occurring with the effective hours that there was exposure to risks (per millions of hours), whereas the **gravity rate** (GR) takes into account the number of accidents and the related lost working days, as a way of assessing the overall severity (per thousands of hours).

Accident rates	Unit	2018	2017	2016
Frequency rate	Number of accidents / million hours worked	20	14	13
Gravity rate	Number of lost days / thousand hours worked	0,48	0,33	0,50

In 2018, the frequency of accidents has been higher than in previous years. However, it should be noted that the gravity rate of incidents has decreased since 2016. In continually reinforcing its safety practices, SABCA aims to reduce its frequency rate to 5, and its gravity rate to 0.2 per year.

Most common types of accidents



Health and well-being

Apart from managing risks and occupational accidents, SABCA strives to have healthy and happy employees.

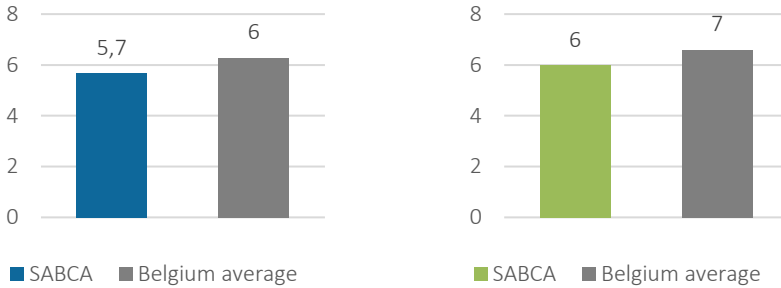
Psychological and social well-being at work

In line with TAKE CARE @ SABCA, a companywide survey was organised through a third party, Securex. The aim was dual, namely to:

1. Obtain the employee satisfaction, as well as
2. Test various psychological and social factors on the work place.

Using an external party safeguarded a level of independence and anonymity. In total, 57% of SABCA employees participated. Overall, the findings provided valuable insights, allowing SABCA to also gauge any grievances or to map any aspects in the organisation that warrant systematic review.

Third party results on well-being (left) and employee satisfaction (right). Scores are for SABCA Belgian sites, excluding SABCA Maroc, compared to the average of a typical Belgian company, and scored on a range from 1 to 10, with 1 being low and 10 being high.



The feedback received illustrated where SABCA can gain the most to improve its performance. The employee satisfaction focused on aspects related to three topics: their day-to-day role, the organization as a whole and the level of enjoyment an employee feels going to work. The results showed that SABCA has great potential to improve. The results also show that the employees already obtain great satisfaction from executing their day-to-day job. For the future, SABCA intends to address especially the other two areas (the organization as a whole and the level of enjoyment going to work), using the feedback received via the survey.

The psychological and social factors on the workplace that were tested in the survey related to aspects such as: working conditions, terms of employment, empowerment, career, workload, team and colleagues, information, values and culture, etc.

SABCA employees indicated that they were highly satisfied with factors such as workload and job content at SABCA, as scores were significantly higher than the Belgian average. At the same time, satisfaction about the work environment and its aspects scored rather low. SABCA needs to focus on multiple aspects like values and culture to optimise its work environment.

By 2025, SABCA aims to improve its employee well-being at work and employee satisfaction by ensuring the company’s score at least meet the Belgian company average as depicted above.

Health and well-being

In collaboration with Aramark, the canteen menus were revised to ensure they take into account changing dietary needs, and promoting healthier lifestyles.

Another measure to keep employees healthy is by arranging on-site vaccinations during flu seasons.

Research & Technology

“At SABCA we believe in building a high performing business and are committed to deliver safe and high quality products and services, taking into account a sustainable future.”

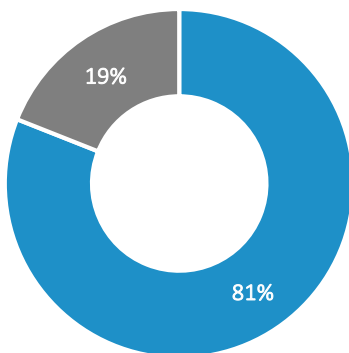
Collaboration with partners

To do this, the R&T team encourages the use of new technologies and innovative production methods. In collaboration with universities and other associations (VUB, Cranfield University, 3D-Systems, Spacebel, etc.) SABCA keeps improving its activities.

The company has at least 12 projects in collaboration with external partners. This is more than 50% of all projects. Collaborating leads to multiple advantages like greater creative input and better division of labour.

Sustainable projects

R&T budget allocation (%)



■ Sustainable projects ■ Other projects

The total budget spent on R&T in 2018 is 1,6 M euros. More than four fifth of this budget was spent on sustainable projects. A project is called sustainable when it has an environmentally friendly aspect in it, when it contributes to the company’s goal of reducing the impact that both the operations and the customers have on the environment.

SABCA prioritised three technologies from all the R&T projects: additive manufacturing, industry 4.0 and electromechanical actuation systems. Two of these are sustainable: additive manufacturing and electromechanical actuation systems.

Additive manufacturing

Additive manufacturing is one of SABCA's sustainable projects. The reason for the additive manufacturing project to be sustainable is twofold.

1. **The weight of the airplane parts.** Thanks to the 3D printing technique used in additive manufacturing, parts of less weight can be produced. Consequently, less fuel is needed and less CO₂ will be emitted.
2. **The waste generation during manufacturing.** In additive manufacturing, only necessary raw materials are used to 3D print the desired components. Whereas normally there is a lot of waste of raw materials in the production, this can now be reduced thanks to the use of this new production technique, the 3D printing.

Electromechanical actuation systems

Airplanes equipped with electromechanical actuation systems consume less fuel and therefore produce less CO₂.

A more elaborate/technical explanation of these sustainable projects can be found in the Annual Report 2018.

Future projects

There will be a new project using drones to inspect wind turbines located in the sea. The project is launched in cooperation with DEMA Offshore. This cooperation contributes to the development of technological products and services for the offshore sector, which is a new market to conquer for SABCA.

Environment

SABCA aims to minimise negative impacts on nature by continuously improving its environmental policy. The company is seeking to sharpen the coordination of its environmental management processes, as well as monitoring its impact through key performance indicators (KPIs).

Environmental Management Processes

In 2016, SABCA has implemented and monitored multiple environmental management processes using different KPIs. The ultimate goal of SABCA is to establish and maintain an environmental management system (EMS) according to ISO 14001, keeping in mind stakeholders' expectations, and this for the headquarters located in Brussels as well as for the entity located in Gosselies. The most important objectives of the EMS are, primarily, to mitigate the risk of negative environmental effects from SABCA activities, furthermore SABCA wants to be compliant to applicable laws and customer requirements by executing the necessary environmental actions.

SABCA is determined to conduct business in an environmentally responsible way, from reducing water and energy consumption, integrating new ways of manufacturing, enabling a decrease in emissions and reducing waste to ensure business practices to be conform to applicable laws and regulations. Based on these objectives, SABCA chooses to follow up closely multiple selected KPIs with a view to improvement and optimisation. In the future, other indicators might be added to the 'close follow-up list', to meet all stakeholders' expectations.

The efforts made by all SABCA entities help to measure and improve the indicators related to the environmental management processes. In the section 'Key Performance Indicators' the environmental indicators are explained extensively and per indicator the results are being discussed.

Key Performance Indicators

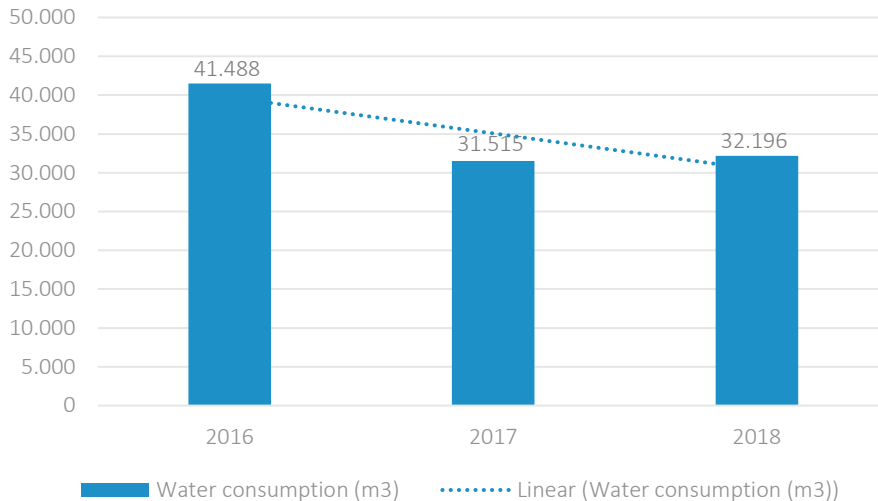
The discussed KPIs are the following: water consumption and wastewater, energy consumption, waste, CO₂ emissions and VOC emissions. An important aspect to keep in mind is the scope of the indicators. For all KPIs, except VOC emissions, the scope includes the SABCA Belgian sites in Brussels, Gosselies and Lummen. SABCA Maroc is excluded.

Water consumption and wastewater

Water consumption

Preventing waste of water is key to SABCA. To follow-up on this, the water consumption is measured at least once a year. Doing this, potential leakage can be detected and the SABCA employees can try to identify where they can put more effort to reduce the amount of water consumed.

Water consumption per year (m³)



Between 2016 and 2018 there has been a decrease in water consumption of 9.292 m³ or 22,40%. This decrease of almost ¼ of the total water consumption compared to 2016 is thanks to the replacement of a certain unit in the water neutralisation station with the latest generation technology. This has led to an important improvement; it has allowed SABCA to discharge cleaner wastewater. In 2016, multiple tests detected a problem with the water neutralisation station and the station had to be shut down for a couple of months. Due to this problem the water used in the purification baths could not be filtered and reused, but had to be picked up by a waste processor. New water was needed to refill the purification baths, causing a peak in the water consumption in 2016.

Wastewater

SABCA also monitors the chemical composition of the wastewater. The goal is to reduce the share of destructive chemicals as much as possible, using the company's water neutralisation station. The neutralisation of the wastewater has three objectives:

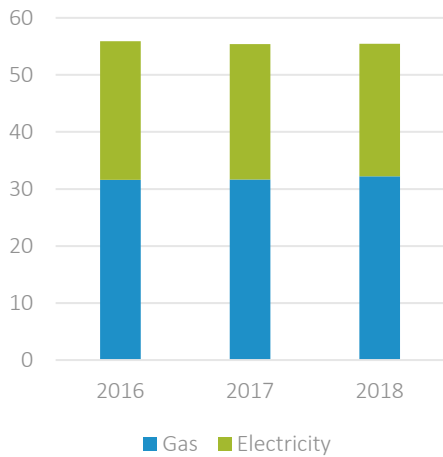
1. Return of the wastewater to a pH value that does not have an adverse effect on the biological equilibrium.
2. Ensure that the precipitated metal hydroxides can be filtered off.
3. Reduce total water consumption in production by reusing the water after neutralization.

The treatment of the wastewater is done through precipitation. The purpose of this is to precipitate dissolved substances in the wastewater by adding a reagent that forms an insoluble compound with the substance to be separated.

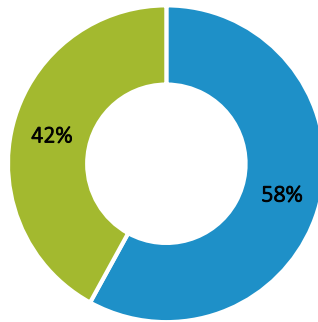
Energy consumption

To minimise and avoid potential energy waste, SABCA measures its energy consumption at least once a month and detects opportunities for improvement.

