GROUP

FIGEAC AERO

CONSOLIDATED FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2018

Table of Contents

1. FINANCIAL INFORMATION ON THE ASSETS, FINANCIAL POSITION AND RESULTS OF THE ISSUER

1.1 Consolidated financial statements

1.1.1 Introduction

The consolidated financial statements at 31 March 2018 were approved by the Board of Directors' meeting on 30 July 2018 and were submitted for the approval of the Shareholders' Meeting of 21 September 2018.

A- Entity presenting the financial statements

Figeac Aéro is registered in France. The Company's registered office is located at Zone Industrielle de l'Aiguille, 46100 FIGEAC. The Company's consolidated financial statements include the Company and its subsidiaries (together referred to as "the Group"). The Group's main business activities are the production of structural parts for the aerospace industry, the assembly of sub-assemblies, general engineering and forming activities, and surface treatment.

B- Statement of compliance

The consolidated financial statements were prepared in accordance with IFRS as issued by the IASB and as adopted by the European Union; this includes the definitions and the accounting and valuation methods recommended by IFRS as well as all the information mandated by the standards. The financial statements comply with all of the provisions of IFRS, obligatory as of 31 March 2018. Moreover, these financial statements were also prepared according to IFRS requirements issued by the International Accounting Standards Board (IASB).

C- Basis of preparation of the financial statements

The accounting policies and calculation methods were applied in an identical manner for all periods presented except for the standards, amendments and interpretations whose application became mandatory as of 1 April 2017. The amounts noted in these financial statements are expressed in thousands of euros (€ thousands).

D- Use of estimates and judgements

The preparation of the financial statements in accordance with IFRS requires that Management exercise its judgement and make estimates and assumptions that affect the application of accounting policies and the recognised amounts of assets and liabilities, income and expenses. The underlying estimates and assumptions are based on past experience and other factors considered reasonable given the circumstances. They also form a base for exercising the judgement required to determine the book values of certain assets and liabilities that cannot be directly obtained from other sources. Actual values can differ from estimated amounts.

The underlying estimates and assumptions are re-examined on an ongoing basis. The impact of changes in accounting estimates is recognised during the period in question, when only that period is affected, or during the period and any subsequent periods where the latter are also affected by the change.

The main balance sheet items affected by these estimates are capitalised development costs (see Section 3: "Intangible assets"), the margin estimated for construction contracts (see Note 6: "Inventories and work in progress"), the fair value of derivative financial instruments (see Note 8: "Cash and cash equivalents and financial instruments at fair value through profit and loss"), deferred tax assets (see Section0: "Deferred tax"), and provisions (see Section: "Provisions").

1.1.2 Changes in IFRS

The new IAS/IFRS texts and interpretations that became effective on 1 April 2017 and were applied by the Group in preparing its consolidated financial statements at 31 March 2018 are as follows:

	Date of application "IASB"	Date of adoption EU	Date of application EU
Amendment to IAS 7: Disclosure Initiative	01/01/17	06/11/17	01/01/17
Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	01/01/17	06/11/17	01/01/17
Annual improvements to IFRS - 2014-2016 Cycle (1) (2)	01/01/17	Q4 2017 ?	01/01/17

The new IAS/IFRS texts and interpretations that have been adopted by the European Union, but applicable for the financial years starting after 1 April 2017, are as follows:

	Date of application "IASB"	Date of adoption EU	Date of application EU
IFRS 15 - Revenue from contracts with customers	01/01/18	22/09/16	01/01/18
Clarification of IFRS 15 - Revenue from contracts with customers	01/01/18	31/10/17	01/01/18
IFRS 9 - Financial instruments	01/01/18	22/11/16	01/01/18
Amendments to IFRS 4 - Application of IFRS 9 and IFRS 4 (1)	01/01/18	03/11/17	01/01/18
IFRS 16 - Leases	01/01/19	31/10/17	01/01/19

The Group chose not to pursue early adoption of these standards, interpretations and amendments in the preparation of the consolidated financial statements as at 31 March 2018.

Estimate of the impact of the new standards

IFRS 15 – "Revenue from contracts with customers"

Figeac Aéro Group carried out a preliminary analysis of the impacts associated with the application of IFRS 15 "Revenue from contracts with customers" from the financial year that started 1 April 2018.

This standard will replace IAS 11 and IAS 18.

The main expected impacts are as follows:

1. Recognition of revenue

   The Group's revenue is mainly generated by three activities:

   a. Pre-production activity- "Non recurring costs" as part of series production:

The preliminary analysis carried out to date by the Group led it to consider that the pre-production activities implemented prior to series production do not represent a distinct performance obligation, as control over these activities is not transferred to the final customers. Consequently, revenue from these activities will be deferred according to the schedule for recognition of the main performance obligation.
This treatment should not have a significant impact on the current revenue recognition methods.

b. Activity of development outside of series production

Revenue from the development activities will be recognised at the date of transfer of control to the final customer.

This treatment should not have a significant impact on the current revenue recognition methods.

c. Activity of series production of parts and sub-assemblies

This activity constitutes a distinct performance obligation. Revenue will be recognised at the date of transfer of control corresponding generally to the delivery of the parts and sub-assemblies to the final customers.

This treatment should not have a significant impact on the current revenue recognition methods.

2. Treatment of the learning curve:

Currently, the Group records on the balance sheet the performance costs observed between the actual and the normative production profitability, with these costs being recycled in income according to the actual decreases observed.

The application of IFRS 15 will lead to the immediate recording in income of these costs relating to the series production performance obligation.

This treatment will have an impact on the schedule for recognition of contract margins.

Application of the standard

The standard will be applied from the financial year that started 1 April 2018 according to the "full retrospective" method. The consolidated financial statements at 31 March 2019 will, therefore, be prepared in accordance with IFRS 15 and the consolidated financial statements at 31 March 2018 will be fully restated.

Impact of this application on the opening balance sheet

The application of IFRS 15 will have a negative impact on the Group's shareholders' equity, estimated to be €71 million net of associated deferred tax, mainly due to the restatement of the learning curve. To date, this is an estimate that is likely to change as part of the finalisation of works.

Free Cash Flow

The application of the standard will not have an impact on the Group's cash flows.

IFRS 9 - "Financial instruments"

IFRS 9 relating to the recognition and measurement of financial instruments, applicable to financial years starting after 1 January 2018, has not been applied early.

The Group does not expect to see significant impacts on the classification and measurement of financial assets and on the retrospective application of IFRS 9 on exchange rate hedging.

The other provisions of IFRS 9 are currently being analysed at Group level.

IFRS 16 -"Leases"

IFRS 16 will enter into force on 1 January 2019 and will, therefore, be applied by the Group for the financial year ending 31 March 2020. IFRS 16 introduces a single recognition method for leases by lessees, which will impact the financial statements in a comparable way to finance leases.

The provisions of IFRS 16 are currently being analysed and assessed at Group level.

1.1.3 Significant events

- **Plan to reduce Working Capital Requirements (WCR)**

Over the financial year, the Group continued its WCR reduction plan, which notably translates into:

- a decrease in production cycles by rationalising industrial cycles;
- a transfer of raw materials carrying to the final customers.

- **Issue of ORNANE**

As part of the internal and external growth and financing source diversification strategy, in October 2017, the Group issued ORNANE - "Bonds Redeemable into Cash and/or Convertible into New and/or Existing Shares" - with the following characteristics:

Amount: €100 million

Maturity: October 2022

Annual interest rate: 1.125%

Nominal value: €25.70

This is a hybrid instrument comprising:

- a debt portion: the portion corresponding to the obligation for the company to pay cash to investors (in the event that the conversion option is not exercised);

- an optional portion indexed to the company's share price.

- **Other financing:**

EBRD financing

Financing signed with the European Bank for Reconstruction and Development (EBRD) for the Group's investments in North Africa (Maghreb) for a total of €38 million.

No draw-down had occurred at the Group's closing date.

EIB financing:

Release of the second tranche of the loan granted by the European Investment Bank for €13 million, bringing the balance of the EIB loan at 31 March 2018 to €18.3 million.

- **Tax audit**

On 5 March 2018, FIGEAC AERO received notice of a tax inspection for the 2015 to 2017 financial years. The audit is on-going at the date of publication of this report.

Settlement in favour of the Group of the dispute opposing Figeac Aéro and the Tax Authorities following the tax audit on the 2010/2012 Research Tax Credit. Accrued income of €1.1 million has been recorded in "Other operating income".

- **Creation of FIGEAC AERO GROUP SERVICES**

This company was created with the aim of bringing together certain support activities in the Group's different companies (notably Sales, HR, Finance). This company is integrated into the Group's consolidation scope by the full consolidation method.

- **Acquisition of TOFER GROUP**

On 1 March 2018, FIGEAC AÉRO took control of the TOFER Group as part of the continuity plan approved by the Toulouse Commercial Tribunal on 13 February 2018.

This transaction is in line with FIGEAC AERO's strategy of targeted, growth generating acquisitions.

TOFER's activities, both in the aerospace and oil sectors, will enable the Group to enrich its offering of high technicality parts.

The takeover of the TOFER Group generated goodwill of €2.4 million recorded in assets in the consolidated balance sheet. In accordance with IFRS 3, the Group has one year from the date of the takeover to modify this goodwill by identifying assumed assets and liabilities not recognised during the initial accounting treatment and retrospectively amending the initially allocated values.

The contribution of the former TOFER Group's scope to the Group's consolidated financial statements closed on 31 March 2018 is €0.6 million in terms of revenue.

- **Other information**

Inauguration of Figeac Aéro's new assembly workshop (6,200 m²) in April 2017
Signature of a new contract with the aircraft manufacturer, EMBRAER, for the delivery of titanium and aluminium parts for the E2 programme
Signature by SN Auvergne Aero of a contract for the supply of parts to AIRBUS for the A320 neo programme
Signature of the first direct contract with BOEING for the supply of aluminium structure parts for the 777X programme
Signature of a cooperation agreement with partners in Saudi Arabia to develop the production of aerospace parts in the country

1.1.4 Consolidated Balance Sheet

(€ thousands)

CONSOLIDATED ASSETS	Notes	Closing Mar - 18	Closing Mar - 17
Development costs	1.2.3	80,491	51,681
Goodwill	1.2.3	2,397	
Other intangible assets	1.2.3	3,074	3,377
Total intangible assets		**85,961**	**55,057**
Land	1.2.4	4,409	4,181
Buildings	1.2.4	58,091	38,383
Plant machinery	1.2.4	134,379	135,169
Other property, plant and equipment	1.2.4	7,664	6,625
Total property, plant and equipment	1.2.4	**204,544**	**184,358**
Deferred tax	1.2.9	**3,784**	**494**
Other financial assets	1.2.5	3,182	2,325
Other non-current assets	1.2.7	15,079	0
Total non-current assets		**312,550**	**242,234**
Inventories and work in progress	1.2.6	272,587	238,119
Customers and other receivables	1.2.7	95,565	90,708
Tax receivables	1.2.7	14,180	12,319
Other current assets	1.2.7	26,666	16,817
Cash and cash equivalents	1.2.8	107,906	30,543
Total current assets		**516,904**	**388,506**
Total assets		***829,455***	***630,739***

(€ thousands)

CONSOLIDATED LIABILITIES	Note	Mar-18 Closing	Mar-17 Closing
Share capital	1.2.12	3 821	3 815
Premiums	1.2.12	118 455	118 455
Reserves	1.2.12	107 693	56 651
Foreign currency translation reserve	1.2.12	-1 214	360
Net income for the year	1.2.12	30 275	32 545
Share capital issued and reserves attributable to owners of the parent company	1.2.12	**259 031**	**211 105**
Non-controlling interests	1.2.12	43	204
Non-controlling interests		**43**	**204**
Total consolidated shareholders' equity	*1.2.12*	**259 074**	**211 310**
Loans from credit institutions	1.2.11	180 781	80 321
Repayable advances	1.2.11	21 855	26 380
Finance lease liabilities	1.2.11	47 062	36 722
Other financial liabilities	1.2.11	1 756	1 739
Total non-current financial liabilities	*1.2.11*	**251 454**	**145 162**
Other provision	1.2.14	6 331	6 351
Deferred tax liabilities	1.2.9	36 173	17 607
Provision for pensions and other long-term employee benefits	1.2.14	1 856	3 095
Derivative financial instruments	1.2.8.2	12 040	28 582
Other non-current liabilities		1 629	2 807
Non-current portion of deferred income		8 024	8 111
Total non-current liabilities		**317 507**	**211 716**
Short-term borrowings	1.2.11	70 742	53 611
Current portion of financial liabilities		47 566	36 012
Repayable advances		5 211	3 690
Total current financial liabilities		**123 519**	**93 313**
Trade payables	1.2.15	81 165	81 003
Fiscal liabilities	1.2.15	14 161	7 331
Other current liabilities	1.2.15	26 390	22 904
Deferred income		7 640	3 162
Total current liabilities		**252 875**	**207 714**
Total equity and liabilities		***829 455***	***630 9***

1.1.5 Consolidated Income Statement

(€ thousands)

Consolidated Income Statement		Mar-18 Closing	Mar-17 Closing
Revenue	**1.2.16**	372 014	324 732
Other income from operations	**1.2.20**	3 214	2 909
Change in inventories of finished products and work in progress		16 687	34 252
Raw materials and consumables		-188 697	-182 905
Personnel expenses		-94 507	-77 032
External expenses		-34 819	-28 365
Taxes		-6 352	-4 504
Depreciation and amortisation		-30 991	-21 052
Net provisions		227	-5 011
Recurring operating income		**36 776**	**43 025**
Other operating income	**1.2.21**	1 381	10 711
Other operating expenses	**1.2.21**	-4 111	-1 203
Operating income	**1.2.21**	**34 046**	**52 532**
Financial income		99	193
Financial expenses		-6 231	-4 385
Cost of debt	**1.2.22**	**-6 132**	**-4 192**
Foreign exchange gains and losses		-6 085	-22 802
Unrealised gains and losses on financial instruments		16 668	14 649
Other financial income and expenses		-115	-54
Share of profit of equity affiliates		0	0
Income tax	**1.2.19**	-8 144	-7 615
Net income (loss) for the period		***30 237***	***32 518***
Net income attributable to owners of the parent company		**30 275**	**32 545**
Net income attributable to non-controlling interests		-38	-26

1.1.6 Statement of comprehensive income

(€ thousands)

Statement of comprehensive income	Appendix Notes	Mar-18 Closing	Mar-17 Closing
Net income (loss) for the period		***30 237***	***32 519***
Other comprehensive income items			
Cash flow hedges - portion of change in fair value deemed effective		24 963	-7 614
Deferred tax - change in the fair value of hedging instruments		-7 739	2 132
Postemployment liabilities - actuarial differences		1 640	8
Deferred tax - postemployment liabilities - actuarial differences		-459	-2
Translation adjustment		-853	-236

Total comprehensive income (loss) for the year		**47 789**	**26 807**
* Attributable to owners of the parent company		47 827	26 833
* Non-controlling interests		-38	-26
Number of shares		31 839 473	31 787 537

1.1.7 Consolidated Statement of Changes in Shareholders' Equity

(€ thousands)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Share capital (Group share)	Treasury shares (Group share)	Premiums (Group share)	Consolidated reserves (Group share)	Foreign currency translation reserve (Group share)	Income (Group share)	Total attributable to Group shareholders (Group share)	Non-controlling interests	Total shareholders' equity
Financial year ended March 2016	***3,813***	***-299***	***118,325***	***28,772***	***-125***	***33,260***	***183,747***	***264***	***184,011***
Change in accounting policy *				0			0		0
Retrospective restatement**				0			0		0
Share capital transactions	1	77	131				209	0	209
Change in translation differences					-236		-236		-236
Impact of the application of IFRS 2				628			628		628
Impact of the application of IFRS 19				6			6		6
Fair value of financial assets				-5,483			-5,483		-5,483
Others				-35			-35		-35
Dividends paid				0			0	0	0
Appropriation of net income Y-1				33,260		-33,260	0		
Other comprehensive income items									
Net income (loss) for the period						32,545	32,545	-26	32,519
Changes in scope				-278			-278	-33	-311
Financial year ended March 2017	***3,815***	***-222***	***118,455***	***56,873***	***-361***	***3, 545***	***211,105***	***204***	***211,310***
Change in method							0		
Share capital transactions	6	-1,063	0				-1,057	0	-1,057
Change in translation differences					-853		-853		-853
Impact of the application of IFRS 2				345			345		345
Impact of the application of IFRS 19				1,181			1,181		1,181
Fair value of financial assets				17,225			17,225		17,225
Others				774			774	-42	732
Dividends paid									0
Appropriation of net income Y-1				32,545		-32,545	0		0
Other comprehensive income items									
Net income (loss) for the period						30,275	30,275	-39	30,236
Changes in scope				38			38	-80	-42
									0
Financial year ended March 2018	***3,821***	***-1,285***	***118,455***	***108,978***	***-1,214***	***30,275***	***259,031***	***43***	***259,074***

1.1.8 Consolidated Statement of Cash Flows

(€ thousands)	Mar-18	Mar-17
Cash flows from operating activities		
Net income (loss) from consolidated companies	30 237	32 545
Dep., amort., provisions and share of subsidies allocated to income	35 603	22 535
Elimination of revaluation gains (losses) (fair value)	-11 868	-23 090
Other items not affecting cash	2 742	238
Cash flow after cost of debt, net of tax	**56 714**	**32 228**
Tax expense	7 119	7 276
Cost of debt	4 257	3 325
Cash flow before cost of debt, net of tax	**68 090**	**42 829**
Change in working capital requirements for operations	-32 774	-52 666
Changes in inventories	-33 728	-53 161
Change in trade and other receivables	-7 494	-25 139
Change in trade and other payables	8 448	25 634
Tax paid	0	0
NET CASH FLOW FROM OPERATING ACTIVITES	**35 316**	**-9 837**
Cash flows from investing activities		
Acquisition of assets	-75 137	-87 180
Disposal of assets	5 895	12 927
Impact of changes in scope	-15	-1 780
NET CASH FLOW FROM INVEST. ACTIVITIES	**-69 257**	**-76 033**
Cash flows from financing activities		
Capital increases	6	131
Increases in subsidies	0	0
Bond issues and advances	132 305	43 625
Repayment of bonds and advances	-45 044	-38 475
Other financial liabilities	11 435	0
Interest paid	-4 257	-3 325
NET CASH FLOW FROM FIN. ACTIVITIES	**94 445**	**1 956**
CHANGE IN CASH	***60 504***	***-83 914***
Cash - opening	-23 068	60 838
Cash - change in foreign exchange rates	-272	9
Cash - other changes	0	0
Cash - closing	37 165	-23 068
CHANGE IN CASH FLOWS	***60 504***	***-83 914***

1.2 Notes to the consolidated financial statements

1.2.1 Accounting policies

A. Consolidation scope and criteria

The financial statements of companies controlled, either directly or indirectly, by Figeac Aéro are fully consolidated in the consolidated financial statements. The accounts for companies in which Figeac Aéro has a significant interest are accounted for using the equity method.

