SABCA

Press release

SABCA

INTERIM FINANCIAL REPORT AS OF JUNE 30, 2018

Regulated information – Inside information, published on 28/09/2018 at 18.00 h

Corporate information

The Board of 18th September 2018 approved and authorized the publication of the consolidated financial statements of SABCA Group for the six months ended 30 June 2018.

Basis of preparation

The condensed consolidated interim financial statements of the SABCA group for the six months ended June 30, 2018 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the SABCA group for the financial year ended on December 31, 2017, which was prepared in accordance with International Financial Reporting Standards as approved for use in the European Union (endorsed IFRS), on the basis of the same principles, calculation methods and presentations as in the SABCA group's financial statements on December 31, 2017, except for the new standards and interpretations which have been adopted as of January, 2018 (see section "Accounting Principles" below) and which had an impact on the interim condensed consolidated financial statements.

Condensed consolidated statement of financial position

(in thousands of euros)	30.06.2018	31.12.2017
ASSETS	*343.092*	*337.645*
Non-current assets	**104.896**	**108.883**
Intangible assets	42.070	44.160
Property, plant and equipment	62.503	64.401
Affiliated enterprises	112	112
Financial assets and other non-current assets	211	210
Current assets	**238.196**	**228.762**
Inventories	27.345	29.650
Work-in-progress	38.496	35.505
Trade and other receivables	78.809	56.187
Cash and cash equivalents	91.021	101.914
Other current assets	2.525	5.506
EQUITY AND LIABILITIES	*343.092*	*337.645*
Total equity	**82.393**	**82.324**
Attributable to shareholders of the parent company	**82.319**	**82.201**
Capital	12.400	12.400
Consolidated reserves	69.919	69.801
Non-controlling interests	**74**	**123**
Non-current liabilities	**167.934**	**163.539**
Long-term borrowings	126.391	121.376
Non-current provisions	39.898	40.543
Deferred tax liabilities	1.645	1.620
Current liabilities	**92.765**	**91.782**
Trade and other payables	51.144	52.743
Tax and social liabilities	14.731	12.469
Other current liabilities	6.345	7.220
Short-term borrowings	0	4
Current provisions	20.545	19.346

Condensed consolidated statement of profit and loss

(in thousands of euros)	30.06.2018	30.06.2017
Revenues	**100.285**	**104.981**
Turnover	92.947	105.712
Increase (+), decrease (-) in work in progress	2.990	-5.829
Own construction capitalized	2.402	2.862
Other operating income	1.946	2.236
Operating expenses	**-98.024**	**-105.283**
Raw materials and consumables used	20.432	23.776
Services and other goods	37.228	33.307
Wages and salaries, social security costs and pensions	31.942	36.267
Depreciation and amortization of intangible and tangible assets	7.278	8.434
Write offs on inventories and trade debtors	40	2.799
Provisions for liabilities and charges	577	-598
Other operating expenses	527	1.298
Result from continuing operations	**2.261**	**-302**
Finance income	1.405	10.244
Finance costs	-3.305	-2.427
Result from continuing operations after finance result	**361**	**7.515**
Income taxes	-97	-3.842
Net result for the period	**264**	**3.673**
whereof Attributable to shareholders of the parent	313	3.733
Share of non-controlling interests	-49	-60

Result per share in EUR (number of shares : 2.400.000)	30.06.2018	30.06.2017
- basic	0,11	1,53
- diluted	0,11	1,53

Condensed consolidated statement of comprehensive income

(in thousands of euros)	30.06.2018	30.06.2017
Net result for the period	**264**	**3.673**
Other comprehensive income	**-165**	**0**
Other comprehensive income to be reclassified to profit/loss in subsequent periods, net of taxes	*-165*	*0*
Change in fair value of hedging instruments	*-225*	
Deferred taxes	*60*	
Total comprehensive income (+)/loss (-), net of taxes, for the period	**99**	**3.673**
Attributable to :	*99*	*3.673*
Shareholders of the parent	148	3.733
Share of non-controlling interests	-49	-60