Energy consumption (GWh)



Energy consumption 2018 (%)

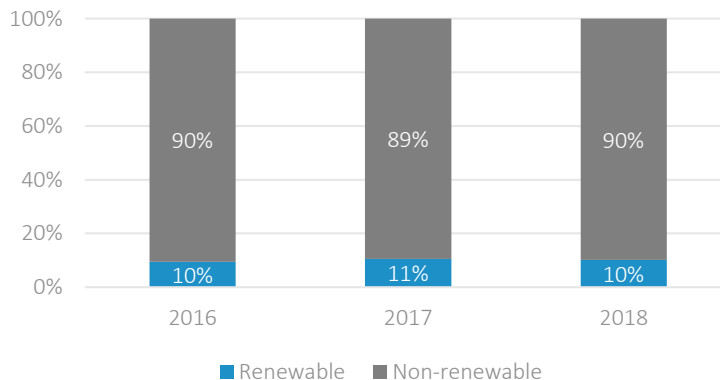


In 2016, the total energy use counted 56 GWh. This amount decreased in 2017 and stayed at this level in 2018.

Trying to reduce energy consumption, SABCA has launched multiple actions already. Introducing new-generation intelligent lightning, equipping operational sites with photovoltaic panels (solar panels) and managing the electricity consumption. Nevertheless, many efforts will still be needed to significantly reduce energy consumption. In continuation of this, SABCA recently started studies aimed at the use of cogeneration plants.

Finally yet importantly, SABCA does make use of a wind turbine for a part of the energy on its site in Lummen. The capacity of this turbine is estimated 3,5 GWh per year (based on the average production of the last three year). The consumption of renewable energy by the company is about 10% of total electricity consumption.

Electricity consumption (%)



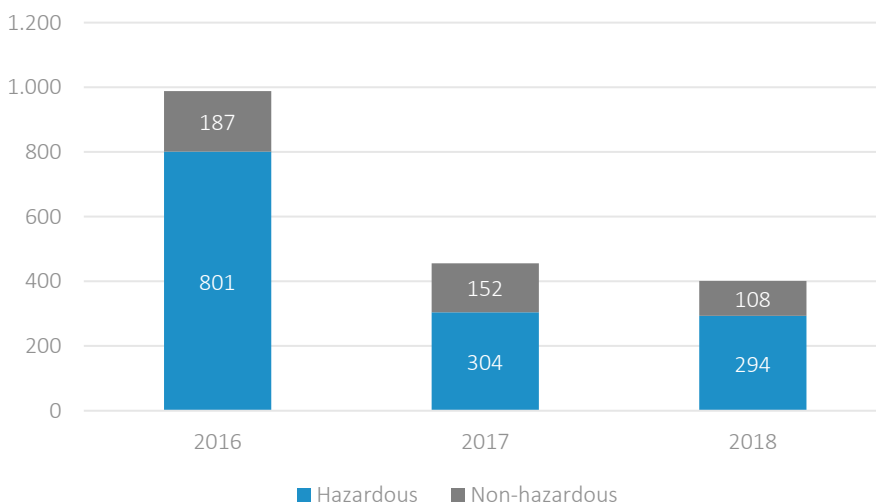
Waste

Generating less waste and sorting the waste that is generated are two practices that got more attention within SABCA. To improve the waste processing, SABCA invested in new garbage bins to enhance the sorting of the waste before collection. This practice is encouraged by sending internal communications. To decrease the waste generation, the company is experimenting on the use of new technologies like 3D printing to produce different plane parts. This new way of manufacturing generates, next to the increase in efficiency, less waste. More information on this new technology can be found in the Annual Report 2018.

The amount of waste per waste class is measured and classified conform the European PRTR (Pollutant Release and Transfer Register). Waste processors like Renewi and Recyc-oil pick up the waste generated. Waste processing done by these external firms comprises recycling, reusing, recovering, composting, etc. The waste picked up by these firms is thus processed in a sustainable way.

A distinction can be made between hazardous and non-hazardous waste. The amount of hazardous waste has decreased significantly, from 801 tons in 2016 to 294 tons in 2018. This is due to the improvements in the waste policy of the company. Thanks to the different containers, the sorting of the waste is done much more precisely. These sorting practices are being encouraged through the internal communications about this new waste policy.

Waste (tons)





CO₂ emissions

The company's CO₂ emissions are being monitored for Scope 1. SABCA is planning to map the emissions for the other scopes (Scope 2 and Scope 3) by 2020 as well.

SABCA did take multiple actions already to decrease the emitted amount of CO₂. Over the past years, the company replaced all of its fuel-based heating devices with less CO₂ emitting heating devices based on gas. Therefore SABCA currently only emits CO₂ on site due to gas, resulting in a lower total CO₂ emission.

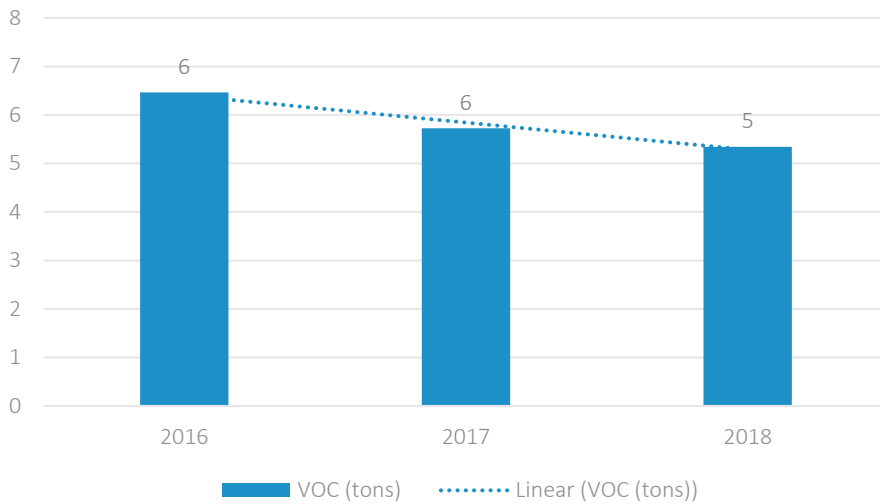
SABCA not only wants to reduce its own CO₂ emissions, but the company also wants to help its customers reduce their CO₂ emissions.

This is why, today, SABCA is aiming to contribute to more fuel-efficient aircraft to reduce CO₂ emissions. The SABCA R&T department and its partnerships can play an important role in the reduction of CO₂ emissions. In collaboration with its partners, SABCA is developing lightweight plane parts. Lower total weight of an airplane leads to a decrease in the amount of fuel needed. Consequently, less CO₂ is emitted during flights. You can find more information on these lightweight plane parts in the Research & Technology section.

VOC emissions

For the coating activities, SABCA measures the VOCs (volatile organic compounds). It is important to notice that the data used here only includes SABCA Brussels. The company’s goal is to decrease the amount of VOCs used in the production processes.

Volatile organic compounds (tons)



An important performance improvement made within this field is the reduction in VOCs thanks to the switch from coating on VOC-basis to a more water-based coating. There has been a decrease from 6,46 tons VOCs in 2016 to 5,34 tons VOCs in 2018. The decrease amounts to 1,12 tons VOCs.

Related to this KPI are the REACH regulations, a framework for Registration, Evaluation, Authorisation and restriction of Chemicals within the European Union. SABCA is fully compliant regarding these regulations. Even a REACH procedure for the employees to follow each time they use a new product was developed.

Monitoring

Performing multiple audits of the Environmental Management System, SABCA monitors all of these environmental processes. The SABCA management team does follow-up on the progress of the related KPIs via periodic reports. Additionally, the company performs an environmental assessment each year for the annual management review.

Plan for the future

In the future, the company’s decisions will be shaped by criteria such as resource consumption, the use of chemical substances, waste generation, and atmospheric and aqueous releases. Investments will be made to modernise the machinery and equipment and SABCA will make efforts to upgrade the production methods.

Appendix 1: GRI Content Index

GRI reporting

SABCA's main shareholder, Dassault reports according to the GRI standards. In order to align SABCA's sustainability reporting with its main shareholder who uses these international standards, and to allow for comparisons with other actors within the industry, SABCA decided to report on its sustainability according these Global Reporting Initiative Standards. GRI helps businesses and governments worldwide understand and communicate their impact on critical sustainability issues such as climate change, human rights, governance and social well-being.

A GRI content index can be found below. This overview allows the reader to easily navigate towards the non-financial indicators covered in this report.

This sustainability report currently is 'GRI Inspired', meaning that it is prepared in line with those standards in the best way possible. No external verification has been requested regarding the compliance to the GRI model. SABCA is striving towards next years to report according to 'GRI option Core'. To do this, they will further investigate the organisation's material topics and their relevance to the different stakeholders.

Scope of the reporting

SABCA has four sites, located in Brussels, Gosselies, Lummen and Casablanca. Brussels, Gosselies and Lummen are all Belgian sites, Casablanca is a site in Maroc. The numbers and percentages in the report for the Specific Disclosures are on SABCA Group level unless specified differently in the report. In addition, for each indicator, the scope is presented in the GRI content index.

The Annual Report contains two sections, being the Management Report (MR) and the Sustainability Report (SR). The reporting period is equal to the calendar year, being from the first of January to the end of December.

GRI content index





General Disclosures			
1. Organisational Profile		Scope	Reference
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102-2	Primary brands products and/or services	Group	MR Page 7-9
102-3	Location of organisation's headquarters	Group	MR Page 2
102-4	Countries where the organisation operates	Group	MR Page 2
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102-6	Markets	Group	MR Page 2
102-7	Scale of the organization	Group	MR Page 23-25 SR Page 8
102-8	Composition of workforce	Group	SR Page 8-9
102-10	Significant changes during the reporting period regarding size, structure or ownership	Group	MR Page 6
2. Strategy		Scope	Reference
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102-22	Composition of the highest governance body and its committees	Group	MR Page 14
102-23	Chair of the highest governance body	Group	MR Page 14
102-32	Highest governance body's role in sustainability reporting	Group	SR Page 8
102-35	Remuneration policies	Group	MR Page 20-22

5. Stakeholders Engagement		Scope	Reference
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6. Reporting Practice		Scope	Reference
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102-46	Defining report content and topic boundaries	Group	SR Page 4
102-47	List of material topics	Group	SR Page 4
102-48	Restatements of information	Group	NA
102-49	Changes in reporting	Group	MR Page 27
102-50	Reporting period	Group	SR Page 27
102-51	Date of most recent report	Group	MR Page 0
102-52	Reporting cycle	Group	NA
102-53	Contact point for questions regarding the report	Group	SR Page 31
102-54	Claims of reporting in accordance with the GRI Standards	Group	SR Page 27
102-55	GRI content index	Group	SR Page 27-28
Specific Disclosures on High Material Subjects			
7. Economy		Scope	Reference
201-1	Direct economic value generated and distributed	Group	MR Page 23-26
8. Environment		Scope	Reference
302-1	Energy consumption within the organization	Group excluding Maroc	SR Page 23
303-5	Water consumption	Group excluding Maroc	SR Page 22
306-2	Waste by type and disposal method	Group excluding Maroc	SR Page 24
9. Human Resources		Scope	Reference
401-1	New employee hires and employee turnover	Group	SR Page 9-10
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Group	SR Page 10 - 12
401-3	Parental leave	Group	SR Page 11
404-1	Average hours of training per year per employee	Group	SR Page 10-11
404-2	Programs for upgrading employee skills and transition assistance programs	Group	SR Page 10-11
404-3	Employees receiving regular performance and career development reviews	Group	SR Page 10-11
405-1	Diversity of governance bodies & employees	Group	SR Page 8-9
10. Health & Safety		Scope	Reference
403-1	Occupational health and safety management system	Group	SR Page 14
403-2	Hazard identification, risk assessment and incident investigation: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Group	SR Page 14-17
403-3	Occupational health services	Group	SR Page 18
403-4	Worker participation, consultation, and communication on occupational health and safety	Group	SR Page 13-14
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403-9	Work related injuries	Group	SR Page 16-17
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Appendix 2: Link between SDGs, GRI and report topics

Based on the SABCA's GRI reporting, the company aims to contribute to the United Nations' Sustainable Development Goals (UN SDGs). The table below shows the SDGs to which SABCA contributes. The SDGs are represented together with its linked Global Reporting Initiatives (GRI) and a reference to its relevant information in this report.