All transactions between the consolidated companies, as well as the internal income that is generated, on disposal of a fixed asset or of the inventory of consolidated companies, are eliminated. Internal losses are eliminated in the same manner as internal profits, but only when they do not represent a loss in value.

B. Translation of the financial statements of subsidiaries denominated in foreign currencies

The financial statements of foreign companies (outside the euro zone) are translated in the following manner:

- assets and liabilities, including goodwill and fair value adjustments due to consolidation, are translated at the closing rate;
- income statement items are translated at the exchange rate applicable on the transaction dates or, in practice, at an approximately close rate that corresponds, except in the event of significant fluctuations in the rate, to the average rate for the financial year. For business activities in countries with strong inflation, income statement items for the concerned subsidiary would be translated at the closing rate in application of IAS 29 and interpretation IFRIC 7;
- the translation difference is recorded in a separate item under shareholders' equity and does not impact income.

The main exchange rates used are as follows (value for €1):

	31/03/2017			31/03/2018	
	Balance sheet	Income		Balance sheet	Income
US dollar	1,0691	1,0936		1,2321	1,1703
Tunisian dinar	2,5030	2,4364		2,9883	2,8744
Moroccan dirham	10,7150	10,8089		11,3378	11,1356
Mexican peso	20,0175	21,0140		22,5249	21,8711
Romanian Leu	N/A	N/A		4,6565	4,6565

C. Translation of transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated to the functional currency of each company at the exchange rate applicable on the date of the transaction.

Payables and receivables denominated in foreign currencies are translated at the exchange rate applicable at 31 March. Unrealised foreign exchange gains or losses that result from this are recorded in the income statement.

As per IAS 21 and IFRIC 16, the foreign exchange differences relating to permanent financing that are part of net investment in a consolidated subsidiary are recorded in other comprehensive income items, in foreign currency translation reserve. When these investments are later disposed of, the cumulative gains/losses resulting from foreign exchange recorded in equity will be reported in income.

D. Closing dates

FIGEAC AERO (the parent company) and MECABRIVE INDUSTRIES, FGA TUNISIE, FGA NORTH AMERICA, FGA PICARDIE, FGA SAINT NAZAIRE, FGA MAROC, SN2A, CASABLANCA AERO and FGA USA are consolidated according to their balance sheet entries for the twelve month period ended 31 March 2018.

MTI, SCI REMSI, FGA TUNISIA PROCESS and SCI Mexico closed their financial years on 31 December 2017. The separate financial statements were restated to reflect significant transactions or transactions having an impact on the consolidated financial statements between 1 January and 31 March 2018.

The companies of the former TOFER Group (TOFER HOLDING, ATELIER TOFER, TSI and TES) are consolidated from 1 March 2018.

E. Revenue recognition policies

The Group's main revenues are from:

- provision of services: study services, after-sales service, etc.;
- sale of goods ;
- construction contracts (IAS 11).

Provision of services - Sale of goods

Income from ordinary activities (provision of services - sale of goods) is recognised when the following conditions are met:

- the amount of income can be reliably evaluated;
- the costs incurred now or in the future can be reliably evaluated;
- it is likely that economic benefits associated with the transaction will go to the company.

In most cases, this is the date the goods are delivered and the services provided.

Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a set of assets that are closely linked or interdependent in terms of design, technology, and function, end result or use.

A group of contracts, whether negotiated with a customer or a group of different customers, must be treated as a single construction contract if:

- this group of contracts is negotiated as a single package;
- the contracts are so closely linked that they in fact form part of a single project with a global margin;
- the contracts are executed simultaneously, or one after the other, without interruption.

Types of construction contracts

With certain customers, the Group has concluded partnership contracts which have the characteristics of construction contracts according to IAS 11:

- contract relating to the production of a group of goods that are closely related or interdependent in terms of design, technology and function;
- for which the duration can cover several financial years.

These contracts are recognised according to the following criteria. The income and the main costs taken into account as part of the application of construction contracts are:

a) for income:

  - the initial amount of income agreed to in the contract;
  - the modifications to the contract works or the claims depending on whether it is likely that they will lead to income, and that they can be reliably estimated.

b) for costs:

  - the costs directly related to the contract;
  - the costs that can be attributed to contract operations in general, and that can be allocated to the contract;
  - all other costs that can be specifically passed on to the customer according to the terms of the contract.

Revenue from construction contracts is recognised on the date of delivery of the parts and sub-assemblies. The Group invoices at delivery and all invoicing is final regardless of the outcome of the programme. It can also occur that additional invoices are issued later (modifications or supplemental works).

The margin for construction contracts is recognised on a percentage-of-completion basis according to the expected margin at completion.

The expected margin at completion is calculated based on an estimate that includes technical and budget items. This profit margin is periodically revised according to costs and income for current and future periods. When the expected margin is negative, it is immediately recognised in income (loss).

The recording of margins on a percentage-of-completion basis leads the Group to record production costs on the balance sheet that will later be recycled in income according to the actual decreases observed.

Budgets for construction contracts are based on assumptions made by the Group:

- forecasts relating to revenue are carried out taking commercial information into account (order book and cadence) as communicated by the different manufacturers and the information on the outlook for the aerospace market, including the Global Market Forecast from AIRBUS.;
- cost forecasts are estimated based on the industrial organisation implemented by the Group;
- for dollar flows (revenue and expenses) which make up a significant portion of the overall flows for the Group, it has based its forecasts on assumptions of the future performance of the euro against the dollar, related to contract duration:
  - accounting for the hedging strategy for the 2017/2018 period (use of hedging rates to produce budgets),
  - accounting for the potential change in the euro/dollar foreign exchange rate over the remaining duration of the contracts. As such, a rate of 1.18 was used ;
- with the limited exception of certain "programme life" contracts, the duration used by the Group for budget analysis and determining the profit margin at the end of construction contracts is 11 years. This assumption takes into account the average duration of the presence within the Group of the industrial equipment necessary for carrying out these manufacturing operations.

A change of +5 cents in the euro/dollar exchange rate assumption used by the Group would have an impact of -2.41 points on the EBIT rate recorded for the period.

A change of -5 cents in the euro/dollar exchange rate assumption used by the Group would have an impact of +2.46 points on the EBIT rate recorded for the period.

The main programmes thus concerned are:

- AIRBUS A 350 (floor, engine pylons, and structural parts);
- AIRBUS A 380;
- AIRBUS A 320;
- EMBRAER LEGACY;
- CFM 56 ENGINE;
- LEAP X ENGINE;
- GULFSTREAM.

Detailed quantitative information by programme (including revenue, margin at completion) cannot be disclosed for confidentiality reasons.

F. Business groupings

The business groupings arranged as at 1 January 2010 are recognised according to the provisions of IFRS 3 (revised).

The Group applies the acquisition method to recognise business groupings. The acquisition price, referred to as the "transferred counterparty" for the acquisition of a subsidiary is the sum of the fair value of the assets transferred and the liabilities assumed by the purchaser on the date of the acquisition, as well as the shareholders' equity instruments issued by the purchaser.

The acquisition price includes any eventual earn out components and put options on minorities, evaluated and recognised at fair value on the date of acquisition.

On the date of acquisition, goodwill corresponds to the amount of the counterparty transferred and the non-controlling interests less the net book value (generally at fair value) for identifiable assets acquired and liabilities assumed. The costs directly related to the acquisition are recognised in expenses for the period in which they are engaged.

For a takeover by successive acquisitions, the share of interest previously held by the Group is revalued at its fair value on the date control is taken, and any profit or loss that results from it is recorded in the income statement.

The initial evaluation of goodwill is finalised at the latest within the twelve months that follow the acquisition date.

G. Other intangible assets

The other intangible assets are on the balance sheet at their acquisition or production cost, less the cumulative amortisation and impairment. They are recognised in assets if the Group controls them, if they offer future economic benefits to the Group, and if they satisfy the following identification criteria:

- they can be separated from the entity (a possibility of being sold, transferred or disposed of, etc.) either individually or in relation to another asset/liability; or

- they are the result of contractual rights or other legal rights.

The different types of identifiable intangible assets in the FIGEAC AERO Group include development costs, patents and brands.
The amortisation of intangible assets other than development costs are calculated on a straight-line basis for useful lives of between one and three years.

Development costs

An intangible asset that is a product of a development phase is registered as an asset if, and only if, the following criteria are met:

- technical feasibility required to complete the intangible asset with a view to its implementation or sale;
- intention to complete the intangible asset and to use it or sell it;
- ability to use or sell the intangible asset;
- manner in which the intangible asset will generate likely future economic benefits. The entity must demonstrate, among other things, the existence of a market for the production resulting from the intangible asset or for the intangible asset itself or, if it has to be used internally, its usefulness;
- availability of technical, financial and other resources appropriate for completing the development and using or selling the intangible asset;
- ability to reliably evaluate the expenses that can be attributed to the intangible asset during its development.

The cost of this intangible asset generated internally includes all of the costs necessary for the creation, production, and preparation of the asset so that the Group can operate it as planned.

The other development costs are recognised in expenses when the expense occurs.

No intangible assets that are the result of research are recognised in assets. Research costs are recognised in expenses when the expense occurs.

Amortisation of development costs reflect the rhythm of use of the economic advantages expected of the asset. This item is amortised on a straight-line basis. The useful lives depend on the assets concerned. They are for a period of five years.

The useful lives are reviewed at each closing. There are no indefinite life intangible assets.

H. Property, plant and equipment

Property, plant and equipment are recognised in assets at their acquisition cost less cumulative depreciation and impairment. FIGEAC AÉRO Group has chosen the cost model as its valuation method.

The cost items include:

- the purchase price, including customs duties and non-reimbursable taxes, less rebates, reductions and discounts granted*;*
- the direct costs related to the transfer and setup of the asset for operation;
- if applicable, the initial estimate of the costs of decommissioning, removal, and returning the site to its original state.

When the significant items in property, plant and equipment can be determined and the components have useful lives and depreciation methods that are different, they are recognised as specific property, plant and equipment (by component).

The Group recognises, within the carrying amount of an item of property, plant and equipment, the replacement cost of a component of this item of property, plant and equipment, at the moment when the cost is incurred if it is likely that the associated future economic advantages of this asset will go to the Group and that its cost can be reliably evaluated. All current care and maintenance costs are recognised in expenses at the moment they are incurred.

The depreciation periods used are as follows:

- for buildings and fixtures: from 5 to 30 years according to the type of building and fixture;
- for industrial equipment: from 3 to 10 years according to the type and use of this equipment;

- for furnishings and IT equipment: from 3 to 6 years according to use of this equipment;
- for transport equipment: from 2 to 5 years according to the use of these vehicles.

The useful lives are reviewed at each closing.

The Group has not determined a significant residual value for its property, plant and equipment.

I. Finance leases

The leases that serve to transfer the risks and benefits that come from ownership of an asset almost entirely to the Group are classified as finance leases.

The assets financed through finance leases are presented in assets at fair value or present value of minimum payments, if these are inferior. This value is later lowered by any eventual cumulative depreciation and impairment. The corresponding debt is recognised in financial liabilities and recognised using the effective interest rate method for the duration of the contract.

The asset is depreciated according to the useful life expected by the Group for assets of the same type.

J. Amortisation of property, plant and equipment and intangible assets

Annual tests for depreciation are carried out on:

- ❖ intangible assets in progress.

Should impairment be detected, a depreciation test for the other assets is carried out systematically.

This test is for a specific asset or for a cash generating unit (CGU). A CGU is the smallest identifiable group of assets that generates income that is largely independent of income generated by other assets or groups of assets.

The depreciation test serves to compare the carrying amount of the asset or the CGU group to its recoverable value. The recoverable value corresponds to the higher of the two following values:

- ❖ fair value less the cost of sale;
- ❖ value in use, discounted value of future cash flows that is likely to come from the asset or a CGU. Future cash flows are determined using four-year forecasts for the CGU or the groups of CGUs concerned, approved by Group Management. The growth rates used for later periods are stable. The discount rates are determined using a risk-free rate for the geographic area concerned, adding a risk premium that is specific to the assets concerned.

An impairment recognised for another asset is reversed if there has been a change in the estimates used to determine the recoverable value. The carrying amount for an asset, increased due to the reversal of an impairment, cannot be superior to the carrying value that would have been determined, net of amortisation, if no impairment had been recognised.

Should an asset or CGU be impaired, a provision is systematically recognised.

K. Inventories and work in progress

Raw materials and other supplies

The gross value of raw materials and supplies includes the purchase price and related expenses (supply coefficient). Depreciations are recognised on raw materials according to the following scale and for which no use is forecast:

no movement in more than 18 months and less than 24 months …………50%

no movement in more than 24 months ………………………………………..……75 %

Work in progress (excluding construction contracts)

Work in progress is valued using the full cost method, excluding expenses not related to production and any eventual sub-activity. An amortisation of work in progress is recognised when the expected cost price of the finished good it is incorporated into is more than the discounted price of sale less distribution costs.

- Finished goods

Finished goods are valued using the full cost method, excluding expenses not related to production and any eventual sub-activity.

Depreciations are recognised for finished goods classed as obsolete with very low sales prospects spread across two categories according to the following scale:

item classed as obsolete/maybe (that may be sold): 25%

item classed as obsolete/never (low probability of being sold): 90%

Inventories are valued at the lower of the two amounts of either the cost, or the net realisable value (estimated sales price in the normal course of operations less the estimated necessary costs for completion and for carrying out the sale).

L. Trade and other receivables

Trade and other receivables are valued at fair value when they are initially recognised, then at amortised cost less impairment.

When there is an objective indication of impairment, the amount of the impairment recognised is the difference between the carrying value of the asset and the discounted value of estimated future cash flows, discounted at the initial effective interest rate of the asset.

M. Cash and cash equivalents

Cash is made up of available funds in bank accounts at the closing date. Bank overdrafts repayable on demand make up a portion of cash and cash equivalents for the statement of cash flows.

Cash equivalents are short-term investments that are very liquid in nature and are made up of marketable securities that are easily convertible to a known amount of cash, and subject to little risk of change in value. They are recognised at their asset value on the closing date, with the investment bonus recognised in the income statement.

N. Income tax credits, subsidies and other public aid

FIGEAC AÉRO Group has benefited from public aid in the form of "repayable advances". These types of financing do not charge interest. These advances are recognised in debt. When originated, they are valued for the counterparty of cash and cash equivalents received. At each closing, they are valued using the amortised cost method, determined using the effective interest rate. The discounting effect is recognised in net financial income (loss).

The Group's research and development policy includes receiving the research tax credit for companies based in France. This research tax credit is considered a subsidy according to IAS 20. It is allocated to a specific item in the income statement and has an impact on operating income: however, the share of the research tax credit that can be allotted to capitalised projects is recognised in deferred income and transferred to income over the useful lives of the assets for which the credit was issued.

In the same way, the subsidies received and that can be allotted to capitalised projects are subject to the same accounting treatment.

The competitiveness and employment tax credit (*Crédit d'Impôt Compétitivité Emploi*, CICE) was set out in France by the 3rd amended Financial Law of 2012 beginning on 1 January 2013: This income tax credit is calculated for the calendar year and in 2016 corresponded to 6% of remuneration (7% from 1 January 2017) less than or equal to 2.5 times the French minimum wage. The Group did not consider the CICE as a subsidy, but as a reimbursement of remuneration that permitted the cost of labour to be reduced. In this regard it was recognised according to IAS 19 as a reduction in personnel expenses at the rhythm of the corresponding remuneration charges. The amount of the CICE recorded as a reduction in personnel expenses for the 2018 financial year amounted to €3,201 thousand, and €2,580 thousand for the 2017 financial year.