Condensed consolidated statement of cash flow

(in thousands of euros	30.06.2018		30.06.2017	
Cash flow from operating activities		**-6.808**		**6.772**
Net income before tax	361		7.515	
Fair value adjustment of derivatives	2.490		-9.835	
Depreciation and amortization on fixed assets	7.263		8.434	
Change in working capital	-17.251		592	
Change in provisions, deferred taxes and reserves	329		66	
Cash flow from investing activities		**-3.277**		**-3.790**
Acquisition of intangible, tangible and financial non-current assets	-3.276		-3.789	
Increase and decrease of receivables	-1		-1	
Cash flow from financing activities		**-808**		**-66**
Change in short-term liabilities (except trade and financial debts)	-318		91	
Change in long-term liabilities (except trade and financial debts)	-58		-108	
Change in short-term financial liabilities	-452		-186	
Change in long-term financial liabilities				
Interests				
- earned	52		172	
- paid	-32		-35	
Net increase (decrease) in cash and cash equivalents		**-10.893**		**2.916**
Cash and cash equivalents, at the beginning of the period (1st January)	101.914		55.728	
Cash and cash equivalents, at the end of the period (30th June)	91.021		58.644	

Condensed consolidated statement of changes in equity

(in thousands of euros)	Capital	Consolidated reserves	Actuarial gains / losses	Hedging instruments on cash flow	Total attributable to shareholders of the parent	Non-controlling interests	Total equity
Balance as of 1st January 2017	**12.400**	**73.336**	**-4.910**		**80.827**	**106**	**80.932**
Result for the period		3.733			3.733	-60	3.673
Total comprehensive income		**3.733**			**3.733**	**-60**	**3.673**
Balance as of 30th June 2017	**12.400**	**77.069**	**-4.910**		**84.559**	**46**	**84.606**
Balance as of 31st December 2017	**12.400**	**75.881**	**-6.080**		**82.201**	**123**	**82.324**
Impact IFRS 15 (see Notes)		**-30**			**-30**		**-30**
Balance as of 1st January 2018	**12.400**	**75.851**	**-6.080**		**82.171**	**123**	**82.294**
Result for the period		313			313	-49	264
Other comprehensive income (+)/loss (-)				-165	-165		-165
Total comprehensive income		**313**		**-165**	**148**	**-49**	**99**
Balance as of 30th June 2018	**12.400**	**76.164**	**-6.080**	**-165**	**82.319**	**74**	**82.393**

Notes to the condensed consolidated financial statements

A. Profit and loss

The **operating result** for the first half of 2018 is **+2.261 K€** compared to -302 K€ for the first half of 2017. Despite a decrease in revenues, this improvement is generated by lower operating costs .

The **financial result** for the first half of 2018 is **-1.900 K€** compared to +7.817 K€ for the first half of 2017. This negative result includes a fair value adjustment of currency hedging instruments for an amount of -2.265 K€ which does not reflect the future financial results upon settlement of such financial instruments. In the first half of 2017, the fair value adjustment of currency hedging instruments was +9.835 K€. Excluding the effect of this fair value adjustment, the financial result for the first half of 2018 is +365 K€, to be compared with -2.018 K€ for the first half of 2017.

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

The **net result** for the first half of 2018 is **+264 K€** compared to +3.673 K€ for the first half of 2017. Without taking into account the negative variation of the Mark-to-Market value of the currency hedging instruments not settled as of 30/06/2018, the net result is **+1.921 k€.**

B. Balance sheet

The Group's cash flow on the first half of 2018 is -10.893 K€. This decrease is explained by the increase in working capital, mainly the trade receivables.

C. Accounting principles

The financial statements for the first half of 2018 are presented in accordance with the accounting principles described in the Group's Annual Report for the year ended as of 31 December 2017, except for the new standards and interpretations which have been adopted as of January, 2018 which had an impact on the interim condensed consolidated financial statements.