SDG	GRI	Material Topic	Reference
	Direct economic value generated and distributed	Economy	MR Page 23-26
	Waste by type and disposal method	Environment	SR Page 24
	Average hours of training per year per employee	Human Resources	SR Page 10-11
	Composition of the highest governance body and its committees	Economy	MR Page 14
	Direct economic value generated and distributed	Economy	MR Page 23-26
	New employee hires and employee turnover	Human Resources	SR Page 9-10
	Parental leave	Human Resources	SR Page 11
	Average hours of training per year per employee	Human Resources	SR Page 10-11
	Employees receiving regular performance and career development reviews	Human Resources	SR Page 10-11
	Diversity of governance bodies and employees	Human Resources	SR Page 8-9
	Waste by type and disposal method	Environment	SR Page 24
	Direct economic value generated and distributed	Economy	MR Page 23-26
	Energy consumption within the organization	Environment	SR Page 23
	Composition of the workforce	Human resources	SR Page 8-9
	Direct economic value generated and distributed	Economy	MR Page 23-26
	Energy consumption within the organization	Environment	SR Page 23
	New employee hires and employee turnover	Human Resources	SR Page 9-10
	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Human Resources	SR Page 10-11
	Parental leave	Human Resources	SR Page 11
	Average hours of training per year per employee	Human Resources	SR Page 10-11
	Programs for upgrading employee skills and transition assistance programs	Human Resources	SR Page 10-11
	Employees receiving regular performance and career development reviews	Human Resources	SR Page 10-11
Diversity of governance bodies and employees	Human Resources	SR Page 8-9	

	Direct economic value generated and distributed	Economy	MR Page 23-26
	Energy consumption within the organization	Environment	SR Page 23
	Waste by type and disposal method	Environment	SR Page 24
	Energy consumption within the organization	Environment	SR Page 23
	Mechanisms for advice and concerns about ethics	Ethics & Compliance	SR Page 6-7
	Composition of the highest governance body and its committees	Economy	MR Page 14
	Chair of the highest governance body	Economy	MR Page 14



Point of contact

This is the first sustainability report with publication purpose. If there might be any questions concerning this report, Dirk Lambermont can be contacted.

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ANNUAL ACCOUNTS

2018

2018 Report to the board of directors

Ordinary General Meeting of June 6th, 2019

ANNUAL ACCOUNTS

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Declaration of the persons responsible for the report

We attest that, to our knowledge, the financial statements authorized by the Board of Directors on April 10th, 2019, have been prepared in accordance with the applicable accounting standards and give a fair view of the assets and liabilities, of the financial situation and of the income statement of the company as well as the other companies included in the scope of consolidation, and that the management report includes a fair review of the evolution of the business, of the results and of the financial situation of the company and the other companies included in the scope of consolidation as well as a description of the principal risks and uncertainties they are facing.

Brussels, April 10th, 2019

T. JONGEN
Chief Executive Officer

R. PELLICHERO
Permanent representative of GESTIME ppl
Chairman of the Board

Consolidated statement of financial position

Following the standards IFRS (International Financial Reporting Standards)

(in thousands of euros)	Notes	2018	2017
Assets			
Non-current assets		110.265	108.883
Intangible assets	4.	40.890	44.160
Property, plant and equipment	3. & 7.	61.525	64.401
Affiliated enterprises	5.	112	112
Financial assets and other non-current assets	5.	7.738	210
Current assets		223.558	228.762
Inventories	8.	31.329	29.650
Work-in-progress	8.	35.809	35.505
Trade and other receivables	10.	62.200	56.187
Cash and cash equivalents		93.427	101.914
Other current assets	<i>Consolidated statement of cash flow & 9.</i>	793	5.506
Total assets		333.823	337.645
Equity and liabilities			
Total equity		90.640	82.324
Total equity attributable to shareholders of the parent company		90.162	82.201
Capital		12.400	12.400
Consolidated reserves		77.762	69.801
Non-controlling interests		478	123
	<i>Consolidated statement of changes in equity</i>		
Non-current liabilities		168.672	163.539
Long-term borrowings	7. & 11.	131.451	121.376
Non-current provisions	6. & 13	32.723	40.543
Deferred tax liabilities	12.	4.498	1.620
Current liabilities		74.511	91.782
Trade and other payables	7.	39.470	52.743
Tax and social liabilities	7.	13.316	12.469
Other current liabilities	7.	2.840	7.220
Short-term borrowings	7.	0	4
Current provisions	6.	18.885	19.346
Total equity and liabilities		333.823	337.645

Consolidated income statement

(in thousands of euros)	2018	2017
Revenues	195.410	200.805
Turnover	186.151	216.840
Increase (+), decrease (-) in work in progress	303	-27.363
Own construction capitalized	3.916	5.786
Other operating income	5.040	5.542
Operating expenses (-)	-184.906	-207.165
Raw materials and consumables used	40.193	46.380
whereof change in inventories	529	3.338
Services and other goods	70.381	70.073
Wage and salaries, social security costs and pensions	62.706	67.008
Depreciation and amortization of intangible and tangible assets	13.526	13.486
Write offs on stocks, contracts in progress and trade debtors	381	7.176
Provisions for liabilities and charges	-3.482	767
Other operating expenses	1.201	2.275
Result from continuing operations (+)	10.504	-6.360
Finance income (-)	1.539	15.264
Income from financial fixed assets	0	2
Income from current assets	135	264
Other finance income	1.404	14.998
Finance costs	-4.997	-5.402
Debt charges	484	604
Other finance costs	4.513	4.798
Result from continuing operations after finance result (+)	7.046	3.502
Income tax expense	-1.826	-940
Income taxes	-17	-10
Deferred taxes	-1.809	-930
Net profit (+) / loss (-) for the period (+)	5.220	2.562
Attributable to owners of parent	5.193	2.545
Share of non-controlling interests	27	17
Result per share (number of shares : 2,400,000)	(in EUR)	(in EUR)
* Basic result per share	2,18	1,07
* Diluted result per share	2,18	1,07

Consolidated statement of comprehensive income

(in thousands of euros)	2018	2017
Net result for the period	5.220	2.562
Other comprehensive income (+) / loss (-) after tax impact	2.797	-1.170
<u>Other comprehensive income to be reclassified to profit in subsequent periods, net of taxes</u>	<u>-642</u>	
Fair value adjustment of hedging instruments	-867	
Income tax impact	225	
<u>Other comprehensive income not to be reclassified to profit in subsequent periods, net of taxes</u>	<u>3.439</u>	<u>-1.170</u>
Actuarial gains / losses on post-employment benefits	4.745	-871
Income tax impact	-1.306	-299
Total comprehensive income (+) / loss (-), net of taxes, for the period	8.017	1.392
<u>Attributable to :</u>	<u>8.017</u>	<u>1.392</u>
shareholders of the parent	7.990	1.375
non-controlling interests	27	17
Total comprehensive income result per share (number of shares : 2.400.000)	(in EUR)	(in EUR)
* basic result per share	3,34	0,58
* diluted result per share	3,34	0,58

Consolidated statement of changes in equity

(in thousands of euros)	Capital	Consolidated reserves	Actuarial gains / losses	Hedging instruments	Total attributable to the owners of the parent	Non-controlling interests	Total equity
Balance as of 1 January 2017	12.400	73.336	-4.910	0	80.827	106	80.932
Result for the period		2.545			2.545	17	2.562
Other comprehensive income (+) / loss (-)			-1.170		-1.170		-1.170
Total comprehensive income		2.545	-1.170		1.375	17	1.392
Balance as of 31 December 2017	12.400	75.881	-6.080	0	82.201	123	82.324
Balance as of 31 December 2017	12.400	75.881	-6.080	0	82.201	123	82.324
Changes in basis of accounting		-30			-30		-30
Balance restated as of 1 January 2018	12.400	75.851	-6.080	0	82.171	123	82.294
Result for the period		5.193			5.193	27	5.220
Other comprehensive income (+) / loss (-)			3.439	-642	2.797		2.797
Other movement (capital increase)						329	329
Balance as of 31 December 2018	12.400	81.044	-2.641	-642	90.162	479	90.640

Consolidated statement of cash flow

(in thousands of euros)

Cash flow from operating activities

Net income before tax	7.046	3.492
Result on hedging instruments	4.697	-13.373
Depreciation and amortization on fixed assets	13.526	13.486
Change in working capital	-14.682	29.723
Change in provisions, deferred taxes and reserves	-4.092	1.473
Incomes taxes paid	0	0

Cash flow from investing activities

Acquisition of intangible, tangible and financial non-current assets	-6.505	-7.323
Disposals of intangible, tangible and financial non-current assets	0	0
Increase and decrease in receivables	-1	-1

Cash flow from financing activities

Change in short-term liabilities (except trade and financial debts)	-422	211
Change in long-term liabilities (except trade and financial debts)	-3.562	18.206
Change in short-term financial liabilities	-388	693
Change in long-term financial liabilities	-378	-373
Interests		
- earned	135	264
- paid	-3.861	-292
Dividends paid to shareholders	0	0

Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents, at the beginning of the period (*)	101.914	55.728
Cash and cash equivalents, at the end of the period (*)	93.427	101.914

(*) consistent with the consolidated statement of financial position

	2018	2017
	6.495	34.801
	7.046	3.492
	4.697	-13.373
	13.526	13.486
	-14.682	29.723
	-4.092	1.473
	0	0
	-6.506	-7.324
	-6.505	-7.323
	0	0
	-1	-1
	-8.476	18.709
	-422	211
	-3.562	18.206
	-388	693
	-378	-373
	135	264
	-3.861	-292
	0	0
	-8.487	46.186
	101.914	55.728
	93.427	101.914

Notes

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

1. Information about consolidation

Subsidiary	SABCA Limburg Dellestraat, 54 3560 - LUMMEN	SABCA Maroc S.A.S. Technopôle de l'Aéroport Med 5 NOUACEUR - CASABLANCA / MAROKKO
Company number :	0438215146	Commercial register 258999 Number patent 32020377 VAT number 40489159
% of ownership interest	99,99 %	60,00 %
Capital	12.394.676,24 EUR	12.540.000,00 MAD (EUR 1.128.600)

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

2. Employment

* FTE = full time equivalent

Average number of employees
Total employment at the end of the period

2018		2017	
Total in units	FTE *	Total in units	FTE*
994,5	952,7	1.025,7	982,1
981,0	939,6	993,0	957,3

3. Property, plant and equipment note

	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Leasing and similar rights	Assets under construction and advance payments	TOTAL
Beginning balance						
Gross amount	67.771	139.899	20.065	4.490	9	232.234
Depreciation	-45.838	-124.675	-18.526	-2.727	-4	-191.769
- Third party assets		23.936				23.936
Beginning balance	21.933	39.160	1.540	1.763	5	64.401
<u>Movements during the period</u>						
Acquisitions	490	1.205	906			2.601
Depreciation	-1.388	-3.855	-765	-331		-6.339
- Third party assets		862				862
Ending balance						
Gross amount	68.261	141.104	20.971	4.490	9	234.835
Depreciation	-47.226	-128.530	-19.290	-3.058	-4	-198.108
- Third party assets		24.798				24.798
Ending balance	21.035	37.372	1.681	1.432	5	61.525

4. Intangible assets note

Beginning balance

Gross amount

Amortization and depreciation

Beginning balance

Movements during the period

Acquisitions

Depreciation

Ending balance

Gross amount

Amortization and depreciation

Ending balance

Development expenses	
	136.375
	-92.215
	44.160
	3.916
	-7.186
	140.291
	-99.401
	40.890

5. Financial assets note (excluding other non-current assets)

Affiliated enterprises

SABCA (C.D.R)

FLABEL Corporation N.V.