O. Income tax

Income tax includes tax due and deferred tax.

Tax due

Tax due is the estimated amount of tax due for taxable profit for the period, using applicable tax rates and any adjustment of tax due related to prior periods.

Deferred tax

Deferred tax results mainly from:

- tax losses carried forward;
- tax timing differences that can exist between the carrying amount from consolidation and the tax base of certain assets and liabilities.

Using the balance sheet liability method, deferred tax is evaluated accounting for tax rates (and tax regulations) that have been adopted or are close to adoption at the closing date.

A company's liability position can, under certain conditions, be reduced by the amount of carryover of tax losses that are reasonably due in counterparty and deferred tax on deductible timing differences.

Deferred tax assets are recognised when their recovery is likely. Tax losses or timing differences must be attributable to future taxable profits, up to eventual ceilings according to French law. Deferred tax assets are reduced when it is no longer likely that a sufficient tax benefit is available.

Pursuant to application of IAS 12, deferred tax assets and liabilities are not subject to discounting. They are presented on the balance sheet, accordingly, as non-current assets and liabilities.

Company value-added contribution (*Cotisation sur la Valeur Ajoutée des Entreprises* - CVAE)

The Group decided not to qualify the company value-added contribution (*Cotisation sur la Valeur Ajoutée des Entreprises*, CVAE) as income tax, and recognises the CVAE in operating expenses. The Group has effectively considered that the value added is at an intermediate level of income for which the amount is significantly different from that subject to corporate income tax.

P. Financial instruments

The different categories of financial instruments are assets held to maturity, loans and receivables issued by the business, financial assets and liabilities at fair value through profit/loss, and other financial liabilities.

Assets held to maturity

The Group does not have any.

Loans and receivables issued by the company

After they are first recognised, they are valued at amortised cost using the effective interest rate method, and can be subject to amortisation if there is indication of impairment.

Exiting the financial assets accounts is dependent on the transfer of risks and benefits related to the asset, as well as the transfer of control of the asset. As such, the discounted notes not yet due, and Dailly assignments used as guarantees remain in the "Trade receivables" item.

Financial assets and liabilities at fair value through profit or loss

The purchase and sale of financial assets at fair value through profit or loss are recognised on the transaction date.

Marketable securities are recognised at their market value at the closing date.

Other debt (loans and borrowings carrying interest)

After they are first recognised, they are valued using the effective interest rate method.

Equity securities

The Group holds an investment in a company without having significant influence or control (Aérotrade SAS). As their fair value could not reliably be determined, the securities are recognised at acquisition cost. If there is objective evidence of impairment, a provision for impairment is recognised.

Compound financial instruments

The Group does not hold any compound financial instruments.

Derivative financial instruments

The Group uses foreign exchange and interest rate derivative financial instruments.

Transfers of financial instrument assets

The Group derecognises a financial asset when the contractual rights to cash flows generated by the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction where almost all of the risks and benefits inherent to ownership of the financial asset are transferred, or when it neither transfers nor retains almost all of the risks and benefits, and does not retain control of the transferred asset. Any interest created or retained by the Group in derecognised financial assets is recognised separately as an asset or liability.

In the opposite case, receivables are retained in the assets on the balance sheet, with the Group retaining the risk of default of the debtor. The amount paid by the bank is recognised in cash and cash equivalents, offset by the recognition of a banking debt in liabilities. The latter and the receivable do not disappear from the balance sheet until the debtor has reimbursed their debt to the banking establishment. The costs incurred are recognised as reductions of the debt, the latter being valued using the amortised cost method, at the effective interest rate.

Q. Derivative financial instruments

The fair value of derivative financial instruments is assessed by an independent expert. It takes into account the value of the derivative instrument at the closing date (mark to market)

Interest rate derivative financial instruments

The interest rate hedging instruments are described in the following table:

Transaction type	Transaction date	Transaction effective date	Maturity date	Transaction nominal	Transaction currency	Exposures (signed)	Valuation including accrued interest (euros)	Valuation excluding accrued interest (euros)	Amount due accrued interest (euros)
SWPVANILLE	07/07/2010	30/09/2010	30/03/2020	3,342,526	EUR	762,332	-17,886	-17,886	0

FIGEAC AERO Group recognises its interest rate hedging instruments at fair value through profit or loss

	31/03/2018		31/03/2017	
In € thousands	Fair value	Impact on income	Fair value	Impact on income
Interest rate swap	-18	-18	-41	-41

Foreign exchange derivative financial instruments

The foreign exchange hedging instruments are described in the following table:

Position at 31 March 2018				
Financial instruments	*Nominal*	*Maturities*		
		< 1 year	*1-5 years*	*> 5 years*
- Currency options EUR/USD/cash flow hedge sell	145,050,000	69,300,000	75,750,000	
- Currency options EUR/USD/cash flow hedge buy	13,800,000	13,800,000		
Currency options EUR/USD/unhedged	0	0	0	
Currency barrier options EUR/USD	0			
- Accumulators EUR/USD/cash flow hedge	0			
- Accumulators EUR/USD/unhedged	228,772,000	62,572,000	166,200,000	
- Accumulators buying USD/EUR unhedged	50,040,000	14,640,000	35,400,000	
- TRFE selling EUR/USD/cash flow hedge	0			
- TRFE selling EUR/USD/unhedged	121,600,000	62,400,000	59,200,000	
- TRFE buying EUR/USD/unhedged	0	0		
- FADER/cash flow hedge	0			
- FADER/unhedged	0			
- Forward buy contracts	3,723,000	3,723,000	0	
- Forward sell contracts	70,842,000	70,842,000	0	
Total foreign exchange risk Sell	566,264,000	265,114,000	301,150,000	0
Total foreign exchange risk Buy	67,563,000	32,163,000	35,400,000	0

Accounting policies for foreign exchange derivative financial instruments

The first two types of financial instruments (forward foreign exchange contracts and net long positions) qualify for hedge accounting. The other types of derivatives do not qualify for hedge accounting as they concern net short positions in accordance with IAS 39.

For financial instruments that are "cash flow hedges", the hedges are measured at fair value in the balance sheet in:

- shareholders' equity for the effective portion of the hedge until the hedged cash flows affect profit or loss;
- the income statement for the ineffective portion.

The cumulative amounts in shareholders' equity from the effective portion of the change in the fair value of the hedging instrument are maintained within equity until the underlying transaction occurs. They are then reclassified in the income statement on the same line item as the underlying transaction (revenue or purchases used in production).

For financial instruments classified as held for trading, the change in fair value is recognised in financial profit or loss.

Documentation of hedge accounting

As previously indicated, Figeac Aéro handles long-term foreign currency denominated contracts and consequently is able to forecast highly probable future cash flows on hedged maturities. Long and short exposures are not offset.

Consequently, at the start of the hedge, Figeac Aéro puts in place formal documentation to describe the hedge relationship. At the inception of the hedge, and then at each reporting date, Figeac Aéro will carry out prospective hedge effectiveness tests (Critical Terms Match) and retrospective (Dollar Offset Method) to ensure that the hedge relationship will be (and has been) highly effective in offsetting changes in the fair value or cash flows of the hedged risk, in line with the currency risk management strategy detailed above.

With a view to guaranteeing retrospective effectiveness tests at 100%, the "time value" component is separated from the changes in fair value of the currency options. As a result, the "time value" component is considered ineffective.

R. Management of share capital

Ordinary shares, excluding treasury shares (see Section S "S" in the notes to the consolidated financial statements), are recognised in shareholders' equity.

The Group regularly monitors its changes in debt level compared to shareholders' equity.

Currently, there is no group savings plan or international group savings plan in the FIGEAC AÉRO Group.

S. Treasury shares

Treasury shares held by FIGEAC AÉRO Group are deducted from shareholders' equity. No profit or loss is recognised in the income statement at purchase, sale or cancellation of treasury shares. The counterparty paid or received when these transactions occur is recognised directly in shareholders' equity.

T. Provisions

A provision is recognised:

- when there is a legal or implicit obligation that occurs following past events;
- when it is likely that there will be an outflow of resources to meet the obligation;
- when its amount can be reliably estimated.

The provisioned amount corresponds to the best estimate of the expense. If the impact is significant, the amount is discounted using a pre-tax rate that reflects the time value of money and the risks specific to the liability.

Unless otherwise duly justified, provisions are presented in the balance sheet in current liabilities.

U. Employee benefits

Short-term benefits are recognised in personnel expenses for the period.

Long-term benefits concern:

- defined contribution plans: the Group's obligations are limited to regular payments of contributions to external organisations. The expense is recognised during the period in "Personnel expenses";
- defined benefit plans: these are retirement pensions, provisioned using the Projected Unit Credit (PUC) method, taking demographic factors into account (staff turnover, mortality table) and financial factors (salary increases). The discount rate used is the bond rate for investment grade bonds (rated "AA"). If there is no active market, the government bond rate is used. Actuarial gains or losses are recognised in OCI (Other Comprehensive Income items);
- Other long-term benefits: these are provisioned according to their acquisition by the employees concerned. The amount of the obligation is calculated using the Projected Unit Credit (PUC) method. The revaluations of the obligation in relation to other long-term advantages are recognised in net income (loss) for the period in which they occur.

V. Trade and other payables

Trade and other payables are valued at their fair value when first recognised, then at amortised cost.

Deferred income concerns contracts subscribed by customers. The revenue relating to these contracts is spread on a straight-line basis over the duration of the D (see Section D "Revenue recognition policies" in the notes to the consolidated financial statements).

W. Methods used to calculate earnings per share

Basic earnings per share correspond to the net income (loss) for the period attributable to the Group divided by the weighted average number of shares in circulation during the financial year restated for treasury shares.

Diluted earnings per share takes into account all contracts that could give their beneficiary the right to purchase ordinary shares, referred to as potentially dilutive ordinary shares.

X. Business segments

The analysis of performance as monitored by management presents four distinct business segments, "Aerostructures, including sheet metal parts from the takeover of assets from the former Auvergne Aéronautique Group", "Assembly", "General engineering and heavy sheet metal fabrication" and "Precision machining and surface treatment".

Y. Other operating income and expenses

These headings are not filled in unless a major event occurs during the accounting period that is liable to distort the reading of Group performance. Therefore they are a very limited number of income and expense entries that are unusual in nature, abnormal and infrequent that the Group presents separately in its income statement.

1.2.2 – Scope of consolidation

1.2.2.1 Consolidated entities

Entity and legal form	ID no.	Registered office	Consolidation method		% control		% interest	
			March 2017	March 2018	March 2017	March 2018	March 2017	March 2018
FIGEAC AERO SA	349357343	Z.I. de l'Aiguille 46100 FIGEAC	Parent Company	Parent Company	Parent Company	Parent Company	Parent Company	Parent Company
M.T.I. SAS	394223804	Z.I. du Combal 12300 DECAZEVILLE	Full Consolidation	Full Consolidation	95,64%	95,64%	95,64%	95,64%
MECABRIVE IND. SAS	453806267	1, Imp. Langevin 19108 BRIVE	Full Consolidation	Full Consolidation	100,00%	100,00%	100,00%	100,00%
SARL FGA TUNISIE	NONE	ZI M'Ghira III, Rue de Gafsa 2082 FOUCHANA	Full Consolidation	Full Consolidation	100,00%	100,00%	100,00%	100,00%
FIGEAC AERO USA INC	NONE	2701 South Bayshore Drive 33133 MIAMI	Full Consolidation	Full Consolidation	100,00%	100,00%	100,00%	100,00%
FGA PICARDIE SAS	533995684	Z.I. de l'Aiguille 46100 FIGEAC	Full Consolidation	Full Consolidation	100,00%	100,00%	100,00%	100,00%
FGA NORTH AMERICA INC	NONE	9313 E 39th St N Wichita, KS, 67226 USA	Full Consolidation	Full Consolidation	100,00%	100,00%	100,00%	100,00%
FIGEAC AERO MAROC	328973	49 Rue Jean Jaures CASABLANCA MAROC	Full Consolidation	Full Consolidation	100,00%	100,00%	100,00%	100,00%
SCI REMSI	791581994	Z.I. de l'Aiguille 46100 FIGEAC	Full Consolidation	Full Consolidation	100,00%	100,00%	0,00%	0,00%
SCI MEXIQUE	NONE	51 Rue Jean Jaures CASABLANCA MAROCCO	Full Consolidation	Full Consolidation	100,00%	100,00%	100,00%	100,00%
FIGEAC AERO SAINT NAZAIRE	818093577	ZI de Cadréan 44550 MONTOIR DE BRETAGNE	Full Consolidation	Full Consolidation	100,00%	100,00%	100,00%	100,00%
FIGEAC AERO AUXERRE	824264030	Z.I. plaine des Isles 89000 AUXERRE	Full Consolidation	Full Consolidation	100,00%	100,00%	100,00%	100,00%
SN AUVERGNE AERONAUTIQUE	824245104	1 Rue Touira Chaoui 63510 AULNAT	Full Consolidation	Full Consolidation	100,00%	100,00%	100,00%	100,00%
CASABLANCA AERONAUTIQUE	3304831	aéropole de l'aéroport Mohammed V CASABLANCA MOROCCO	Full Consolidation	Full Consolidation	100,00%	100,00%	100,00%	100,00%
FIGEAC TUNISIA PROCESS	1358165	122 Avenue du Koweit 8050 HAMMAMET	Full Consolidation	Full Consolidation	100,00%	100,00%	100,00%	100,00%
EGIMA	1087305	aéropole de l'aéroport Mohammed V CASABLANCA MOROCCO	Full Consolidation	Full Consolidation	100,00%	100,00%	100,00%	100,00%
FGA GROUP SERVICES	832847248	Z.I. de l'Aiguille 46100 FIGEAC	N/A	Full Consolidation	N/A	100,00%	N/A	100,00%
ATELIERS TOFER	700802135	Z.A. de Bogues 31750 ESCALQUENS	N/A	Full Consolidation	N/A	75,50%	N/A	75,50%
TOFER HOLDING	442692406	Z.A. de Bogues 31750 ESCALQUENS	N/A	Full Consolidation	N/A	100,00%	N/A	100,00%
TOFER SERVICE INDUSTRIES	797707593	135 Avenue de Toulouse 31750 ESCALQUENS	N/A	Full Consolidation	N/A	100,00%	N/A	100,00%
TOFER EUROPE SERVICE	NONE	ZI Dibo Hala10 PRAHOVA ROUMANIE	N/A	Full Consolidation	N/A	86,00%	N/A	86,00%

SCI REMSI, owned by Jean-Claude Maillard, Chairman and CEO of FIGEAC AERO GROUP, is consolidated because it is considered a special purpose entity. It owns a specific asset (an industrial building) rented by the parent company (Figeac Aéro). This SCI was created as part of a Group investment initiative.

Under IFRS 10, the parent company is deemed to control this entity because:

- ✓ it has power over the entity through its power to govern its financial and operating policies;
- ✓ it is exposed or has rights to the entity's variable returns from its involvement with it;
- ✓ it can use its power over the entity to affect the amount of these returns.

1.2.2.2 Unconsolidated entities

Entity and legal form	ID no.	Registered office	Consolidation method		% control		% interest	
			March 2017	March 2018	March 2017	March 2018	March 2017	March 2018
SAS AEROTRADE	**520459876**	23 Av Edouard BELIN 31400 TOULOUSE	Not consolidated	Not consolidated	1,00%	1,00%	1,00%	1,00%

1.2.3 Intangible assets

(€ thousands)

Intangible assets	Opening	Increase	Decrease	Transfer from item to item	Translation adjustment	Changes in scope	Closing
	Mar-17	Mar-18					
Startup costs and similar costs	0	0	0	0	0	0	0
Development costs	36 360	256	-310	9 217	-3	73	45 594
Goodwill	0	2 397	0	0	0	0	2 397
Concessions, patents, licenses	1 693	257	-100	0	-17	35	1 868
Software	7 400	999	-60	-481	-151	0	7 707
Goodwill	463	0	0	0	0	46	509
Other intangible assets	0	0	0	0	0	4	4
Intangible assets in progress	33 741	34 531	-2 333	-9 220	0	0	56 719
Intangible assets in progress - finance lease	0	2 420	0	0	0	0	2 420
Advances/intangible assets	0	0	0	0	0	0	0
Gross intangible assets	***79 657***	***40 860***	***-2 803***	***-484***	***-171***	***158***	***117 218***
Depreciation							
Deprec. Start-up costs	0	0	0	0	0	0	0
Development costs - amort.	-18 111	-6 058	0	0	0	-73	-24 242
Concessions, patents, licenses - amort.	-1 554	-147	100	0	15	-35	-1 620
Software - amort.	-4 625	-1 338	6	487	85	0	-5 385
Goodwill - amort.	0	-5	0	0	0	0	-5
Other intangible assets - amort.	0	0	0	0	0	-4	-4
Intangible assets in progress - deprec.	-310	0	310	0	0	0	0
Advances/intangible assets - amort.	0	0	0	0	0	0	0
Intangible assets amort. and imp.	***-24 600***	***-7 547***	***417***	***487***	***101***	***-113***	***-31 256***
Net values							
Startup costs and similar costs	0	0	0	0	0	0	0
Development costs	18 249	-5 802	-310	9 217	-3	0	21 352
Goodwill	0	2 397	0	0	0	0	2 397
Concessions, patents, licenses	140	110	0	0	-2	0	248
Software	2 774	-339	-54	6	-66	0	2 322
Goodwill	463	-5	0	0	0	46	504
Other intangible assets	0	0	0	0	0	0	0
Intangible assets in progress	33 431	34 531	-2 023	-9 220	0	0	56 719
Advances/intangible assets	0	2 420	0	0	0	0	2 420
Intangible assets	***55 057***	***33 312***	***-2 387***	***0***	***-71***	***46***	***85 961***

At 31 March 2018, there was no amortisation due to impairment.