Changes in basis of accounting

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". As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 15 Revenue from Contracts with Customers

The Group adopted IFRS 15 using the modified retrospective transition approach. Therefore, the opening balance sheet as of December 31, 2017 has been restated on January 1, 2018 taking into account a financing component on long term customer advances received as of December 31, 2017. As of June 30, 2018, financial charges were calculated for the half year on the long term customer advances.

IFRS 9 Financial Instruments

As of 31 December 2017, the Group did not expect a significant impact of the adoption of IFRS 9 on its balance sheet and equity. Indeed, the formerly applied accounting treatment of the hedging instruments – that were not eligible for hedge accounting under IAS39 - is continued. The application of hedge accounting under IFRS9 is limited to instruments initiated after 1st January 2018 and its impact is presented in the "Condensed consolidated statement of comprehensive income" under "Other comprehensive income to be reclassified to profit/loss in subsequent periods, net of taxes".

Interim management report

The action plan to reduce operating costs has been continued in the first half of 2018.

In the commercial aircraft sector, the Group increased the aircraft production rates for the A320 and A350 programs while the volumes have further decreased for the A380 program.

Start of 2018, Dassault Aviation launched of the F6X programme, a new model of greater capacity and equipped with new engines.

In the defence sector, the maintenance, repair and overhaul activities remains high. However, the production rates of the A400M program are decreasing.

In the space domain, the development phase of actuation systems for the nozzles of Ariane 6 and Vega-C is running. The static firing test of the first stage of Vega-C launcher was passed successfully. The price competitiveness of current and future European space launchers (Ariane 5, Ariane 6) remains challenging, taking also into account the start-up and learning costs on new programs.

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

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

Credit risk
The Group carries out its treasury and foreign exchange transactions with recognised financial institutions.
The Group mitigates the risks related to the default of the customer counterparties by making the majority of its sales in cash and by guaranteeing the credit granted by credit insurer or by real guarantees.
Given the method of depreciation of trade receivables used for the preparation of the financial statements, the risk-bearing portion of non-depreciated receivables due at closing is insignificant.

Market risk and exchange risks
The Group is exposed to a foreign exchange risk for sales denominated in USD, the major share of expenses being incurred in EUR, despite the intensification of purchases in USD.
The Group hedges this risk by using forward sales contracts and, where applicable, currency options.
It only covers its future net cash flows if they are recognised as sufficient to exercise the currency hedges put in place. The amount of the hedge can be adjusted according to the evolution over time of the expected net flows.

Risks from long term programs
The Group is exposed to a risk on Long-Term Programmes because of their technical, economic and financial evolutions, which can jeopardize their profitability. 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.

Related-party transactions
Sales and purchases are at market price.
Balances outstanding at half-year are not guaranteed and payments are made in cash.
No guarantees were provided or received for related-party receivables.

Declaration of the persons responsible for the report

In the name and on behalf of SABCA Group, we hereby certify that to our knowledge :

a) the condensed set of financial statements prepared in accordance with applicable accounting standards gives a fair view of the assets, financial position and results of the company and entities included in the consolidation.

b) the interim management report includes a fair review of important events and principal transactions with related parties during the first half year, their impact on the set of financial statements and a description of principal risks and uncertainties for the remaining months of the year.

c) no significant events after the interim period, that have not been reflected in the interim financial reporting, have to be reported.

Dimitri DURAY
Chief Financial Officer

Thibauld JONGEN
Chief Executive Officer

Auditor's report

Statutory auditor's report on review of interim condensed consolidated financial information for the period ended June 30th, 2018
S.A.B.C.A. SA

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of S.A.B.C.A. SA and its subsidiaries as of June 30th, 2018 and the related interim condensed consolidated income statement, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated of comprehensive income and the interim condensed consolidated cash flow statement for the six-month period then ended, as well as the explanatory notes.
The board of directors is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Brussels, September 24th, 2018

Mazars Réviseurs d'Entreprises SCRL
Represented by

Lieven ACKE
Registered Auditor

Financial calendar

1. Annual report 31 December 2018 : April 2019
2. General meeting : 06th June 2019
3. Half-year results 30 June 2019 : September 2019

Financial information

The company makes available its financial information on its website : www.sabca.com

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