- shares held by S.A.B.C.A.

- shares held by SABCA Limburg

Other participations

Arianespace Participation

- Acquisitions

- Depreciation and amounts written down

Others

Amounts receivable and cash guarantees

	2018	2017
	11	11
	81	81
	20	20
	112	112
	106	106
	2.142	2.142
	-2.036	-2.036
	66	66
	39	38
	211	210

6. Provisions note

Beginning balance

Actuarial gains /losses on pension plans commitments

Increase for the period

Utilizations and reversals of the period

Ending balance

*

* of which defined benefit plant obligations (note 13) : 10.531

Provisions for pensions & equivalents	Provisions for implicit obligation & onerous contracts	TOTAL
15.480	44.409	59.889
-4.745		-4.745
886	5.068	5.954
-42	-9.449	-9.491
11.579	40.028	51.608

7. Borrowings and payables note

	2018				2017			
	up to 1 year	1 to 5 years	over 5 years	TOTAL	up to 1 year	1 to 5 years	over 5 years	TOTAL
Interest-bearing borrowings according to their maturity								
Lease contracts	378	1.016	255	1.649	373	1.229	420	2.022
Bank overdrafts					4			4
Other information								
Finance leases :								
- min. lease payments payable, present value	409	1.103	260	1.772	409	1.338	434	2.181
- min. lease payments payable, capital	378	1.016	255	1.649	373	1.229	420	2.022
- min. lease payments payable, interest	31	87	5	123	36	109	14	159
Trade and other payables according to their maturity								
Trade payables	20.756			20.756	17.952			17.952
Advances received	18.714	33.477		52.191	34.791	20.350		55.141
Tax and social liabilities	13.316			13.316	12.468			12.468
Other liabilities and borrowings	1.533		96.703	98.236	2.500		99.377	101.877
Total long term borrowings included in the consolidated statement of financial position		131.451				121.376		

8. Inventories note

	Stocks merchandise and raw materials	Work in progress	Total stocks and work in progress
Net value at the beginning	29.650	35.505	65.155
<u>Movements during the period</u>			
Change in inventories *	2.060	304	2.364
Depreciation - increase	-2.229		-2.229
Depreciation - decrease	1.848		1.848
Net value at the ending	31.329	35.809	67.138

* including goods in reception / acceptance

9. Cash and cash equivalents note

	2018	2017
Bank short-term deposits	80.654	92.785
Bank current accounts	12.763	9.112
Cash in hand and other	10	17
	93.427	101.914

10. Amounts receivable within one year note

	2018	2017
Trade receivables	59.794	53.462
Other receivables	2.406	2.725
	62.200	56.187

11. Government grants status

	2018	2017
Investment grants	284	444
Carrying amount of capital grants recognised	1.272	1.348
Amount of income grants netted against reported expenses	-988	-904
Deferred tax assets and liabilities	0	0
Advances to be reimbursed	73.070	76.598
Relating to research activities	4.448	4.556
Relating to development activities	68.622	72.042
<u>Split :</u>	73.070	76.598
- Reimbursement within one year	1.206	1.230
- Reimbursement after more than one year	71.864	75.368
	73.070	76.598
- Federal Public Services	72.571	75.980
- Brussels Capital Region	499	618

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

12. Recognized deferred tax assets and liabilities

Total tax charge of the exercise

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

	Base	Tax
Result before income tax	7.046	
Tax expense at the theoretical rate applicable in the country concerned		-1.814
Theoretical income tax at the rate of		-25,75%
Sources of differences	1.367	-341
- Non-deductible expenses		
- Notional interests		
- Utilization of deferred tax assets not previously recognized		
- Other sources of differences (incl. Belgian tax reform)	(1)	329
Total actual tax expense		-1.826
Effective tax rate		-25,92%

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

Sources of deferred tax

Assets

Intangible assets

Tangible assets

Work in progress

Hedging instruments

Total Assets

Liabilities

Hedging instruments

Provisions for liabilities and charges

Long-term debt *

Tax losses carried forward

Total Liabilities

TOTAL OF SOURCES OF DEFERRED TAX

Deferred income tax

Deferred tax on temporary differences

Deferred tax on government grants and on realized surplus

Deferred tax post-employment benefits

TOTAL DEFERRED TAX

	Consolidated statement of financial position		Consolidated income statement & comprehensive income	
	31/12/2018	01/01/2018	2018	2017
		*		
Intangible assets	33.349	34.982	-1.633	-1.320
Tangible assets	7.554	17.519	-9.965	724
Work in progress	28.919	-395	29.314	-5.992
Hedging instruments	0	7.429	-7.429	7.429
Total Assets	69.822	59.535	10.287	
Hedging instruments	348		348	
Provisions for liabilities and charges	-37.206	-35.471	-1.735	6.116
Long-term debt *	-26	-42	16	
Tax losses carried forward	-11.315	-9.878	-1.437	-1.242
Total Liabilities	-48.199	-45.391	-2.808	
TOTAL OF SOURCES OF DEFERRED TAX	21.623	14.144	7.479	5.715
Deferred tax on temporary differences	5.604	3.795	1.809	928
Deferred tax on government grants and on realized surplus	43	43	0	2
Deferred tax post-employment benefits	-1.148	-2.230	1.082	299
TOTAL DEFERRED TAX	4.499	1.608	2.891	1.229

* Restated as of 01/01/2018 including Financing component as per IFRS15

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

13. Pension plans

1. DEFINED BENEFIT PLAN

	2018	2017	2016	2015	2014
Components of defined benefit plan assets and liabilities					
Present value of obligations (DBO)	24.531	29.177	28.481	27.678	28.751
Fair value of plan assets	(-14.000)	(-14.457)	(-14.155)	(-14.043)	(-13.122)
Present value of wholly unfunded obligations	10.531	14.720	14.326	13.635	15.629
Defined benefit plan obligation (assets), total	10.531	14.720	14.326	13.635	15.629
Expense recognised in income statement for defined benefit					
	1.409	1.525	1.553	1.584	1.461
Current service cost	1.452	1.538	1.502	1.589	1.314
Interest cost	326	362	510	370	761
Expected return on plan assets	(-162)	(-177)	(-240)	(-160)	(-407)
Contributions by personnel	(-207)	(-198)	(-219)	(-215)	(-207)
Mouvements in defined benefit plan obligation (assets)					
Defined benefit plan obligation, beginning balance	14.720	14.326	13.635	15.629	10.997
Contributions paid	(-1.383)	(-1.284)	(-1.582)	(-1.612)	(-1.361)
Expense recognised	1.409	1.525	1.553	1.584	1.461
Re-measurements recognised via OCI	(-4.215)	153	720	(-1.966)	4.532
Defined benefit plan obligation, ending balance	10.531	14.720	14.326	13.635	15.629
Principal actuarial assumptions					
Discount rate used	1,25	1,20	1,20	1,70	1,20
Expected return on plan assets	1,25	1,20	1,20	1,70	1,20
Salary increase rate	3,00	3,00	3,00	3,10 / 3,00	3,10 / 3,00
Inflation rate	1,60	1,60	1,60	1,60	1,60
Expected rate of return on reimbursement rights recognised as an asst	not applicable				
Expected rate of increase of medical costs	not applicable				

Sensitivity analysis of the present value of bonds (DBO)

Discount rate +0,5%	23.308
Discount rate -0,5%	25.856
Salary increase rate +0,5%	27.469
Salary increase rate -0,5%	22.068
Inflation rate +0,5 %	25.096
Inflation rate -0,5 %	23.991

2018
23.308
25.856
27.469
22.068
25.096
23.991

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

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

Since 2015, the applicable technical interest rate is 1.00%.

13. Pension plans

2. DEFINED CONTRIBUTIONS PLAN

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

These pension plans do not meet the conditions to be considered as defined contribution pension plans under IAS19 and are therefore considered under IAS19 as "defined benefit obligations" plans.

The actuarial valuation was performed for the 2018 financial year.

	2018
Present value of obligations (DBO)	10.869
Fair value of plan assets	-10.381
Present value of wholly unfunded obligations	487
Pension expenses	956

	2018
Sensitivity analysis (DBO)	
Discount rate +0,5%	10.538
Discount rate -0,5%	11.281
Salary increase rate +0,5%	10.933
Salary increase rate -0,5%	10.811
Inflation rate +0,5 %	10.933
Inflation rate -0,5 %	10.811

14. Information concerning related-parties

Key management compensation

Short-term employee benefits	2.210	2.763
Post-employment benefits	312	335
Other termination obligations	0	1.064
Considered headcount	20	26

	2018	2017
Short-term employee benefits	2.210	2.763
Post-employment benefits	312	335
Other termination obligations	0	1.064
Considered headcount	20	26

Related-party transactions

The Group's related parties are :

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

	2018	2017
Related-party sales	20.831	31.782
Related-party purchases	161	284
Related-party receivables	29.699	26.764
Related-party payables	9.313	23.039

Terms and conditions related -party transactions

Sales and purchases are at market price.

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

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

For the year 2018, the Group did not recognize any provisions for bad debts relating to amounts receivable from related parties.

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

15. Financial commitments

Commitments given

Mortgages registered

Mortgage mandates

Pledged accounts

- FLABEL Corporation

- Customs

Commitments received

Export insurance guarantees

Debts and receivables secured by bank guarantees

	2018	2017
	100	100
	2.275	2.275
	3.247	3.247
	2.000	2.000
	1.247	1.247
	21.566	21.646
	755	755

16. Appropriation of results (in Euros)

Return on capital

or for each of the 2,400,000 shares :

a gross dividend

a withholding tax of 25 %

a net dividend

Total capital

Total shares with voting rights

Total voting rights (denominator)

	2018	2017
	0,00	0,00
	0,00	0,00
	0,00	0,00
	0,00	0,00
	12.400.000,00	12.400.000,00
	2.400.000	2.400.000
	2.400.000	2.400.000

17. Additional information

A. ASSETS : FINANCIAL INSTRUMENTS

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

Non-current assets

Other financial assets

Current assets

Trade and other receivables

Cash equivalents

Total of assets financial instruments

Value in consolidated statement of financial position on 31/12/2018	
Net carrying value	Fair value
7.738	7.738
62.200	62.200
93.427	93.427
163.365	163.365

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

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

level 2 : other techniques for which inputs are observable

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

B. LIABILITIES' FINANCIAL INSTRUMENTS

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

Non-current liabilities

Current liabilities

Borrowings and other financial liabilities

Suppliers and other payables

Total of liabilities financial instruments

Value in consolidated statement of financial position on 31/12/2018	
Net carrying value	Fair value
131.451	131.451
54.697	54.697
1.422	1.422
53.275	53.275
186.148	186.148

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

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

level 2 : other techniques for which inputs are observable

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

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

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

Hedging instruments not-qualifying for hedge accounting

Hedging instruments qualifying for hedge accounting

Derivative financial instruments on exchange

(1)

Market value on 31/12/2018	Market value on 31/12/2017
614	0
-867	4.444
-253	4.444

(1) This amount corresponds to the market value of currency hedging instruments based upon observable data on 31/12/2018 (level 2) and is not representative of the results that will be observed upon realization of the hedges.