New intangible assets:

- were generated internally (capitalised development costs) for €31 million (+€19.8 million in 2017) of which €6.4 million committed as part of the ERP project;

- were acquired externally for €3 million (+€2.5 million in 2017) of which €2.88 million for the ERP project.

Continued installation of the Group's new ERP: amount committed this financial year €9.5 million

The majority of R&D work was performed by FIGEAC AERO. They are spread across 28 development subjects

The Group's policy for R&D investment focuses on new machining systems (aerostructures and engines):

In this area, the Figeac Aero Group must anticipate the advent of new products and make use of the most cutting-edge technologies. FIGEAC AÉRO must also accompany its export customers or find new foreign markets.

The Group is in the process of changing its information system, and the costs for this project are capitalised.

The Group has significant R&D expenses. Over the last three years, these expenses averaged 7.29% of consolidated revenue. The result of this proactive policy is a research tax credit (*Crédit Impôt Recherche*, CRI) and large subsidies in France (research tax credit of €2.22 million for 2017, compared to €2.75 million in 2016).

In 2018, total R&D expenses represented 6.89% of Group revenue, compared to 6.86% in 2017. These expenses are proof of the Group's commitment to meeting market needs through innovation.

1.2.4 Property, plant and equipment

(€ thousands)

Property, plant and equipment	Mar-17 Opening	Mar-18 Increase	Decrease	Transfer from item to item	Translation adjustment	Changes in scope	Closing
Gross value							
Land	4 885	1 390	-885	0	-216	0	5 174
Building	49 215	1 564	-1 167	22 858	-1 873	711	71 308
Buildings - finance lease	3 811	1 200	0	0	0	0	5 011
Plant machinery, eq. and tools	89 377	17 885	-3 084	4 052	-2 925	900	106 205
Plant machinery, eq. and tools - finance lease	74 797	24 658	-5 660	0	-13	509	94 292
Fixtures & fittings	9 233	1 608	-52	420	-139	86	11 157
Transport equipment	324	80	0	0	-4	10	409
Office and IT eq.	4 390	942	0	5	-237	53	5 153
Office and IT eq. - finance lease	2	0	0	0	0	0	2
Other property, plant and equipment	631	52	0	0	-10	0	673
Property, plant and equipment in progress	36 578	20 206	-10 357	-27 653	-170	0	18 604
Advances/tangible assets	3 619	1 028	-3 402	320	-10	0	1 555
Property, plant and equipment - gross	***276 863***	***70 611***	***-24 607***	***2***	***-5 596***	***2 269***	***319 544***
Depreciation							
Land - depreciation	-705	-60	0	0	0	0	-764
Buildings - deprec.	-11 686	-2 544	109	3	206	-752	-14 663
Buildings - finance lease - amort.	-2 957	-608	0	0	0	0	-3 565
Plant machinery, eq. and tools - deprec.	-42 270	-12 952	2 250	-2	613	-780	-53 140
Plant machinery, eq. and tools - finance lease - amort.	-26 932	-10 401	4 196	0	1	0	-33 137
Fixtures, fittings - deprec.	-5 031	-1 168	76	1	36	-34	-6 120
Transport equipment - deprec.	-228	-54	0	0	1	-1	-282
Office and IT eq. - amort.	-2 681	-688	0	-1	104	-46	-3 311
Office and IT eq. - finance lease - amort.	0	0	0	0	0	0	0
Other property, plant and equipment - deprec.	-15	0	0	0	2	-4	-17
Property, plant and equipment in progress - deprec.	0	0	0	0	0	0	0
Advances/property, plant and equipment - deprec.	0	0	0	0	0	0	0
Property, plant and equipment - deprec. and imp.	***-92 505***	***-28 473***	***6 631***	***1***	***962***	***-1 616***	***-115 000***
Net values							
Land	4 180	1 330	-885	0	-216	0	4 409
Building	37 530	-980	-1 057	22 860	-1 667	-40	56 646
Buildings - finance lease	854	592	0	0	0	0	1 446
Plant machinery, eq. and tools	47 107	4 933	-834	4 051	-2 312	120	53 065
Plant machinery, eq. and tools - finance lease	47 864	14 257	-1 464	0	-11	509	61 155
Fixtures & fittings	4 186	440	25	421	-103	52	5 037
Transport equipment	96	25	0	0	-3	9	127
Office and IT eq.	1 709	254	0	4	-133	8	1 842
Office and IT eq. - finance lease	2	0	0	0	0	0	2
Other property, plant and equipment	616	52	0	0	-8	-4	655
Property, plant and equipment in progress	36 578	20 206	-10 357	-27 653	-170	0	18 604
Advances/property plant and equipment	3 619	1 028	-3 402	320	-10	0	1 555
Property, plant and equipment	***184 358***	***42 138***	***-17 972***	***3***	***-4 633***	***653***	***204 544***

Property, plant and equipment given as guarantees are detailed in 1.2.25 in the Notes to the consolidated financial statements.

The largest acquisitions were:

- commissioning of four buildings on the FIGEAC site;
- the investment in production capacity that corresponds to the acquisition of 26 machines (machining, turning and milling, measurement materials) by all Group companies.

All new property, plant and equipment were acquired from external suppliers.

1.2.5 Non-current financial assets

(€ thousands)

Financial assets	Mar-17 Opening	Mar-18 Increase	Decrease	Translation adjustment	Changes in scope	Closing
Gross value						
Unconsolidated investments	60	94	-1	0	0	153
Loans	992	167	-6	0	0	1 153
Other financial assets	1 273	562	0	-13	55	1 876
Gross financial assets	***2 325***	***823***	***-7***	***-13***	***55***	***3 182***
Amortisation						
Unconsolidated investments - amort.	0	0	0	0	0	0
Other financial assets - amort.	0	0	0	0	0	0
Financial assets - amort.	***0***	***0***	***0***	***0***	***0***	***0***
Net values		0	0	0	0	
Unconsolidated investments	60	94	-1	0	0	153
Loans	992	167	-6	0	0	1 153
Other financial assets	1 273	562	0	-13	55	1 876
Financial assets	***2 325***	***823***	***-7***	***-13***	***55***	***3 182***

Other financial assets are essentially made up of deposit guarantees for financing.

1.2.6 Inventories and work in progress

(€ thousands)

Inventories and work in progress	Opening (Mar-17)	Net change	IAS 11	Translation adjustment	Changes in scope	Closing (Mar-18)
Gross value						
Inventories of raw materials	30 080	10 192	0	-460	1 218	41 030
Inventories of other supplies	24 794	6 466	0	-293	56	31 023
Work and services in progress	0	0	0	0	0	0
Work in progress and services	59 865	492	0	-627	865	60 595
Construction contracts	85 421	0	12 563	0	0	97 984
Inventories of finished goods	43 794	4 023	0	-133	43	47 727
Inventories - gross value	***243 955***	***21 173***	***12 563***	***-1 513***	***2 182***	***278 360***
Provisions						
Inventories of raw materials - depreciation	-470	146	0	16	0	-309
Inventories of other supplies - depreciation	0	-29	0	0	0	-29
Work and services in progress - depreciation	0	-7	0	0	0	-7
Inventories of work and services in progress - depreciation	-3 024	1 207	0	5	0	-1 812
Inventories of finished goods - depreciation	-2 342	-1 275	0	5	0	-3 616
Inventories - deprec.	***-5 836***	***42***	***0***	***23***	***0***	***-5 773***
Net values						
Inventories of raw materials	29 610	10 338	0	-444	1 218	40 722
Inventories of other supplies	24 794	6 437	0	-293	56	30 994
Work and services in progress	0	-7	0	0	0	-7
Work in progress and services	142 264	1 699	12 563	-622	865	156 769
Inventories of finished goods	41 452	2 748	0	-128	43	44 115
Inventories and work in progress	***238 119***	***21 215***	***12 563***	***-1 487***	***2 182***	***272 587***

In gross value and at constant scope, inventories increased by €33.7 million during 2018, compared to €53.4 million during 2017.

Pledged inventories appear in Section 1.2.25 "Guarantees on assets" in the Notes to the consolidated financial statements.

1.2.7 Trade and other receivables

Details on **trade and other receivables** are provided in the table below:

(€ thousands)

Breakdown of receivables	Opening (Mar-17)	Closing (Mar-18)		< 1 year	> 1 year
Advances & down payments paid on orders	477	288		288	0
Trade and other receivables	90 708	95 565		95 565	0
Sundry debtors	11 290	17 641		17 641	0
Tax receivables	2 587	5 904		5 904	0
TOTAL	*105 061*	*119 398*		*119 398*	*0*

At 31 March 2018, accounts receivable factoring amounted to €67 million compared with €50.6 million at 31 March 2017. As the Group remains responsible for collecting the factored trade receivables, these receivables remain on the balance sheet as an asset.

At 31 March 2018, the payment schedule for undue and past due gross trade receivables (ageing analysis) was as follows:

(€ thousands) Mar-18

Trade receivables by maturity	Closing	< 6 months	> 6 months < 12 months	> 12 months
Trade and other receivables	95 565	95 565		0
TOTAL	*95 565*	*95 565*	*0*	*0*

(€ thousands) Mar-17

Trade receivables by maturity	Closing	< 6 months	> 6 months < 12 months	> 12 months
Trade and other receivables	90 708	90 708		0
TOTAL	*90 708*	*90 708*	*0*	*0*

The other non-current assets item represents the positive value of the financial instruments eligible for hedge accounting.

1.2.8 Cash and cash equivalents and financial instruments at fair value through profit or loss

1.2.8.1 Cash and cash equivalents

Changes were as follows:

(€ thousands)

Cash and cash equivalents	Mar-17 Opening	Mar-18 Closing	Change
Marketable securities	12 293	18 023	5 730
Available cash	18 250	89 883	71 633
Bank overdrafts			0
Cash and cash equivalents	30 543	107 906	77 363
Outstanding invoices	-50 591	-67 003	-16 412
Bank overdrafts	-3 020	-3 739	-719
Change in currency prices			272
TOTAL	*-23 068*	*37 165*	*60 504*

Bank facilities are included in "Debt < 1 year" in Current Liabilities. Current bank facilities consist exclusively of the collateralisation of a portion of the trade receivable portfolio through factoring.

Changes in cash and cash equivalents during the financial year are explained in Section 1.1.9 "Consolidated Statement of Cash Flows".

1.2.8.2 Financial instruments at fair value through profit or loss

These include:

The hedging instruments are described in the following table:

In € thousands (excluding tax effect) - accumulated impacts	*Mar - 18*		*Mar - 17*		*Change*
	Fair Value recognised in OCI	*Fair Value recognised in profit or loss*	*Fair Value recognised in OCI*	*Fair Value recognised in profit or loss*	*OCI*
FX forward contract and swaps	4,673	-2,687	-8,032		12,705
Options	10,465	1,059	-1,793	-8,347	12,258
Accumulators		-5,514		-8,168	0
TRF		-26		-2,211	0
FADER					0
Total	*15,138*	*-7,168*	*-9825*	*-18,725*	*24,963*

In € thousands (excluding tax effect)	Mar - 18	Mar - 17
Impact on net income (loss) for the year	11,558	14,649

€ thousands	Mar - 18	Mar - 17
Equity - hedging instruments at the opening	***-6,957***	***-1,474***
Change in fair value of the effective portion	26,451	-8,502
Reclassified to the income statement	-1,488	887
Declassification of held-for-trading contracts - reversed into income		
Tax effect on change during the year	-7,739	2,132
Equity - hedging instruments at the close	***10,268***	***-6,957***

(1) When hedged items have an impact on the income for the periods, the deferred amounts in shareholders' equity are subject to reclassification.

- An analysis of interest rate risk faced by FIGEAC AÉRO Group is detailed in Section 1.2.26 "Risk Factors" in the Notes to the consolidated financial statements.

FIGEAC AERO Group recognises its foreign exchange hedging instruments at fair value through profit or loss.

The impacts of this recognition on income are detailed in the following table:

	Mar - 18		Mar - 17	
In € thousands	**Fair value**	**Impact on income**	**Fair value**	**Impact on income**
SWAP on currency €/$	7,970	11,558	-28,550	14,649

1.2.9 Deferred tax

(€ thousands)	Mar-17	Mar-18
Deferred tax	**Opening**	**Closing**
Deferred tax assets	1 069	494
Deferred tax liabilities	-10 569	-17 607
Deferred tax at opening	***-9 500***	***-17 113***
Deferred tax income (expense) over the period	-6 934	-7 119
Change in deferred tax recognised in shareholders' equity	2 130	-8 198
Others	-2 810	41
Deferred tax at close	***-17 113***	***-32 389***
of which deferred tax assets	494	3 784
Of which deferred tax liabilities	-17 607	-36 173

Deferred tax assets are recognised when their recovery is likely. Tax losses or timing differences must be attributable to future taxable profits. Deferred tax assets are reduced when it is no longer likely that a sufficient tax benefit is available.

Over the financial year, the Group assessed the amount of deferred tax.

This reassessment takes into account the correction of the deferred tax amount following the adoption on 30 December 2017 of the 2018 Finance Law which provides for the progressive reduction in the tax rate for French companies to 25% by 2022. It mainly concerns the reversal timing for restatements associated with IAS 11.

(€ thousands)

Deferred tax analysis	Mar-17 Opening	Mar-18 Closing
Accelerated depreciation	-385	-198
Leasing	-2 391	-2 757
Employee profit sharing	0	0
Personnel benefits	804	554
Valuation of tax losses carried forward	751	702
Tax timing differences	36	36
IFRIC 21	0	0
Subsidies	-358	-254
Construction contracts	-22 543	-24 800
Financial instruments	9 904	-2 461
Finance leases	-9	0
Provisions for foreign exchange losses	0	0
Ornane	0	-1 206
Group revaluation Auvergne	-3 252	-1 906
Others	330	-99
Net deferred tax liabilities	***-17 113***	***-32 389***

1.2.10 Financial Assets and Liabilities

The Group distinguishes three categories of financial instruments according to the effects their characteristics have on their valuation method and on which it bases its presentation of some of the information required by IFRS 13:

- Level 1 category, "market price": financial instruments that are subject to being listed on an active market;
- Level 2 category, "model with observable inputs": financial instruments measured using valuation techniques based on observable inputs;
- Level 3 category "model with non-observable inputs": financial instruments measured using valuation techniques based for all or part on non-observable inputs; a non-observable input being defined as an input whose value is the result of assumptions or correlations that are not based on transaction prices observable in the markets, on the same instrument at the valuation date, or on observable market data available at the same date.

1.2.10.1 Financial assets

The table below shows the book value of financial assets by category:

(€ thousands)

Financial assets	Loans and receivables at amortised cost	Financial assets at fair value through profit or loss	Derivated as hedging instruments	Total 31/03/2018	of which assets measured at fair value
Non-current financial assets	3,182			3,182	
Financial instruments	0	15,079		15,079	
Customers and other receivables	95,565			95,565	
Other current assets	26,666			26,666	
Cash and cash equivalents	89,883	18,023		107,906	18,023
Total financial assets	***215,296***	***33,102***	***0***	***248,398***	***18,023***

(€ thousands)

Financial assets	Level 1	Level 2	Level 3	Fair value
Cash and cash equivalents	18,023			18,023
Derivative financial instruments		15,079		15,079

(*) The fair value is identical to the value recognised in the consolidated financial statements with respect to all financial assets.

At 31 March 2017, financial assets at fair value were classified as follows:

(€ thousands)

Financial assets	Loans and receivables at amortised cost	Financial assets at fair value through profit or loss	Derivated as hedging instruments	Total 31/03/2017	of which assets measured at fair value
Non-current financial assets	2 325			2 325	
Other non-current assets	2 618			2 618	
Customers and other receivables	88 090			88 090	
Financial instruments			0	0	
Other current assets	16 552			16 552	
Cash and cash equivalents	18 250	12 293		30 543	12 293
Total financial assets	***127 835***	***12 293***	***0***	***140 128***	***12 293***

(€ thousands)

Financial assets	Level 1	Level 2	Level 3	Fair value
Cash and cash equivalents	12,293			12,293

1.2.10.2 Financial liabilities

The table below shows the book value of financial assets by category:

(€ thousands)

Financial liabilities	Financial liabilities at fair value through profit or loss	Derivatives designated as hedging instruments	Other financial liabilities	31-March-18	Fair value
Loans from credit institutions (1)			200,751	200,751	200,751
Borrowings - Finance leases			63,224	63,224	63,224
Repayable advances			27,066	27,066	27,066
Other financial liabilities			16,930	16,930	16,930
Factoring			67,003	67,003	67,003
Derivative financial instruments (2)	7,140		4,900	12,040	12,040
Trade and other payables			121,716	121,716	121,716
TOTAL FINANCIAL LIABILITIES	*7,140*	*0*	*501,590*	*508,730*	*508,730*

(1) Of which €91,200 thousand concerns the ORNANE component.