Net change of financial instruments

Impact on equity	Impact on result		Total
	result from continuing operations	finance result (2)	
-867		-3.830	-4.697

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

18. Foreign exchange risks

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

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

The Group has recorded related to the exchange differences EUR 1.130 in income and EUR 426 in charges.

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

	2018		2017	
Net value US Dollars in portfolio	8.149		7.814	
Closing US Dollar exchange rate	1,1450		1,1993	
Fluctuation US Dollar exchange rate, upon closing	1,2450	1,0450	1,2993	1,0993
Fluctuation in net value of US Dollars in portfolio	-572	681	-501	593

The portfolio of derivative financial instruments consist of :

	2018		2017	
	USD	EUR	USD	EUR
Forward sales contracts	80.050	67.990	91.850	78.331
Foreign exchange options	23.950	19.851	15.000	12.733
Total	104.000	87.841	106.850	91.064

Derivative financial instruments entered into since January 1, 2018 are eligible for hedge accounting in accordance with IFRS 9 and the change in fair value of these hedge instruments over 2018 has been recognized through OCI for an amount of -867 KEUR. Derivative financial instruments concluded prior to January 1, 2018 are not eligible for hedge accounting and their change in fair value over 2018 of -3.830 KEUR has been recognized in financial result.

	2018	2017
Impact on financial result	-3.830	13.373

19. Management of risks and uncertainties

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

Cash and liquidity risks

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

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

Credit risk

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

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

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

Market risk and exchange risks

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

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

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

Risks on long term programmes

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

Operational risks

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

- Variations in production rates in the needs expressed by customers under existing contracts, and the uncertainty related to obtaining new contracts, lead to a variable charge and - in the long term - one that is lower than the internal capacity of the company; this could lead to a need to adapt capacity.
- The age distribution within the workforce, and particularly the high average age, makes succession to key positions, training, and transmission of skills particularly difficult, especially in the complex regulatory and technological environment of the aerospace industry.
- The reorganisation of the SABCA Group via the "Project of the Century (POTC)" represents a challenge that is closely monitored by the Management.

20. Events after the balance sheet date

On 14 February 2019, Airbus announced the cessation of A380 deliveries in 2021. The consequences of this cessation are still under analysis.

On 5 March 2019, the Company announced that it was informed that Fokker Aerospace B.V. had sold its entire 43.57% stake in the Company to Dassault Belgique Aviation SA, and that, as a result of this transaction, Dassault Belgique Aviation SA held 96.85% of the shares in the Company. On 10 April 2019, the Company announced that the board of directors of the Company had been informed of the decision of Dassault Belgique Aviation SA to sell its 96.85% stake in the share capital of the Company and to appoint, for this purpose, the investment bank Rothschild & Co. Those events are not considered to have a material impact on the financial statements of the Company as of December 31, 2018.

21. Identity of the consolidating mother company

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

Percentage of control 53.28 %

22. Auditor's fee

Audit services

- Auditor's fee SABCA
- Auditor's fee SABCA Limburg
- Auditor's fee SABCA Maroc

TOTAL

2018	2017
83	84
21	22
14	12
118	118

23. Split of turnover

Delivery of goods
Services

Total

2018	2017
138.579	164.275
47.572	52.565
186.151	216.840

24. Justification of the rules of continuity

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

Significant accounting principles

Basis of preparation

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

The consolidated financial statements were authorized for issue by the Board of Directors on 10 April 2019.

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

The consolidated financial statements are presented in thousands of EUR.

Principles of consolidation

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

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

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

List of consolidated companies on 31 December 2018

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

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

The following subsidiary is excluded from the consolidated companies:

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

Use of estimates and assumptions

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

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

IAS 1 – Presentation of financial statements

Receivables and payables

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

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

Cash and cash equivalents

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

IAS 2 – Inventory

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

The cost of finished goods and work in progress includes raw materials, production consumables, direct labour, other direct costs and an allocation of indirect costs based upon a normal operating capacity. Cost of inventories includes the purchase, conversion and other costs incurred to bring the inventories to their present location and condition. The value of inventories is determined for each supply lot and the consumption is based upon a first-in, first-out method (FIFO).

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

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

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

IAS 12 – Income taxes

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

Current taxes

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

Deferred taxes

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

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

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

IFRS 8 – Segment reporting

The Group's activities pertain to the operating segment "aerospace and defence" including products and services provided to customers in civil aviation, defence and space, and using shared resources.

IAS 16 – Property, plant and equipment

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

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

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

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

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

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

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

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

IAS 17 – Leases

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

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

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

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

IAS 18 - Revenue

Replaced by IFRS 15

IAS 19 – Employee benefits

Post-employment benefits

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

For the Group's defined contribution plans, contributions to pension plans are recognized as an expense in the income statement as the related service is provided. The Belgian defined-contribution pension plans are by law subject to minimum guaranteed rates of return. Pension legislation was amended at the end of 2015 and defines the minimum guaranteed rate of return as a variable percentage linked to government bond yields observed in the market as from 1 January 2016 onwards.

For 2018, the minimum guaranteed rate of return remains as in 2017 1,75% on employer contributions and employee contributions. The old rates (3,25% on employer contributions and 3,75% on employee contributions) continue to apply to the accumulated past contributions in the group insurance as at 31 December 2015.

Termination benefits

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

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

Short-term benefits

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

IAS 20 – Government Grants

Government grants related to the acquisition of assets are classified as deferred income and recognized as income in proportion to the depreciation of the underlying asset.

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

Government loans shall be recognized and measured in accordance with IAS 39. The forgivable loan is recognized in income when the entity meets the terms for forgiveness of the loan.

IAS 21 – Foreign currency transactions

Foreign currency transactions are accounted for at the internal exchange rate which is based upon the average hedging rate calculated on the existing currency hedging instruments.

Monetary assets and liabilities denominated in foreign currencies are translated at the internal exchange rate.

The gains and losses resulting from the difference between the average hedging rate and the actual settlement of foreign currency hedging instruments are recognised in the income statement of the period as financial result.

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

IAS 36 – Impairment of assets

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

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

IAS 37 – Provisions, contingencies

Provisions

Provisions are recognised in the consolidated statement of financial position when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made on the amount of the obligation.

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

Restructuring

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

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

Onerous contracts

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

IAS 38 – Intangible assets

Research costs are recognised in the income statement as an expense in the period when incurred.

Expenditure resulting from development activities, whereby research findings are applied to a plan or design for production of new or substantially improved products and processes, is capitalized if all of the conditions stipulated in IAS 38 standard are met.

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

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

IAS 39 – Financial instruments

Replaced by IFRS 9

Changes in accounting policies

The entity applied the same IFRSs as those adopted in the previous years, except for the new IFRSs and interpretations the entity adopted as of 1st January 2018.

New and amended standards and interpretations

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

The nature and the impact of each of the following new standards, amendments and/or interpretations are described below:

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

Standards issued but not yet effective

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

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

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

As from 1st January 2018, the Group has applied for the first time IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” which are effective for annual periods beginning on or after 1 January 2018. As required by IAS 8, the nature and effect of these changes are disclosed below.

IFRS 9 – Financial Instruments

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

The Group has adopted the new standard on the date of 01/01/2018.

IFRS 15 – Revenue from Contracts with Customers

The Group adopted IFRS 15 using the modified retrospective transition approach, – *i.e.* by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

The effect of adopting IFRS 15 on the statement of profit or loss for the twelve months ended 31 December 2018 is as follows:

31 December 2018	Balances without adoption of IFRS 15	Adjustments	As reported
Revenues	195.842	-	195.842
Operating expenses	-185.338	-	-185.338
Result from continuing operations	10.504		10.504
Finance income	3.907	+16	3.923
Finance costs	-7.380		-7.380
Income tax expense	-1.822	-5	-1.827
Net profit	5.209	+11	5.220

The most material impact of applying this standard is the inclusion of a financing component when it is significant. The financing component exists when there is for a given contract, a significant difference between the moment when cash is received (through long term advances) and the moment when the revenue is recognized. Future revenue and therefore the operating income, from the relevant contracts will be increased by this financing component, offset by a financial expense recognized along the duration of the contract.

The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- Identify the contracts with a customers
- Identify the performance obligations in the contracts
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as the entity satisfies a performance obligation.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

Identify the performance obligations in the contract

The performance obligations in the contracts are reflected into a detailed work breakdown structure, reflecting development phases, production or service lots for each contract. The Group determined that both the development and production phase are capable of being distinct.

Determine the transaction price

The standard provides, in particular, that the selling price shall be adjusted for the financing components deemed significant, to reflect a "cash sale price" for the service provided. The financing component exists when there is, for a given contract, a significant difference between the moment when the receipts are received and the moment when the revenue is recognized.

Future revenue and therefore the operating income, from the relevant contracts will be increased by this financing component, offset by a financial expense recognized along the duration of the contract.

Price revision formulas are only included to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The Group applies the 'most likely amount'-approach to estimate variable considerations.

Recognize revenue when (or as) the entity satisfies a performance obligation.

The majority of the Group's revenue is recognized at a point in time, i.e. when the title to the items is transferred to the customer. An analysis of the Group's portfolio of contracts led to the confirmation that the criteria of IFRS 15 for the recognition of revenue over time were not met as the majority of contracts do not contain a right to compensation for work completed above the existing customer commitments.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	31/12/2018	01/01/2018
Receivables	67.321	53.462
Contract assets	35.809	35.505
Contract liabilities	-52.217	-55.183
Total	50.912	33.784
Current	76.889	54.176
Non-current	-25.976	-20.392

The contract assets primarily relate to the Group's rights to consideration for work performed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advances received from customers on long-term projects.

Significant changes in the contract assets and the contract liabilities during the period are as follows:

	Contract assets	Contract liabilities
Revenue recognized that was included in the contract liability balance at the beginning of the period		35.542
Increases due to cash received, excluding amounts recognized as revenue during the period		-38.509
Transfers from contract assets recognized at the beginning of the period to receivables	-7.405	
Increases as a result of changes in the measure of progress	7.708	

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF S.A.B.C.A. SA ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(TRANSLATION)

In the context of our statutory audit of the consolidated financial statements of S.A.B.C.A. SA (the "Company") and its subsidiaries (jointly "the Group"), we hereby submit our statutory audit report to you. This report includes our report on the consolidated financial statements, as well as other legal and regulatory requirements. The whole is integrated and is indivisible.

We were appointed as statutory auditor by the general meeting of June 1st, 2017, following the proposal formulated by the board of directors, issued upon recommendation of the audit committee and upon presentation by the workers' council. Our mandate will expire on the date of the general meeting which will deliberate on the consolidated financial statements prepared on 31 December 2019. We have performed the statutory audit of the consolidated financial statements of S.A.B.C.A. SA 11 consecutive years.

Report on 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 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and which show a consolidated statement of financial position total of 333.823 KEUR and a profit for the year (share of the group) of 5.220 KEUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and consolidated financial position as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

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

Key audit matters

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

Evaluation of the implications of the termination of a program

Disclosure 20

Identified risk

S.A.B.C.A. N.V. / S.A. has been notified of decisions to end a program. Management has evaluated the impact.

This constitutes a key audit matter taking into account the impact and complexity of these evaluations and the importance of management judgements and estimates.

Audit approach

On the basis of discussions with management, we analysed the contractual framework and the changes thereon as well as the methodology used to identify and evaluate risks.

We have evaluated the approach to identify the impacts on the decision taken as well as the assumptions used; the clerical accuracy of evaluations performed has been checked.

Programs – revenue and margin recognition

Identified risk

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

Audit approach

Our audit approach consisted of:

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

Responsibilities of the board of directors for the preparation of 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 International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

For the execution of our control, we respect the legal, regulatory and normative framework applicable to the audit of consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

We communicate with the audit committee 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 identify during our audit.

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

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

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

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 director's report on the consolidated financial statements and the other information included in the annual report.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated financial statements and the other information included in the annual report, and to report on these matters.

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

After having performed specific procedures in relation to the directors' report on the consolidated financial statements and the other information included in the annual report, we are of the opinion that this report is consistent with the consolidated financial statements for the year under audit and is prepared in accordance with the article 119 of the Companies' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated financial statements and the other information included in the annual report on the consolidated financial statements is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report

to you. We provide no assurance with regard to the consolidated directors' report and the other information included in the annual report.

Section SR1 of the annual report contains the non-financial information, as required by art. 119 §2 of the Company Code. This non-financial information is established on the basis of the GRI-framework (Global Reporting Initiative). In accordance with art.144 §1,6° of the Company Code, we do not certify whether this non-financial information is compliant with the GRI-framework.

Statement related to independence

Our audit firm and our network did not perform any assignments that are incompatible with the legal audit of the financial statements, and our audit firm remained independent of the company during the course of our mandate.

The fees for additional services which are compatible with the statutory audit of the consolidated financial statements referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the consolidated financial statements.

Other statements

The consolidated accounts are result from an extracomptable processing.
This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Brussels, April 29, 2019

Mazars Réviseurs d'Entreprises SCRL
Statutory auditor
represented by

Lieven Acke
Auditor

2018 Report to the board of directors

Ordinary General Meeting of June 6th, 2019

ANNUAL ACCOUNTS

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Non consolidated balance sheet

after appropriation

Statutory accounts according to the financial reporting framework applicable in Belgium

(in thousand EUR)

Assets	Notes	Codes	2018	2017
Fixed assets		21/28	31.063	27.674
Intangible assets	6.2	21	7.540	9.178
Tangible assets	6.3	22/27	20.198	15.664
Land and buildings		22	11.927	5.555
Plant, machinery and equipment		23	6.663	8.690
Furniture and vehicles		24	1.603	1.413
Assets under construction and advance payments		27	5	6
Financial assets		28	3.325	2.832
Affiliated enterprises	6.4.1	280/1	3.065	2.572
Participating interests		280	3.065	2.572
Enterprises linked by participating interests	6.4.2	282/3	81	81
Participating interests		282	81	81
Other financial assets	6.4.3	284/8	179	179
Shares		284	173	173
Amounts receivable and cash guarantees		285/8	6	6
Current assets		29/58	189.679	213.178
Amounts receivable after more than one year		29	7.180	0
Trade debtors		290	7.180	0
Stocks and contracts in progress		3	29.495	55.708
Stocks		30/36	29.301	27.004
Raw materials and consumables		30/31	6.685	11.580
Goods purchased for resale		34	21.228	14.948
Advance payments		36	1.388	476
Contracts in progress		37	194	28.704
Amounts receivable within one year		40/41	65.247	60.150
Trade debtors		40	57.515	50.703
Other amounts receivable		41	7.732	9.447
Investments	6.6	50/53	80.654	92.785
Other investments and deposits		51/53	80.654	92.785
Cash at bank and in hand		54/58	6.351	3.546
Deferred charges and accrued income	6.6	490/1	752	989
Total assets		20/58	220.742	240.852

Liabilities		Notes Codes	2018	2017
Capital and reserves		10/15	27.513	15.931
Capital		6.7.1 10	12.400	12.400
Issued capital		100	12.400	12.400
Revaluation surpluses		12	7.088	0
Reserves		13	14.623	14.555
Legal reserve		130	1.240	1.240
Reserves not available for distribution		131	595	595
Other		1311	595	595
Untaxed reserves		132	1.028	960
Reserves available for distribution		133	11.760	11.760
Profit (loss) carried forward		14	-6.882	-11.468
Investment grants		15	284	444
Provisions and deferred taxation		16	43.494	66.286
Provisions for liabilities and charges		160/6	43.451	66.243
Pensions and similar obligations		160	561	43
Major repairs and maintenance		162	1.036	1.689
Other liabilities and charges		164/5	41.854	64.511
Deferred taxes		168	43	43
Creditors		17/49	149.735	158.635
Amounts payable after more than one year		6.9 17	96.702	85.614
Advances received on contracts in progress		176	33.477	19.087
Other amounts payable		178/9	63.225	66.527
Amounts payable within one year		6.9 42/48	51.750	65.665
Current portion of amounts payable after more than one year		42	842	970
Financial debts		43	0	5
Credit institutions		430/8	0	5
Trade debts		44	19.855	17.933
Suppliers		440/4	19.855	17.933
Advances received on contracts in progress		46	18.488	34.667
Taxes, remuneration and social security		45	12.366	11.469
Taxes		450/3	273	144
Remuneration and social security		454/9	12.093	11.325
Other amounts payable		47/48	199	621
Accrued charges and deferred income		6.9 492/3	1.283	7.356
Total liabilities		10/49	220.742	240.852

Non consolidated income statement

Statutory accounts according to the financial reporting framework applicable in Belgium

(in thousand EUR)

	Notes	Codes	2018	2017
Operating income		70/76A	151.118	198.367
Turnover	6.10	70	182.523	208.147
Increase (+), decrease (-) in stocks of finished goods, work and contracts in progress	(+)/(-)	71	-41.853	-20.124
Own construction capitalised		72	5.162	6.388
Other operating income	6.10	74	4.752	3.906
Non-recurring operating income	6.12	76A	534	50
Operating charges		60/66A	-149.132	-206.384
Raw materials, consumables and goods		60	36.685	36.593
Purchases		600/8	36.874	34.987
Increase (-)/decrease (+) in stocks	(+)/(-)	609	-189	1.606
Services and other goods		61	77.424	80.231
Remuneration, social security costs and pensions	(+)/(-)	6.10 62	57.479	60.508
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets		630	11.799	12.489
Increase (+)/decrease (-) in amounts written off stocks, contracts in progress and trade debtors	(+)/(-)	6.10 631/4	-12.861	4.880
Increase (+)/decrease (-) in provisions for liabilities and charges	(+)/(-)	6.10 635/8	-22.359	9.554
Other operating charges	6.10	640/8	861	884
Non-recurring operating charges	6.12	66A	104	1.245
Operating profit (loss)	(+)/(-)	9901	1.986	-8.017
Financial income		75/76B	3.692	7.766
Recurring financial income		75	3.692	7.766
Income from financial fixed assets		750	0	2
Income from current assets		751	134	285
Other financial assets	6.11	752/9	3.558	7.479
Non-recurring financial income	6.12	76B	0	0
Financial charges		65/66B	-1.013	-5.228
Recurring financial charges	6.11	65	1.013	5.228
Interest and other debt charges		650	445	545
Other financial charges		652/9	568	4.683
Non-recurring financial charges	6.12	66B	0	0
Profit (loss) on ordinary activities before taxes	(+)/(-)	9903	4.665	-5.479

(in thousand EUR)

	Notes	Codes	2018	2017
Profit (Loss) on ordinary activities before taxes	(+)/(-)	9903	4.665	-5.479
Transfer to deferred taxes		680	0	-3
Income taxes	(+)/(-)	6.13 67/77	-11	-3
Income taxes		670/3	11	3
Profit (Loss) for the period	(+)/(-)	9904	4.654	-5.485
Transfer from untaxed reserves		789	0	0
Transfer to untaxed reserves		689	-69	-78
Profit (Loss) of the period available for appropriation	(+)/(-)	9905	4.585	-5.563
Appropriation account				
Profit (Loss) to be appropriated	(+)/(-)	9906	-6.882	-11.467
Profit (Loss) of the period available for appropriation	(+)/(-)	(9905)	4.585	-5.563
Profit (Loss) brought forward	(+)/(-)	14P	-11.467	-5.904
Profit (Loss) to be carried forward	(+)/(-)	(14)	-6.882	-11.467
Profit to be distributed		694/7	0	0
Dividends		694	0	0

Notes

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

STATEMENT OF INTANGIBLE ASSETS

(heading 21 of assets - F 6.2)

Acquisition value

At the end of the preceding period

Movements during the period:

Acquisitions, including produced fixed assets

At the end of the period

Depreciation and amounts written down

At the end of the preceding period

Movements during the period:

Recorded

At the end of the period

NET BOOK VALUE AT THE END OF THE PERIOD

Codes	1) Development costs	2) Research costs that have been made during a period starting before 01/01/2016	2) Research costs that have been made during a period starting after 31/12/2015	3) Concessions, patents licences a.o.
805-P	119.961	31.172		3.024
802	3.916		1.246	
805	123.877	31.172	1.246	3.024
812-P	111.118	30.837		3.024
807	5.219	335	1.246	
812	116.337	31.172	1.246	3.024
NET BOOK VALUE AT THE END OF THE PERIOD	7.540	0	0	0

STATEMENT OF TANGIBLE FIXED ASSETS

(headings 22 to 27 of assets - F 6.3)

Acquisition value

At the end of the preceding period

Movements during the period:

Acquisitions

At the end of the period

Revaluation surpluses

At the end of the preceding period

Movements during the period:

Recorded

At the end of the period

Depreciation and amounts written down

At the end of the preceding period

Movements during the period:

Recorded

At the end of the period

NET BOOK VALUE AT THE END OF THE PERIOD

Codes	1) Land and buildings (heading 22)	2) Plant, machinery and equipment (heading 23)	3) Furniture and vehicles (heading 24)	6) Assets under construction and advance payments (heading 27)
819-P	55.124	104.085	19.013	8
816	490	1.054	901	
819	55.614	105.139	19.914	8
825P				
821	7.088			
825	7.088	0	0	0
832-P	49.569	95.395	17.600	3
827	1.205	3.081	711	1
832	50.774	98.476	18.311	4
NET BOOK VALUE AT THE END OF THE PERIOD	11.928	6.663	1.603	4

STATEMENT OF FINANCIAL FIXED ASSETS

(heading 28 of assets - F 6.4)

Affiliated enterprises - Participating, interests and shares

Acquisition value

At the end of the preceding period

Movements during the period :

Acquisitions

At the end of the period

Depreciation and amounts written down

At the end of the preceding period

At the end of the period

Uncalled amounts

At the end of the preceding period

At the end of the period

Net book value at the end of the period

Enterprises linked by a participating interest - Participating interests and shares

At the end of the preceding period

Movements during the period :

Transfers from one heading to another

Net book value at the end of the period

Amounts receivable

Net book value at the end of the preceding period

Movements during the period :

Additions

Net book value at the end of the period

Codes	Enterprises	
	1) Affiliated (heading 280)	3) Other (heading 284)
839-P	13.060	2.219
836	493	
839	13.553	2.219
852-P	10.481	2.047
852	10.481	2.047
855-P	7	
855	7	
	3.065	173
839-P	(heading 282)	
838	81	
	81	
285-P		(heading 285/8) 6
858		1
		7

INFORMATION RELATING TO THE SHARE IN THE CAPITAL

(F 6.5.1)

Share in the capital and other rights in other companies

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

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, the COMPANY IDENTIFICATION NUMBER	Rights held by			Data extracted from the most recent annual accounts			
	the enterprise (directly)		Subsidiaries	Annual accounts	Currency	Capital and reserves	Net result
	Number	%	%				
- SABCA Limburg N.V. Dellestraat 54 B 3560 LUMMEN BE 0438.251.146	499.975	99,99		31.12.2018	EUR	6.629	1.261
- SABCA (C.D.R.) SPRL Chaussée de Haecht 1470 1130 Bruxelles BELGIUM BE 0451.147.295	73	97,33		31.12.2018	EUR	11	0
- FLABEL CORPORATION S.A. Boulevard Auguste Reyers 80 1030 Bruxelles 3 BELGIUM BE 0465.127.074	273	27,30	6,50	31.12.2017	EUR	404	1
- SABCA Maroc Technopôle de l'Aéroport Med5 27000 Nouaceur CASABLANCA - MOROCCO Foreign company	627	60,00		31.12.2018	MAD	13.274	736

OTHER INVESTMENTS AND DEPOSITS, ALLOCATION DEFERRED CHARGES AND ACCRUED INCOME

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

Other investments

Term deposits with credit institutions

falling due :

- up to one month
- between one month and one year
- over one year

Codes	2018	2017
53	80.653	92.785
8686	2.499	3.585
8687	76.154	87.200
8688	2.000	2.000

Deferred charges and accrued income

Analysis of heading 490/1 of assets if the amount is significant.