(2) €4,900 thousand represents the fair value of the derivative ORNANE component at 31 March 2018.

The fair value is close to the value recognised in the consolidated financial statements for financial liabilities

		level 1	*level 2*	*level 3*	*Fair value*
Derivative financial instruments			12,040		

At 31 March 2017, financial liabilities at fair value were classified as follows:

Mar-17

(€ thousands)

Financial liabilities	Financial liabilities at fair value through profit or loss	Derivatives designated as hedging instruments	Other financial liabilities	31-Mar-17	Fair value
Loans from credit institutions			103 701	103 701	103 701
Borrowings - Finance leases			49 354	49 354	49 354
Repayable advances			30 070	30 070	30 070
Other financial liabilities			4 770	4 770	4 770
Factoring			50 590	50 590	50 590
Derivative financial instruments	18 725	9 857		28 582	28 582
Trade and other payables			111 239	111 239	111 239
TOTAL FINANCIAL LIABILITIES	*18 757*	*9 825*	*349 724*	*378 306*	*378 306*

1.2.11 Debt

Financial debt by type of credit and by maturity breaks down as follows:

0	Mar-17	Mar-18								
(€ thousands)										
Debt	**Opening**	**Increase**	**Decrease**	**First time consolidation**	**Other movements**	**Closing**	**< 1 year**	**1-5 years**	**> 5 years**
Loans from credit institutions	103 701	129 707	-24 525	674	-8 806	200 751	19 969	159 242	21 539
Borrowings – finance leases	49 354	28 278	-14 851	509	-67	63 224	16 162	36 808	10 254
Repayable advances	30 070	2 598	-5 602	0	0	27 066	5 211	18 693	3 162
Total	***183 125***	***160 583***	***-44 978***	***1 183***	***-8 873***	***291 040***	***41 342***	***214 743***	***34 955***

	Mar-17	Mar-18							
(€ thousands)									
Other financial liabilities	**Opening**	**Increase**	**Decrease**	**First time consolidation**	**Other movements**	**Closing**	**< 1 year**	**1-5 years**	**> 5 years**
Other financial liabilities	4 770	12 182	-66	74	-29	16 930	15 174	1 756	0
Total	***4 770***	***12 182***	***-66***	***74***	***-29***	***16 930***	***15 174***	***1 756***	***0***

Bank lending and overdrafts are generally granted for a term of one year and are renewable in the middle of a financial year. At 31 March 2018 they were impacted by the weighting of the customer financing item (Dailly assignments, Discounted notes not yet due and Factoring) for €67 million, versus €50.6 million at 31 March 2017.

Net debt/shareholders' equity is calculated as follows:

(€ thousands)

	31-Mar-18	31-Mar-17
Loans from credit institutions	200 751	103 701
Borrowings - Finance leases	63 224	49 354
Repayable advances	27 066	30 070
Other financial liabilities	16 930	4 770
Factoring	67 003	50 590
subtotal A	374 974	238 485
Other securities	18 023	12 293
Available cash	89 883	18 250
subtotal B	107 906	30 543
TOTAL net debt = A-B	***267 068***	***207 942***
Total equity	***259 031***	***211 105***
Net debts/shareholder's equity	***1,03***	***0,99***

The breakdown of debt between fixed rate and variable rate is as follows:

€ thousands	31/03/18 Fixed rate	31/03/18 Variable rate	31/03/18 Total	31/03/17 Fixed rate	31/03/17 Variable rate	31/03/17 Total
Loans from credit institutions	140,308	60,443	200,751	41,988	61,713	103,701
Other debt	13,191	0	13,191	1,749	0	1,749
Finance lease liabilities	60,069	3,155	63,224	44,693	4,661	49,354
Bank lending and overdrafts	0	3,739	3,739	0	3,020	3,020
Factoring	0	67,002	67,002	0	50,590	50,590
TOTAL	*213,568*	*134,339*	*347,907*	*88,430*	*119,984*	*208,414*
Distribution by percentage	*61%*	*39%*		*42%*	*58%*	

The impact of a €0.05 increase or decrease in the average 3-month Euribor rate during the financial year on the Group's net income would be +/- €635 thousand.

All **covenants on loans** and bank overdrafts must be audited annually at each end of period. They are applicable to 6.03% of borrowings, i.e. €18.3 million.

The covenants at 31 March 2017 are detailed in the following table:

Loans subject to a covenant				Covenant		Compliance (3)
Category (1)	Year of subscription	Balance at 31/03/2017 in € thousands	Final maturity	Ratios	Calculation basis (2)	March 2017
Loans L	2 015	9 600	Jan 2021	Gross debt/equity < 2.2 Gross Debt/EBITDA < 3.5 EBITDA/debt servicing > 1.6	CFS CFS CFS	C C C
Total		*9 600*				

The EBITDA/debt service ratio, calculated based on the initial contract in force on 31 March 2017, was not respected.

However, in June 2017, after closing, the Group signed a rider with the EIB, the purpose of which was to modify the definition of the covenant ratios applicable to the consolidated financial statements. The ratio calculated based on the rider signed after closing was respected.

By respecting the newly-defined ratios, the Group extinguished the payment requirement for this debt after closing.

As at the close of the financial year at 31 March 2018, FIGEAC AÉRO Group's business growth had significant impacts on the "Net debt/Equity" and "Net debt/EBITDA ratios" with:

- an improvement in equity through capitalisation of Group income;

- an increase in gross debt, related to a significant amount of financing raised that helped the company meet its working capital requirement and investment (R&D, production) needs.

The covenants at 31 March 2018 are detailed in the following table:

Loans subject to a covenant				Covenant		Compliance (3)
Category (1)	Year of subscription	Balance at 31/03/2018 in € thousands	Final maturity	Ratios	Calculation basis (2)	March 2018
Loans L	2 015	18 250	Jan 2021	Gross debt/equity < 2.2 Net Debt/EBITDA < 4.4 EBITDA/debt servicing > 1.4	CFS CFS CFS	C C C
Total		*18 250*				

(1) L = Loans

(2) CFS = Consolidated financial statements

(3) C = Compliant

Figeac Aero obtained a waiver from the EIB ending the statement of non-compliance noted at the time of the half year financial statements of 30 September 2017. This waiver amended:

- the definition of the Gross Debt/EBITDA ratio which became Net Debt/EBITDA;
- the level of the EBITDA/Debt service ratio to 1.4 and the level of the Net Debt/EBITDA which must be lower than 4.4.

The ratios calculated based on amendments in force at 31 March 2018 have been respected.

The guarantees given on loans and debt are listed in Section 1.2.25 "Guarantees on assets" in the Notes to the consolidated financial statements.

1.2.12 Shareholders' equity

The Group's primary objective in terms of managing its share capital is to maintain a balance between shareholders' equity and debt in order to facilitate its business activities and increase shareholder value.

To maintain or adjust the structure of its shareholders' equity, the Group may propose paying shareholder dividends or increasing share capital.

The main ratio monitored by the Group for managing its shareholders' equity is the debt/equity ratio.

The objectives, policies and procedures of managing share capital remain unchanged.

A capital increase reserved for employees of FIGEAC AERO was performed on 15 May 2015 at a preferential price. The subscription price offered to employees represents a discount of 20% compared to the issue price of the capital increase subscribed by investors.

A second capital increase reserved for employees of FIGEAC AERO was performed on 10 June 2016 at a preferential price.

In the previous financial year, Figeac Aéro set up a free share allocation plan (new shares to be issued). This is a Group plan since it involves the employees not only of the issuing entity (Figeac Aéro) but also of MTI, Mécabrive and FGA Picardie. Under the plan, 54,888 new shares may be awarded to employees. The number of shares awarded on 6 November 2017 within this framework is 51,936. It should be noted that Jean-Claude Maillard did not benefit from an allocation.

Pursuant to IFRS 2 "Share based payments", an expense must be recorded when a transaction allocates equity instruments to members of personnel in accordance with service conditions.

This expense is calculated based on the fair value of the equity allocated (market price of these shares) on the date of their allocation (price of 29 February 2016) and must be spread out over the vesting period (two years).

Employee profit sharing in the Company's share capital amounted to 0.31% at 31 March 2018.

Details of **changes in the number of shares** during the financial year are as follows:

	Number	Nominal value
Shares outstanding at the beginning of the year	31,787,537	0.12
Capital increase on 06/11/2017	51,936	0.12
Shares outstanding at the end of the year	31,839,473	0.12

At 31 March 2018, Share Capital consisted of 31,839,473 shares of which 24,042,172 had double voting rights.

The par value of one share stood at €0.12.

Liquidity contract – Treasury shares – Share price

Since 13 January 2014, the Company has entrusted Louis Capital Markets with the implementation of a liquidity contract on its shares, as part of a contract that complies with the Code of Ethics of the French association of financial markets (AMAFI). This contract aims to promote the liquidity of transactions and the regular listing of shares as well as avoid share price timing differences that are not justified by market trends.

An amount of €500,000 was allocated to this liquidity contract at the time of its signature; this amount was increased by €1,500,000 in December 2017, bringing the total amount to €2,000,000.

At 31 March 2018, the Company held 78,367 treasury shares acquired solely as part of this contract.

It will be recalled that the Combined General Meeting of 29 September 2017 authorised the Board of Directors, for a duration of 24 months, to carry out transactions on Company shares as part of a share buyback programme implemented in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code and the provisions of the AMF's general regulations. This share buyback programme was not implemented during the financial year.

1.2.13 Earnings per share

1.2.13.1 Basic earnings per share

At 31 March 2018, basic earnings per share were calculated on the basis of the consolidated income for the period attributable to Group shareholders, the details of which are as follows:

(In €)	March 2017 Opening	March 2018 Closing
Consolidated income attributable to Group shareholders	*32 545 000*	*30 275 469*
Weighted average number of shares	31 785 904	31 809 177
Treasury shares held at end of period	10 775	78 367
Weighted average number of shares	*31 775 129*	*31 730 810*
Basic earnings per share	*1,02*	*0,95*

1.2.13.2 Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2018 was carried out based on the consolidated net income (loss) for the period attributable to Group shareholders. No modification was made to this income figure. The weighted average number of potential ordinary shares for the period was 31,730,810 shares.

(In €)	March 2017 Opening	March 2018 Closing
Weighted average number of potential shares		
Weighted average number of ordinary shares	31,775,129	31,730,810
Impact of stock option plans	54,888	0
TOTAL	31,830,017	31,730,810
Diluted earnings per share	*1.00*	*0.95*

1.2.14 Provisions

The change in provisions was as follows:

(€ thousands)

Provisions	Mar-17 Opening	Mar-18 Allocations	Reversals used	Reversals not used	Translation adjustment	Changes in scope	Closing
Provision for litigation	1 106	508	-96	0	-10	40	1 548
Provision for contract loss	4 899	1 248	-1 718	0	0	0	4 429
Other provision	347	20	0	0	-13	0	354
Total provisions	*6 351*	*1 800*	*-1 838*	*0*	*-23*	*40*	*6 331*

Other non-current provisions mainly consisted of:

- provisions for litigation: €1,055 thousand;
- provisions for customer litigation: €417 thousand;
- other provisions: €75 thousand.

The Group is currently involved in labour disputes with its employees.

- provisions for contract losses: €4,429 thousand.

Expected losses on construction projects are subject to a provision for contract losses in accordance with IAS 11.

EMPLOYEE BENEFITS: provision for retirement and provision for service awards

Pursuant to IAS 19 Employee Benefits, the purpose of the provision for pensions recognised as a liability on the balance sheet is to record the pension benefits of employees vesting at the end of the period. A provision covering the full amount of pension liabilities is set aside and is not hedged by dedicated assets.

During the 2018 financial year, the provisions for pensions and other long-term employee benefits decreased by €1,239 thousand and amounted to €1,856 thousand at 31 March 2018. This decrease in provisions is due to:

- A change in the calculation of staff turnover.

Turnover is calculated by applying the formula (entries + exits) / (average workforce * 2), an average is then applied over the last 3 years. Over the previous financial years, the applied formula was (entries + exits) / (average workforce * 12).

- service cost: €375 thousand
- financial cost: €43 thousand
- reversal of unused provision: < €15 thousand >

The other calculation assumptions selected are as follows:

- a retirement age of 67
- an average salary increase rate of 1.5%
- mortality table: INSEE 2017 table:

Age	20 years old	30 years old	40 years old	50 years old	60 years old	65 years old
Men's mortality table	99,285	98,624	97,600	95,224	89,275	84,313
Women's mortality table	99,471	99,242	98,787	97,532	94,604	92,274

- a low or high turnover rate depending on the company and employee status (manager or non-manager):

Age	20 years old	30 years old	40 years old	50 years old	60 years old	65 years old
Low turnover rate	8.38%	7.70%	5.22%	5.43%	3.99%	0.00%
High turnover rate	22.33%	11.50%	6.38%	10.29%	5.44%	0.00%

A study of the sensitivity to a change in the discount rate shows that:

- a change of +0.5% in the rate would lead to an increase of up to €170 thousand in consolidated income;
- a change of -0.5% in the rate would lead to a decrease of €152 thousand in consolidated income.

Provisions for pension liabilities stood at: **2017** **2016**

For all the Group's French subsidiaries	€2,991 thousand	€2,026 thousand

Provisions for pension liabilities at the closing dates of previous financial years were as follows:

- at 31 March 2015 €1,998 thousand;
- at 31 March 2014 €1,171 thousand.

The provisions for pensions at the closing date of the next financial year (31/03/2019) should amount to approximately €2,005 thousand.

Retirement benefit payments paid during the 2018 financial year amounted to €15 thousand.

1.2.15 Other current debt

Details regarding **other current** liabilities are provided in the table below:

(€ thousands)

Other current debt	Ouverture (Mar-17)	Clôture (Mar-18)	< 1 year	1-5 years	> 5 years
Trade payables	73 164	78 081	78 081	0	0
Debt on fixed assets and related accounts	7 840	3 085	3 085	0	0
Trade and other payables	**81 003**	**81 165**	**81 165**	0	0
Refundable advances and payments received in orders	2 663	1 154	1 154	0	0
Social security liabilities	18 215	22 278	22 278	0	0
Other current liabilities	2 026	2 958	2 958	0	0
Other current liabilities	**22 904**	**26 390**	**26 390**	0	0
Fiscal liabilities	7 331	14 161	14 161	0	0
TOTAL	*111 239*	*121 716*	*121 716*	*0*	*0*

1.2.16 Revenue

By business activities	Closing (Mar-17)	Closing (Mar-18)	Change
Realisation of structural parts for aeronautics	279 932	327 647	17,05%
General engineering and heavy sheet metal fabrication	7 418	7 255	-2,20%
On-site assembly	11 024	10 917	-0,97%
Machining and surface treatment	26 358	26 195	-0,62%
TOTAL	*324 732*	*372 014*	*15%*

By region	Closing (Mar-17)	Closing (Mar-18)	Change
FRANCE	244 411	325 859	33,32%
EXPORT	80 321	46 155	-42,54%
TOTAL REGIONS	*324 732*	*372 014*	*15%*

1.2.17 Business segments

In accordance with IFRS 8, the information by business segment is based on Management's approach, meaning the manner in which Management allocates resources depending on the performance of the various segments. The Group has four segments to present, which offer distinct products and services and are managed separately insofar as they require different technological and commercial strategies. The operations performed in each of the segments presented are summarised as follows:

- aerostructures segment: structural parts for the aerospace industry;
- the on-site and workshop assembly of aerospace sub-assemblies segment;
- the general engineering and sheet metal fabrication segment;
- the precision machining and surface treatment segment.

In March 2018, the key indicators by business segment were as follows:

March 2018

(€ thousands)

BUSINESS SEGMENTS	TOTAL	Aerostructure	%	On-site assembly	%	Precision machining and surface treatment	%	General and industrial engineering	%
Consolidated revenue	372 014	327 647	88,07%	10 917	2,93%	26 195	7,04%	7 255	1,95%
Other income from operations	3 214	3 063	95,30%	80	2,49%	64	1,99%	7	0,22%
Change in inventories of finished products and work in progress	16 687	17 278	103,54%	-229	-1,38%	-201	-1,21%	-160	-0,96%
Raw materials and consumables	-188 697	-173 945	92,18%	-1 346	0,71%	-10 733	5,69%	-2 674	1,42%
Personnel expenses	-94 507	-72 783	77,01%	-7 444	7,88%	-11 224	11,88%	-3 056	3,23%
External expenses	-34 819	-28 830	82,80%	-1 041	2,99%	-4 228	12,13%	-720	2,07%
Taxes	-6 352	-5 075	79,89%	-342	5,38%	-622	9,79%	-314	4,94%
Depreciation and amortisation	-30 991	-28 030	90,45%	-356	1,15%	-1 933	6,25%	-672	2,17%
Net provisions	227	47	20,70%	6	2,63%	1	0,44%	173	76,21%
Current operating income	***36 776***	***39 373***	***107,06%***	***246***	***0,67%***	***-2 682***	***-7,29%***	***-162***	***-0,44%***
	9,89%	***12,02%***		***2,25%***		***-10,24%***		***-2,23%***	
Other operating income	1 381	1 231	89,14%	0	0,04%	133	9,60%	17	1,23%
Other operating expenses	-4 111	-3 949	96,07%	-126	3,07%	69	-1,69%	-105	2,55%
Operating income	***34 046***	***36 655***	***107,66%***	***120***	***0,35%***	***-2 480***	***-7,28%***	***-249***	***-0,73%***
Actual financial income	***-12 333***	***-11 828***	***95,91%***	***-121***	***0,98%***	***-379***	***3,08%***	***-5***	***0,04%***
Unrealised gains and losses	***16 668***	***16 668***	***100,00%***	***0***	***0,00%***	***0***	***0,00%***	***0***	***0,00%***
Net income (loss) for the period	***30 237***	***33 481***	***110,73%***	***-11***	***-0,04%***	***-2 887***	***-9,55%***	***-346***	***-1,14%***
	8,13%	***10,22%***		***-0,10%***		***-11,02%***		***-4,77%***	
Total intangible assets	85 961	83 310	96,92%	127	0,15%	1 855	2,16%	670	0,78%
Total property, plant and equipment	204 544	173 302	84,73%	4 588	2,24%	21 706	10,61%	4 947	2,42%
Total financial assets	3 182	2 944	92,52%	2	0,06%	163	5,12%	73	2,29%
Total assets	***293 687***	***259 556***	***88,38%***	***4 716***	***1,61%***	***23 724***	***8,09%***	***5 691***	***1,94%***
Inventories and work in progress	272 587	259 641	95,25%	952	0,35%	8 103	2,97%	3 890	1,43%
Trade and other receivables (1)	122 231	107 664	88,08%	2 820	2,31%	8 170	6,68%	3 577	2,93%
Trade and other payables	-123 951	-108 915	87,87%	-3 383	2,73%	-6 524	5,26%	-5 129	4,14%
Financial debt	-303 372	-292 012	96,26%	-2 580	0,85%	-4 553	1,50%	-4 227	1,39%

March 2017

(€ thousands)

BUSINESS SEGMENTS	TOTAL	Aerostructure	%	On-site assembly	%	Precision machining and surface treatment	%	General and industrial engineering	%
Revenue	324 732	279 932	86,20%	11 024	3,39%	26 358	8,12%	7 418	2,28%
Other income from operations	2 909	643	22,09%	0	0,00%	1 370	47,11%	896	30,80%
Change in inventories of finished products and work in progress	34 252	33 931	99,06%	-3	-0,01%	-447	-1,30%	771	2,25%
Raw materials and consumables	-182 905	-165 542	90,51%	-1 308	0,71%	-11 835	6,47%	-4 221	2,31%
Personnel expenses	-77 032	-55 633	72,22%	-7 149	9,28%	-10 758	13,97%	-3 492	4,53%
External expenses	-28 365	-23 264	82,01%	-1 169	4,12%	-3 190	11,24%	-743	2,62%
Taxes	-4 504	-3 328	73,90%	-399	8,86%	-527	11,70%	-249	5,54%
Depreciation and amortisation	-21 052	-18 546	88,09%	-437	2,07%	-1 398	6,64%	-672	3,19%
Net provisions	-5 011	-4 774	95,28%	0	0,00%	-154	3,08%	-82	1,64%
Current operating income	***43 025***	***43 419***	***100,92%***	***559***	***1,30%***	***-580***	***-1,35%***	***-374***	***-0,87%***
	13,25%	***15,51%***		***5,07%***		***-2,20%***		***-5,04%***	
Other operating income	10 711	10 375	96,86%	34	0,31%	274	2,48%	28	0,25%
Other operating expenses	-1 203	-1 075	89,35%	-140	11,63%	5	-0,22%	7	-0,76%
Operating income	***52 532***	***52 719***	***100,36%***	***453***	***0,87%***	***-301***	***-0,58%***	***-339***	***-0,65%***
Financial income	869	866	99,71%	0	0,00%	0	0,00%	3	0,29%
Financial expenses	-3 036	-2 700	88,91%	-127	4,20%	-169	5,58%	-40	1,30%
Foreign exchange gains and losses	3 997	3 955	98,95%	0	0,00%	41	1,04%	0	0,01%
Actual other financial income and expenses	-64 783	-64 777	99,99%	0	0,00%	-4	0,01%	-2	0,00%
Actual financial income	***-27 048***	***-26 613***	***98,39%***	***-124***	***0,46%***	***-239***	***0,93%***	***-73***	***0,27%***
Unrealised gains and losses	***14 649***	***14 649***	***100,00%***	***0***	***0,00%***	***0***	***0,00%***	***0***	***0,00%***
Net income (loss) for the period	***32 519***	***33 297***	***102,39%***	***335***	***1,03%***	***-589***	***-1,81%***	***-525***	***-1,61%***
Net income (loss) (Group share)	**0**	**-22 619**	101,45%	**-559**	2,51%	**349**	-1,57%	**534**	-2,39%
Income attributable to minority shareholders	**0**	**-10**	331,00%	**-5**	182,67%	**-8**	285,35%	**20**	-699,02%
	10,01%	***11,65%***		***3,04%***		***-2,23%***		***-7,07%***	
Total intangible assets	55 057	53 850	97,81%	166	0,30%	688	1,25%	354	0,64%
Total property, plant and equipment	183 033	155 612	85,02%	3 865	2,11%	18 548	10,13%	5 009	2,74%
Financial assets	2 325	2 208	94,99%	2	0,10%	97	4,17%	17	0,74%
Total assets	***240 415***	***211 669***	***88,04%***	***4 033***	***1,68%***	***19 333***	***8,04%***	***5 380***	***2,24%***
Inventories and work in progress	237 106	227 780	96,07%	1 036	0,44%	6 603	2,78%	1 686	0,71%
Trade and other receivables	107 259	92 917	86,63%	3 834	3,57%	7 144	6,66%	3 365	3,14%
Trade and other payables	-116 397	-102 891	88,40%	-2 893	2,49%	-7 386	6,35%	-3 228	2,77%
Financial debt	-183 125	-172 890	94,41%	-2 909	1,59%	-3 288	1,80%	-4 038	2,21%

In March 2017, the key indicators by business segment were as follows:

1.2.18 Construction contracts

Details of the Group's **construction** contracts in progress at 31 March 2018 are as follows:

(€ thousands)

Construction contracts	Opening	Change	Closing
	March - 2017		March - 2018
Construction contracts in progress (inventory curve)	85,421	12,563	97,984
Work in progress and inventories of finished goods associated with IAS 11 contracts	70,235	-4,497	65,738
Total capitalised work in progress contracts	155,656	8,066	163,722
Amount due to customers	0		0
Revenue recognised from inception of contracts	855,300	271,341	1,126,641
Charges incurred since inception of contracts	827,509	235,949	1,063,458

1.2.19 Income tax

Details regarding **the Group**'s income taxes are as follows:

(€ thousands)

Corporate tax	Opening (Mar-17)	Closing (Mar-18)
Tax due	685	555
Change in deferred tax expense	6 934	7 119
Apprenticeship tax credit	-4	0
Provisions for tax	0	469
Change in net tax expense	***7 615***	***8 143***

The parent company, FIGEAC AERO, has established a tax consolidation agreement with FGA Picardie only.

The detailed table below explains the taxes in the consolidated financial statements:

Deferred tax is detailed in 1.2.9: "Deferred tax" of the Notes to the consolidated financial statements.

(€ thousands)

€ thousands	Closing (Mar-18)
Net income of consolidated companies before income tax and depreciation of goodwill -	38 381
Income tax rate applicable to the parent company	33,00%
Theoretical tax expense	12 666
Effective income tax expense	8 144
TAX DIFFERENCE ON THEORETICAL/ACTUAL RESULTS	***4 522***
Impact of the tax rates applicable to foreign subsidiaries which are different than the French tax rate	1 898
Unactivated tax losses	-2 287
Share of expenses and charges on Group dividends	
Impact of permanent differences	
Impact of reduced tax rate and tax credit	2 969
Other nondeductible items/not taxable locally	-373
Impact related to differences in tax rates	2 224
Others	90
TOTAL	***4 522***

1.2.20 Note on other income from operations

Other income from operations is detailed in the following table:

(€ thousands)

	Mar-17	Mar-18	
Other income from operations	**Opening**	**Closing**	**Change**
Other income from operations	**2 909**	**3 214**	**10,48%**
Capitalised production	0	0	
Research Tax Credit	2 522	2 605	3,29%
Operating Grants	260	277	6,54%
Other income from operations	127	332	161,42%
Total	***2 909***	***3 214***	***10,48%***

1.2.21 Note on other operating income and expenses

Other operating income and expenses are detailed in the following table:

(€ thousands)

	Mar-17	Mar-18
Other operating income and expenses	**Opening**	**Closing**
Other operating income	**10 711**	**1 381**
Disposal of asset components	390	0
Other nonrecurring income	10 227	1 381
Reversals of nonrecurring risks and charges	94	0
Total	***10 711***	***1 381***
Other operating expenses	**-1 203**	**-4 111**
Allocations for nonrecurring risks and charges	-6	0
NBV of asset sales	0	-2 738
Other nonrecurring expenses	-1 197	-1 373
Total	***-1 203***	***-4 111***

main items of other nonrecurring income for 2018:

other nonrecurring income

Waiver CIR tax adjustment: €1,187 thousand

- The pre-litigation proceedings by the parent company, FIGEAC AERO with the Tax Authorities, following a tax audit on the 2011 and 2012 CIR, was settled favourably during the financial year. Income of €1.1 million (out of the €1.4 million adjusted) was recorded in the financial statements for the year ended 31 March 2018. The valuation method for the research tax credit remained unchanged for the period from 2013 to 2017.

- Other income: €194 thousand

Other nonrecurring expenses:

- fiscal and social: €901 thousand
- customer penalties: €166 thousand
- other: €306 thousand

1.2.22 Note on the cost of debt

The cost of debt is detailed in the following table:

(€ thousands)	Mar-17	Mar-18
Cost of debt	**Opening**	**Closing**
Interest and financial expenses	4 385	6 231
Of which interest on borrowings	3 325	4 257
Other financial income	-193	-99
Of which income on financial instruments	0	0
Of which expenses on financial instruments	0	0
Cost of net financial debt	***-4 192***	***-6 132***

the average rate of debt stands at 2.03% compared to 2.01% the previous financial year.

1.2.23 Transactions with subsidiaries

Related parties of the FIGEAC AERO Group were defined in accordance with IAS 24 and are presented below with details of the transactions carried out during the 2018 financial year.

Related parties are defined as such due to the equity investment of Jean Claude Maillard in MP Usicap and Avantis Engineering.

1.2.23.1 With MP Usicap

- Permanent services cover the following areas:
  - machining services for aerospace parts;
  - legal, accounting and administrative assistance.

The 2018 **figures** are as follows:

(€ thousands)

	Purchases excl. tax	Trade payables	Sales excl. tax	Trade receivables
Transactions with related parties	1 986	-470	20	15

No particular benefit was granted as part of this agreement.

1.2.23.2 With Avantis Engineering

- Permanent services cover the following areas:
  - programming services for production resources;

  Sub-assembly study services.

The 2018 **figures** are as follows:

(€ thousands)

	Purchases excl. tax	Trade payables	Sales excl. tax	Trade receivables
Transactions with related parties	1 216	-77	1 002	1 203

No particular benefit was granted as part of this agreement.

1.2.23.3 With the subsidiaries

These are companies included in the Group's scope of consolidation. (1.2.2.1: "Consolidated entities" in the Notes to the consolidated financial statements).

Transactions with subsidiaries are entirely eliminated from the consolidated financial statements, as are all transactions between fully consolidated Group entities. These are of different types:

- purchase or sale of goods and services;
- leasing of premises;
- transfer of research and development;
- purchase or sale of noncurrent assets;
- licensing contracts,
- management fees;
- current accounts;
- loans, etc.

1.2.23.4 With senior executives

These relate to compensation paid to **corporate officers of Figeac Aéro S.A.:**

By Figeac Aéro:

In €	March 2018	March 2017
Compensation of corporate officers		
Of which		
Fixed	96,000	96,000
Variable		
Exceptional		
Benefits in kind (company vehicle)	2,123	3,138
Other compensation of nonexecutive directors		
Directors' fees	50,000	0
Total	**148,123**	**99,138**

To date, there are no stock option plans in progress for Figeac Aéro S.A. or any other Group company.

1.2.24 Workforce

By number of employees	Opening March 2017	Closing March 2018
Workforce - France	1,839	1,883
Workforce - outside France	1,121	1,246
TOTAL	*2,960*	*3,129*

The breakdown of the workforce by business segment at 31 March 2018 is as follows:

By number of employees	Managers	Non-managers	TOTAL
Aerostructure	258	2 371	2 629
On-site assembly	8	139	147
Machining and surface treatment	49	195	244
General and industrial engineering	16	93	109
TOTAL	*331*	*2 798*	*3 129*

1.2.25 Off-balance sheet commitments

Commitments received:

(in € thousands)

€ thousands	Opening March-2017	Closing March-2018
Commitments received		
COFACE guarantee	48,688	39,268

OSEO UIMM guarantee	0	0
OSEO leaseback guarantee (1)	4,661	0
TOTAL	*53,349*	*39,268*

(1) **Figeac Aero, in agreement with the banks that had financed the leaseback, waived the benefit of the OSEO guarantee on this operation.**

Guarantees on asset components:

(€ thousands)	Mar-17					Mar-18				
€ thousands	FIGEAC AERO	MECABRIVE	FIGEAC AERO PICARDIE	SCI REMSI	MTI	FIGEAC AERO	MECABRIVE	FIGEAC AERO PICARDIE	SCI REMSI	MTI
Investments in consolidated companies	2 000	0	0	0	0	1 800	0	0	0	0
Pledged trade receivables	0	0	0	0	0	0	0	0	0	0
Pledged research tax credit (CIR) and tax credit for competitiveness and employment (CICE)	2 973	337	0	0	0	2 299	476	0	0	0
Pledged inventories	9 600	0	0	0	0	18 250	0	0	0	0
Pledged other receivables	0	0	0	0	1 038	0	0	0	0	1 038
Pledged equipment	242	0	0	0	0	0	0	0	0	0
Mortgages/Pledges (land/bldg)	20 226	0	0	2 753	0	18 993	0	0	2 598	0
TOTAL	*35 041*	*337*	*0*	*2 753*	*1 038*	*41 342*	*476*	*0*	*2 598*	*1 038*

Commitments for operating leases:

Operating leases mainly involve leases for industrial equipment.

At 31 March 2018, the future minimum payments for these operating leases were as follows:

Total rent in € thousands	Share < 1 year	Share > 1 year and < 5 years	Share > 5 years	Total
Industrial equipment	698	852	24	1 574

At 31 March 2017, the future minimum payments for these operating leases were as follows:

Total rent in € thousands	Share < 1 year	Share > 1 year and < 5 years	Share > 5 years	Total
Industrial equipment	740	742	0	1 482

The above information does not cover:

- the outstanding finance leases, which are covered in: the "Debt" section in the Notes to the consolidated financial statements;
- interest on loans, which is covered in the "Debt" section in the Notes to the consolidated financial statements;
- forward currency sale commitments and interest rate swaps, which are covered in Section 0 "Financial instruments 0 value through profit or loss" in the Notes to the consolidated financial statements.

1.2.26 Risk factors

FIGEAC AÉRO Group carries out a review of risks that could have a significant negative impact on its business, financial situation, income, and its ability to reach its objectives. This paragraph outlines the relevant and significant risk factors that have been identified as of the date of publication of the Registration Document. FIGEAC AÉRO Group believes that there are no other significant risks outside of those presented below.

1.2.26.1 Legal and tax risks

To the best of our knowledge, there are no legal or tax risks related to the regulatory environment and/or the execution of contracts that are likely to have, or that have had, over the last twelve months, a significant impact on the financial situation or profitability of the Group. It will be recalled that FIGEAC AERO received notice of a tax inspection on 6 March 2018, which is currently on-going.

1.2.26.2 Industrial and environmental risks

The company is subject to legislation regarding the protection of the environment and standards that govern security and safety in the workplace.

The Company's operating site is subject to an operation authorisation via prefectorial decree dated 26 October 2011, and likewise for the Mécabrive site, which is subject to an operation authorisation dated 28 October 1992. Moreover, a declaration of an installation classified for environmental protection (ICPE, *Installation classée pour la protection de l'environnement*), as provided for in Book V, Title 1 of the French Environmental Code (*Code de l'environnement*) was carried out on 19 December 2008 for the MTI site and renewed on 31 July 2014.