Deferred charges :

Goods and services

Accrued bank and interests to receive

2018
752
744
8

STATEMENT OF CAPITAL AND SHAREHOLDING STRUCTURE

(F 6.7.1 & 6.7.2)

Statement of capital

Issued capital

At the end of the preceding period

At the end of the period

Structure of the capital

Different categories of shares

Without mention of nominal value

Registered shares

Shares to bearer and/or dematerialized

Codes	Amounts in thousand EUR	Number of shares
100P	12.400	
(100)	12.400	
		2.400.000
8702		2.245.827
8703		154.173

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

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

STATEMENT OF AMOUNTS PAYABLE, ACCRUED CHARGES AND DEFERRED INCOME

(F 6.9)

Analysis by current portions of amounts initially payable after more than one year

Advances received on contracts in progress

Other amounts payable

TOTAL

Codes	Amounts payable current portion		
	1) not more than one year (heading 42)	2) between one and five years (heading 17)	3) over five years (heading 17)
889		33.477	
890	842	7.884	55.340
	842	41.361	55.340

Amounts payable for taxes, remuneration and social security

Taxes (heading 450/3 of the liabilities)

Accruing taxes payable

Remuneration and social security (heading 454/9 of liabilities)

Other amounts payable in respect of remuneration and social security

Codes	2018
9073	273
9077	12.093

Accrued charges and deferred income

Allocation of the heading 492/3 of liabilities if the amount is significant

Financial charges on repayables advances

Financial charges on financial instruments

Accrued charges (various goods and services)

Deferred income

2018
601
600
58
17

OPERATING RESULTS

(F 6.10)

Operating income

Net turnover (heading 70)

182.523

Breakdown by type of activity

in percentage of turnover

Civil aviation

48,0

Defense

21,6

Space

30,4

100,0

Breakdown by geographical markets

Domestic

14,0

Export

86,0

100,0

OPERATING RESULTS

(F 6.10)

Operating income

Other operating income (heading 74)

whereof: compensatory amounts received from public authorities

Operating charges

Employees recorded in the personnel register

Total number at the closing date

Average number of employees in full-time equivalents

Number of actual working hours

Personnel costs (heading 62)

Remuneration and direct social benefits

Employer's contribution for social security

Employer's premium for extra-statutory insurance

Other personnel costs

Provisions for pensions (included in heading 635/7)

Additions (uses and write-backs)

Amounts written off (heading 631/4)

Stocks and contracts in progress

- Recorded

- Written back

Trade debtors

- Recorded

- Write back

Provisions for risks and charges (heading 635/7)

Additions

Uses and write-backs

Other operating charges (heading 640/8)

Taxes related to operations

Others

Hired temporary staff and persons placed at the company's disposal

Total number at the closing date

Average number of employees in full-time equivalents

Number of actual worked hours

Charges to the enterprise

Codes	2018	2017
740	24	112
9086	854	840
9087	812,7	820,7
9088	1.199.503	1.204.963
620	31.013	33.820
621	12.539	13.790
622	2.283	2.236
623	11.644	10.661
(+)/(-) 635	519	-103
9110	11.872	11.583
9111	24.733	6.462
9112		
9113		240
9115	5.988	22.551
9116	28.347	12.996
640	856	884
641/8	5	
9096	117	147
9097	121,7	98,9
9098	217.125	180.379
617	13.208	8.773

FINANCIAL RESULTS

(F 6.11)

Recurring financial income

Other financial income (heading 752/9)

Government grants recognised in the income statement

Investment grants

Allocation of other financial income

Technical profits on sales and options

Exchange differences

Recurring financial charges

Other financial charges (heading 652/9)

Allocation of other financial charges

Exchange differences

Credendo

Bankcharges

Penalty interest

Codes	2018	2017
9125	232	333
	2.385	5.944
	942	1.201
	336	4.414
	162	202
	71	65
	PM	2

INCOME AND CHARGES OF EXCEPTIONAL SIZE OR OF EXCEPTIONAL OCCURRENCE

(F 6.12)

Non-recurring operating income

Write-back of provisions for extraordinary operating liabilities and charges

Capital gains on disposal of intangible and tangible fixed assets

Other non-recurring operating income

Non-recurring operating charges

Provisions for extraordinary operating liabilities and charges

Other non-recurring operating charges

Codes	2018	2017
(76A)	534	50
7620	432	
7630	11	13
764/8	91	37
(66A)	104	1.245
6620		432
664/7	104	813

INCOME TAXES AND TAXES

(F 6.13)

Income taxes

Income taxes on the result of the current period :

Income taxes and withholding taxes due or paid

Excess of withholding taxes paid recorded under assets

Income taxes on previous periods :

Adjustment of income taxes due or paid

Status of deferred taxes representing assets :

Accumulated tax losses deductible from future taxable profits

Other deferred taxes representing assets : reported deduction for investments

Codes	2018
9134	8
9135	40
(-) 9136	33
9138	3
9139	3
9141	11.298
9142	11.298
	7.814

Value added taxes and other taxes borne by third parties

Value added taxes charged

to the enterprise (deductible)

by the enterprise

Amounts withheld on behalf of third parties for:

Payroll withholding taxes

Codes	2018	2017
9145	22.096	23.786
9146	12.128	13.658
9147	8.627	9.486

RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

(F 6.14)

Real guarantees provided or irrevocably promised by the enterprise on its own assets as security of debts and commitments of the enterprise

Pledging of other assets - Book value of other assets pledged

Amount of forward contracts:

Currencies sold (to be delivered)

	2018
	3.131
	67.990

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

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

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

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

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

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

The company took out group insurance policies described firstly as a defined benefit plan insurance and secondly as a defined contribution plan insurance. The defined benefit plan insurance was calculated on an actuarial basis pursuant to IAS 19 of which the unrecognized obligation in the statutory accounts at 31.12.2018 is 10.531 KEUR.

The plan assures the employee a lump-sum payment at retirement based on the contributions made.

Belgian law prescribes a minimum guaranteed rate of return over the career of the employee for defined contribution plans, which the SABCA substantially insured with an external insurance company that receives and manages the contributions to the plan.

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

These defined contribution plan pension plans were also actuarially calculated under IAS 19, the obligation of which was not recorded in the statutory accounts at 31.12.2018, increasing to 487 KEUR.

RELATIONSHIPS WITH AFFILIATED ENTERPRISES AND ASSOCIATED ENTERPRISES

(F 6.15)

Affiliated enterprises

Financial fixed assets / Participating interests

Amounts receivable

over one year

within one year

Amounts payable : within one year

Financial results

Income from current assets

Other financial charges

Associated enterprises

Financial fixed assets / Participating interests

Amounts receivable : over one year

Amounts receivable : within one year

Amounts payable : within one year

Codes	AFFILIATED ENTERPRISES	
	2018	2017
(280)	3.065	2.572
9291	10.761	8.422
9301	85	
9311	10.676	8.422
9351	1.141	2.590
9431		21
9471		125
(282)	81	81
9303	7.094	
9313	15.855	23.807
9373	9.072	8.854

FINANCIAL RELATIONSHIP WITH

(F 6.16)

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

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

to directors and managers

Codes	2018
9503	258

Auditors or people they are linked to

Auditor's fees

Fees for exceptional services or special missions executed in the company by the auditor

Other attestation missions

Codes	2018
9505	83
9506	9

COMMITMENTS, RIGHTS AND SUSPENSE ACCOUNTS

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

Guarantees given by third parties on behalf of the company

Guarantees received

Forex transactions

Goods and values belonging to third parties held in deposit, consignment or for treatment

Goods and values belonging to third parties held by third parties on their behals, but at the risk and corporate profits of the comapny

Miscellaneous, commitments, rights and suspense accounts including

2.245.827 registered shares SABCA handed by third parties

Belgian Association for the Maritime Patrol Aircraft (A.B.A.P.)

2018	2017
4.259	4.257
29.436	25.222
87.841	91.064
69.530	84.544
0	5.198
PM	PM
PM	PM
191.066	210.285

THIRD PARTY GOODS (analysis)

Third party goods and values, held in deposit, consignment or for manufacturing

Third party raw materials in the store room

Third party aeronautical parts and material, in the manufacturing or overhaul process

Third party tooling, in deposit

Equipment for repair-overhaul, in deposit

Third party materials in deposit

2018	2017
5.064	5.148
3.892	3.902
27.076	27.949
5.138	3.352
28.360	44.193
69.530	84.544

Social report

STATEMENT OF THE PERSONS EMPLOYED

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

During the current period

Average number of employees

Full-time	
Part-time	
Total in full-time equivalents (FTE)	

Number of hours actually worked

Full-time	
Part-time	
Total	

Personnel costs

Full-time	
Part-time	
Total	

Advantages in addition to wages

Codes	Total	1. Men	2. Women
1001	688,1	605,8	82,3
1002	163,1	138,3	24,8
1003	812,7	711,7	101,0
1011	1.028.150	911.533	116.617
1012	171.353	142.166	29.187
1013	1.199.503	1.053.699	145.804
1021	48.667	42.846	5.821
1022	8.812	7.490	1.322
1023	57.479	50.336	7.143
1033	797	692	105

During the preceding period

Average number of employees in FTE	
Number of hours actually worked	
Personnel costs	
Advantages in addition to wages	

Codes	Total	1. Men	2. Women
1003	820,7	721,5	99,2
1013	1.204.963	1.072.149	132.814
1023	60.508	53.194	7.314
1033	769	676	93

At the closing date of period

Number of employees

By nature of the employment contract

Contract for an indefinite period	
Contract for a definite period	

According to gender and study level

Men	
- primary education	
- secondary education	
- higher non-university education	
- university education	

Women	
- primary education	
- secondary education	
- higher non-university education	
- university education	

By professional category

Management staff	
Employees	
Workers	

Codes	1. Full-time	2. Part-time	3. Total full-time equivalents
105	690	164	815,2
110	618	164	743,2
111	72		72,0
120	601	140	707,7
1200	15	3	17,4
1201	373	112	458,8
1202	136	20	151,1
1203	77	5	80,4
121	89	24	107,5
1210	1	2	2,4
1211	42	15	53,5
1212	25	5	29,0
1213	21	2	22,6
130	13		13,0
134	376	81	438,2
132	301	83	364,0

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

During the period

Average number of employees
 Number of hours actually worked
 Costs for the enterprise (in thousand EUR)

Codes	1. Temporary personnel	2. Persons placed at the disposal of the enterprise
150	89,7	32,0
151	160.015	57.110
152	9.734	3.474

LIST OF PERSONNEL MOVEMENTS DURING THE PERIOD

Entries

Number of employees recorded in the general personnel register during the financial year

By nature of the employment contract

Contract for an indefinite period
 Contract for a definite period

Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
205	117	1	117,9
210	57	1	57,9
211	60		60,0

Departures

Number of employees whose contract-termination date has been entered in the general register during the financial year

By nature of the employment contract

Contract for an indefinite period
 Contract for a definite period

According to the reason for termination of the employment contract

Retirement
 Dismissal
 Other reason

Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
305	92	21	108,5
310	86	21	102,5
311	6		6,0
340	23	19	37,9
342	22	2	23,6
343	47		47,0

INFORMATION ON TRAINING PROVIDED BY EMPLOYEES DURING THE PERIOD

Total of initiatives of formal professional training at the expense of the employer

Number of involved employees
 Number of training hours
 Costs for the company
 of which gross costs directly linked to the training
 of which paid contributions and payments to collective funds

Codes	Men	Codes	Women
5801	703	5811	93
5802	6.826	5812	1.091
5803	817	5813	118
58031	631	58131	90
58032	186	58132	28

Total of initiatives of less formal or informal professional training at the expense of the employer

Number of participating employees
 Number of training hours
 Costs for the company

5821	105	5831	12
5822	17.804	5832	1.762
5823	780	5833	84

SUMMARY OF THE VALUATION RULES

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

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

INTANGIBLE FIXED ASSETS

The intangible fixed assets with limited useful life are subject to depreciations calculated according to an established plan.

They are subject to accelerated or exceptional depreciation, in accordance with the tax prescriptions

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

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

Research costs are depreciated fully in the year when expenses were incurred.

TANGIBLE FIXED ASSETS

The acquisition cost is defined in accordance with art. 36 to 39 of the Royal Decree of January 30, 2001.

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

DEPRECIATION

(a) Method

The straight-line method is applied for the former investments while the decreasing method is used for the investments that have been made since 1977, with the exception of any other fiscally authorized method. In that case, the board of directors examines the appropriateness of these depreciation methods case per case, as well as the additional depreciation rates related to economic and/or technological reasons (art. 64), and the extent to which they should be applied.

Since 1977, the whole of the depreciation rules authorized by the various government measures, have been applied .

In accordance with the fiscal law dated December 24, 2002 the new rules related to the daily pro rata depreciation have been applied to the new tangible and intangible fixed assets purchased or capitalized since the fiscal year 2004. The assets purchased or capitalized before the financial year 2003 continue to be depreciated following the previous procedure. The advance payments and assets under construction benefit of a specific accounting and fiscal treatment.

(b) depreciation rates

Buildings:

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

Installations, machines, tooling:

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

Furniture, office and rolling stock:

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

Depreciation reversals can be applied up to the taxed surplus depreciation as well as for the tax exempted depreciations exceeding the above mentioned rates; as well as in case of transfer, sale, loss or expropriations.

With effect from the beginning of 2003 the daily pro rata was applied to the straight-line method as well as to the decreasing or accelerating method of depreciation.

FINANCIAL FIXED ASSETS

STOCKS AND SHARES VALUES

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

RECEIVABLES: (see below)

INVENTORIES

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

VALUATION OF INVENTORIES AT THE END OF THE FINANCIAL YEAR AND CONSUMPTION OF THE YEAR: inventories are valued at the purchase price per supply lot and consumption is done on basis of the FIFO method (First In, First Out).

AMOUNTS WRITTEN OFF ON STOCKS

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

Items that have not been moved in the last 24 months are also written down.

In case of re-use of non-destructed items, the amounts written-off as a consequence of not having been moved in the last 24 months are reversed.

WORKS IN PROGRESS

ELEMENTS OF THE COST OF THE WIP

The cost of the work in progress is determined according to the cost of production method (direct costing) taking into account all the costs directly attributable to the manufacturing of the goods and the provision of the services, as well as the indirect costs that can be allocated to the manufacturing of these goods and the provision of those services. The general costs related to the management of the group as well as the business development costs are charged to the result of the financial year.

Allocation method:

- (a) direct booking of raw materials, components, parts, expendable goods, direct costs and specific subcontract costs, specific depreciation and relocation, lay-out costs specific to a program.
- (b) Allocation of indirect costs through hourly rates based upon the activity of the production personnel and/or machines. These hourly rates include all direct and indirect wages and related charges as well as G&A costs and the depreciation of industrial assets. The latter can also be distributed over individualised production programs by derogating from the depreciation method and from the amounts booked on the balance sheet on an economic or tax basis.

VALUATION OF THE WORKS IN PROGRESS

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

AMOUNTS WRITTEN OFF

- (a) on works actually carried out: the amounts of the incurred costs exceeding the estimated total contract revenues are written-off.
- (b) on works to be carried out: the estimated losses at completion of these works in progress are subject to provisions for the amounts exceeding the write-offs booked as per (a) if the estimate is sufficiently accurate. In the other cases, provisions for risks on orders are made with the greatest care and on an individual basis.
- (c) on sales realized and communicated by our customers and on the sales volume considered likely by the company's management : in case of loss on program, a provision will be constituted to cover our implicit obligations.

RECEIVABLES, CASH AND PAYABLES

- (a) Receivables, cash and payables in foreign currencies are valued at the internal standard exchange rate defined per currency, which is modified during the year only in case of important and durable fluctuation of average rates, and taking into account the currency hedging instruments.
- (b) Write offs are booked on receivables in the following cases:
 - bankruptcy, composition, nationalization (high political risks), subordination of receivables with risks;
 - important, lasting in nature and in amount determined litigation of which the recovery is very precarious, the negotiations being concluded;
 - very negative economical, financial or political information concerning exports.
- (c) Provision for risks and charges might be booked on litigation in negotiations
- (d) Amounts written off are reversed if the recoupment of the receivable is ascertained or if the previous write-off was inappropriate or exaggerated.

ACCRUED OR DEFERRED CHARGES OR INCOME (assets - liabilities)

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

PROVISIONS FOR LIABILITIES AND CHARGES

The provisions for risks and charges are made systematically in function of contractual and/or legal obligations; they represent the best estimate at closing date and meet the requirement of prudence and sincerity.

PROVISIONS FOR TAX PURPOSES

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

MISCELLANEOUS RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

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

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

- Tooling, small equipment and small tooling constituting full individual sets of less than 1.000 EUR are no longer included in assets but in the cost of production or in G&A costs depending on the fact that they are specific or not to a contract.
- Modification of the first paragraph of section 14 of the rules of valuation.
At the end of each financial year, investment grants are progressively reduced by booking to the profit and loss account.

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

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

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

Revaluation surplus as at 31st of December 2018

On basis of an assessment of the company's land in December 2018 by independent experts, a revaluation surplus has been recognized on land for an amount of 7.088 KEUR as of 31/12/2018. The positive net result of the year 2018 and the forecast allows the recognition of this latent revaluation surplus.

Valuation of the works in progress as at 31st of December 2018

The change in calculation method of the works in progress, excluding the general costs related to the management of the group as well as the business development costs, is driven by the reconciliation to the method used in IFRS.

This change has the following impacts in statutory accounts:

- Reduction of works in progress : 20.736 KEUR
- Reduction of provisions : 18.031 KEUR

Justification of the rules of continuity – going concern

'The Board of Directors notes that the recognition of provisions and impairment losses on financial instruments in 2014 and 2015 respectively generates a negative result in two consecutive years. Taking into account the plan to reduce operational costs, the Board believes that the business continuity of the company is ensured and that the accounting rules for valuation of the company as part of the continuity of its activities can continue to be applied.

Events after the balance sheet date

On 5 March 2019, the Company announced that it was informed that Fokker Aerospace B.V. had sold its entire 43.57% stake in the Company to Dassault Belgique Aviation SA, and that, as a result of this transaction, Dassault Belgique Aviation SA held 96.85% of the shares in the Company. On 10 April 2019, the Company announced that the board of directors of the Company had been informed of the decision of Dassault Belgique Aviation SA to sell its 96.85% stake in the share capital of the Company and to appoint, for this purpose, the investment bank Rothschild & Co. Those events are not considered to have a material impact on the financial statements of the Company as of December 31, 2018.

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF S.A.B.C.A. SA FOR THE YEAR ENDED 31 DECEMBER 2018

(STATUTORY ACCOUNTS) (TRANSLATION)

We present to you our statutory auditor's report in the context of our statutory audit of the annual accounts of S.A.B.C.A. SA (the "Company"). This report includes our report on the annual accounts, as well as other legal and regulatory requirements. The whole is integrated and is indivisible.

We have been appointed as statutory auditor by the general meeting of June 1st 2017, following the proposal formulated by the board of directors, issued upon recommendation of the audit committee and upon presentation by the workers' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2019. We have performed the statutory audit of the annual accounts of SABCA SA for 11 consecutive years.

Report on the annual accounts

Unqualified opinion

We have performed the statutory audit of the annual accounts of the Company, which comprise the balance sheet as at 31 December 2018, and the profit and loss account for the year then ended, and the notes to the annual accounts, and which show a balance sheet total of 220.742 KEUR and a profit and loss account with a profit for the year of 4.654 KEUR.

In our opinion, the annual accounts give a true and fair view of the Company's net equity and financial position as at 31 December 2018, and 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) as applicable in Belgium. Our responsibilities under those standards are further described in the "*Statutory auditor's responsibilities for the audit of the annual accounts*" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the annual accounts in Belgium, including the requirements related to 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.

Key audit matters

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

Evaluation of the implications of the termination of a program

Identified risk

S.A.B.C.A. N.V. / S.A. has been notified of decisions to end a program. Management has evaluated the impact. This constitutes a key audit matter taking into account the impact and complexity of these evaluations and the importance of management judgements and estimates.

Audit approach

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

Programs – revenue and margin recognition

Identified risk

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

Audit approach

Our audit approach consisted of:

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

Responsibilities of the board of directors for the preparation of 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 an 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.

During the execution of our control, we respect the legal, regulatory and normative framework applicable to the audit of annuals accounts in Belgium.

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

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

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

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

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

An audit does not provide any assurance on the future viability of the company nor on the efficiency and effectivity with which management has conducted or will conduct the business.

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 directors' report, including the report on non-financial information and the other information included in the annual report as well as for the compliance with the legal and regulatory requirements regarding bookkeeping, with the Companies' Code and with the Company's articles of association.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report, as well as compliance with the articles of association and certain requirements of the Companies' Code and to report on these matters.

Aspects related to the directors' report and the annual report

After having performed specific procedures in relation to the directors' report, we are of the opinion that this report is consistent with the annual accounts for the year under audit and is prepared in accordance with the articles 95 and 96 of the Companies' Code.

In the context of our audit of the annual accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you. We provide no assurance with regard to the directors' report and the other information included in the annual report.

Section SR1 of the annual report contains the non-financial information, as required by art.119 §2 of the Company Code. This non-financial information is established on the basis of the GRI-framework (Global Reporting Initiative). In accordance with art. 144 §1,6° of the Company Code, we do not certify whether this non-financial information is compliant with the GRI-framework.

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

Statement related to independence

Our audit firm and our network did not perform any assignments that are incompatible with the legal audit of the financial statements, and our audit firm remained independent of the company during the course of our mandate.

The fees for additional services which are compatible with the statutory audit of the annual accounts referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the annual accounts.

Other statements

- The annual accounts, after reclassifications, result from the balance sheet and the income statement. The company did perform a partial inventory of its fixed assets. Without prejudice to formal aspects of minor importance, the accounting records are otherwise maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association.
- There are no transactions undertaken or decisions taken in breach of the Company's articles of association or the Companies' Code that we have to report to you.
- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Brussels, April 29, 2019

Mazars Réviseurs d'Entreprises SCRL
Statutory auditor
represented by

Lieven Acke

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