The Aulnat site is authorised to operate a production plant for aerospace parts by a prefectorial authorisation dated 5 July 2010 and a supplemental prefectorial decree dated 27 September 2011. These decrees cover all of the installations classified for environmental protection (ICPEs) for the site, and their validity is linked to site operation. As a result, all of the site's activities are monitored by a classified installation inspector, reporting to the DREAL Auvergne Rhône Alpes (DREAL: Direction régionale de l'environnement, de l'aménagement et du logement, regional directorate for the environment, development and housing). Within the SNAA, one person is in charge of monitoring environmental and regulatory issues.

The Group monitors environmental protection in its production operations and considers that the negative impacts of these activities are limited, taking into account its policies for managing water, energy and waste. The industrial and environmental policies of the Group aim to control the following main risks:

- the risk of fire and its eventual consequences on the affected site's operations or on its environment;
- the risk of soil and groundwater pollution.

The main Group companies have internal HSE units: 5 FTEs at FIGEAC AÉRO, 1 FTE at FGA TUNISIE, 1 FTE at Mécabrive, and 1 FTE at SN Auvergne Aero.

This risk management policy includes continuous improvement of fire protection on the sites, which are reviewed annually and subject to site visits. In this regard, two Company employees are in charge of the health and safety policy within the business and are in charge of:

- ensuring fire safety measures at the sites;
- implementing adequate preventive measures;
- implementing the Company's environmental policy and all preventive measures for noise pollution, as well as other types of pollution.

Moreover, the preventive measures in terms of soil contamination on older sites consist mainly of monitoring campaigns in cooperation with local authorities, as well as undertaking works to bring sites up to current standards.

In this respect, the Group's water consumption is mainly linked to its use as a refrigerant in several industrial processes. However, since the water is recycled, it limits the amount of water used and the possibility of polluting sources of groundwater. In terms of waste, the Company sorts it according to category (metal waste, non-hazardous waste, and hazardous waste). Metal waste is sold to an outside company. Other waste (oils, cardboard, paper, glass) is recycled. Hazardous waste is warehoused, identified as hazardous and monitored using a tracking form (*bordereau de suivi des déchets*, BSD). The Company works to reduce the volume of waste it produces, notably by limiting use of oil in its machines (bringing in a specialised company), and installing a compactor for aluminium cuttings.

Regarding materials handling related to its business activity, the Company can also be impacted by workplace accidents (held responsible, compensation paid). In 2013, to limit this risk, the Company implemented a "5S approach", and a "Quick Response Quality Control" (QRQC) method to help avoid accidents and improve management of the workplace (storage and sorting), access to it and the resolution of any problems that arise. Since 2014, there has been a focus on safety behaviour and a prevention campaign was rolled out. The Continuous Improvement service participates in this campaign to promote safety at work.

When risks are identified, actions are implemented to eliminate them or to diminish their occurrence. Each action is followed by a feedback assessment in order to verify that it is sufficiently effective in protecting employees. Two nurses and workplace emergency first responders are also on site to contribute to prevention and to identify workstations with risks for employees.

In its MTI subsidiary, the Group has also set up specific zones for parts storage or cleaning in order to limit risks related to workplace safety (spaces being blocked, crossings, slips and falls).

Despite the measures taken to prevent all workplace accidents, the Company is still exposed to the risk that they may occur. Moreover, changes in regulations and increasingly demanding security and environmental standards could create cost increases linked to their implementation, which could have an impact on the Company's financial situation. If the Company is unable to comply with the laws or regulations related to these risks, it could be held responsible, whether in a civil or a criminal suit, which could have a negative impact on its business, its financial situation, and its reputation.

The reader may refer to the CSR section of the financial report.

1.2.26.3 Credit and/or counterparty risks

The Group has relationships with numerous third parties, including its customers and suppliers. These third parties can, each to differing degrees, present counterparty risks for the Group. However, the Group considers that it is only exposed to a very limited counterparty risk for the following reasons:

- export customers are handled through factoring contracts and, for those that are not, the Group reviews their financial situation annually;
- domestic customers are handled through factoring contracts;
- the Group monitors a limited number of subcontractors and suppliers that are considered strategic for the Group (see Section 4.2.5 above);
- the Group's main customers are large international groups such as Airbus, Stelia Aerospace, Safran and Spirit Aerosystems which have solid financial structures.

A table showing the breakdown of trade receivables by maturity at 31 March 2018 is presented in Note 7.

The Group has limited exposure to credit risk given the business sectors of the main counterparties, and the solvency of its main customers. Total revenue from the five largest customers accounts for 74.53% of overall revenue. The largest customer in terms of revenue represents 24% of the Group's overall business activity.

The Group foresees no default of a third party that could have a material impact on its non-provisioned mature assets.

Furthermore, given that each customer represents a significant percentage of its customer accounts, the Group is exposed to an insolvency risk or a risk of late payment from any one of them. A problem collecting trade receivables from one of the customers could have an impact on the Group's financial situation and operating income. However, given the profile of its customers, made up of large international groups such as Airbus, Stelia Aerospace, Safran and Spirit Aerosystems, which have solid financial structures, the Group believes that the risk of financial default by a customer is low. Nevertheless, in its factoring contracts, the Group has insurance covering the default risk of customers under those contracts.

1.2.26.4 Operational risks

A. Risk linked to changes in the economic environment

Macroeconomic assumptions and assumptions for aerospace programmes set by the Group take into consideration the economic conditions observed on the date of this report, and are taken into account in budget preparation and for the multi-year forecast.

If economic conditions should worsen, assumptions and action plans will be adjusted according to the newly forecast production rhythms. An unfavourable economic environment could have a negative impact on the Group's level of business activity. The change in global GNP has a direct impact on demand in the air transport sector, the latter determining the level of demand on the market for commercial aircraft for passenger transport. To be able to meet these changes in demand from the airline companies, manufacturers may modify their rhythm of production, which would have a direct impact on the level of business activity in original equipment of their aerospace equipment suppliers, the Group being one of these.

B. Risks linked to the cyclical nature of the aerospace market

The rhythm of orders follows cyclical trends related to changes in passenger demand for air transportation, seat occupancy rates, airfare policies of airline companies, and fuel costs. It is also linked to the ageing and renewal of aircraft fleets, equipment decisions, the financial health of airline companies, and in general, the development of international trade. A cycle is made up of a period of a strong rise in delivery rhythms, followed by a stable period, or a decrease. The Group's activity is a direct result of the delivery rhythms of aircraft manufacturers, and any changes they make may have an impact on its level of business activity and affect its financial situation.

Moreover, exceptional events (terrorism, pandemics, air catastrophes, meteorological conditions, energy price increases, labour movements, political problems) can have a significant, albeit temporary, effect on air traffic, and consequently affect the aerospace equipment market.

However, certain market characteristics make it possible to lessen the impact of significant economic fluctuations, such as:

the depth of current order books, in the order of nine years for aircraft seating over 100 passengers, mean extremely long delivery lead times for airline companies;

each company has its own specific characteristics for its fleet (layouts, dedicated wiring systems); consequently, any change in aircraft production plans by the manufacturers has to be planned several months in advance.

The visibility that the aircraft manufacturers have in the sector over the short and medium term automatically affects their equipment sub-contractors, of which the Group is one.

The Group, with its production capacity, technical expertise and its compliance with rigorous production quality standards, also enjoys a certain degree of security in terms of revenue, two-thirds of which comes from long-term contracts. The Group is generally authorised to furnish any given part or sub-assembly over the entire duration of the programme (i.e., thirty to forty years), as long as the quality of the parts it furnishes remains compliant with the technical specifications.

C. Risk of programme and production delays

Aircraft manufacturers may encounter difficulties in terms of complying with their programme calendar. Delays in production planning for new aircraft can lead the Group to hold inventory from studies and development for a longer period, causing postponement of delivery and having an impact on the pace of revenue production. Moreover, assumptions for sales and profitability that the Group has used may in fact not come to pass. Delays and programme timing differences may then have a significant impact on the profit margin forecast at the initial analysis of the construction contracts.

In this regard, the Group's experience and expertise give it a practical advantage in anticipating programme delays. Furthermore, the repayable advances obtained help to reduce this risk since the repayments are tied to deliveries made. The

Group can also, from time to time, be called on to open negotiations with its customers that allow it to reduce this risk. These negotiations allow it to support and secure financing for the related programmes.

Moreover, a delay in the production of its products could also have a negative impact on the business, financial situation, income and reputation of the Group, it being specified that this risk is very low from a practical standpoint, given the Group's OTD (On Time Delivery) ratio, which is 91% on average for the financial year ended 31 March 2018.

D. Risks related to the quality control of goods

The manufacturer is committed to delivering an aircraft that is airworthy. In case of failure, the Company, as a supplier, could be held responsible because of its products.

What is more, the Group's companies are regularly audited by customers concerning the compliance of the products delivered. As part of these audits, the quality organisation (quality management system, compliance with the Group's quality standards, application of quality assurance plans, management plans, and plans for compliance with manufacturing processes) is audited. Eventual shortcomings in compliance with the quality standards required by customers can (i) create new expenses if corrective action has to be taken, or (ii) have an unfavourable impact on the Group's business activity, its commercial development, and its reputation if they are not subject to appropriate corrective measures.

Since the Group only has limited control of its partners, it cannot guarantee that the sub-contractors respect or will respect the quality standards its customers require, or local applicable regulations.

In order to reduce these risks, the Group has implemented very rigorous quality standards (choice of suppliers, internal quality control procedures) that allow it to ensure delivered product reliability that is beyond reproach. The overall quality system for all companies in the Group is therefore ISO 9001/EN 9100 certified (except for MTI, whose system is only ISO 9001 certified).

The Group has taken also out insurance cover for risks related to the products. The Company believes that its current insurance cover (which meets customer requirements) is sufficient to face possible legal action engaging its responsibility. If it is held liable, and it is not able to maintain appropriate insurance cover at an acceptable rate, or to find means to face legal actions engaging its responsibility related to its products, this could significantly affect sales of its products, and more generally, have a negative impact on its business activity, income, financial situation, development, and its growth outlook.

However, this risk is very low from a practical standpoint given the defect rate measured by the Company, which was 1,497 PPM on average over the financial year ended in March 2018 (PPM: "Parts Per Million", unit of measure of the number of non-compliant parts detected per million parts) versus 1,750 PPM on average in the financial year ended March 2017.

E. Raw materials risk

The Group is exposed to a raw materials risk for the following: aluminium for 47% of the value of raw materials purchased (purchased as sheets and forged), titanium for 49% of the value of raw materials purchased (purchased as sheets and forged), and other metals for 4% of the value of raw materials purchased. In order to limit risks related to raw materials, supplies are mainly covered by contracts arranged by the major customers (combids, enablement), which allow the Group to purchase raw materials from a supplier under financial and logistical conditions previously negotiated by the major customer. In addition, these supplies are secure, since they are managed by customers (booking of production capacity handled directly with the suppliers).

On average, 76% of the value of raw materials purchased are purchased under the combid scheme and consequently carry no price risk for the Group. Only 24% of Group purchases are carried out on the market.

Proportion of raw material purchases carried out on *combid* and carried out via tenders

Raw materials	*Purchasing Portion*	*Purchases carried out in combid*	*Purchases carried out outside of* combid (tenders)
Aluminium	47%	66%	34%
Titanium	49%	86%	14%
Other metals	4%	78%	22%
Total	**100%**	**76%**	**24%**

Consequently, the Group faces a limited risk of raw materials price changes (covering 37% of its purchases) which, in addition, is covered by price revision clauses present in most of its contracts. Moreover, in order to avoid a negative impact on business activity or income caused by an increase in the price of raw materials, the Group informs its customers of said price increase and negotiates with the customers to take this increase into account prior to carrying out the purchase of raw materials.

The Group is also exposed to a raw materials availability risk. Therefore, outside of a purchase price increase, a lack of availability in these raw materials could have an impact on the Group's capacity to have a supply of these materials of sufficient quality and quantity. Delivery delays for purchases and defects in quality could create delays in manufacturing and have an impact on the Group's business activity. In this regard, it should be noted that the Group has implemented a key supply security policy using a Quality Service with a staff of sixty, and a Supplier Quality Assurance Service with a staff of nine.

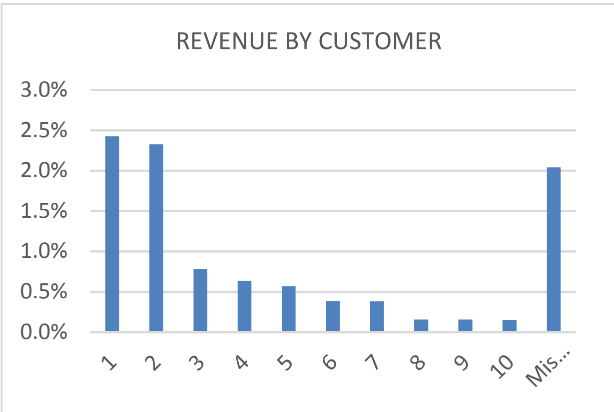
The Group is also unable to exclude the possibility of being left with unnecessary or obsolete inventory should deadlines be postponed. This could also include changes in the definition of parts, which could have a negative impact on its business activity. It should be noted, however, that such a risk is provisioned for. To limit the financial weight represented by warehousing raw materials, in June 2015 the Group concluded a partnership with AMI Metals Inc. in order to externalise the management of raw materials inventories.

F. Risk of dependency on certain customers

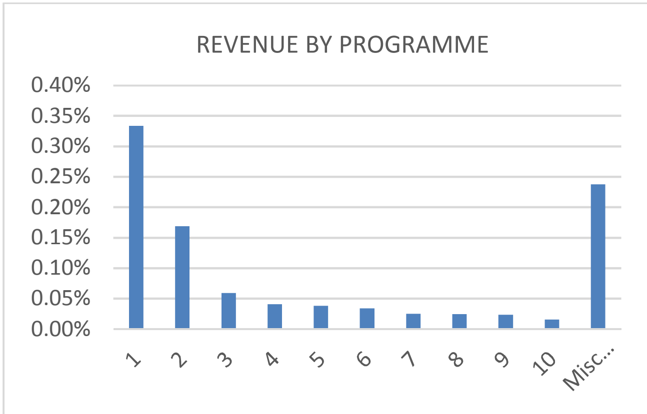
The Group's customer portfolio is mainly made up of manufacturers. The contribution to revenue of the five largest customers of the Company for the financial years ended 31 March 2016, 2017, and 2018 was respectively 65%, 62% and 74.53%, while over the same period the overall contribution to revenue of the ten largest customers of the Company represented respectively 80%, 75% and 80%.

Furthermore, the contribution to revenue of the five largest aerospace programmes for the Company for the financial years ended 31 March 2016, 2017, and 2018 was respectively 65%, 57%, and 64%, while over the same period the overall contribution to revenue of the ten largest aerospace programmes was respectively 72%, 74% and 72%.

Main customers:



Main programmes:



(Source: Group as at 31 March 2018)

The Group's main end-customers are:

for aircraft seating over 100 passengers: Airbus and Boeing, representing most of the global market, it being noted that 60% of the Group's revenue comes from its business with Airbus (vs. 56% in 2017), and 4.09% from Boeing programmes (vs. 3.05% in 2017) as at 31 March 2017;

for regional jets: Bombardier, Embraer and ATR;

for business jets: Dassault Aviation, Bombardier and Gulfstream;

for aircraft engines: General Electric, Rolls Royce and Snecma (Safran Group).

Moreover, Figeac Aéro also works with the following equipment manufacturers: Stelia Aerospace, Aircelle (Safran Group), Latécoère, Sogerma, Daher Socata, Spirit, Fokker, and GKN. It is possible that the Group might not succeed in retaining its main customers, or in expanding its business relations, as a significant part of its revenue comes from a limited number of customers.

Furthermore, given that each customer represents a significant percentage of its customer accounts, the Group is exposed to an insolvency risk or a risk of late payment from any one of them. A problem collecting trade receivables from one of the customers could have an impact on the Group's financial situation and operating income. However, given the profile of its customers, made up of large international groups such as Airbus, Stelia Aerospace, Safran and Spirit Aerosystems, which have solid financial structures, the Group believes that the risk of financial default by a customer is low. Nevertheless, in its factoring contracts, the Group has insurance covering the default risk of customers under those contracts.

Loss of a significant customer, non-renewal of contracts, and the significant decreases in revenue that result from these events, could impact the Group's financial situation and operating income. The Group's customers may cancel their orders, change order quantities, or slow their production. The Group may not be able to precisely forecast the demand for its products, and consequently may not be able to sell its inventory, or inversely, not be able to deliver to its customers.

G. Risk related to the competitive character of the aerospace industry market

The aerospace industry market is very competitive. Aircraft manufacturers choose their suppliers by composing supplier panels based on "key areas" of competence required of them (a high-performance, qualified quality system, as well as high-performance logistics and industrial organisations, and choice based on price), which significantly increases competition between suppliers, many of which are international players.

The supplier panel for the Group's customers is becoming more international and, in theory, allows them to aim for lower costs using entities in "best cost" regions. In this regard, the Group has a best cost structure for products that require the least engineering, in order to avoid any impact on the profit margin while still reducing the price of sale. However, as part of progress plans, the Group's customers can also decide to reduce their supplier panel, which could have an inflationary effect.

The supplier panel reduction policy also requires the Group to furnish services that provide increasingly greater degrees of completion, requiring complete control of the supply chain. Currently, though, the Group sub-contracts most of its surface treatment and painting services. Nevertheless, the Group recently decided to progressively bring this activity in-house, and the skills for this are currently located at the Mécabrive (for small-sized parts), FIGEAC AERO AUXERRE and the Wichita sites. The Morocco site also has the potential capacity for surface treatment, which could be a new competitive edge in winning new contracts.

More generally, since the aerospace industry market is global in scale, the Group is facing greater competition from new players on the market from China and South Korea. However, a new player on the market faces a certain number of barriers to entry that it has to clear:

- technological barriers: putting together an industrial environment that is able to meet the requirements of manufacturers takes time and calls for significant financial resources to acquire high technology equipment, and the creation of the industrial environment necessary, so that this equipment can operate;

- barriers in terms of expertise: high-performance equipment requires a level of knowledge that is difficult for operators, programmers and technical support to acquire rapidly;

- logistical barriers (transport costs): raw materials are produced in the West (Europe, United States) and therefore generate significant transport costs when sent to the Far East, as well as transport costs that are just as significant to return manufactured parts or sub-assemblies to the assembly plants in Europe or the United States. With ecological constraints, these costs will only increase in the future while the unit price of manufactured parts and sub-assemblies is expected to decrease;

the qualification of processes and quality, logistical and industrial organisation by manufacturers takes time and requires significant financial and human resources.

Faced with this intense competition, the Group feels that it has the necessary advantages for accelerating its development and reinforcing its current market position. In this context, the Group tirelessly pursues its objective to maintain and develop its technological advance using a sustained investment policy in terms of research and development. The efforts made by the Group have been recognised by Airbus, which added Figeac Aéro to its "detailed parts" panel, made up of twenty companies that are essential to Airbus for these components.

Nevertheless, the Group cannot exclude the possibility that new players come on to the market and take a relevant position, or that players already present on the market modify their current strategy and gain significant market share, which could automatically diminish the Group's market share.

H. Risks linked to technological advances

The aerospace industry market is subject to rapid and significant technological advances. The Group cannot assume that new technologies won't appear that create new machining processes that make its production equipment obsolete. Moreover, the Group is also exposed to the risk of competitors developing innovative products providing greater performance. This technological shortcoming may have an impact on the Group's business activity and income.

Even if there is a risk that composite parts progressively take the place of existing metallic parts, the portion of machined mechanical parts remains significant, including on new aircraft whose metallic components have been reduced. Thus, while the Airbus A320 has almost no composite structural components, the Boeing 787 uses composite structural components for about half of its construction. The Airbus A350, which is the Group's largest programme in terms of revenue, also has a higher portion of composites than the Airbus A320.

Nevertheless, production of aircraft with a significant proportion of metallic parts will continue in the coming decades, since each aircraft's characteristics are fixed for its entire life cycle. Development of composite structures therefore represents a loss of opportunity for the Group, but will have no impact on its current order book. In any case, the Group does not exclude the possibility of eventually positioning itself on the composite market segment in order to no longer be exposed to this risk.

The arrival of new machining technologies (such as the development of composite structures or "3D" printing) should only have a relatively small impact due to the time required for this technology to mature, which allows the Group to integrate it without compromising its economic situation.

In order to limit this risk, the Group has implemented a Technical Division in charge of monitoring technology and improvements in the machining process. The Group is also developing an investment policy for research and development. However, since the development of new technologies and products is complex and requires significant investments over the long term, the Group may experience delays in carrying out these developments and may bring to market a technology that is obsolete, or one that a competitor has already anchored well on the market. The Group may also develop goods based on a standard that will in the end not be the one used by the industry. Furthermore, the development costs may also be too high in relation to the price at which the Group could market these products. These circumstances may have an unfavourable impact on the Group's business activity, financial situation, income or reputation.

1.2.26.5 Liquidity risk

To support its business development and growth, the Company must finance a substantial production cycle where it may be required to strengthen its capital or use additional funding to ensure its development. The financing of the production cycle is carried out by assigning a portion of "Trade Receivables" assets to factoring companies. At 31 March 2018, the amount covered under factoring was €67 million. Thus the Group is exposed to a limited risk, given the quality of its customers in terms of outstanding payments. The factoring companies contractually limit the level of outstandings for certain customers.

The Group will continue to have significant financing needs for developing its technologies and for marketing its products. It could happen that the Group might not be able to finance its own growth in the future, which would lead it to seek other sources of financing, including via new capital increases for the Company.

The level of financing needs and its spread over time depend on elements that are largely outside of the Group's control, such as:

- higher costs and slower progress than forecast for research and development programmes;
- costs related to the preparation, filing, defending and maintaining of its patents and other intellectual property rights;
- costs to respond to technological developments on the market and to ensure manufacture and marketing of its products;
- new development opportunities for new products or for the acquisition of new technologies, products, or companies.

It is possible that the Company may not be able to obtain additional capital when it is needed, and the capital may not be available under financial conditions that the Company deems acceptable. If the necessary funds are not available, the Company may have to:

- delay, reduce or cancel research and/or investment programmes;
- obtain funds through industrial partnership agreements that could oblige it to give up rights to certain elements of its technology or some of its goods; or
- grant licenses or conclude agreements that could be less favourable for it than those that it could have obtained in a different context.

Financing through debt, when it is available, may furthermore have restrictive conditions and be costly.

At 31 March 2018, a single loan is subject to a covenant (see Section 1.2.11). The Company's future capacity to refinance or repay its loans according to the agreed methods will depend on its future operating performance. Non-compliance with contractual commitments (for example: not repaying on time, request for a debt standstill, irremediably compromised situation) may lead to an accelerated repayment of the loan amounts due, causing the opening of negotiations with creditor banks, the outcome of which is not guaranteed. However, the likelihood of such an occurrence is extremely low.

In this situation, the Company may be obliged to reduce or delay its investment spending, look for additional capital, or restructure its debt.

The occurrence of one or several of these risks may have a significant unfavourable effect on the business activity, financial situation, income, development, or outlook for the Company and for the Group.

The maturity of financial assets and liabilities at 31 March 2018 and 31 March 2017 is presented in Note 1.2.11.

The Company performed specific reviews of its liquidity risk and considers that it is able to honour the terms for future payments for the next 12 months.

1.2.26.6 Market risk

A. Interest rate risk

- The Group's debt is presented in Note 1.2.11 of the Notes to the consolidated financial statements.

  Interest rate exposures relate to receivables financing and the financing of a portion of term debt. Interest is calculated based on Euribor rates. Only a portion of these positions is covered for a significant increase in this index, through an interest rate swap.

B. Foreign exchange risk

The Group's operating and financial income and liquidities are subject to fluctuations in foreign exchange rates and, essentially, to fluctuations between the euro and the US dollar rates. A significant part of the Group's income and the payments of its suppliers are in US dollars, which is the reference currency in the civil aerospace sector. The dollar rate and its associated foreign exchange risk are consequently a part of the assumptions made for the construction contracts to determine the profit margin at completion. In addition, the Group also has customer receivables, trade payables, inventories and cash and cash equivalents in US dollars.

The fluctuations in the euro exchange rate (and more generally for the other currencies with which the Group pays its main manufacturing expenses) in relation to the US dollar can impact the Group's capacity to compete with its American competitors, as the prices of numerous goods in the civil aerospace sector are set in US dollars.

The Group's revenue, costs, consolidated asset and liability items accounted for in currencies other than the euro are converted into euros to produce the financial statements. Thus, the changes in value of these currencies in relation to the euro, and in particular the changes in the euro/ dollar exchange rate, may have a significant impact on the euro value of the Group's revenue and income.

It should be noted that the Group's revenue for the 2017-2018 financial year was 70% in US dollars (the consolidation of the companies in the former Auvergne Aero Group had a dilutive effect on invoicing in USD)

At 31 March 2018, FIGEAC AERO had invoiced its customers $293 million (+15%) at 1.167 US dollar for 1 euro and bought $123 million (+15%) from its suppliers.

In addition, in order to lessen its exposure to these fluctuations, and in particular, to follow the changes in the euro/dollar exchange rate, the Group's practice is to regularly take on hedges. It put in place a foreign exchange risk hedging policy with its banks to preserve its profitability and its cash and cash equivalents. This is detailed in Note Q.

The Company's profit or loss may be structurally strongly impacted by profit or loss from economic hedges that manage foreign currency exposure and changes in the fair value of the financial instruments due to:

- the nature of the derivatives used and the accounting policies for these derivatives under IFRS: Figeac Aéro mainly uses financial instruments that do not qualify for hedge accounting;

- the volume of hedging: the hedging commitments amounted to nominal $566 million for selling and $67 million for buying at 31 March 2018 and $457 million for selling and $255 million for buying at 31 March 2017;

- average maturity of the hedge instruments (two to four years);

- potential euro/ dollar exchange rate volatility.

Quantitative data relating to the analysis of the Group's exposure to foreign exchange risk are summarised below:

<table>
<tr><th>(in $ thousands)</th><th>Mar - 18</th><th>Mar -19</th><th>Mar - 20</th></tr>
<tr><td>Trade receivables</td><td>68,987</td><td></td><td></td></tr>
<tr><td>Trade payables</td><td>-24,470</td><td></td><td></td></tr>
<tr><td>Cash and cash equivalents</td><td>29,280</td><td></td><td></td></tr>
<tr><td>Net exposure on the balance sheet</td><td>73,796</td><td></td><td></td></tr>
<tr><td colspan="2">Projected transactions (seller)</td><td>339,711</td><td>417,915</td></tr>
<tr><td colspan="2">Projected transactions (buyer)</td><td>139,281</td><td>171,345</td></tr>
<tr><td>Net exposure on projected transactions</td><td></td><td>200,429</td><td>246,570</td></tr>
<tr><td>Forward foreign exchange contracts - CHF - nominal Sell</td><td colspan="2">140,142</td><td>75,750</td></tr>
<tr><td>Forward foreign exchange contracts - trading - nominal Sell</td><td colspan="2">124,972</td><td>225,400</td></tr>
<tr><td>Subtotal hedging contracts (seller)</td><td colspan="2">265,114</td><td>301,150</td></tr>
<tr><td>Foreign exchange contracts - CHF - nominal Buy</td><td colspan="2">-17,523</td><td>0</td></tr>
<tr><td>Forward foreign exchange contracts - trading - nominal Buy</td><td colspan="2">-14,640</td><td>-35,400</td></tr>
<tr><td>Subtotal hedging contracts (buyer)</td><td colspan="2">-32,163</td><td>-35,400</td></tr>
<tr><td>Net short exposure on projected transactions</td><td colspan="2">11,995</td><td>-19,180</td></tr>
</table>

The average forward price for hedge instruments is as follows:

- 2018/2019: €1 = 1.17;
- 2019 / 2020: €1 = 1.17.

Sensitivity analysis of the change in the euro/dollar exchange rate:

A change in the euro/dollar exchange rate would have an impact of €1.33 million on the statement of financial position at 31 March 2018 (excluding the impact of foreign exchange contracts).

Lastly, the Group now has an operating subsidiary in the dollar region (Figeac Aero North America, located in Wichita, Kansas in the United States) and an establishment in the dollar region in Mexico, which allows it to be more competitive in US dollars and to limit to a greater degree its exposure to changes in the euro/dollar exchange rate.

Risks linked to shares and other financial instruments

The Group only holds shares in Figeac Aéro, as part of the liquidity agreement implemented by the Company

(78,367 treasury shares at 31 March 2018). The impact of fluctuations in foreign exchange rates is thus considered very low. Furthermore, the Group does not have an investment portfolio that carries shares or other financial instruments, and deems that it is not exposed to market risk.

1.2.26.7 Legal risks

A. Risk linked to intellectual property

Due to a competitive market, the Group's commercial success depends, in part, on its capacity to maintain and protect its patents and other intellectual property rights such as trade secrets and its expertise.

Since it began, the Group has carried out a sustained strategy in research and development in order to develop, manage and innovate in the field of "machining processes". Moreover, starting several years ago, the Group has undertaken an active policy in managing industrial property, applying for patents for certain manufacturing processes.

However, despite the precautions taken, the Group may not be able to maintain adequate protection of its patents and, as such, may lose its technological and competitive advantage. The Group is not able to guarantee the outcome of its patent applications, which are subject to prior examination by the relevant intellectual property offices prior to an eventual delivery of the patent. In addition, even if delivered, the patents can always be "pushed forward" either by prior patent applications that were yet to be published, or by prior declarations of invention.

The Group is therefore exposed to a risk of legal challenge of anteriority or invalidation of patents that have been applied for. In this case, the Group may not be able to maintain its rights, which could have a significant impact on its business activity, financial situation, and development. Moreover, any violation of its intellectual property rights may generate expenses for the Group in order to resolve disputes with third parties. The Group is also exposed to the risk that its rights are not protected in certain countries.

In addition, the Group may see legal actions that accuse it of violating the intellectual property rights of third parties. These legal actions, a source of new expenses, may have negative impacts on the Group's income, reputation, and financial situation, and oblige it to conclude licensing contracts at unfavourable conditions or to stop production of the product that is the subject of the legal action.

B. Risks linked to the protection of information

The Group's business activity requires the processing of sensitive information. It cannot guarantee the infallibility of its system of protection, including when the distribution of sensitive information is the result of a cyberattack, a theft or any other intrusion. The loss of sensitive information may have a negative impact on the Group's reputation and financial situation, particularly in the case of legal actions carried out by the Company or against it.

In order to limit this risk, the Group has taken the necessary measures to ensure the security of its information system and its infrastructure (controlled user access, security system audit). The Information System Division defines the priorities and the actions to implement in order to reduce exposure to internal and external threats.

Furthermore, any interruption or failure in the information system may have a negative impact on the Group's production, income, and its financial situation. The Group has an integrated management system via an ERP ("Enterprise Resource Planning") software package. Resources have been put in place to respond to this risk of system failure (backup procedures, restart procedures).

There are three levels of backup on the Figeac site: a daily backup on magnetic tape, a weekly backup, and a monthly backup, which is entirely outsourced. The data collected is stored on three different servers, located off-site. Each Group site has a standalone backup system built according to the model used at the Figeac site.

In case of fire, a system enables a return to operations using the data recorded in the hours prior to the incident.

C. Litigation - Legal proceedings and arbitration

As of the date of this report, the Company is involved in four legal proceedings (labour disputes), which are detailed in Section 1.2.14 of the first part of this document. Due to its business activity and the size of its workforce, employment disputes are part of the Group's daily reality. However, the Company feels that the provisions made for the proceedings of which it is currently aware as of the date of the Prospectus are of a large enough amount that the Group's consolidated financial situation would not be significantly affected should an unfavourable outcome arise.

There are no other disputes or governmental, legal or arbitration proceedings, including any proceedings which are pending or with which the Group is threatened, likely to face, or to have faced over the last 12 months that are likely to have a significant effect on the Group's financial situation or profitability.

D. Risks linked to changes in legislation and tax policies

The Group does business in different countries and is subject to different national legislation and regulations. Monitoring of compliance with the different regulations, including adapting products to new standards, may have an impact on the Group's income, financial situation, and growth outlook.

In terms of taxation, the Group works to apply the interpretations given by its advisors or the recommendations of competent authorities. However, the Group cannot anticipate eventual changes to these interpretations.

Changes in legislation, tax policy and regulations, as well as non-compliance with standards, may have a material unfavourable impact on the Group, its business activity, financial situation, income, growth and outlook.

1.2.27 Subsequent events

Joint venture in China

During the aerospace trade show in Farnborough, Figeac Aéro and Shandong Nanshan Aluminium announced the official creation of their production unit: Nanshan Figeac Aéro Industry. This joint venture, with capital of $20 million provided over 36 months, financed by equity and co-owned at 50%, will produce medium- and large-size machined aluminium parts for the aerospace industry.

1.2.28 Statutory Auditors' fees

	Fees paid to Statutory Auditors and to members of their networks															
	FIDAUDIT				KPMG				MAZARS				Other Statutory Auditors			
	Amount (excl. tax)		%		Amount (excl. tax)		%		Amount (excl. tax)		%		Amount (excl. tax)		%	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017
Audit																
Statutory audit, certification, review of individual and consolidated financial statements																
Issuer	77 500	155 000	69%	89%	144 660	185 000	74%	100%	144 600		92%			0	0%	0%
Fully consolidated subsidiaries	34 150	19 820	31%	11%	33 000		17%	0%	3 000		2%		24 700	29 472	100%	100%
Other due diligence and services directly related to the mission of the Statutory Auditors																
Issuer			0%	0%	18 500			0%	10 000		6%					0%
Fully consolidated subsidiaries			0%	0%				0%			0%					0%
Subtotal	111 650	174 820	100%	100%	196 160	185 000	91%	100%	157 600	0	100%	0%	24 700	29 472	100%	100%
Other services provided by the networks to fully consolidated subsidiaries																
Legal, tax, social			0%	0%				0%			0%					0%
Others			0%	0%				0%			0%					0%
Subtotal		0	0%	0%				0%		0	0%	0%		0	0%	0%
TOTAL	*111 650*	*174 820*	*100,00%*	*100,00%*	*196 160*	*185 000*	*100,00%*	*100,00%*	*157 600*	*0*	*100,00%*	*0,00%*	*24 700*	*29 472*	*100,00%*	*100,00%*